

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2022

As used in this management's discussion and analysis ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "Thinkific", "we", "us" or "our" refer to Thinkific Labs Inc. together with our subsidiary, on a consolidated basis as constituted on March 31, 2022.

This MD&A, dated May 5, 2022, for the three months ended March 31, 2022, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the accompanying notes for the three months ended March 31, 2022 (the "interim financial statements") as well as with our audited annual consolidated financial statements and the notes related thereto for the year ended December 31, 2021 (the "annual financial statements"). The financial information presented in this MD&A is derived from the Company's interim financial statements, which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements, including International Accounting Standard 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The Company's functional currency is the U.S. dollar and all amounts are reported in U.S. dollars unless otherwise noted. References to "CAD" refer to Canadian dollars. Certain amounts presented in this MD&A may not recalculate due to rounding.

This MD&A, the interim financial statements, and related press release have been filed in Canada on SEDAR at www.sedar.com. Additional information relating to the Company is also available in our Annual Information Form filed with SEDAR on February 23, 2022.

On April 23, 2021, and in connection with the closing of the Company's initial public offering (the "IPO") on April 27, 2021, the Company effected a 4-for-1 split of each of its outstanding multiple voting shares of the Company (the "Multiple Voting Shares") and subordinate voting shares of the Company (the "Subordinate Voting Shares") (the "Share Split"). All share and per share data presented in the interim financial statements and this MD&A have been retroactively adjusted to reflect the Share Split, unless otherwise noted. Refer to "Outstanding share information" within this MD&A for additional detail.

Forward-looking information

This MD&A contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking information") within the meaning of applicable securities laws in Canada. Forward-looking 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 MD&A include, but are not limited to, statements with respect to industry trends; potential growth of our industry; our growth rates and growth strategies; addressable markets for our solutions; the achievement of advances in and expansion of our offered platform service (defined as the "Platform" in the 2021 Annual Information Form); the roll-out development and success of new products, features, and services, including Thinkific Payments and, Thinkific App Store; expectations

regarding our revenue, gross margin percentage, Adjusted EBITDA and the revenue generation potential of our Platform and other products; our business plans and strategies; and our competitive position in our industry.

Forward-looking statements 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 MD&A, 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 in the global e-learning market;
- increasing competition in the global e-learning market in which the Company operates;
- fluctuations in currency exchange rates and volatility in financial markets;
- changes in the 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

Forward-looking statements 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 MD&A 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; our ability to maintain existing relationships with Creators (as defined herein) 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 and success of new products, features, and services, including Thinkific Payments and Thinkific App Store; 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 and described in greater detail in "Summary of Factors Affecting our Performance" and in the "Risk Factors" section of our 2021 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 MD&A 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 MD&A is expressly qualified by the foregoing cautionary statements. Readers are cautioned that any such forward-looking financial information should not be used for purposes other than for which it is disclosed.

OVERVIEW

We believe any business can use education as a tool for growth. Our mission is to make it simple for entrepreneurs and established businesses – our “Creators” - to scale and generate revenue by teaching what they know.

Thinkific offers a cloud-based, multi-tenant platform that enables business-building (the “Platform”). Our Platform provides our Creators with the functionality needed to launch, grow, and diversify their businesses by creating and selling online courses and other learning products comprised of customized courses, communities, membership sites, and other experiences that our Creators can create, sell and deliver using the Platform (collectively, “Learning Products”). We make it simple for our Creators to build and deliver Learning Products for their audiences under their own brands, with no specialized technical expertise required. Our Platform enables our Creators to build, market, sell and deliver their products with enterprise-grade functionality and extensibility for growth.

Our Creators identify as entrepreneurs, business owners, consultants, authors, speakers, coaches, professionals, trainers, and social media influencers, as well as larger businesses. Our Creators span nearly every industry vertical and are located in approximately 170 countries around the world. The majority of our Creators were already in business or earning an income with their expertise when they joined our Platform, and many are adding an education component to their business for the first time with our Platform.

Thinkific was founded to solve problems for entrepreneurs and businesses seeking to use online education for growth. As a complete business solution for our Creators, our Platform provides both the e-commerce and management functionality they need. Additionally, the Learning Products they create on our Platform serve as the end product that our Creators are selling. By focusing on creating business success for our Creators, Thinkific acts as a partner in supporting their ongoing growth. We do this with features and tools built around four core functions:

- First, we make it easy for anyone to create and deliver their own customized Learning Products. Entrepreneurs and established businesses have a vision for the courses and other Learning Products they want to create for their Students. We help them accomplish that vision. Our Platform offers tools to create courses, memberships, communities, and other interactive experiences that can be setup easily and customized to fit the brand and vision of the business.
- Second, we help our Creators market and sell with full e-commerce functionality. Thinkific provides the tools to help our Creators market and sell. This includes customized websites and landing pages, checkout pages, payment processing and flexible pricing models tailored for selling online courses and other Learning Products. This also includes Thinkific Payments, our own payment processing solution, which enables Creators to accept payments, manage payouts to bank accounts, process refunds, and update banking and business information with ease and without the friction of integrating a third-party payment provider.
- Third, the Thinkific App Store and our Partner network expand our offering. Thinkific's Partner ecosystem adds flexibility and extends the functionality of our Platform for each Creator. We enable app developers and Partners to build on top of the Thinkific Platform, accelerating innovation, research and development to meet the needs of a broader range of Creators.

- Fourth, our business management and scaling suite adds the back-office tools and workflows Creators require. The Thinkific Platform is the hub of our Creators' online course business. The Platform's Creator administration area allows them to manage and grow their business including managing their Learning Products, engaging with their Students, tracking data and managing revenues. Our reporting and analytics give detailed insights on sales, course registrations, Student activities and progress, quiz scores, survey results, content engagement, affiliate sales, co-owner revenue shares, and Student characteristics. This ensures our Creators are able to join our Platform and grow to nearly any size.

Together, these core functions combine to make the Thinkific Platform a core business operating system for many of our Creators, encompassing not just e-commerce but the entire back office and the end products themselves.

Thinkific makes it possible for any business to use education as a tool for growth by offering:

- **All-in-one comprehensive Platform.** Our business-in-a-box software offers a breadth of features and functionality that Creators need to start and scale their businesses, with deep integrations and extensibility to connect with existing systems and scale with growth. Our Platform empowers entrepreneurs and companies of all sizes seeking to grow their businesses by offering end-to-end capabilities and an easy-to-use application that enables them to create, market, sell and deliver online courses and other Learning Products while building their brands. We serve Creators in any vertical and offer a compelling economic proposition for Creators to monetize their content. Many Creators have successfully grown their small online course business into significant businesses entirely on Thinkific's Platform.
- **Simple user experience.** We offer an easy-to-use and intuitive interface. At every stage from setting up a Creator's business, to managing Learning Products, and scaling their business, Thinkific aims to remove technical barriers through a simple user experience.
- **Passionate base of Creators.** We believe our Platform is a comprehensive solution for Creators, which allows for a natural attraction of discerning users that are serious about building and growing their businesses online. Our Platform offers optionality for Creators to continually innovate and customize their Learning Products to realize their vision and optimize Student success, allowing for the creation of commercially successful and durable businesses that meet Students' desires for authenticity, community, and experience in an online learning platform. High levels of customer satisfaction as evidenced by an average NPS of 55 for 2021 drive additional customer acquisition through word-of-mouth marketing, contributing to an ecosystem for those with passionate interests.
- **Ecosystem creates a differentiated approach.** Thinkific allows Partners such as agencies and developers to create apps that increase our Platform's capabilities. Partners also offer services such as marketing and content creation to further accelerate Creators' businesses. This creates an ecosystem with a self-reinforcing network effect. Partners add functionality and services which bring new customers to Thinkific, increasing the size of our economy and which in turn attracts more Partners to work with us.
- **Highly scalable Platform.** Our Creators range from freelancers and new businesses to large, globally recognized enterprises. Creators of all sizes benefit from our Platform's enterprise-grade standards and functionality, including security, scalability, and reliability, with the ability to process significant spikes in demand and traffic. Thinkific's pricing plans allow Creators to start at a level that fits their current size and graduate to higher tiers as their businesses grow with the value derived from Thinkific.

HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2022

We refer the reader to the section entitled “Key Performance Indicators” below for the definitions of some of the items discussed herein and, when applicable, to the section entitled “Non-IFRS Measures and Reconciliation of Non-IFRS Measures” for reconciliations of non-IFRS measures with the most directly comparable IFRS measure.

Highlights for the three months ended March 31, 2022:

- Revenue increased 42% to \$11.8 million compared with the first quarter of 2021, driven by the continued growth in total Paying Customers, and increasing ARPU⁽¹⁾.
- Gross margin was 73% versus 80% in the first quarter of 2021. The decline in gross margin reflects increased customer support costs and the adoption of Thinkific Payments, which carries a lower gross margin profile.
- Net loss for the first quarter of 2022 was \$12.0 million, compared to a net loss of \$1.0 million in the first quarter of 2021. The increase in net loss reflects an increase in expenditures across the Company to support our growth strategy, as well as costs associated with restructuring.
- Adjusted EBITDA⁽²⁾ loss of \$9.3 million was driven primarily by continued investments in sales and marketing and research and development as we continued to build our Platform, increase awareness in the market, and develop the team to deliver on our growth objectives. The adjusted EBITDA loss excludes the net restructuring charge of \$2.3 million.
- Total Paying Customers grew 21% to 33.3 thousand in the first quarter of 2022.
- ARPU⁽¹⁾ increased 13%, to \$120 per month compared with \$106 in the first quarter of 2021, driven by the movement of existing customers to higher paid plans, new Thinkific Plus customers, and the adoption of Thinkific Payments.
- ARR⁽¹⁾ grew 33% to \$46.4 million from \$34.8 million in the first quarter of 2021, as we continued to attract new Creators to our Platform, and existing Creators upgraded to higher-tier plans.
- Thinkific Payments continued to be well received by Creators. Gross Payments Value, (“GPV”), which is the total value of GMV⁽¹⁾ processed using Thinkific Payments, for the quarter was \$11.9 million. This represented 11% of \$108 million in GMV processed during the first quarter of 2022.

(1) Key Performance Indicators. See definition in “Key Performance Indicators”.

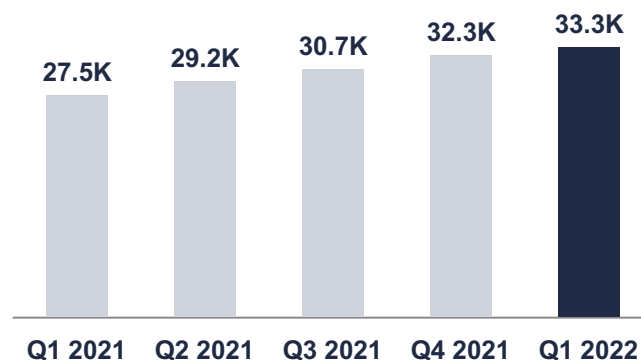
(2) Non-IFRS measure. See “Non-IFRS Measures” and the reconciliation to the most directly comparable IFRS measure.

KEY PERFORMANCE INDICATORS

We use the following key performance indicators to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions. Our key performance indicators are not measures calculated in accordance with IFRS and may be calculated in a manner different than similar key performance indicators used by other companies.

Paying Customers

“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. We believe that our Paying Customers base is one component of our long term growth and is an indicator into the strength of our business.



As at March 31, 2022 and 2021, the number of Paying Customers were 33.3 thousand and 27.5 thousand, respectively, representing an increase of 21%.

Average Revenue Per User

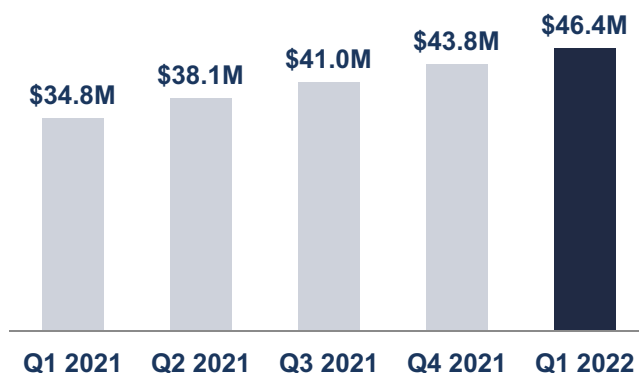
“Average Revenue Per User” or “ARPU” is the average monthly Revenue per Paying Customer in the quarter. ARPU is calculated by taking the average Revenue for each month in the quarter (calculated in accordance with IFRS) and dividing this by the average number of Paying Customers for the same quarter. When stated as an annual number, the ARPU calculation utilizes the average Paying Customer and average monthly Revenue from the last quarter of the year. ARPU growth primarily results from an increasing mix of (i) new Paying Customers choosing to subscribe to our highest tier plans, (ii) existing Paying Customers moving upwards in our plan tiers in order to access enhanced features and functionalities, and (iii) creators adopting and monetizing with Thinkific Payments.



For the three months ended March 31, 2022 and 2021, ARPU was \$120 and \$106, respectively, representing an increase of 13%.

Annual Recurring Revenue

“Annual Recurring Revenue” or “ARR” is twelve times the monthly value of all current Paying Customer subscriptions at the end of the period, with the number of Paying Customers multiplied by the average monthly subscription plan fee in effect on the last day of that period. Annual or other subscription durations are included as a prorated amount. ARR is used by management of the Company as a directional indicator of revenue going forward, assuming Paying Customers maintain their subscription plan the following month. ARR allows management to have a consolidated measure that accounts for our different subscription plan levels and term lengths. We further analyze the factors that make up ARR and track trends in customer behaviour with regard to the number of Creators (defined as customers on any plan, including free or trial) on each plan level, along with any movement of Creators between plan levels.



As at March 31, 2022 and 2021, ARR was \$46.4 million and \$34.8 million, respectively, representing an increase of 33%.

Gross Merchandise Volume

“Gross Merchandise Volume” or “GMV” is the total dollar value of all transactions of learning products made by our Creators, facilitated through our Platform, including Thinkific Payments, 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 we do not record the transaction value. As a result of transactions not processed or recorded by our Platform, but through other applications that are integrated with our Platform or processed directly by our Creators, we estimate the total dollar value of all transactions to be greater than the sum of transactions facilitated exclusively through our Platform and recognized as GMV. We believe GMV is an indicator of the success of our Creators in monetizing their learning products, and membership sites and strengths of our Platform. GMV may fluctuate quarter-to-quarter as a result of consumer behaviour and seasonal programs. GMV does not represent revenue earned by us.



For the three months ended March 31, 2022 and 2021, GMV was \$108.0 million and \$107.1 million, respectively, representing an increase of 1%.

NON-IFRS MEASURES AND RECONCILIATION OF NON-IFRS MEASURES

The information presented within this MD&A includes “Adjusted EBITDA” and “Working Capital” which are not a recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS, and is therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, they should not be considered in isolation, nor as a substitute for analysis of our financial information reported under IFRS.

Adjusted EBITDA

Management believes that Adjusted EBITDA is a useful measure of operating performance and our ability to generate cash-based earnings, as it provides a more relevant picture of operating results by excluding the effects of financing and investing activities, which removes the effects of interest, depreciation and amortization expenses as non-cash items, and other one-time or non-recurring expenses that are not reflective of our underlying business.

The Company defines Adjusted EBITDA 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 transaction-related costs. 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.

The following table reconciles Adjusted EBITDA to net loss for the periods indicated:

	Three months ended March 31,	
	2022	2021
	(In thousands of U.S. dollars)	
Net loss and comprehensive loss	(11,987)	(986)
Stock-based compensation	522	259
Depreciation and amortization	275	141
Foreign exchange (gain) loss	(892)	(3)
Finance (income) expense	(74)	10
Restructuring costs ⁽¹⁾	2,875	—
Transaction-related costs ⁽²⁾	—	94
Adjusted EBITDA	(9,281)	(485)

(1) Represents restructuring costs in the first quarter of 2022, including: employee severance, extended benefits costs, legal and other fees paid to consultants to support the restructuring process.

(2) 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.

Foreign exchange impact on Adjusted EBITDA

As most of our operating expenses are incurred in Canadian dollars, Adjusted EBITDA is significantly impacted by CAD:USD foreign exchange rates during the periods presented. The average CAD:USD foreign exchange rates for the three months ended March 31, 2022 was 1.2663:1 (three months ended March 31, 2021 - 1.2666:1).

Using the comparative period’s average CAD:USD foreign exchanges rates, Adjusted EBITDA for the three months ended March 31, 2022 would have amounted to \$(9,243).

OUTLOOK

Thinkific is at the centre of the knowledge economy, and 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.

Thinkific expects continued growth in revenue in the second quarter of 2022, driven largely by ARPU expansion, as well as new Paying Customers. The adoption of Thinkific Payments, revised pricing strategies, and customers moving up the product pricing tiers, all contribute to ARPU growth.

Our expectations for the second quarter of 2022 are:

- revenue of \$12.4 - \$12.6 million, representing year-over-year growth of 36% - 38%
- adjusted EBITDA loss in the range of \$7.7 million to \$8.3 million.

Actual results may differ materially from Thinkific's financial outlook as a result of, among other things, the factors described under "Forward-looking information".

SUMMARY OF FACTORS AFFECTING OUR PERFORMANCE

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below and in the "Risk Factors" section of our Annual Information Form, filed on February 23, 2022, which can be found on SEDAR at www.sedar.com.

Growth with new and existing customers

We generate revenues primarily through the sale of subscriptions to our Platform. Our future success depends, in part, on our ability to increase the adoption of our Platform by our existing customers and future customers. Our ability to grow our business also depends in part on our ability to persuade customers to expand their use of our Platform. To continue to grow our business, it is important that our customers do not downgrade or cancel their subscription plans and that we expand our relationships with our existing customers.

Margin structure of Thinkific Payments

As part of our growth strategy, we rolled out our payment processing solution, Thinkific Payments, which may present risks and challenges that we have not yet experienced. This solution is available to our U.S. and Canadian customers and is designed to be easy to use, transparent and it is priced competitively for the market. As adoption of Thinkific Payments increases, total revenues may grow significantly, however our gross margin percentage will decrease over time due to the lower gross margin profile of our payment processing revenue stream, relative to the higher gross margin percentage profile of our subscription revenue stream.

Security breaches

We operate in an industry that is prone to cyber attacks and other malicious assaults on our systems. Failure to prevent or mitigate security breaches could result in total service disruption and improper access to or disclosure of our data, our Creators' data, or their Students' data, could result in the loss or misuse of such data, all of which could detrimentally harm our business and reputation. In addition, techniques used to sabotage or to obtain unauthorized access to networks in which data is stored or through which data is transmitted change frequently. As a result, we may be unable to anticipate these techniques or implement adequate preventative measures to prevent an electronic intrusion into our networks.

Management of growth

The scalability and flexibility of our Platform depends on the functionality of our technology and network infrastructure and its ability to handle increased traffic and demand. The growth in the number of customers using our Platform and the number of orders processed through our Platform has increased the amount of data and requests that we process. As our business grows, we will need to devote additional resources to improving our operational infrastructure and continuing to enhance its scalability in order to maintain the performance of our Platform to the satisfaction of our customers.

New and developing markets

We operate in new and developing markets that may not develop as we expect and are prone to greater market uncertainty. We have encountered, and will continue to encounter, risks and difficulties frequently experienced by growing companies in rapidly changing industries, including increasing and unforeseen expenses as we continue to grow our business. Our future success will depend in part upon our ability to continue to expand into new geographic regions, and we will face risks entering markets in which we have limited or no experience, which have additional complexity, and in which we do not have any brand recognition.

Changes in the market and evolving customer needs

Our success has been based on our ability to identify and anticipate the needs of our Creators and design and maintain a Platform that provides them with the tools they need to operate their businesses. Our ability to attract new Creators, retain revenue from existing Creators, and increase revenue to both new and existing Creators will depend in large part on our ability to continue to improve and enhance the functionality, performance, reliability, design, security, and scalability of our Platform. Our continued success will depend upon our ability to keep pace with technological and marketplace change and to introduce, on a timely and cost-effective basis, new and enhanced services that satisfy changing customer requirements and achieve market acceptance.

Strategic relationships with third parties

We anticipate that the growth of our business will continue to depend on third-party relationships, including relationships with our app developers, theme designers, referral sources, resellers, payment processors and other Partners. In addition to growing our third-party Partner ecosystem, we intend to pursue additional relationships with other third-parties, such as technology and content providers and implementation consultants.

Economic conditions and resulting consumer spending trends

A majority of customers that use our Platform are Small and Medium Sized businesses ("SMBs") and entrepreneurs, and many of our customers are in the entrepreneurial stage of their development. Our performance is subject to worldwide economic conditions and their impact on levels of spending by SMBs and entrepreneurs, as well as their students.

Foreign exchange

Our presentation and functional currency is the U.S. dollar. We derive the largest portion of our revenues in U.S. dollars and a significant proportion of our expenses in U.S. dollars. Our head office and the majority of our employees are located in Canada and as such, a large amount of our expenses are incurred in Canadian dollars. As a result, our results of operations may be adversely impacted by a decrease in the value of the U.S. dollar relative to the Canadian dollar.

REVIEW OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2022

The following table outlines our consolidated statements of loss and comprehensive loss for the periods indicated:

	Three months ended March 31,	
	2022	2021
	\$	\$
	(In thousands of U.S. dollars, except share and per share information)	
Revenue	11,785	8,303
Cost of revenue	3,153	1,669
Gross profit	8,632	6,634
Operating expenses		
Sales and marketing	6,190	3,099
Research and development	7,950	2,535
General and administrative	5,158	1,978
Restructuring	2,288	—
Total operating expenses	21,585	7,612
Operating loss	(12,953)	(978)
Other income (expenses)	966	(7)
Net loss and comprehensive loss	(11,987)	(985)
Loss per share - basic and diluted	\$ (0.16)	\$ (0.02)
Weighted average number of common shares outstanding - basic and diluted	77,296,722	39,471,076

Revenue

We generate subscription revenues from Paying Customers accessing our cloud-based Platform. Subscription revenues are driven primarily by the number of Paying Customers and the level of subscription plan. Subscription agreements are primarily monthly or annual, with monthly agreements representing the majority of all agreements. All Paying Customer agreements automatically renew unless cancelled by our Paying Customers. We offer Paying Customers a 30-day money back guarantee whereby customers are permitted to receive a full refund within 30 days from initiation of the contract.

Subscription revenue is recognized evenly over the life of a contract, commencing on the in-service date and terminating on the end date of the agreement. Where Paying Customers elect to pay their full contract upfront, we record deferred revenue on our interim condensed consolidated statement of financial position and recognize revenue rateably over the term of the contract.

	Three Months Ended March 31,			
	2022	2021	Change	Change
	\$	\$	\$	%
	(In thousands of U.S. dollars, except percentages)			
Revenue	11,785	8,303	3,482	42 %

For the three months ended March 31, 2022, revenue increased by \$3.5 million and 42% as compared to the same period in the prior year. This increase was primarily due to growth in new Paying Customers which rose from 27.5 thousand as at March 31, 2021 to 33.3 thousand as at March 31, 2022. The remainder of the increase is a result of growing ARPU, which rose from \$106 per month for three months ended March 31, 2021 to \$120 per month for three months ended March 31, 2022 as a result of new and existing Paying Customers subscribing to higher tier plans, as well as subscription plan upgrades of existing Paying Customers.

Cost of revenue

Cost of revenue consists primarily of support services, third party infrastructure and hosting costs, payment processing fees and software costs.

	2022 \$	2021 \$	Change \$	Three Months Ended March 31, Change %
(In thousands of U.S. dollars, except percentages)				
Cost of revenue	3,153	1,669	1,484	89%
Percentage of revenue	27%	20%		7%

For the three months ended March 31, 2022 the cost of revenue increased by \$1.5 million and 89% compared to the same period in the prior year.

This increase was due to higher costs associated with supporting a greater number of Creators utilizing our Platform, including support and hosting costs, as well as expenses related to Creators adopting Thinkific Payments, including payment processing fees.

Employee-related support costs are driven from an increase in headcount, as compared to the same period in the prior year, related to our investment in customer support improvements including a live chat offering for Creators.

Gross profit

	2022 \$	2021 \$	Change \$	Three Months Ended March 31, Change %
(In thousands of U.S. dollars, except percentages)				
Gross profit	8,632	6,634	1,998	30%
Percentage of revenue	73%	80%		(7)%

For the three months ended March 31, 2022 gross profit increased \$2.0 million and 30% compared to the same period in the prior year. As a percentage of revenue, gross profit decreased by 7% during the three months ended March 31, 2022 compared to the same period in the prior year. This decrease was primarily due to an increase in employee-related costs to support our customer growth and expanded support offerings.

Operating expenses

Sales and marketing

Sales and marketing expenses consist primarily of personnel-related expenses, including stock-based compensation, as well as expenses for performance marketing and lead generation, brand marketing, customer education, sponsorship activities, and software subscriptions. These expenses also include corporate overhead allocations.

	2022	2021	Change	Three Months Ended March 31, Change
	\$	\$	\$	%
(In thousands of U.S. dollars, except percentages)				
Sales and marketing	6,190	3,099	3,091	100%
Percentage of revenue	53%	37%		16%

For the three months ended March 31, 2022, sales and marketing expenses increased \$3.1 million and 100% compared to the same period in the prior year.

This increase was primarily due to the Company's growth-focused investments, specifically advertising and promotional costs, to increase the number of Creators we serve, and related to brand awareness. These growth-focused investments drove an increase in employee-related compensation costs as a result of increased headcount, as compared to the first quarter of 2021, to support our sales and marketing efforts and grow our customer base.

Research and development

Research and development expenses consist primarily of personnel-related expenses for product management, product development and product design, contractor fees, software subscriptions, as well as corporate overhead allocations. Personnel-related expenses include salaries and benefits as well as stock-based compensation.

	2022	2021	Change	Three Months Ended March 31, Change
	\$	\$	\$	%
(In thousands of U.S. dollars, except percentages)				
Research and development	7,950	2,535	5,414	214%
Percentage of revenue	67%	31%		36%

For the three months ended March 31, 2022 research and development expenses increased \$5.4 million and 214% compared to the same period in the prior year.

This increase was primarily due to additional investment in the development of our Platform to enhance our Creators' experience and connectivity, and the development of new product features, including Thinkific Payments and communities.

The investment in the development of our Platform drove employee-related compensation costs as a result of increased headcount, as compared to the same period in the prior year, and the competitive hiring landscape.

General and administrative

General and administrative expenses consist of employee-related expenses for our finance and accounting, legal, people, operations and data teams. These expenses also include non-personnel costs such as legal, accounting and other professional fees, software subscriptions, certain tax and insurance-related expenses, as well as corporate overhead allocations.

	2022	2021	Change	Three Months Ended March 31, Change
	\$	\$	\$	%
(In thousands of U.S. dollars, except percentages)				
General and administrative	5,158	1,978	3,180	161%
Percentage of revenue	44%	24%		20%

For the three months ended March 31, 2022 general and administrative expenses increased \$3.2 million and 161% and compared to the same period in the prior year.

The increase was primarily due to an increase in employee-related compensation costs to support the Company's growth, as well as consulting and professional fees, and software costs, including implementation fees.

Restructuring

Following a rigorous review of the organizational structure, the Company executed on a reduction in workforce to increase efficiency and lower costs without impacting the Company's growth trajectory, reducing headcount by 20%. The expenses associated with the reduction in workforce were recorded as a restructuring charge in the first quarter of 2022.

The restructuring expenses include: employee severance, extended benefits costs, legal and other fees paid to consultants to support the restructuring process. In addition, as a result of the restructuring, the Company also reversed previously recorded non-cash stock-based compensation expense related to forfeited unvested stock options.

	2022	2021	Change	Three Months Ended March 31, Change
	\$	\$	\$	%
(In thousands of U.S. dollars, except percentages)				
Restructuring	2,288	—	2,288	100 %
Percentage of revenue	19 %	— %		19 %

Other income (expenses)

Other income (expenses) primarily consists of foreign exchange gains and losses which occur on foreign-denominated currency transactions and on the translation of monetary assets and liabilities denominated in foreign currencies into U.S. dollars, as well as finance income and expenses.

	2022	2021	Change	Three Months Ended March 31, Change
	\$	\$	\$	%
(In thousands of U.S. dollars, except percentages)				
Other income (expenses)	966	(7)	973	n.m.
Percentage of revenue	8 %	— %		8 %

For the three months ended March 31, 2022, other income (expenses) was \$1.0 million, representing an increase in income of \$1.0 million, compared to the same period in the prior year.

The increase was primarily due to unrealized foreign exchange gain on the translation of the Company's Canadian dollar denominated cash balance. As at March 31, 2022, the Company's Canadian dollar denominated cash balance was \$89.6 million (March 31, 2021 - \$1.0 million). This increase in Canadian dollar denominated cash is primarily due to net proceeds received from the Company's IPO, which occurred on April 27, 2021.

KEY BALANCE SHEET INFORMATION

	March 31, 2022	December 31, 2021	Change	Change
	\$	\$	\$	%
(In thousands of U.S. dollars, except percentages)				
Cash and cash equivalents	115,104	126,055	(10,951)	(9)%
Total assets	123,330	132,404	(9,074)	(7)%
Total liabilities	13,240	10,790	2,450	23 %

Total assets

Total assets decreased \$9.1 million, or 7%, during the three months ended March 31, 2022, primarily due to the decrease of \$11.0 million in cash and cash equivalents relating to the funding of the Company's growth focused investments. This was partially offset by an increase to the Company's right-of-use assets of \$1.6 million relating to the recognition of a five year extension option for the Company's office lease as well as an increase of \$0.5 million to property and equipment for purchases of computer hardware.

Total liabilities

Total liabilities increased \$2.4 million, or 23%, during the three months ended March 31, 2022, primarily due to an increase of \$1.6 million to lease liabilities related to the above mentioned recognition of an extension option, and a \$0.5 million increase in accounts payable and accrued liabilities.

SELECTED QUARTERLY INFORMATION

The following table sets forth selected unaudited quarterly statements of operations for the Company for the preceding eight quarters. The information for each of these quarters has been prepared on the same basis as the annual financial statements. This data should be read in conjunction with our audited financial statements and related notes. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	Three months ended							
	March 31, 2022 \$	Dec 31, 2021 \$	Sept 30, 2021 \$	June 30, 2021 \$	March 31, 2021 \$	Dec 31, 2020 \$	Sept 30, 2020 \$	June 30, 2020 \$
	(In thousands of U.S. dollars, except share and per share information)							
Revenue	11,785	10,770	9,916	9,128	8,303	7,224	6,001	4,547
Cost of revenue	3,153	2,753	2,333	2,148	1,669	1,507	1,232	1,029
Gross profit	8,632	8,017	7,582	6,980	6,634	5,717	4,769	3,518
Operating expenses								
Sales and marketing	6,190	6,625	5,848	4,559	3,099	2,281	2,377	1,691
Research and development	7,950	6,800	5,551	4,566	2,535	2,116	1,749	1,408
General and administrative	5,158	4,966	3,835	3,160	1,978	1,674	985	924
Restructuring	2,288	—	—	—	—	—	—	—
Total operating expenses	21,585	18,390	15,234	12,285	7,613	6,070	5,110	4,023
Operating loss	(12,953)	(10,373)	(7,651)	(5,305)	(978)	(353)	(341)	(505)
Other income (expenses)	966	972	(3,024)	(9)	(7)	(22)	229	119
Net loss and comprehensive loss	(11,987)	(9,401)	(10,675)	(5,313)	(986)	(375)	(112)	(386)
(Loss) income per share - basic and diluted	\$ (0.16)	\$ 0.12	\$ (0.14)	\$ (0.08)	\$ (0.02)	\$ (0.01)	\$ 0.00	\$ (0.01)
Weighted average common shares outstanding - basic and diluted	77,296,722	77,238,201	76,920,523	66,253,439	39,471,076	39,471,076	40,072,028	43,163,588

Revenues

Quarterly revenues increased sequentially for all periods presented, primarily due to an increase in the number of new Paying Customers using our Platform, as well as increases in ARPU related to subscription plan upgrades from existing and new Paying Customers.

Cost of revenue

Quarterly costs of revenues increased sequentially for all periods presented, primarily due to an increase in costs associated with supporting and hosting a greater number of Creators utilizing our Platform.

Gross profit

Quarterly gross profit increased sequentially for all periods presented, primarily due to an increase in new Paying Customers and ARPU growth.

Operating expenses

Quarterly operating expenses increased sequentially for all periods presented, primarily due to an increase in personnel-related expenses as a result of increased headcount and the competitive hiring landscape, as well as other related expenses to support the growth of our business and related infrastructure.

LIQUIDITY, CAPITAL RESOURCES, AND FINANCING

Overview

The general objectives of the Company's capital management strategy reside with the preservation of its capacity to continue operating, in providing benefits to its stakeholders, and in providing a return on investment to its shareholders by selling its services at a price commensurate with the operating risk it assumes.

We determine the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and in the risks of the underlying assets. We are not subject to any externally imposed capital requirements..

Initial public offering and use of proceeds

On April 27, 2021, the Company completed an IPO on the TSX and issued 12,310,000 Subordinate Voting Shares for a total gross consideration of \$129.0 million (CAD \$160.0 million). On May 5, 2021, the underwriters fully exercised an over-allotment option to purchase an additional 1,846,500 Subordinate Voting Shares for a total gross consideration of \$19.6 million (CAD \$24.0 million). Total share issuance costs relating to the IPO and over-allotment option amounted to \$9.9 million (CAD \$12.2 million). Net proceeds relating to the IPO and over-allotment option amounted to \$138.7 million (CAD \$171.8 million). The Company's use of proceeds from the IPO has not materially changed from and remains consistent with the disclosure set forth in the "Use of Proceeds" section of the Company's Final Long Form Prospectus dated April 22, 2021, to the date of this MD&A.

Base shelf prospectus

On October 13, 2021, the Company filed a short form base shelf prospectus with securities regulatory authorities in each of the provinces and territories of Canada to allow the Company and its security holders to offer for sale, during the 25-month period that the base shelf prospectus is effective, up to CAD \$300.0 million of Subordinate Voting Shares, preferred shares, debt securities, warrants, subscription receipts, units, or any combination thereof.

Credit facilities

On January 13, 2022, the Company terminated its loan agreement dated March 19, 2019 with a Canadian chartered bank for a CAD \$2.3 million revolving demand facility. Prior to termination, no amounts were outstanding.

On January 13, 2022, the Company entered into a loan agreement with a Canadian chartered bank for a revolving demand facility (the "Facility") that allows the Company to borrow up to CAD \$38.0 million.

The Company can draw on the Facility by way of either a U.S. dollar base rate or Canadian dollar prime loan advance. The Facility bears interest at either the U.S. base rate or Canadian prime rate plus respective applicable margins. The Facility will mature on January 13, 2025.

Working capital

Our primary sources of cash flows are revenue from operations and equity capital raises. Our approach to managing working capital is to ensure, to the extent possible, that we always have sufficient liquidity to meet our liabilities as they become due. We do so by monitoring cash flow and performing budget-to-actual analyses on a regular basis.

Working capital, which is defined as current assets less current liabilities, as at March 31, 2022 was \$107.8 million (December 31, 2021 - \$119.9 million). Working capital excluding our deferred revenue of \$6.9 million, as at March 31, 2022 was \$114.7 million (December 31, 2021 - \$126.6 million).

The following table represents the Company's working capital position as at March 31, 2022 and 2021:

	March 31, 2022 \$	December 31, 2021 \$
	(In thousands of U.S. dollars)	
Current assets	119,037	130,376
less: Current liabilities	11,238	10,430
Working capital ⁽¹⁾	107,799	119,946
less: Deferred revenue	6,940	6,629
Working capital excluding deferred revenue	114,739	126,575

- (1) Working capital is not a recognized measure under IFRS. See "Non-IFRS Measures and Reconciliation of Non-IFRS Measures" in this MD&A for more detail.

Given our existing cash and cash equivalents balance as at March 31, 2022, we believe there is sufficient liquidity to meet our current and short-term financial obligations.

Cash flows

The following table presents the net cash flows from (used in) operating, investing, and financing activities for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022 \$	2021 \$
	(In thousands of U.S. dollars)	
Cash and cash equivalents	115,104	7,516
Net cash from (used in):		
Operating activities	(11,066)	(1,081)
Investing activities	(650)	(98)
Financing activities	(92)	(362)
Effect of foreign exchange on cash and cash equivalents	857	(9)
Net decrease in cash and cash equivalents	(10,951)	(1,550)

Cash flows used in operating activities

Cash flows used in operating activities were \$(11.1) million for the three months ended March 31, 2022 compared to \$(1.1) million for the same period in the prior year. The increase in cash outflows of \$10.0 million primarily relates to a \$11.0 million increase to net loss during the period, as well as a \$0.9 million increase to unrealized foreign exchange gain. This was partially offset by \$1.5 million generated from changes in non-cash working capital and a \$0.4 million increase in non-cash expenses, including depreciation and amortization, stock-based compensation, and finance and other expenses.

Cash flows used in investing activities

Cash flows used in investing activities were \$(0.6) million for the three months ended March 31, 2022 compared to \$(0.1) million for the same period in the prior year. The increase in cash outflows of \$0.6 million primarily related to additions of property and equipment for purchases of computer hardware.

Cash flows used in financing activities

Cash flows used in financing activities were \$(0.1) million for the three months ended March 31, 2022 compared to \$(0.4) million for the same period in the prior year. The decrease in cash outflows of \$0.3 million was primarily due share issuance costs of \$0.2 million incurred in the first quarter of 2021, related to the Company's IPO, with no comparable costs in the current period.

CONTRACTUAL OBLIGATIONS

The following are the remaining contractual maturities of financial liabilities as at March 31, 2022. The amounts are gross and undiscounted and include contractual interest payments:

	Liabilities due by period			
	< 1 year \$	2 - 3 years \$	4 - 5 years \$	Total \$
(In thousands of U.S. dollars)				
Accounts payable and accrued liabilities	3,833	—	—	3,833
Operating lease obligations	534	1,065	1,063	2,662
Software commitments	2,028	2,344	224	4,596
	6,395	3,409	1,287	11,091

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company has no related party transactions, other than those in Note 13 in the unaudited condensed interim consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Credit and concentration risk

The Company's credit risk is primarily attributable to its cash and cash equivalents and trade and other receivables. Credit risk with respect to cash and cash equivalents is managed by holding cash and cash equivalents with high quality financial institutions.

Due to our diverse customer base, there is no particular concentration of credit risk related to our trade and other receivables, and no customer accounts comprise more than 5% of the trade and other receivables balance. The Company's trade and other receivables balance is managed and analyzed on an ongoing basis to ensure that an appropriate expected credit loss is established and maintained.

Foreign currency exchange risk

The Company's foreign exchange risk is primarily attributable to Canadian dollar denominated cash and cash equivalents, accounts payable, and lease liabilities. The majority of trade and other receivables are denominated in U.S. dollars.

Foreign exchange risk is managed by holding Canadian dollar denominated cash sufficient to cover our Canadian dollar expenditures, thereby creating a natural hedge against realized foreign exchange risk. The Company has not entered into any foreign exchange hedging arrangements to mitigate risk against unrealized amounts.

The net carrying value of these Canadian dollar denominated balances as at March 31, 2022 and December 31, 2021 were as follows:

	March 31, 2022	December 31, 2021
	\$	\$
	(In thousands of U.S. dollars)	
Cash and cash equivalents	89,575	106,446
Trade and other receivables	166	18
Accounts payable and accrued liabilities	2,211	385
	91,952	106,848

Based on working capital held as at March 31, 2022, a 10% strengthening in the Canadian dollar against the U.S. dollar, with all other variables held constant, would result in an increase in foreign exchange loss of approximately \$9.2 million recorded against net (loss) income (December 31, 2021 - \$13.5 million). The sensitivity associated with a 10% weakening of the Canadian dollar against the U.S. dollar would be equal and opposite.

OUTSTANDING SHARE INFORMATION

As at May 5, 2022, the Company had 20,773,230 Subordinate Voting Shares and 56,993,752 Multiple Voting Shares outstanding, for a total of 77,766,982 common shares outstanding.

ADVISORIES

Critical accounting policies and estimates

The preparation of financial statements in accordance with IFRS requires the Company to make significant judgments, estimates and assumptions that impact the Company's balance sheet and operating results. A summary of Thinkific's significant accounting policies, estimates and assumptions can be found in Note 2 of the annual financial statements which can be found under the Company's corporate profile on SEDAR at www.sedar.com.

Revenue recognition

Our primary source of revenue is subscriptions to our cloud-based Platform. Subscriptions to the cloud-based Platform may include promises to transfer cloud services and professional services. A performance obligation is a commitment in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment.

Stock-based compensation

The Company measures the cost of stock-based awards with employees by reference to the fair value of the related instruments at the date at which they are granted. Estimating fair value for stock-based compensation requires determining the most appropriate valuation model for a grant, which depends on the terms and conditions of the grant. This also requires making assumptions and determining the most appropriate inputs to the valuation model including: the fair value of the underlying shares, the expected life of the option, volatility, forfeiture rate, risk-free rate and dividend yield. Variation in actual results for any of these inputs will result in a different value of the stock option realized from the original estimate.

Recoverability of deferred tax assets and current and deferred income taxes and tax credits

In assessing deferred income tax assets, management considers whether it is probable that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible.

Management's judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies.

Future accounting standards

The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after January 1, 2022 will have a significant impact on the Company's consolidated financial statements.

Controls and procedures

The Company is subject to the certification and disclosure requirements provided for under National Instrument 52-109.

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed or caused to be designed under their supervision, disclosure controls and procedures which provide reasonable assurance that material information regarding the Company is accumulated and communicated to the Company's management, including its CEO and CFO, in a timely manner.

In addition, the CEO and CFO have designed or caused to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements, as well as an evaluation on whether or not there were changes to its ICFR during the three months ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. The control framework used to design the Company's ICFR is recognized by the Committee of Sponsoring Organizations of the Treadway Commission.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our internal controls over financial reporting are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.