



Third Quarter 2020 INVESTOR PRESENTATION

October 27, 2020

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 successfully integrate the operations of its acquisitions, including Trilogy, 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 credit agreement governing its 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 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, 2019, 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 September 30, 2020 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 is the trusted brand steward & partner of choice to the world's top universities.



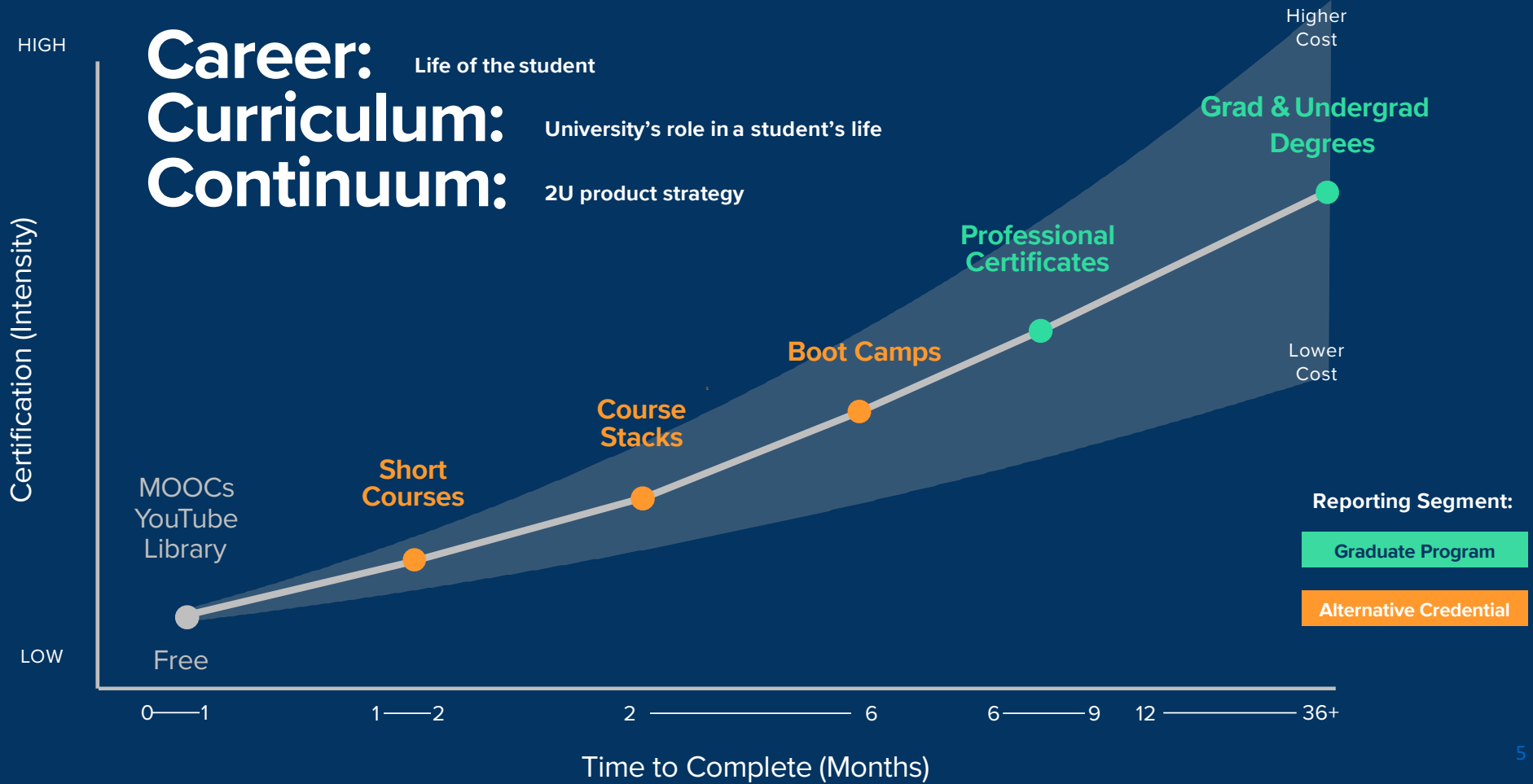
(As of October 27, 2020)

Investment Thesis.



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

2U is Positioned Across the Spectrum of Higher Education.



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



Our Product Offerings.



*Career
Upskilling + Reskilling Benefits*

*Professional
Pathways + Specializations*



275,000+

REGISTERED STUDENTS

>3,000

BOOT CAMP
INSTRUCTORS

>63,000
FIELD PLACEMENTS

75+

UNIVERSITY PARTNERS

785,000+
LIVE CLASSES

475+

OFFERINGS

200,000+

GRADUATES

The **Future** of Work.

[Click here to learn more.](#)



Financial Highlights

Strong Third Quarter Results.

1

3Q'20 revenue growth of 31% to \$201.1M

- Organic growth of 31% (compared to 18%¹ in 2Q'20)
- Graduate Program revenue up 18% to \$122.0M
- Alternative Credential revenue up 57% to \$79.1M

2

Adjusted EBITDA of \$3.7M²

- \$14.4M improvement vs. 3Q'19
- Grad Segment profitability margin of 8%, a 7-point improvement vs. 3Q'19
- Alternative Credential segment profitability margin of (8)%, a 16-point improvement vs. 3Q'19

3

Ending cash balance of \$499.6M

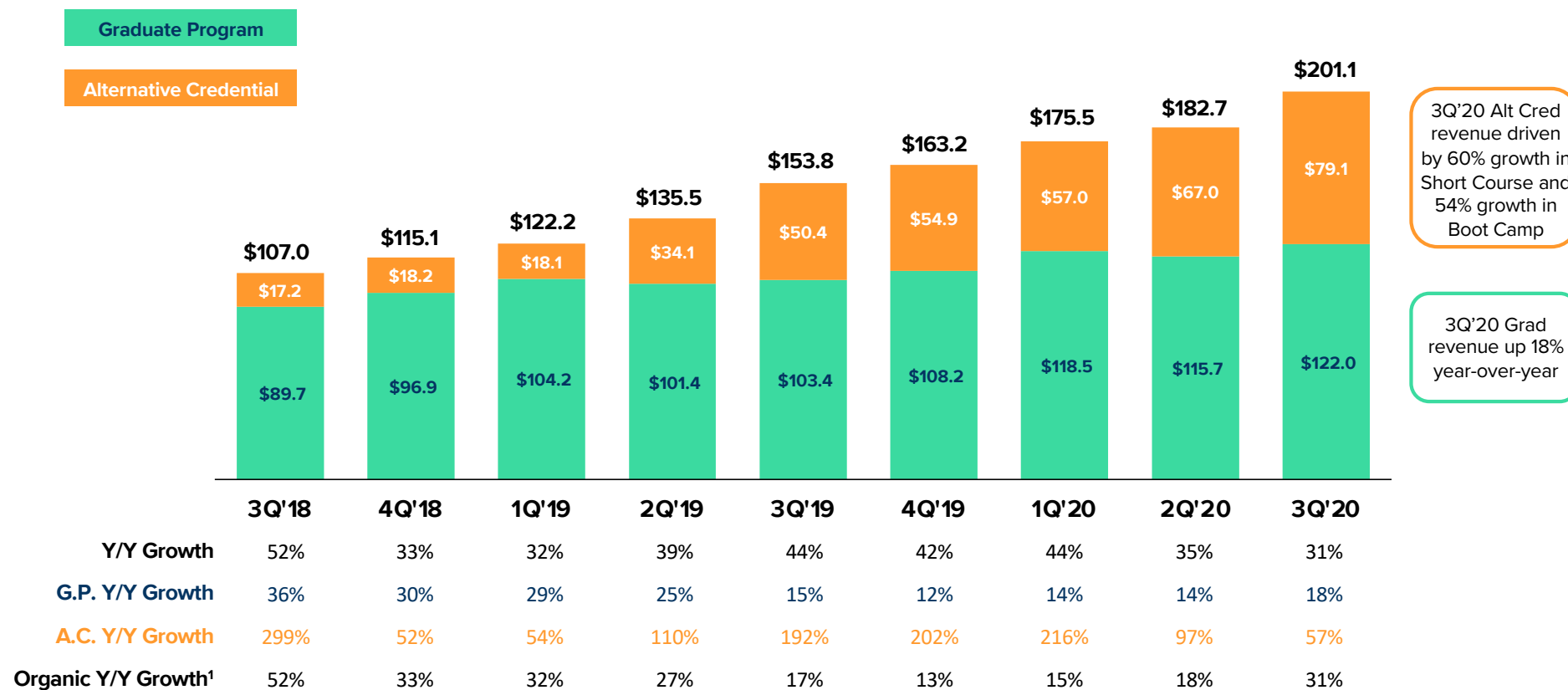
- TTM Unlevered FCF of \$(9.9)M, a \$34.3M improvement compared to 2Q'20²
- Increased liquidity and financial flexibility through \$300.0M equity offering during the third quarter

(1) Excludes impact of Trilogy, acquired on May 22, 2019.

(2) Adjusted EBITDA 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.

Consolidated Revenue Growth.

(in millions)

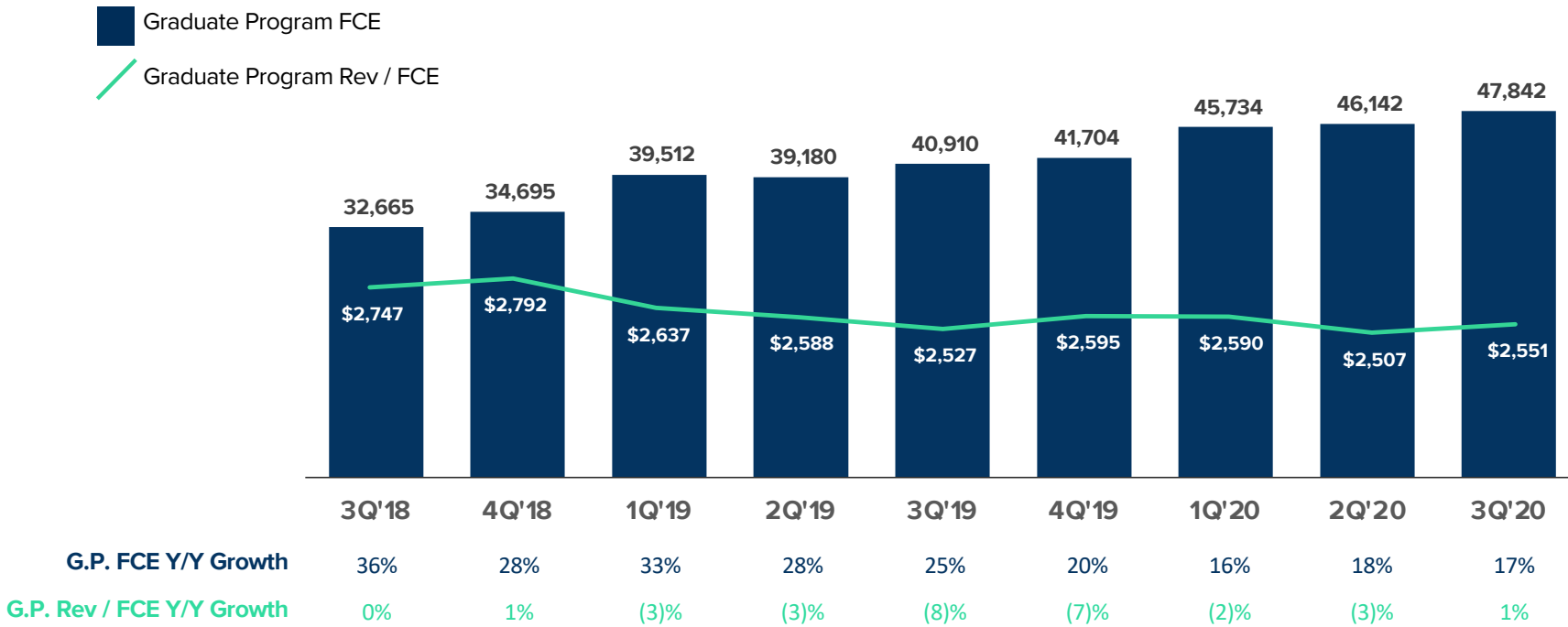


3Q'20 Alt Cred revenue driven by 60% growth in Short Course and 54% growth in Boot Camp

3Q'20 Grad revenue up 18% year-over-year

(1) Organic growth for each quarter excludes all revenue from acquisitions completed since the start of the prior-year quarter where applicable.

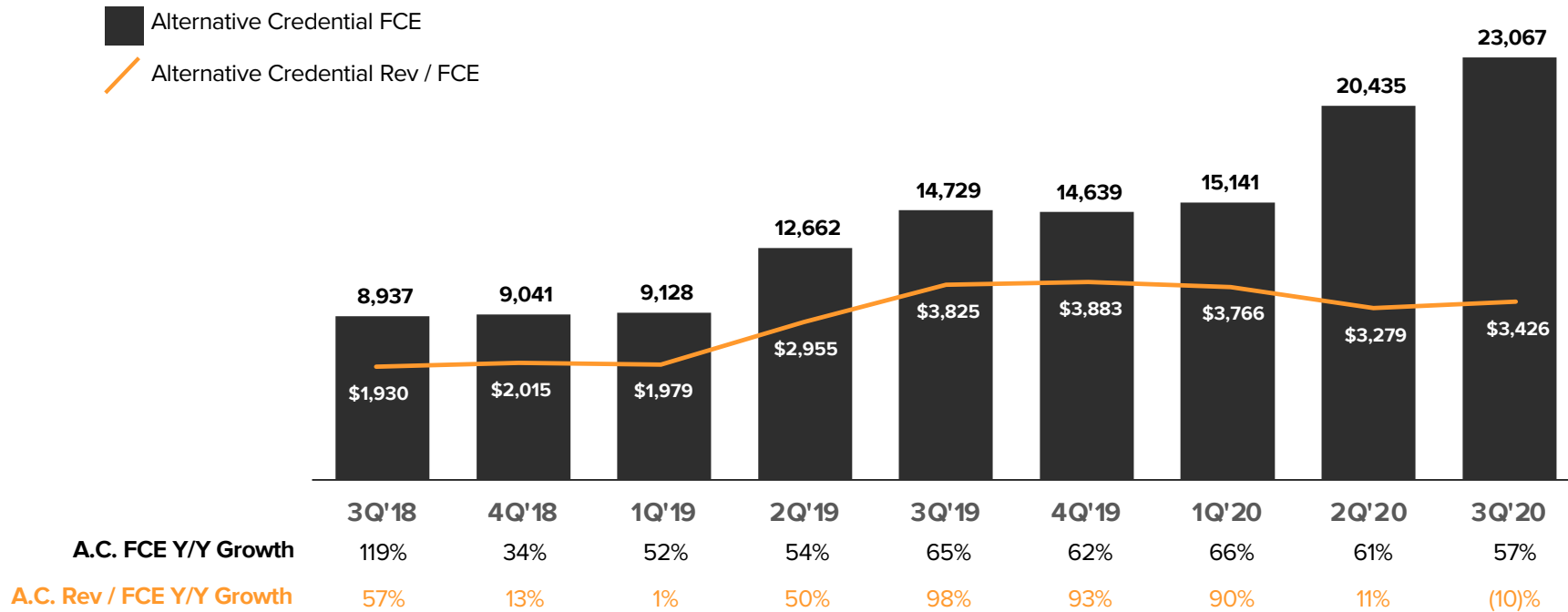
Graduate Program Full Course Equivalent Enrollments.



Strong FCE growth driven by encouraging enrollment trends across vertical areas and launch cohorts.

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.

Alternative Credential Full Course Equivalent Enrollments.



Alt Cred rev / FCE decreased in the quarter due to mix shift towards Short Courses driven by 60% growth in the product.

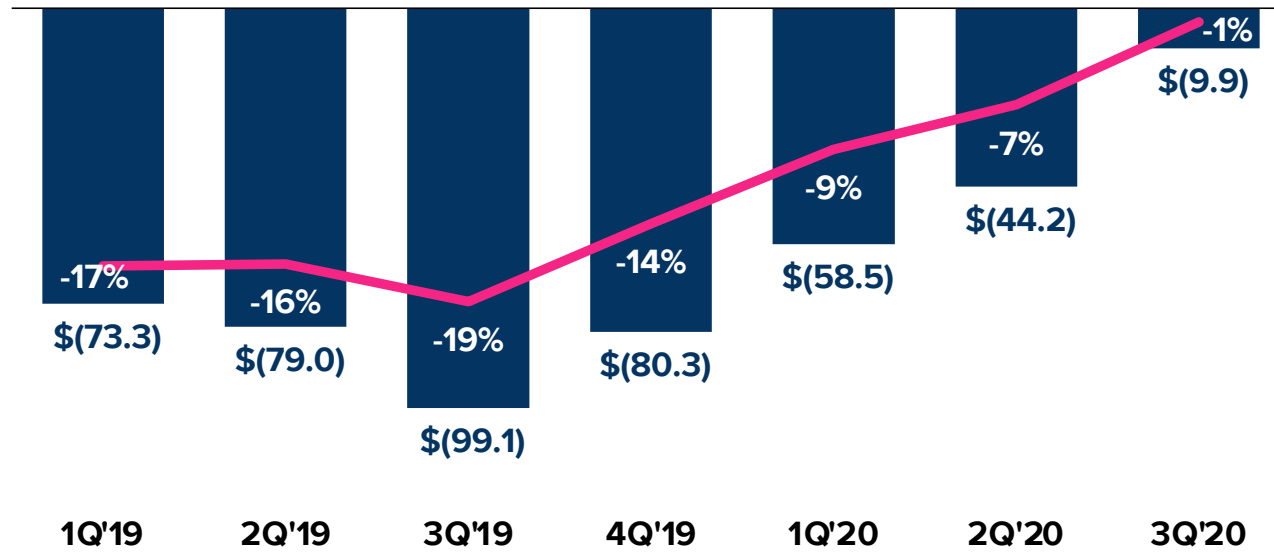
Note: We measure full course equivalent enrollments for each of the courses offered during a particular period by taking the number of students enrolled in that course and multiplying it by the percentage of the course completed during that period.

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 third quarter results with accelerating organic revenue and positive adjusted EBITDA margin.
- 2 Continued momentum toward positive unlevered FCF driven by improvement in third quarter adjusted EBITDA margin and net working capital initiatives.
- 3 Adoption of digital education is accelerating, as evidenced by increasing demand for our offerings and services.



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 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 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 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. For example, in this quarter the company is excluding certain litigation-related costs, consisting of fees for certain litigation and other proceedings.

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.

GAAP to Non-GAAP Reconciliation – 3Q'20 Adjusted EBITDA

(in millions)

Reconciliation of GAAP net loss to non-GAAP adjusted EBITDA	Quarter Ended September 30, 2020
Net loss	\$(52.6)
Adjustments:	
Stock-based compensation expense	22.0
Foreign currency (gain) loss	(0.0)
Amortization of acquired intangible assets	10.7
Income tax benefit on amortization of acquired intangible assets	(0.4)
Other*	3.7
Adjusted net loss	(16.6)
Net interest expense	6.8
Income tax expense	0.2
Depreciation and amortization expense	13.3
Adjusted EBITDA	\$3.7

* Includes (i) transaction and integration costs of \$0.4 million, (ii) restructuring-related costs of \$2.7 million, and (ii) litigation-related costs of \$0.6 million.

GAAP to Non-GAAP Reconciliation – Unlevered Free Cash Flow.

(in millions)

	Twelve Months Ended						
	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20
Net cash used in operating activities	\$(16.8)	\$(30.8)	\$(62.7)	\$(52.0)	\$(29.3)	\$(10.7)	\$26.8
Additions to amortizable intangible assets	(57.0)	(57.6)	(64.4)	(64.9)	(67.2)	(65.0)	(60.7)
Purchase of property and equipment	(13.3)	(15.0)	(15.3)	(13.4)	(12.7)	(9.5)	(7.6)
Payments on acquisition of amortizable intangible assets	(6.2)	(6.2)	(1.3)	(2.2)	(0.9)	(0.9)	(0.9)
Partner payments	20.0	24.7	26.5	26.1	14.9	7.5	4.1
Non-ordinary cash payments*	-	4.0	11.0	14.0	19.6	17.9	17.1
Free cash flow	(73.3)	(80.9)	(106.2)	(92.4)	(75.6)	(60.7)	(21.2)
Cash interest payments on debt	-	1.9	7.1	12.1	17.1	16.5	11.3
Unlevered free cash flow	\$(73.3)	\$(79.0)	\$(99.1)	\$(80.3)	\$(58.5)	\$(44.2)	\$(9.9)

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