

Thinkific Announces Second Quarter, 2024 Financial Results

*Q2 2024 Revenue of \$16.2 Million Grows 12% Versus Q2 2023
Continued Strength in Thinkific Commerce and Thinkific Plus Which Grew at 69% and 28% Respectively
Thinkific Forecasts Revenue Growth to Accelerate Beginning in Q3*

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

VANCOUVER, BC, Aug. 7, 2024 /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 June 30, 2024.

"I am pleased with our performance in the second quarter; demonstrating the continued success of our nearer-term growth drivers of Plus and Commerce." said Greg Smith, CEO of Thinkific. "Investments made to help our customers succeed and grow their businesses are paying off as we see increasing adoption of our Commerce solution, greater interest levels from Corporations who are looking to transform their businesses using Thinkific Plus, as well as strong user growth of The Leap. In the quarter, new key executives were hired to further drive innovation and expansion in the business. We built momentum as we progressed through the quarter, and I believe we are now in a position to accelerate revenue growth in the second half of the year."

Second Quarter Financial Highlights

- Total revenue increased 12% to \$16.2 million, compared with the second quarter of 2023, within our guided range of \$16.1 million - \$16.4 million.
 - Commerce revenue increased 69% to \$2.2 million, compared with the second quarter of 2023, building on the success of Thinkific Payments as we benefit from growing GMV(1) and increased penetration of Thinkific Commerce.
 - Subscription revenue increased 7% to \$14.0 million, compared to the second quarter of 2023.
 - On a customer group basis (inclusive of both subscription and Commerce revenue), Thinkific Plus grew 28% to \$3.7 million and Self Serve revenue increased 8% to \$12.5 million.
- Gross margin remained consistent at 75% for both the second quarter of 2024 and 2023.
- Net income for the second quarter of 2024 was \$0.9 million compared to a net loss of \$2.1 million for the second quarter of 2023, representing an improvement of \$3.1 million. Earnings per share (basic and diluted) for the second quarter of 2024 was \$0.01 compared to loss per share of \$0.03 for the second quarter of 2023.
- Adjusted EBITDA(1) of \$0.9 million remained positive for the fourth consecutive quarter compared to negative Adjusted EBITDA(1) of \$1.2 million in the second quarter of 2023, representing an improvement of \$2.1 million.
- ARR(2) grew 7% to \$57.0 million in the second quarter of 2024 from \$53.3 million in the second quarter of 2023, driven by strong growth in Thinkific Plus tempered by Self Serve which was relatively flat.
- ARPU(2) increased 10% to \$155 per month compared with \$141 per month in the second quarter of 2023 due to strong growth in Thinkific Plus and continued success of Thinkific Commerce.
- Total Paying Customers(2) grew 2% to 34.9 thousand in the second quarter of 2024 compared to the same period of the prior year.
- GPV(2) processed through Thinkific Commerce increased 40% to \$43.9 million in the second quarter of 2024 compared to \$31.4 million in the same period of the prior year. Penetration rate increased to 40% in the second quarter of 2024 compared to 30% in the same period of the prior year.
- GMV(2) in the second quarter of 2024 was \$111.1 million, up 4% compared to the second quarter of 2023.
- Cash and cash equivalents were \$48.6 million at June 30, 2024, representing a \$38.0 million decrease from \$86.6 million at December 31, 2023, which related to the closing of the Substantial Issuer Bid ("SIB") to repurchase for cancellation 12,857,795 shares for a total of \$36.0 million, coupled with the repurchase and cancellation of 1,218,028 shares for a total of \$3.1 million under our Normal Course Issuer Bid ("NCIB").

"We had a strong close to the second quarter which saw record new customer bookings in Plus, and a significant acceleration in the adoption of Thinkific Commerce Platform at the end of the quarter." said Corinne Hua, CFO of Thinkific. "We expect acceleration in the top line growth rate for Q3, and we will continue investing in our growth initiatives while remaining committed to Thinkific's strategy of profitable growth."

Second Quarter Operational Highlights

- Introduced The Leap Pro and Elite, which marks our initial steps in monetizing this product after a highly successful beta launch which has already surpassed 30,000 accounts and incorporates AI features that allow Social-First Creators to quickly start their online businesses.

- Released significant enhancements to "Digital Downloads", a feature that makes it easier for Creators to start their business by allowing them to offer a multitude of digital learning products including eBooks, PDFs and spreadsheets.
- Included a set of new APIs that enable a suite of new use cases and opportunities for customization, integration and automation.
- Added AI-powered "Thinkific Funnels" to allow customers to build and customize marketing or sales journeys and more intuitively generate revenue and nurture their audience.
- Thinkific built SCORM (Sharable Content Object Reference Model) functionality, a set of e-learning technical standard that ensures content can be seamlessly integrated across various LMSs, making it easier to migrate to Thinkific from other platforms and provides access to content editing tools to enhance student experiences.

Subsequent to Quarter End

- On July 3, 2024, the Company implemented a gateway fee on third-party payment providers as a means to begin the conversation of introducing customers to Thinkific Commerce. The fee also covers the cost of third-party integrations to continue providing customers with a choice.

The Company's CEO does not intend to continue his automated plan for selling shares that commenced in June 2023 and set to expire in August 2024, He has further confirmed that he will not proceed with a subsequent plan that was approved by securities regulators in May 2024.

Outlook

For the third quarter of 2024, the Company expects revenue of \$17.0 - 17.3 million, which represents 14%-16% growth in Q3. We are committed to maintain positive Adjusted EBITDA(1), however, we do plan to continue our growth-focused investments through the rest of the fiscal year.

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.

(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".

Quarterly Conference Call and Webcast Information

A conference call will be held at 5:00 PM ET (2:00 PM PT) on August 7, 2024 to discuss Thinkific's first 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 an hour after the event by dialing 1.888.390.0541 (US/Canada toll-free) or 1.416.764.8677 (International/Toronto). The passcode is 635430 #. The replay will expire at midnight ET on August 14, 2024. 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 audited consolidated financial statements and accompanying notes, and Management's Discussion and Analysis for the year ended December 31, 2023 are available on the Company's website at www.thinkific.com and on SEDAR+ at www.sedarplus.ca.

About Thinkific

Thinkific (TSX:[THNC](https://www.thinkific.com)) 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.

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 loss excluding taxes, interest, depreciation and amortization (or EBITDA), as adjusted for stock-based compensation, foreign exchange (gain) loss, finance income, restructuring costs, and (gain) 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 our product-led growth strategy through the introduction of additional features to support the success of our customers; 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 2023 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 including The Leap, the Spotify pilot; 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 customers (as defined in our AIF) and to continue to expand our customers' use of our platform; our ability to acquire new customers; 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 2023 Annual Information Form, which is available under our profile on SEDAR+ at www.sedarplus.ca, 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 thousands of U.S. dollars)

	June 30, December 31,	
	2024	2023
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	48,565	86,611
Trade and other receivables	4,908	4,097
Prepaid expenses and other assets	3,929	3,174
Contract acquisition assets	601	528
Lease receivable	78	165
Derivative asset	—	570
Total current assets	58,081	95,145
Property and equipment	765	853
Lease right-of-use assets	617	812
Contract acquisition assets	889	875
Intangible assets	144	110
Total assets	60,496	97,795
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	7,314	5,294
Lease liabilities	496	555
Deferred revenue	10,581	9,529
Total current liabilities	18,391	15,378
Lease liabilities	237	477
Total liabilities	18,628	15,855
Shareholders' equity		
Share capital	109,372	147,739
Contributed surplus	7,704	8,667
Accumulated other comprehensive income (71)	532	
Accumulated deficit	(75,137)	(74,998)
Total shareholders' equity	41,868	81,940
Total liabilities and shareholders' equity	60,496	97,795

THINKIFIC LABS INC.

Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

(expressed in thousands of U.S. dollars, except share and per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenue	16,211	14,436	32,175	28,529
Cost of revenue	4,006	3,638	8,094	7,127
Gross profit	12,205	10,798	24,081	21,402
Operating expenses				
Sales and marketing	4,890	5,505	9,878	11,030
Research and development	4,335	4,930	8,979	10,183
General and administrative	3,060	3,957	6,841	8,410
Restructuring	—	—	—	3,186
Total operating expenses	12,285	14,392	25,698	32,809

Operating loss	(80)	(3,594)	(1,617)	(11,407)
Other income				
Finance income	1,106	947	2,010	1,638
Foreign exchange (loss) gain	(96)	505	(532)	620
Total other income	1,010	1,452	1,478	2,258
Net income (loss)	930	(2,142)	(139)	(9,149)
Other comprehensive income				
Unrealized loss on derivatives	(106)	—	(603)	—
Total comprehensive loss	824	(2,142)	(742)	(9,149)
Weighted average number of common shares outstanding - basic	79,618,425	80,652,067	80,342,751	79,908,862
Weighted average number of common shares outstanding - diluted	81,149,250	80,652,067	80,342,751	79,908,862
Earnings (loss) per share				
Basic and diluted	\$ 0.01	\$ (0.03)	\$ (0.00)	\$ (0.11)

THINKIFIC LABS INC.

Condensed Interim Consolidated Statements of Cash Flows (unaudited)

(expressed in thousands of U.S. dollars)

	Six months ended	
	June 30,	
	2024	2023
	\$	\$
Cash from (used in):		
Operating activities		
Net loss	(139)	(9,149)
Items not affecting cash and cash equivalents:		
Depreciation and amortization	671	697
Stock-based compensation	2,060	2,726
Unrealized foreign exchange loss (gain)	528	(632)
Finance income	(2,010)	(1,638)
Interest received	2,369	973
Changes in non-cash working capital:		
Trade and other receivables	(972)	(284)
Prepaid expenses and other assets	(775)	(3,089)
Contract acquisition assets	(353)	(401)
Accounts payable and accrued liabilities	828	(287)
Deferred revenue	1,052	1,168
Cash from (used in) operating activities	3,259	(9,916)
Investing activities		
Proceeds on disposal of property and equipment	77	62
Investment in property and equipment	(193)	(3)
Investment in intangible assets	(40)	—
Cash (used in) from investing activities	(156)	59
Financing activities		
Operating lease payments	(285)	(246)
Payments received on net investment in finance lease	65	—
Exercise of stock options	67	208

Tax remittances on stock based compensation	(1,942)	—
Shares repurchased for cancellation under normal course issuer bid	(3,147)	—
Shares repurchased for cancellation under substantial issuer bid	(35,339)	—
Cash used in financing activities	(40,581)	(38)
Effect of exchange rate fluctuations on cash and cash equivalents held	(568)	720
Decrease in cash and cash equivalents	(38,046)	(9,175)
Cash and cash equivalents, beginning of period	86,611	93,846
Cash and cash equivalents, end of period	48,565	84,671
Non-cash transactions:		
Taxes accrued on share repurchases included in accounts payable and accrued liabilities	762	—

THINKIFIC LABS INC.

Condensed Interim Consolidated Statements of Cash Flows (unaudited)

(expressed in thousands of U.S. dollars)

Reconciliation from IFRS to Non-IFRS Measures (unaudited)

(expressed in thousands of U.S. dollars)

	Three months ended		Six months ended	
	June 30, 2024	2023	June 30, 2024	2023
	\$	\$	\$	\$
	(In thousands of U.S. dollars)			
Net income (loss)	930	(2,142)	(139)	(9,149)
Stock-based compensation	615	2,021	2,060	2,726
Depreciation and amortization	339	354	671	697
Foreign exchange loss (gain)	96	(505)	532	(620)
Finance income	(1,106)	(947)	(2,010)	(1,638)
Restructuring costs(1)	—	—	—	3,681
Adjusted EBITDA	874	(1,219)	1,114	(4,303)

(1) Represents employee compensation for severance amounts for Company wide restructuring in the first quarter of 2023.

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<https://investors.thinkific.com/2024-08-07-thinkific-announces-second-quarter-2024-financial-results>