

April 26, 2023

First Quarter 2023: Investor Presentation

Nasdaq: TWOU



Safe Harbor

This presentation contains forward-looking statements regarding 2U, Inc.'s future business expectations, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this presentation, including statements regarding future results of operations and financial position of 2U, including financial targets, business strategy, and plans and objectives for future operations, are forward-looking statements. 2U has based these forward-looking statements largely on its estimates of its financial results and its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs as of the date of this press release. The company undertakes no obligation to update these statements as a result of new information or future events. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that could cause actual results to differ materially from the results predicted, including, but not limited to:

- *trends in the higher education market and the market for online education, and expectations for growth in those markets;*
- *the company's ability to maintain minimum recurring revenues or other financial ratios through the maturity date of our amended term loan facilities;*
- *the acceptance, adoption and growth of online learning by colleges and universities, faculty, students, employers, accreditors and state and federal licensing bodies;*
- *the impact of competition on the company's industry and innovations by competitors;*
- *the company's ability to comply with evolving regulations and legal obligations related to data privacy, data protection and information security;*
- *the company's expectations about the potential benefits of its cloud-based software-as-a-service technology and technology-enabled services to university clients and students;*
- *the company's dependence on third parties to provide certain technological services or components used in its platform;*
- *the company's expectations about the predictability, visibility and recurring nature of its business model;*
- *the company's ability to meet the anticipated launch dates of its offerings;*
- *the company's ability to acquire new clients and expand its offerings with existing university clients;*
- *the company's ability to successfully integrate the operations of its acquisitions, including the edX acquisition, to achieve the expected benefits of its acquisitions and manage, expand and grow the combined company;*
- *the company's ability to refinance its indebtedness on attractive terms, if at all, to better align with its focus on profitability;*
- *the company's ability to service our substantial indebtedness and comply with the covenants and conversion obligations contained in the indentures governing our 2.25% convertible senior notes due 2025 and 4.50% convertible senior notes due 2030 and the credit agreement governing our revolving credit facility;*
- *the company's ability to generate sufficient future operating cash flows from recent acquisitions to ensure related goodwill is not impaired;*
- *the company's ability to execute its growth strategy including international and grow our business internationally;*
- *the company's ability to continue to recruit prospective students for its offerings;*
- *the company's ability to maintain or increase student retention rates in its degree programs;*
- *the company's ability to attract, hire and retain qualified employees;*
- *the company's expectations about the scalability of its cloud-based platform;*
- *potential changes in laws, regulations or guidance applicable to the company or its university clients;*
- *the company's expectations regarding the amount of time its cash balances and other available financial resources will be sufficient to fund its operations;*
- *the impact and cost of stockholder activism;*
- *the potential negative impact of the significant decline in the market price of our common stock, including the impairment of goodwill and indefinite-lived intangible assets;*
- *the impact of any natural disasters or public health emergencies, such as the coronavirus disease 2019 pandemic;*
- *the company's expectations regarding the effect of the capped call transactions and regarding actions of the option counterparties and/or their respective affiliates; and*
- *other factors beyond the company's control.*

These and other potential risks and uncertainties that could cause actual results to differ from the results predicted are more fully detailed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022, and other SEC filings. Moreover, 2U operates in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for 2U management to predict all risks, nor can 2U assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements 2U may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this press release may not occur and actual results could differ materially and adversely from those anticipated.

A leading global online learning platform

Through the edX platform, 2U connects millions of learners with world-class education in partnership with colleges, universities, and companies. Our people and technology are powering digital education offerings — from free courses to full degrees — and helping unlock human potential.

4,200+

DIGITAL OFFERINGS

76M+

LEARNER-PROSPECTS

250+

PARTNERS

50K+

DEGREE GRADUATES
SINCE INCEPTION

\$948M

TRAILING 12-MONTHS
REVENUE

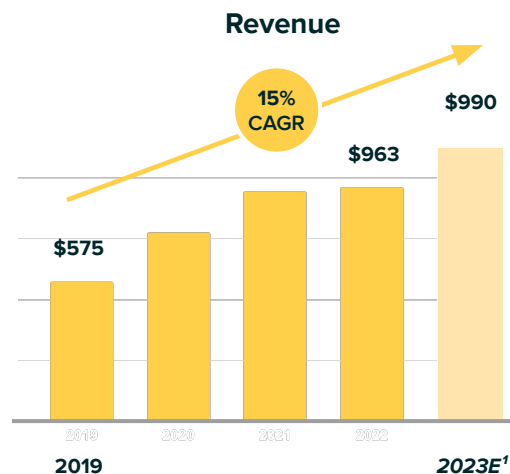
Investment Thesis

- Industry leader in **>\$36B global online higher education market**¹
- Proprietary digital marketing expertise
- Scalable edX platform with high domain authority²
- Platform strategy fundamentally improves operating efficiency while enhancing value proposition to learners and partners
- Clear path to increasing adjusted EBITDA, improving margins and generating sustainable cash flows

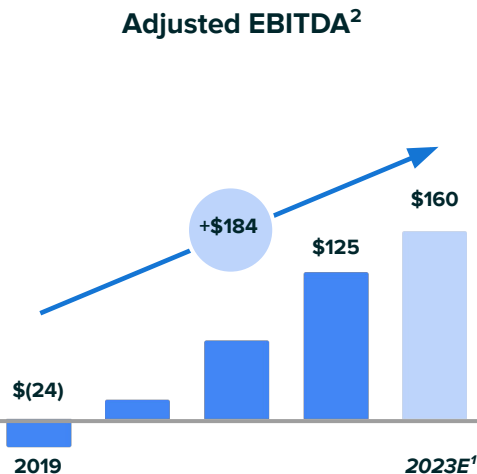


Focused on Driving Profitability and Sustainable Cash Flow

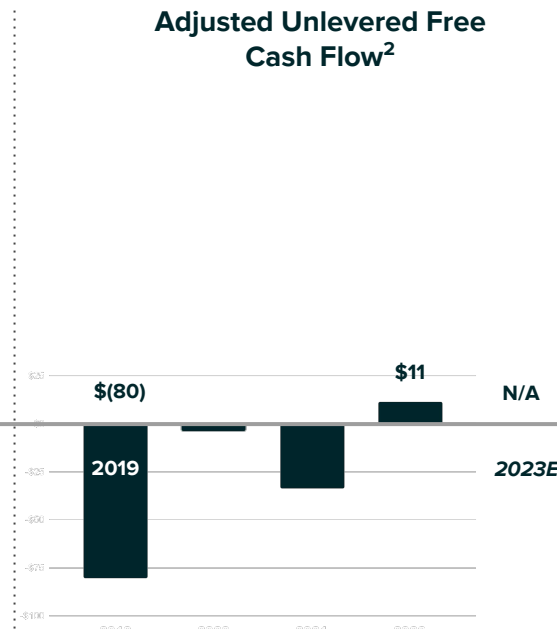
(in millions)



- Growing acceptance of online education following the pandemic
- Led by Alternative Credential growth



- Platform strategy enables more efficient marketing and personnel expense
- Lower degree launch cadence



- Marketing efficiency and scale drive higher profitability
- Scaling capital expenditures as business grows

Enhancing Our Competitive Moat

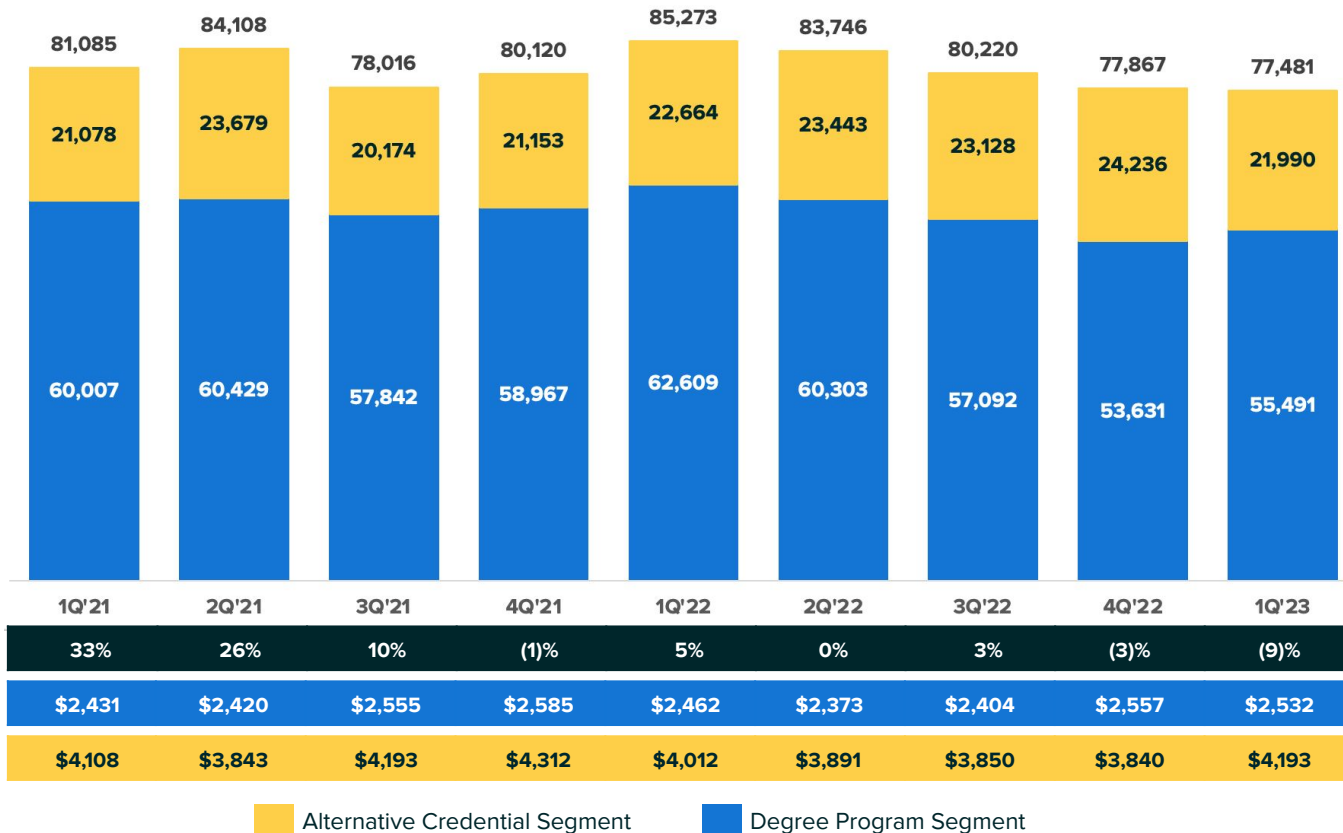
Content Velocity

- **Southern Methodist University** - Extended contract for Master's in Data Science plus two new data science Professional Certificates
- **Arcadia University** - New flex degree: Doctor of Education
- **Cabrini University** - Two new flex degrees: Doctorate in Educational Leadership and Master of Education in Curriculum, Instruction, and Assessment. A MicroMasters® program in education and a MicroBachelors® program in social sciences.
- New Professional Certificate programs from **LEORON, SDA Bocconi School of Management, The DEC Institute, Intuit, The TEFL Org, New York Institute of Finance** and **Lufthansa Technical Training**
- New edX members include: **Arcadia University, BoxPlay, Cabrini University, Dr. Deepak Chopra's ChopraX, The DEC Institute, LEORON, Lufthansa Technical Training, Project University, the Raspberry Pi Foundation, SDA Bocconi School of Management, Southern Methodist University, Tel Aviv University, University of Cape Town, and WOBI**
- Launched over 130 new edX courses from 50 unique institutions during 1Q'23

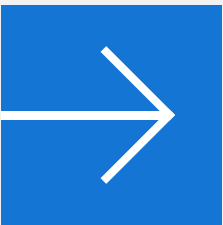
Platform + Product Innovation

- **Fast Company's 2023 List of the World's Most Innovative Companies** - edX recognized for setting the standard for innovation and impact in education with Access Partnerships
- **MicroBootCamps™** - New stackable credential designed to provide companies and their employees with a flexible, affordable, and on-demand learning pathway to build progressive skills readiness in key technical fields
- **Try It courses** - Free courses lasting 1-2 hours which allow learners to sample new topics or skills
- **Enhanced collaboration tools** - Enabling messaging/discussions while viewing a lecture or video

Full Course Equivalent (FCE) Enrollments



Note: We measure FCE enrollments for each of the courses offered during a particular period by taking the number of students enrolled in that course and multiplying it by the percentage of the course completed during that period. The edX acquisition was completed on November 16, 2021. FCE enrollments and average revenue per FCE enrollment for the Alternative Credential Segment exclude the impact of enrollments in edX's offerings and the related revenue.



Financial Highlights

April 26, 2023

Nasdaq: TWOU



First Quarter Performance Highlights

Revenue

\$238.5M

Adjusted EBITDA¹

\$30.2M

Net Loss

\$54.1M

TTM Adjusted Unlevered Free Cash Flow¹

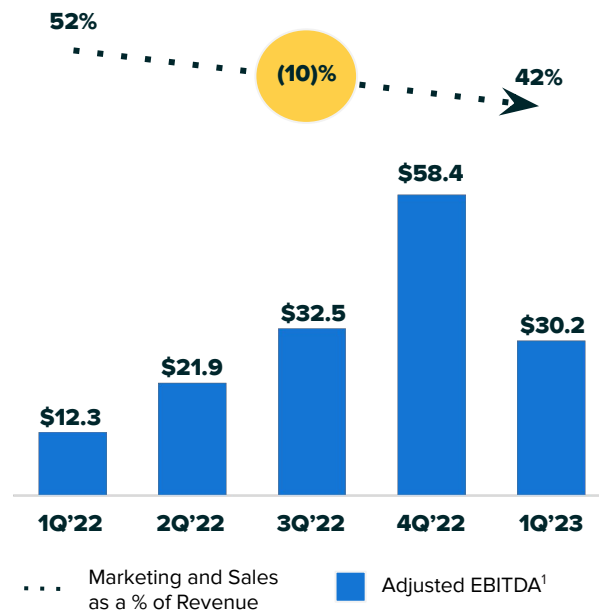
\$58.5M

Driving Operating Efficiency Gains From Execution of Platform Strategy

- Reduced paid marketing spend by **\$19.3M YoY**
- edX generated **41% of organic leads**
- Marketing and sales expense as a percent of revenue **declined 10 percentage points** YoY while total number of leads **increased 7%**

Reducing Marketing and Sales Expense Improves Adjusted EBITDA

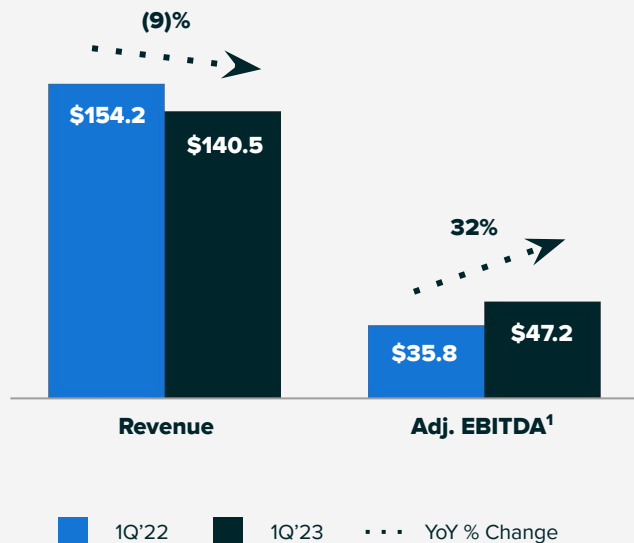
(in millions)



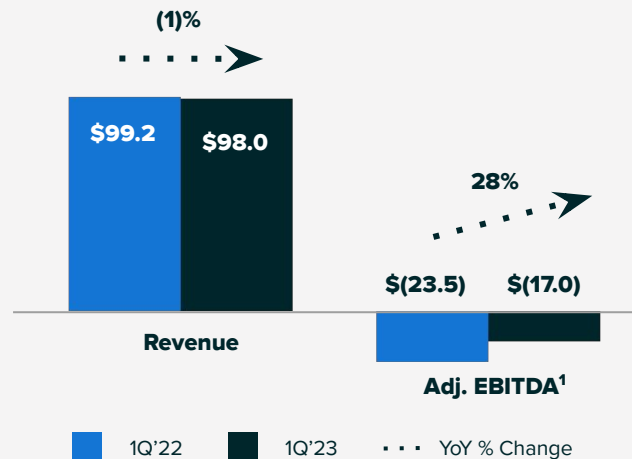
Profitability of Both Segments Improving in 1Q'23

(in millions)

Degree Program Segment



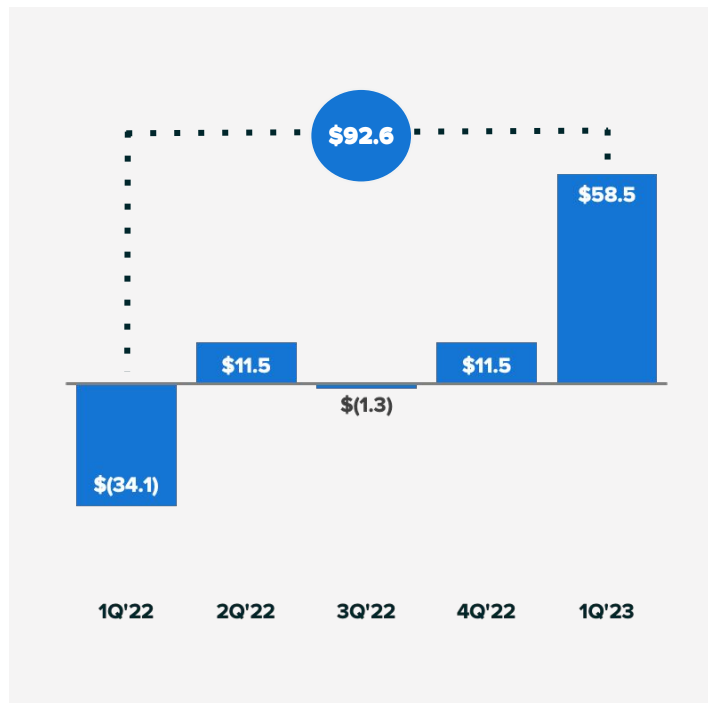
Alternative Credential Segment



Generating Positive Cash Flow

(in millions on a trailing twelve-month basis)

Adjusted Unlevered Free Cash Flow¹



Adjusted Free Cash Flow¹



Execution of Platform Strategy Drives 2023 Outlook

(in millions)

Revenue

\$985 to \$995

3% YoY growth at the midpoint

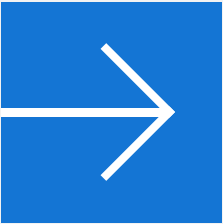
Adjusted EBITDA¹

\$157 to \$163

28% YoY growth at the midpoint

Net Loss

\$93 to \$87



Appendix



Non-GAAP Measures & Definitions

This presentation includes the following non-GAAP financial measures: adjusted EBITDA, adjusted free cash flow, adjusted unlevered free cash flow, adjusted net income (loss), and adjusted net income (loss) per share. The company has provided a reconciliation of each non-GAAP financial measure used in this presentation to the most directly comparable GAAP financial measure. The company defines adjusted EBITDA as net income or net loss, as applicable, before net interest income (expense), foreign currency gains or losses, taxes, depreciation and amortization expense, deferred revenue fair value adjustments, transaction costs, integration costs, restructuring-related costs, stockholder activism costs, certain litigation-related costs, consisting of fees for certain non-ordinary course litigation and other proceedings, impairment charges, debt modification expense and losses on debt extinguishment, and stock-based compensation expense. The company defines adjusted free cash flow as net cash provided by (used in) operating activities, less capital expenditures, payments to university clients, and certain non-ordinary cash payments. The company defines adjusted unlevered free cash flow as adjusted free cash flow less cash interest payments on debt. The company defines adjusted net income (loss) as net income or net loss, as applicable, before foreign currency gains or losses, acquisition-related gains or losses, deferred revenue fair value adjustments, transaction costs, integration costs, restructuring-related costs, stockholder activism costs, certain litigation-related costs, consisting of fees for certain non-ordinary course litigation and other proceedings, impairment charges, debt modification expense and losses on debt extinguishment, and stock-based compensation expense. Adjusted net income (loss) per share is calculated as adjusted net income (loss) divided by diluted weighted-average shares of common stock outstanding for periods that result in adjusted net income, and basic weighted-average shares outstanding for periods that result in an adjusted net loss. Some of the adjustments described above may not be applicable in any given reporting period and they may vary from period to period.

The company's management uses these non-GAAP financial measures to understand and compare operating results across accounting periods, to understand cash generated by or available for operational expenses and investment in the business after capital expenditures, for internal budgeting and forecasting purposes, for short- and long-term operating plans, and to evaluate the company's financial performance. Management believes these non-GAAP financial measures reflect the company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in the company's business as they exclude expenses that are not reflective of ongoing operating results. Management also believes that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating the company's operating results and prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies. Non-GAAP measures have certain limitations, as they do not reflect all items of income and expense that affect the company's operations. The company compensates for these limitations by reconciling non-GAAP financial measures to the most directly comparable GAAP financial measure. Non-GAAP financial measures should be considered in addition to, not as a substitute for or in isolation from, GAAP measures. Further, these non-GAAP measures may differ from the non-GAAP information used by other companies, including peer companies, and therefore comparability may be limited. Management encourages investors and others to review the company's financial information in its entirety and not rely on a single financial measure.

Learner-Prospect: We define Learner-Prospects as each individual that registers with a unique email as a registered learner on edx.org (adjusted to remove spam, test accounts and cancellations) plus learners that express interest in one of our offerings by completing a lead form across our web properties. Learner-Prospects is not intended as a measure of active engagement. New Learner-Prospects are individuals that register on edX.org or complete a lead form in a particular period.

1Q'22 - 1Q'23 Adjusted EBITDA Reconciliations

(in millions)

	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23
Revenue	\$253.3	\$241.5	\$232.2	\$236.0	\$238.5
Net loss	\$(125.8)	\$(62.9)	\$(121.7)	\$(11.8)	\$(54.1)
Stock-based compensation expense	24.4	22.3	16.0	17.5	14.6
Other expense (income), net	1.0	1.4	1.9	(0.4)	(0.6)
Amortization of acquired intangible assets	17.5	15.8	9.1	10.9	9.9
Income tax benefit on amortization of acquired intangible assets	(0.4)	(0.4)	(0.3)	--	--
Impairment charges	58.8	--	79.5	--	--
Debt modification expense and loss on debt extinguishment	--	--	--	--	16.7
Restructuring charges	0.8	16.8	11.6	4.1	4.9
Other ¹	5.2	(0.5)	0.4	(1.7)	1.0
Adjusted net (loss) income	\$(18.5)	\$(7.5)	\$(3.5)	18.5	\$(7.6)
Net interest expense	13.7	13.6	15.6	18.1	17.6
Income tax expense (benefit)	0.2	0.3	0.2	(0.4)	0.1
Depreciation and amortization expense	16.9	15.5	20.2	22.2	20.1
Adjusted EBITDA	\$12.3	\$21.9	\$32.5	\$58.4	\$30.2
Adjusted EBITDA margin	5%	9%	14%	25%	13%

¹ Includes (i) transaction and integration expense and (ii) stockholder activism and litigation-related expense.

1Q'22 and 1Q'23 Segment Profitability Reconciliations

(in millions)

	Three Months Ended March 31					
	Degree Program		Alternative Credential		Consolidated	
	2022	2023	2022	2023	2022	2023
Revenue	\$154.2	\$140.5	\$99.2	\$98.0	\$253.3	\$238.5
Net income (loss)	\$(10.8)	\$(13.1)	\$(115.0)	\$(41.0)	\$(125.8)	\$(54.1)
Adjustments:						
Stock-based compensation expense	13.4	8.1	11.1	6.4	24.4	14.6
Other expense (income), net	0.6	(1.2)	0.5	0.6	1.0	(0.6)
Net interest expense (income)	13.7	17.6	(0.1)	(0.1)	13.7	17.6
Income tax (benefit) expense	(0.1)	0.1	(0.1)	--	(0.2)	0.1
Depreciation and amortization expense	13.9	13.8	20.5	16.2	34.4	30.0
Impairment charges	--	--	58.8	--	58.8	--
Debt modification expense and loss on debt extinguishment	--	16.7	--	--	--	16.7
Restructuring charges	0.7	4.1	0.1	0.8	0.8	4.9
Other ¹	4.5	1.0	0.7	--	5.2	1.0
Total adjustments	46.6	60.3	91.5	24.0	138.1	84.3
Total adjusted EBITDA (loss)	\$35.8	\$47.2	\$(23.5)	\$(17.0)	\$12.3	\$30.2
Adjusted EBITDA margin	23%	34%	(24)%	(17)%	5%	13%

¹ Includes (i) transaction and integration expense and (ii) stockholder activism and litigation-related expense.

2019 - 2023 Adjusted EBITDA Reconciliations

(in millions)

	2019	2020	2021	2022	Outlook for FY'23 ²
Revenue	\$574.7	\$774.5	\$945.7	\$963.1	\$990.0
Net loss	\$(235.2)	\$(216.5)	\$(194.8)	\$(322.2)	\$(90.0)
Adjustments:					
Stock-based compensation expense	51.5	82.0	97.8	80.2	58.0
Other expense (income), net	0.7	1.4	(22.3)	3.8	--
Amortization of acquired intangible assets	28.7	42.4	43.9	53.4	30.0
Income tax benefit on amortization of acquired intangible assets	(1.6)	(1.3)	(1.1)	(1.2)	--
Acquisition-related income tax expense (benefit)	(17.5)	--	--	--	--
Impairment charges	70.4	--	--	138.3	--
Debt modification expense and loss on debt extinguishment	--	11.7	1.1	--	16.7
Restructuring charges	10.8	6.8	8.5	33.2	4.9
Other ¹	20.3	9.7	19.3	3.3	0.4
Adjusted net (loss) income	\$(71.9)	\$(63.7)	\$(47.6)	\$(11.0)	\$20.0
Net interest expense	7.6	26.0	49.7	61.1	70.0
Income tax (benefit) expense	(0.8)	(0.2)	(0.1)	0.3	--
Depreciation and amortization expense	41.1	54.0	64.6	74.7	70.0
Adjusted EBITDA (loss)	\$(23.9)	\$16.1	\$66.6	\$125.1	\$160.0
Adjusted EBITDA margin	(4)%	2%	7%	13%	16%

¹ Includes (i) transaction and integration expense and (ii) stockholder activism and litigation-related (recoveries) expense.

² Reflects the midpoint of 2023 guidance provided in 2U's first quarter earnings release on April 26, 2023 for Net loss of \$93M to \$87M and Adjusted EBITDA of \$157M to \$163M.

1Q'21 - 1Q'23 Adjusted Unlevered Free Cash Flow Reconciliation

(in millions on a trailing twelve-month basis)

	Trailing Twelve Months								
	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23
Net cash provided by (used in) operating activities	\$47.1	\$34.1	\$33.3	\$(18.1)	\$(25.7)	\$12.8	\$(16.4)	\$10.9	\$38.5
Additions to amortizable intangible assets	(61.2)	(60.2)	(61.2)	(60.5)	(63.8)	(65.5)	(65.5)	(62.4)	(55.5)
Purchase of property and equipment	(4.9)	(4.7)	(6.4)	(9.8)	(10.7)	(12.6)	(13.2)	(11.8)	(11.2)
Payments to university clients	6.6	8.6	8.8	6.8	7.1	7.0	6.8	6.8	6.4
Non-ordinary cash payments ¹	15.5	15.7	11.2	22.2	23.9	25.2	30.8	24.2	32.3
Adjusted free cash flow	\$3.1	\$(6.5)	\$(14.3)	\$(59.4)	\$(69.2)	\$(33.1)	\$(57.5)	\$(32.3)	\$10.4
Cash interest payments on debt	\$5.9	\$9.0	\$9.1	\$25.5	\$35.1	\$44.6	\$56.2	\$43.8	\$48.1
Adjusted unlevered free cash flow	\$9.0	\$2.5	\$(5.2)	\$(33.9)	\$(34.1)	\$11.5	\$(1.3)	\$11.5	\$58.5

¹ Includes transaction, integration, restructuring-related, stockholder activism, and litigation-related expense.

2019 - 2022 Adjusted Unlevered Free Cash Flow Reconciliation

(in millions)

	2019	2020	2021	2022
Net cash provided by (used in) operating activities	\$(52.0)	\$29.6	\$(18.1)	\$10.9
Additions to amortizable intangible assets	(64.9)	(62.8)	(60.5)	(62.4)
Purchase of property and equipment	(13.4)	(6.5)	(9.8)	(11.8)
Payments on acquisition of amortizable intangible assets	(2.2)	--	--	--
Payments to university clients	26.1	5.8	6.8	6.8
Non-ordinary cash payments ¹	14.0	19.4	22.2	24.2
Adjusted free cash flow	\$(92.4)	\$(14.5)	\$(59.4)	\$(32.3)
Cash interest payments on debt	\$12.1	\$10.8	\$25.5	\$43.8
Adjusted unlevered free cash flow	\$(80.3)	\$(3.7)	\$(33.9)	\$11.5

Non-GAAP Costs & Expenses Excluding Depreciation & Amortization & Stock-based Compensation

(in millions)

	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23	FY2021	FY2022
Revenue	\$232.5	\$237.2	\$232.4	\$243.6	\$253.3	\$241.5	\$232.2	\$236.0	\$238.5	\$945.7	\$963.1
Costs and expenses (excluding D&A and SBC)¹											
Curriculum and teaching cost	33.1	34.8	30.8	32.0	33.2	32.1	31.5	32.8	32.8	130.7	129.6
Servicing and support	28.5	30.1	29.3	32.2	34.2	32.0	32.3	30.6	32.1	120.2	129.1
Technology and content development	21.2	19.3	19.7	25.8	24.7	22.0	22.7	24.3	22.3	85.9	93.7
Marketing and sales	106.9	108.2	111.9	103.7	118.6	105.8	85.5	71.3	92.3	430.8	381.2
General and administrative	29.4	29.4	27.6	44.3	35.3	27.0	28.1	17.2	29.8	130.8	107.6
Restructuring charges	0.5	1.3	5.4	1.3	0.8	16.8	11.6	4.1	4.9	8.5	33.3
Impairment charges	--	--	--	--	58.8	--	79.5	--	--	--	138.3
Total costs and expenses (excluding D&A and SBC)	\$219.6	\$223.1	\$224.7	\$239.3	\$305.6	\$235.7	\$291.2	\$180.3	\$214.2	\$906.9	\$1,012.9
Costs and expenses (% of revenue)											
Curriculum and teaching cost	14%	15%	13%	13%	13%	13%	14%	14%	14%	14%	13%
Servicing and support	12%	13%	13%	13%	14%	13%	14%	13%	13%	13%	13%
Technology and content development	9%	8%	8%	11%	10%	9%	10%	10%	9%	9%	10%
Marketing and sales	46%	46%	48%	43%	47%	44%	37%	30%	39%	46%	40%
General and administrative	13%	12%	12%	18%	14%	11%	12%	7%	13%	14%	11%
Restructuring charges	0%	1%	2%	1%	0%	7%	5%	2%	2%	1%	3%
Impairment charges	0%	0%	0%	0%	23%	0%	34%	0%	0%	0%	14%

¹ Costs & Expenses Excluding Depreciation & Amortization & Stock-based Compensation is a non-GAAP measure. Refer to the reconciliation of non-GAAP financial measures to the most comparable GAAP measures within this appendix.

Reconciliation of Non-GAAP Costs & Expenses to Income (Loss) From Operations

(in millions)

	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23	FY2021	FY2022
Revenue	\$232.5	\$237.2	\$232.4	\$243.6	\$253.3	\$241.5	\$232.2	\$236.0	\$238.5	\$945.7	\$963.1
Total costs and expenses (excluding D&A and SBC)	\$219.6	\$223.1	\$224.7	\$239.3	\$305.6	\$235.7	\$291.2	\$180.3	\$214.2	\$906.9	\$1,012.9
Depreciation and amortization											
Curriculum and teaching cost	--	--	--	--	--	--	--	--	--	--	--
Servicing and support	0.8	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	3.0	2.9
Technology and content development	18.5	20.1	20.1	22.6	22.5	21.0	20.0	23.8	21.5	81.3	87.3
Marketing and sales	4.8	4.7	4.6	4.5	10.3	8.8	7.8	7.8	6.7	18.6	34.7
General and administrative	0.9	0.7	0.7	3.1	0.9	0.9	0.7	0.8	1.1	5.4	3.3
Total depreciation and amortization	25.0	26.3	26.1	30.9	34.4	31.4	29.3	33.1	30.0	108.4	128.2
Stock-based compensation											
Curriculum and teaching cost	--	--	--	--	--	--	0.1	0.1	--	--	0.2
Servicing and support	3.8	4.0	3.9	3.7	4.4	4.3	3.1	3.8	3.3	15.4	15.6
Technology and content development	3.3	3.1	3.3	2.1	3.9	2.6	1.3	1.7	1.7	11.8	9.5
Marketing and sales	1.5	1.7	1.8	1.7	2.1	1.7	1.0	1.5	1.2	6.7	6.3
General and administrative	16.3	16.0	16.0	15.5	14.0	13.6	10.5	10.4	8.4	63.8	48.5
Total stock-based compensation	24.9	24.8	25.0	23.0	24.4	22.2	16.0	17.5	14.6	97.7	80.1
Income (loss) from operations	\$(37.0)	\$(37.0)	\$(43.3)	\$(49.6)	\$(111.1)	\$(47.8)	\$(104.3)	\$5.3	\$(20.7)	\$(167.3)	\$(258.1)