



Second Quarter 2022 INVESTOR PRESENTATION

July 28, 2022

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 presentation. 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 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 degree programs, executive education offerings and boot camps;*
- the company's ability to acquire new university clients and expand its degree programs, executive education offerings and boot camps 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 its substantial indebtedness and comply with the covenants and conversion obligations contained in the indenture governing its convertible senior notes and the term loan agreement governing its term loan 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 in the international, undergraduate and non-degree alternative markets;*
- 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 regulations 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 impact of the significant decline in the market price of our common stock, including the impairment of goodwill and indefinite-lived assets;*
- the timing, structure and expected impact of our strategic realignment plan and the estimated savings and amounts expected to be incurred in connection therewith;*
- the impact of any natural disasters or public health emergencies, such as the coronavirus disease 2019 ("COVID-19") 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, 2021 as amended and supplemented by risks and uncertainties under the heading "Risk Factors" in our Quarterly Reports on Form 10-Q 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 presentation may not occur and actual results could differ materially and adversely from those anticipated.

A leading global education platform and free-to-degree marketplace

4,000+

DIGITAL OFFERINGS

45M+

REGISTERED LEARNERS

190+

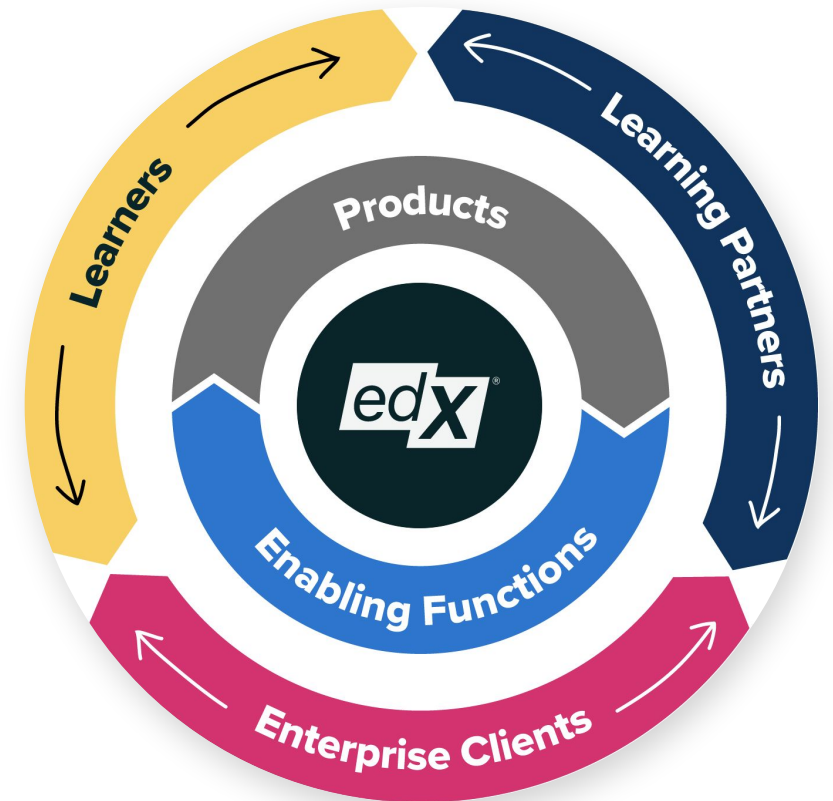
COUNTRIES WITH REGISTERED LEARNERS

230+

PARTNERS

36 OF TOP 50

RANKED UNIVERSITIES BY
US NEWS & WORLD REPORT



Realigning our business and organization around edX



We are accelerating our transition into a platform company, with one unified product and marketing strategy.

- **Revamped marketing framework**
 - Significantly reduce our overall marketing spend as a percentage of revenue and increase efficiency and profitability
- **Simplified organizational structure**
 - Eliminates redundancies and increases agility
- **Greater flexibility for partners**
 - Includes bold and important steps to support our partners in expanding access and bringing down the cost of higher education

Acceleration of platform transition results in significant near-term progress toward target margins.

- Selective marketing spend, deployed on a portfolio basis, rather than an individual product basis
- Elimination of silos, removing redundancies and allowing for more flexibility
- Further efficiency opportunities including process re-engineering, workflow automation, and real-estate footprint rationalization

Margin Progression and Targets

	IPO	2019	Long-term Targets @ ID 2020	2020	2021	2022E	2023 Target ²
Marketing ¹	65%	56%	37-42%	47%	46%	40%	37%
Support ¹	27%	15%	15-16%	14%	13%	14%	14%
Tech + Content ¹	19%	10%	7-10%	9%	9%	9%	9%
G&A ¹	16%	15%	9-11%	14%	9%	12%	10%
Adjusted EBITDA Margin ¹	(26)%	(4)%	18-20%	2%	7%	12%	15%

(1) Adjusted EBITDA margin and adjusted expense amounts are non-GAAP financial measures. Refer to the Appendix for a reconciliation of non-GAAP financial measures to their most comparable GAAP measure.

(2) We are not reasonably able to provide a reconciliation of our 2023 target for adjusted expense amounts and Adjusted EBITDA margin due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation, which cannot be done without unreasonable efforts, including uncertainties regarding stock based compensation and other non-cash items.

Financial Highlights

July 28, 2022

Nasdaq: TWOU



Performance Highlights.

\$241.5M

Revenue

- Degree Program revenue: \$143.1M
- Alternative Credential revenue: \$98.4M

\$21.9M

Adj. EBITDA¹

- 2Q'22 Net Loss of \$62.9M

\$11.5M

TTM Unlevered Free Cash Flow¹

2022

Outlook

Raising full-year EBITDA expectations by 30%, while lowering revenue expectations by 10%.

Revenue to exceed \$960.0M

- 2% growth

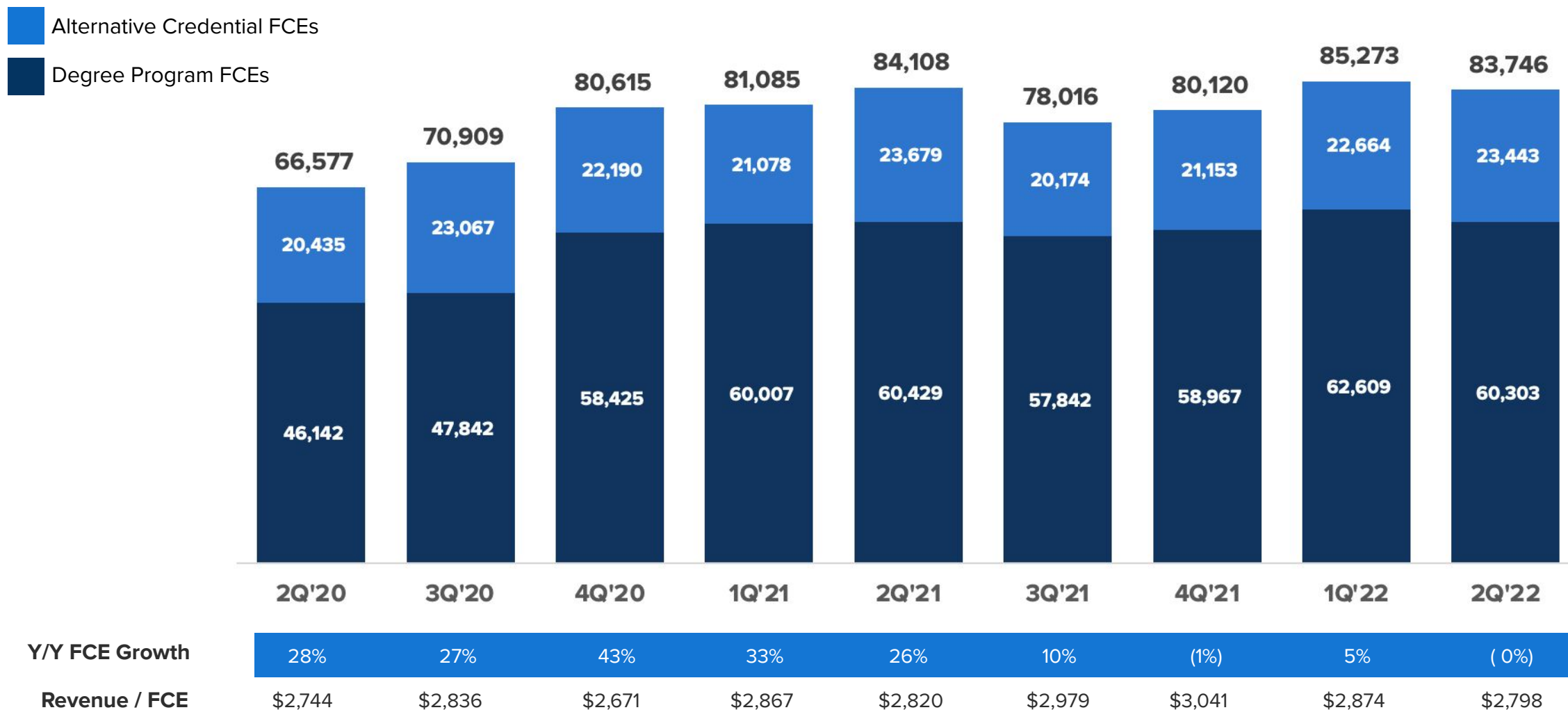
Adjusted EBITDA¹ to range from \$105.0M to \$115.0M

- 65% growth at the midpoint

Net loss to range from \$240.0M to \$230.0M

(1) Adjusted EBITDA, Adjusted EBITDA margin, and Unlevered Free Cash Flow are non-GAAP measures. Refer to the Appendix for a reconciliation of non-GAAP financial measures to the most comparable GAAP measures.

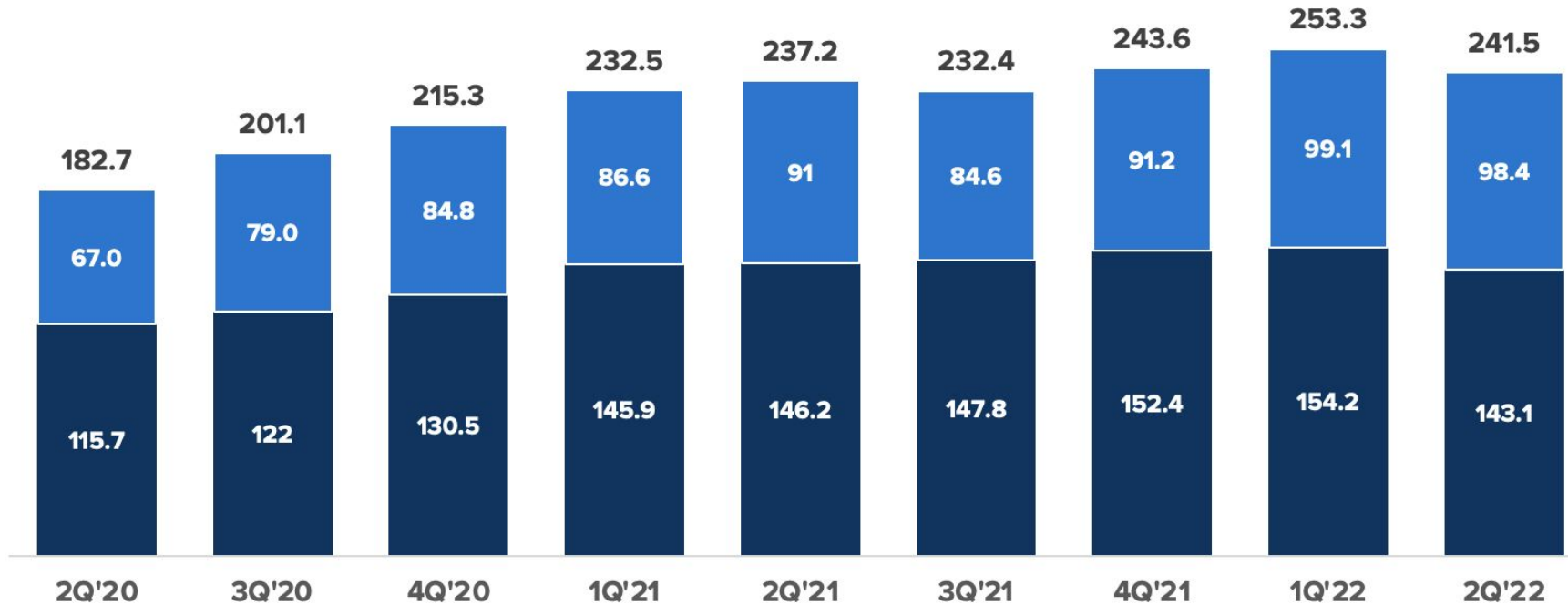
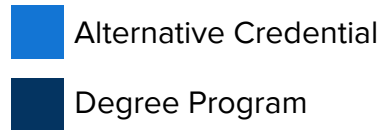
Full Course Equivalent (FCE) Enrollments.



Note: We measure full course equivalent 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 excludes the impact of enrollments in edX's offerings and the related revenue.

Consolidated Revenue Growth.

(in \$ millions)



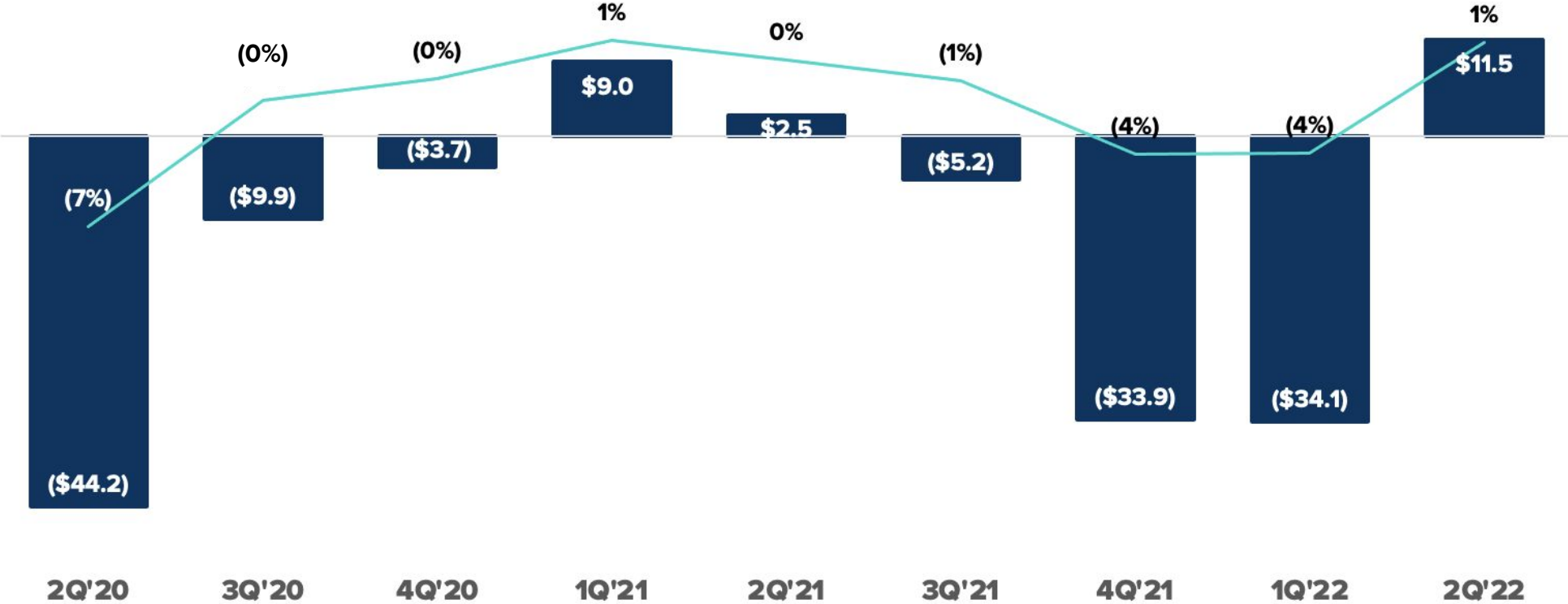
	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22
Y/Y Growth	35%	31%	32%	32%	30%	16%	13%	9%	2%
D.P. Y/Y Growth	14%	18%	21%	23%	26%	21%	17%	6%	(2%)
A.C. Y/Y Growth	97%	57%	54%	52%	36%	7%	8%	15%	8%
Organic Y/Y Growth¹	18%	31%	32%	32%	30%	16%	11%	4%	(2%)

(1) Organic growth for each quarter excludes all revenue from acquisitions completed since the start of the prior-year quarter where applicable. The acquisition of Trilogy was completed May 22, 2019 and the acquisition of edX was completed November 16, 2021.

Unlevered Free Cash Flow.

(in \$ millions on a trailing twelve-month basis)

■ TTM Unlevered FCF¹
 / TTM Unlevered FCF as a % of Rev



(1) Unlevered free cash flow is a non-GAAP financial measure. Refer to the Appendix for a reconciliation of non-GAAP financial measures to their most comparable GAAP measure.

Key Takeaways.

- 1 We are **radically changing 2U** by accelerating our transition as a platform company
- 2 Demonstrated **significant improvement in profitability** with \$21.9 million in adjusted EBITDA¹
- 3 We now expect to **reduce our total expense run rate** by \$70 million, **expand our EBITDA margins** by 400 bps and **drive positive free cash flow**.

(1) *Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Refer to the Appendix for a reconciliation of non-GAAP financial measures to the most comparable GAAP measures.*



Appendix

Non-GAAP Measures.



To provide investors and others with additional information regarding 2U's results, the company has disclosed the following non-GAAP financial measures: adjusted EBITDA (loss), unlevered free cash flow, adjusted net income (loss), adjusted net income (loss) per share and adjusted expense amounts. The company has provided a reconciliation of each non-GAAP financial measure used in this earnings presentation to the most directly comparable GAAP financial measure. The company defines adjusted EBITDA (loss) 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, losses on debt extinguishment, and stock-based compensation expense. The company defines unlevered free cash flow as net cash provided by (used in) operating activities, less capital expenditures, payments to university clients, certain non-ordinary cash payments, and 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, 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 in the definitions of adjusted EBITDA (loss), unlevered free cash flow, adjusted net income (loss) and adjusted expense amounts 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 that is 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.

The use of adjusted EBITDA (loss), unlevered free cash flow, adjusted net income (loss), adjusted net income (loss) per share and adjusted expense 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 the non-GAAP financial measures to the most directly comparable GAAP financial measures. These non-GAAP financial measures should be considered in addition to, not as a substitute for or in isolation from, measures prepared in accordance with GAAP. 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.

2Q'22 Adjusted EBITDA Reconciliation.

(in \$ millions)

Reconciliation of non-GAAP adjusted EBITDA to GAAP net loss	Three Months Ended 6/30/2022
Net loss	\$(62.9)
Adjustments:	
Stock-based compensation expense	22.3
Other (income) expense, net	1.4
Amortization of acquired intangible assets	15.8
Income tax benefit on amortization of acquired intangible assets	(0.4)
Restructuring charges	16.8
Other*	(0.6)
Adjusted net loss	(7.5)
Net interest expense	13.7
Income tax provision	0.3
Depreciation and amortization expense	15.5
Adjusted EBITDA	\$21.9
Adjusted EBITDA margin	9%

*Includes (i) transaction and integration expense of \$1.0 million and (ii) stockholder activism and litigation-related recoveries of (\$1.6) million

FY'22 Guidance Adjusted EBITDA Reconciliation.

(in \$ millions)

Reconciliation of non-GAAP adjusted EBITDA to GAAP net loss	FY'22 Guidance*
Net loss	\$(235.0)
Adjustments:	
Stock-based compensation expense	79.0
Other (income) expense, net	2.0
Amortization of acquired intangible assets	65.0
Impairment charges	59.0
Restructuring	24.0
Other	2.0
Adjusted net loss	<u>(4.0)</u>
Net interest expense	60.0
Income tax expense (benefit)	(1.0)
Depreciation and amortization expense	55.0
Adjusted EBITDA	<u>\$110.0</u>

* Reflects the midpoint of our FY'22 guidance range

Unlevered Free Cash Flow Reconciliation.

(in \$ millions on a trailing twelve-month basis)

	Twelve Months Ended								
	<u>2Q'20</u>	<u>3Q'20</u>	<u>4Q'20</u>	<u>1Q'21</u>	<u>2Q'21</u>	<u>3Q'21</u>	<u>4Q'21</u>	<u>1Q'22</u>	<u>2Q'22</u>
Net cash provided by (used in) operating activities	\$(10.7)	\$26.8	\$29.6	\$47.1	\$34.1	\$33.3	\$(18.1)	\$(25.7)	\$12.8
Additions to amortizable intangible assets	(65.0)	(60.7)	(62.8)	(61.2)	(60.2)	(61.2)	(60.5)	(63.8)	(65.5)
Purchase of property and equipment	(9.5)	(7.6)	(6.5)	(4.9)	(4.7)	(6.4)	(9.8)	(10.7)	(12.6)
Payments on acquisition of amortizable intangible assets	(0.9)	(0.9)	--	--	--	--	--	--	--
Payments to university clients	7.5	4.1	5.8	6.6	8.6	8.8	6.8	7.1	7.0
Non-ordinary cash payments*	17.9	17.1	19.4	15.5	15.7	11.2	22.2	23.9	25.2
Free cash flow	(60.7)	(21.2)	(14.5)	3.1	(6.5)	(14.3)	(59.4)	(69.2)	(33.1)
Cash interest payments on debt	16.5	11.3	10.8	5.9	9.0	9.1	25.5	35.1	44.6
Unlevered free cash flow	\$(44.2)	\$(9.9)	\$(3.7)	\$9.0	\$2.5	\$(5.2)	\$(33.9)	\$(34.1)	\$11.5

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

Non-GAAP Costs and Expenses Excluding Depreciation and Amortization

(in \$ millions)

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Revenue	\$ 241.5	\$ 253.3	\$ 243.6	\$ 232.4	\$ 237.2	\$ 232.5	\$ 215.3	\$ 201.1	\$ 182.7
Costs and expenses (excluding D&A and SBC)									
Curriculum and teaching cost	32.1	33.2	32.0	30.8	34.8	33.1	31.1	30.1	26.2
Servicing and support	32.0	34.2	32.2	29.3	30.1	28.5	28.5	28.4	25.9
Technology and content development	22.0	24.7	25.8	19.7	19.3	21.2	21.6	19.6	16.3
Marketing and sales	105.8	118.6	103.7	111.9	108.2	106.9	86.1	93.6	91.9
General and administrative	27.0	35.3	44.3	27.6	29.4	29.4	31.3	26.7	26.2
Restructuring	16.8	0.8	1.3	5.4	1.3	0.5	3.7	2.7	0.2
Impairment charge	-	58.8	-	-	-	-	-	-	-
Total costs and expenses (excluding D&A and SBC)	\$ 235.7	\$ 305.6	\$ 239.3	\$ 224.7	\$ 223.1	\$ 219.6	\$ 202.3	\$ 201.1	\$ 186.7
Costs and expenses (% of revenue)									
Curriculum and teaching cost	13%	13%	13%	13%	15%	14%	14%	15%	14%
Servicing and support	13%	14%	13%	13%	13%	12%	13%	14%	14%
Technology and content development	9%	10%	11%	8%	8%	9%	10%	10%	9%
Marketing and sales	44%	47%	43%	48%	46%	46%	40%	47%	50%
General and administrative	11%	14%	18%	12%	12%	13%	15%	13%	14%
Restructuring	7%	0%	1%	2%	1%	0%	2%	1%	0%
Impairment charge	0%	23%	0%	0%	0%	0%	0%	0%	0%

Reconciliation of Non-GAAP Cost and Expenses to Loss from Operations

(in \$ millions)

Revenue	\$ 241.5	\$ 253.3	\$ 243.6	\$ 232.4	\$ 237.2	\$ 232.5	\$ 215.3	\$ 201.1	\$ 182.7
Total costs and expenses (excluding D&A and SBC)	235.7	305.6	239.3	224.7	223.1	219.6	202.3	201.1	186.7
Depreciation and amortization									
Curriculum and teaching cost	-	-	-	-	-	-	-	-	-
Servicing and support	0.7	0.7	0.7	0.7	0.8	0.8	0.9	0.7	0.8
Technology and content development	21.0	22.5	22.6	20.1	20.1	18.5	18.5	17.6	18.0
Marketing and sales	8.8	10.3	4.5	4.6	4.7	4.8	4.9	4.9	4.6
General and administrative	0.9	0.9	3.1	0.7	0.7	0.9	0.7	0.7	0.6
Restructuring	-	-	-	-	-	-	-	-	-
Impairment charge	-	-	-	-	-	-	-	-	-
Total depreciation and amortization	31.4	34.4	30.9	26.1	26.3	25.0	25.0	23.9	24.0
Stock-based compensation									
Curriculum and teaching cost	-	-	-	-	-	-	-	-	-
Servicing and support	4.3	4.4	3.7	3.9	4.0	3.8	3.1	3.4	3.6
Technology and content development	2.6	3.9	2.1	3.3	3.1	3.3	2.8	3.1	2.9
Marketing and sales	1.7	2.1	1.7	1.8	1.7	1.5	1.5	1.6	1.9
General and administrative	13.6	14.0	15.5	16.0	16.0	16.3	10.6	13.9	12.6
Restructuring	-	-	-	-	-	-	-	-	-
Impairment charge	-	-	-	-	-	-	-	-	-
Total stock-based compensation	22.2	24.4	23.0	25.0	24.8	24.9	18.0	22.0	21.0
Loss from operations	\$ (47.8)	\$ (111.1)	\$ (49.6)	\$ (43.4)	\$ (37.0)	\$ (37.0)	\$ (30.0)	\$ (45.9)	\$ (49.0)

Non-GAAP Adjusted Expense Amounts Reconciliation.

(in \$ millions)

Marketing & Sales	IPO		2019		2020		2021		2022E	
	\$	%	\$	%	\$	%	\$	%	\$	%
GAAP expense	54.1	65%	342.4	60%	390.2	50%	456.1	49%	419.6	43%
Depreciation & amortization	0.3	0%	15.5	3%	18.9	2%	18.6	2%	27.6	3%
Stock-based compensation	0.2	0%	7.0	1%	8.2	1%	6.7	1%	3.9	0%
Other*	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP adj expense	53.6	65%	319.9	56%	363.1	47%	430.8	46%	388.1	40%

Technology and Content Development	IPO		2019		2020		2021		2022E	
	\$	%	\$	%	\$	%	\$	%	\$	%
GAAP expense	19.5	23%	115.5	20%	155.9	20%	179.0	19%	180.4	18%
Depreciation & amortization	3.7	4%	49.8	9%	71.4	9%	81.1	9%	82.5	8%
Stock-based compensation	0.2	0%	8.2	1%	12.0	2%	11.8	1%	6.5	1%
Other*	-	0%	-	0%	-	0%	0.4	0%	0.5	0%
Non-GAAP adj expense	15.6	19%	57.5	10%	72.5	9%	85.7	9%	90.9	9%

Servicing & Support	IPO		2019		2020		2021		2022E	
	\$	%	\$	%	\$	%	\$	%	\$	%
GAAP expense	22.7	27%	98.9	17%	125.9	16%	138.5	15%	146.0	15%
Depreciation & amortization	0.2	0%	2.7	0%	3.2	0%	3.0	0%	2.9	0%
Stock-based compensation	0.4	0%	8.9	2%	14.4	2%	15.4	2%	8.6	1%
Other*	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP adj expense	22.1	27%	87.3	15%	108.3	14%	120.1	13%	134.5	14%

General and Administrative	IPO		2019		2020		2021		2022E	
	\$	%	\$	%	\$	%	\$	%	\$	%
GAAP expense	14.8	18%	131.0	23%	173.5	22%	208.6	19%	205.7	21%
Depreciation & amortization	0.1	0%	1.9	0%	3.0	0%	5.7	9%	6.6	1%
Stock-based compensation	1.7	2%	27.3	5%	47.5	6%	63.7	1%	59.6	6%
Other*	-	0%	18.2	3%	16.5	2%	25.0	0%	21.8	2%
Non-GAAP adj expense	13.0	16%	83.6	15%	106.5	14%	114.2	9%	117.7	12%

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