

Thinkific Announces Third Quarter 2023 Financial Results and Provides Fourth Quarter 2023 Outlook

Thinkific achieves key milestone two quarters ahead of plan with Adjusted EBITDA⁽¹⁾ of \$0.7 million, a \$6.4 million improvement year-over-year

Third quarter revenue up 13% to \$15.0 million, well ahead of issued guidance

Customer success accelerates Thinkific with GMV⁽²⁾ up 13% year-over-year to \$110 million, driving Thinkific's Commerce Revenue up 86% year over year

Thinkific reports in U.S. dollars and in accordance with IFRS

VANCOUVER, BC, Nov. 6, 2023 /CNW/ - Thinkific Labs Inc. ("Thinkific" or the "Company") (TSX: THNC), a leading cloud-based software platform that enables entrepreneurs and established businesses of all sizes to create, market, and sell digital learning products, today announced its financial results for the quarter ended September 30, 2023.

THINKIFIC

"We are now seeing the payoff from our decisive actions over the last 18 months, resulting in our best quarter as a public company" said Greg Smith, CEO of Thinkific. "The milestone of Adjusted EBITDA⁽¹⁾ profitability was reached alongside strong revenue growth and a productive period for our team, where we delivered key product updates that will set the stage for continued profitable growth in 2024."

"I'm pleased with the early interest and feedback from our customers and partners from recent product launches, including our mobile app solutions, AI tools, The Leap, and valuable commerce tools. Our priorities remain steadfast on helping our customers succeed by making it easier to get started and earn their first dollar, providing tools that allow them to sell more, and supporting our larger customers' goals on Thinkific Plus." concluded Mr. Smith.

Third Quarter Financial Highlights

The below results include enhanced disclosure with revenue split between subscription and commerce streams, with an additional separation at the customer level between Self Service and Thinkific Plus customers.

- Commerce revenue increased 86% year-over-year to \$1.5 million, building on the success of Thinkific Payments and other recently launched commerce tools. Subscription revenue increased 8% to \$13.5 million.
- Total revenue increased 13% year-over-year to \$15.0 million compared with the third quarter of 2022, above our guided Q3 2023 range of \$14.5 - \$ 14.7 million.
- On a customer basis (inclusive of both subscription and commerce revenue), Self Service customer revenue grew 8% to \$11.8 million on a combination of increases in Thinkific Commerce and Paying Customers. Revenue from Plus customers increased 38% to \$3.2 million with new businesses leveraging our modern learning solution to retain and engage their customers.
- Gross margin was 77% in the third quarter of 2023, a slight increase from 76% recorded for the third quarter last year. Subscription margin is strong at 82% as we continue to find efficiencies in our infrastructure costs. Commerce revenue margin came in at 33%.
- Net loss for the third quarter of 2023 was \$0.9 million, compared to a net loss of \$10.7 million in the third quarter of 2022, a 91% improvement.
- Adjusted EBITDA⁽¹⁾ of \$0.7 million, a key milestone as we return to profitability and an improvement of 113% or \$6.4 million over the prior year.
- Total Paying Customers⁽²⁾ grew 3% to 34.4 thousand in the third quarter of 2023 compared to the prior year.
- ARPU⁽²⁾ increased 9% to \$145 per month compared with \$133 per month in the third quarter of 2022.
- ARR⁽²⁾ grew 7% to \$54.2 million from \$50.9 million in the third quarter of 2022, due to improvement in ARP⁽³⁾ and customer count.
- GPV⁽²⁾ processed through Thinkific Payments was \$35.2 million compared to \$17.7 million in the prior year, a 99% increase. Thinkific Payments is the largest component of our commerce revenue segment. GPV is the total dollar value of transactions processed using Thinkific Payments, and represented 32% of GMV processed during the quarter.
- GMV⁽²⁾ in the third quarter was \$110 million, up 13% compared to the third quarter of 2022. This is the fourth consecutive quarter of improving YoY growth, which signals a rising demand for digital learning products.

- Cash and cash equivalents were \$87 million at September 30, 2023. Cash earned from operations in the third quarter of 2023 totaled \$3.5 million.

"Our commitment to EBITDA profitability has paid off, and I'm immensely proud that we achieved this ahead of schedule and in combination with revenue growth and \$3.5 million earned in cash from operations. It's a testament to the exceptional teams we have throughout our organization," said Corinne Hua, CFO of Thinkific. "With our strong cash position, clear growth opportunities, and a large and growing market - we will help more customers succeed and continue to profitably grow our top line."

(1) Non-IFRS measure. See "Non-IFRS Measures" and the reconciliation to the most directly comparable IFRS measure.

(2) Key Performance Indicators. See definition in "Key Performance Indicators".

Third Quarter Operational Highlights

- Launched new commerce tools to help our customers sell more, including:
 - An automated sales tax solution, powered by Stripe, which removes the complexity and confusion associated with sales taxes for our Thinkific Payments customers, allowing them to focus on growing their business rather than tracking and remitting taxes.
 - Providing Buy Now, Pay Later (BNPL) credit options through providers Affirm, Klarna and Afterpay, Thinkific's BNPL functionality allows customers to more easily sell higher-priced products, and provide their students with more flexible payment options.
 - Advanced analytics capabilities that provide our customers with deeper insights into their enrollments, orders, student and course engagement, revenue and bottom line business performance, so they and their teams can track ROI and make smart, informed decisions to grow and scale their businesses quickly and effectively.
- Expanded availability of our customizable App Building Solution 'Branded Mobile' to all customers. This offering provides students with an app-based learning environment that suits their lifestyle and is accessible on the devices they use most, which leads to better engaged communities and higher sales, driving more revenue for our customers.
- Recognized by The Globe and Mail publication, Report on Business as one of Canada's Top Growing Companies in 2023, our fourth consecutive year on this prestigious list. Recognized by Business in Vancouver, BIV News as #7 on the Top 100 Fastest Growing Companies, a list ranked by percentage growth in revenue between 2018 and 2022.

Subsequent to Quarter End

- Launched the The Leap by Thinkific, a powerful AI tool for content creators and influencers that makes it easy to build, promote and sell exceptional digital products in minutes. The Leap has already seen more than 6,500 new accounts created.
- Hosted the Fifth annual 'Think in Color' Summit, held in October, in LA, which attracted a host of entrepreneurs and small and medium business participants both in person and via event content made available online On Demand. A speaker lineup of 100% people of color delivered personal insights on all aspects of creating, marketing, and scaling online courses and digital product-based businesses.
- Recognized for our strong culture and commitment to building an exceptional team at Thinkific as a Certified Great Place to Work® for the third year, after a thorough, independent analysis conducted by Great Place to Work Institute® Canada. The certification is based on direct feedback from Thinkific employees, provided as part of an extensive and anonymous survey about our workplace experience and culture.
- On October 27th, 2023 the Company filed a renewal of a preliminary base-shelf prospectus to offer up to C\$300 million of subordinate voting shares, preferred shares, debt securities, warrants, subscription receipts, and/or units, or any such combination from time to time over a 25-month period.

(1) Non-IFRS measure. See "Non-IFRS Measures" and the reconciliation to the most directly comparable IFRS measure.

(2) Key Performance Indicators. See definition in "Key Performance Indicators".

Outlook

For the fourth quarter of 2023, the Company expects Revenue of \$15.2 million - \$15.4 million. We expect Adjusted EBITDA⁽¹⁾ to remain profitable and are not targeting an increase to Adjusted EBITDA⁽¹⁾ in the near term as we make planned investments for growth.

Actual results may differ materially from Thinkific's financial outlook as a result of, among other things, the factors

described under "Forward-Looking Statements" below.

Quarterly Conference Call and Webcast Information

A conference call will be held at 2:30 PM PT (5:30 PM ET) on November 7, 2023 to discuss Thinkific's third quarter financial and operational results. To participate in the call, please dial 1.888.664.6383 (US/Canada toll-free) or 1.416.764.8650 (International/Toronto). For those unable to participate, a replay will be available from 4:30 PM PT (7:30 PM ET) on November 7, 2023 by dialing 1.888.390.0541 (US/Canada toll-free) or 1.416.764.8677 (International/Toronto). The passcode is 036797#. The replay will expire at 8:59 PM PT (11:59 PM ET) on November 14, 2023. The conference call will also be available via webcast on the Investor Relations section of Thinkific's website at investors.thinkific.com/events-and-presentations.

Thinkific's unaudited consolidated financial statements and accompanying notes, and Management's Discussion and Analysis for the three months ended September 30, 2023 are available on the Company's website at www.thinkific.com and on SEDAR at www.sedar.com.

About Thinkific

Thinkific (TSX:THNC) makes it simple for Creator Educators and established businesses of any size to scale and generate revenue by teaching what they know. Our Platform gives businesses everything they need to build, market, and sell digital learning products - from courses to communities - and to run their business seamlessly under their own brand, on their own site. Thinkific's 50,000+ active customers earn hundreds of millions of dollars in direct course, membership and community sales while teaching tens of millions of students. Thinkific is headquartered in Vancouver, Canada, with a distributed team.

For more information, please visit www.thinkific.com.

(1) Non-IFRS measure. See "Non-IFRS Measures" and the reconciliation to the most directly comparable IFRS measure.

Non-IFRS Measures

The information presented within this press release includes "Adjusted EBITDA" and certain industry metrics. The "Adjusted EBITDA" is not a recognized measure under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, does not have a standardized meaning prescribed by IFRS, and is therefore unlikely to be comparable to similar measures presented by other companies. Rather, this measure is provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, it should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We also use certain industry metrics: "Annual Recurring Revenue", "Paying Customers", "Average Revenue per User", "Gross Merchandise Volume" and "Gross Payments Volume". These industry metrics are unaudited and are not directly derived from our financial statements. The non-IFRS measure and industry metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures and industry metrics in the evaluation of issuers. Our management also uses the non-IFRS measure and industry metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

"Adjusted EBITDA" is defined as net income (loss) excluding taxes, interest, depreciation and amortization (or EBITDA), as adjusted for stock-based compensation, foreign exchange loss (gain), net finance (income) expense, restructuring costs and loss on disposal of property and equipment. Adjusted EBITDA does not have a standardized meaning under IFRS and is not a measure of operating income, operating performance or liquidity presented in accordance with IFRS, and is subject to important limitations.

Please refer to "Reconciliation to IFRS from Non-IFRS measures" in this press release for more information.

Key Performance Indicators

We monitor the following industry metrics to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions: "Annual Recurring Revenue" or "ARR", "Average Revenue per User" or "ARPU", "Gross Merchandise Volume" or "GMV", "Paying Customers" and "Gross Payments Volume" or "GPV". Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

"Paying Customers" is the count of unique Thinkific subscribers on paid plans as of period end, excluding all trial and

free customers, and including both monthly and annual subscribers.

"ARPU" is the average monthly Revenue per Paying Customer in the quarter. ARPU is calculated by taking the average Revenue for each month in the quarter and dividing this by the average number of Paying Customers for the same quarter.

"ARR" is the annual value of all current Paying Customer subscriptions at the end of the period, with the number of Paying Customers multiplied by 12 times the average monthly subscription plan fee in effect on the last day of that period.

"GMV" is the total dollar value of all transactions of course sales, membership subscriptions, or other products or services by our customers, facilitated through our platform during the period, net of refunds. GMV does not include transactions for course sales, membership subscriptions, or other products or services processed by APIs or certain apps where the Company does not record the transaction value.

"GPV" is the total dollar value of transactions processed using Thinkific Payments in the period, net of refunds and inclusive of sales taxes where applicable. GPV does not represent revenue earned by us. We believe that growth in GPV is an indicator of success of our customers in monetizing their learning products and of our Thinkific Payments offering. It is also a positive growth driver of revenue, which is derived from payment processing fees. Revenue earned from Thinkific Payments is included in our commerce revenue.

Forward-Looking Statements

This press release includes forward-looking statements and forward-looking information within the meaning of applicable securities laws in Canada. Forward-looking statements and information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "trends", "directional indicator", "indicator", "future success", "expects", "is expected", "opportunity", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "scalability", "trajectory", "prospects", "strategy", "intends", "anticipates", "adoption", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will", "occur" or "be achieved", and similar words, or the negative of these terms and similar terminology. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. Forward-looking statements in this press release include, but are not limited to statements regarding our financial position, management's ability to effectively invest, increase business efficiencies necessary to build and maintain a sustainable cost structure; business strategy, budgets, operations, investments, financial results, our ability to retain a profitable Adjusted EBITDA run rate, plans and objectives around growth and profitability; industry trends; growth in our industry; our growth rates and growth strategies including product-led growth strategy through the introduction of additional features to support the success of our Creators; addressable markets for our solutions; customer acquisition improvements; the achievement of advances in and expansion of our offered platform service (defined as "Thinkific Platform" and "Our Platform" in the 2022 Annual Information Form); the roll-out, development and success of new products, features, and services; the expectations regarding our revenue and the revenue generation potential of Our Platform and other products; and Thinkific's commitment towards strong corporate governance, the expected benefits from the collective experience of the company's board directors, their experience and skill set as a member of the board of directors and the expected benefits that board directors may bring to position the Company for greater success and value creation in the future; and our competitive position in our industry.

Forward-looking statements and information are based on our opinions, estimates and assumptions that, while considered by the Company to be appropriate and reasonable as of the date of this press release, are subject to known and unknown risks, uncertainties, and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including, but not limited to, the Company's ability to execute on its growth strategies; the impact of changing conditions and increasing competition in the global e-learning market in which the Company operates; the Company's ability to keep pace with technological and marketplace changes including, but not limited to the ethical, legal and regulatory implications in the advancement and potential use of artificial intelligence; fluctuations in currency exchange rates and volatility in financial markets; changes in attitudes, financial condition and demand of our target market; developments and changes in applicable laws and regulations; and such other factors discussed in greater detail under the "Risk Factors" section of our Annual Information Form ("AIF").

Forward-looking statements and information are necessarily based upon estimates and assumptions, which are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are

beyond the Company's control and many of which, regarding future business decisions, are subject to change. Assumptions or factors underlying the Company's expectations regarding forward-looking statements or information contained in this press release include, among others: our ability to continue investing in infrastructure to support our growth and brand recognition; our ability to continue maintaining, innovating, improving and enhancing our technological infrastructure and functionality, performance, reliability, design, security and scalability of our Platform (as defined in our AIF); our ability to maintain existing relationships with Creators (as defined in our AIF) and to continue to expand our Creators' use of our platform; our ability to acquire new Creators; our ability to maintain existing material relationships on similar terms with service providers, suppliers, partners and other third parties; our ability to build our market share and enter new markets and industry verticals; the continued development, rollout, integration and success of new products, features, and services; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion and growth plans; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards. The foregoing list of assumptions cannot be considered exhaustive.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information provided herein. The opinions, estimates or assumptions referred to above are described in greater detail in "Summary of Factors Affecting our Performance" and in the "Risk Factors" section of our 2022 Annual Information Form, which is available under our profile on SEDAR at www.sedar.com, should be considered carefully by prospective investors. Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material, that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. No forward-looking statement is a guarantee of future results. Accordingly, you should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this press release represents our expectations as of the date specified herein, and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

All of the forward-looking information contained in this press release is expressly qualified by the foregoing cautionary statements. Readers are cautioned that any such forward-looking information should not be used for purposes other than for which it is disclosed.

THINKIFIC LABS INC.

Condensed Interim Consolidated Statements of Financial Position (unaudited)
(expressed in U.S. dollars)

	September 30, 2023	December 31, 2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	86,590,830	93,846,091
Trade and other receivables	3,535,509	2,712,671
Prepaid expenses and other assets	3,718,860	1,797,108
Contract acquisition assets	451,887	322,643
Lease receivable	164,987	—
Total current assets	94,462,073	98,678,513
Property and equipment	956,879	1,507,600
Lease right-of-use assets	909,851	2,005,835
Contract acquisition assets	762,333	660,185
Intangible assets	111,716	118,275
Lease receivable	40,648	—
Total assets	97,243,500	102,970,408
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	5,094,182	4,927,349
Lease liabilities	536,830	443,928

Deferred revenue	9,755,792	8,238,516
Total current liabilities	15,386,804	13,609,793

Lease liabilities	601,928	1,512,180
Total liabilities	15,988,732	15,121,973

Shareholders' equity

Share capital	148,249,091	146,179,189
Contributed surplus	8,342,973	6,925,869
Accumulated other comprehensive loss	(38,113)	(38,113)
Accumulated deficit	(75,299,183)	(65,218,510)
Total shareholders' equity	81,254,768	87,848,435
Total liabilities and shareholders' equity	97,243,500	102,970,408

THINKIFIC LABS INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)

(expressed in U.S. dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenue	14,951,456	13,262,961	43,480,537	37,668,080
Cost of revenue	3,460,731	3,173,436	10,587,284	9,317,792
Gross profit	11,490,725	10,089,525	32,893,253	28,350,288
Operating expenses				
Sales and marketing	4,890,013	6,831,695	15,920,421	19,534,728
Research and development	4,485,449	6,434,427	14,668,258	21,512,386
General and administrative	3,325,937	3,771,793	11,736,164	12,872,112
Restructuring	(184,534)	—	3,001,432	2,287,885
Total operating expenses	12,516,865	17,037,915	45,326,275	56,207,111
Operating loss	(1,026,140)	(6,948,390)	(12,433,022)	(27,856,823)
Other income (expenses)				
Foreign exchange gain (loss)	(698,871)	(4,107,695)	(78,410)	(5,623,753)
Finance income (expense)	913,058	398,319	2,580,385	725,197
Loss on disposal of property and equipment	(119,921)	—	(149,626)	—
Total other income (expenses)	94,266	(3,709,376)	2,352,349	(4,898,556)
Net loss and comprehensive loss	(931,874)	(10,657,766)	(10,080,673)	(32,755,379)
Weighted average number of common shares outstanding - basic and diluted	81,014,982	79,492,994	80,281,620	78,403,453
Loss per share				
Basic and diluted	\$ (0.01)	\$ (0.13)	\$ (0.13)	\$ (0.42)

THINKIFIC LABS INC.

Condensed Interim Consolidated Statements of Cash Flows (unaudited)

(expressed in U.S. dollars)

Nine months ended

September 30,
2023 **2022**
\$ **\$**

Cash from (used in):

Operating activities

Net loss	(10,080,673)	(32,755,379)
Items not affecting cash and cash equivalents:		
Depreciation and amortization	1,023,069	867,961
Loss on disposal of property and equipment	149,626	—
Stock-based compensation	4,349,942	2,122,753
Unrealized foreign exchange loss	67,151	5,664,802
Finance expense	73,679	71,402

Changes in non-cash working capital:

Trade and other receivables	(822,838)	(1,483,091)
Prepaid expenses and other assets	(2,002,761)	280,157
Contract acquisition assets	(516,970)	(496,498)
Accounts payable and accrued liabilities	(198,243)	496,949
Deferred revenue	1,517,276	1,827,846

Cash used in operating activities **(6,440,742)** **(23,403,098)**

Investing activities

Proceeds on disposal of property and equipment	70,974	—
Investment in property and equipment	(17,604)	(1,229,571)
Investment in intangible assets	—	(11,984)

Cash from (used in) investing activities **53,370** **(1,241,555)**

Financing activities

Operating lease payments	(390,208)	(396,436)
Payments received on net investment in finance lease	40,107	—
Exercise of stock options	211,162	267,885
Tax remittances on stock based compensation	(704,368)	—

Cash used in financing activities **(843,307)** **(128,551)**

Effect of foreign exchange on cash and cash equivalents	(24,582)	(5,923,297)
Decrease in cash and cash equivalents	(7,255,261)	(30,696,501)
Cash and cash equivalents, beginning of period	93,846,091	126,054,833
Cash and cash equivalents, end of period	86,590,830	95,358,332

Reconciliation from IFRS to Non-IFRS Measures (unaudited)

(expressed in thousands of U.S. dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
	(In thousands of U.S. dollars)			
Net loss and comprehensive loss	(932)	(10,658)	(10,081)	(32,755)
Stock-based compensation	1,624	956	4,350	2,123
Depreciation and amortization	326	317	1,023	868
Foreign exchange (gain) loss	699	4,108	78	5,624

Finance income	(913)	(398)	(2,580)	(725)
Restructuring costs ⁽¹⁾	(185)	—	3,496	2,875
Loss on disposal of property and equipment	120	—	150	—
Adjusted EBITDA	740	(5,675)	(3,564)	(21,991)

(1) Represents employee compensation for severance amounts for Company wide restructurings in the first quarters of 2023 and 2022. Credit relates to accrual reversal due to employees with termination dates in the third quarter of 2023 being retained by the Company.

SOURCE Thinkific Labs Inc.

<https://investors.thinkific.com/2023-11-07-Thinkific-Announces-Third-Quarter-2023-Financial-Results-and-Provides-Fourth-Quarter-2023-Outlook>