



# 1Q'18 Earnings Results

May 3, 2018





## SAFE HARBOR

This presentation contains forward-looking statements regarding the future business expectations of 2U, Inc. (“2U”), 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 press release, including statements regarding future results of the 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. 2U 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, 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; 2U’s ability to comply with evolving regulations and legal obligations related to data privacy, data protection and information security; 2U’s expectations about the potential benefits of our cloud-based software-as-a-service (“SaaS”) technology and technology-enabled services to university clients and students; 2U’s dependence on third parties to provide certain technological services or components used in its solutions; 2U’s ability to meet the anticipated launch dates of its graduate programs and short courses; 2U’s expectations about the predictability, visibility and recurring nature of its business model; 2U’s ability to acquire new university clients and expand its graduate programs and short courses with existing university clients; 2U’s ability to successfully integrate the operations of GetSmarter, achieve the expected benefits of the acquisition and manage, expand and grow the combined company; 2U’s ability to execute its growth strategy in the international, undergraduate and non-degree alternative markets; 2U’s ability to continue to acquire prospective students for its graduate programs and short courses; 2U’s ability to affect or increase student retention in its graduate programs; 2U’s expectations regarding the scalability of its cloud-based SaaS technology; 2U’s expectations regarding future expenses in relation to future revenue; potential changes in regulations applicable to 2U or its university clients; and 2U’s expectations regarding the amount of time its cash balances and other available financial resources will be sufficient to fund its operations.

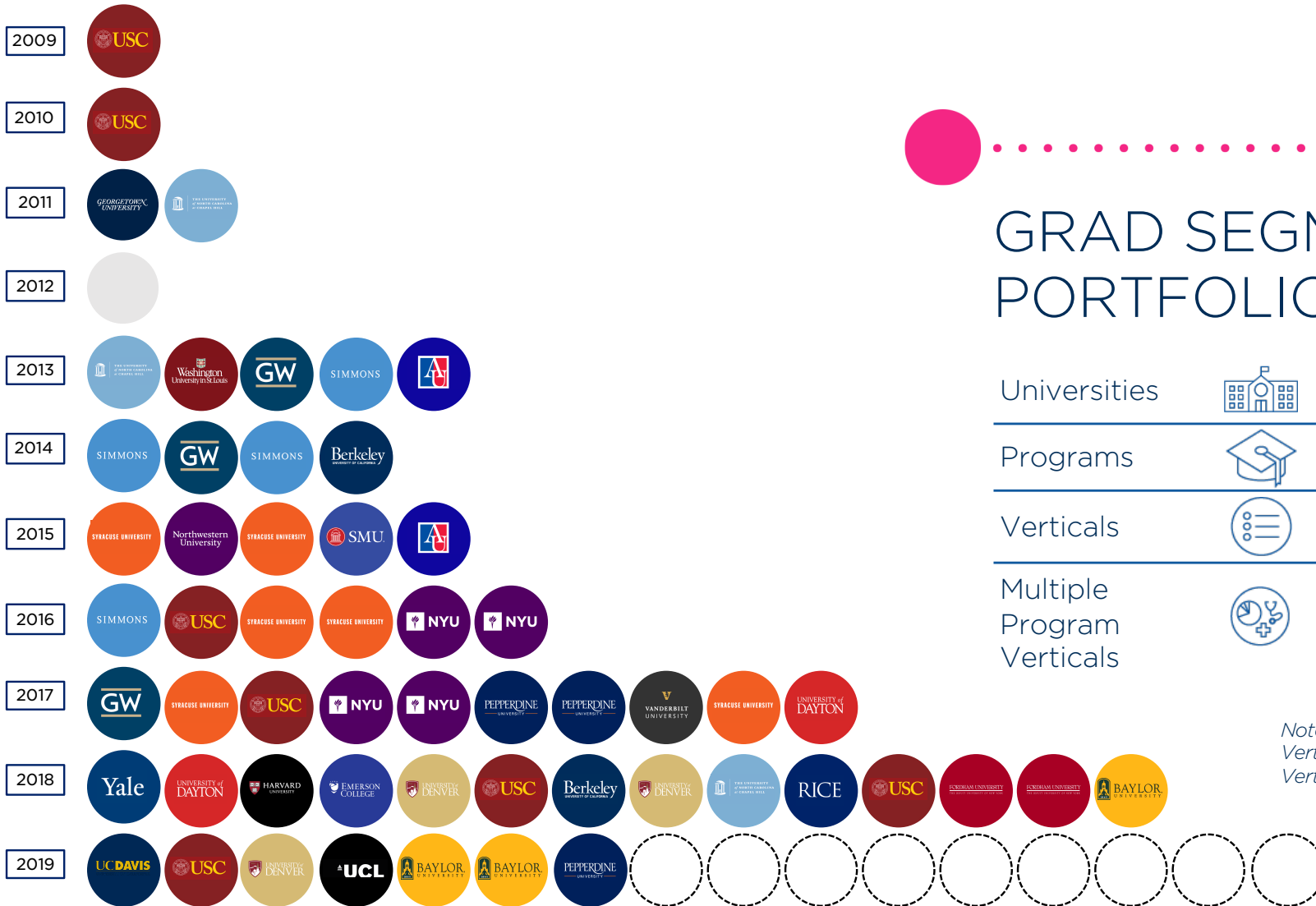
These and other potential risks and uncertainties that could cause actual results to differ from the results predicted are more fully detailed under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017 and other reports filed with the Securities and Exchange Commission. 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.

You should not rely upon forward-looking statements as predictions of future events. Although 2U believes that the expectations reflected in the forward-looking statements are reasonable, 2U cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither 2U nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Except as required by law, 2U undertakes no obligation to update publicly any forward-looking statements for any reason after the date of this presentation, to conform these statements to actual results or to changes in 2U’s expectations.





# PARTNERING WITH TOP GLOBAL UNIVERSITIES

(AS OF MAY 3, 2018)

 AMERICAN UNIVERSITY WASHINGTON, DC	 BAYLOR UNIVERSITY	Emerson COLLEGE	 FORDHAM UNIVERSITY THE JESUIT UNIVERSITY OF NEW YORK	 THE GEORGE WASHINGTON UNIVERSITY WASHINGTON, DC	 GEORGETOWN UNIVERSITY
 HARVARD UNIVERSITY	 LSE THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE	 MIT Massachusetts Institute of Technology	 NYU	Northwestern University	 UNIVERSITY OF OXFORD
 PEPPERDINE UNIVERSITY	RICE	SIMMONS COLLEGE	 SMU	Syracuse University	 Tecnológico de Monterrey
 UCL	 Berkeley UNIVERSITY OF CALIFORNIA	 UC DAVIS UNIVERSITY OF CALIFORNIA	 UNIVERSITY OF CAMBRIDGE	 UNIVERSITY OF CAPE TOWN UNIVERSITEIT YABEKAPA - UNIVERSITEIT VAN KAAPSTAD	 THE UNIVERSITY OF CHICAGO
 UNIVERSITY of DAYTON	 UNIVERSITY of DENVER	 THE UNIVERSITY of NORTH CAROLINA at CHAPEL HILL	 USC	 USB Executive Development University of Stellenbosch Business School	 UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG
 VANDERBILT UNIVERSITY	 Washington University in St. Louis	Yale			



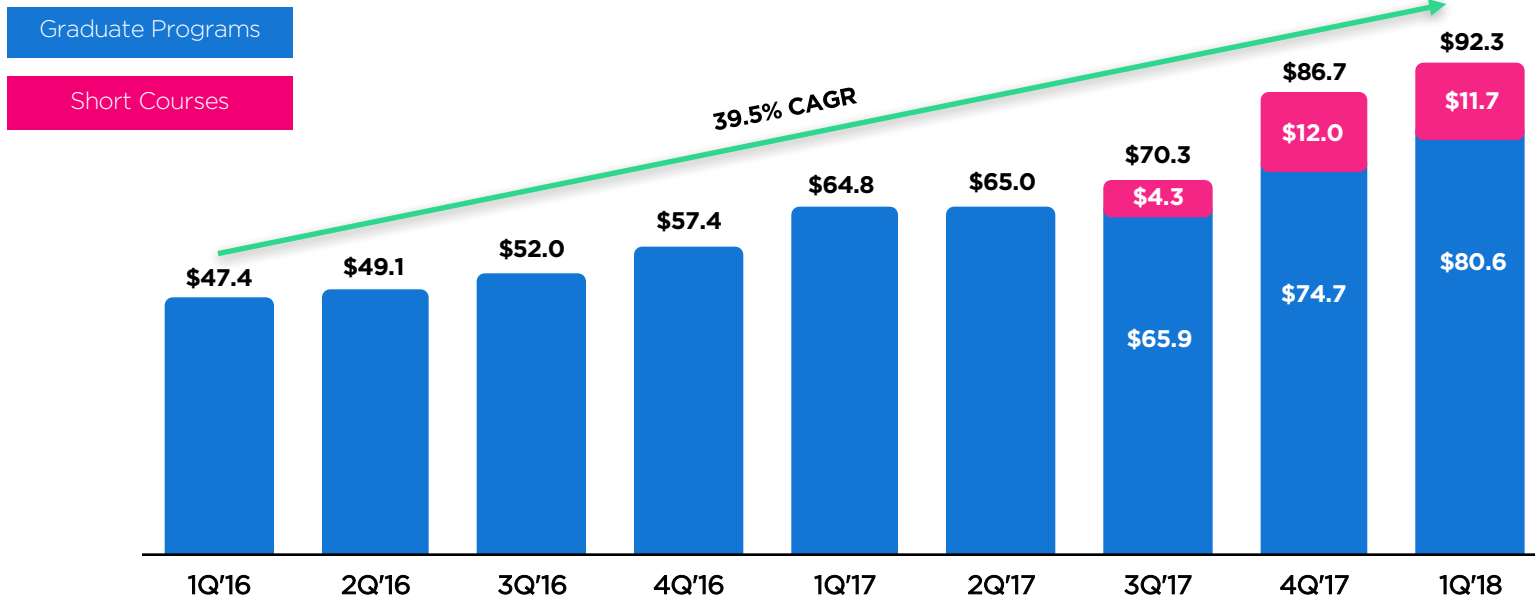
# GRAD SEGMENT PORTFOLIO

Universities		25
Programs		55
Verticals		23
Multiple Program Verticals		15

*Note: Universities, Programs, Verticals, and Multiple Program Verticals counts as of May 3, 2018.*

# CONSOLIDATED REVENUE GROWTH

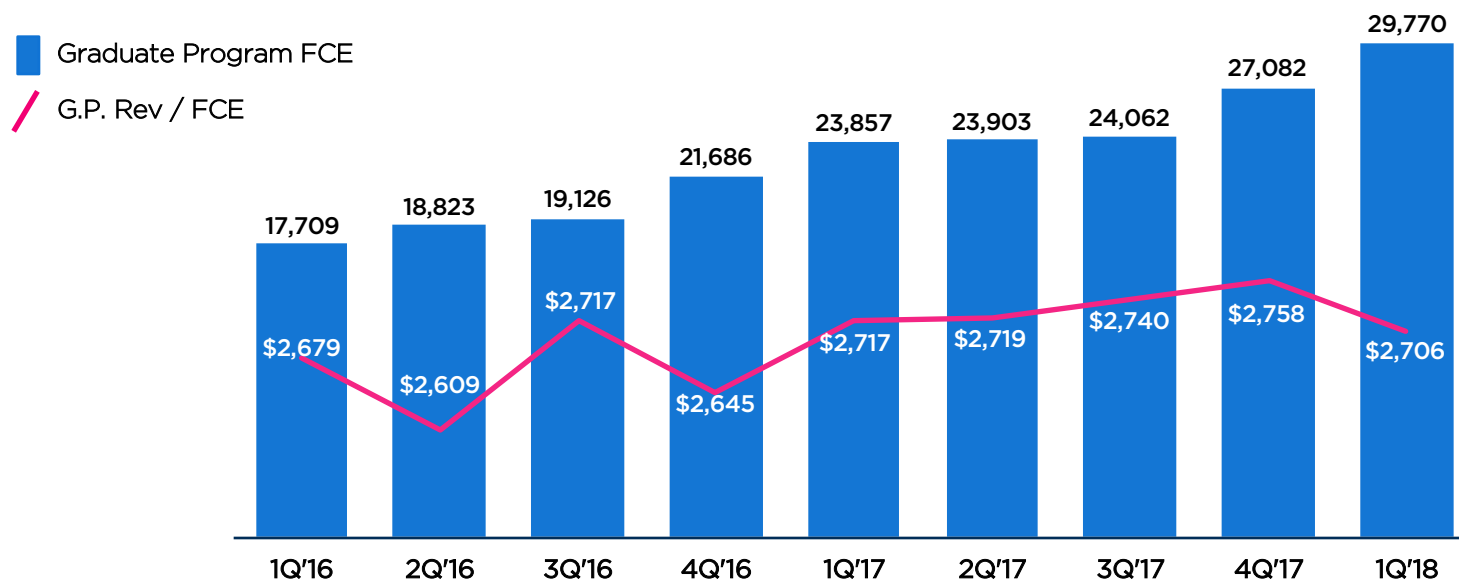
(IN MILLIONS)



	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17	3Q'17	4Q'17	1Q'18
Y/Y Growth	37.1%	39.4%	40.1%	32.6%	36.6%	32.3%	35.2%	51.1%	42.4%
G.P. Growth*	37.1%	39.4%	40.1%	32.6%	36.6%	32.3%	26.9%	30.2%	24.3%

\*Graduate Program Segment revenue growth.

# FULL COURSE EQUIVALENT\* ENROLLMENTS



Note: We acquired GetSmarter, now our Short Course Segment, on July 1, 2017.

In 1Q'18, Short Course FCE was 6,002 at an average Rev/FCE of \$1,954.

In 4Q'17, Short Course FCE was 6,751 at an average Rev/FCE of \$1,777.

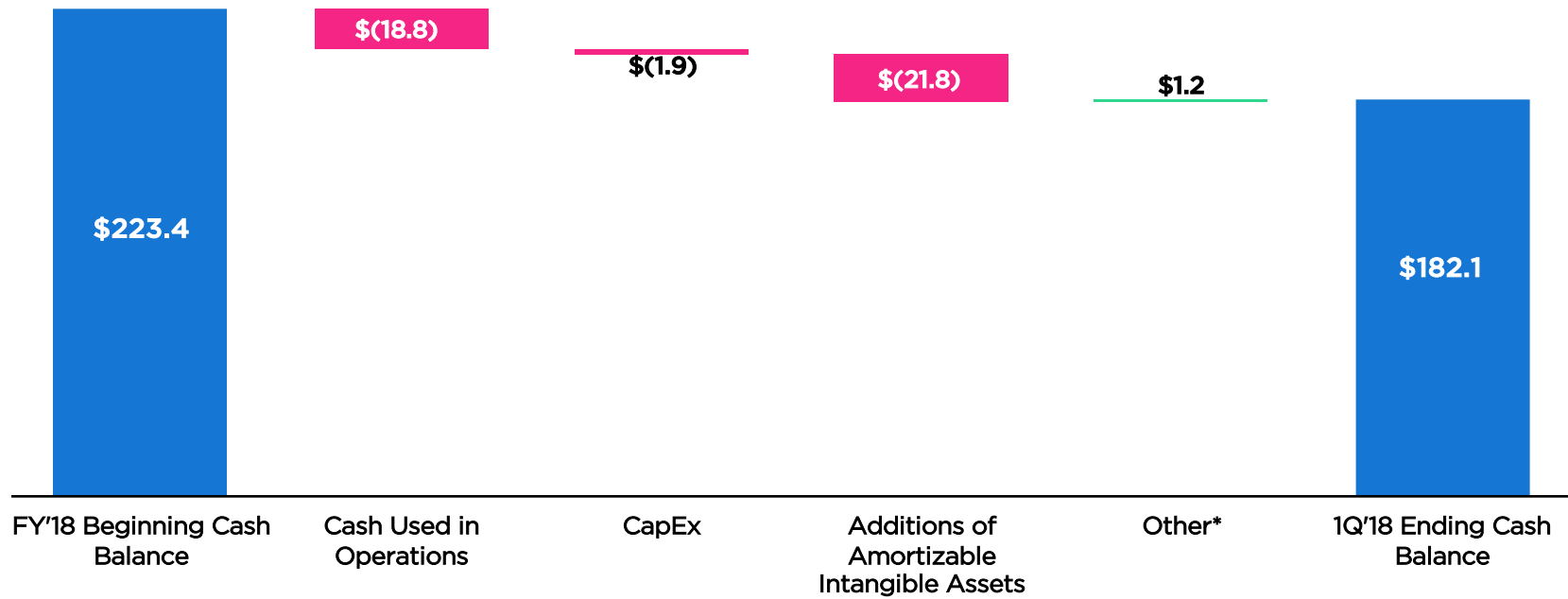
In 3Q'17 Short Course FCE was 4,079 at an average Rev/FCE of \$1,232.

G.P. FCE Y/Y Growth	35.3%	38.8%	38.2%	31.2%	34.7%	27.0%	25.8%	24.9%	24.8%
G.P. Rev/FCE Y/Y Growth	1.3%	0.4%	1.4%	1.1%	1.4%	4.2%	0.8%	4.3%	(0.4)%

\*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.

# 1Q'18 CASH WALK

(IN MILLIONS)



\*Other includes proceeds from stock option exercise, net of tax, net proceeds from debt, tax withholding payments associated with settlement of restricted stock units, advances to university clients, and the effect of FX on cash.

## 2Q AND FY'18 GUIDANCE

<i>(in millions, except per share amounts)</i>	2Q'18	FY'18
Revenue	\$95.1 - \$96.1	\$406.6 - \$410.6
Net Loss	\$(22.1) - \$(21.6)	\$(46.6) - \$(44.7)
Net Loss Per Share	\$(0.42) - \$(0.41)	\$(0.87) - \$(0.84)
Adjusted Net Loss	\$(11.6) - \$(11.1)	\$(7.2) - \$(5.3)
Adjusted Net Loss Per Share	\$(0.22) - \$(0.21)	\$(0.13) - \$(0.10)
Weighted-Average Shares of Common Stock Outstanding, Basic	53.4	53.5
Adjusted EBITDA	\$(6.2) - \$(5.7)	\$16.1 - \$18.0
Stock-Based Compensation Expense	\$9.3 - \$9.5	\$34.0 - \$34.5

2U expects that of the revenue it recognizes in the second half of 2018, approximately 48% will be recognized in the third quarter. Further, we expect to experience meaningful margin variability between periods driven by significant revenue growth combined with cost seasonality. For the second half of the year, we currently expect:

- A net loss margin of between (4.4)% and (3.7)%, and of that dollar net loss, approximately 127% to 128% is expected to be generated in the third quarter.
- An adjusted net income margin of between 4.8% and 5.4%, and of that dollar adjusted net income, approximately 112% to 113% is expected to be generated in the fourth quarter.
- An adjusted EBITDA margin of between 10.8% and 11.3%, and of that dollar adjusted EBITDA, approximately 18% to 19% is expected to be generated in the third quarter.

Note that cost seasonality in the second and fourth quarters typically reduces margins in the first half of each year and improves margins in the second half of each year, so second-half margins should not be viewed as being a run rate for the first half of the following year.

*Note: Refer to the Appendix for an explanation of non-GAAP financial measures, and why we believe these measures can be useful, as well as a reconciliation of non-GAAP financial measures to the most comparable GAAP measures, when applicable.*



# APPENDIX

Non-GAAP Financial Measures and GAAP to  
Non-GAAP Financial Reconciliation





## NON-GAAP FINANCIAL MEASURES

To supplement the Company's consolidated financial statements, which are prepared and presented in accordance with U.S. generally accepted accounting principles ("GAAP"), this presentation includes adjusted EBITDA, adjusted EBITDA margin, adjusted net income (loss) and adjusted net income (loss) per share, which are non-GAAP financial measures.

We define adjusted EBITDA as net income or net loss, as applicable, before net interest income (expense), taxes, depreciation and amortization, foreign currency gains or losses, acquisition-related gains or losses and stock-based compensation expense. Some or all of these items may not be applicable in any given reporting period. Adjusted EBITDA margin represents adjusted EBITDA as a percentage of revenue.

We define adjusted net income (loss) as net income or net loss, as applicable, before foreign currency gains or losses, acquisition-related gains or losses 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 which result in adjusted net income, and basic weighted-average shares outstanding for periods which result in an adjusted net loss.

The principal limitation of these non-GAAP financial measures is that they exclude significant expenses that are required by GAAP to be recorded in the Company's financial statements. These non-GAAP measures are key metrics Company management uses to compare the Company's performance to that of prior periods for trend analyses and for budgeting and planning purposes. These measures also provide useful information to investors and analysts relating to 2U's financial condition and results of operations. These financial measures are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. In addition, these financial measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes.

## GAAP TO NON-GAAP RECONCILIATIONS – 2018 GUIDANCE

Reconciliation of Non-GAAP Adjusted Net Income and Adjusted EBITDA Guidance to GAAP Net Income Guidance	Three Months Ending June 30, 2018		Year Ending December 31, 2018	
	\$	\$/Share	\$	\$/Share
	<i>(in thousands, except per share amounts)</i>			
<b>Net Loss</b>	<b>(21,850)</b>	<b>(0.41)</b>	<b>(45,650)</b>	<b>(0.85)</b>
Foreign Currency Loss	-	-	400	0.01
Amortization of Acquired Intangible Assets	1,700	0.03	6,700	0.12
Income Tax Benefit on Amortization of Acquired Intangible Assets	(500)	(0.01)	(1,800)	(0.04)
Stock-Based Compensation Expense	9,300	0.18	34,100	0.64
<b>Adjusted Net Loss</b>	<b>(11,350)</b>	<b>(0.21)</b>	<b>(6,250)</b>	<b>(0.12)</b>
Net Interest Income	(150)	*	(800)	*
Depreciation and Amortization Expense	5,850	*	24,600	*
Income Tax Benefit	(300)	*	(500)	*
<b>Adjusted EBITDA (Loss)</b>	<b>(5,950)</b>	<b>*</b>	<b>17,050</b>	<b>*</b>
Projected Weighted-Average Shares of Common Stock Outstanding, Basic		53,400		53,500

\* Not Provided.

Note: This table presents (i) a reconciliation of net loss guidance to adjusted net income (loss) guidance and adjusted EBITDA(loss) guidance and (ii) a reconciliation of net loss per share guidance to adjusted net income (loss) per share guidance, each at the midpoint of the ranges provided by the Company, for each of the periods indicated.