UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-36376

2U, INC.
(Exact name of registrant as specified in its charter)

Delaware	**26-2335939**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7900 Harkins Road Lanham, MD	**20706**
(Address of Principal Executive Offices)	(Zip Code)

(301) 892-4350
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.001 par value per share	TWOU	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of April 26, 2021, there were 74,404,607 shares of the registrant's common stock, par value $0.001 per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to substantial risks and uncertainties. In some cases, you can identify forward-looking statements by the words “may,” “might,” “will,” “could,” “would,” “should,” “expect,” “intend,” “plan,” “objective,” “anticipate,” “believe,” “estimate,” “predict,” “project,” “potential,” “continue” and “ongoing,” or the negative of these terms, or other comparable terminology intended to identify statements about the future. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report on Form 10-Q, we caution you that these statements are based on a combination of facts and factors currently known by us and our expectations of the future, about which we cannot be certain. Factors that may cause actual results to differ materially from current expectations include, but are 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 our industry and innovations by competitors;
- our ability to comply with evolving regulations and legal obligations related to data privacy, data protection and information security;
- our expectations about the potential benefits of our cloud-based software-as-a-service technology and technology-enabled services to university clients and students;
- our dependence on third parties to provide certain technological services or components used in our platform;
- our expectations about the predictability, visibility and recurring nature of our business model;
- our ability to meet the anticipated launch dates of our degree programs, short courses and boot camps;
- our ability to acquire new university clients and expand our degree programs, short courses and boot camps with existing university clients;
- our ability to successfully integrate the operations of our acquisitions, including Trilogy, to achieve the expected benefits of our acquisitions and manage, expand and grow the combined company;
- our ability to refinance our indebtedness on attractive terms, if at all, to better align with our focus on profitability;
- our ability to service our substantial indebtedness and comply with the covenants and conversion obligations contained in the Indenture (as defined below) governing our convertible senior notes and the Credit Agreement (as defined below) governing our revolving credit facility;
- our ability to generate sufficient future operating cash flows from recent acquisitions to ensure related goodwill is not impaired;
- our ability to execute our growth strategy in the international, undergraduate and non-degree alternative markets;
- our ability to continue to recruit prospective students for our offerings;
- our ability to maintain or increase student retention rates in our degree programs;
- our ability to attract, hire and retain qualified employees;
- our expectations about the scalability of our cloud-based platform;
- potential changes in regulations applicable to us or our university clients;
- our expectations regarding the amount of time our cash balances and other available financial resources will be sufficient to fund our 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;
- our 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 our control.

You should refer to the risks described in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020 for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Quarterly Report on Form 10-Q will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. In this Quarterly Report on Form 10-Q, the terms “2U,” “our company,” “we,” “us,” and “our” refer to 2U, Inc. and its subsidiaries, unless the context indicates otherwise.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

2U, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	March 31, 2021	December 31, 2020
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 486,830	$ 500,629
Restricted cash	18,226	18,237
Accounts receivable, net	74,744	46,663
Prepaid expenses and other assets	57,770	39,353
Total current assets	637,570	604,882
Property and equipment, net	50,745	52,734
Right-of-use assets	59,653	60,785
Goodwill	415,145	415,830
Amortizable intangible assets, net	306,083	312,770
Other assets, non-current	86,317	97,263
Total assets	$ 1,555,513	$ 1,544,264
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	$ 131,310	$ 130,674
Deferred revenue	108,364	75,493
Lease liability	10,211	10,024
Other current liabilities	25,315	21,178
Total current liabilities	275,200	237,369
Long-term debt	280,429	273,173
Deferred tax liabilities, net	2,054	2,810
Lease liability, non-current	80,645	83,228
Other liabilities, non-current	6,697	6,694
Total liabilities	645,025	603,274
Commitments and contingencies (Note 5)		
Stockholders' equity		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, none issued	—	—
Common stock, $0.001 par value, 200,000,000 shares authorized, 74,038,208 shares issued and outstanding as of March 31, 2021; 72,451,521 shares issued and outstanding as of December 31, 2020	74	72
Additional paid-in capital	1,662,439	1,646,574
Accumulated deficit	(741,436)	(695,872)
Accumulated other comprehensive loss	(10,589)	(9,784)
Total stockholders' equity	910,488	940,990
Total liabilities and stockholders' equity	$ 1,555,513	$ 1,544,264

See accompanying notes to condensed consolidated financial statements.

2U, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(unaudited, in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2021	2020
Revenue	$ 232,473	$ 175,479
Costs and expenses		
Curriculum and teaching	33,148	20,478
Servicing and support	33,184	30,533
Technology and content development	42,924	35,510
Marketing and sales	113,237	99,215
General and administrative	47,112	43,653
Total costs and expenses	269,605	229,389
Loss from operations	(37,132)	(53,910)
Interest income	362	513
Interest expense	(7,881)	(5,493)
Other expense, net	(915)	(2,271)
Loss before income taxes	(45,566)	(61,161)
Income tax benefit	2	1,055
Net loss	$ (45,564)	$ (60,106)
Net loss per share, basic and diluted	$ (0.62)	$ (0.94)
Weighted-average shares of common stock outstanding, basic and diluted	73,676,409	63,626,333
Other comprehensive loss		
Foreign currency translation adjustments, net of tax of $0 for all periods presented	(805)	(16,115)
Comprehensive loss	$ (46,369)	$ (76,221)

See accompanying notes to condensed consolidated financial statements.

2U, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(unaudited, in thousands, except share amounts)

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, December 31, 2020	72,451,521	$ 72	$ 1,646,574	$ (695,872)	$ (9,784)	$ 940,990
Issuance of common stock in connection with settlement of restricted stock units, net of withholdings	1,404,971	2	(12,615)	—	—	(12,613)
Exercise of stock options	181,716	—	3,533	—	—	3,533
Stock-based compensation expense	—	—	24,947	—	—	24,947
Net loss	—	—	—	(45,564)	—	(45,564)
Foreign currency translation adjustment	—	—	—	—	(805)	(805)
Balance, March 31, 2021	74,038,208	$ 74	$ 1,662,439	$ (741,436)	$ (10,589)	$ 910,488

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, December 31, 2019	63,569,109	$ 63	$ 1,197,379	$ (479,388)	$ (6,804)	$ 711,250
Issuance of common stock in connection with settlement of restricted stock units, net of withholdings	96,683	1	(1)	—	—	—
Exercise of stock options	37,275	—	384	—	—	384
Stock-based compensation expense	—	—	20,870	—	—	20,870
Net loss	—	—	—	(60,106)	—	(60,106)
Foreign currency translation adjustment	—	—	—	—	(16,115)	(16,115)
Balance, March 31, 2020	63,703,067	$ 64	$ 1,218,632	$ (539,494)	$ (22,919)	$ 656,283

See accompanying notes to condensed consolidated financial statements.

2U, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash flows from operating activities		
Net loss	$ (45,564)	$ (60,106)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Non-cash interest expense	7,693	492
Depreciation and amortization expense	24,987	23,485
Stock-based compensation expense	24,947	20,870
Non-cash lease expense	4,291	3,620
Provision for credit losses	2,022	629
Changes in operating assets and liabilities, net of assets and liabilities acquired:		
Accounts receivable, net	(30,698)	(42,744)
Payments to university clients	2,352	2,739
Prepaid expenses and other assets	(10,859)	(5,273)
Accounts payable and accrued expenses	(660)	26,423
Deferred revenue	32,850	21,650
Other liabilities, net	(4,664)	(3,920)
Other	930	2,272
Net cash provided by (used in) operating activities	7,627	(9,863)
Cash flows from investing activities		
Purchase of a business, net of cash acquired	—	(958)
Additions of amortizable intangible assets	(14,219)	(15,808)
Purchases of property and equipment	(838)	(2,436)
Advances repaid by university clients	—	100
Net cash used in investing activities	(15,057)	(19,102)
Cash flows from financing activities		
Proceeds from debt	2,908	—
Payments on debt	(176)	(358)
Payment of debt issuance costs	—	(2,500)
Proceeds from exercise of stock options	3,533	384
Tax withholding payments associated with settlement of restricted stock units	(12,613)	—
Net cash used in financing activities	(6,348)	(2,474)
Effect of exchange rate changes on cash	(32)	(944)
Net decrease in cash, cash equivalents and restricted cash	(13,810)	(32,383)
Cash, cash equivalents and restricted cash, beginning of period	518,866	189,869
Cash, cash equivalents and restricted cash, end of period	$ 505,056	$ 157,486

See accompanying notes to condensed consolidated financial statements.

2U, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Organization

2U, Inc. (together with its subsidiaries, the "Company") is a leading digital transformation partner for nonprofit colleges and universities. The Company builds, delivers, and supports more than 500 digital and in-person educational offerings, including graduate degrees, undergraduate degrees, professional certificates, boot camps, and short courses, across the Career Curriculum Continuum.

The Company has two reportable segments: the Degree Program Segment and the Alternative Credential Segment. The Company's Degree Program Segment provides the technology and services to nonprofit colleges and universities to enable the online delivery of degree programs. Students enrolled in these programs are generally seeking an undergraduate or graduate degree of the same quality they would receive on campus. The Company's Alternative Credential Segment provides premium online short courses and technical, skills-based boot camps through relationships with nonprofit colleges and universities. Students enrolled in these offerings are generally seeking to reskill or upskill through shorter duration, lower-priced offerings that are relevant to the needs of industry and society.

2. Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements, which include the assets, liabilities, results of operations and cash flows of the Company have been prepared in accordance with: (i) generally accepted accounting principles in the United States ("U.S. GAAP") for interim financial information; (ii) the instructions to Form 10-Q; and (iii) the guidance of Rule 10-01 of Regulation S-X under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for financial statements required to be filed with the Securities and Exchange Commission (the "SEC"). As permitted under such rules, certain notes and other financial information normally required by U.S. GAAP have been condensed or omitted. The Company believes the condensed consolidated financial statements reflect all normal and recurring adjustments necessary for a fair statement of the Company's financial position, results of operations, and cash flows as of and for the periods presented herein. The Company's results of operations for the three months ended March 31, 2021 and 2020 may not be indicative of the Company's future results. These condensed consolidated financial statements are unaudited and should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020. All significant intercompany accounts and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet data as of December 31, 2020 was derived from the audited financial statements, but does not include all disclosures required by U.S. GAAP on an annual reporting basis.

Use of Estimates

The preparation of condensed consolidated financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported herein. The Company bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances. Significant items subject to such estimates include, but are not limited to, the measurement of provisions for credit losses, acquired intangible assets, the recoverability of goodwill, deferred tax assets, and the fair value of the convertible senior notes. Due to the inherent uncertainty involved in making estimates, particularly in light of the COVID-19 pandemic, actual results reported in future periods may be affected by changes in those estimates. The Company evaluates its estimates and assumptions on an ongoing basis.

Recent Accounting Pronouncements

In October 2020, the FASB issued ASU No. 2020-10, *Codification Improvements*. The amendments in this ASU affect a wide variety of topics in the Accounting Standards Codification by either clarifying the codification or correcting unintended application of guidance. The amendments do not change U.S. GAAP and, therefore, are not expected to result in a significant change in current accounting practice. The Company adopted this ASU on January 1, 2021. Adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements or related disclosures.

2. Significant Accounting Policies (Continued)

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.* This ASU simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts indexed to and potentially settled in an entity's own equity. The new guidance eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. As a result, in more cases, convertible debt will be accounted for as a single instrument. The guidance also removes certain conditions for equity classification related to contracts in an entity's own equity and requires the application of the if-converted method for calculating diluted earnings per share. This ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is evaluating the impact that this ASU will have on its condensed consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU is intended to provide optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, to ease the potential accounting and financial reporting burden associated with the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. This ASU may be applied as of the beginning of any interim period that includes its effective date (i.e., March 12, 2020) through December 31, 2022. The Company will adopt this standard when LIBOR is discontinued and does not expect the adoption of this standard to have a material impact on its condensed consolidated financial statements and related disclosures.

In January 2020, the FASB issued ASU No. 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. This ASU was issued to clarify the interaction of the accounting for equity securities under ASC 321 and investments accounted for under the equity method of accounting in ASC 323 and the accounting for certain forward contracts and purchased options accounted for under ASC 815. With respect to the interactions between ASC 321 and ASC 323, the amendments clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting when applying the measurement alternative in ASC 321, immediately before applying or discontinuing the equity method of accounting. The Company adopted this ASU on January 1, 2021. Adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements or related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, as part of its initiative to reduce complexity in the accounting standards. The amendments in this ASU include removal of certain exceptions to the general principles in Topic 740 related to recognizing deferred taxes for investments, performing intraperiod tax allocation and calculating income taxes in an interim period. The ASU also clarifies and simplifies other aspects of the accounting for income taxes, including the recognition of deferred tax liabilities for outside basis differences. The Company adopted this ASU on January 1, 2021. Adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements or related disclosures.

3. Goodwill and Amortizable Intangible Assets

The following table presents the changes in the carrying amount of goodwill by reportable segment on the Company's condensed consolidated balance sheets for the periods indicated.

	Degree Program Segment	Alternative Credential Segment	Total
		(in thousands)	
Balance as of December 31, 2020	$ —	$ 415,830	$ 415,830
Foreign currency translation adjustments	—	(685)	(685)
Balance as of March 31, 2021	$ —	$ 415,145	$ 415,145

The carrying amount of goodwill in the Alternative Credential Segment included accumulated impairment charges of $70.4 million as of both March 31, 2021 and December 31, 2020.

The following table presents the components of amortizable intangible assets, net on the Company's condensed consolidated balance sheets as of each of the dates indicated.

3. Goodwill and Amortizable Intangible Assets (Continued)

	Estimated Average Useful Life (in years)	March 31, 2021 Gross Carrying Amount	March 31, 2021 Accumulated Amortization	March 31, 2021 Net Carrying Amount	December 31, 2020 Gross Carrying Amount	December 31, 2020 Accumulated Amortization	December 31, 2020 Net Carrying Amount
		(in thousands)					
Capitalized technology	3-5	$ 170,876	$ (84,332)	$ 86,544	$ 165,254	$ (75,822)	$ 89,432
Capitalized content development	4-5	217,568	(97,477)	120,091	208,170	(88,168)	120,002
University client relationships	9-10	109,275	(26,083)	83,192	109,498	(23,376)	86,122
Trade names and domain names	5-10	26,636	(10,380)	16,256	26,697	(9,483)	17,214
Total amortizable intangible assets, net		$ 524,355	$ (218,272)	$ 306,083	$ 509,619	$ (196,849)	$ 312,770

The amounts presented in the table above include $39.9 million and $38.6 million of in-process capitalized technology and content development as of March 31, 2021 and December 31, 2020, respectively.

The Company recorded amortization expense related to amortizable intangible assets of $21.6 million and $20.2 million for the three months ended March 31, 2021 and 2020, respectively.

The following table presents the estimated future amortization expense of the Company's amortizable intangible assets placed in service as of March 31, 2021.

	Future Amortization Expense
	(in thousands)
Remainder of 2021	$ 63,345
2022	68,510
2023	52,306
2024	32,023
2025	18,464
Thereafter	31,575
Total	$ 266,223

4. Accrued and Deferred Expenses

The following table presents the components of accounts payable and accrued expenses on the Company's condensed consolidated balance sheets as of each of the dates indicated.

	March 31, 2021	December 31, 2020
	(in thousands)	
Accrued university and instructional staff compensation	$ 26,255	$ 27,371
Accrued marketing expenses	33,228	24,682
Accrued transaction, integration and restructuring-related expenses	2,733	3,492
Accrued compensation and related benefits	25,648	52,820
Accounts payable and other accrued expenses	43,446	22,309
Total accounts payable and accrued expenses	$ 131,310	$ 130,674

For the three months ended March 31, 2021 and 2020, expense related to the Company's marketing and advertising efforts of its own brand were not material.

4. Accrued and Deferred Expenses (Continued)

In response to COVID-19, various government programs have been announced to provide financial relief for affected businesses. Under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was enacted in the United States on March 27, 2020, the Company is allowed to defer payment of the employer's share of Social Security taxes incurred from March 27, 2020 through December 31, 2020. In addition, the CARES Act provides eligible employers with an employee retention tax credit for employees whose services were impacted by COVID-19. The amount of payroll taxes subject to deferred payment, net of employee retention tax credits, is approximately $11.3 million. This total deferred amount is payable in equal installments, with 50% due by December 31, 2021 and the remainder due by December 31, 2022.

As of March 31, 2021 and December 31, 2020, the Company had balances of $5.2 million and $6.3 million, respectively, of deferred expenses incurred to integrate the software associated with its cloud computing arrangements, within other assets, non-current on the condensed consolidated balance sheets. Such expenses are subject to amortization over the remaining contractual term of the associated cloud computing arrangement, with a useful life of between three to five years. The Company incurred $0.5 million and $0.3 million of such amortization for the three months ended March 31, 2021 and 2020, respectively.

5. Commitments and Contingencies

Legal Contingencies

The Company is involved in various claims and legal proceedings arising in the ordinary course of business. The Company accrues a liability when a loss is considered probable and the amount can be reasonably estimated. While the Company does not expect that the ultimate resolution of any existing claims and proceedings (other than the specific matter described below, if decided adversely), individually or in the aggregate, will have a material adverse effect on its financial position, an unfavorable outcome in some or all of these proceedings could have a material adverse impact on the results of operations or cash flows for a particular period. This assessment is based on the Company's current understanding of relevant facts and circumstances. With respect to current legal proceedings, the Company does not believe it is probable a material loss exceeding amounts already recognized has been incurred as of the date of the balance sheets presented herein. As such, the Company's view of these matters is subject to inherent uncertainties and may change in the future.

In re 2U, Inc., Securities Class Action

On August 7 and 9, 2019, Aaron Harper and Anne M. Chinn filed putative class action complaints against the Company, Christopher J. Paucek, the Company's CEO, and Catherine A. Graham, the Company's former CFO, in the United States District Court for the Southern District of New York, alleging violations of Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder, based upon allegedly false and misleading statements regarding the Company's business prospects and financial projections. The district court transferred the cases to the United States District Court for the District of Maryland, consolidated them under docket number 8:19-cv-3455 (D. Md.), and appointed Fiyyaz Pirani as the lead plaintiff in the consolidated action. On July 30, 2020, Mr. Pirani filed a consolidated class action complaint ("CAC"), adding Harsha Mokkarala, the Company's former Chief Marketing Officer, as a defendant. The CAC also asserts claims under Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, as amended, against Mr. Paucek, Ms. Graham, members of the Company's board of directors, and the Company's underwriters, based on allegations related to the Company's secondary stock offering on May 23, 2018. The proposed class consists of all persons who acquired the Company's securities between February 26, 2018 and July 30, 2019. On October 27, 2020, defendants filed a motion to dismiss. On December 18, 2020, the plaintiffs filed their opposition brief and on February 9, 2021 the defendants filed a reply brief.

The Company believes that the claims are without merit, and it intends to vigorously defend against these claims. However, due to the complex nature of the legal and factual issues involved, the outcome of this matter is not presently determinable.

Stockholder Derivative Suits

On April 30, 2020, Richard Theis filed a stockholder derivative complaint purportedly on behalf of the Company and against Christopher J. Paucek, the Company's CEO, Catherine A. Graham, the Company's former CFO, and the Company's board of directors in the United States District Court for the Southern District of New York, with docket number 20-cv-3360. The complaint alleges claims for breaches of fiduciary duty, insider sales and misappropriation of information, unjust enrichment, and violations of Section 14(a) of the Exchange Act, based upon allegedly false and misleading statements regarding the Company's business prospects and financial projections. On July 22, 2020, the court entered a joint stipulation

5. Commitments and Contingencies (Continued)

staying the case pending resolution of the securities class action. Due to the complex nature of the legal and factual issues involved, the outcome of this matter is not presently determinable.

On August 21, 2020, Thomas Lucey filed a stockholder derivative complaint purportedly on behalf of the Company and against Christopher J. Paucek, the Company's CEO, Catherine A. Graham, the Company's former CFO, Harsha Mokkarala, the Company's former Chief Marketing Officer and the Company's board of directors in the United States District Court for the District of Maryland, with docket number 1:20-cv-02424-GLR. The complaint alleges claims for breaches of fiduciary duty, insider trading, and contribution for alleged violations of Sections 10(b) and 21D of the Exchange Act, based upon allegedly false and misleading statements regarding the Company's business prospects and financial projections. On September 3, 2020, the court entered a joint stipulation staying the case pending resolution of the securities class action. Due to the complex nature of the legal and factual issues involved, the outcome of this matter is not presently determinable.

On November 30, 2020, Leo Shumacher filed a stockholder derivative complaint purportedly on behalf of the Company and against Christopher J. Paucek, the Company's CEO, Catherine A. Graham, the Company's former CFO, Harsha Mokkarala, the Company's former Chief Marketing Officer, and the Company's board of directors in the Court of Chancery of the State of Delaware, with docket number 2020-1019-AGB. The complaint alleges claims for breaches of fiduciary duty and unjust enrichment, based upon allegedly false and misleading statements regarding the Company's business prospects and financial projections. On January 6, 2021, the court entered a joint stipulation staying the case pending resolution of the securities class action. Due to the complex nature of the legal and factual issues involved, the outcome of this matter is not presently determinable.

Marketing and Sales Commitments

Certain agreements entered into between the Company and its university clients in the Degree Program Segment require the Company to commit to meet certain staffing and spending investment thresholds related to marketing and sales activities. In addition, certain agreements in the Degree Program Segment require the Company to invest up to agreed-upon levels in marketing the programs to achieve specified program performance. The Company believes it is currently in compliance with all such commitments.

Future Minimum Payments to University Clients

Pursuant to certain of the Company's contracts in the Degree Program Segment, the Company has made, or is obligated to make, payments to university clients in exchange for contract extensions and various marketing and other rights. As of March 31, 2021, the future minimum payments due to university clients have not materially changed relative to the amounts provided in the notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Contingent Payments

The Company has entered into agreements with certain of its university clients in the Degree Program Segment that require the Company to make future minimum payments in the event that certain program metrics are not achieved on an annual basis. The Company recognizes any estimated contingent payments under these agreements as contra revenue over the period to which they relate, and records a liability in other current liabilities on the condensed consolidated balance sheets.

As of March 31, 2021, the Company has entered into an agreement to make an additional investment in an education technology company of up to $5.0 million, upon demand by the investee.

6. Leases

The Company leases facilities under non-cancellable operating leases primarily in the United States, South Africa, the United Kingdom and Canada. The Company's operating leases have remaining lease terms of between less than one to 11 years, some of which include options to extend the leases for up to five years, and some of which include options to terminate the leases within one year. These options to extend the terms of the Company's operating leases were not deemed to be reasonably certain of exercise as of lease commencement and are therefore not included in the determination of their respective non-cancellable lease terms. The future lease payments due under non-cancellable operating lease arrangements contain fixed rent increases over the term of the lease. The Company also leases office equipment under non-cancellable leases.

2U, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
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6. Leases (Continued)

The following table presents the components of lease expense on the Company's condensed consolidated statements of operations and comprehensive loss for each of the periods indicated.

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in thousands)	
Operating lease expense	$ 4,282	$ 3,620
Short-term lease expense	44	113
Variable lease expense	1,436	1,460
Sublease income	(54)	—
Total lease expense	$ 5,708	$ 5,193

As of March 31, 2021, for the Company's operating leases, the weighted-average remaining lease term was 7.2 years and the weighted-average discount rate was 11.4%. For the three months ended March 31, 2021 and 2020, cash paid for amounts included in the measurement of operating lease liabilities was $4.6 million and $4.1 million, respectively.

The following table presents the maturities of the Company's operating lease liabilities as of the date indicated, and excludes the impact of future sublease income totaling $0.6 million in aggregate.

	March 31, 2021
	(in thousands)
Remainder of 2021	$ 14,881
2022	19,019
2023	18,774
2024	18,373
2025	14,347
Thereafter	48,965
Total lease payments	134,359
Less: imputed interest	(43,503)
Total lease liability	$ 90,856

As of March 31, 2021, the Company had additional operating leases for facilities that have not yet commenced with future minimum lease payments of approximately $53.3 million. Each of these operating leases will commence during the fiscal year ending 2021 and have lease terms of approximately 12 years.

7. Debt

The following table presents the components of outstanding long-term debt on the Company's condensed consolidated balance sheets as of each of the dates indicated.

	March 31, 2021	December 31, 2020
	(in thousands)	
Convertible senior notes	$ 380,000	$ 380,000
Deferred government grant obligations	3,500	3,500
Other borrowings	4,080	1,343
Less: unamortized debt discount and issuance costs	(105,626)	(111,043)
Total debt	281,954	273,800
Less: current portion of long-term debt	(1,525)	(627)
Total long-term debt	$ 280,429	$ 273,173

7. Debt (Continued)

The Company believes the carrying value of its long-term debt approximates the fair value of the debt as the terms and interest rates approximate the market rates, other than the 2.25% convertible senior notes due 2025 (the "Notes"), which had an estimated fair value of $570.2 million and $616.6 million as of March 31, 2021 and December 31, 2020, respectively. Each of the Company's long-term debt instruments were classified as Level 2 within the fair value hierarchy.

Convertible Senior Notes

In April 2020, the Company issued the Notes in an aggregate principal amount of $380 million, including the exercise by the initial purchasers of an option to purchase additional Notes, in a private placement to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended. The net proceeds from the offering of the Notes were approximately $369.6 million after deducting the initial purchasers' discounts, commissions and offering expenses payable by the Company.

The Notes are governed by an indenture (the "Indenture") between the Company and Wilmington Trust, National Association, as trustee. The Notes bear interest at a rate of 2.25% per annum, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2020. The Notes will mature on May 1, 2025, unless earlier repurchased, redeemed or converted. The interest expense related to the Notes for the three months ended March 31, 2021 and 2020, including amortization of the debt discount and debt issuance costs, was $7.6 million and zero, respectively. The associated effective interest rate of the Notes for the three months ended March 31, 2021 was approximately 11.3%.

The Notes are the senior, unsecured obligations of the Company and are equal in right of payment with the Company's senior unsecured indebtedness, senior in right of payment to the Company's indebtedness that is expressly subordinated to the Notes, effectively subordinated to the Company's senior secured indebtedness (including the Loans (as defined below)), to the extent of the value of the collateral securing that indebtedness, and structurally subordinated to all indebtedness and other liabilities, including trade payables, and (to the extent the Company is not a holder thereof) preferred equity, if any, of the Company's subsidiaries.

In accounting for the issuance of the Notes, the Company separated the Notes into liability and equity components. The carrying amount of the liability component was calculated using a discount rate of 10.3%, which was determined by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option, excluding debt issuance costs, was $117.8 million and was determined by deducting the fair value of the liability component from the par value of the Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. The Company allocated debt issuance costs of $7.2 million and $3.2 million to the debt and equity components, respectively. The excess of the principal amount of the liability component over its carrying amount, inclusive of debt issuance costs, represents the debt discount, which is amortized to interest expense at an annual effective interest rate over the contractual term of the Notes. As of March 31, 2021 and December 31, 2020, the unamortized debt discount was $105.6 million and $111.0 million, respectively.

Holders may convert their Notes at their option in the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on September 30, 2020 (and only during such calendar quarter), if the last reported sale price per share of the Company's common stock, exceeds 130% of the conversion price for each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter;
- during the five consecutive business days immediately after any 10 consecutive trading day period (such 10 consecutive trading day period, the "measurement period") in which the trading price per $1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company's common stock on such trading day and the conversion rate on such trading day;
- upon the occurrence of certain corporate events or distributions on the Company's common stock, as provided in the Indenture;
- if the Company calls such Notes for redemption; and
- at any time from, and including, November 1, 2024 until the close of business on the second scheduled trading day immediately before the maturity date.

7. Debt (Continued)

The initial conversion rate for the Notes is 35.3773 shares of the Company's common stock per $1,000 principal amount of Notes, which represents an initial conversion price of approximately $28.27 per share of the Company's common stock, and is subject to adjustment upon the occurrence of certain specified events as set forth in the Indenture. Upon conversion, the Company will pay or deliver, as applicable, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election. In the event of the Company calling the Notes for redemption or the holders of the Notes electing to convert their Notes, the Company will determine whether to settle in cash, common stock or a combination thereof. Upon the occurrence of a "make-whole fundamental change" (as defined in the Indenture), the Company will in certain circumstances increase the conversion rate for a specified period of time.

In addition, upon the occurrence of a "fundamental change" (as defined in the Indenture), holders of the Notes may require the Company to repurchase their Notes at a cash repurchase price equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any.

The Notes will be redeemable, in whole or in part, at the Company's option at any time, and from time to time, on or after May 5, 2023 and on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, but only if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice, and (ii) the trading day immediately before the date the Company sends such notice. In addition, calling any Note for redemption will constitute a "make-whole fundamental change" with respect to that Note, in which case the conversion rate applicable to the conversion of that Note will be increased in certain circumstances if such Note is converted after it is called for redemption. No sinking fund is provided for the Notes.

As of March 31, 2021, the Notes were determined to be convertible between April 1, 2021 and June 30, 2021, based on the satisfaction of the common stock sale price condition.

In connection with the Notes, the Company entered into privately negotiated capped call transactions (the "Capped Call Transactions") with certain counterparties. The Capped Call Transactions are generally expected to reduce potential dilution to the Company's common stock upon any conversion of Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap, based on the cap price of the Capped Call Transactions. The cap price of the Capped Call Transactions is initially $44.34 per share. The cost of the Capped Call Transactions was approximately $50.5 million.

In April 2020, the Company used a portion of the proceeds from the sale of the Notes to repay in full all amounts outstanding, and discharge all obligations in respect of, the $250 million senior secured term loan facility. The Company intends to use the remaining net proceeds from the sale of the Notes for working capital or other general corporate purposes, which may include capital expenditures, potential acquisitions and strategic transactions.

Credit Agreement

On June 25, 2020, the Company entered into a credit agreement (the "Credit Agreement") with Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent, and certain other lenders party thereto that provides for $50 million in revolving loans (the "Loans"). The Credit Agreement allows for incremental borrowings from time to time in an aggregate amount for all such incremental amounts not to exceed (i) the lesser of (x) $50 million and (y) an amount such that the aggregate principal amount of the lenders' commitments under the revolving credit facility does not exceed $100 million, plus (ii) certain specified prepayments of indebtedness, plus (iii) an unlimited amount subject to satisfaction of a leverage ratio based compliance test.

The Loans mature on December 26, 2023 and bear interest, at the Company's option, at variable rates based on (i) a customary base rate plus an applicable margin of 2.75% or (ii) an adjusted LIBOR rate (with a floor of 0.00%) for the interest period relevant to such borrowing plus an applicable margin of 3.75%.

The Credit Agreement contains customary conditions to borrowing, events of default and covenants, including covenants that restrict the Company's ability to incur indebtedness, grant liens, make investments and acquisitions, pay dividends, repurchase equity interests in the Company and enter into affiliate transactions and asset sales. The Credit Agreement also contains financial covenants that require the Company to (i) maintain minimum liquidity and minimum consolidated EBITDA (as defined in the Credit Agreement) through the Company's fiscal quarter ending on December 31,

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7. Debt (Continued)

2021 and (ii) not exceed certain maximum leverage and fixed charge ratios for any period of four consecutive fiscal quarters ending after (but not including) December 31, 2021 through the maturity date. As of March 31, 2021, no amounts were outstanding under the Credit Agreement.

Deferred Government Grant Obligations

The Company has a total of two outstanding conditional loan agreements with Prince George's County, Maryland and the State of Maryland for an aggregate amount of $3.5 million, each bearing an interest rate of 3% per annum. These agreements are conditional loan obligations that may be forgiven, provided that the Company attains certain conditions related to employment levels at 2U's Lanham, Maryland headquarters. The conditional loan with Prince George's County has a maturity date of June 22, 2027. In January 2021, the Company amended its conditional loan agreement with the State of Maryland to modify the terms of the employment level thresholds and extend the maturity date to June 30, 2028. The interest expense related to these loans for the three months ended March 31, 2021 and 2020 was immaterial. As of March 31, 2021 and December 31, 2020, the Company's combined accrued interest balance associated with the deferred government grant obligations was $0.4 million and $0.4 million, respectively.

8. Income Taxes

The Company's income tax provisions for all periods consist of federal, state and foreign income taxes. The income tax provisions for the three months ended March 31, 2021 and 2020 were based on estimated full-year effective tax rates, including the mix of income for the period between higher-taxed and lower-taxed jurisdictions, after giving effect to significant items related specifically to the interim periods, and loss-making entities for which it is not more likely than not that a tax benefit will be realized.

The Company's effective tax rate for the three months ended March 31, 2021 and 2020 was approximately 0% and 2%, respectively. The Company's income tax benefit for the three months ended March 31, 2021 and 2020 was $2 thousand and $1.1 million, respectively, and related to losses generated by operations and the amortization of acquired intangibles in the Alternative Credential Segment that are expected to be realized through future reversing taxable temporary differences. To date, the Company has not been required to pay U.S. federal income taxes because of current and accumulated net operating losses.

9. Stockholders' Equity

Common Stock

As of March 31, 2021, the Company was authorized to issue 205,000,000 total shares of capital stock, consisting of 200,000,000 shares of common stock and 5,000,000 shares of preferred stock. As of March 31, 2021, there were 74,038,208 shares of common stock outstanding, and the Company had reserved a total of 25,788,604 of its authorized shares of common stock for future issuance as follows:

	Shares Reserved for Future Issuance
Outstanding restricted stock units	3,303,857
Outstanding performance restricted stock units	1,638,088
Outstanding stock options	3,706,417
Reserved for convertible senior notes	17,140,242
Total shares of common stock reserved for future issuance	25,788,604

On August 6, 2020, the Company sold 6,800,000 shares of the Company's common stock to the public. The Company received net proceeds of $299.8 million, which the Company intends to use for working capital and other general corporate purposes, which may include capital expenditures, potential acquisitions, growth opportunities and strategic transactions.

Stock-Based Compensation

9. Stockholders' Equity (Continued)

The Company maintains two stock-based compensation plans: the Amended and Restated 2014 Equity Incentive Plan (the "2014 Plan") and the 2008 Stock Incentive Plan (the "2008 Plan" and together with the 2014 Plan, the "Stock Plans"). Upon the effective date of the 2014 Plan in January 2014, the Company ceased using the 2008 Plan to grant new equity awards. The shares available for future issuance under the 2014 Plan increased by 3,619,344 and 3,175,011 on January 1, 2021 and 2020, respectively, pursuant to the automatic share reserve increase provision in the 2014 Plan.

The following table presents stock-based compensation expense related to the Stock Plans and the 2017 Employee Stock Purchase Plan, contained on the following line items on the Company's condensed consolidated statements of operations and comprehensive loss for each of the periods indicated.

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Curriculum and teaching	$ 16	$ 133
Servicing and support	3,849	3,928
Technology and content development	3,274	3,169
Marketing and sales	1,501	3,233
General and administrative	16,307	10,407
Total stock-based compensation expense	$ 24,947	$ 20,870

Restricted Stock Units

The 2014 Plan provides for the issuance of restricted stock units ("RSUs") to eligible participants. RSUs generally vest over a three- or four-year period. The following table presents a summary of the Company's RSU activity for the period indicated.

	Number of Units	Weighted-Average Grant Date Fair Value per Share
Outstanding balance as of December 31, 2020	3,010,019	$ 29.41
Granted	952,617	40.53
Vested	(534,967)	19.87
Forfeited	(123,812)	30.48
Outstanding balance as of March 31, 2021	3,303,857	$ 34.12

The total compensation expense related to the unvested RSUs not yet recognized as of March 31, 2021 was $82.8 million, and will be recognized over a weighted-average period of approximately 2.1 years.

Performance Restricted Stock Units

The 2014 Plan allows for the grant of performance restricted stock units ("PRSUs") to eligible participants. The right to earn the PRSUs is subject to achievement of the defined performance metrics and continuous employment service. The performance metrics are defined and approved by the compensation committee of our board of directors. Earned PRSUs may be subject to additional time-based vesting.

During the three months ended March 31, 2021, the PRSU awards granted as part of the Company's 2020 annual equity award cycle with a performance period that began on January 1, 2020 and ended on December 31, 2020, vested at 200% of target.

9. Stockholders' Equity (Continued)

The following tables present a summary of (i) the assumptions used for estimating the fair values of the PRSUs subject to market-based vesting conditions and (ii) the Company's PRSU activity for the period indicated. As of March 31, 2021 and December 31, 2020, there were 0.9 million and 1.3 million outstanding PRSUs for which the performance metrics had not been defined as of each respective date. Accordingly, such awards are not considered granted for accounting purposes as of March 31, 2021 and December 31, 2020, and have been excluded from the tables below.

	Three Months Ended March 31,	
	2021	2020
Risk-free interest rate	0.10% – 0.26%	1.51%
Expected term (years)	1.00 – 3.00	1.00
Expected volatility	85% – 89%	75%
Dividend yield	0%	0%
Weighted-average grant date fair value per share	$61.33	$22.45

	Number of Units	Weighted-Average Grant Date Fair Value per Share
Outstanding balance as of December 31, 2020	1,355,296	$ 23.51
Granted	1,577,721	44.73
Vested	(1,192,596)	22.47
Forfeited	(102,333)	45.55
Outstanding balance as of March 31, 2021	1,638,088	$ 43.33

The total compensation expense related to the unvested PRSUs not yet recognized as of March 31, 2021 was $50.9 million, and will be recognized over a weighted-average period of approximately 1.2 years.

Stock Options

The Stock Plans provide for the issuance of stock options to eligible participants. Stock options issued under the Stock Plans generally are exercisable for periods not to exceed 10 years and generally vest over four years.

The following table summarizes the assumptions used for estimating the fair value of the stock options granted for the period presented.

	Three Months Ended March 31,
	2020
Risk-free interest rate	1.5%
Expected term (years)	6.04
Expected volatility	64%
Dividend yield	0%
Weighted-average grant date fair value per share	$11.48

The following table presents a summary of the Company's stock option activity for the period indicated.

9. Stockholders' Equity (Continued)

	Number of Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding balance as of December 31, 2020	3,916,867	$ 35.63	5.08	$ 59,906
Granted	—			
Exercised	(181,716)	19.44	2.62	
Forfeited	(24,332)	59.85		
Expired	(4,402)	61.05		
Outstanding balance as of March 31, 2021	3,706,417	36.24	4.76	52,080
Exercisable as of March 31, 2021	3,124,412	$ 30.03	4.25	$ 51,485

The aggregate intrinsic value of options exercised during the three months ended March 31, 2021 and 2020 was $4.8 million and $0.5 million, respectively.

The total compensation expense related to the unvested options not yet recognized as of March 31, 2021 was $16.5 million, and will be recognized over a weighted-average period of approximately 2.2 years.

10. Net Loss per Share

Diluted net loss per share is the same as basic net loss per share for all periods presented because the effects of potentially dilutive items were anti-dilutive, given the Company's net loss. The following securities have been excluded from the calculation of weighted-average shares of common stock outstanding because the effect is anti-dilutive for each of the periods indicated.

	Three Months Ended March 31,	
	2021	2020
Stock options	3,706,417	4,310,566
Restricted stock units	3,303,857	3,842,941
Performance restricted stock units	1,638,088	1,864,105
Shares related to convertible senior notes	13,443,374	—
Total antidilutive securities	22,091,736	10,017,612

The following table presents the calculation of the Company's basic and diluted net loss per share for each of the periods indicated.

	Three Months Ended March 31,	
	2021	2020
Numerator (in thousands):		
Net loss	$ (45,564)	$ (60,106)
Denominator:		
Weighted-average shares of common stock outstanding, basic and diluted	73,676,409	63,626,333
Net loss per share, basic and diluted	$ (0.62)	$ (0.94)

11. Segment and Geographic Information

The Company has two reportable segments: the Degree Program Segment and the Alternative Credential Segment. The Company's reportable segments are determined based on (i) financial information reviewed by the chief operating decision maker, the Chief Executive Officer ("CEO"), (ii) internal management and related reporting structure, and (iii) the basis upon which the CEO makes resource allocation decisions. The Company's Degree Program Segment includes the technology and services provided to nonprofit colleges and universities to enable the online delivery of degree programs. The Company's Alternative Credential Segment includes the premium online short courses and technical skills-based boot camps provided through relationships with nonprofit colleges and universities.

Significant Customers

For the three months ended March 31, 2021, no university clients accounted for 10% or more of the Company's consolidated revenue. For the three months ended March 31, 2020, one university client in the Degree Program Segment accounted for 10% or more of the Company's consolidated revenue, contributing $17.5 million, or approximately 10% of the Company's consolidated revenue.

As of March 31, 2021, one university client in the Degree Program Segment accounted for 10% or more of the Company's consolidated accounts receivable, net balance, with $19.3 million, or approximately 26% of the Company's consolidated accounts receivable, net balance. As of December 31, 2020, two university clients in the Degree Program Segment each accounted for 10% or more of the Company's consolidated accounts receivable, net balance, with $5.8 million and $5.2 million, or approximately 12% and 11% of the Company's consolidated accounts receivable, net balance, respectively.

Segment Performance

The following table presents financial information regarding each of the Company's reportable segment's results of operations for each of the periods indicated.

	Three Months Ended March 31,	
	2021	2020
	(dollars in thousands)	
Revenue by segment*		
Degree Program Segment	$ 145,875	$ 118,457
Alternative Credential Segment	86,598	57,022
Total revenue	$ 232,473	$ 175,479
Segment profitability**		
Degree Program Segment	$ 25,888	$ 6,460
Alternative Credential Segment	(12,140)	(10,764)
Total segment profitability	$ 13,748	$ (4,304)
Segment profitability margin***		
Degree Program Segment	17.7 %	5.5 %
Alternative Credential Segment	(14.0)	(18.9)
Total segment profitability margin	5.9 %	(2.5)%

11. Segment and Geographic Information (Continued)

* The Company has excluded immaterial amounts of intersegment revenues from the three-month periods ended March 31, 2021 and 2020.

** The Company defines segment profitability 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. Some or all of these items may not be applicable in any given reporting period.

*** The Company defines segment profitability margin as segment profitability as a percentage of the respective segment's revenue.

The following table presents a reconciliation of the Company's total segment profitability to net loss for each of the periods indicated.

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in thousands)	
Net loss	$ (45,564)	$ (60,106)
Adjustments:		
Stock-based compensation expense	24,947	20,870
Foreign currency loss	915	2,271
Net interest expense	7,519	4,980
Income tax benefit	(2)	(1,055)
Depreciation and amortization expense	24,987	23,485
Other*	946	5,251
Total adjustments	59,312	55,802
Total segment profitability	$ 13,748	$ (4,304)

* Includes (i) transaction and integration expense of $0.1 million and $0.7 million for the three months ended March 31, 2021 and 2020, respectively, (ii) restructuring-related expense of $0.5 million and $0.3 million for the three months ended March 31, 2021 and 2020, respectively, and (iii) stockholder activism and litigation-related expense of $0.4 million and $4.2 million for the three months ended March 31, 2021 and 2020, respectively.

The following table presents the Company's total assets by segment as of each of the dates indicated.

	March 31, 2021	December 31, 2020
	(in thousands)	
Total assets		
Degree Program Segment	$ 818,523	$ 830,706
Alternative Credential Segment	736,990	713,558
Total assets	$ 1,555,513	$ 1,544,264

2U, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
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11. Segment and Geographic Information (Continued)

Trade Accounts Receivable and Contract Liabilities

The following table presents the Company's trade accounts receivable and contract liabilities in each segment as of each of the dates indicated.

	March 31, 2021	December 31, 2020
	(in thousands)	
Trade accounts receivable		
Degree Program Segment accounts receivable	$ 39,572	$ 16,424
Degree Program Segment unbilled revenue	10,367	6,072
Alternative Credential Segment accounts receivable	31,906	29,717
Provision for credit losses	(7,101)	(5,936)
Total trade accounts receivable	$ 74,744	$ 46,277
Contract liabilities		
Degree Program Segment deferred revenue	$ 25,938	$ 1,714
Alternative Credential Segment deferred revenue	82,426	73,779
Total contract liabilities	$ 108,364	$ 75,493

For the Degree Program Segment, revenue recognized during the three months ended March 31, 2021 and 2020 that was included in the deferred revenue balance at the beginning of each year was $1.7 million and $2.2 million, respectively.

For the Alternative Credential Segment, revenue recognized during the three months ended March 31, 2021 and 2020 that was included in the deferred revenue balance at the beginning of each year was $55.9 million and $34.4 million, respectively.

The amount of financing receivables recorded within other assets on our condensed consolidated balance sheets were $34.7 million and $25.4 million as of March 31, 2021 and December 31, 2020, respectively.

The following table presents the change in provision for credit losses on the Company's condensed consolidated balance sheets for the period indicated:

	Provision for Credit Losses
	(in thousands)
Balance as of December 31, 2020	$ 5,936
Current period provision	2,022
Amounts written off	—
Amounts recovered	(899)
Foreign currency translation adjustments	42
Balance as of March 31, 2021	$ 7,101

Contract Acquisition Costs

2U, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
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11. Segment and Geographic Information (Continued)

The Degree Program Segment had $0.5 million and $0.5 million of net capitalized contract acquisition costs recorded primarily within other assets, non-current on the condensed consolidated balance sheets as of March 31, 2021 and December 31, 2020, respectively. For each of the three-month periods ended March 31, 2021 and 2020, the Company capitalized an immaterial amount contract acquisition costs and recorded an immaterial amount of associated amortization expense in the Degree Program Segment.

Geographical Information

The Company's non-U.S. revenue is based on the currency of the country in which the university client primarily operates. The Company's non-U.S. revenue was $23.1 million and $11.3 million for the three months ended March 31, 2021 and 2020, respectively. Substantially all of the Company's non-U.S. revenue for each of the aforementioned periods was sourced from the Alternative Credential Segment's operations outside of the U.S. The Company's long-lived tangible assets in non-U.S. countries as of March 31, 2021 and December 31, 2020 totaled approximately $1.5 million and $1.6 million, respectively.

12. Supplemental Cash Flow Information

The Company's cash interest payments, net of amounts capitalized, were $0.1 million and $4.9 million for the three months ended March 31, 2021 and 2020, respectively. The Company's accrued but unpaid capital expenditures were $1.5 million and $1.7 million for the three months ended March 31, 2021 and 2020, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes to those statements included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2020. Certain statements contained in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions, or the negative of such words or phrases, are intended to identify "forward-looking statements." We have based these forward-looking statements on our current expectations and projections about future events. Because such statements include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Many factors could cause or contribute to these differences, including those discussed in Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2020, and our other filings with the Securities and Exchange Commission (the "SEC"). Statements made herein are as of the date of the filing of this Form 10-Q with the SEC and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim, any obligation to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

Unless the context otherwise requires, all references to "we," "us" or "our" refer to 2U, Inc., together with its subsidiaries. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes that appear in Item 1 of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and related notes for the year ended December 31, 2020, which are included in our Annual Report on Form 10-K, filed with the SEC on February 25, 2021.

Overview

We are a leading digital transformation partner for nonprofit colleges and universities. We build, deliver, and support more than 500 digital and in-person educational offerings, including graduate degrees, undergraduate degrees, professional certificates, boot camps, and short courses. Together with our university clients, we have positively transformed the lives of more than 300,000 students.

Our comprehensive platform of tightly integrated technology and services provides the digital infrastructure that universities rely on to attract, enroll, educate and support students at scale throughout their lives. We believe ongoing learning is critical to career success today. Our broad array of offerings allow our university clients to meet student needs throughout their lives — whether they are earning a full degree, reskilling to learn something new or embarking on a new career path. We refer to the spectrum of educational offerings that a learner may benefit from during their lives and careers as the "Career Curriculum Continuum." Our platform empowers university clients to play a central role at each stage of a student's learning journey.

We have two reportable segments: the Degree Program Segment and the Alternative Credential Segment.

In our Degree Program Segment, we provide the technology and services to nonprofit colleges and universities to enable the online delivery of degree programs. Students enrolled in these programs are generally seeking an undergraduate or graduate degree of the same quality they would receive on campus.

In our Alternative Credential Segment, we provide premium online short courses and technical, skills-based boot camps through relationships with nonprofit colleges and universities. Students enrolled in these offerings are generally seeking to reskill or upskill through shorter duration, lower-priced offerings that are relevant to the needs of industry and society.

COVID-19 Update

Since the onset of the COVID-19 pandemic, we have experienced increased demand for our technology and services from university clients and increased demand for our offerings from students. However, we cannot estimate the impact of COVID-19 on these demand trends or our business or economic conditions generally, and there is no assurance that we will continue to experience current demand and cost of service levels as the COVID-19 pandemic tapers, particularly as vaccinations become widely available. For a discussion of additional risks related to COVID-19, see Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020.

Our Business Model and Components of Operating Results

The key elements of our business model and components of our operating results are described below.

Revenue Drivers

In our Degree Program Segment, we derive substantially all of our revenue from revenue-share arrangements with our university clients under which we receive a contractually specified percentage of the amounts students pay them to enroll in degree programs. In our Alternative Credential Segment, we derive substantially all of our revenue from tuition and fees from students taking our short courses and boot camps. Revenue in each segment is primarily driven by the number of student enrollments in our offerings.

Operating Expense

Marketing and Sales

Our most significant expense relates to marketing and sales activities to attract students to our offerings across both of our segments. This includes the cost of Search Engine Optimization, Search Engine Marketing and Social Media Optimization, as well as personnel and personnel-related expense for our marketing and recruiting teams.

In our Degree Program Segment, our marketing and sales expense in any period generates student enrollments eight months later, on average. We then generate revenue as students progress through their programs, which generally occurs over a two-year period following initial enrollment. Accordingly, our marketing and sales expense in any period is an investment to generate revenue in future periods. Therefore, we do not believe it is meaningful to directly compare current period revenue to current period marketing and sales expense. Further, in this segment we believe that our marketing and sales expense in future periods will generally decline as a percentage of the revenue reported in those same periods as our revenue base from returning students in existing programs increases.

In our Alternative Credential Segment, our marketing and sales expense in any period generates student enrollments as much as 24 weeks later. We then generate revenue as students progress through their courses, which typically occurs over a two- to six-month period following initial enrollment.

Curriculum and Teaching

Curriculum and teaching expense consists primarily of amounts due to universities for licenses to use their brand names and other trademarks in connection with our short course and boot camp offerings. The payments are based on contractually specified percentages of the tuition and fees we receive from students in those offerings. Curriculum and teaching expense also includes personnel and personnel-related expense for our short course and boot camp instructional staff.

Servicing and Support

Servicing and support expense consists primarily of personnel and personnel-related expense associated with the management and operations of our educational offerings, as well as supporting students and faculty members. Servicing and support expense also includes expenses to support our platform, facilitate in-program field placements and student immersions, and assist with compliance requirements.

Technology and Content Development

Technology and content development expense consists primarily of personnel and personnel-related expense associated with the ongoing improvement and maintenance of our platform, as well as hosting and licensing expenses. Technology and content expense also includes the amortization of capitalized technology and content.

General and Administrative

General and administrative expense consists primarily of personnel and personnel-related expense for our centralized functions, including executive management, legal, finance, human resources, and other departments that do not provide direct operational services. General and administrative expense also includes professional fees and other corporate expenses.

Net Interest Income (Expense)

Net interest income (expense) consists primarily of interest expense from our long-term debt and interest income from our cash and cash equivalents. Interest expense also includes the amortization of debt issuance costs.

Other Income (Expense), Net

Other income (expense), net consists primarily of foreign currency gains and losses.

Income Taxes

Our income tax provisions for all periods consist of U.S. federal, state and foreign income taxes. Our effective tax rate for the period is based on a mix of higher-taxed and lower-taxed jurisdictions.

Results of Operations

Consolidated Operating Results

Comparison of Three Months Ended March 31, 2021 and 2020

The following table presents selected condensed consolidated statement of operations and comprehensive loss data for each of the periods indicated.

	Three Months Ended March 31,					
	2021		2020		Period-to-Period Change	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage
	(dollars in thousands)					
Revenue	$ 232,473	100.0 %	$ 175,479	100.0 %	$ 56,994	32.5 %
Costs and expenses						
Curriculum and teaching	33,148	14.3	20,478	11.7	12,670	61.9
Servicing and support	33,184	14.3	30,533	17.4	2,651	8.7
Technology and content development	42,924	18.5	35,510	20.2	7,414	20.9
Marketing and sales	113,237	48.7	99,215	56.5	14,022	14.1
General and administrative	47,112	20.3	43,653	24.9	3,459	7.9
Total costs and expenses	269,605	116.1	229,389	130.7	40,216	17.5
Loss from operations	(37,132)	(16.1)	(53,910)	(30.7)	16,778	31.1
Interest income	362	0.2	513	0.3	(151)	29.5
Interest expense	(7,881)	(3.4)	(5,493)	(3.1)	(2,388)	43.5
Other expense, net	(915)	(0.4)	(2,271)	(1.3)	1,356	59.7
Loss before income taxes	(45,566)	(19.7)	(61,161)	(34.8)	15,595	25.5
Income tax benefit	2	0.0	1,055	0.6	(1,053)	99.8
Net loss	$ (45,564)	(19.7) %	$ (60,106)	(34.2) %	$ 14,542	24.2 %

Revenue. Revenue for the three months ended March 31, 2021 increased $57.0 million, or 32.5%, to $232.5 million as compared to $175.5 million in 2020. Revenue from our Degree Program Segment increased $27.4 million, or 23.1%, primarily due to growth in full course equivalent ("FCE") enrollments of 14,273, or 31.2%. Revenue from our Alternative Credential Segment increased $29.6 million, or 51.9%, primarily due to growth in FCE enrollments of 5,937, or 39.2%.

Curriculum and Teaching. Curriculum and teaching expense increased $12.6 million, or 61.9%, to $33.1 million as compared to $20.5 million in 2020. This increase was primarily due to higher university and instructional staff expense due to higher FCEs in our Alternative Credential Segment.

Servicing and Support. Servicing and support expense increased $2.7 million, or 8.7%, to $33.2 million as compared to $30.5 million in 2020. This increase was primarily due to a $2.9 million increase in personnel and personnel-related expense to serve a greater number of students and faculty. This increase was partially offset by a $0.2 million decrease in other student support expenses, particularly travel and related expense due to the impact of COVID-19 and operating efficiencies.

Technology and Content Development. Technology and content development expense increased $7.4 million, or 20.9%, to $42.9 million as compared to $35.5 million in 2020. This increase was primarily due to a $3.6 million increase in personnel and personnel-related expense, a $2.8 million increase in expenses to support our platform and software applications, and a $1.2 million increase in depreciation and amortization expense.

Marketing and Sales. Marketing and sales expense increased $14.0 million, or 14.1%, to $113.2 million as compared to $99.2 million in 2020. This increase was primarily due to a $12.2 million increase in marketing expense and a $1.3 million increase in personnel and personnel-related expense to support our revenue growth.

General and Administrative. General and administrative expense increased $3.4 million, or 7.9%, to $47.1 million as compared to $43.7 million in 2020. This increase was primarily due to a $4.4 million increase in personnel and personnel-related expense and a $1.2 million increase in professional fees. These increases were partially offset by a $1.9 million decrease in other expenses.

Net Interest Income (Expense). Net interest expense was $7.5 million and $5.0 million for the three months ended March 31, 2021 and 2020, respectively. The net interest expense for the three months ended March 31, 2021 was primarily due to interest incurred on our $380 million aggregate principal amount of 2.25% convertible senior notes due 2025 (the "Notes"), partially offset by interest earned on our cash balances. The net interest expense for the three months ended March 31, 2020 was primarily due to interest incurred on our $250 million senior secured term loan facility, partially offset by interest earned on our cash balances.

Other Expense, Net. Other expense, net was $0.9 million for the three months ended March 31, 2021, as compared to $2.3 million for the three months ended March 31, 2020. This decrease was primarily due to the remeasurement of foreign currency transactions impacting our operations in the Alternative Credential Segment.

Income Tax Benefit. For the three months ended March 31, 2021, we recognized an income tax benefit of $2 thousand. For the three months ended March 31, 2020, we recognized income tax benefit of $1.1 million, and our effective tax rate was approximately 2%. To date, we have not been required to pay U.S. federal income taxes because of our current and accumulated net operating losses.

Business Segment Operating Results

We define segment profitability 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. Some of these items may not be applicable in any given reporting period and they may vary from period to period. Total segment profitability is a non-GAAP measure when presented outside of the financial statement footnotes. Total segment profitability is a key measure used by our management and board of directors to understand and evaluate our operating performance and trends, to develop short- and long-term operational plans and to compare our performance against that of other peer companies using similar measures. In particular, the exclusion of certain expenses in calculating total segment profitability can provide a useful measure for period-to-period comparisons of our business. Accordingly, we believe that total segment profitability provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

The following table presents a reconciliation of total segment profitability to net loss for each of the periods indicated.

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Net loss	$ (45,564)	$ (60,106)
Adjustments:		
Stock-based compensation expense	24,947	20,870
Foreign currency loss	915	2,271
Net interest expense	7,519	4,980
Income tax benefit	(2)	(1,055)
Depreciation and amortization expense	24,987	23,485
Other*	946	5,251
Total adjustments	59,312	55,802
Total segment profitability	$ 13,748	$ (4,304)

* Includes (i) transaction and integration expense of $0.1 million and $0.7 million for the three months ended March 31, 2021 and 2020, respectively, (ii) restructuring-related expense of $0.5 million and $0.3 million for the three months ended March 31, 2021 and 2020, respectively, and (iii) stockholder activism and litigation-related expense of $0.4 million and $4.2 million for the three months ended March 31, 2021 and 2020, respectively.

Three Months Ended March 31, 2021 and 2020

The following table presents revenue by segment and segment profitability for each of the periods indicated.

	Three Months Ended March 31,		Period-to-Period Change	
	2021	2020	Amount	Percentage
	(dollars in thousands)			
Revenue by segment*				
Degree Program Segment	$ 145,875	$ 118,457	$ 27,418	23.1 %
Alternative Credential Segment	86,598	57,022	29,576	51.9
Total revenue	$ 232,473	$ 175,479	$ 56,994	32.5 %
Segment profitability				
Degree Program Segment	$ 25,888	$ 6,460	$ 19,428	300.7 %
Alternative Credential Segment	(12,140)	(10,764)	(1,376)	12.8
Total segment profitability	$ 13,748	$ (4,304)	$ 18,052	**

* Immaterial amounts of intersegment revenue have been excluded from the above results for the three months ended March 31, 2021 and 2020.

** Not meaningful for comparative purposes.

Degree Program Segment profitability increased $19.4 million to $25.9 million as compared to $6.5 million in 2020. This increase was primarily due to revenue growth of $27.4 million, operational and marketing efficiency initiatives and reduced travel and related expense.

Alternative Credential Segment profitability decreased $1.4 million, or 12.8%, to $(12.1) million as compared to $(10.8) million in 2020. This decrease was primarily due to higher operating expenses.

Liquidity and Capital Resources

As of March 31, 2021, our principal sources of liquidity were cash and cash equivalents totaling $486.8 million, which were held for working capital and general corporate purposes, and the ability to borrow under our revolving credit facility as discussed below.

In April 2020, we issued the Notes in an aggregate principal amount of $380 million, including the exercise by the initial purchasers of an option to purchase additional Notes, in a private placement to qualified institutional buyers under Rule 144A of the Securities Act. The Notes are governed by an indenture (the "Indenture") between the Company and Wilmington Trust, National Association, as trustee. The Notes bear interest at a rate of 2.25% per annum, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2020. The Notes mature on May 1, 2025, unless repurchased, redeemed or converted in accordance with their terms prior to such date. Prior to November 1, 2024, the Notes are convertible only upon satisfaction of certain conditions, and thereafter at any time until the close of business on the second scheduled trading date immediately before the maturity date. In connection with the Notes, we entered into privately negotiated capped call transactions with a premium cost of approximately $50.5 million. The capped call transactions are generally expected to reduce the potential dilution to our common stock upon any conversion of the Notes and/or to offset any cash payments we are required to make in excess of the principal amount of the converted Notes, with such reduction and/or offset subject to the cap. The net proceeds from the issuance of the Notes were $319.0 million after deducting the initial purchasers' discount, offering expenses and the cost of the capped call transactions. As of March 31, 2021, the Notes were determined to be convertible between April 1, 2021 and June 30, 2021, based on the satisfaction of the common stock sale price condition. Refer to Note 7 in the "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information regarding our Notes.

On June 25, 2020, we entered into a $50 million credit agreement (the “Credit Agreement”) with Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent, and certain other lenders party thereto that provides for $50 million in revolving loans. The Credit Agreement allows for incremental borrowings from time to time in an aggregate amount for all such incremental amounts not to exceed (i) the lesser of (x) $50 million and (y) an amount such that the aggregate principal amount of the lenders’ commitments under the revolving credit facility does not exceed $100 million, plus (ii) certain specified prepayments of indebtedness, plus (iii) an unlimited amount subject to satisfaction of a leverage ratio based compliance test. As of March 31, 2021, no amounts were outstanding under the Credit Agreement.

We have financed our operations primarily through payments from university clients and students for our technology and services, public and private equity financings, and the Notes. We believe that our existing cash and cash equivalents, together with cash generated from operations and available borrowing capacity under the Credit Agreement, will be sufficient to meet our working capital and capital expenditure requirements for the next 12 months.

Our operations require us to make capital expenditures for content development, capitalized technology, and property and equipment. During the three months ended March 31, 2021 and 2020, our capital asset additions were $16.5 million and $19.9 million, respectively.

We or our affiliates may, at any time and from time to time, seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Operating Activities

Cash flows from operating activities have typically been generated from our net income (loss) and by changes in our operating assets and liabilities, particularly from accounts receivable, adjusted for non-cash expense items such as depreciation and amortization expense and stock-based compensation expense.

Net cash provided by operating activities for the three months ended March 31, 2021 was $7.6 million, consisting primarily of adjustments for non-cash items, including $25.0 million of depreciation and amortization expense, $24.9 million of stock-based compensation expense, $7.7 million of non-cash interest expense, and $4.3 million of reductions in the carrying amounts of our right-of-use assets, partially offset by our net loss of $45.6 million. The net change in operating assets and liabilities of $10.7 million was unfavorable to cash flows from operations primarily due to an increase in accounts receivable of $30.7 million and an increase in prepaid expenses and other assets of $10.9 million, partially offset by a $32.9 million increase in deferred revenue.

Net cash used in operating activities for the three months ended March 31, 2020 was $9.9 million, consisting primarily of our net loss of $60.1 million, adjusted for non-cash items including $23.5 million of depreciation and amortization expense, $20.9 million of stock-based compensation expense, and $3.6 million of reductions in the carrying amounts of our right-of-use assets. The net change in operating assets and liabilities of $1.1 million was favorable to cash flows from operations primarily due to a $26.4 million increase in accounts payable and accrued expenses and a $21.7 million increase in deferred revenue. Accounts receivable was $75.4 million at the end of the quarter, up $41.8 million from the end of 2019.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2021 was $15.1 million, consisting primarily of $14.2 million of additions of amortizable intangible assets and $0.8 million of purchases of property and equipment.

Net cash used in investing activities for the three months ended March 31, 2020 was $19.1 million, consisting primarily of $15.8 million of additions of amortizable intangible assets and $2.4 million of purchases of property and equipment.

Financing Activities

Net cash used in financing activities for the three months ended March 31, 2021 was $6.3 million, consisting primarily of $12.6 million of tax withholding payments associated with the settlement of restricted stock units, partially offset by $3.5 million of proceeds received from the exercise of stock options and $2.9 million of proceeds from debt.

Net cash used in financing activities for the three months ended March 31, 2020 was $2.5 million, consisting primarily of the payment of debt issuance costs in connection with the February 2020 amendment of our senior secured term loan facility.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K, such as the use of unconsolidated subsidiaries, structured finance, special purpose entities or variable interest entities.

Critical Accounting Policies

Revenue Recognition, Accounts Receivable and Provision for Credit Losses

We generate substantially all of our revenue from contractual arrangements, with either our university clients or students, to provide a comprehensive platform of tightly integrated technology and technology-enabled services that support our offerings.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring services to the customer. To the extent the transaction price includes variable consideration, we estimate the amount of variable consideration that should be included in the transaction price utilizing the expected value method. Variable consideration is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Any estimates, including the effect of the constraint on variable consideration, are evaluated at each reporting period, and if necessary, we adjust our estimate of the overall transaction price. Revenue is then recognized over the remaining estimated period of performance using the cumulative catch-up method.

Our Degree Program Segment derives revenue primarily from contractually specified percentages of the amounts our university clients receive from their students in 2U-enabled degree programs for tuition and fees, less credit card fees and other specified charges we have agreed to exclude in certain university contracts. Our contracts with university clients in this segment typically have terms of 10 to 15 years and have a single performance obligation, as the promises to provide a platform of tightly integrated technology and services that university clients need to attract, enroll, educate and support students are not distinct within the context of the contracts. The single performance obligation is delivered as the university clients receive and consume benefits, which occurs ratably over a series of academic terms. The amounts received from university clients over the term of the arrangement are variable in nature in that they are dependent upon the number of students that are enrolled in the program within each academic term. These amounts are allocated to and are recognized ratably over the related academic term, defined as the period beginning on the first day of classes through the last. Revenue is recognized net of an allowance, which is established for our expected obligation to refund tuition and fees to university clients.

Our Alternative Credential Segment derives revenue primarily from contracts with students for the tuition and fees paid to enroll in, and progress through, our short courses and boot camps. Our short courses run between six and 16 weeks, while our boot camps run between 12 and 24 weeks. In this segment, our contracts with students include the delivery of the educational and related student support services and are treated as either a single performance obligation or multiple performance obligations, depending upon the offering being delivered. All performance obligations are satisfied ratably over the same presentation period, which is defined as the period beginning on the first day of the course through the last. We recognize the proceeds received, net of any applicable pricing concessions, from the students enrolled and share contractually specified amounts received from students with the associated university client, in exchange for licenses to use the university brand name and other university trademarks. These amounts are recognized as curriculum and teaching expenses on our condensed consolidated statements of operations and comprehensive loss. Our contracts with university clients in this segment are typically shorter and less restrictive than our contracts with university clients in our Degree Program Segment.

We do not disclose the value of unsatisfied performance obligations for our Degree Program Segment because the variable consideration is allocated entirely to a wholly unsatisfied promise to transfer a service that forms part of a single performance obligation. We do not disclose the value of unsatisfied performance obligations for our Alternative Credential Segment because the performance obligations are part of contracts that have original durations of less than one year.

Contract Acquisition Costs

We pay commissions to certain of our employees to obtain contracts with university clients in our Degree Program Segment. These costs are capitalized and recorded on a contract-by-contract basis and amortized using the straight-line method over the expected life, which is generally the length of the contract.

With respect to contract acquisition costs in our Alternative Credential Segment, we have elected to apply the practical expedient in ASC Topic 606 to expense these costs as incurred, as the terms of contracts with students in this segment are less than one year.

Payments to University Clients

Pursuant to certain of our contracts in the Degree Program Segment, we have made, or are obligated to make, payments to university clients at either the execution of a contract or at the extension of a contract in exchange for various marketing and other rights. Generally, these amounts are capitalized as other assets on our condensed consolidated balance sheets, and amortized as contra revenue over the life of the contract, commencing on the later of when payment is due or when contract revenue recognition begins.

Receivables, Contract Assets and Liabilities

Balance sheet items related to contracts consist of accounts receivable, net and deferred revenue on our condensed consolidated balance sheets. Accounts receivable, net includes trade accounts receivable, which are comprised of billed and unbilled revenue. Our trade accounts receivable balances have terms of less than one year. Accounts receivable, net is stated at amortized cost net of provision for credit losses. Our methodology to measure the provision for credit losses requires an estimation of loss rates based upon historical loss experience adjusted for factors that are relevant to determining the expected collectability of accounts receivable. Some of these factors include current market conditions, delinquency trends, aging behavior of receivables and credit and liquidity quality indicators for industry groups, customer classes or individual customers. Our estimates are reviewed and revised periodically based on the ongoing evaluation of credit quality indicators. Historically, actual write-offs for uncollectible accounts have not significantly differed from prior estimates.

Interest-free financing and tuition payment plans are made available to students enrolling in select boot camps within our Alternative Credential Segment. The financing plans, which are managed and serviced by third-party providers, are designed to assist students who are unable to completely cover tuition costs and are available only after all other student financial assistance and scholarships have been applied. The associated financing receivables generally have payment terms that exceed one year and are recorded on our consolidated balance sheets net of any implied pricing concessions, based on our collections history and market data, and significant financing components. The amount of financing receivables recorded within other assets on our condensed consolidated balance sheets were $34.7 million and $25.4 million as of March 31, 2021 and December 31, 2020, respectively.

We recognize unbilled revenue when revenue recognition occurs in advance of billings. Unbilled revenue is recognized in our Degree Program Segment because billings to university clients do not occur until after the academic term has commenced and final enrollment information is available. Our unbilled revenue represents contract assets. Unbilled accounts receivable is recognized in our Alternative Credential Segment once the presentation period commences for amounts to be invoiced to students under installment plans that are paid over the same presentation period.

Deferred revenue represents the excess of amounts billed or received as compared to amounts recognized in revenue on our condensed consolidated statements of operations and comprehensive loss as of the end of the reporting period, and such amounts are reflected as a current liability on our condensed consolidated balance sheets. Our deferred revenue represents contract liabilities. We generally receive payments from Degree Program Segment university clients early in each academic term and from Alternative Credential Segment students, either in full upon registration for the course or in full before the end of the course based on a payment plan, prior to completion of the service period. These payments are recorded as deferred revenue until the services are delivered or until our obligations are otherwise met, at which time revenue is recognized.

Long-Lived Assets

Amortizable Intangible Assets

Acquired Intangible Assets. We capitalize purchased intangible assets, such as software, websites and domains, and amortize them on a straight-line basis over their estimated useful life. Historically, we have assessed the useful lives of these acquired intangible assets to be between three and 10 years.

Capitalized Technology. Capitalized technology includes certain purchased software and technology licenses, direct third-party costs, and internal payroll and payroll-related costs used in the creation of our internal-use software. Software development projects generally include three stages: the preliminary project stage (all costs are expensed as incurred), the application development stage (certain costs are capitalized and certain costs are expensed as incurred) and the post-implementation/operation stage (all costs are expensed as incurred). Costs capitalized in the application development stage include costs of designing the application, coding, integrating our and the university's networks and systems, and the testing of the software. Capitalization of costs requires judgment in determining when a project has reached the application development stage and the period over which we expect to benefit from the use of that software. Once the software is placed in service, these amounts are amortized using the straight-line method over the estimated useful life of the software, which is generally three to five years.

Capitalized Content Development. We develop content for each offering on a course-by-course basis in collaboration with university client faculty and industry experts. Depending upon the offering, we may use materials provided by university clients and their faculty, including curricula, case studies, presentations and other reading materials. We are responsible for the creation of materials suitable for delivery through our online learning platform, including all expenses associated with this effort. With respect to the Degree Program Segment, the development of content is part of our single performance obligation and is considered a contract fulfillment cost.

The content development costs that qualify for capitalization are third-party direct costs, such as videography, editing and other services associated with creating digital content. Additionally, we capitalize internal payroll and payroll-related expenses incurred to create and produce videos and other digital content utilized in the university clients' offerings for delivery via our online learning platform. Capitalization ends when content has been fully developed by both us and the university client, at which time amortization of the capitalized content development begins. The capitalized costs for each offering are recorded on a course-by-course basis and included in amortizable intangible assets, net on our consolidated balance sheets. These amounts are amortized using the straight-line method over the estimated useful life of the respective course, which is generally four to five years. The estimated useful life corresponds with the planned curriculum refresh rate. This refresh rate is consistent with expected curriculum refresh rates as cited by faculty members for similar on-campus offerings.

Evaluation of Long-Lived Assets

We review long-lived assets, which consist of property and equipment, capitalized technology, capitalized content development and acquired finite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. In order to assess the recoverability of the capitalized technology and content development, the amounts are grouped by the lowest level of independent cash flows. Recoverability of a long-lived asset is measured by a comparison of the carrying value of an asset or asset group to the future undiscounted net cash flows expected to be generated by that asset or asset group. If such assets are not recoverable, the impairment to be recognized is measured by the amount by which the carrying value of an asset exceeds the estimated fair value (discounted cash flow) of the asset or asset group. Our impairment analysis is based upon cumulative results and forecasted performance.

Goodwill

Goodwill is the excess of purchase price over the fair value of identified net assets of businesses acquired. Our goodwill balance relates to the acquisitions of GetSmarter in July 2017 and Trilogy in May 2019. We review goodwill annually, as of October 1. Between annual tests, goodwill is reviewed for possible impairment if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We test our goodwill at the reporting unit level, which is an operating segment or one level below an operating segment. We initially assess qualitative factors to determine if it is necessary to perform a quantitative goodwill impairment review. We review goodwill for impairment using a quantitative approach if we decide to bypass the qualitative assessment or determine that it is more likely than not that the fair value of a reporting unit is less than its carrying value based on a qualitative assessment. Upon completion of a quantitative assessment, we may be required to recognize an impairment based on the difference between the carrying value and the fair value of the reporting unit.

We determine the fair value of a reporting unit by utilizing a weighted combination of the income-based and market-based approaches. The income-based approach requires us to make significant assumptions and estimates. These assumptions and estimates primarily include, but are not limited to, the selection of appropriate peer group companies, discount rates, terminal growth rates, and forecasts of revenue, operating income, depreciation and amortization expense, capital expenditures and future working capital requirements. When determining these assumptions and preparing these estimates, we consider each reporting unit's historical results and current operating trends, revenue, profitability, cash flow results and forecasts, and industry trends. These estimates can be affected by a number of factors including, but not limited to, general economic and regulatory conditions, market capitalization, the continued efforts of competitors to gain market share and prospective student enrollment patterns.

In addition, the value of a reporting unit using the market-based approach is estimated by comparing the reporting unit to other publicly traded companies and/or to publicly-disclosed business mergers and acquisitions in similar lines of business. The value of a reporting unit is based on pricing multiples of certain financial parameters observed in the comparable companies. We also make estimates and assumptions for market values to determine a reporting unit's estimated fair value.

Based on our qualitative assessment performed as of October 1, 2020, the date of our annual goodwill impairment assessment, we concluded that the estimated fair values of our reporting units exceeded their carrying values by no less than 10%. It is possible that future changes in our circumstances, including potential impacts from COVID-19, or in the variables associated with the judgments, assumptions and estimates used in assessing the fair value of our reporting units, could require us to record additional impairment charges in the future.

Recent Accounting Pronouncements

Refer to Note 2 in the "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a discussion of the FASB's recent accounting pronouncements and their effect on us.

Key Business and Financial Performance Metrics

We use a number of key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. In addition to adjusted EBITDA (loss), which we discuss below, and revenue and the components of loss from operations in the section above entitled "Our Business Model and Components of Operating Results," we utilize FCE enrollments as a key metric to evaluate the success of our business.

Full Course Equivalent Enrollments

We measure FCE 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. We add the FCE enrollments for each course within each segment to calculate the total FCE enrollments per segment. This metric allows us to consistently view period-over-period changes in enrollments by accounting for the fact that many courses we enable straddle multiple fiscal quarters. For example, if a course had 25 enrolled students and 40% of the course was completed during a particular period, we would count the course as having 10 FCE enrollments for that period. Any individual student may be enrolled in more than one course during a period.

Average revenue per FCE enrollment represents our weighted-average revenue per course across the mix of courses being offered during a period in each of our operating segments. This number is derived by dividing the total revenue for a period for each of our operating segments by the number of FCE enrollments within the applicable segment during that same period. This amount may vary from period to period depending on the academic calendars of our university clients, the relative growth rates of our degree programs, short courses, and boot camps, as applicable, and varying tuition levels, among other factors.

The following table presents the FCE enrollments and average revenue per FCE enrollment in our Degree Program Segment and Alternative Credential Segment for each of the periods indicated.

	Three Months Ended March 31,	
	2021	**2020**
Degree Program Segment		
FCE enrollments	60,007	45,734
Average revenue per FCE enrollment	$ 2,431	$ 2,590
Alternative Credential Segment		
FCE enrollments	21,078	15,141
Average revenue per FCE enrollment	$ 4,108	$ 3,766

Of the increase in FCE enrollments in our Degree Program Segment for the three months ended March 31, 2021 and 2020, 4,096, or 28.7%, and 2,880, or 46.3%, respectively, were attributable to degree programs launched during the preceding 12 months.

Of the increase in FCE enrollments in our Alternative Credential Segment for the three months ended March 31, 2021 and 2020, 4,954, or 83.4%, and 3,052, or 50.8%, respectively, were attributable to offerings launched during the preceding 12 months.

Adjusted EBITDA (Loss)

We define 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. Some of these items may not be applicable in any given reporting period and they may vary from period to period.

Adjusted EBITDA (loss) is a key measure used by our management and board of directors to understand and evaluate our operating performance and trends, to develop short- and long-term operational plans and to compare our performance against that of other peer companies using similar measures. In particular, the exclusion of certain expenses that are not reflective of our ongoing operating results in calculating adjusted EBITDA (loss) can provide a useful measure for period-to-period comparisons of our business. Accordingly, we believe that adjusted EBITDA (loss) provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Adjusted EBITDA (loss) is not a measure calculated in accordance with U.S. GAAP, and should not be considered as an alternative to any measure of financial performance calculated and presented in accordance with U.S. GAAP.

Our use of adjusted EBITDA (loss) has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under U.S. GAAP. Some of the limitations are:

- although depreciation and amortization expense are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA (loss) does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA (loss) does not reflect (i) changes in, or cash requirements for, our working capital needs; (ii) the impact of changes in foreign currency exchange rates; (iii) acquisition related gains or losses such as, but not limited to, post-acquisition changes in the value of contingent consideration reflected in operations; (iv) transaction and integration costs; (v) restructuring-related costs; (vi) impairment charges; (vii) stockholder activism costs; (viii) certain litigation-related costs; (ix) losses on debt extinguishment; (x) the impact of deferred revenue fair value adjustments; (xi) interest or tax payments that may represent a reduction in cash; or (xii) the non-cash expense or the potentially dilutive impact of equity-based compensation, which has been, and we expect will continue to be, an important part of our compensation plan; and
- other companies, including companies in our industry, may calculate adjusted EBITDA (loss) differently, which reduces its usefulness as a comparative measure.

Because of these and other limitations, you should consider adjusted EBITDA (loss) alongside other U.S. GAAP-based financial performance measures, including various cash flow metrics, net income (loss) and our other U.S. GAAP results. The following table presents a reconciliation of adjusted EBITDA (loss) to net loss for each of the periods indicated.

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in thousands)	
Net loss	$ (45,564)	$ (60,106)
Adjustments:		
Stock-based compensation expense	24,947	20,870
Foreign currency loss	915	2,271
Net interest expense	7,519	4,980
Income tax benefit	(2)	(1,055)
Depreciation and amortization expense	24,987	23,485
Other*	946	5,251
Total adjustments	59,312	55,802
Adjusted EBITDA (loss)	$ 13,748	$ (4,304)

* Includes (i) transaction and integration expense of $0.1 million and $0.7 million for the three months ended March 31, 2021 and 2020, respectively, (ii) restructuring-related expense of $0.5 million and $0.3 million for the three months ended March 31, 2021 and 2020, respectively, and (iii) stockholder activism and litigation-related expense of $0.4 million and $4.2 million for the three months ended March 31, 2021 and 2020, respectively.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to market risk from the information provided in Part II, Item 7A of our Annual Report on Form 10-K, filed with the SEC on February 25, 2021.

Foreign Currency Exchange Risk

We transact material business in foreign currencies and are exposed to risks resulting from fluctuations in foreign currency exchange rates. Our primary exposures are related to non-U.S. dollar denominated revenue and operating expenses in South Africa and the United Kingdom. Accounts relating to foreign operations are translated into U.S. dollars using prevailing exchange rates at the relevant period end. As a result, we would experience increased revenue and operating expenses in our non-U.S. operations if there were a decline in the value of the U.S. dollar relative to these foreign currencies. Conversely, we would experience decreased revenue and operating expenses in our non-U.S. operations if there were an increase in the value of the U.S. dollar relative to these foreign currencies. Translation adjustments are included as a separate component of stockholders' equity.

For the three months ended March 31, 2021 and 2020, our foreign currency translation adjustment was a loss of $0.8 million and a loss of $16.1 million, respectively.

For the three months ended March 31, 2021 and 2020, we recognized foreign currency exchange losses of $0.9 million and $2.3 million, respectively, included on our condensed consolidated statements of operations and comprehensive loss.

The foreign exchange rate volatility of the trailing 12 months ended March 31, 2021 was 13% and 7% for the South African rand and British pound, respectively. The foreign exchange rate volatility of the trailing 12 months ended March 31, 2020 was 11% and 9% for the South African rand and British pound, respectively. A 10% fluctuation of foreign currency exchange rates would have had an immaterial effect on our results of operations and cash flows for all periods presented. The fluctuations of currencies in which we conduct business can both increase and decrease our overall revenue and expenses for any given fiscal period. Such volatility, even when it increases our revenue or decreases our expense, impacts our ability to accurately predict our future results and earnings.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" as promulgated under the Exchange Act and the rules and regulations thereunder. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, management concluded that our disclosure controls and procedures were effective as of March 31, 2021 at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

We made no changes in internal control over financial reporting during the three months ended March 31, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this Item is incorporated herein by reference to Note 5 in "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

The risks described in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on February 25, 2021, remain current in all material respects. These risks do not identify all risks that we face. Our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Sales of Unregistered Securities

None.

(b) Use of Proceeds from Public Offerings of Common Stock

None.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit Number	Description	Form	File No.	Exhibit Number	Filing Date	Filed/Furnished Herewith
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-36376	3.1	April 4, 2014	
3.2	Amended and Restated Bylaws of the Registrant.	8-K	001-36376	3.2	April 4, 2014	
10.1†	Form of Restricted Stock Unit Award Agreement under Amended and Restated 2014 Equity Incentive Plan.					X
10.2†*	Form of Performance Stock Unit Award Agreement under Amended and Restated 2014 Equity Incentive Plan.					X
31.1	Certification of Chief Executive Officer of 2U, Inc. pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Chief Financial Officer of 2U, Inc. pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Chief Executive Officer of 2U, Inc. in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Certification of Chief Financial Officer of 2U, Inc. in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).					X

† Indicates management contract or compensatory plan.

* Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv). The registrant hereby undertakes to supplementally furnish to the Securities and Exchange Commission copies of any of the omitted schedules and exhibits upon request by the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		2U, Inc.
April 28, 2021	By:	/s/ Christopher J. Paucek
		Christopher J. Paucek Chief Executive Officer
April 28, 2021	By:	/s/ Paul S. Lalljie
		Paul S. Lalljie Chief Financial Officer

2U, Inc.
Restricted Stock Unit Grant Notice
(Amended and Restated 2014 Equity Incentive Plan)
(US)

2U, Inc. (the "***Company***"), pursuant to Section 6(b) of the Company's Amended and Restated 2014 Equity Incentive Plan (the "***Plan***"), hereby awards to Participant a Restricted Stock Unit Award for the number of shares of the Company's Common Stock ("***Restricted Stock Units***") set forth below (the "***Award***"). The Award is subject to all of the terms and conditions as set forth in this notice of grant (this "***Restricted Stock Unit Grant Notice***") and in the Plan and the Restricted Stock Unit Award Agreement (the "***Award Agreement***"), both of which are attached hereto and incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan or the Award Agreement. In the event of any conflict between the terms in the Award Agreement or this Restricted Stock Unit Grant Notice and the Plan, the terms of the Plan shall control.

Participant:	______________________
Date of Grant:	______________________
Grant Number:	______________________
Vesting Commencement Date:	______________________
Number of Restricted Stock Units/Shares:	______________________

Vesting Schedule:	Three years, with 8.3% of the Restricted Stock Units vesting on each quarterly anniversary of the Vesting Commencement Date (with each installment rounded down to the nearest whole unit, except for the last scheduled installment).
Issuance Schedule:	Subject to Section 9(a) of the Plan in connection with a Capitalization Adjustment, one share of Common Stock will be issued at the time set forth in Section 6 of the Award Agreement for each Restricted Stock Unit that vests.

Additional Terms/Acknowledgements: Participant acknowledges receipt of, and understands and agrees to, this Restricted Stock Unit Grant Notice, the Award Agreement and the Plan. Participant further acknowledges that as of the Date of Grant, this Restricted Stock Unit Grant Notice, the Award Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the Award specified above and supersede all prior oral and written agreements on the terms of this Award with the exception, if applicable, of (i) the written employment agreement or offer letter agreement entered into between the Company and Participant specifying the terms that should govern this specific Award, and (ii) any compensation recovery policy that is adopted by the Company or is otherwise required by applicable law.

By accepting this Award, Participant acknowledges having received and read the Restricted Stock Unit Grant Notice, the Award Agreement and the Plan and agrees to all of the terms and conditions set forth in these documents. Participant consents to receive Plan documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

2U, INC.		**PARTICIPANT**	
By:			
	Signature		Signature
Title:		Date:	
Date:			

ATTACHMENTS: Award Agreement and Amended and Restated 2014 Equity Incentive Plan

2U, INC.
AMENDED AND RESTATED 2014 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT
(US)

Pursuant to the Restricted Stock Unit Grant Notice (the "***Grant Notice***") and this Restricted Stock Unit Award Agreement (the "***Agreement***"), 2U, Inc. (the "***Company***") has awarded you ("***Participant***") a Restricted Stock Unit Award (the "***Award***") pursuant to Section 6(b) of the Company's Amended and Restated 2014 Equity Incentive Plan (the "***Plan***") for the number of Restricted Stock Units indicated in the Grant Notice. Capitalized terms not explicitly defined in this Agreement or the Grant Notice shall have the same meanings given to them in the Plan. The terms of your Award, in addition to those set forth in the Grant Notice, are as follows. Section references are to this Agreement unless otherwise stated.

1. GRANT OF THE AWARD. This Award represents the right to be issued on a future date one (1) share of Common Stock for each Restricted Stock Unit that vests on the applicable vesting date(s) (subject to any adjustment under Section 3 below) as indicated in the Grant Notice. As of the Date of Grant, the Company will credit to a bookkeeping account maintained by the Company for your benefit (the "***Account***") the number of Restricted Stock Units subject to the Award. This Award was granted in consideration of your services to the Company.

2. VESTING. Subject to the limitations contained herein and the provisions of Section 10, your Award will vest, if at all, in accordance with the vesting schedule provided in the Grant Notice, provided that vesting will cease upon the termination of your Continuous Service. Upon such termination of your Continuous Service, the Restricted Stock Units credited to the Account that were not vested on the date of such termination will be forfeited at no cost to the Company and you will have no further right, title or interest in or to such Restricted Stock Units or the underlying shares of Common Stock.

3. NUMBER OF SHARES. The number of Restricted Stock Units subject to your Award may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan. Any additional Restricted Stock Units, shares, cash or other property that becomes subject to the Award pursuant to this Section 3, if any, shall be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other Restricted Stock Units and shares covered by your Award. Notwithstanding the provisions of this Section 3, no fractional shares or rights for fractional shares of Common Stock shall be created pursuant to this Section 3. Any fraction of a share will be rounded down to the nearest whole share.

4. SECURITIES LAW COMPLIANCE. You may not be issued any Common Stock under your Award unless the shares of Common Stock underlying the Restricted Stock Units are either (i) then registered under the Securities Act, or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award must also comply with other applicable laws and regulations governing the Award, and you shall not receive such Common Stock if the Company determines that such receipt would not be in material compliance with such laws and regulations.

5. TRANSFER RESTRICTIONS. Prior to the time that shares of Common Stock have been delivered to you, you may not transfer, pledge, sell or otherwise dispose of this Award or the shares issuable in respect of your Award, except as expressly provided in this Section 5. For example, you may not use shares that may be issued in respect of your Restricted Stock Units as security for a loan.

(a) **Death.** Your Award is transferable by will and by the laws of descent and distribution. At your death, vesting of your Award will cease and your executor or administrator of your estate shall be entitled to receive, on behalf of your estate, any Common Stock or other consideration that vested but was not issued before your death.

(b) **Domestic Relations Orders.** Upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your right to receive the distribution of Common Stock or other consideration hereunder, pursuant to a domestic relations order or marital settlement agreement that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of this Award with the Company General Counsel prior to finalizing the domestic relations order or marital settlement agreement to verify that you may make such transfer, and if so, to help ensure the required information is contained within the domestic relations order or marital settlement agreement.

6. DATE OF ISSUANCE.

(a) The issuance of shares in respect of the Restricted Stock Units is intended to be exempt from Section 409A of the Code as a "short-term deferral" pursuant to Treasury Regulations Section 1.409A-1(b)(4) and will be construed and administered in such a manner. Subject to the satisfaction of the withholding obligations set forth in this Agreement, in the event one or more Restricted Stock Units vests, the Company shall issue to you one (1) share of Common Stock in settlement of each Restricted Stock Unit that vests on the applicable vesting date(s) (subject to any adjustment under Section 3 above). The issuance dates shall be on or within thirty (30) days after the applicable Restricted Stock Unit vesting dates, subject to clause (b) below (the issuance date is referred to as the "***Original Issuance Date***").

(b) If the Original Issuance Date does not occur (1) during an "open window period" applicable to you, as determined by the Company in accordance with the Company's then-effective policy on trading in Company securities, and (2) on a date when you are otherwise permitted to sell shares of Common Stock on an established stock exchange or stock market, and both (i) the Company decides, prior to the Original Issuance Date, not to satisfy the Withholding Taxes by withholding shares of Common Stock from the shares otherwise due to you under this Award, and (ii) you do not elect to pay your Withholding Taxes in cash, then the shares that would otherwise be issued to you on the Original Issuance Date will not be delivered on such Original Issuance Date and will instead be delivered on or within thirty (30) days after the first business day when you are not prohibited from selling shares of the Company's Common Stock in the open public market, but in no event later than the 15th day of the third calendar month of the applicable year following the year in which the shares of Common Stock under this Award are no longer subject to a "substantial risk of forfeiture" within the meaning of Treasury Regulations Section 1.409A-1(d) (or, in the event the Award is not a "short-term deferral" within the meaning of Section 409A of the Code, such earlier date as is required for the Award to comply with Section 409A of the Code).

(c) The form of delivery of shares (e.g., a stock certificate or electronic entry evidencing such shares) shall be determined by the Company.

7. DIVIDENDS. You shall receive no benefit or adjustment to your Award with respect to any cash dividend, stock dividend or other distribution that does not result from a Capitalization Adjustment.

8. RESTRICTIVE LEGENDS. The shares of Common Stock issued under your Award shall be endorsed with appropriate legends as determined by the Company.

9. EXECUTION OF DOCUMENTS. You hereby acknowledge and agree that the manner selected by the Company by which you indicate your consent to your Grant Notice is also deemed to be your execution of your Grant Notice and of this Agreement. You further agree that such manner of indicating consent may be relied upon as your signature for establishing your execution of any documents to be executed in the future in connection with your Award.

10. CHANGE IN CONTROL

(a) Notwithstanding any contrary provision of the Grant Notice or this Agreement, if a Change in Control occurs and your Continuous Service with the Company has not terminated as of, or immediately prior to, the effective time of the Change in Control, and if your Award is not continued, assumed or substituted for in accordance with the provisions of Section 9(c)(i) of the Plan, then, as of the effective time of such Change in Control, the vesting of your Award shall be accelerated in full. For clarity, your Award will be considered to be continued, assumed or substituted for if it remains (or is replaced by an award that is) subject to terms and conditions that preserve its intrinsic value as of immediately prior to the Change in Control, provided that it may instead confer the right to receive cash, common stock of the acquiring entity or other consideration paid to the stockholders of the Company pursuant to the Change in Control.

(b) Notwithstanding any contrary provision of the Grant Notice or this Agreement, if a Change in Control occurs, your Award is continued, assumed or substituted for in accordance with Section 9(c)(i) of the Plan, and as of, or within twelve (12) months after, the effective time of such Change in Control your Continuous Service terminates due to an involuntary termination (not including death or Disability) by the Company without Cause or due to a voluntary termination by you with Good Reason, then, as of the date of termination of Continuous Service, the vesting of your Award shall be accelerated in full.

11. AWARD NOT A SERVICE CONTRACT.

(a) Nothing in this Agreement (including, but not limited to, the vesting of your Award or the issuance of the shares subject to your Award), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon you any right to continue in the employ of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or the Plan; or (iv) deprive the Company of the right to terminate you at will and without regard to any future vesting opportunity that you may have.

(b) The Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "***reorganization***"). Such a reorganization could result in the termination of your Continuous Service, or the termination of Affiliate status of your employer and the loss of benefits available to you under this Agreement, including but not limited to, the termination of the right to continue vesting in the Award. This Agreement, the Plan, the transactions contemplated hereunder and the vesting schedule set forth herein or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued engagement as an employee or consultant for the term of this Agreement, for any period, or at all, and shall not interfere in any way with the Company's right to conduct a reorganization.

12. WITHHOLDING OBLIGATIONS.

(a) On each vesting date, and on or before the time you receive a distribution of the shares underlying your Restricted Stock Units, and at any other time as reasonably requested by the Company in accordance with applicable tax laws, you hereby authorize any required withholding from the Common Stock issuable to you and/or otherwise agree to make adequate provision in cash for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any Affiliate that arise in connection with your Award (the "***Withholding Taxes***"). Additionally, the Company shall satisfy all Withholding Taxes by or any portion of the Withholding Taxes obligation relating to your Award by withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the Award with a Fair Market Value (measured as of the date shares of Common Stock are issued to pursuant to Section 7) equal to the amount of such Withholding Taxes ("***Share Withholding***"); *provided, however*, that the number of such shares of Common Stock so withheld will not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the maximum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income; *provided further* that if Share Withholding would cause the Company to violate a provision set forth in any credit agreement or other financing document to which the Company is a party, the Committee may require you to satisfy the Withholding Taxes obligation relating to your Award by any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company; (ii) causing you to tender a cash payment; or (iii) provided that at the time of issuance the Common Stock is publicly traded, permitting or requiring you to enter into a "same day sale" commitment whereby you irrevocably elect to sell a portion of the shares to be delivered in connection with your Restricted Stock Units to a registered broker to satisfy the Withholding Taxes and whereby the broker irrevocably commits to forward the proceeds necessary to satisfy the Withholding Taxes directly to the Company and/or its Affiliates.

(b) Unless the tax withholding obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to deliver to you any Common Stock otherwise issuable with respect to the Award.

(c) In the event the Company's obligation to withhold arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the Company's withholding obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

13. TAX CONSEQUENCES. The Company has no duty or obligation to minimize the tax consequences to you of this Award and shall not be liable to you for any adverse tax consequences to you arising in connection with this Award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this Award and by signing the Grant Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so. You understand that you (and not the Company) shall be responsible for your own tax liability that may arise as a result of the Award.

14. UNSECURED OBLIGATION. Your Award is unfunded, and as a holder of a vested Award, you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares or other property pursuant to this Agreement. You shall not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this Agreement until such shares are issued to you pursuant to Section 6 of this Agreement. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

15. NOTICES. Any notice or request required or permitted hereunder shall be given in writing to each of the other parties hereto and shall be deemed effectively given on the earlier of (i) the date of personal delivery, including delivery by express courier, or delivery via electronic means, or (ii) the date that is five (5) days after deposit in the United States Post Office (whether or not actually received by the addressee), by registered or certified mail with postage and fees prepaid, addressed at the following addresses, or at such other address(es) as a party may designate by ten (10) days' advance written notice to each of the other parties hereto:

COMPANY:	2U, Inc. Attn: Stock Administrator 7900 Harkins Road Lanham, MD 20706
PARTICIPANT:	Your address as on file with the Company at the time notice is given

16. HEADINGS. The headings of the Sections in this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement or to affect the meaning of this Agreement.

17. MISCELLANEOUS.

(a) The rights and obligations of the Company under your Award shall be transferable by the Company to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by, the Company's successors and assigns.

(b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(c) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award and fully understand all provisions of your Award.

(d) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(e) All obligations of the Company under the Plan and this Agreement shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

18. GOVERNING PLAN DOCUMENT. Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. Your Award (and any compensation paid or shares issued under your Award) is subject to recoupment in accordance with The Dodd-Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any clawback policy adopted by the Company and any compensation recovery policy otherwise required by applicable law. No recovery of compensation under such a clawback policy will be an event giving rise to a right to voluntarily terminate employment upon a resignation for "good reason," or for a "constructive termination" or any similar term under any plan of or agreement with the Company.

19. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS. The value of the Award subject to this Agreement shall not be included as compensation, earnings, salaries, or other similar terms used when calculating benefits under any employee benefit plan (other than the Plan) sponsored by the Company or any Affiliate except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any or all of the employee benefit plans of the Company or any Affiliate.

20. CHOICE OF LAW. The interpretation, performance and enforcement of this Agreement shall be governed by the law of the State of Delaware without regard to that state's conflicts of laws rules.

21. SEVERABILITY. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

22. OTHER DOCUMENTS. You hereby acknowledge receipt or the right to receive a prospectus providing the information required by Rule 428(b)(1) promulgated under the Securities Act. In addition, you acknowledge receipt of the Company's *Insider Trading Policy*.

23. AMENDMENT. This Agreement may not be modified, amended or terminated except by an instrument in writing, signed by you and by a duly authorized representative of the Company. Notwithstanding the foregoing, this Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, and provided that, except as otherwise expressly provided in the Plan, no such amendment materially adversely affecting your rights hereunder may be made without your written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable to carry out the purpose of the Award as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided that any such change shall be applicable only to rights relating to that portion of the Award which is then subject to restrictions as provided herein.

24. COMPLIANCE WITH SECTION 409A OF THE CODE. This Award is intended to be exempt from Section 409A of the Code under the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4). Notwithstanding the foregoing, if it is determined that the Award fails to satisfy the requirements of the short-term deferral rule and is otherwise deferred compensation subject to Section 409A, and if you are a "***Specified Employee***" (within the meaning set forth in Section 409A(a)(2)(B)(i) of the Code) as of the date of your "separation from service" (within the meaning of Treasury Regulation Section

1.409A-1(h) and without regard to any alternative definition thereunder), then the issuance of any shares that would otherwise be made upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled date(s) and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service or, if earlier, as soon as practicable following the date of your death, with the balance of the shares issued thereafter in accordance with the original issuance schedule set forth above, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of adverse taxation on you in respect of the shares under Section 409A of the Code. Each installment of shares that vests is intended to constitute a “separate payment” for purposes of Treasury Regulation Section 1.409A-2(b)(2).

* * * * *

This Restricted Stock Unit Award Agreement shall be deemed to be signed by the Company and the Participant upon the signing by the Participant of the Restricted Stock Unit Grant Notice to which it is attached.

2U, Inc.
Performance Stock Unit Grant Notice
(Amended and Restated 2014 Equity Incentive Plan)
(US)

2U, Inc. (the "***Company***"), pursuant to Section 6(c) of the Company's Amended and Restated 2014 Equity Incentive Plan (the "***Plan***"), hereby awards to Participant a Performance Stock Unit Award for the target number of shares of the Company's Common Stock ("***Performance Stock Units***" or ***"PSUs"***) set forth below (the "***Award***"). The Award is subject to all of the terms and conditions as set forth in this notice of grant (this "***Performance Stock Unit Grant Notice***") and in the Plan and the Performance Stock Unit Award Agreement (the "***Award Agreement***"), both of which are attached hereto and incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan or the Award Agreement. In the event of any conflict between the terms in the Award Agreement or this Performance Stock Unit Grant Notice and the Plan, the terms of the Plan shall control.

Participant:	______________________________
Date of Grant:	______________________________
Grant Number:	______________________________
Vesting Commencement Date:	______________________________
Target Number of Performance Stock Units/Shares:	______________________________

Performance-Based Vesting:	Fifty-percent (50%) of the number of the Target Number of Performance Stock Units set forth above (the "***Target Number of PSUs***") will be determined by multiplying the TSR Achievement Percentage (as determined in accordance with Appendix A based on the Company's relative total stockholder return measured over a three-year performance period beginning January 1, 2021 and ending December 31, 2023 ("***TSR Performance Period***")) by fifty-percent (50%) of the Target Number of PSUs. Twenty-five percent (25%) of the Target Number of PSUs earned will be determined by multiplying the Adjusted Net Income Achievement Percentage (as determined in accordance with Appendix B based on the Company's annual adjusted net income measured over three (3) successive one-year measurement periods commencing January 1 of 2021, 2022 and 2023, respectively ("***Adjusted Net Income Performance Periods***")) by twenty-five percent (25%) of the Target Number of PSUs. Twenty-five percent (25%) of the Target Number of PSUs earned will be determined by multiplying the Revenue Achievement Percentage (as determined in accordance with Appendix C based on the Company's annual revenue measured over three (3) successive one-year measurement periods commencing January 1 of 2021, 2022 and 2023, respectively ("***Revenue Performance Periods***" and together with the TSR Performance Period and Adjusted Net Income Performance Periods, ***"Performance Periods"***)) by twenty-five percent (25%) of the Target Number of PSUs. The Committee (or its designee) shall determine the applicable Achievement Percentage and resulting number of PSUs conditionally earned for each Performance Period (the "***Determination Date***") no later than the first March 15th following the completion of such Performance Period. Except if your Continuous Service ends due to your Retirement, Disability or death, all PSUs conditionally earned will only be earned, vested and issued to the Participant if the Participant remains in Continuous Service through the end of all Performance Periods.

Additional Terms/Acknowledgements: Participant acknowledges receipt of, and understands and agrees to, this Performance Stock Unit Grant Notice, the Award Agreement and the Plan. Participant further acknowledges that as of the Date of Grant, this Performance Stock Unit Grant Notice, the Award Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the Award specified above and supersede all prior oral and written agreements on the terms of this Award with the exception, if applicable, of (i) the written employment agreement or offer letter agreement entered into between the Company and Participant specifying the terms that should govern this specific Award, and (ii) any compensation recovery policy that is adopted by the Company or is otherwise required by applicable law.

By accepting this Award, Participant acknowledges having received and read the Performance Stock Unit Grant Notice, the Award Agreement and the Plan and agrees to all of the terms and conditions set forth in these documents. Participant consents to receive Plan documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

2U, INC.		**PARTICIPANT**	
By:			
	Signature		Signature
Title:		Date:	
Date:			

ATTACHMENTS: Award Agreement and Amended and Restated 2014 Equity Incentive Plan

2U, INC.
AMENDED AND RESTATED 2014 EQUITY INCENTIVE PLAN
PERFORMANCE STOCK UNIT AWARD AGREEMENT
(US)

Pursuant to the Performance Stock Unit Grant Notice (the "***Grant Notice***") and this Performance Stock Unit Award Agreement (the "***Agreement***"), 2U, Inc. (the "***Company***") has awarded you ("***Participant***") a Performance Stock Unit Award (the "***Award***") pursuant to Section 6(c) of the Company's Amended and Restated 2014 Equity Incentive Plan (the "***Plan***") for the Target Number of PSUs. Capitalized terms not explicitly defined in this Agreement or the Grant Notice shall have the same meanings given to them in the Plan. The terms of your Award, in addition to those set forth in the Grant Notice, are as follows. Section references are to this Agreement unless otherwise stated.

1. GRANT OF THE AWARD. This Award represents the right to be issued on a future date one (1) share of Common Stock for each Performance Stock Unit that is earned and vests in accordance with the Grant Notice and Sections 2 and 3 below (subject to any adjustment under Section 4 below). As of the Date of Grant, the Company will credit to a bookkeeping account maintained by the Company for your benefit the Target Number of PSUs subject to the Award. This Award was granted in consideration of your services to the Company.

2. VESTING.

(a) The Performance Stock Units will be conditionally earned, if at all, as a percentage of the Target Number of PSUs based on the Company's achievement of the performance conditions set forth in Appendices A through C during the Performance Periods. The Performance Stock Units conditionally earned in respect of a Performance Period (if any) will be determined on the applicable Determination Date. Any Performance Stock Units that were eligible to be earned for a Performance Period and that are not conditionally earned for the Performance Period will immediately and automatically be cancelled and forfeited without consideration as of the applicable Determination Date. Except as otherwise provided in Section 2(b) of this Agreement, any Performance Stock Units that were eligible to be earned for a Performance Period and are conditionally earned for the Performance Period will become earned and vested only if you remain in Continuous Service through the end of all Performance Periods subject to this Agreement. Except as otherwise provided in Section 2(b) and Section 3 of this Agreement, upon a termination of your Continuous Service prior to the end of all Performance Periods, the Performance Stock Units eligible to be earned for such Performance Period will be forfeited at no cost to the Company and you will have no further right, title or interest in or to such Performance Stock Units or the underlying shares of Common Stock. Any fraction of a share of Common Stock that would otherwise be issuable in respect of a vested Performance Stock Unit will be rounded to the nearest whole share.

(b) If your Continuous Service ends due to your death, Disability or Retirement (as defined below), then:

(i) your PSUs that vest based on TSR shall be calculated in accordance with Appendix A after the conclusion of the TSR Performance Period and multiplying the PSUs by a fraction, the numerator of which is the number of whole calendar months you were employed during the TSR Performance Period and the denominator of which is thirty-six;

(ii) your PSUs that vest based on Adjusted Net Income shall be calculated by (A) providing full vesting credit for any PSUs earned in accordance with Appendix B for any Adjusted Net Income Performance Period that ended before the calendar year of your death, Disability or Retirement, as applicable, (B) providing no vesting credit for any PSUs that would have otherwise been earned in accordance with Appendix B during an Adjusted Net Income Performance Period commencing after the calendar year of your death, Disability or Retirement, as applicable, (C) providing for pro-rata vesting for any PSUs earned in accordance with Appendix B for the Adjusted Net Income Performance Period that includes the date of your death, Disability or Retirement, as applicable, based on the number of full calendar months you were employed during such Adjusted Net Income Performance Period; and (D) the Company issuing you (or your representative) the shares of Common Stock in settlement of the vested PSUs calculated under clauses (A) and (C) no later than the first March 15^{th} following the Determination Date for the Adjusted Net Income Performance Period that includes the date of your death, Disability or Retirement, as applicable; and

(iii) your PSUs that vest based on Revenue shall be calculated by (A) providing full vesting credit for any PSUs earned in accordance with Appendix C for any Revenue Performance Period that ended before the calendar year of your death, Disability or Retirement, as applicable, (B) providing no vesting credit for any PSUs that would have otherwise been earned in accordance with Appendix C during any Revenue Performance Period commencing after the calendar year of your death, Disability or Retirement, as applicable, (C) providing for pro-rata vesting for any PSUs earned in accordance with Appendix C for the Revenue Performance Period that includes the date of your death, Disability or Retirement, as applicable, based on the number of full calendar months you were employed during such Revenue Performance Period; and (D) the Company issuing you (or your representative) the shares of Common Stock in settlement of the vested PSUs calculated under clauses (A) and (C) no later than the first March 15^{th} following the Determination Date for the Revenue Performance Period that includes the date of your death, Disability or Retirement, as applicable.

(c) Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

(i) ***"Disability"*** means you, by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months, become entitled to receive benefits under a long-term disability insurance program maintained by the Company or any of its Affiliates.

(ii) ***"Retirement*"** means your voluntary resignation from Continuous Service or after the date on which your age is at least 55 and the sum of your age and years of Continuous Service is at least 70, but only to the extent that circumstances constituting Cause do not exist.

3. CHANGE IN CONTROL. Notwithstanding any contrary provision of the Grant Notice or this Agreement, if a Change in Control occurs prior to the third anniversary of the Vesting Commencement Date and your Continuous Service with the Company has not terminated as of, or immediately prior to, the effective time of the Change in Control:

(a) **TSR PSUs**. The TSR Performance Period shall be shortened, and (1) a TSR Achievement Percentage (as defined in Appendix A) will determined based on the Company's TSR (as defined in Appendix A) for a TSR Performance Period ending as of a date within ten (10) days prior to the Change in Control as determined by the Committee and calculated using the closing stock price of a share of Common Stock on the last day of such shortened TSR Performance Period as the ending stock price of the Company.

(i) If the TSR Achievement Percentage determined in accordance with Section 3(a) above is greater than or equal to 100%, then as of immediately prior to the effective time of the Change in Control, the Performance Stock Units eligible to be earned for the TSR Performance Period will be deemed earned and will vest with respect to a number of shares of Common Stock equal to (i) the Target Number of PSUs eligible to be earned for such TSR Performance Period multiplied by (ii) the TSR Achievement Percentage.

(ii) If the TSR Achievement Percentage determined in accordance with Section 3(a) above is less than 100%, then as of immediately prior to the effective time of the Change in Control, the Performance Stock Units eligible to be earned for the TSR Performance Period will be deemed earned and will vest with respect to a number of shares of Common Stock equal to (x) the product of (A) the Target Number of PSUs eligible to be earned for the applicable TSR Performance Period and (B) a fraction, the numerator of which equals the number of days elapsed in the applicable TSR Performance Period through and including the date the Change in Control occurs and the denominator of which equals the original number of days in the TSR Performance Period (such product, the "***Prorata TSR Units***"), multiplied by (y) the TSR Achievement Percentage.

(b) **Adjusted Net Income PSUs**. Any Adjusted Net Income Performance Period that includes the effective time of the Change in Control will be shortened, and immediately prior to the effective time of the Change in Control, the Performance Stock Units eligible to be earned for such Adjusted Net Income Performance Period will be deemed earned and will vest with respect to a number of shares of Common Stock equal to (x) the product of (A) the Target Number of PSUs eligible to be earned for such Adjusted Net Income Performance Period and (B) a fraction, the numerator of which equals the number of days elapsed in such Adjusted Net Income Performance Period through and including the date the Change in Control occurs and the denominator of which equals the original number of days in such Adjusted Net

Income Performance Period (such product, the "***Prorata Adjusted Net Income Units***"), multiplied by (y) the Adjusted Net Income Achievement Percentage (calculated assuming Adjusted Net Income was attained at 100% of target Adjusted Net Income). You will also be deemed to vest in any Performance Stock Units that were earned in accordance with Appendix B for any Adjusted Net Income Performance Period that ended prior to the calendar year in which the Change in Control occurs.

(c) **Revenue PSUs**. Any Revenue Performance Period that includes the effective time of the Change in Control will be shortened, and immediately prior to the effective time of the Change in Control, the Performance Stock Units eligible to be earned for such Revenue Performance Period will be deemed earned and will vest with respect to a number of shares of Common Stock equal to (x) the product of (A) the Target Number of PSUs eligible to be earned for such Revenue Performance Period and(B) a fraction, the numerator of which equals the number of days elapsed in such Revenue Performance Period through and including the date the Change in Control occurs and the denominator of which equals the original number of days in such Revenue Performance Period (such product, the "***Prorata Revenue Units***"), multiplied by (y) the Revenue Achievement Percentage (calculated assuming Revenue was attained at 100% of target Revenue). You will also be deemed to vest in any Performance Stock Units that were earned in accordance with Appendix C for any Revenue Performance Period that ended prior to the calendar year in which the Change in Control occurs.

(d) Time-Based Vesting

(i) A number of Performance Stock Units equal to the sum of: (x) with respect to the TSR Performance Period, (A) the Target Number of PSUs eligible to be earned for the TSR Performance Period minus (B) the Prorata TSR Units; (y) with respect to any Adjusted Net Income Performance Periods with an end date following the Change in Control, (A) the Target Number of PSUs eligible to be earned for such Adjusted Net Income Performance Periods minus (B) the Prorata Adjusted Net Income Units; and (z) with respect to any Revenue Performance Periods with an end date following the Change in Control, the Target Number of PSUs eligible to be earned for such Revenue Performance Periods minus (B) the Prorata Revenue Units (collectively, the "***Time-Vesting Units***") will cease to be subject to the vesting schedule set forth in Section 2 and will instead become eligible to vest solely based on your Continuous Service and shall vest on the last day of the applicable original Performance Period, subject to your Continuous Service through such vesting date, provided that if as of, or within twelve (12) months after, the effective time of such Change in Control, your Continuous Service terminates due to an involuntary termination (not including death or Disability) by the Company without Cause or due to a voluntary termination by you with Good Reason, then, as of the date of termination of Continuous Service, the Time-Vesting Units shall be accelerated in full; and

(ii) If the Time-Vesting Units are not continued, assumed or substituted for in accordance with the provisions of Section 9(c)(i) of the Plan, then, as of the effective time of such Change in Control, the Time-Vesting Units shall be accelerated in full. For clarity, your Award will be considered to be continued, assumed or substituted for if it remains (or is replaced by an award that is) subject to terms and conditions that preserve its intrinsic value as of immediately prior to the Change in Control, provided that it may instead confer the right to receive cash, common stock of the acquiring entity or other consideration paid to the stockholders of the Company pursuant to the Change in Control; and

(e) As of immediately prior to the effective time of such Change in Control, any portion of the Performance Stock Units under this Award other than the Time-Vesting Units that remains unvested after giving effect to Sections 3(a)-(c) above will be cancelled and forfeited for no consideration.

4. NUMBER OF SHARES. The number of Performance Stock Units subject to your Award may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan. Any additional Performance Stock Units, shares, cash or other property that becomes subject to the Award pursuant to this Section 4, if any, shall be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other Performance Stock Units and shares covered by your Award. Notwithstanding the provisions of this Section 4, no fractional shares or rights for fractional shares of Common Stock shall be created pursuant to this Section 4. Any fraction of a share will be rounded down to the nearest whole share.

5. SECURITIES LAW COMPLIANCE. You may not be issued any Common Stock under your Award unless the shares of Common Stock underlying the Performance Stock Units are either (i) then registered under the Securities Act, or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award must also comply with other applicable laws and regulations governing the Award, and you shall not receive such Common Stock if the Company determines that such receipt would not be in material compliance with such laws and regulations.

6. TRANSFER RESTRICTIONS. Prior to the time that shares of Common Stock have been delivered to you, you may not transfer, pledge, sell or otherwise dispose of this Award or the shares issuable in respect of your Award, except as expressly provided in this Section 6. For example, you may not use shares that may be issued in respect of your Performance Stock Units as security for a loan.

(a) **Death.** Your Award is transferable by will and by the laws of descent and distribution. At your death, vesting of your Award will cease and your executor or administrator of your estate shall be entitled to receive, on behalf of your estate, any Common Stock or other consideration that vested but was not issued before your death.

(b) **Domestic Relations Orders.** Upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your right to receive the distribution of Common Stock or other consideration hereunder, pursuant to a domestic relations order or marital settlement agreement that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of this Award with the Company General Counsel prior to finalizing the domestic relations order or marital settlement agreement to verify that you may make such transfer, and if so, to help ensure the required information is contained within the domestic relations order or marital settlement agreement.

7. DATE OF ISSUANCE.

(a) The issuance of shares in respect of the Performance Stock Units is intended to be exempt from Section 409A of the Code as a "short-term deferral" pursuant to Treasury Regulations Section 1.409A-1(b)(4) and will be construed and administered in such a manner. Subject to the satisfaction of the withholding obligations set forth in this Agreement, in the event one or more Performance Stock Units vests, the Company shall issue to you one (1) share of Common Stock in settlement of each Performance Stock Unit that is earned and vests in accordance with this Agreement (subject to any adjustment under Section 4 above). The issuance dates shall be no later than the first March 15^{th} following the calendar year in which the applicable Performance Stock Unit vests, subject to clause (b) below (the issuance date is referred to as the "***Original Issuance Date***").

(b) If the Original Issuance Date does not occur (1) during an "open window period" applicable to you, as determined by the Company in accordance with the Company's then-effective policy on trading in Company securities, and (2) on a date when you are otherwise permitted to sell shares of Common Stock on an established stock exchange or stock market, and both (i) the Company decides, prior to the Original Issuance Date, not to satisfy the Withholding Taxes by withholding shares of Common Stock from the shares otherwise due to you under this Award, and (ii) you do not elect to pay your Withholding Taxes in cash, then the shares that would otherwise be issued to you on the Original Issuance Date will not be delivered on such Original Issuance Date and will instead be delivered on or within sixty (60) days after the first business day when you are not prohibited from selling shares of the Company's Common Stock in the open public market, but in no event later than the 15th day of the third calendar month of the applicable year following the year in which the shares of Common Stock under this Award are no longer subject to a "substantial risk of forfeiture" within the meaning of Treasury Regulations Section 1.409A-1(d) (or, in the event the Award is not a "short-term deferral" within the meaning of Section 409A of the Code, such earlier date as is required for the Award to comply with Section 409A of the Code).

(c) The form of delivery of shares (e.g., a stock certificate or electronic entry evidencing such shares) shall be determined by the Company.

8. DIVIDENDS. You shall receive no benefit or adjustment to your Award with respect to any cash dividend, stock dividend or other distribution that does not result from a Capitalization Adjustment.

9. RESTRICTIVE LEGENDS. The shares of Common Stock issued under your Award shall be endorsed with appropriate legends as determined by the Company.

10. EXECUTION OF DOCUMENTS. You hereby acknowledge and agree that the manner selected by the Company by which you indicate your consent to your Grant Notice is also deemed to be your execution of your Grant Notice and of this Agreement. You further agree that such manner of indicating consent may be relied upon as your signature for establishing your execution of any documents to be executed in the future in connection with your Award.

11. AWARD NOT A SERVICE CONTRACT.

(a) Nothing in this Agreement (including, but not limited to, the vesting of your Award or the issuance of the shares subject to your Award), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon you any right to continue in the employ of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or the Plan; or (iv) deprive the Company of the right to terminate you at will and without regard to any future vesting opportunity that you may have.

(b) The Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "***reorganization***"). Such a reorganization could result in the termination of your Continuous Service, or the termination of Affiliate status of your employer and the loss of benefits available to you under this Agreement, including but not limited to, the termination of the right to continue vesting in the Award. This Agreement, the Plan, the transactions contemplated hereunder and the vesting schedule set forth herein or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued engagement as an employee or consultant for the term of this Agreement, for any period, or at all, and shall not interfere in any way with the Company's right to conduct a reorganization.

12. WITHHOLDING OBLIGATIONS.

(a) On each vesting date, and on or before the time you receive a distribution of the shares underlying your Performance Stock Units, and at any other time as reasonably requested by the Company in accordance with applicable tax laws, you hereby authorize any required withholding from the Common Stock issuable to you and/or otherwise agree to make adequate provision in cash for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any Affiliate that arise in connection with your Award (the "***Withholding Taxes***"). Additionally, the Company shall satisfy all Withholding Taxes by or any portion of the Withholding Taxes obligation relating to your Award by withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the Award with a Fair Market Value (measured as of the date shares of Common Stock are issued to pursuant to Section 7) equal to the amount of such Withholding Taxes ("***Share Withholding***"); *provided, however*, that the number of such shares of Common Stock so withheld will not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the maximum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income; *provided further* that if Share Withholding would cause the Company to violate a provision set forth in any credit agreement or other financing document to which the Company is a party, the Committee may require you to satisfy the Withholding Taxes through any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company; (ii) causing you to tender a cash payment; or (iii) provided that at the time of issuance the Common Stock is publicly traded, permitting or requiring you to enter into a "same day sale" commitment whereby you irrevocably elect to sell a portion of the shares to be delivered in connection with your Performance Stock Units to a registered broker to satisfy the Withholding Taxes and whereby the broker irrevocably commits to forward the proceeds necessary to satisfy the Withholding Taxes directly to the Company and/or its Affiliates.

(b) Unless the tax withholding obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to deliver to you any Common Stock otherwise issuable with respect to the Award.

(c) In the event the Company's obligation to withhold arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the Company's withholding obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

13. TAX CONSEQUENCES. The Company has no duty or obligation to minimize the tax consequences to you of this Award and shall not be liable to you for any adverse tax consequences to you arising in connection with this Award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this Award and by signing the Grant Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so. You understand that you (and not the Company) shall be responsible for your own tax liability that may arise as a result of the Award.

14. UNSECURED OBLIGATION. Your Award is unfunded, and as a holder of a vested Award, you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares or other property pursuant to this Agreement. You shall not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this Agreement until such shares are issued to you pursuant to Section 7 of this Agreement. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

15. NOTICES. Any notice or request required or permitted hereunder shall be given in writing to each of the other parties hereto and shall be deemed effectively given on the earlier of (i) the date of personal delivery, including delivery by express courier, or delivery via electronic means, or (ii) the date that is five (5) days after deposit in the United States Post Office (whether or not actually received by the addressee), by registered or certified mail with postage and fees prepaid, addressed at the following addresses, or at such other address(es) as a party may designate by ten (10) days' advance written notice to each of the other parties hereto:

COMPANY:	2U, Inc. Attn: Stock Administrator 7900 Harkins Road Lanham, MD 20706
PARTICIPANT:	Your address as on file with the Company at the time notice is given

16. HEADINGS. The headings of the Sections in this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement or to affect the meaning of this Agreement.

17. MISCELLANEOUS.

(a) The rights and obligations of the Company under your Award shall be transferable by the Company to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by, the Company's successors and assigns.

(b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(c) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award and fully understand all provisions of your Award.

(d) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(e) All obligations of the Company under the Plan and this Agreement shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

18. GOVERNING PLAN DOCUMENT. Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. Your Award (and any compensation paid or shares issued under your Award) is subject to recoupment in accordance with The Dodd-Frank

Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any clawback policy adopted by the Company and any compensation recovery policy otherwise required by applicable law. No recovery of compensation under such a clawback policy will be an event giving rise to a right to voluntarily terminate employment upon a resignation for "good reason," or for a "constructive termination" or any similar term under any plan of or agreement with the Company.

19. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS. The value of the Award subject to this Agreement shall not be included as compensation, earnings, salaries, or other similar terms used when calculating benefits under any employee benefit plan (other than the Plan) sponsored by the Company or any Affiliate except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any or all of the employee benefit plans of the Company or any Affiliate.

20. CHOICE OF LAW. The interpretation, performance and enforcement of this Agreement shall be governed by the law of the State of Delaware without regard to that state's conflicts of laws rules.

21. SEVERABILITY. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

22. OTHER DOCUMENTS. You hereby acknowledge receipt or the right to receive a prospectus providing the information required by Rule 428(b)(1) promulgated under the Securities Act. In addition, you acknowledge receipt of the Company's *Insider Trading Policy*.

23. AMENDMENT. This Agreement may not be modified, amended or terminated except by an instrument in writing, signed by you and by a duly authorized representative of the Company. Notwithstanding the foregoing, this Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, and provided that, except as otherwise expressly provided in the Plan, no such amendment materially adversely affecting your rights hereunder may be made without your written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable to carry out the purpose of the Award as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided that any such change shall be applicable only to rights relating to that portion of the Award which is then subject to restrictions as provided herein.

24. COMPLIANCE WITH SECTION 409A OF THE CODE. This Award is intended to be exempt from Section 409A of the Code under the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4). Notwithstanding the foregoing, if it is determined that the Award fails to satisfy the requirements of the short-term deferral rule and is otherwise deferred compensation subject to Section 409A, and if you are a "***Specified Employee***" (within the meaning set forth in Section 409A(a)(2)(B)(i) of the Code) as of the date of your "separation from service" (within the meaning of Treasury Regulation Section 1.409A-1(h) and without regard to any alternative definition thereunder), then the issuance of any shares that would otherwise be made upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled date(s) and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service or, if earlier, as soon as practicable following the date of your death, with the balance of the shares issued thereafter in accordance with the original issuance schedule set forth above, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of adverse taxation on you in respect of the shares under Section 409A of the Code. Each installment of Performance Stock Units that vests is intended to constitute a "separate payment" for purposes of Treasury Regulation Section 1.409A-2(b)(2).

* * * * *

This Performance Stock Unit Award Agreement shall be deemed to be signed by the Company and the Participant upon the signing by the Participant of the Performance Stock Unit Grant Notice to which it is attached.

Appendix A

Performance Measure
A performance measure for the Award is the Company's total stockholder return ("***TSR***") compared to the TSR of a benchmark group of companies (the "***Benchmark Group***"). TSR combines share price appreciation and dividends paid to show the total return to the stockholder. The absolute size of the TSR will vary with the stock market, but the relative position to the Benchmark Group over each Performance Period is the performance metric for this Award.

TSR will be the sum of a company's ending stock price plus dividends over the TSR Performance Period divided by a company's beginning stock price, as adjusted by the Committee as it may deem appropriate to account for stock splits and other similar corporate events. Both the beginning and ending stock prices will be calculated using the average closing price during the last 30 trading days prior to and including the calculation date. This calculation is used instead of the actual closing price on the given date to smooth volatility in the stock price and avoid single-day fluctuations.

$$\text{TSR} = \frac{\text{ending stock price + all dividends with a record date during the TSR Performance Period}}{\text{beginning stock price}}$$

Benchmark Group
The Benchmark Group for purposes of this Award shall be the companies that comprise the Russell 3000 Index on the first day of the TSR Performance Period. In the event that a company is no longer a part of the Russell 3000 Index on the last day of the TSR Performance Period, such company will be removed from the Benchmark Group, provided that the Committee may provide for such other treatment as it determines in its sole discretion.

TSR Achievement Percentage
At the end of the TSR Performance Period, the TSR Achievement Percentage will be determined based on the Company's TSR relative to the TSRs of the companies in the Benchmark Group over the TSR Performance Period. The Company's TSR percentile ranking (the "***TSR Percentile Ranking***") is calculated as the percentage of members of the Benchmark Group (including the Company) with a TSR that is less than or equal to the Company's TSR. For the avoidance of doubt, each company in the Benchmark Group has an equal effect on the TSR Percentile Ranking.

For the TSR Performance Period, the TSR Achievement Percentage will be determined based on the TSR Percentile Ranking as set forth in the table below.

TSR Percentile Ranking	TSR Achievement Percentage
< 25^{th} percentile	0%
25^{th} percentile	50%
50^{th} percentile	100%
75^{th} percentile	150%
100^{th} percentile	200%

The number of Performance Stock Units earned for the TSR Performance Period shall be determined by multiplying (i) the TSR Achievement Percentage by (ii) 50% of the Target Number of PSUs subject to this Award.

The TSR Achievement Percentage will be determined based on the TSR Percentile Ranking, with linear interpolation between achievement levels.

The actual payout of the Performance Stock Units, if any, at the end of the TSR Performance Period will be made as provided under the Performance Stock Unit Agreement to which this Appendix A is attached.

Adjustments for Extraordinary and Other Events
Notwithstanding the foregoing, if the Committee determines that due to unusual, extraordinary or nonrecurring transactions or events materially affecting the Award or any other reason, an adjustment in the Benchmark Group, the payment schedule, performance metrics and/or targets or other terms of the Award is necessary or appropriate, the Committee may adjust the Benchmark Group (including by removing constituent companies, substituting for existing constituent companies or selecting new constituent companies to replace withdrawn companies), the performance metrics and/or targets, the payment schedule and/or such other terms of the Award in such a manner as the Committee determines in good faith to be equitable to reflect such transactions, events or reasons.

* * * * *

Appendix B

Performance Measure
A performance measure for the Award is the Company's adjusted net income measured for each Adjusted Net Income Performance Period.

Adjusted net income shall mean the adjusted net income reported in the Company's filings with the Securities and Exchange Commission, subject to such adjustments as the Committee deems appropriate.

Adjusted Net Income Achievement Percentage
For the first Adjusted Net Income Performance Period (i.e., the calendar year ending December 31, 2021), the Adjusted Net Income Achievement Percentage will be determined based the table below using a target adjusted net income of $[***] million.

Adjusted Net Income	Percent of Adjusted Net Income Target	Adjusted Net Income Achievement Percentage
[***]	< 75%	0%
[***]	75%	50%
[***]	100%	100%
[***]	125%	150%
[***]	150%	200%

For the second and third Adjusted Net Income Performance Periods (i.e., the calendar years ending on December 31, 2022 and December 21, 2023, respectively), the target adjusted net income for such Adjusted Net Income Performance Period will be established by the Committee in the first quarter of the Adjusted Net Income Performance Period.

The number of Performance Stock Units earned for each of the first, second and third Adjusted Net Income Performance Periods shall be determined by multiplying (i) the Adjusted Net Income Achievement Percentage for such period by (ii) 8.33% of the Target Number of PSUs subject to this Award.

The Adjusted Net Income Achievement Percentage will be determined based on the Percent of Adjusted Net Income Target, with linear interpolation between achievement levels.

The actual payout of the Performance Stock Units, if any, at the end of an Adjusted Net Income Performance Period will be made as provided under the Performance Stock Unit Agreement to which this Appendix B is attached.

Adjustments for Extraordinary or Other Events
Notwithstanding the foregoing, if the Committee determines that due to unusual, extraordinary or nonrecurring transactions or events materially affecting the Award or any other reasons, an adjustment in the calculation of adjusted net income, target adjusted net income, the payment schedule and/or other terms of the Award is necessary or appropriate, the Committee may adjust adjusted net income, performance targets, the payment schedule and/or such other terms of the Award in such a manner as the Committee determines in good faith to be equitable to reflect such transactions or reasons.

* * * * *

***Certain information has been omitted pursuant to Item 601(b)(10)(iv).

Appendix C

Performance Measure
A performance measure for the Award is the Company's revenue measured for each Revenue Performance Period.

Revenue Achievement Percentage
For the first Revenue Performance Period (i.e., the calendar year ending December 31, 2021), the Revenue Achievement Percentage will be determined based the table below using a target revenue of $[***] million.

Revenue	Percent of Revenue Target	Revenue Achievement Percentage
[***]	< 95%	0%
[***]	95%	50%
[***]	100%	100%
[***]	105%	150%
[***]	110%	200%

For the second and third Revenue Performance Periods (i.e., the calendar years ending on December 31, 2022 and December 21, 2023, respectively), the target revenue for such Revenue Performance Period will be established by the Committee in the first quarter of the Revenue Performance Period.

The number of Performance Stock Units earned each of the first, second and third Revenue Performance Periods shall be determined by multiplying (i) the Revenue Achievement Percentage for such period by (ii) 8.33% of the Target Number of PSUs subject to this Award.

The Revenue Achievement Percentage will be determined based on the Percent of Revenue Target, with linear interpolation between achievement levels.

The actual payout of the Performance Stock Units, if any, at the end of a Revenue Performance Period will be made as provided under the Performance Stock Unit Agreement to which this Appendix C is attached.

Adjustments for Extraordinary and Other Events
Notwithstanding the foregoing, if the Committee determines that due to unusual, extraordinary or nonrecurring transactions or events materially affecting the Award or any other reasons, an adjustment in the calculation of revenue, target revenue, the payment schedule and/or other terms of the Award is necessary or appropriate, the Committee may adjust target revenue, the performance hurdles, the payment schedule and/or such other terms of the Award in such a manner as the Committee determines in good faith to be equitable to reflect such transactions or reasons.

* * * * *

***Certain information has been omitted pursuant to Item 601(b)(10)(iv).

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Christopher J. Paucek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 2U, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	April 28, 2021	By:	/s/ Christopher J. Paucek
		Name:	Christopher J. Paucek
		Title:	*Chief Executive Officer*

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Paul S. Lalljie, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 2U, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	April 28, 2021	By:	/s/ Paul S. Lalljie
		Name:	Paul S. Lalljie
		Title:	Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF CEO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of 2U, Inc. (the "Company") for the quarterly period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Paucek, as Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	April 28, 2021	By:	/s/ Christopher J. Paucek
		Name:	Christopher J. Paucek
		Title:	Chief Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of 2U, Inc. (the “Company”) for the quarterly period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Paul S. Lalljie, as Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	April 28, 2021	By:	/s/ Paul S. Lalljie	
			Name:	Paul S. Lalljie
			Title:	Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.