# 3Q'18 Earnings Results

November 5, 2018

www.2u.com

# 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 presentation, 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.

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

*As of November 5, 2018.*

# We help universities reach more students.

For more than a decade, we've been helping universities extend their reach.

**>42,000**
Enrolled 2UGrad Students

**34**
UNI. PARTNERS

**497,000+**
LIVE CLASSES

**80+**
SHORT COURSES

**>16,000**
2UGrad Graduates

**64**
PROGRAMS

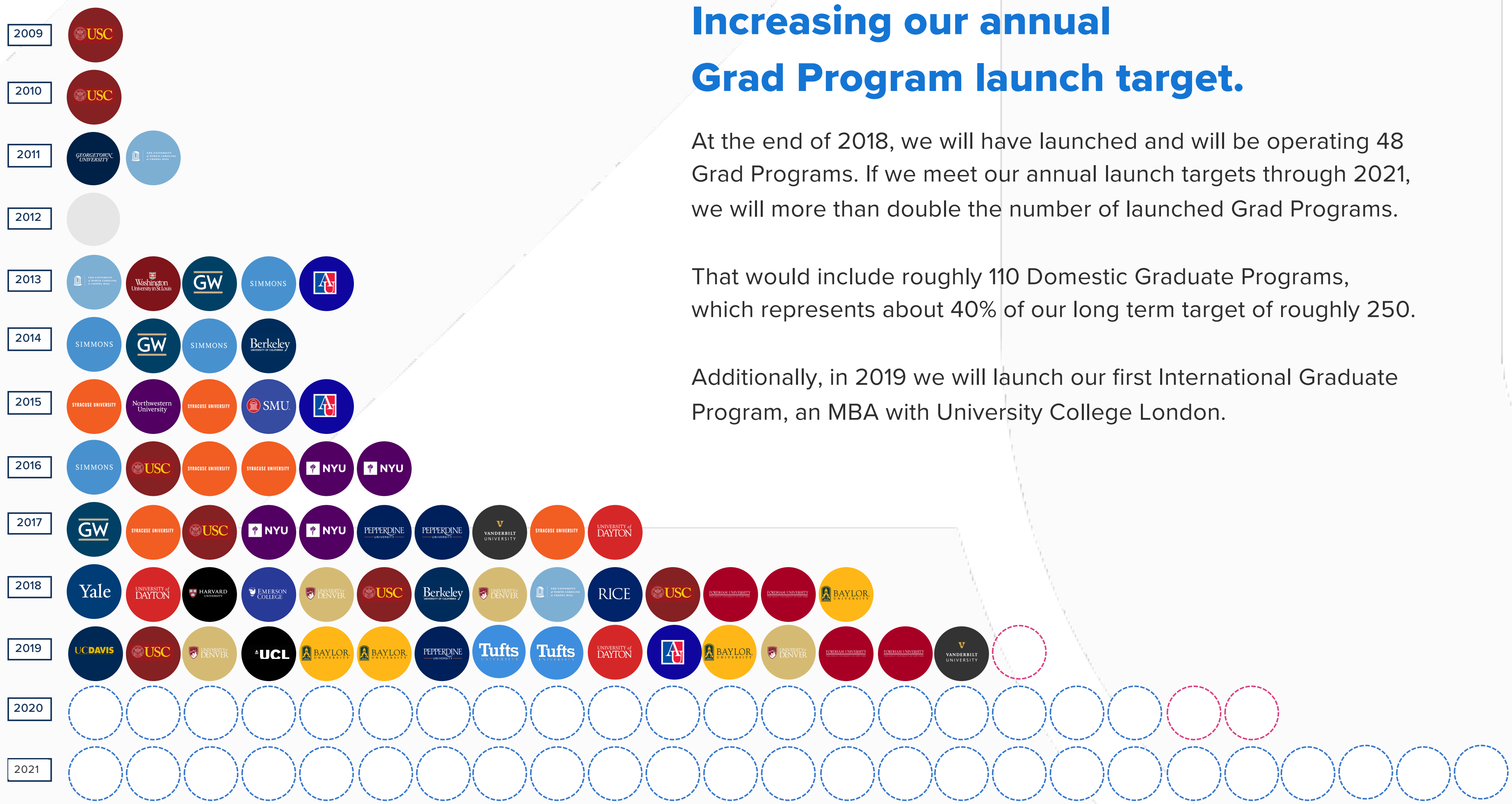
*Inception-to-date through 3Q'18. Live class data reflects degree programs only.*

# Increasing our annual Grad Program launch target.

At the end of 2018, we will have launched and will be operating 48 Grad Programs. If we meet our annual launch targets through 2021, we will more than double the number of launched Grad Programs.

That would include roughly 110 Domestic Graduate Programs, which represents about 40% of our long term target of roughly 250.

Additionally, in 2019 we will launch our first International Graduate Program, an MBA with University College London.




*Note: Pink dotted line circles indicate additional expected program launches beyond previously announced launch targets.*

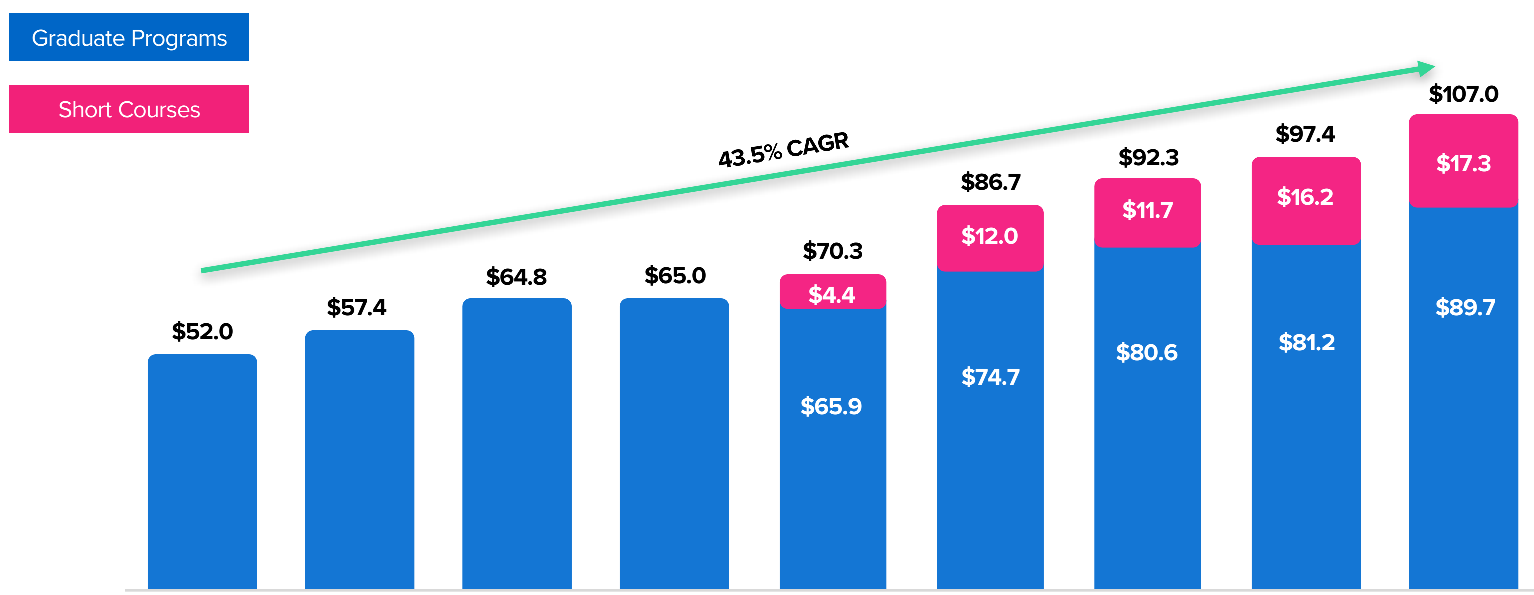
## Contract extensions.

| | University | 2U-Enabled Graduate Program | Initial Launch Year | Date Extension Announced | New End of Contract Year | Total Length of Contract |
|---|---|---|---|---|---|---|
| 1 | University of North Carolina at Chapel Hill | MBA@UNC | 2011 | Feb 2015 | 2030 | 19 years |
| 2 | University of North Carolina at Chapel Hill | MPA@UNC | 2013 | Aug 2015 | 2032 | 19 years |
| 3 | Georgetown University | Nursing@Georgetown | 2011 | Nov 2015 | 2027 | 16 years |
| 4 | University of Southern California | MSW@USC | 2010 | Nov 2015 | 2030 | 20 years |
| 5 | University of Southern California | Nursing@USC | 2016 | Nov 2015 | 2030 | 14 years |
| 6 | University of Southern California | USC Rossier Online | 2009 | April 2016 | 2030 | 21 years |
| 7 | The George Washington University | MPH@GW | 2013 | June 2017 | 2034 | 21 years |
| 8 | The George Washington University | MHA@GW | 2014 | June 2017 | 2034 | 20 years |
| 9 | Washington University in St. Louis | @WashULaw | 2013 | July 2018 | 2033 | 20 years |
| 10 | Simmons University | Nursing@Simmons* | 2013 | Nov 2018 | 2039 | 26 years |
| 11 | Simmons University | SocialWork@Simmons | 2014 | Nov 2018 | 2039 | 25 years |
| 12 | Simmons University | Simmons Enterprise Program | 2016 | Nov 2018 | 2039 | 23 years |

**Includes both Nursing@Simmons DGPs.*

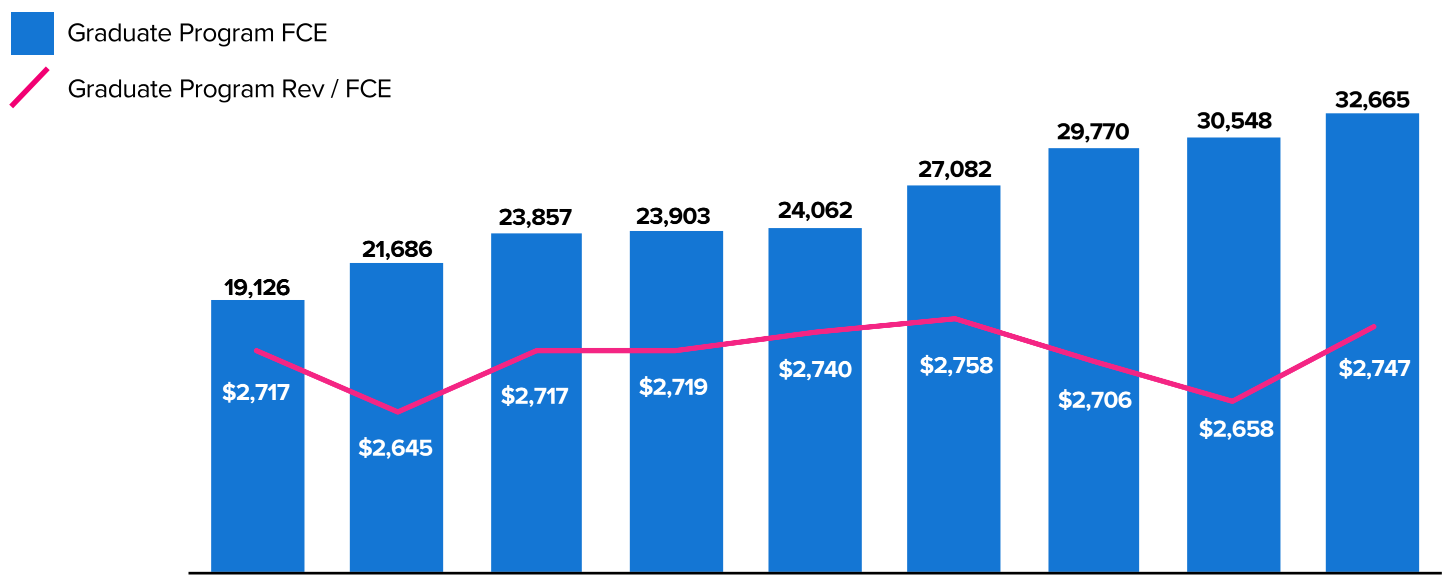
# Consolidated revenue growth.

*(in millions)*




| | 3Q'16 | 4Q'16 | 1Q'17 | 2Q'17 | 3Q'17 | 4Q'17 | 1Q'18 | 2Q'18 | 3Q'18 |
|---|---|---|---|---|---|---|---|---|---|
| Y/Y Growth | 40.1% | 32.6% | 36.6% | 32.3% | 35.2% | 51.1% | 42.4% | 49.9% | 52.3% |
| G.P. Y/Y Growth | 40.1% | 32.6% | 36.6% | 32.3% | 26.9% | 30.2% | 24.3% | 24.9% | 36.1% |
| S.C. Y/Y Growth | - | - | - | - | - | - | - | - | 298.6% |

# Full course equivalent* enrollments.




| | 3Q'16 | 4Q'16 | 1Q'17 | 2Q'17 | 3Q'17 | 4Q'17 | 1Q'18 | 2Q'18 | 3Q'18 |
|---|---|---|---|---|---|---|---|---|---|
| G.P. FCE Y/Y Growth | 38.2% | 31.2% | 34.7% | 27.0% | 25.8% | 24.9% | 24.8% | 27.8% | 35.8% |
| G.P. Rev / FCE Y/Y Growth | 1.4% | 1.1% | 1.4% | 4.2% | 0.8% | 4.3% | (0.4)% | (2.2)% | 0.3% |

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

In 3Q'18, Short Course FCE was 8,937 at an average Rev/FCE of $1,930.

In 2Q'18, Short Course FCE was 8,222 at an average Rev/FCE of $1,972.

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

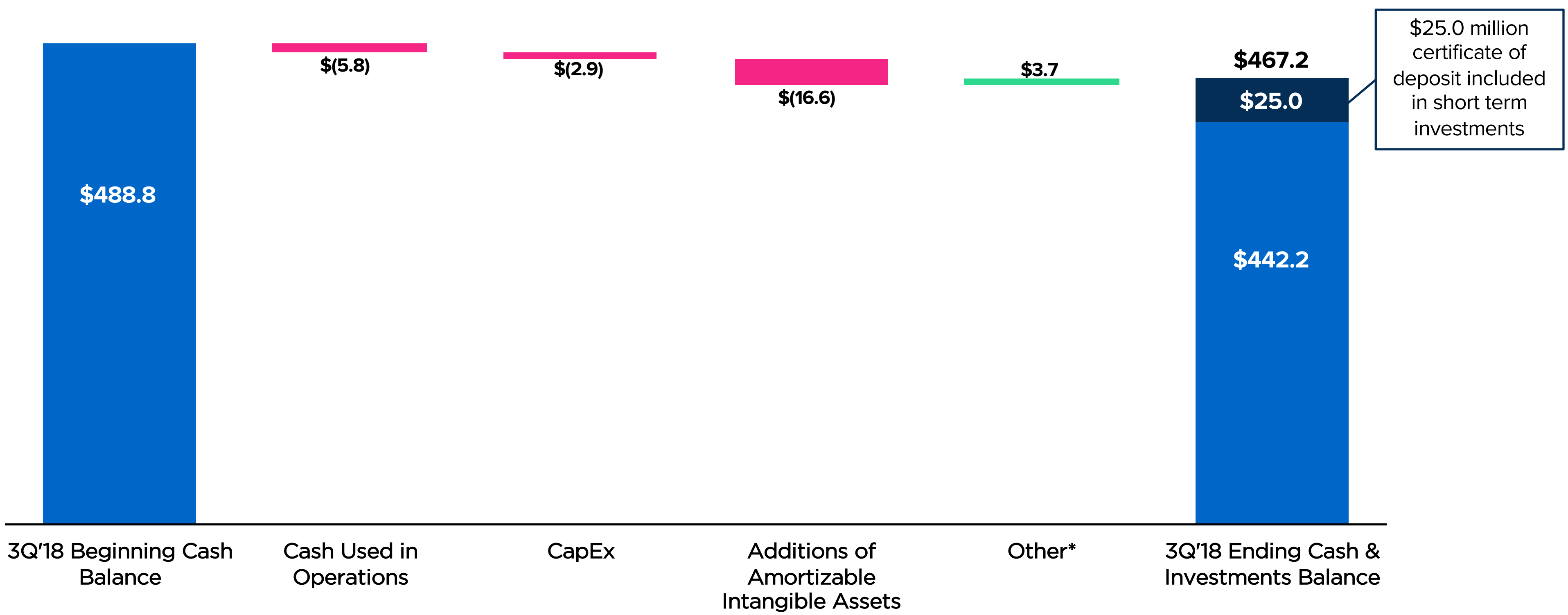
In 4Q'17, Short Course FCE was 6,751 at an average Rev/FCE of $1,777.

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

*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.

# 3Q'18 cash walk.

*(in millions)*




**Other includes proceeds from stock option exercises, 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.*

# 4Q and FY’18 guidance, FY’19 preview.

| *(in millions, except per share amounts)* | 4Q'18 | FY’18 |
|---|---|---|
| Revenue | $114.4 - $115.3 | $411.0 - $411.9 |
| Net Income (Loss) | $2.4 - $3.0 | $(40.7) - $(40.1) |
| Net Income (Loss) Per Share, Basic | - | $(0.73) - $(0.72) |
| Net Income (Loss) Per Share, Diluted | $0.04 - $0.05 | - |
| Adjusted Net Income (Loss) | $12.3 - $12.9 | $(4.9) - $(4.3) |
| Adjusted Net Income (Loss) Per Share, Basic | - | $(0.09) - $(0.08) |
| Adjusted Net Income (Loss) Per Share, Diluted | $0.20 - $0.21 | - |
| Weighted-Average Shares of Common Stock Outstanding, Basic | 57.9 | 55.9 |
| Weighted-Average Shares of Common Stock Outstanding, Diluted | 61.9 | - |
| Adjusted EBITDA | $19.8 - $20.4 | $17.4 - $18.0 |
| Stock-Based Compensation Expense | $8.7 - $8.9 | $32.8 - $33.0 |

This guidance assumes foreign exchange rates as of September 30, 2018, including 14.14 for the US dollar/South African rand and 0.7675 for the US dollar/British pound.

Note that in both the Graduate Program and Short Course businesses, marketing activities are typically reduced during the year-end holiday period resulting in increased fourth quarter margins in that quarter; fourth quarter margins therefore should not be viewed as a run rate for the first quarter of the following year.

While the budget cycle is not complete, we are providing a preliminary view into full year and first quarter 2019 based on our early expectations. We expect:

- revenue to increase by 32.5% to 33.9% over 2018, with approximately 22% of full year revenue recognized in the first quarter,
- net loss margin to be between (14.1)% and (13.5)% for the full year and between (19.4)% and (19.0)% for the first quarter,
- adjusted net loss margin to be between (4.5)% and (4.0)% for the full year and between (10.1)% and (9.8)% for the first quarter, and
- adjusted EBITDA margin to be between 2.0% and 2.5% for the full year and between (4.0)% and (3.6)% for the first quarter..

The year-over-year margin declines being forecasted for 2019 are primarily the result of added investments we are making in ramping up marketing spend to take advantage of additional opportunities to acquire profitable enrollments and meet the demands of scale. We expect that the full year margin declines will have a disproportionate impact on results in the first half of the year.

In second quarter of each year, we typically incur a disproportionate amount of annual costs that reduces its earnings measures. Conversely, we typically reduce our marketing costs during each year-end holiday period, which increases earnings measures in the fourth quarter.

*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 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 reconciliation – 4Q and FY'18 guidance.

| Reconciliation of GAAP Net Loss Guidance to Non-GAAP Adjusted Net Loss and Adjusted EBITDA Guidance | Three Months Ending December 31, 2018 | | Year Ending December 31, 2018 | |
|---|---|---|---|---|
| | $ | $/Share | $ | $/Share |
| | (in thousands, except per share amounts) | | | |
| **Net Income (Loss)** | **2,750** | **0.04** | **(40,425)** | **(0.72)** |
| Foreign Currency Loss | - | - | 1,500 | 0.03 |
| Amortization of Acquired Intangible Assets | 1,550 | 0.03 | 6,275 | 0.11 |
| Income Tax Benefit on Amortization of Acquired Intangible Assets | (425) | (0.01) | (1,725) | (0.03) |
| Acquisition-related tax benefit | - | - | (2,975) | (0.05) |
| Stock-Based Compensation Expense | 8,925 | 0.15 | 33,000 | 0.59 |
| **Adjusted Net Income (Loss)** | **12,800** | **0.21** | **(4,350)** | **(0.08)** |
| Net Interest Income | (1,475) | * | (4,450) | * |
| Depreciation and Amortization Expense | 7,825 | * | 26,475 | * |
| Income Tax Expense | 975 | * | 50 | * |
| **Adjusted EBITDA** | **20,125** | * | **17,725** | * |
| Projected Weighted-Average Shares of Common Stock Outstanding, Basic | | 57,950 | | 55,850 |
| Projected Weighted-Average Shares of Common Stock Outstanding, Diluted | | 61,850 | | * |

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* *Not Provided.*

*Note: This table presents (i) a reconciliation of net loss guidance to adjusted net loss guidance and adjusted EBITDA 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.*