



Second Quarter 2020 INVESTOR PRESENTATION

July 30, 2020

Nasdaq: TWOU

Safe Harbor.



This presentation contains forward-looking statements regarding 2U, Inc.'s future business expectations, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this presentation, including statements regarding the acquisition of Trilogy and future results of the operations and financial position of 2U, including financial targets, business strategy, and plans and objectives for future operations, are forward-looking statements. 2U has based these forward-looking statements largely on its estimates of its financial results and its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs as of the date of this presentation. The company undertakes no obligation to update these statements as a result of new information or future events. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that could cause actual results to differ materially from the results predicted, including, but not limited to:

- *trends in the higher education market and the market for online education, and expectations for growth in those markets;*
- *the acceptance, adoption and growth of online learning by colleges and universities, faculty, students, employers, accreditors and state and federal licensing bodies;*
- *the impact of competition on the company's industry and innovations by competitors;*
- *the company's ability to comply with evolving regulations and legal obligations related to data privacy, data protection and information security;*
- *the company's expectations about the potential benefits of its cloud-based software-as-a-service technology and technology-enabled services to university clients and students;*
- *the company's dependence on third parties to provide certain technological services or components used in its platform;*
- *the company's expectations about the predictability, visibility and recurring nature of its business model;*
- *the company's ability to meet the anticipated launch dates of its degree programs, short courses and boot camps;*
- *the company's ability to acquire new university clients and expand its degree programs, short courses and boot camps with existing university clients;*
- *the company's ability to successfully integrate the operations of its acquisitions, including Trilogy, to achieve the expected benefits of its acquisitions and manage, expand and grow the combined company;*
- *the company's ability to refinance its indebtedness on attractive terms, if at all, to better align with its focus on profitability;*
- *the company's ability to service its substantial indebtedness and comply with the covenants and conversion obligations contained in the indenture governing its convertible senior notes and the credit agreement governing its revolving credit facility;*
- *the company's ability to generate sufficient future operating cash flows from recent acquisitions to ensure related goodwill is not impaired;*
- *the company's ability to execute its growth strategy in the international, undergraduate and non-degree alternative markets;*
- *the company's ability to continue to recruit prospective students for its offerings;*
- *the company's ability to maintain or increase student retention rates in its degree programs;*
- *the company's ability to attract, hire and retain qualified employees;*
- *the company's expectations about the scalability of its cloud-based platform;*
- *potential changes in regulations applicable to the company or its university clients;*
- *the company's expectations regarding the amount of time its cash balances and other available financial resources will be sufficient to fund its operations;*
- *the impact and cost of stockholder activism;*
- *the impact of any natural disasters or public health emergencies, such as the coronavirus disease 2019 ("COVID-19") pandemic;*
- *the company's expectations regarding the effect of the capped call transactions and regarding actions of the option counterparties and/or their respective affiliates; and*
- *other factors beyond the company's control.*

These and other potential risks and uncertainties that could cause actual results to differ from the results predicted are more fully detailed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, as amended and supplemented by risks and uncertainties under the heading "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and other SEC filings. Moreover, 2U operates in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for 2U management to predict all risks, nor can 2U assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements 2U may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this presentation may not occur and actual results could differ materially and adversely from those anticipated

2U is a Partner & Trusted Brand Steward to 75 of the World's Top Universities.

2U



Amherst College

ARCADIA UNIVERSITY



Baylor University

BUTLER | EXECUTIVE EDUCATION



Emerson COLLEGE



Northwestern University



RICE

RIT



Simmons UNIVERSITY



Yale

2U

*As of 7/14/20

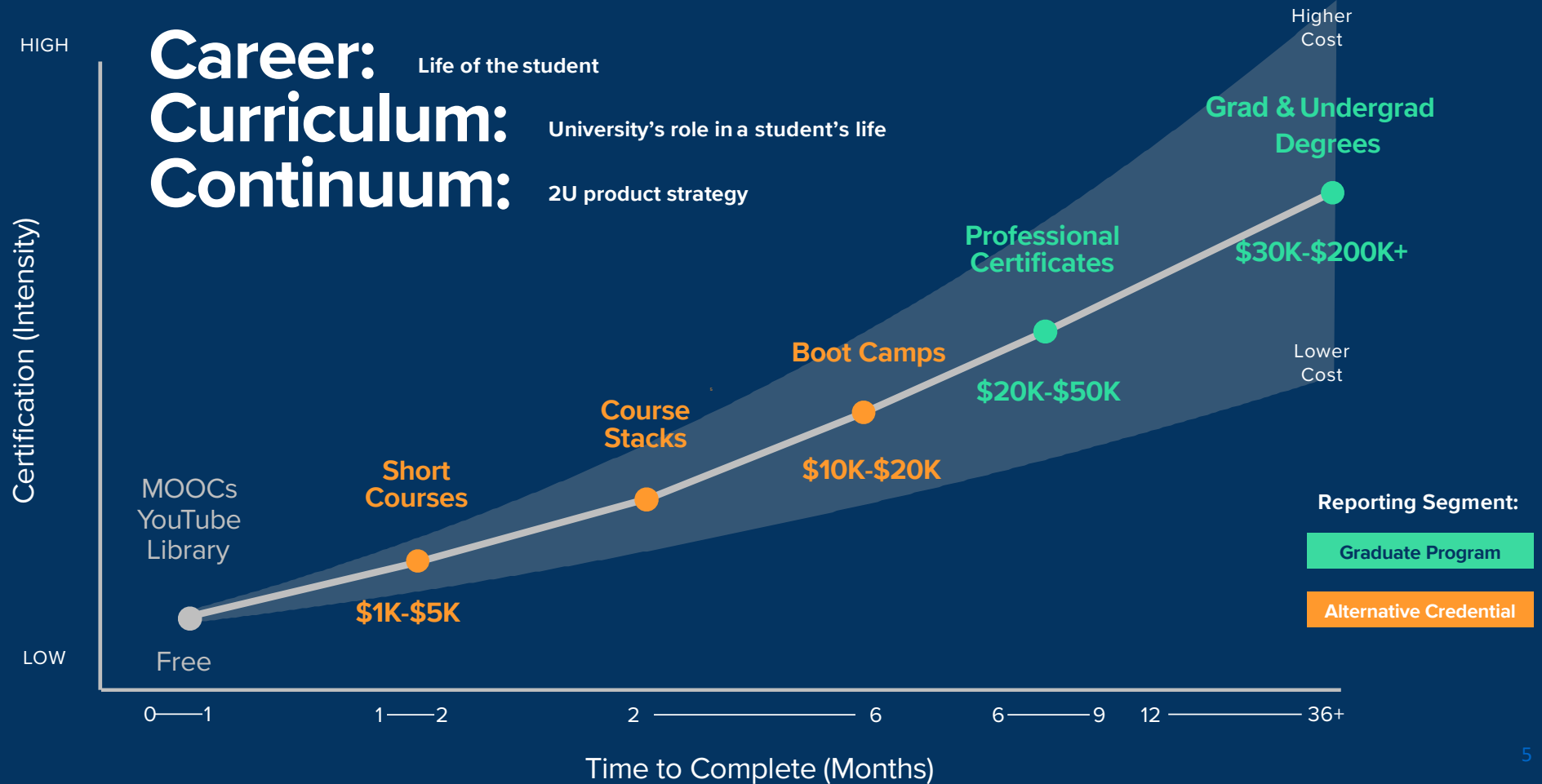
Investment Thesis.



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

2U is Positioned Across the Entire Spectrum of Higher Education.

2U



Product Portfolio is Powered by Our Proprietary Platform.



2UOS is our dynamic, proprietary platform — a seamlessly integrated ecosystem of technology, data, and people — that enables 2U to build, deliver and support world-class digital education at scale.

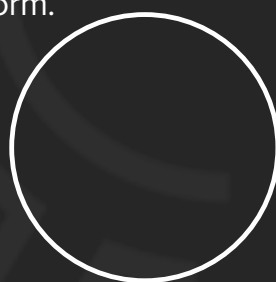
Launching world-class higher education offerings digitally is hard. Sustaining and scaling them is even harder. 2UOS makes the difficult possible by providing universities with the confidence of an experienced, trusted, mission-driven global team and the reliability of a comprehensive, secure, and proven platform.



+



+



=



technology

people

data

2UOS

.data architecture

.learning tech

.tech tools

.marketing

.admissions

.curriculum

.live classes

.placement

.hybrid experiences

.success advisors

.compliance

.accessibility

.privacy

Portfolio of Blended and Connected, Market-Driven Products for Lifelong Learning.



245,000+

STUDENTS REACHED

>1,500
INSTRUCTORS

>59,000

FIELD PLACEMENTS

75

UNIVERSITY PARTNERS

745,000+
LIVE CLASSES

435+

OFFERINGS

180,000+

GRADUATES



Financial Highlights

Compelling Second Quarter Results.

2U

1

2Q'20 revenue growth of 35% to \$182.7mm

- Organic growth of 18%¹ (compared to 15% in 1Q'20)
- Graduate Program revenue up 14% to \$115.7mm
- Alternative Credentials revenue up 97% to \$67.0mm²

2

Adjusted EBITDA loss of \$2.1mm³

- \$12.9mm improvement vs. 2Q'19
- Grad Segment profitability margin of 4%, a 12-point improvement vs. 2Q'19
- Alternative Credentials segment profitability margin of (10)%, a 10-point improvement vs. 2Q'19

3

Ending cash balance of \$213.0mm

- TTM Unlevered FCF of \$(44.2)mm, a \$14.3mm improvement compared to 1Q'20³
- Increased liquidity and financial flexibility through \$380mm convertible debt offering, \$50mm revolving line of credit established in second quarter

(1) Does not include impact of Trilogy acquisition

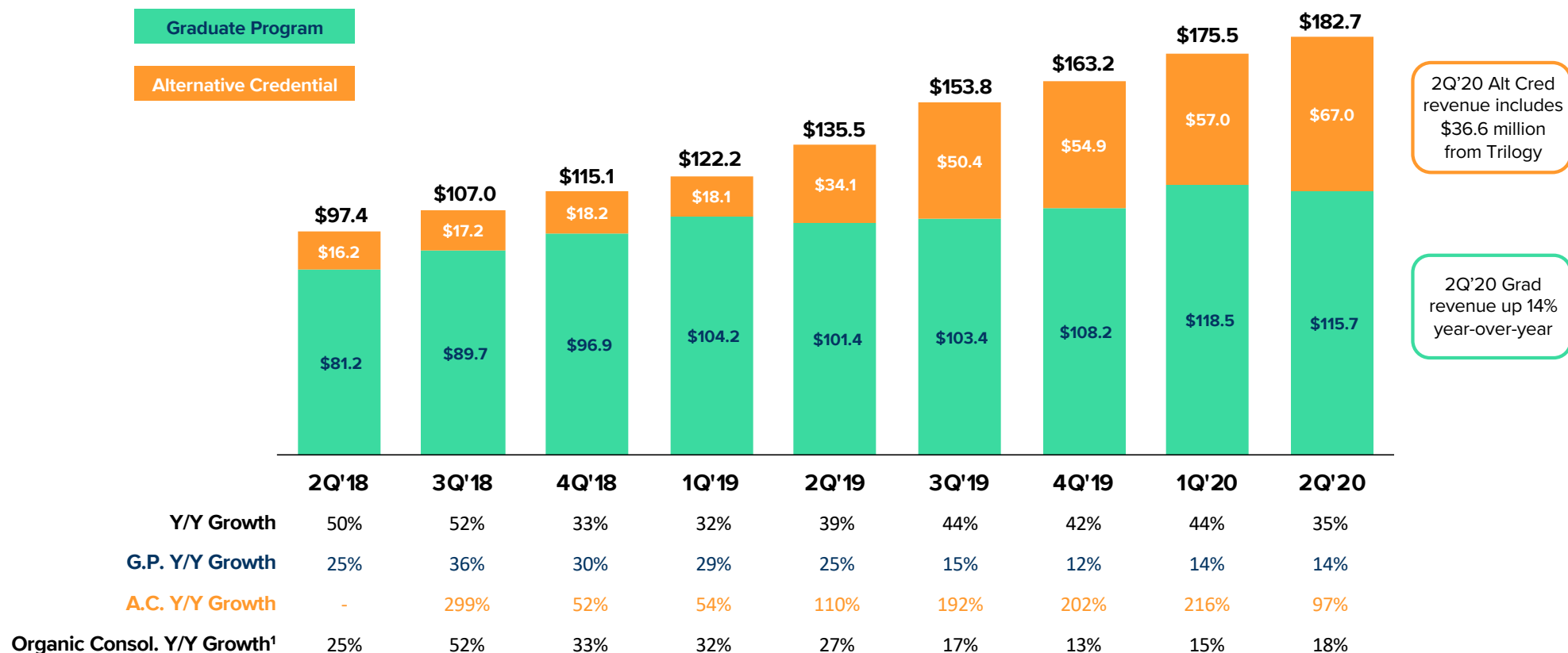
(2) Includes impact of Trilogy acquisition

(3) Refer to the Appendix for an explanation of non-GAAP financial measures, and why we believe these measures can be useful, as well as a reconciliation of non-GAAP financial measures to the most comparable GAAP measures. 2Q'20 net loss was \$66.5 million. 2Q'20 trailing twelve-month net cash used in operating activities was \$10.7 million.

Consolidated Revenue Growth.

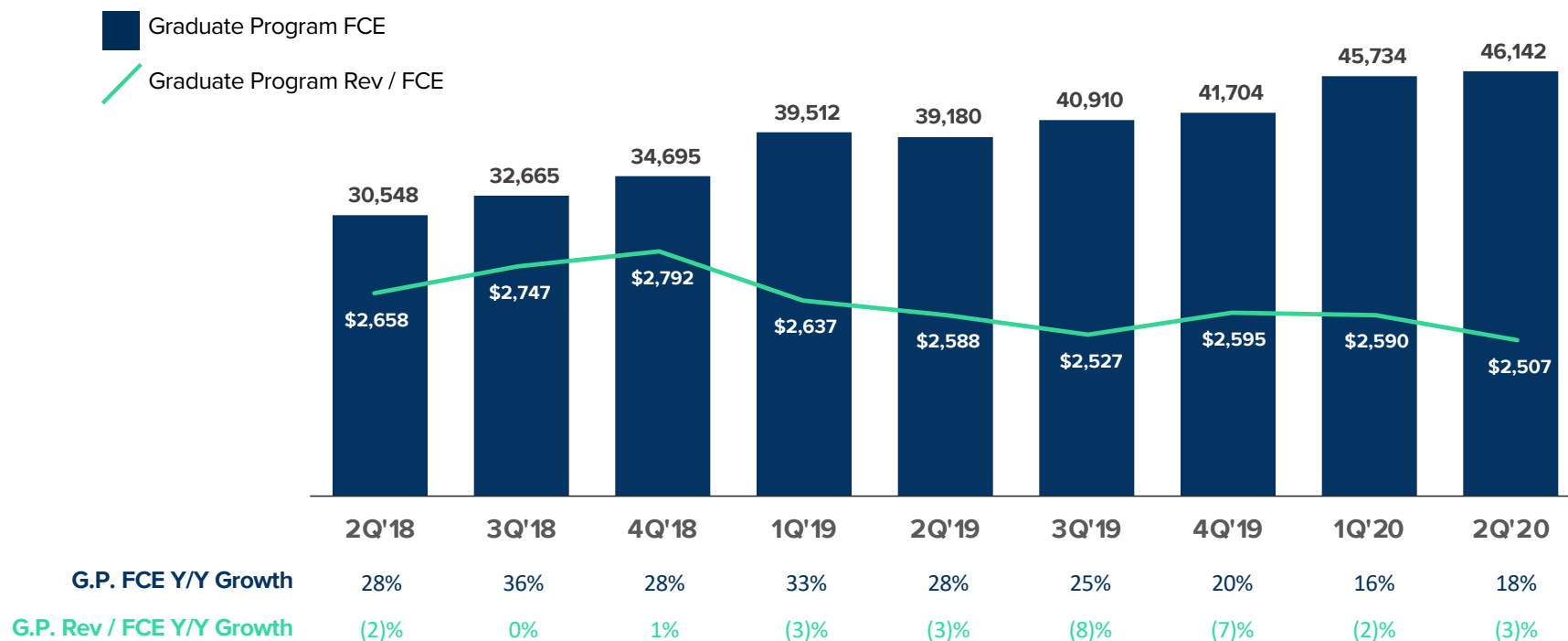
(in millions)

2U



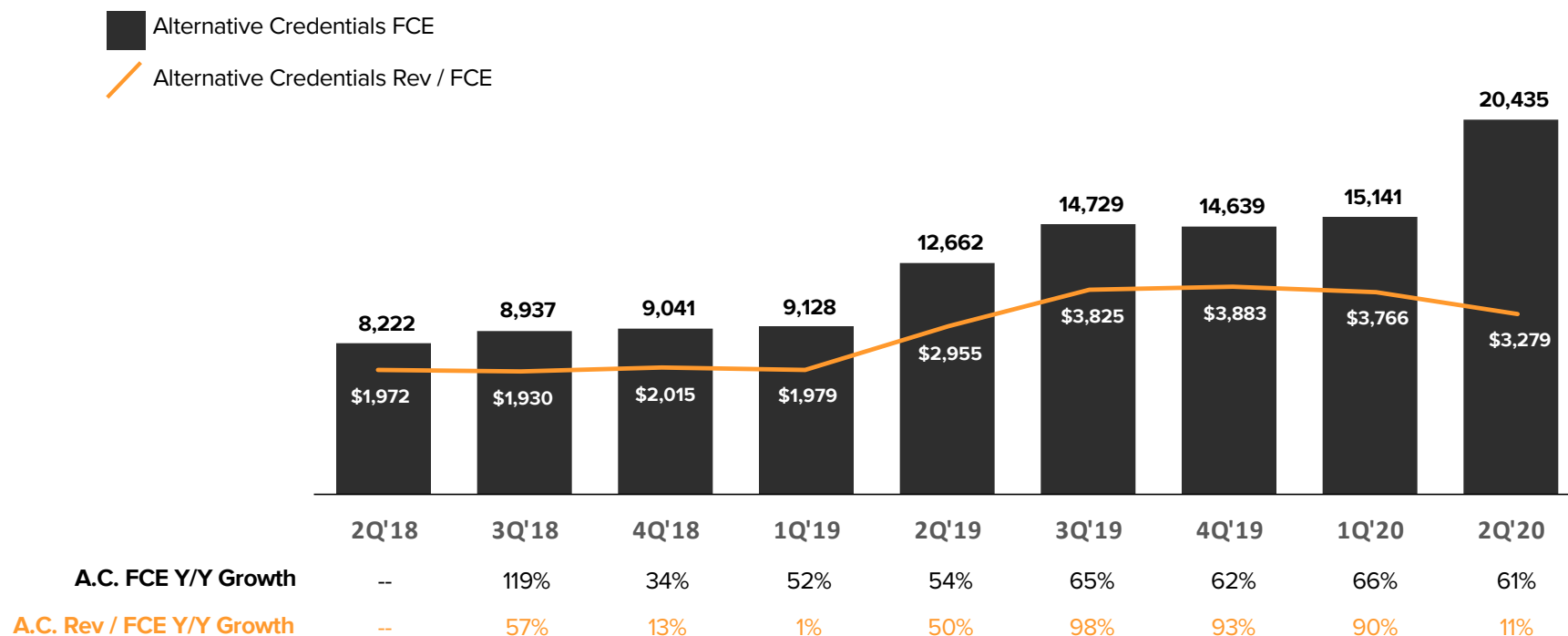
(1) Organic consolidated growth for each quarter excludes all revenue from acquisitions completed since the start of the prior-year quarter where applicable. The acquisition of GetSmarter was completed July 1, 2017. The acquisition of Trilogy Education Services was completed May 22, 2019.

Graduate Program Full Course Equivalent Enrollments.



Change in rev / FCE driven by mix shift towards recently launched, lower cost programs – which is expected to continue with our launch of competitively priced undergrad programs – and is in line with our mission to improve access to higher education

Alternative Credentials Full Course Equivalent Enrollments.



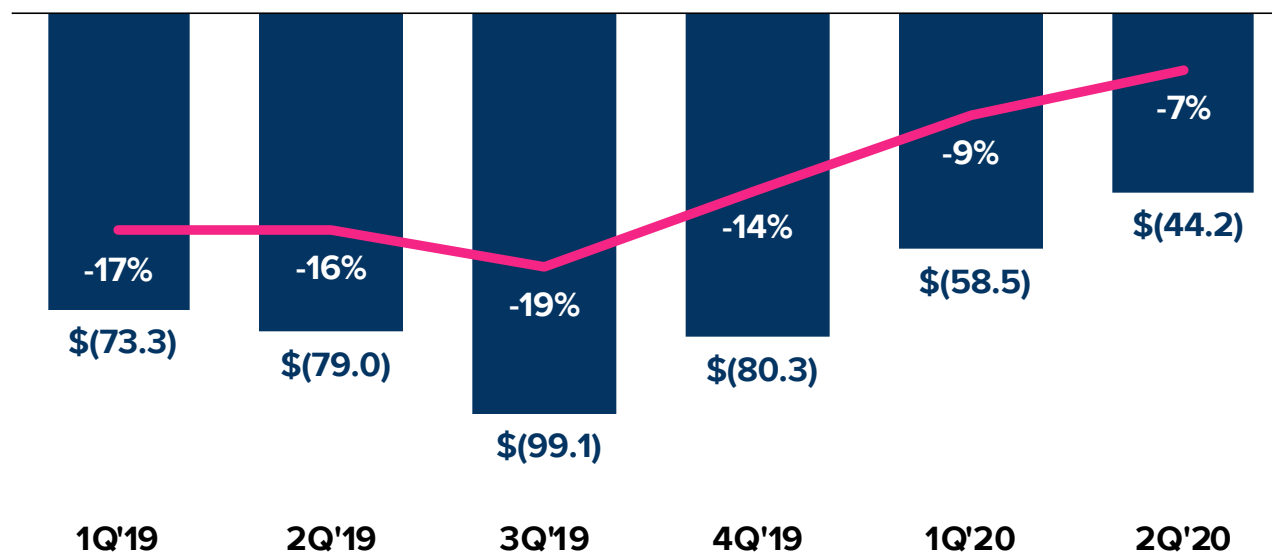
Alternative Credentials FCE and rev / FCE growth driven by the inclusion of Trilogy's results. Boot camps have higher rev / FCE than short courses, so Alt Cred rev / FCE expected to increase until the acquisition is fully lapped in 3Q'20.

Unlevered Free Cash Flow¹.

(in millions on a trailing twelve-month basis)

■ TTM Unlevered FCF

— TTM Unlevered FCF as a % of Rev



(1) Refer to the Appendix for a reconciliation of unlevered free cash flow to net cash used in operating activities, an explanation of non-GAAP financial measures, and why we believe these measures can be useful.

Key Takeaways.

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



Appendix

Non-GAAP Measures.

To provide investors and others with additional information regarding 2U's results, the company has disclosed the following non-GAAP financial measures: adjusted EBITDA (loss), unlevered free cash flow, adjusted net income (loss), and adjusted net income (loss) per share. The company has provided a reconciliation of each non-GAAP financial measure used in this presentation to the most directly comparable GAAP financial measure. The company defines adjusted EBITDA (loss) as net income or net loss, as applicable, before net interest income (expense), taxes, depreciation and amortization expense, foreign currency gains or losses, deferred revenue fair value adjustments, transaction costs, integration costs, restructuring-related costs, stockholder activism costs, impairment charges, losses on debt extinguishment, and stock-based compensation expense. The company defines unlevered free cash flow as net cash provided by (used in) operating activities, less capital expenditures, payments to university clients, restructuring-related and certain other non-ordinary cash payments, and cash interest payments on debt. The company defines adjusted net income (loss) as net income or net loss, as applicable, before foreign currency gains or losses, acquisition-related gains or losses, deferred revenue fair value adjustments, transaction costs, integration costs, restructuring-related costs, stockholder activism costs, impairment charges, losses on debt extinguishment, and stock-based compensation expense. Adjusted net income (loss) per share is calculated as adjusted net income (loss) divided by diluted weighted-average shares of common stock outstanding for periods that result in adjusted net income, and basic weighted-average shares outstanding for periods that result in an adjusted net loss. As of the date of this presentation, we revised our definitions of adjusted EBITDA (loss) and adjusted net income (loss) to exclude losses on debt extinguishment. We believe this change is useful to investors because we did not have a loss on debt extinguishment in prior periods, and as a result, excluding the impact of such a loss beginning this period facilitates a period-to-period comparison.

The company's management uses these non-GAAP financial measures to understand and compare operating results across accounting periods, to understand cash that is generated by or available for operational expenses and investment in the business after capital expenditures, for internal budgeting and forecasting purposes, for short- and long-term operating plans, and to evaluate the company's financial performance. Management believes these non-GAAP financial measures reflect the company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in the company's business as they exclude expenses that are not reflective of ongoing operating results. Management also believes that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating the company's operating results and prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies.

The use of adjusted EBITDA (loss), unlevered free cash flow, adjusted net income (loss), and adjusted net income (loss) per share measures has certain limitations, as they do not reflect all items of income and expense that affect the company's operations. The company compensates for these limitations by reconciling the non-GAAP financial measures to the most directly comparable GAAP financial measures. These non-GAAP financial measures should be considered in addition to, not as a substitute for or in isolation from, measures prepared in accordance with GAAP. Further, these non-GAAP measures may differ from the non-GAAP information used by other companies, including peer companies, and therefore comparability may be limited. Management encourages investors and others to review the company's financial information in its entirety and not rely on a single financial measure.

GAAP to Non-GAAP Reconciliation – 2Q'20 Adjusted EBITDA

(in millions)

Reconciliation of GAAP net loss to non-GAAP adjusted EBITDA		Quarter Ended June 30, 2020
Net loss		\$(66.2)
Adjustments:		
Interest expense (income), net		6.4
Foreign currency loss		(0.6)
Income tax benefit		(0.4)
Depreciation and amortization expense		24.0
Transaction and integration costs		0.4
Restructuring-related costs		0.2
Shareholder activism costs		1.3
Loss on debt extinguishment		11.7
Stock-based compensation expense		21.1
Total adjustments		64.1
Adjusted EBITDA (loss)		\$(2.1)

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

(in millions on a trailing twelve-month basis)

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

* Non-ordinary cash payments include transaction, integration, restructuring-related and stockholder activism costs.