



**Second Quarter 2021
INVESTOR PRESENTATION**

July 29, 2021

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, short courses and boot camps;*
- *the company's ability to acquire new university clients and expand its degree programs, short courses and boot camps with existing university clients;*
- *the company's ability to consummate the edX acquisition, including its ability to obtain regulatory and governmental approvals in a timely manner or at all, and realize the anticipated benefits of the edX acquisition;*
- *the company's ability to successfully integrate the operations of its acquisitions, including the pending 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 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, 2020, as amended and supplemented by risks and uncertainties under the heading "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, 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

2U, Inc. is the trusted brand steward and the partner of choice to the world's top universities.



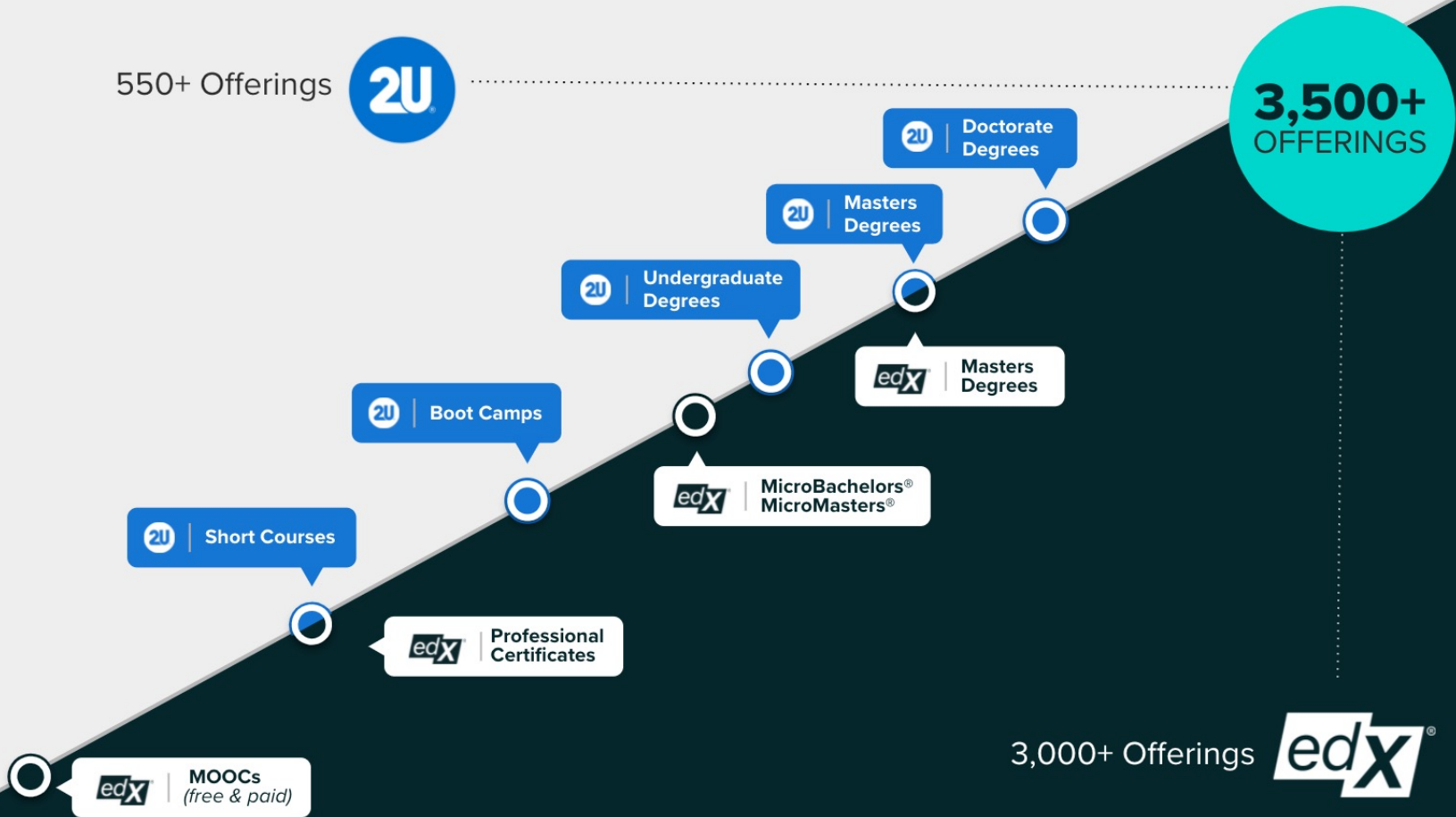
As of July 29, 2021

Investment Thesis.

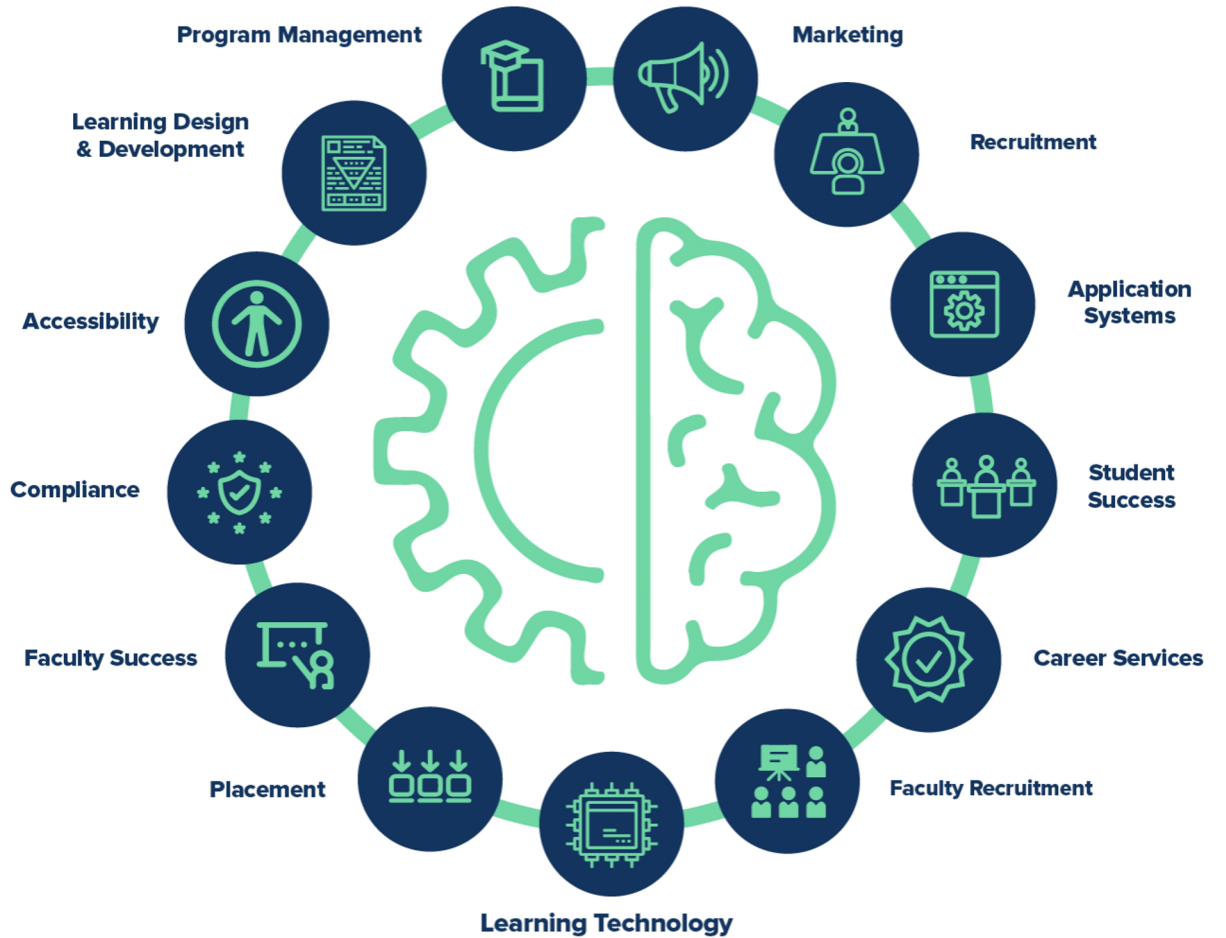


(1) Source: HolonIQ, April 2020: The \$7B Global OPM and Academic PPP Market

2U, edX Combo Will Have Unmatched Free-to-Degree Offerings



Our scalable platform, 2UOS, is a comprehensive suite of tech-enabled capabilities powering market-relevant products across the CCC.



350,000+

REGISTERED STUDENTS

>3,000

BOOT CAMP
INSTRUCTORS

>67,000

FIELD PLACEMENTS

84

UNIVERSITY PARTNERS

887,000+

LIVE CLASSES

550+

OFFERINGS

260,000+

GRADUATES



Financial Highlights

Strong Second Quarter Results.

1

Strong 2Q'21 revenue growth

- Revenue of \$237.2M, up 30% year-over-year
- Degree Program revenue up 26% to \$146.2M
- Alternative Credential revenue up 36% to \$91.0M

2

2Q'21 adjusted EBITDA margin of 7%¹

- Adjusted EBITDA of \$17.1M¹
- \$19.2M improvement vs. 2Q'20

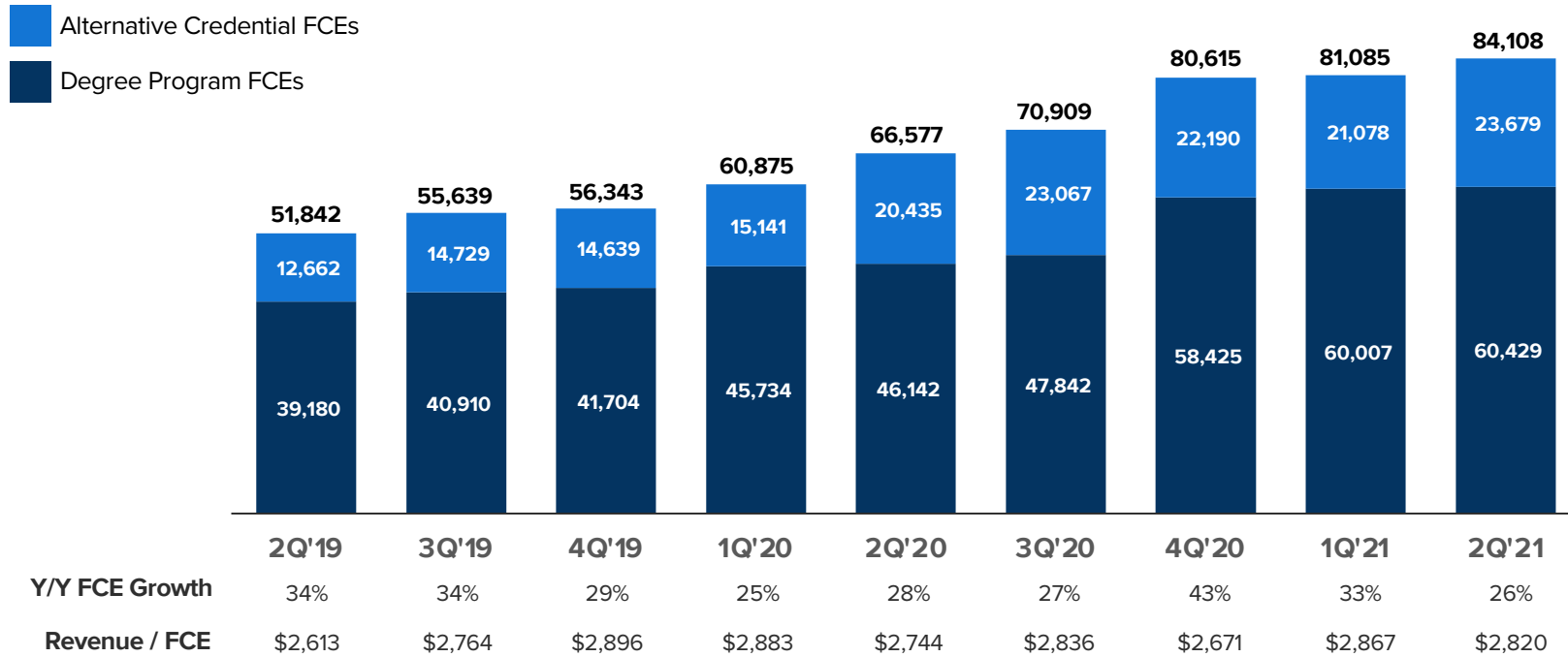
3

Positive TTM unlevered FCF

- TTM unlevered FCF of \$2.5M¹
 - \$46.8M improvement over the past year
- 2Q'21 total ending cash balance of \$971.3M
- Includes \$475M Term Loan B

(1) Adjusted EBITDA, adjusted EBITDA margin, and unlevered free cash flow are non-GAAP financial measures. Refer to the Appendix for a reconciliation of non-GAAP financial measures to the most comparable GAAP measures.

Full Course Equivalent (FCE) Enrollments.

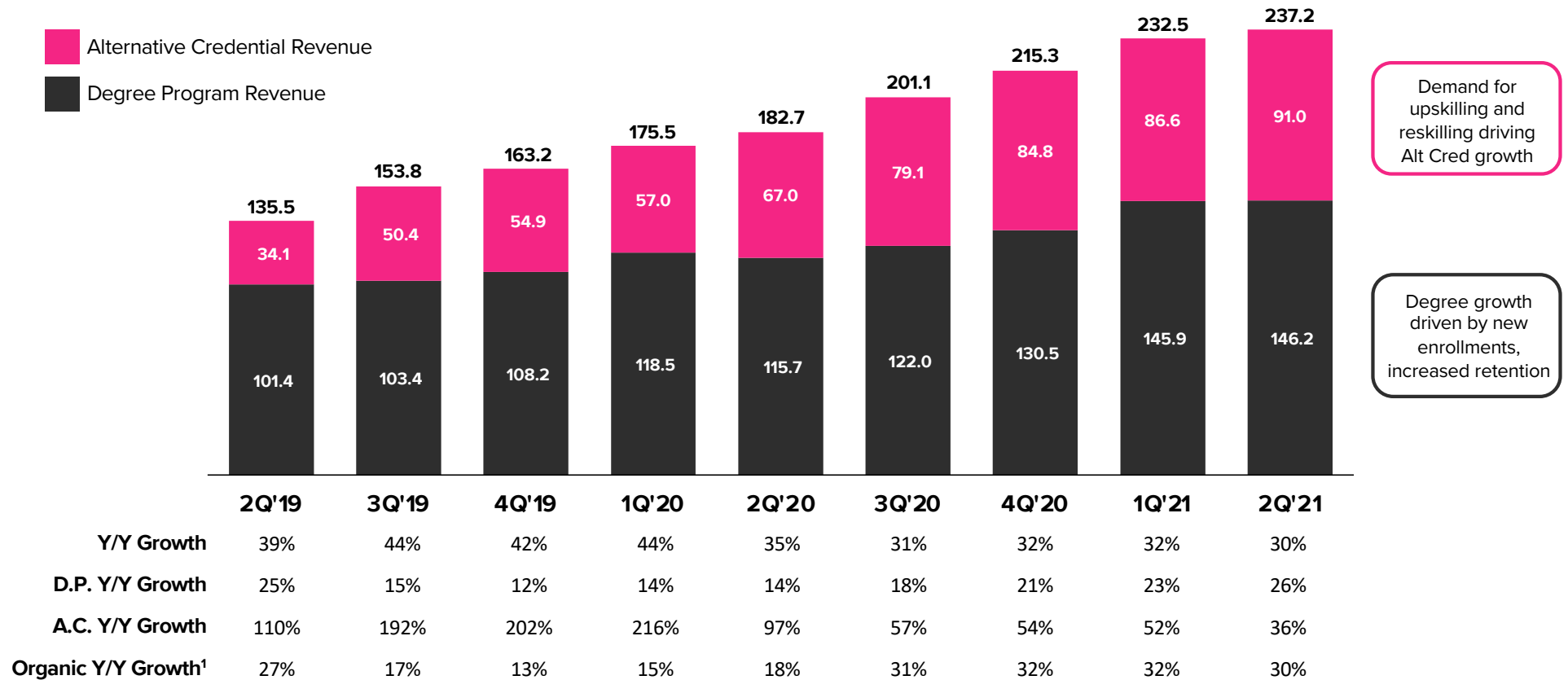


FCE growth driven by strong new enrollments and retention improvements in Degree Segment.

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.

Consolidated Revenue Growth.

(in \$ millions)



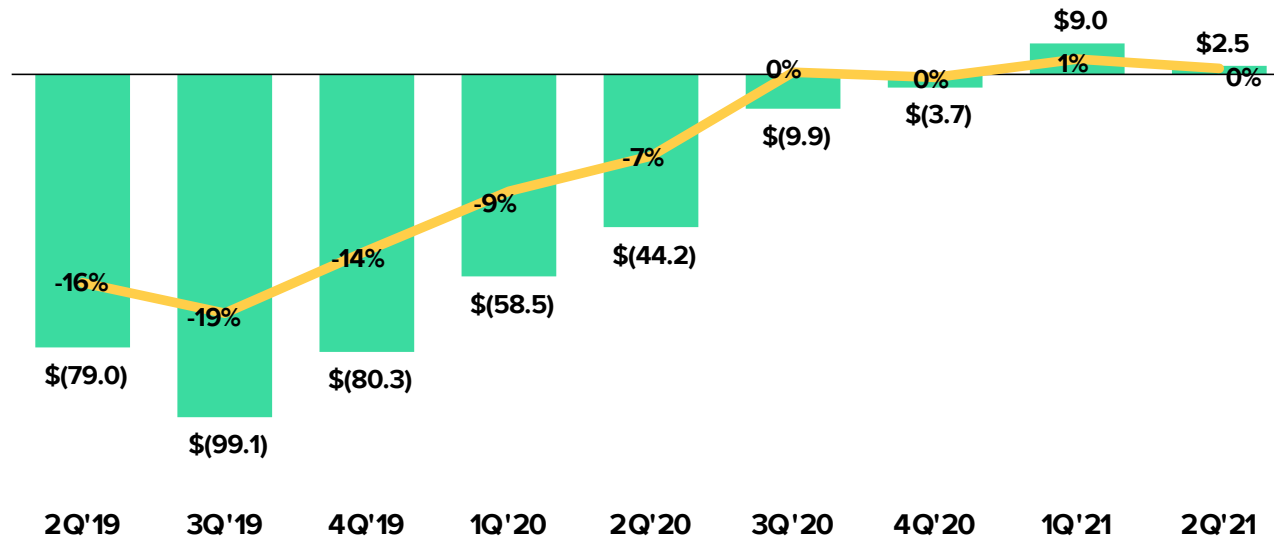
(1) Organic growth for each quarter excludes all revenue from acquisitions completed since the start of the prior-year quarter where applicable. The acquisition of Trilogy was completed May 22, 2019.

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 Delivered strong results for the second quarter with continued revenue growth and expanding adjusted EBITDA margin.
- 2 Delivered positive unlevered FCF on a TTM basis, driven by improvement in adjusted EBITDA margin, net working capital initiatives, and reduced CapEx.
- 3 High-quality digital education remains a critical need for society as more universities embrace the digital transformation imperative.



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), and adjusted net income (loss) per share. The company has provided a reconciliation of each non-GAAP financial measure used in this earnings release 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), other income (expense), net, 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 other income (expense), net, 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, and adjusted net income (loss) may not be applicable in any given reporting period and they may vary from period to period. As of the date of this earnings release, we revised our definitions of adjusted EBITDA (loss) and adjusted net income (loss) to exclude other income (expense), net in connection with the recognition of a gain on the sale of our interest in an education technology company. We believe this change is meaningful to investors because we did not have this activity in prior periods, and as a result, excluding the impact of such a gain in 2021 facilitates a period-to-period comparison of our business.

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), and adjusted net income (loss) per share measures has 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.

Adjusted EBITDA Reconciliation.

(in millions)

Reconciliation of non-GAAP adjusted EBITDA to GAAP net loss	Quarter Ended 6/30/2021
Net loss	\$(21.8)
Adjustments:	
Stock-based compensation expense	24.8
Other (income) expense, net	(24.1)
Amortization of acquired intangible assets	10.6
Income tax benefit on amortization of acquired intangible assets	(0.4)
Loss on debt extinguishment	1.1
Other*	3.0
Adjusted net loss	<u>(6.8)</u>
Net interest expense	7.8
Income tax expense	0.2
Depreciation and amortization expense	<u>15.9</u>
Adjusted EBITDA	<u>\$17.1</u>
Adjusted EBITDA Margin	<u>7%</u>

*Includes (i) transaction and integration expense of \$1.7 million and (ii) restructuring-related expense of \$1.3 million for the three months ended June 30, 2021.

Unlevered Free Cash Flow Reconciliation.

(in millions)

	Twelve Months Ended								
	<u>2Q'19</u>	<u>3Q'19</u>	<u>4Q'19</u>	<u>1Q'20</u>	<u>2Q'20</u>	<u>3Q'20</u>	<u>4Q'20</u>	<u>1Q'21</u>	<u>2Q'21</u>
Net cash provided by (used in) operating activities	\$(30.8)	\$(62.7)	\$(52.0)	\$(29.3)	\$(10.7)	\$26.8	\$29.6	\$47.1	\$34.1
Additions to amortizable intangible assets	(57.6)	(64.4)	(64.9)	(67.2)	(65.0)	(60.7)	(62.8)	(61.2)	(60.2)
Purchase of property and equipment	(15.0)	(15.3)	(13.4)	(12.7)	(9.5)	(7.6)	(6.5)	(4.9)	(4.7)
Payments on acquisition of amortizable intangible assets	(6.2)	(1.3)	(2.2)	(0.9)	(0.9)	(0.9)	--	--	--
Payments to university clients	24.7	26.5	26.1	14.9	7.5	4.1	5.8	6.6	8.6
Non-ordinary cash payments*	4.0	11.0	14.0	19.6	17.9	17.1	19.4	15.5	15.7
Free cash flow	(80.9)	(106.2)	(92.4)	(75.6)	(60.7)	(21.2)	(14.5)	3.1	(6.5)
Cash interest payments on debt	1.9	7.1	12.1	17.1	16.5	11.3	10.8	5.9	9.0
Unlevered free cash flow	\$(79.0)	\$(99.1)	\$(80.3)	\$(58.5)	\$(44.2)	\$(9.9)	\$(3.7)	\$9.0	\$2.5

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