THINKIFIC

Empowering Creators to Create, Market, and Sell Digital Learning Products

Q1 2023 Earnings Update

Disclaimer

This presentation is dated May 4, 2023, and has been prepared in connection with the earnings reporting for the period ending March 31, 2023 of Thinkific Labs Inc. (“the “Company”, “Thinkific”, “us” or “we”).

In this presentation, all references to “$”, “US$”, “dollars” and “U.S. dollars” are to United States dollars and all references to “C$” are to Canadian dollars.

NON-IFRS MEASURES

The information in this presentation includes “Adjusted EBITDA”, which is not a recognized measure under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), does not have a standardized meaning prescribed by IFRS, and is therefore unlikely to be comparable to similar measures presented by other companies. Rather, this measure is provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, it should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We also use certain industry metrics: “Monthly Recurring Revenue” or “MRR”, “Annual Recurring Revenue” or “ARR”, “Paying Customers”, “Average Revenue per User” or “ARPU”, “Gross Merchandise Volume” or “GMV”, and “Gross Payments Volume” or “GPV”. These industry metrics are unaudited and are not directly derived from our financial statements. Adjusted EBITDA and industry metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures and industry metrics in the evaluation of issuers. Our management also uses the non-IFRS measure and industry metrics to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

“Adjusted EBITDA” is calculated 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. 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.

INDUSTRY METRICS

We monitor the following industry metrics to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions: “Annual Recurring Revenue” or “ARR”, “Average Revenue per User” or “ARPU”, “Gross Merchandise Volume” or “GMV” and “Paying Customers”. See the Appendix for the definitions of such industry metrics. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

Disclaimer

FORWARD-LOOKING STATEMENTS

This presentation includes forward-looking statements and forward–looking information within the meaning of Canadian securities laws. Often, but not always, forward–looking information can be identified by the use of words such as "plans", "is expected", "expects", "scheduled", "intends", "contemplates", "anticipates", “forecasts”, “trajectory”, "believes", "proposes" or variations (including negative and grammatical variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements in this press release include, but are not limited to statements regarding our financial position, management’s ability to effectively invest; business strategy, budgets, operations, investments, financial results, plans and objectives around growth and profitability, increase business efficiencies necessary to build and maintain a sustainable cost structure, expected improvements to, and achieving breakeven Adjusted EBITDA, revenue growth; industry trends including the confidence we have in the long-term trajectory of our business, marketing efforts; our growth rates and growth strategies; addressable markets for our solutions; capturing market share; our competitive advantage; advances in and expansion of our offered platform service; the development, success and effectiveness of new products, features, and services; effectiveness of our marketing efforts; and expectations regarding our revenue and the revenue generation potential of our platform and other products.

Such statements and information are based on the current expectations of Thinkific's management and are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances, and are subject to risks and uncertainties, 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; our ability to retain key personnel; our ability to continue investing in infrastructure to support our growth and brand recognition; our ability to continue securing, maintaining and enhancing our technological infrastructure and functionality of our platform; our ability to maintain existing relationships with Course Creators and to continue to expand our Course Creators’ use of our Platform; our ability to acquire new Course Creators; our ability to maintain existing material relationships on similar terms with service providers, suppliers, Partners and other third parties; the impact of changing conditions in the global e-learning market in which the Company operates; fluctuations in currency exchange rates and volatility in financial markets; changes in attitudes, financial condition and demand of our target market; developments and changes in applicable laws and regulations; and such other factors discussed in greater detail under the “Risk Factors” section of our Annual Information Form (“AIF”).

In addition, forward-looking financial information with respect to potential outlook and future financial results contained in this presentation are based on assumptions about future events including economic conditions, the assumptions noted above and proposed courses of action, based on management’s reasonable assessment of the relevant information available as at the date of such forward-looking information. Readers are cautioned that any such forward-looking financial information should not be used for purposes other than for which it is disclosed.

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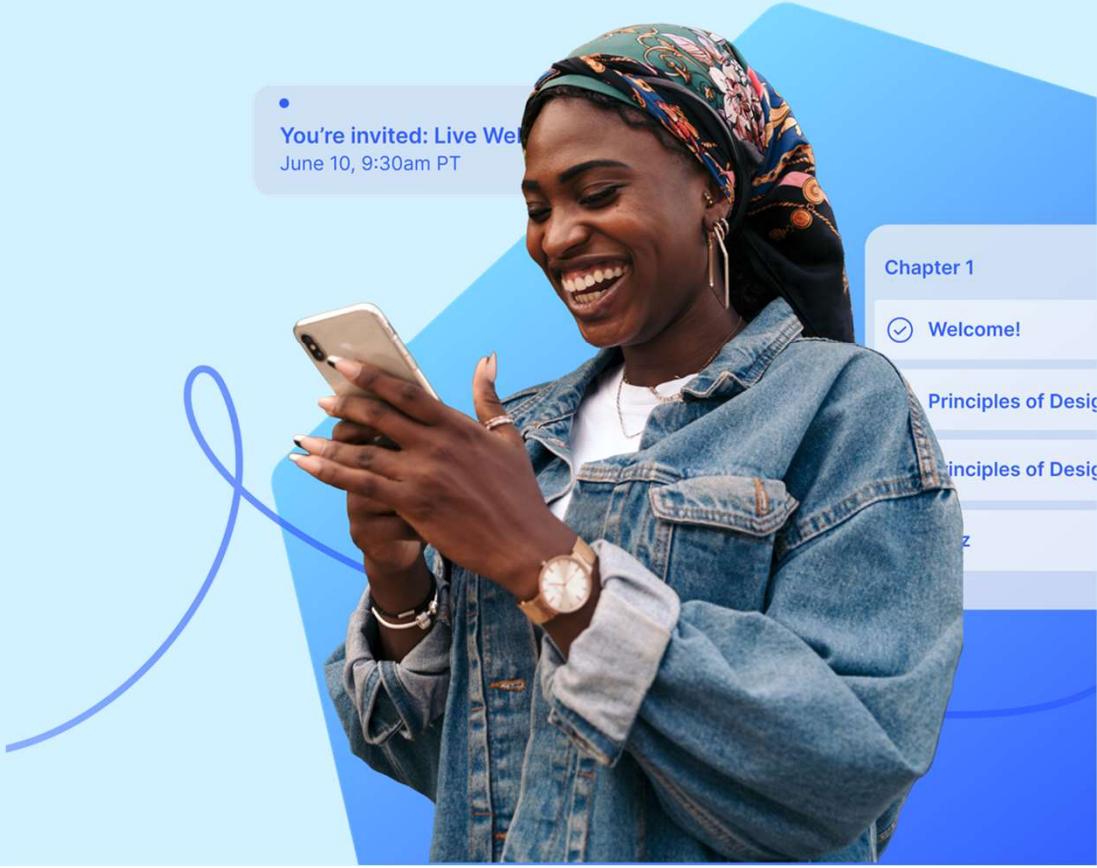
The trusted partner of Creator Educators.

Create and sell online courses, build vibrant communities, and monetize memberships — all on a single, scalable platform.



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Greg Smith
CEO

Corinne Hua
CFO

Key Metrics

Steady Execution & Building on Momentum

$52.3M
Annual Recurring Revenue
(+13% YoY)

$139/month
Average Revenue per User
(+16% YoY)

34.0K
Paying Customers
(+2% YoY)

$113M
Gross Merchandise Value[1]
(+5% YoY)

For the quarter ended March 31, 2023

All metrics in $USD

(1) Gross Merchandise Value does not include transactions for course sales, membership subscriptions, or other products or services processed by APIs or certain apps where the Company does not record the transaction value.

Operational Excellence

75%
Gross Margin
(+2% YoY)

-$3.1M
Adjusted EBITDA
(+67% YoY)

$89M
Cash, with no Debt

Thinkific expects to exit 2023 with a profitable Adjusted EBITDA[1] run rate

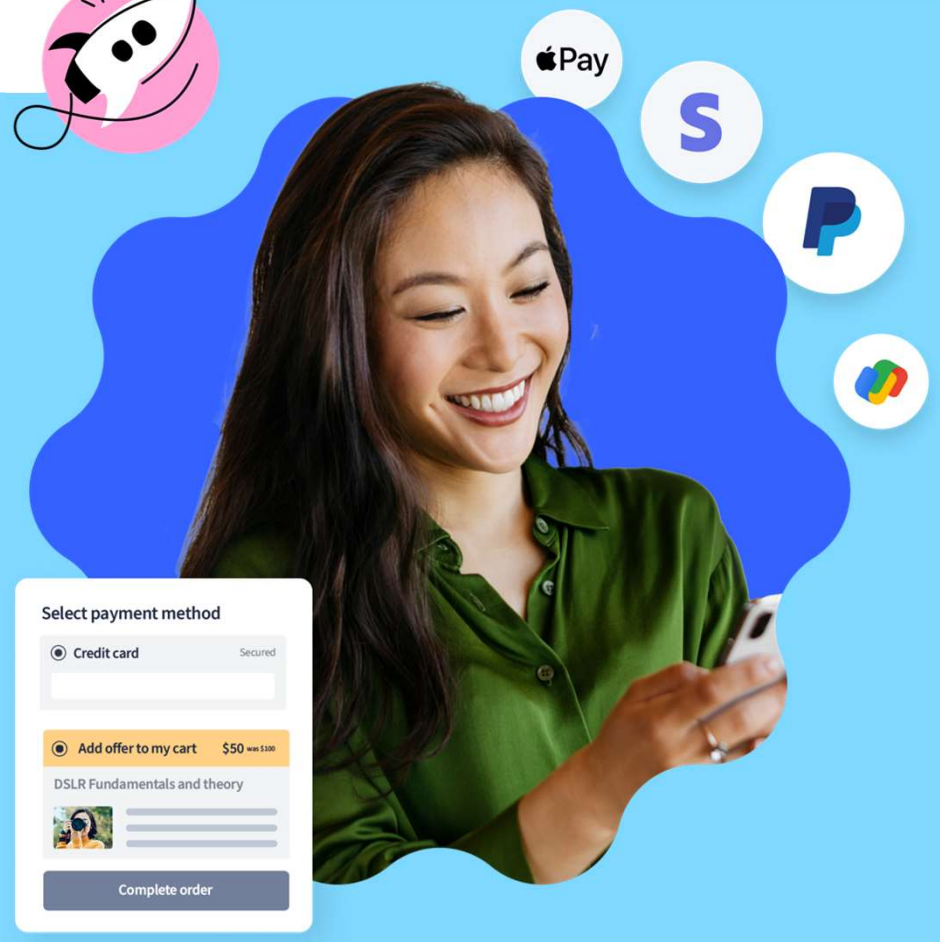
For the quarter ended March 31, 2023

(1) "Adjusted EBITDA" is a Non-GAAP measure defined as net income (loss) excluding taxes, interest, depreciation and amortization (or EBITDA), as adjusted for stock-based compensation, foreign exchange gain (loss), net finance expense, and transaction-related expenses.

Thinkific Payments

Over $100 million processed-to-date

- One of the fastest-growing embedded payment products on the internet
- Approximately 78% of new Creators in US, UK and Canada utilize the platform; 60% globally
- Continue to innovate with new features to allow Creators to sell more, and spend less time on administration



THINKIFIC +

Educating Customers at Scale With

Thinkific Plus

- Entrepreneur-easy. Enterprise tough.
- The power of a customizable learning platform.
- Customer-led growth: students learn faster, stay around longer, and require less support.

Thinkific Plus
Enterprise-strength solution that is powerful and scalable

"We've got Thinkific's whole platform, fully integrated — it feels like a bespoke solution. Because we are so customized, it really feels like part of our product. Users just sign into Blisspot, then access all the content and courses through Thinkific Plus, seamlessly."

"My vision was for a seamless, accessible, comprehensive wellbeing platform. Thinkific Plus has allowed me to fully realize that vision."

Deborah Tyson
Founder, Blisspot

Helping Creators reach their customers

Your custom-built ‘Branded Mobile’ App

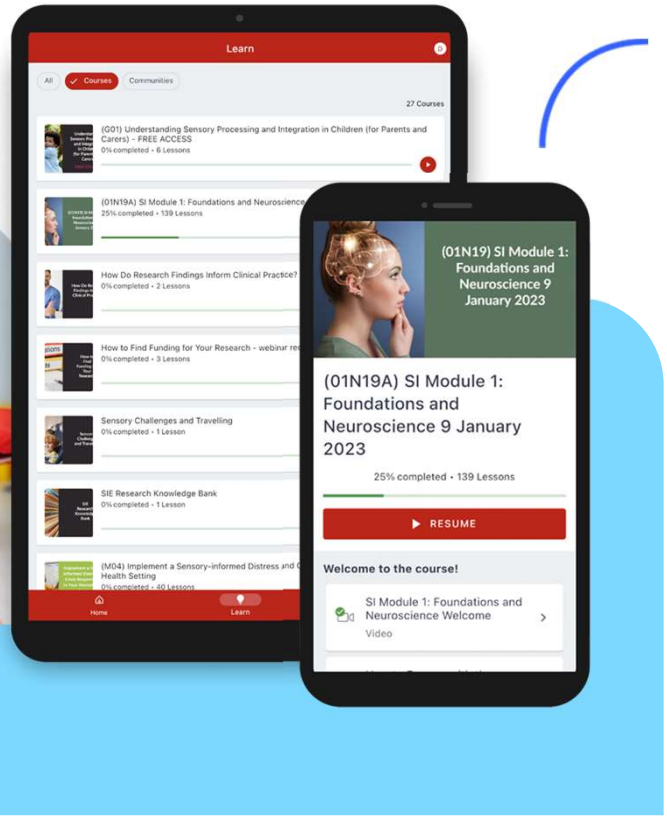
Thinkific can build and maintain a Branded Mobile app for Creators

- Creators can extend their online courses and communities easily into their own Thinkific mobile app so they can focus on what they do best
- Increase engagement, satisfaction, and revenue by seamlessly connecting Creators to their audience, and each other, with their content
- Thinkific mobile is a revenue opportunity for both our Creators and Thinkific
- Currently available on our Thinkific Plus Plan

We build, you benefit

Branded Mobile App: Case Study

Sensory
Integration
Education



"The Thinkific team has been so responsive and very kind helping me through everything I've needed to set up my Branded Mobile app. We're amazed set up happened so quickly and we're committed to Thinkific for our future developments."

Suzanne Leyland
Business Operations Manager
Sensory Integration Education

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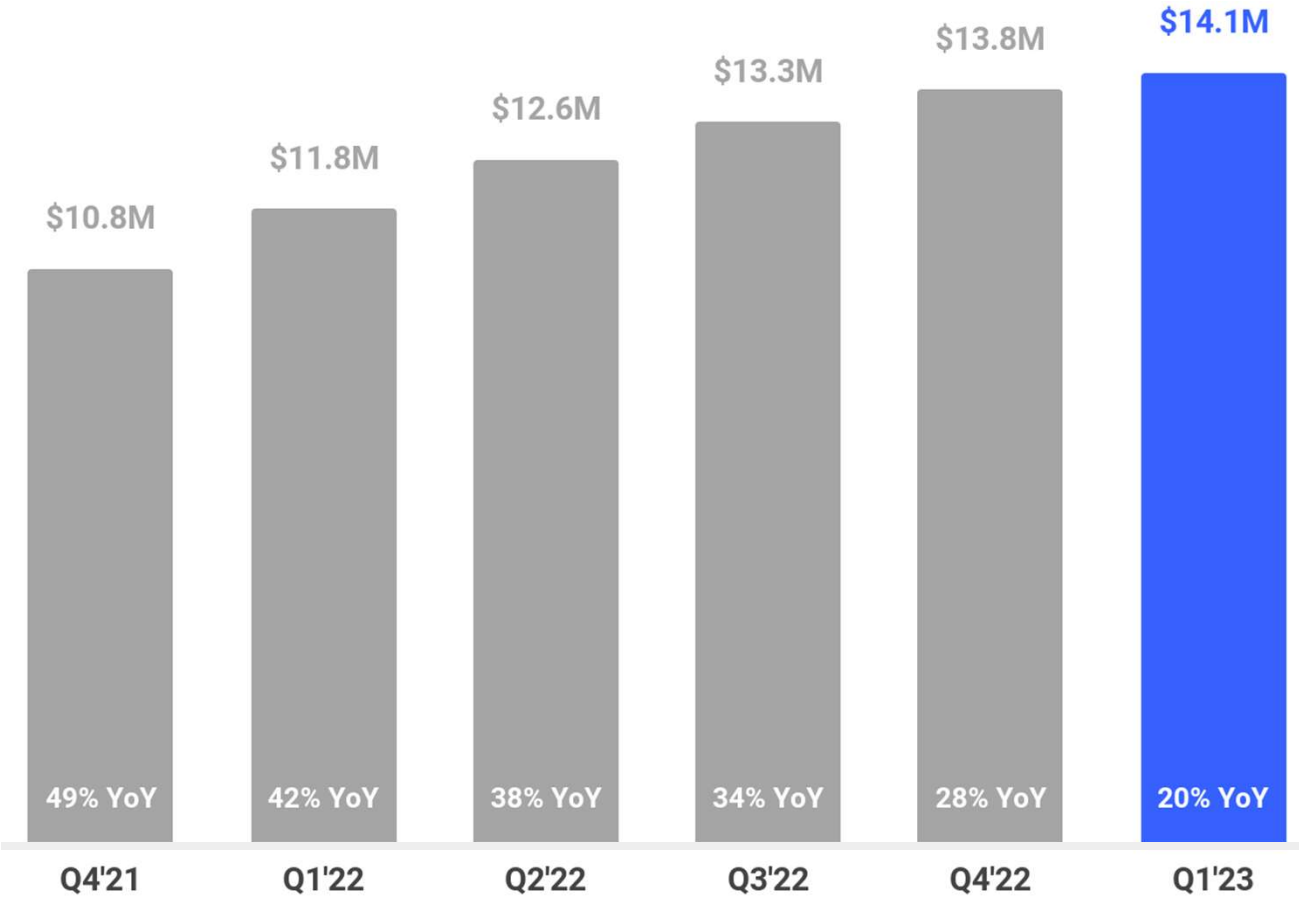
Results

Q1 2023

Financial Performance

Revenue

Low touch, scalable, product-led growth



All metrics in $USD

ARPU (monthly) [1]

Creator upgrades to higher tier plans

Ramping Thinkific Payments

Larger deal size on Thinkific Plus

(1) "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.

All metrics in $USD

ARR[1]

New Creators on platform

Upgrades to higher-tier plans

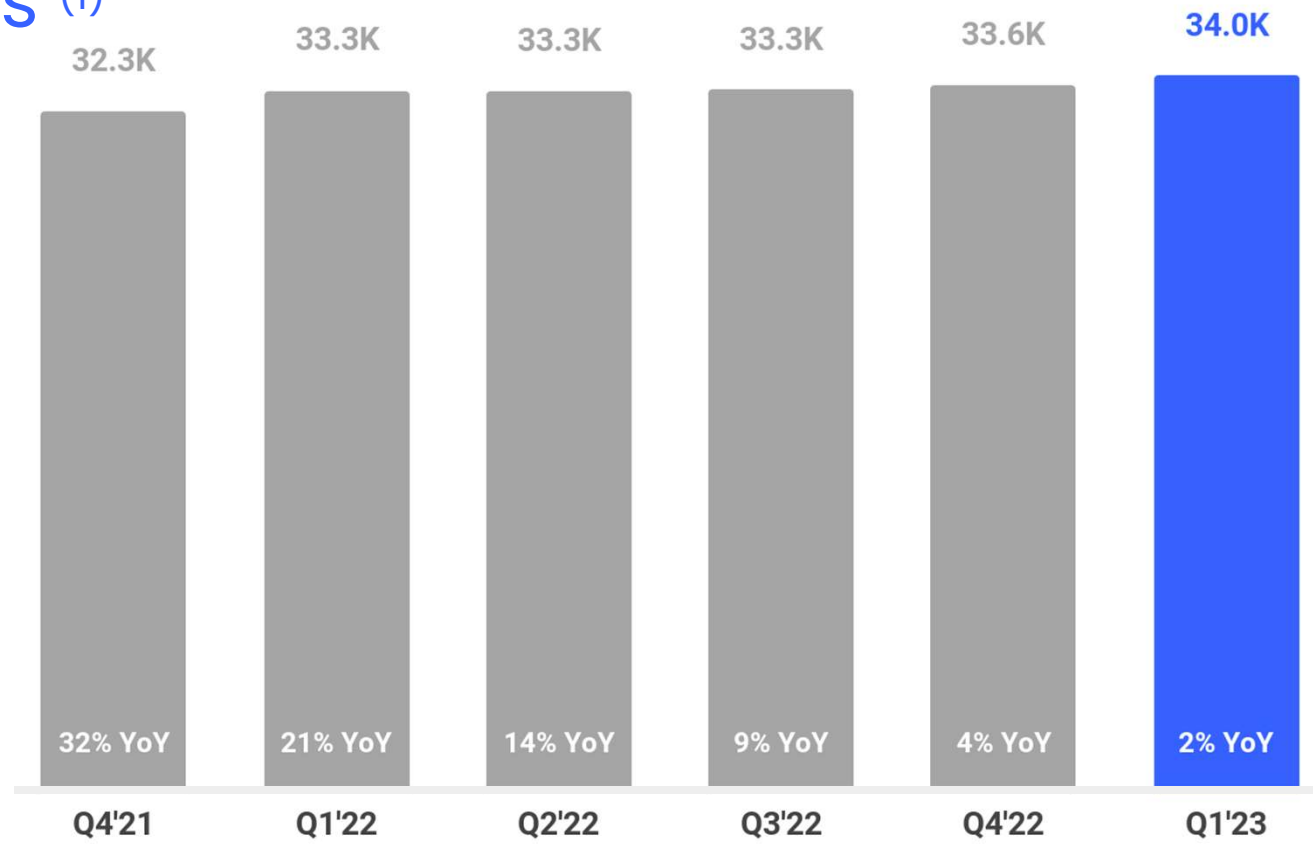
(1) "Annual Recurring Revenue" or "ARR" "Annual Recurring Revenue" or "ARR" is the annual value of all current Paying Customer subscriptions at the end of the period, with the number of Paying Customers multiplied by 12 times the average monthly subscription plan fee in effect on the last day of that period.

All metrics in $USD

Paying Customers (1)

Large & growing market

Innovative & attractive platform



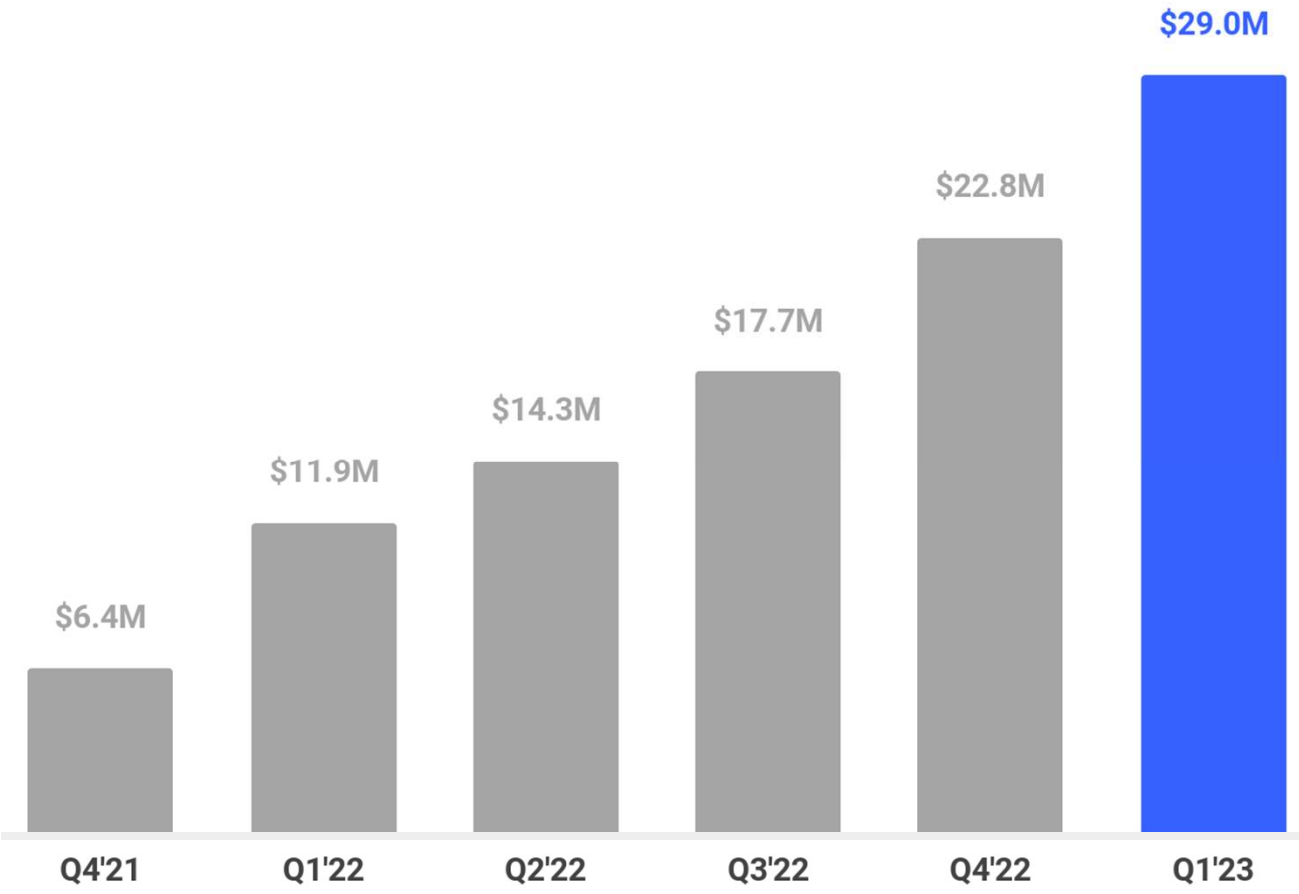
(1) "Paying Customers" is the count of unique Thinkific subscribers on paid plans as of period end, excluding all trial and free customers, and including both monthly and annual subscribers.

All metrics in $USD

GPV (1)

Release of Thinkific Payments
November 2021

Increasing penetration from
22% in Q4'22 to 26% in Q1'23



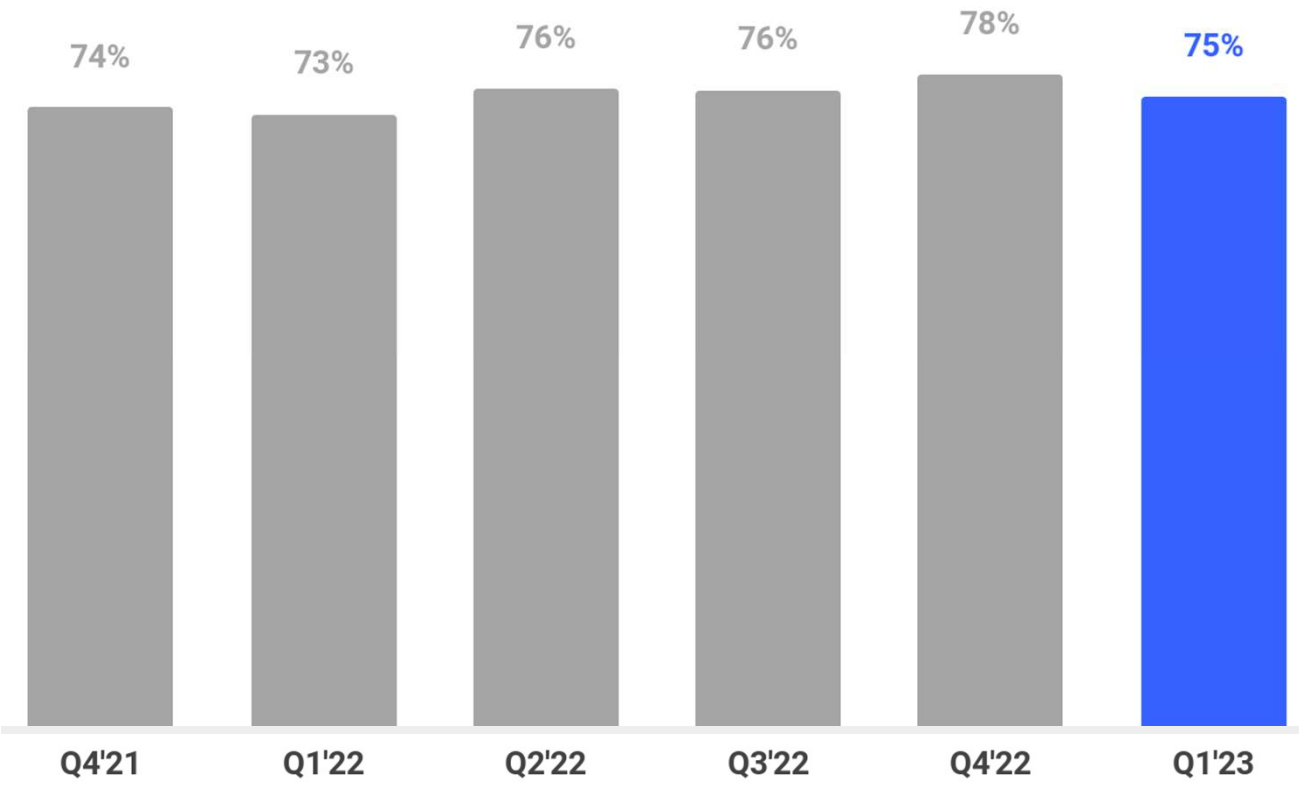
All metrics in $USD

(1) "Gross Payments Volume" or "GPV" is the total dollar value of GMV processed through Thinkific Payments.

Gross Margin

Business model delivers strong structural Gross Margin

Delivering best-in-class support

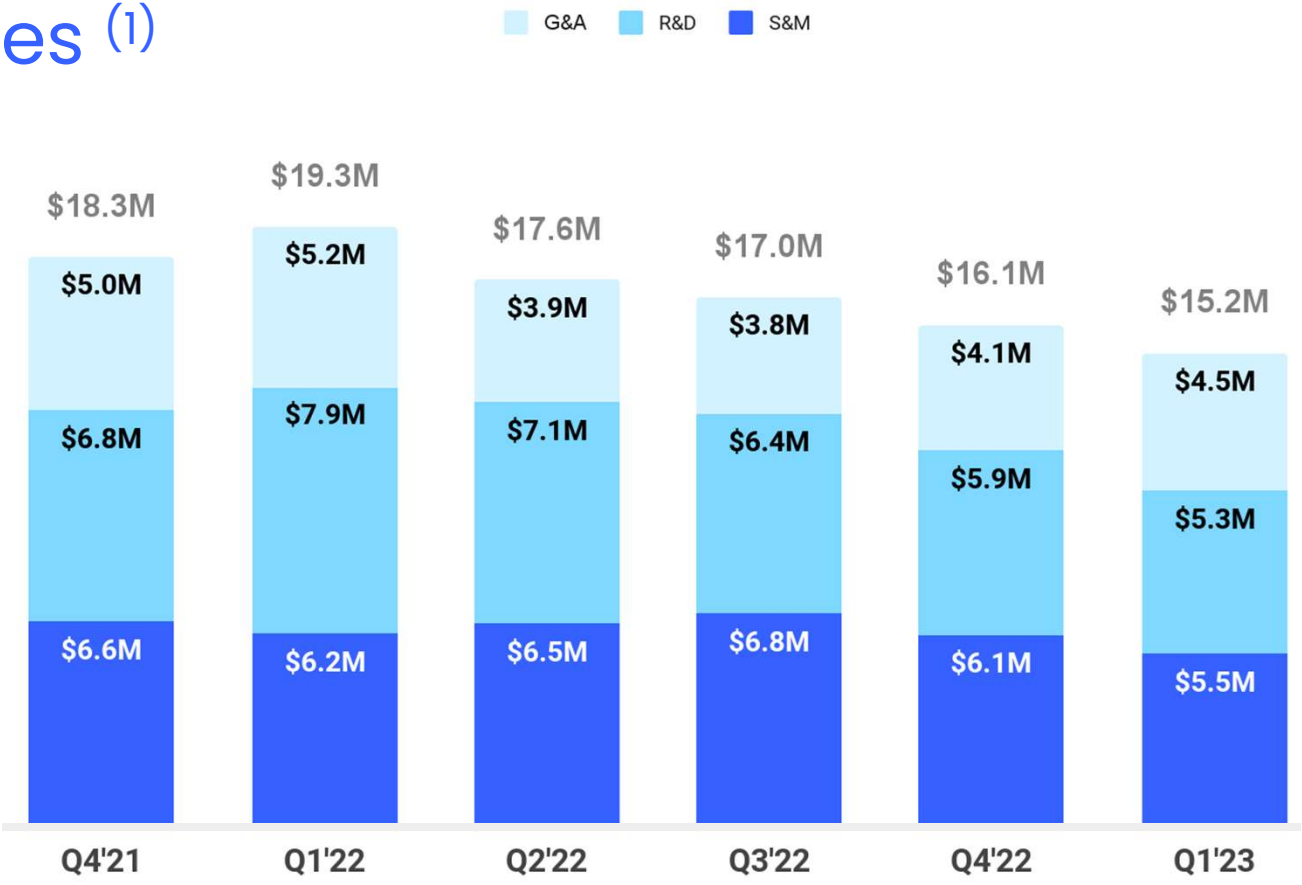


All metrics in $USD

Operating Expenses [1]

Disciplined and focused investment

Prudent cost structure



(1) Operating expenses excludes restructuring costs of $2.3M in Q1'22 and $3.2M in Q1'23

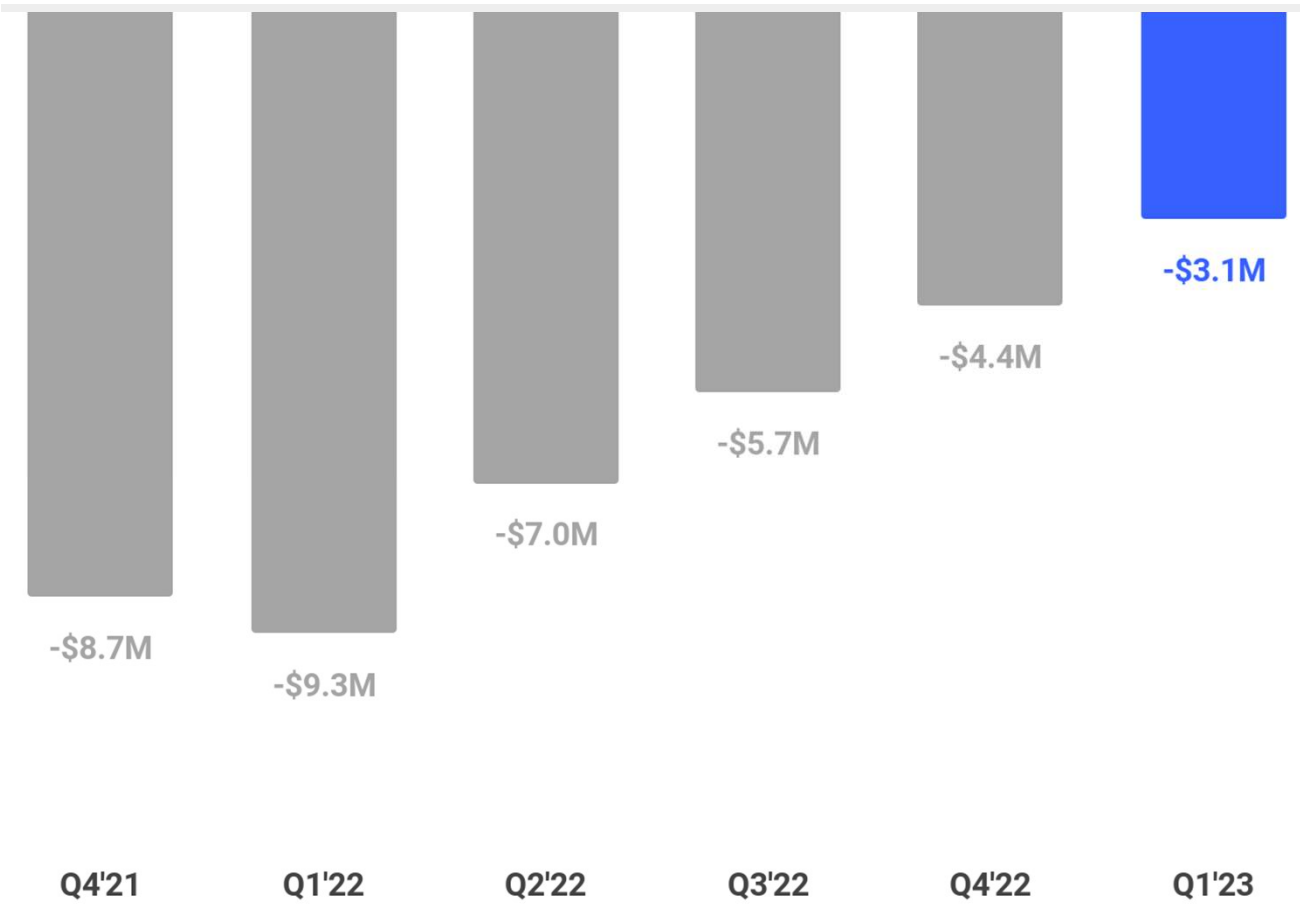
Financial Performance

Adjusted EBITDA [1]

67% improvement YoY

Disciplined investment

Improving trend



(1) "Adjusted EBITDA" is a Non-GAAP measure defined 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 expenses. Please refer to the Appendix for a reconciliation to Net Loss

All metrics in $USD

Positioned for further success

Our **market is large and growing**, and we are positioned for long-term success

- Continued product innovation
- Disciplined investments for growth
- Strong balance sheet
- The right team, mindset, and workplace

Financial Outlook Q2 2023

Thinkific expects to exit 2023 with a profitable Adjusted EBITDA[1] run rate, benefiting from both top-line growth, and a reduction in its cost structure.

For the second quarter of 2023, the Company expects:

- **Revenue of $14.1 million - $14.3 million; and**
- **Adjusted EBITDA[1] loss in the range of $2.0 million to $2.6 million**

Please see commentary and disclaimers in future looking information in the MD&A and press release.

(1) "Adjusted EBITDA" is a Non-GAAP measure defined 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 expenses. Please refer to the Appendix for a reconciliation to Net Loss

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Appendix

Definitions

"**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.

"**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.

"**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 APIs or certain apps where the Company does not record the transaction value. GMV does not represent earned by us.

"**Gross Payments Volume**" or "**GPV**" is the total dollar value of transactions processed using Thinkific Payments in the period, net of refunds and inclusive of sales tax where applicable. GPV does not represent revenue earned by us.

"**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.

DATES OF PRESENTED METRICS

Unless otherwise indicated, financial metrics contained in this presentation are for the three months and year ended March 31, 2023.

"**Adjusted EBITDA**" is a Non-GAAP measure defined as net income (loss) excluding taxes, interest, depreciation and amortization (or EBITDA), as adjusted for stock-based compensation, foreign exchange gain (loss), net finance (income) expense, restructuring costs and transaction-related expenses. The following table reconciles Adjusted EBITDA to net (loss) income for the periods indicated:

Quarter Summary	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Net loss	**($9,401K)**	**($11,987K)**	**($10,111K)**	**($10,658K)**	**($3,666K)**	**($7,007K)**
Stock-based compensation	$1,470K	$522K	$645K	$956K	$663K	$704K
Depreciation and amortization	$180K	$275K	$277K	$317K	$328K	$343K
Foreign exchange (gain) loss	($878K)	($892K)	$2,408K	$4,108K	($1,006K)	($115K)
Finance expense	($94K)	($74K)	($253K)	($398K)	($703K)	($690K)
Restructuring costs [1]	-	$2,875K	-	-	-	$3,681K
Adjusted EBITDA	**($8,723K)**	**($9,281K)**	**($7,034K)**	**($5,676K)**	**($4,383K)**	**($3,085K)**

(1) Represents employee compensation for severance amounts for Company wide restructurings in the first quarters of 2023 and 2022

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