

Thinkific Announces Third Quarter 2021 Financial Results and Provides Fourth Quarter 2021 Outlook

Revenue up 65% year-over-year to \$9.9 million,
with ARR growth of 56% to \$41.0 million

As the platform of choice for Creators to start and grow their businesses, Thinkific is making it easier than ever to create and sell learning products, with the launch of Thinkific Payments in Canada and the United States

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

VANCOUVER, BC, Nov. 8, 2021 /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 online learning products, today announced its financial results for the three and nine months ended September 30, 2021.

"Thinkific's strong third quarter results were driven by the success of our customers. We continue to make it easier for Creators to create and sell their expertise in the form of courses, communities, memberships and other learning products," said Greg Smith, Co-Founder and CEO of Thinkific. "Today's launch of Thinkific Payments in the U.S. and Canada furthers that goal, helping our Creators save time and sell more. Thinkific Payments also allows us to participate in our Creators' success and will further drive our growth going forward.

"We are encouraged to see the continued strong performance of our 2020 and 2021 Customer cohorts, and it is clear that entrepreneurs and businesses are embracing Thinkific to distribute their knowledge and grow their business," continued Mr. Smith. "At Thinkific, our singular focus is the success of our Creators, and we are fanatical about building Thinkific to support their growth, as well as their growing needs."

US \$ (unless otherwise noted)	Third Quarter 2021	Third Quarter 2020	% Change
Paying Customers ⁽¹⁾	30.7 thousand	21.4 thousand	43 %
Average Revenue Per User ("ARPU") ⁽²⁾	\$ 110	\$ 103	7 %
Annual Recurring Revenue ("ARR") ⁽³⁾	\$ 41.0 million	\$ 26.3 million	56 %
Gross Merchandise Volume ("GMV") ⁽⁴⁾	\$ 100.5 million	\$ 80.0 million	26 %
Revenue	\$ 9.9 million	\$ 6.0 million	65 %
Gross margin	76%	79%	(3) %
Adjusted EBITDA ⁽⁵⁾	\$ (6.3) million	\$ (23) thousand	nm
Net loss	\$ (10.7) million	\$ (0.1) million	nm

(1) "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.

(2) "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.

(3) "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.

(4) "GMV" is the total dollar value of all transactions of course sales, membership subscriptions, or other products or services by our Creators, 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.

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

"Our third quarter results reflect the growing adoption and impact of our platform," stated Corinne Hua, CFO of Thinkific. "Looking forward, we expect to continue to deliver on our business plan, with the main drivers being Paying Customer growth, our Creators moving to higher tier plans, and the adoption of Thinkific Payments."

Third Quarter Financial Highlights

- Paying Customers grew by 43% to 30.7 thousand compared to the third quarter of 2020. Growth was driven by the strength of the Thinkific platform and user experience, growing brand awareness, and increasing popularity of online learning.
- ARPU increased by 7% to \$110 per month, compared to the third quarter of 2020, driven by a stronger mix of higher tier customers looking to access enhanced features and functionalities, including both upgrades from existing customers and new customers signing up for higher tier plans.
- ARR grew by 56% to \$41.0 million year-over-year, benefiting from ARPU and Paying Customers growth.
- GMV expanded by 26% to \$100.5 million year-over-year due to the success of our Creators in monetizing their learning products.
- Revenue was \$9.9 million, an increase of 65% compared to the third quarter of 2020, due to a combination of new customer acquisitions and stronger mix of higher tier Plus customers.
- Gross margin was 76% compared with 79% the third quarter of 2020, primarily due to an increase in employee-related costs to support customer growth.
- Adjusted EBITDA loss was \$6.3 million and net loss was \$10.7 million, compared with \$23 thousand and \$0.1 million respectively, driven by increased investments across all areas of the business, as the Company scales to support business growth, build the Thinkific brand, and invest in research and development.

Third Quarter Operational Highlights

- Increased strength and depth of the executive leadership team with two strategic appointments of Henk Campher as Chief Marketing Officer, and Chris McGuire as Chief Technology Officer. Thinkific is excited to have executives of this calibre join our team, and we look forward to them supporting us to drive marketing strategy and support strategic growth plans.
- Introduced Spaces to Thinkific Communities. The new feature allows Creators to run cohort-based classes and segment communities into topics or areas of interest. Thinkific Communities enable Creators to create their own branded communities to engage with their customers on Thinkific. Additional Thinkific Communities enhancements in the third quarter include engagement tools like improved commenting and reactions.
- Expanded our product offering, launching the Thinkific Plus Portal enabling Plus Customers to manage multiple sites in one unified dashboard; Social sharing for students to create viral loops and help Creators grow their audience; a new site page interface making it easier than ever for Creators to add, remove and edit pages and sections in their Thinkific websites; and upgrading core technologies across the platform to better support our Creators' success.
- Continued to attract new partners to Thinkific App Store steadily during the quarter. These partners are developing Apps for Creators to broaden learning product offerings and functionality. Early indications in our data show that customers who adopt Apps achieve more student enrollments on average than customers without Apps.

- Strengthened our partner ecosystem with the launch of the first-of-its-kind store on Fiverr Marketplace - a place where our Creators can be matched with digital freelancers, skilled in design, branding, email marketing, SEO, social media and other key disciplines integral to building and scaling successful businesses.

Highlights Subsequent to the Third Quarter

- Announced earlier today the launch of Thinkific Payments to all customers in the United States and Canada. Thinkific Payments is an embedded payment processing service in the Company's platform and an impactful tool built to help Creators sell more while spending less time on administration. The addition of Thinkific Payments is expected to support the ongoing success of our Creators, while accelerating the Company's growth in the mid- to long-term.

Outlook

Thinkific's business performance accelerated materially over the last two years, partly due to the industry's rapid evolution and driven by changes in demographics, working ideologies, and technology. We believe we are just getting started, and continue to invest in our product, our people, and our platform, with the long-term in mind, and remain optimistic about our long-term sustained growth.

Thinkific anticipates revenue and Adjusted EBITDA for the fourth quarter and 2021 to be in the range of:

- Revenue of \$10.5 - \$10.7 million, representing year-over-year growth of 45% - 48%, bringing the full year revenue to approximately \$37.9 million, representing growth of approximately 80%.
- Adjusted EBITDA loss in the range of \$7.8 million to \$8.4 million, bringing the Adjusted EBITDA loss for 2021 to approximately \$18.8 million.

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 8, 2021 to discuss Thinkific's third quarter financial and operational results. To participate in the call, please dial 1.888.390.0546 (US/Canada toll-free) or 1.416.764.8688 (International). For those unable to participate, playback will be available commencing at 4:30 PM PT (7:30 PM ET) on November 8, 2021 by dialing 1.888.390.0541 (US/Canada toll-free) or 1.416.764.8677 (International). The passcode is 692260#. The replay will expire at 8:59 pm PT (11:59 pm ET) on November 15, 2021. 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 condensed interim consolidated financial statements and accompanying notes, and Management's Discussion and Analysis for the three and nine months ended September 30, 2021 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 entrepreneurs 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 online courses and other learning products, and to run their business seamlessly under their own brand, on their own site. In 2020 alone, Thinkific's 50,000 active Creators earned hundreds of millions of dollars in direct course sales while teaching tens of millions of students. Thinkific is headquartered in Vancouver, Canada, with a distributed and growing 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", and "Gross Merchandise 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 gain (loss), net finance expense, and transaction-related expenses. 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.

Industry Metrics

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" and "Paying Customers". See the footnotes in table above for the definitions of such industry metrics. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

Forward Looking Statements

This press release includes forward-looking statements and forward-looking information within the meaning of Canadian securities laws. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "is expected", "expects", "scheduled", "intends", "contemplates", "anticipates", "believes", "proposes" or variations (including negative and grammatical variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements in this press release include statements regarding our financial position, business strategy, budgets, operations, financial results, plans and objective, industry trends; growth in our industry; our growth and growth strategies; addressable markets for our solutions; capturing market share; the impact of COVID-19 on our operations and industry; our competitive advantage; advances in and expansion of our offered platform service; the development and success of new products, features, and services; expectations regarding our revenue and the revenue generation potential of our platform and other products, including Thinkific Payments, Thinkific App Store, and Thinkific Communities; the potential impact of new members of our growing team, including the executive leadership team; revenue; and

adjusted EBITDA.

Such statements and information are based on the current expectations of Thinkific's management and are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances and are subject to risks and uncertainties. Although Thinkific's management believes that the assumptions underlying these statements and information are reasonable, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Such assumptions include assumptions in respect of the impact of the COVID-19 pandemic; our ability to continue investing in infrastructure to support our growth and brand recognition; our ability to continue maintaining and enhancing our technological infrastructure and functionality of our platform; our ability to maintain existing relationships with Creators 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 successful development, rollout and integration of new features, services and products, including the Thinkific App Store and Thinkific Payments; our ability to attract and retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion and growth plans; 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 are material factors made in preparing forward-looking information and management's expectations.

In addition, forward-looking financial information with respect to potential outlook and future financial results contained in this press release are based on assumptions about future events including economic conditions, the assumptions noted above and proposed courses of action, based on management's reasonable assessment of the relevant information available as at the date of such forward-looking information. Readers are cautioned that any such forward-looking financial information should be used for purposes other than for which it is disclosed.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions 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 following: the sustainability of our growth and our ability to attract new customers, retain revenue from existing customers and increase revenue from existing high-volume customers; our history of operating losses and negative cash flows; managing our growth effectively; our limited operating history; our ability to keep pace with technological and marketplace change and trends; the accuracy of our estimates of market opportunity and growth forecasts; the consistency, security and functionality of our technological infrastructure; our dependence on the ability of our Creators to achieve commercial success; our strategic relationships with third parties; our reliance on a single cloud service provider; our reliance on a single supplier for video delivery; the impact of worldwide economic conditions; our ability to increase sales of subscriptions to our platform to Creators; our ability to promote our brand; our ability to hire, retain and motivate qualified personnel; competition for top talent; our reliance on third-party hardware and licensed software; exchange rates; our ability to set optimal pricing; competition; risks relating to international sales and use of our platform in various countries; market adoption of cloud-based online course platform solutions and internet commerce; maintaining and protecting our intellectual property; litigation and regulatory compliance; the activities of customers or Partners; changes to technologies on which our platform is reliant; the success of our current research and development efforts; compatibility of our solutions with third-party applications and systems; our dependence on the continued services and performance of our senior management and other key employees; our liquidity and capital resources; our use of open-source software; changes in tax laws and their application; our ability to realize benefits from offering free and trial subscription plans; shifting our operations to "digital-by-default". The purpose of the forward-looking information is to provide the reader with a description of management's expectations regarding our financial performance and may not be appropriate for other purposes.

These risks are described in additional detail under "Risk Factors" in our Final Long Form Prospectus, which is available under our profile on SEDAR at www.sedar.com. 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 may vary materially from those anticipated in the forward-looking information. 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. 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 of this press release (or as the date they are otherwise stated to be made), 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 in Canada. All of the forward-looking information contained in this press release is expressly qualified by the foregoing cautionary statements.

THINKIFIC LABS INC.

Condensed Interim Consolidated Statements of Financial Position (unaudited)

(expressed in U.S. dollars)

	September 30, 2021	December 31, 2020
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	132,587,303	9,066,016
Trade and other receivables	1,142,782	806,687
Prepaid expenses and other assets	3,255,411	572,684
Investment tax credits	399,840	915,413
Contract acquisition assets	119,746	—
Total current assets	137,505,082	11,360,800
Property and equipment	543,744	407,268
Lease right-of-use assets	857,732	1,167,969
Contract acquisition assets	322,250	—
Intangible assets	100,729	—
Total assets	139,329,537	12,936,037
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	2,367,213	1,498,163
Lease liabilities	507,747	492,611
Deferred revenue	6,250,737	4,767,614
Total current liabilities	9,125,697	6,758,388
Lease liabilities	486,924	868,473
Total liabilities	9,612,621	7,626,861
Shareholders' equity		
Share capital	145,548,192	6,702,058
Contributed surplus	3,602,747	1,067,037
Accumulated other comprehensive loss	(38,113)	(38,113)
Accumulated deficit	(19,395,910)	(2,421,807)
Total shareholders' equity	129,716,916	5,309,176

Total liabilities and shareholders' equity	139,329,537	12,936,037
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THINKIFIC LABS INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited) (expressed in U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenue	9,915,701	6,000,907	27,346,911	13,845,740
Cost of revenue	2,333,321	1,231,537	6,150,047	2,945,789
Gross profit	7,582,380	4,769,370	21,196,864	10,899,951
Operating expenses				
Sales and marketing	5,847,814	2,376,813	13,505,576	5,217,183
Research and development	5,550,703	1,748,541	12,651,625	4,228,837
General and administrative	3,835,173	985,046	8,973,777	2,572,576
Total operating expenses	15,233,690	5,110,400	35,130,978	12,018,596
Operating loss	(7,651,310)	(341,030)	(13,934,114)	(1,118,645)
Other income (expenses)				
Foreign exchange gain (loss)	(3,134,760)	237,621	(3,190,771)	218,319
Finance income (expense)	110,887	(8,921)	150,782	(17,413)
Total other income (expenses)	(3,023,873)	228,700	(3,039,989)	200,906
Net loss and comprehensive loss	(10,675,183)	(112,330)	(16,974,103)	(917,739)
Loss per share				
Basic and diluted	\$ (0.14)	\$ 0.00	\$ (0.28)	\$ (0.02)

THINKIFIC LABS INC.

Condensed Interim Consolidated Statements of Cash Flows (unaudited) (expressed in U.S. dollars)

	Nine months ended September 30,	
	2021	2020
	\$	\$
Cash from (used in):		
Operating activities		
Net loss	(16,974,103)	(917,739)
Items not affecting cash and cash equivalents:		
Depreciation	430,173	342,727
Stock-based compensation	2,653,304	388,418
Unrealized foreign exchange loss (gain)	3,196,293	(31,909)
Finance expense	29,523	33,153
Changes in non-cash working capital:		
Trade and other receivables	(336,095)	(377,556)
Prepaid expenses and other assets	(2,682,727)	(347,113)
Investment tax credits, net	525,233	6,624
Contract acquisition assets	(441,996)	—
Accounts payable and accrued liabilities	816,325	525,898
Deferred revenue	1,483,123	2,104,406
Cash from (used in) operating activities	(11,300,947)	1,726,909
Investing activities		
Investment in property and equipment	(252,481)	(297,467)
Investment in intangible assets	(104,660)	—
Cash used in investing activities	(357,141)	(297,467)
Financing activities		
Proceeds from issuance of shares upon IPO	148,616,696	—
Proceeds from Equity Financing and conversion of SAFE Agreement	—	3,035,965
Share issuance costs	(9,891,051)	(53,846)
Operating lease payments	(403,014)	(327,198)
Exercise of equity compensation units	55,619	27,081
Cash from financing activities	138,378,250	2,682,022
Effect of foreign exchange on cash and cash equivalents	(3,198,875)	(42,654)
Increase in cash and cash equivalents	123,521,287	4,068,810
Cash and cash equivalents, beginning of period	9,066,016	3,691,875
Cash and cash equivalents, end of period	132,587,303	7,760,685

THINKIFIC LABS INC.

Condensed Interim Consolidated Statements of Cash Flows (unaudited) (expressed in U.S. dollars)

Reconciliation from IFRS to Non-IFRS Measures (unaudited) (expressed in thousands of U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net loss and comprehensive loss	(10,675)	(112)	(16,974)	(918)
Stock-based compensation	1,248	183	2,653	388
Depreciation	146	135	430	343
Foreign exchange loss (gain)	3,135	(238)	3,191	(218)
Finance (income) expense	(111)	9	(151)	17
Transaction-related costs ⁽¹⁾	—	—	115	—
Adjusted EBITDA	(6,258)	(23)	(10,735)	(387)

(1) Represents costs related to our IPO, and consists of professional, legal, consulting, and accounting fees that are non-recurring, would otherwise not have been incurred, and are not indicative of continuing operations.

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<https://www.prnewswire.com/news-releases/thinkific-announces-third-quarter-2021-financial-results-and-provides-fourth-quarter-2021-outlook-301418907.html>

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