MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 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 December 31, 2022.

This MD&A, dated February 23, 2023, for the year ended December 31, 2022 should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the year ended December 31, 2022 (the "annual financial statements"). The financial information presented in this MD&A is derived from the Company's annual financial statements, which have 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"). 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 annual 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 2022 Annual Information Form filed with SEDAR on February 23, 2023.

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 annual 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", "trend", "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 including our product-led growth strategy through the introduction of additional features and tools to support the success of our Creators; addressable markets for our solutions; the achievement of advances in and expansion of our offered platform service (defined as "Thinkific Platform" and "Our Platform" in the 2022 Annual Information Form); the roll-out, development and success of new products, features, and services; expectations regarding our revenue, restructuring expense for the first quarter of 2023, 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 digital 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 2022 Annual Information Form.*

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; 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 2022 Annual Information Form, which is available under our profile on SEDAR at www.sedar.com, should be considered carefully by prospective investors.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. No forward-looking statement is a guarantee of future results. Accordingly, you should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this 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. Our Platform provides our Creators with the functionality needed to launch, grow, and diversify their businesses by creating and selling learning products comprised of customized courses, communities, membership sites, and other experiences that our Creators can create, sell and deliver using Our 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 global Creators span nearly every industry vertical. 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 digital courses and other Learning Products, including Thinkific Communities. This also includes Thinkific Payments, 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, we have an app store and a network of Partners to expand and promote our offering.** Thinkific's ecosystem of Partners adds flexibility and extends the functionality of Our Platform for each of our Creators. We offer a customizable experience through our Thinkific API, integrations, customizable site themes which allow Creators to integrate Our Platform with their existing technology stack. 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. Our partner agencies, influencers and affiliates help to market our products and bring new customers to build their business using Thinkific's Platform. As our ecosystem grows, Our Platform becomes even more attractive to new Creators, allowing for greater revenue opportunities for all participants, including Thinkific.
- **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' Learning Products business. The Creator administration area within Our Platform allows our Creators 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, 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 central business operating system for many of our Creators, encompassing not just e-commerce, but also the entire back office and the end products themselves.

For our Creators, these core functions combine to provide the following key benefits:

- **High margins and scalability.** Creators use Our Platform to monetize their expertise by selling multiple Learning Products and grow their business. Utilizing our Learning Products, they can create once and can sell many times over. This typically means they have high profit margins, as compared to many other business models such as selling physical goods. This profit provides them with more resources to reinvest in their businesses, allowing them to scale and reach their addressable audience. Learning Products can be delivered globally with low marginal costs and no need to manage the logistics of inventory, supply chains, and distribution networks.
- **Save time.** Ease of use is a core principle of our product design philosophy. Building a business is hard; we believe using software should not be. Creators are able to set up and launch online courses, communities, and other Learning Products quickly with no specialized technical skills required.
- **Earn revenue.** Our Platform empowers the Creator to sell and generate revenue through multiple products beyond simply courses such as through communities, memberships and other features. While Thinkific supports a range of different use-cases, the majority of our Creators generate revenue from their Learning Products on Our Platform.
- **Make an impact.** Although revenue is a primary goal for many of our Creators, they also value the impact they can deliver in the world by using Our Platform. Each of our Creators gets to create their own Learning Products by taking their special skills, knowledge, and passion and sharing them with others. Thinkific's Platform gives each of our Creators global reach to positively impact people and communities that access their content.

HIGHLIGHTS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 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 December 31, 2022:

- Revenue increased 28% to $13.8 million compared with the fourth quarter of 2021, driven by year-over-year growth in total Paying Customers(1) and increasing ARPU(1).
- Gross margin of 78% was up from 74% in the fourth quarter of 2022, driven by efficiency improvements. These gains were partially offset by the success of our Thinkific Payments offering, which has a lower overall gross margin.
- Net loss for the fourth quarter of 2022 was $3.7 million, compared to a net loss of $9.4 million in the fourth quarter of 2021.
- Adjusted EBITDA(2) losses improved for the third consecutive quarter. This trend is expected to continue with the Company targeting Adjusted EBITDA(2) profitability run rate exiting 2023. Adjusted EBITDA(2) loss of $4.4 million for the fourth quarter reflects operational efficiencies and the reduction in cost structure achieved over the last few quarters, as well as ongoing revenue growth.
- Total Paying Customers(1) grew 4% to 33.6 thousand in the fourth quarter of 2022, following three quarters of stable total Paying Customers(1).

- ARPU[1] increased 21% to $138 per month compared with $114 in the fourth quarter of 2021, primarily driven by the increasing adoption of Thinkific Payments.
- ARR[1] grew 18% to $51.5 million from $43.8 million in the fourth quarter of 2021, due to increase in ARPU[1].
- Thinkific Payments continued to be well received by Creators, and Gross Payments Volume ("GPV") was $22.8 million for the fourth quarter compared to $6.4 million in the prior year. GPV[1] is the total dollar value of transactions processed using Thinkific Payments, and represented 22% of the $106.0 million of GMV[1] processed during the quarter. Thinkific Payments was launched in November 2021, and has seen steadily increasing adoption.
- Cash and cash equivalents were $93.8 million at the end of the fourth quarter of 2022.

Highlights for the year ended December 31, 2022:

- Revenue increased 35% to $51.5 million driven by year-over-year growth in ARPU[1] and total Paying Customers[1].
- Gross margin decreased slightly to 76% in 2022 compared to 77% in 2021, impacted by the increase in the adoption of Thinkific Payments, which has a lower gross margin profile. This was offset by efficiencies in customer support.
- Net loss of $36.4 million compared to a prior year net loss of $26.4 million.
- Adjusted EBITDA[2] loss of $26.4 million increased 36% from $19.5 million in 2021. While the Adjusted EBITDA[2] loss for 2022 was greater than 2021, the Company is targeting Adjusted EBITDA[2] profitability exiting 2023. The increased Adjusted EBITDA[2] loss year-over-year was primarily driven by higher headcount.
- Total Paying Customers[1] grew 4% to 33.6 thousand in 2022 compared to 2021. The modest growth reflected a lower rate of new customer acquisition relative to 2021.
- ARPU[1] increased 21% to $138 per month in 2022 compared to $114 in 2021, driven by customers upgrading to higher tier subscription plans, and the increasing adoption of Thinkific Payments.
- ARR[1] grew 18% to $51.5 million from $43.8 million in 2022 relative to 2021, largely as a result of increasing ARPU[1], as well as total Paying Customers[1] growth.
- Thinkific Payments' Gross Payments Volume ("GPV") was $66.7 million in 2022 relative to $9.2 million in 2021, and represented 16% of the $409.8 million of GMV[1] processed during the year.

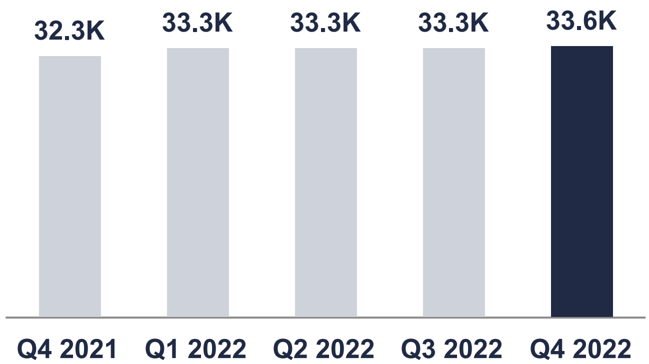
(1) Key Performance Indicators. See definition in "Key Performance Indicators".
(2) Non-IFRS measure. See "Non-IFRS Measures" and the reconciliation to the most directly comparable IFRS measure.

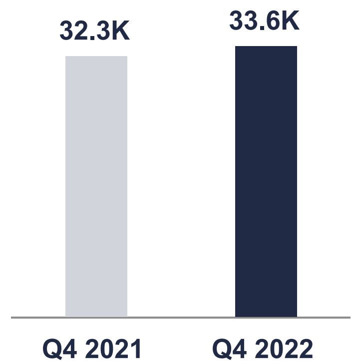
KEY PERFORMANCE INDICATORS

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.

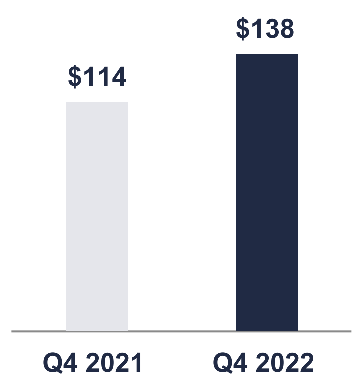




As at December 31, 2022 and 2021, the number of Paying Customers were 33.6 thousand and 32.3 thousand, respectively, representing an increase of 4%.

Average Revenue Per User

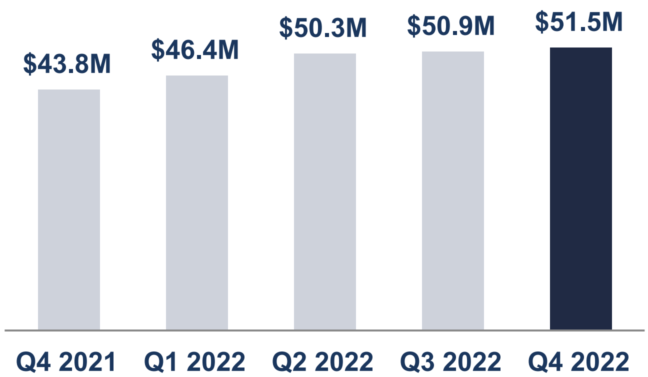
"Average Revenue Per User" or "ARPU" is the average monthly revenue per Paying Customer in the quarter. ARPU is calculated by taking the average revenue for each month in the quarter (calculated in accordance with IFRS) and dividing this by the average number of Paying Customers for the same quarter. 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 higher tier plans, (ii) existing Paying Customers moving upwards in our plan tiers in order to access enhanced features and functionalities, (iii) Creators adopting and monetizing with Thinkific Payments and (iv) any changes that are made to existing pricing plans or structures.

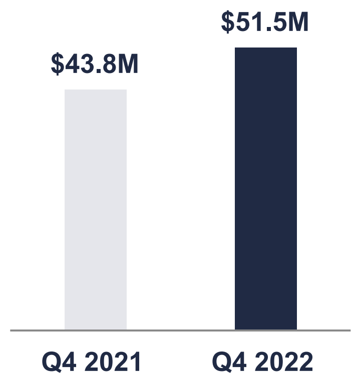


For the year ended December 31, 2022 and 2021, ARPU was $138 and $114, respectively, representing an increase of 21%.

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.

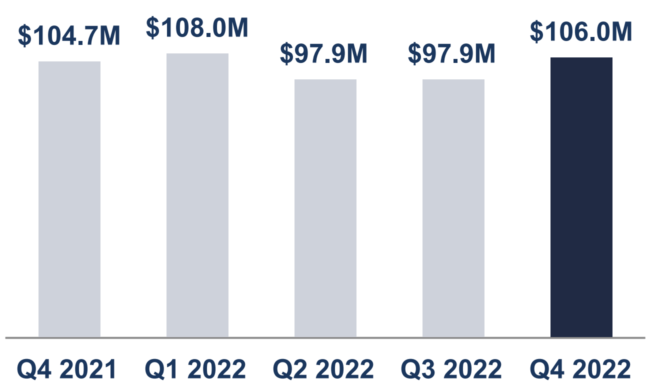


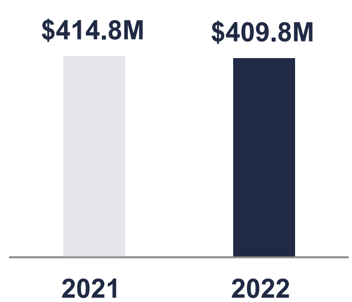


As at December 31, 2022 and 2021, ARR was $51.5 million and $43.8 million, respectively, representing an increase of 18%.

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. Accordingly, 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 the 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 December 31, 2022 and 2021, GMV was $106.0 million and $104.7 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 recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS, and are 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 December 31,		Years ended December 31,	
	2022	**2021**	**2022**	**2021**
	(In thousands of U.S. dollars)			
Net loss and comprehensive loss	(3,666)	(9,401)	(36,422)	(26,375)
Stock-based compensation	663	1,470	2,786	4,124
Depreciation and amortization	328	180	1,196	611
Foreign exchange (gain) loss	(1,006)	(878)	4,618	2,313
Finance income	(703)	(94)	(1,428)	(245)
Restructuring costs (1)	—	—	2,875	—
Transaction-related costs (2)	—	—	—	115
Adjusted EBITDA	**(4,383)**	**(8,723)**	**(26,374)**	**(19,458)**

(1) Represents restructuring costs in the first quarter of 2022, primarily relating to employee compensation.
(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 and year ended December 31, 2022 were 1.3580:1 and 1.3017:1 respectively (three months and year ended December 31, 2021 - 1.2600:1 and 1.2537:1).

Using the comparative periods’ average CAD:USD foreign exchanges rates, Adjusted EBITDA for the three months and year ended December 31, 2022 would have amounted to $(5,230) and $(28,314) respectively.

OUTLOOK

Thinkific expects to exit 2023 with a profitable Adjusted EBITDA run rate, benefiting from both top-line growth, and a continued reduction in its cost structure.

For the first quarter of 2023, the Company expects:

- Revenue of $13.8 million - $14.0 million; and
- Adjusted EBITDA loss in the range of $3.3 million to $3.9 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 2022 Annual Information Form, filed on February 23, 2023, which can be found on SEDAR at www.sedar.com.

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.

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.

Expansion and growth of customer base

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

Our growth strategy involves the adoption of our payment processing solution, Thinkific Payments, that is available in over 30 countries and may present risks and challenges that we have not yet experienced. 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.

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 cloud infrastructure providers, 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.

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 unique or unfamiliar tax regimes, 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.

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 incur operating expenses in U.S. dollars, while our head office and the majority of our employees are located in Canada and as such, a significant amount of our expenses is 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 AND YEAR ENDED DECEMBER 31, 2022

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

	Three months ended December 31, 2022 $	Three months ended December 31, 2021 $	Years ended December 31, 2022 $	Years ended December 31, 2021 $
	(In thousands of U.S. dollars, except share and per share information)			
Revenue	**13,808**	**10,770**	**51,476**	**38,117**
Cost of revenue	3,045	2,753	12,362	8,903
Gross profit	**10,763**	**8,017**	**39,114**	**29,214**
Operating expenses				
Sales and marketing	6,136	6,625	25,670	20,130
Research and development	5,938	6,800	27,450	19,451
General and administrative	4,065	4,966	16,937	13,940
Restructuring	—	—	2,288	—
Total operating expenses	**16,138**	**18,390**	**72,345**	**53,521**
Operating loss	**(5,375)**	**(10,373)**	**(33,231)**	**(24,307)**
Other income (expenses)	1,708	972	(3,190)	(2,068)
Net loss and comprehensive loss	**(3,666)**	**(9,401)**	**(36,422)**	**(26,375)**
Loss per share - basic and diluted	$ (0.05)	$ (0.12)	$ (0.46)	$ (0.41)
Weighted average number of common shares outstanding - basic and diluted	79,586,034	77,238,201	78,701,528	65,107,020

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 are automatically renewed until cancelled. 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 consolidated statement of financial position and recognize revenue rateably over the term of the contract.

	Three months ended December 31, 2022 $	2021 $	Change $	Change %	Years ended December 31, 2022 $	2021 $	Change $	Change %
	(In thousands of U.S. dollars, except percentages)							
Revenue	13,808	10,770	3,038	28 %	51,476	38,117	13,359	35 %

Revenue increased $3.0 million and 28% for the three months ended December 31, 2022 and $13.4 million and 35% for the year ended December 31, 2022, as compared to the same periods in the prior year.

These increases were primarily due to strong growth in ARPU, which rose from $114 for the three months ended December 31, 2021 to $138 for the three months ended December 31, 2022. The increase in ARPU was mainly due to new and existing Paying Customers upgrading to higher tiered subscription plans, and Thinkific Payments adoption. The remainder of the increase is the result of growth in Paying Customers which rose from 32.3 thousand as at December 31, 2021 to 33.6 thousand as at December 31, 2022.

Cost of revenue

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

	Three months ended December 31,				Years ended December 31,			
	2022 $	2021 $	Change $	Change %	2022 $	2021 $	Change $	Change %
	(In thousands of U.S. dollars, except percentages)							
Cost of revenue	3,045	2,753	292	11%	12,362	8,903	3,460	39%
Percentage of revenue	22%	26%		(4)%	24%	23%		1%

Cost of revenue increased $0.3 million and 11%, for the three months ended December 31, 2022 compared to the same period in the prior year. This increase was due to higher payment processing fees resulting from an increase in GPV driven by the adoption of Thinkific Payments, partially offset by lower employee-related support costs due to efficiencies in cost structure achieved by the Company.

Cost of revenue increased $3.5 million and 39%, for the year ended December 31, 2022 compared to the prior year. This increase was primarily due to increased payment processing costs, support services and hosting costs. Increasing payment processing costs were driven from the adoption of our new Creator solution, Thinkific Payments, as GPV increased during the period.

Gross profit

	Three months ended December 31,				Years ended December 31,			
	2022 $	2021 $	Change $	Change %	2022 $	2021 $	Change $	Change %
	(In thousands of U.S. dollars, except percentages)							
Gross profit	10,763	8,017	2,746	34%	39,114	29,214	9,900	34%
Percentage of revenue	78%	74%		4%	76%	77%		(1)%

Gross profit increased $2.7 million and 34%, for the three months ended December 31, 2022 as compared to the same period in the prior year. As a percentage of revenue, gross profit increased from 74% in the three months ended December 31, 2021 to 78% in the three months ended December 31, 2022, as the Company realized cost savings from headcount reductions and focused on creating a sustainable cost structure. The savings were partially offset by an increase in payment processing fees, driven by adoption of Thinkific Payments.

Gross profit increased $9.9 million and 34%, for the year ended December 31, 2022 as compared to the prior year. As a percentage of revenue, gross profit decreased from 77% in the year ended December 31, 2021 to 76% in the year ended December 31, 2022 compared to the same period in the prior year as adoption of Thinkific Payments increased throughout the year, which has a lower gross margin profile than the Company's subscription revenue.

Operating expenses

Sales and marketing

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

	Three months ended December 31,				Years ended December 31,			
	2022 $	2021 $	Change $	Change %	2022 $	2021 $	Change $	Change %
	(In thousands of U.S. dollars, except percentages)							
Sales and marketing	6,136	6,625	(489)	(7)%	25,670	20,130	5,540	28%
Percentage of revenue	44%	62%		(18)%	50%	53%		(3)%

Sales and marketing expenses decreased $0.5 million and 7%, for the three months ended December 31, 2022 as compared to the same period in the prior year, primarily due to decreases in advertising, including campaigns and promotional expenses.

Sales and marketing expenses increased $5.5 million and 28%, for the year ended December 31, 2022 compared to the prior year, primarily due to higher employee compensation costs to support initiatives which improved our pricing strategy, increased adoption of new features on Our Platform, and supported customer upgrades to higher tiered plans. The increases were also due to long-term investments in technology as the Company focused on operational efficiency and effectiveness in our go-to-market ("GTM") strategy. The increases were partially offset by decreases in advertising, including campaigns and promotional expenses.

Research and development

Research and development expenses consist primarily of employee-related expenses, including stock-based compensation, as well as expenses for product management, product development and product design, contractor fees, software subscriptions, and corporate overhead allocations. We plan to continue to execute our product-led growth strategy by launching additional products and features to support the success of our Creators.

	Three months ended December 31,				Years ended December 31,			
	2022 $	2021 $	Change $	Change %	2022 $	2021 $	Change $	Change %
	(In thousands of U.S. dollars, except percentages)							
Research and development	5,938	6,800	(862)	(13)%	27,450	19,451	7,999	41%
Percentage of revenue	43%	63%		(20)%	53%	51%		2%

Research and development expenses decreased $0.9 million and 13%, for the three months ended December 31, 2022 compared to the same period in the prior year, due to a reduction in employee compensation costs as result of a revised cost structure that aligns with the Company's product-led growth strategy.

Research and development expenses increased $8.0 million and 41% compared to the prior year, due to our continued investment in the development of Our Platform to enhance our Creators' experience and connectivity, including employee-related compensation costs associated with the development of new product features, including Thinkific Communities.

General and administrative

General and administrative expenses consist of employee-related expenses for our finance and accounting, legal, people, and operations teams. These expenses also include professional services costs, software subscriptions, public company fees, certain tax and insurance-related expenses, as well as corporate overhead allocations. Over time, we expect our general and administrative expenses to decline as a percentage of revenue as we focus on growing our business profitably.

	Three months ended December 31,				Years ended December 31,			
	2022 $	2021 $	Change $	Change %	2022 $	2021 $	Change $	Change %
	(In thousands of U.S. dollars, except percentages)							
General and administrative	4,065	4,966	(901)	(18)%	16,937	13,940	2,997	21%
Percentage of revenue	29%	46%		(17)%	33%	37%		(4)%

General and administrative expenses decreased by $0.9 million and 18%, for the three months ended December 31, 2022 compared to the same period in the prior year, primarily due to lower employee compensation expenses, reflecting overall efficiencies achieved in the Company's cost structure.

General and administrative expenses increased by $3.0 million and 21%, compared to the prior year, driven by higher employee-related compensation costs, consulting and professional fees, and software costs, including implementation fees.

Restructuring

During year ended December 31, 2022, the Company reduced its workforce to increase efficiency and lower costs without impacting the Company's growth trajectory. The Company recognized $2.3 million in restructuring expenses associated with the reduction in workforce, which primarily consists of employee compensation for severance costs.

Subsequently, on January 10, 2023, the Company announced a further restructuring to reduce its cost structure and align its talent with key growth initiatives, as part of its plan to exit 2023 with positive Adjusted EBITDA. The Company expects to record between $2.8 and $3.3 of restructuring expense in the first quarter of 2023, that is primarily related to employee compensation for severance costs.

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.

	Three months ended December 31,				Years ended December 31,			
	2022 $	2021 $	Change $	Change %	2022 $	2021 $	Change $	Change %
	(In thousands of U.S. dollars, except percentages)							
Other income (expenses)	1,708	972	736	76%	(3,190)	(2,068)	(1,123)	54%
Percentage of revenue	12%	9%		3%	(6)%	(5)%		(1)%

For the three months ended December 31, 2022 other income was $1.7 million, representing an increase of $0.7 million compared to the same period in the prior year. The increase is primarily due to a higher unrealized gain on the translation of the Company's Canadian dollar denominated cash balance due to an increased strengthening of the Canadian dollar against the U.S. dollar in the three months ended December 31, 2022 compared to the same period in the prior year.

For year ended December 31, 2022 other expenses were $(3.2) million, representing an increase of $1.1 million, compared to same period in the prior year. The increase was primarily due to higher unrealized foreign exchange loss on the translation of the Company's Canadian dollar denominated cash balance due increased weakening in the Canadian dollar against the U.S. dollar for the year ended December 31, 2022 compared to the prior year. The increase in foreign exchange loss was partially offset by an increase in interest income for the year ended December 31, 2022 compared to the prior year.

SELECTED ANNUAL INFORMATION

		Year ended December 31,		
		2022 $	2021 $	2020 $
		(In thousands of U.S. dollars, except per share data)		
Revenue		51,476	38,117	21,070
Net loss		(36,422)	(26,375)	(1,293)
Loss per share - basic and diluted	$	(0.46) $	(0.41) $	(0.03)
Total assets		102,970	132,404	12,936
Total long-term liabilities		1,512	360	868

KEY BALANCE SHEET INFORMATION

	December 31, 2022 $	December 31, 2021 $	Change $	Change %
	(In thousands of U.S. dollars, except percentages)			
Cash and cash equivalents	93,846	126,055	(32,209)	(26)%
Total assets	102,970	132,404	(29,434)	(22)%
Total liabilities	15,122	10,790	4,332	40 %

Total assets

Total assets decreased $29.4 million, or 22%, during the year ended December 31, 2022, primarily due to the decrease of $32.2 million in cash and cash equivalents relating to the funding of the Company's investments and operations. The decrease was partially offset by an increase to trade and other receivables of $1.3 million resulting from an increase in the Company's revenue, as well as a $1.3 million increase in the Company's lease right-of-use assets relating to the recognition an extension option for the Company's office space lease.

Total liabilities

Total liabilities increased $4.3 million, or 40%, during the year ended December 31, 2022, primarily due to an increase of $1.6 million to deferred revenue consistent with an increase in the Company's revenue, a $1.6 million increase in accounts payable and accrued liabilities, as well as increase of $1.1 million to lease liabilities relating to the recognition of an extension option for the Company's office space lease.

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 annual financial statements. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	Three months ended							
	Dec 31, 2022 $	**Sept 30, 2022 $**	**June 30, 2022 $**	**March 31, 2022 $**	**Dec 31, 2021 $**	**Sept 30, 2021 $**	**June 30, 2021 $**	**March 31, 2021 $**
	(In thousands of U.S. dollars, except share and per share information)							
Revenue	13,808	13,263	12,620	11,785	10,770	9,916	9,128	8,303
Cost of revenue	3,045	3,173	2,992	3,153	2,753	2,333	2,148	1,669
Gross profit	**10,763**	**10,090**	**9,628**	**8,632**	**8,017**	**7,582**	**6,980**	**6,634**
Operating expenses								
Sales and marketing	6,136	6,832	6,513	6,190	6,625	5,848	4,559	3,099
Research and development	5,938	6,434	7,128	7,950	6,800	5,551	4,566	2,535
General and administrative	4,065	3,772	3,942	5,158	4,966	3,835	3,160	1,978
Restructuring	—	—	—	2,288	—	—	—	—
Total operating expenses	**16,138**	**17,038**	**17,584**	**21,585**	**18,390**	**15,234**	**12,285**	**7,613**
Operating loss	(5,375)	(6,948)	(7,956)	(12,953)	(10,373)	(7,651)	(5,305)	(978)
Other income (expenses)	1,708	(3,709)	(2,155)	966	972	(3,024)	(9)	(7)
Net loss and comprehensive loss	**(3,666)**	**(10,658)**	**(10,111)**	**(11,987)**	**(9,401)**	**(10,675)**	**(5,313)**	**(986)**
(Loss) income per share - basic and diluted	$ (0.05)	$ (0.13)	$ (0.13)	$ (0.16)	$ (0.12)	$ (0.14)	$ (0.08)	$ (0.02)
Weighted average common shares outstanding - basic and diluted	79,586,034	79,492,994	78,396,508	77,296,722	77,238,201	76,920,523	66,253,439	39,471,076

Revenues

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

Cost of revenue

Quarterly costs of revenue increased sequentially for all periods presented until the three months ended March 31, 2022, primarily due to an increase in costs associated with supporting and hosting an increasing number of Creators utilizing Our Platform. During the year ended December 31, 2022, these costs fluctuated due to reduced support costs, partially offset by an increase in payment processing costs relating to an increase in the adoption of Thinkific Payments.

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 until the three months ended March 31, 2022 primarily resulting from increased expenses to support the growth of our business and related infrastructure, including employee compensation costs relating to additional headcount.

Quarterly operating expenses have declined for the three most recent consecutive quarters as the Company focuses on driving efficient growth and achieving profitability.

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 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. As at December 31, 2022, no amounts were outstanding.

Working capital

Our primary sources of cash flows are revenue from operations and equity capital raised. 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 December 31, 2022 was $85.1 million (December 31, 2021 - $119.9 million). Working capital excluding our deferred revenue of $8.2 million, as at December 31, 2022 was $93.3 million (December 31, 2021 - $126.6 million). The data presented is intended to provide additional information about items on the statement of financial position and assist readers in evaluating the Company's liquidity and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. See "*Non-IFRS Measures and Reconciliation for Non-IFRS Measure*" in this MD&A for more detail.

The following table represents the Company's working capital position:

	December 31, 2022 $	December 31, 2021 $
	(In thousands of U.S. dollars)	
Current assets	98,679	130,376
less: Current liabilities	13,610	10,430
Working capital (1)	**85,069**	**119,946**
less: Deferred revenue	8,239	6,629
Working capital excluding deferred revenue	**93,307**	**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 December 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 twelve months ended December 31, 2022 and 2021:

		Years ended December 31,
	2022 $	2021 $
	(In thousands of U.S. dollars)	
Cash and cash equivalents	93,846	126,055
Net cash from (used in):		
Operating activities	(25,853)	(18,255)
Investing activities	(1,260)	(655)
Financing activities	(241)	138,255
Effect of foreign exchange on cash and cash equivalents	(4,855)	(2,356)
Net increase (decrease) in cash and cash equivalents	**(32,209)**	**116,989**

Cash flows used in operating activities

Cash flows used in operating activities were $(25.9) million for the year ended December 31, 2022 compared to $(18.3) million in the prior year. The increase in cash outflows of $7.6 million primarily relates to a $10.0 million increase to net loss during the period, partially offset by a $2.3 million increase to unrealized foreign exchange loss, $0.9 million generated from changes in non-cash working capital and a $0.8 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 $(1.3) million for the year ended December 31, 2022 compared to $(0.7) million 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 from (used in) financing activities

Cash flows from (used in) financing activities were $(0.2) million for the year ended December 31, 2022 compared to $138.3 million in the prior year. The decrease in cash inflows of $(138.5) million was primarily due proceeds relating to the Company's IPO in the second quarter of 2021.

CONTRACTUAL OBLIGATIONS

The following are the remaining contractual maturities of financial liabilities as at December 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 $	After 5 years	Total $
	(In thousands of U.S. dollars)				
Accounts payable and accrued liabilities	4,927	—	—	—	4,927
Operating lease obligations	508	889	738	—	2,135
Software commitments	1,610	1,491	—	—	3,101
	7,045	**2,380**	**738**	**—**	**10,164**

Given our existing cash and credit facilities we believe there is sufficient liquidity to meet our contractual obligations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Related parties include key management personnel, their close family members and entities under their control or joint control. Key management personnel are those having authority and responsibility for the planning directing and controlling the activities of the entity, directly or indirectly. The Company defines key management personnel as the Company's C-level executives and Board of Directors.

Key management personnel compensation was as follows:

	Three months ended December 31,		Years ended December 31,	
	2022 $	2021 $	2022 $	2021 $
	(In thousands of U.S. dollars)			
Salaries and benefits	832	649	2,777	1,614
Stock-based compensation	185	320	577	648
	1,018	**969**	**3,354**	**2,261**

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 December 31, 2022 and December 31, 2021 were as follows:

	December 31, 2022 $	December 31, 2021 $
	(In thousands of U.S. dollars)	
Cash and cash equivalents	46,752	106,446
Trade and other receivables	420	18
Accounts payable and accrued liabilities	(1,937)	(385)
	45,236	**106,079**

Based on working capital held as at December 31, 2022, a 10% weakening 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 $4.5 million recorded against net (loss) income (December 31, 2021 - $10.7 million). The sensitivity associated with a 10% strengthening of the Canadian dollar against the U.S. dollar would be equal and opposite.

OUTSTANDING SHARE INFORMATION

As at February 23, 2023, the Company had 22,756,205 Subordinate Voting Shares and 56,993,752 Multiple Voting Shares outstanding, for a total of 79,749,957 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

Subscriptions to the Company's 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.

Determining if the Company is the principal or agent when another party is involved in providing services to customers is a matter of judgement that depends on the facts and circumstances of each arrangement. In these instances, determining whether the nature of the Company’s promise is a performance obligation to provide the specified services itself (as principal) or arranging for those services to be provided by the other party (as agent) may require significant judgement.

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.

Deferred tax assets

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 judgement 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

New accounting pronouncements issued by the IASB or other standards-setting bodies are adopted as of the specified effective date. 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, 2023 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 year ended December 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.

In April 2022, the Company successfully converted to a new enterprise resource planning system. In connection with this implementation, the Company replaced multiple internal controls over financial reporting that were previously considered effective with similar internal controls that remain equally effective. In management’s judgement, this implementation does not have a material change or effect on internal controls over financial reporting.

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.