

Thinkific Announces Third Quarter, 2024 Financial Results

Q3 2024 Revenue Growth Accelerates 15% to \$17.2 Million

Commerce Revenue Grew 88% as Customers Choose Thinkific Commerce to Power Their Sales

Thinkific Plus and Self Serve Revenue Growth Accelerates to 32% and 10% Respectively

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

VANCOUVER, BC, Nov. 5, 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 September 30, 2024.

THINKIFIC "Thinkific's unwavering commitment to customer success continues to drive strong financial performance as evidenced by our third quarter, 2024 results." said Greg Smith, CEO and founder of Thinkific. "Our customers are benefiting from the rapid pace of innovation over the past year which has led to higher adoption of Thinkific Commerce and an acceleration of growth in Self Serve and Thinkific Plus. We remain committed to help our customers grow their businesses and will continue to build on this momentum by adding new features in Q4."

Third Quarter Financial Highlights

- Total revenue increased 15% to \$17.2 million, compared to the third quarter of 2023, within our guided range of \$17.0 - \$17.3 million.
 - Commerce revenue increased 88% to \$2.8 million, compared to the third quarter of 2023, as customers increasingly choose Thinkific Commerce to power their sales, growing our penetration rate to 47% from 32% in the same period of the prior year.
 - Subscription revenue increased 7% to \$14.4 million, compared to the third quarter of 2023 driven by strong performance by our Thinkific Plus sales team.
 - On a customer group basis (inclusive of both subscription and commerce revenue), Thinkific Plus grew 32% to \$4.2 million and Self Serve revenue increased 10% to \$13.0 million, compared to the third quarter of 2023.
- Gross margin declined slightly to 76% for the third quarter of 2024 from 77% for the third quarter of 2023.
- Net income for the third quarter of 2024 was \$0.6 million compared to a net loss of \$0.9 million for the third quarter of 2023, representing an improvement of \$1.5 million. Earnings per share (basic and diluted) for the third quarter of 2024 was \$0.01 compared to loss per share of \$0.01 for the third quarter of 2023.
- Adjusted EBITDA⁽¹⁾ of \$0.9 million in the third quarter of 2024 compared to \$0.7 million in the third quarter of 2023, representing an improvement of \$0.2 million or 26%.
- ARR⁽²⁾ grew 7% to \$58.0 million in the third quarter of 2024 from \$54.2 million in the third quarter of 2023, driven by strong growth in Thinkific Plus.
- ARPU⁽²⁾ increased 13% to \$165 per month compared with \$145 per month in the third quarter of 2023 due to strong growth in Thinkific Plus and continued success of Thinkific Commerce.
- GMV⁽²⁾ in the third quarter of 2024 was \$111.1 million, up 1% compared to the third quarter of 2023. GPV⁽²⁾ processed through Thinkific Commerce increased 49% to \$52.4 million in the third quarter of 2024 compared to \$35.2 million in the same period of the prior year.
- Cash and cash equivalents were \$50.3 million at September 30, 2024.

"Thinkific achieved top line growth acceleration in both Thinkific Plus, and Self Serve. This was accomplished with growing Adjusted EBITDA margins, even while we increased strategic investments." said Corinne Hua, Chief Financial Officer of Thinkific. "The strong performance we observed is a testament to the leverage and flexibility we have in our business model and reflects our ability to execute on our strategy of profitable growth as we achieve scale in the business."

Third Quarter Operational Highlights

- Released advanced analytics, an update that empowers users to effortlessly build and schedule data-rich custom reports that streamlines reporting workflows and provides deeper and more-actionable intelligence to improve decision-making and strategic planning
- Added a set of AI-driven enhancements to The Leap including AI-generated product pages, e-mails and copywriting. The Leap has now surpassed 37,000 accounts, up from the 30,000 we reported in Q2.

- Released new AI-powered onboarding experience to help creators get up and running with creating digital knowledge products.

Outlook

For the fourth quarter of 2024, the Company expects revenue of \$17.6 - \$17.9 million, which represents 13% - 15% growth in Q4. We plan to continue our growth-focused investments, in line with revenue growth, and expect Adjusted EBITDA⁽¹⁾ margin to be consistent with prior quarters.

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 5:00 PM ET (2:00 PM PT) on November 5, 2024 to discuss Thinkific's third quarter financial and operational results. To participate in the call, please dial 1.888.510.2154 (US/Canada toll-free) or 1.437.900.0527 (International/Toronto). For those unable to participate, a replay will be available an hour after the event by dialing 1.888.660.6345 (US/Canada toll-free) or 1.289.819.1450 (International/Toronto). The passcode is 47236 #. The replay will expire at midnight ET on November 12, 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) 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 income (loss) excluding taxes, interest, depreciation and amortization (or EBITDA), as adjusted for stock-based compensation, foreign exchange loss (gain), finance income, 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 application programming interfaces 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. Penetration rate is the percentage of GMV processed through Thinkific Payments, it is calculated by dividing GPV by GMV for the respective period. We believe that growth in GPV and penetration 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)

	September 30, 2024 \$	December 31, 2023 \$
Assets		
Current assets		
Cash and cash equivalents	50,348	86,611
Trade and other receivables	4,390	4,262
Prepaid expenses and other assets	3,270	3,174
Contract acquisition assets	604	528
Derivative asset	6	570
Total current assets	58,618	95,145
Property and equipment	665	853
Lease right-of-use assets	520	812
Contract acquisition assets	905	875
Intangible assets	142	110
Total assets	60,850	97,795

Liabilities and shareholders' equity**Current liabilities**

Accounts payable and accrued liabilities	7,328	5,294
Lease liabilities	467	555
Deferred revenue	10,392	9,529
Total current liabilities	18,187	15,378

Lease liabilities	137	477
Total liabilities	18,324	15,855

Shareholders' equity

Share capital	109,546	147,739
Contributed surplus	7,570	8,667
Accumulated other comprehensive income (loss)	(32)	532
Accumulated deficit	(74,558)	(74,998)
Total shareholders' equity	42,526	81,940
Total liabilities and shareholders' equity	60,850	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 September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenue	17,199	14,951	49,374	43,481
Cost of revenue	4,145	3,461	12,239	10,588
Gross profit	13,054	11,490	37,135	32,893
Operating expenses				
Sales and marketing	5,334	4,890	15,212	15,920
Research and development	4,987	4,485	13,966	14,668
General and administrative	3,132	3,326	9,973	11,736
Restructuring	—	(185)	—	3,001
Total operating expenses	13,453	12,516	39,151	45,325
Operating loss	(399)	(1,026)	(2,016)	(12,432)
Other income (expenses)				
Finance income	897	913	2,907	2,580
Foreign exchange gain (loss)	81	(699)	(451)	(79)
Loss on disposal of property and equipment	—	(120)	—	(150)
Total other income	978	94	2,456	2,351
Net income (loss)	579	(932)	440	(10,081)
Other comprehensive income (loss)				
Unrealized gain (loss) on derivatives	39	—	(564)	—
Total comprehensive income (loss)	618	(932)	(124)	(10,081)
Weighted average number of common shares outstanding - basic	68,217,786	81,014,982	76,271,595	80,281,620

Weighted average number of common shares outstanding - diluted	69,340,033	81,014,982	77,805,225	80,281,620
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Earnings (loss) per share

Basic and diluted	\$	\$	\$	\$
	0.01	(0.01)	0.01	(0.13)

THINKIFIC LABS INC.

Condensed Interim Consolidated Statements of Cash Flows (unaudited)

(expressed in thousands of U.S. dollars)

Nine months ended

**September 30,
2024 2023**

\$ \$

Cash from (used in):

Operating activities

Net income (loss)	440	(10,081)
Items not affecting cash and cash equivalents:		
Depreciation and amortization	1,027	1,023
Loss on disposal of property and equipment	—	150
Stock-based compensation	3,033	4,350
Unrealized foreign exchange loss	442	67
Finance income	(2,907)	(2,580)
Interest received	3,703	2,569
Changes in non-cash working capital:		
Trade and other receivables	(1,122)	(668)
Prepaid expenses and other assets	(126)	(2,003)
Contract acquisition assets	(527)	(517)
Accounts payable and accrued liabilities	914	(267)
Deferred revenue	863	1,517
Cash from (used in) operating activities	5,740	(6,440)

Investing activities

Proceeds on disposal of property and equipment	77	71
Investment in property and equipment	(193)	(18)
Investment in intangible assets	(40)	—
Cash (used in) from investing activities	(156)	53

Financing activities

Operating lease payments	(425)	(390)
Payments received on net investment in finance lease	97	40
Exercise of stock options	158	211
Tax remittances on stock based compensation	(2,502)	(704)
Shares repurchased for cancellation under normal course issuer bid	(3,393)	—
Shares repurchased for cancellation under substantial issuer bid	(35,363)	—
Cash used in financing activities	(41,428)	(843)

Effect of exchange rate fluctuations on cash and cash equivalents held	(419)	(25)
Decrease in cash and cash equivalents	(36,263)	(7,255)
Cash and cash equivalents, beginning of period	86,611	93,846
Cash and cash equivalents, end of period	50,348	86,591

Non-cash transactions:

Taxes accrued on share repurchases included in accounts payable and accrued liabilities	767	—
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Reconciliation from IFRS to Non-IFRS Measures (unaudited)

(expressed in thousands of U.S. dollars)

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Net income (loss)	579	(932)	440	(10,081)
Stock-based compensation	973	1,624	3,033	4,350
Depreciation and amortization	356	327	1,027	1,023
Foreign exchange loss (gain)	(81)	699	451	79
Finance income	(897)	(913)	(2,907)	(2,580)
Restructuring costs ⁽¹⁾	—	(185)	—	3,495
Loss on disposal of property and equipment	—	120	—	150
Adjusted EBITDA	930	740	2,044	(3,564)

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

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<https://investors.thinkific.com/2024-11-05-Thinkific-Announces-Third-Quarter-2024-Financial-Results>