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, 2019

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)

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

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

As of May 3, 2019, there were 58,470,718 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 and 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 which 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;
- 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, or SaaS, 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 ability to meet the anticipated launch dates of our graduate programs and short courses;
- our expectations about the predictability, visibility and recurring nature of our business model;
- our ability to acquire new university clients and expand our graduate programs and short courses with existing university clients;
- our ability to successfully integrate the operations of Get Educated International Proprietary Limited, or GetSmarter, achieve the expected benefits of the acquisition and manage, expand and grow the combined company;
- our ability to execute our growth strategy in the international, undergraduate and non-degree alternative markets;
- our ability to continue to acquire prospective students for our graduate programs and short courses;
- our ability to affect or increase student retention in our graduate programs;
- our ability to attract, hire and retain qualified employees;
- our expectations about the scalability of our cloud-based platform;
- our expectations regarding future expenses in relation to future revenue;
- potential changes in regulations applicable to us or our university clients; and
- our expectations regarding the amount of time our cash balances and other available financial resources will be sufficient to fund our operations.

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, 2018 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,” “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, 2019	December 31, 2018
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 423,606	$ 449,772
Investments	—	25,000
Accounts receivable, net	70,262	32,636
Prepaid expenses and other assets	28,260	14,272
Total current assets	522,128	521,680
Property and equipment, net	54,098	52,299
Right-of-use assets	33,070	—
Goodwill	61,498	61,852
Amortizable intangible assets, net	144,957	136,605
University payments and other assets, non-current	48,659	34,918
Total assets	$ 864,410	$ 807,354
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	$ 48,502	$ 27,647
Accrued compensation and related benefits	16,225	23,001
Deferred revenue	24,531	8,345
Lease liability	4,871	—
Other current liabilities	8,104	9,487
Total current liabilities	102,233	68,480
Deferred government grant obligations	3,500	3,500
Deferred tax liabilities, net	6,086	6,949
Lease liability, non-current	57,359	—
Other liabilities, non-current	637	23,416
Total liabilities	169,815	102,345
Commitments and contingencies (Note 4)		
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, 58,189,318 shares issued and outstanding as of March 31, 2019; 57,968,493 shares issued and outstanding as of December 31, 2018	58	58
Additional paid-in capital	969,143	957,631
Accumulated deficit	(265,720)	(244,166)
Accumulated other comprehensive loss	(8,886)	(8,514)
Total stockholders' equity	694,595	705,009
Total liabilities and stockholders' equity	$ 864,410	$ 807,354

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, 2019	Three Months Ended March 31, 2018
Revenue	$ 122,234	$ 92,288
Costs and expenses		
Curriculum and teaching	6,701	4,307
Servicing and support	20,174	15,233
Technology and content development	19,794	13,840
Marketing and sales	76,961	53,058
General and administrative	23,023	21,869
Total costs and expenses	146,653	108,307
Loss from operations	(24,419)	(16,019)
Interest income	2,349	342
Interest expense	(55)	(27)
Other expense, net	(370)	(395)
Loss before income taxes	(22,495)	(16,099)
Income tax benefit	941	1,228
Net loss	$ (21,554)	$ (14,871)
Net loss per share, basic and diluted	$ (0.37)	$ (0.28)
Weighted-average shares of common stock outstanding, basic and diluted	58,138,692	52,687,299
Other comprehensive loss		
Foreign currency translation adjustments, net of tax of $0 for all periods presented	(372)	4,632
Comprehensive loss	$ (21,926)	$ (10,239)

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		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2018	57,968,493	$ 58	$ 957,631	$ (244,166)	$ (8,514)	$ 705,009
Exercise of stock options	211,506	—	1,928	—	—	1,928
Issuance of common stock in connection with settlement of restricted stock units, net of withholdings	9,319	—	—	—	—	—
Stock-based compensation expense	—	—	9,584	—	—	9,584
Net loss	—	—	—	(21,554)	—	(21,554)
Foreign currency translation adjustment	—	—	—	—	(372)	(372)
Balance, March 31, 2019	58,189,318	$ 58	$ 969,143	$ (265,720)	$ (8,886)	$ 694,595

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2017	52,505,856	$ 53	$ 588,289	$ (205,836)	$ 5,326	$ 387,832
Exercise of stock options	186,049	—	2,120	—	—	2,120
Issuance of common stock in connection with settlement of restricted stock units, net of withholdings	154,111	—	(1,002)	—	—	(1,002)
Stock-based compensation expense	—	—	7,122	—	—	7,122
Net loss	—	—	—	(14,871)	—	(14,871)
Foreign currency translation adjustment	—	—	—	—	4,632	4,632
Balance, March 31, 2018	52,846,016	$ 53	$ 596,529	$ (220,707)	$ 9,958	$ 385,833

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2019	**2018**
Cash flows from operating activities		
Net loss	$ (21,554)	$ (14,871)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	9,698	7,375
Stock-based compensation expense	9,584	7,122
Non-cash lease expense	2,634	—
Changes in operating assets and liabilities:		
Accounts receivable, net	(37,522)	(26,109)
Payments to university clients	(10,595)	(3,826)
Prepaid expenses and other assets	(10,489)	(4,306)
Accounts payable and accrued expenses	17,536	6,010
Accrued compensation and related benefits	(6,768)	(5,437)
Deferred revenue	16,215	14,484
Other liabilities, net	(1,640)	331
Other	373	395
Net cash used in operating activities	(32,528)	(18,832)
Cash flows from investing activities		
Purchases of property and equipment	(3,164)	(1,856)
Additions of amortizable intangible assets	(13,570)	(21,805)
Purchase of equity interests	(2,500)	—
Proceeds from maturities of investments	25,000	—
Advances repaid by university clients	200	—
Net cash provided by (used in) investing activities	5,966	(23,661)
Cash flows from financing activities		
Proceeds from exercise of stock options	1,928	2,120
Tax withholding payments associated with settlement of restricted stock units	—	(1,002)
Payments for acquisition of amortizable intangible assets	(1,283)	—
Net cash provided by financing activities	645	1,118
Effect of exchange rate changes on cash	(249)	115
Net decrease in cash and cash equivalents	(26,166)	(41,260)
Cash and cash equivalents, beginning of period	449,772	223,370
Cash and cash equivalents, end of period	$ 423,606	$ 182,110

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 education technology company that well-recognized nonprofit colleges and universities trust to bring them into the digital age. The Company's comprehensive platform of tightly integrated technology and services provides the digital infrastructure universities need to attract, enroll, educate and support students at scale. With the Company's platform, students can pursue their education anytime, anywhere, without quitting their jobs or moving; and university clients can improve educational outcomes, skills attainment and career prospects for a greater number of students.

The Company has two operating segments, which are also its two reportable segments: the Graduate Program Segment and the Alternative Credential Segment (formerly known as the Short Course Segment). The Company's Graduate Program Segment provides services to well-recognized nonprofit colleges and universities, primarily in the United States, to enable the online delivery of graduate programs. The Company's Alternative Credential Segment provides short form non-degree offerings such as premium online short courses to working professionals around the world through relationships with leading universities. We elected to change the name of this segment from Short Course to Alternative Credential because we believe the name, Alternative Credential, more accurately describes this segment as we expand our offerings along the career curriculum continuum. Refer to Note 11 for further information about the Company's segments.

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, for financial statements required to be filed with the Securities and Exchange Commission ("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, 2019 and 2018 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, 2018 . All significant intercompany accounts and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet data as of December 31, 2018 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 the 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. Due to the inherent uncertainty involved in making estimates, 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.

Investments

The Company's investments within current assets on the condensed consolidated balance sheets relate to certificates of deposit with original maturities between three months and one year. As of December 31, 2018 , the Company had a $25.0 million certificate of deposit included in investments that qualified as a Level 1 fair value measurement asset and was stated at cost, which approximated fair value.

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

2. Significant Accounting Policies (Continued)

Equity Interests

As of March 31, 2019 , the Company had a $2.5 million investment in an education technology company recorded within university payments and other assets, non-current on the condensed consolidated balance sheet. This investment does not have a readily determinable fair value, and is accounted for as a cost method investment, which is subject to fair value remeasurement upon the occurrence of an observable event.

Marketing and Sales Costs

The majority of the marketing and sales costs incurred by the Company are directly related to acquiring students for its university clients' graduate programs, with lesser amounts related to acquiring students for its short courses and marketing and advertising efforts related to the Company's own brand. For the three months ended March 31, 2019 and 2018 , costs related to the Company's marketing and advertising efforts of its own brand were not material. All such costs are expensed as incurred and reported in marketing and sales expense on the Company's condensed consolidated statements of operations and comprehensive loss.

As of March 31, 2019 and December 31, 2018 , the Company had $24.6 million and $10.3 million , respectively, of accrued marketing costs included in accounts payable and accrued expenses on its condensed consolidated balance sheets.

Leases

For the Company's operating leases, an assessment is performed to determine if an arrangement is a lease at inception. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As the information necessary to determine the rate implicit in the Company's leases is not readily available, the Company determines its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any prepaid lease payments made, less lease incentives. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company does not have any finance leases for any periods presented.

The Company has elected, as an accounting policy for its leases of real estate, to account for lease and non-lease components in a contract as a single lease component. In addition, the recognition requirements are not applied to leases with a term of 12 months or less. Rather, the lease payments for short-term leases are recognized on the condensed consolidated statements of operations and comprehensive loss on a straight-line basis over the lease term.

Variable payments that depend on an index or a rate are initially measured using the index or rate at the lease commencement date. Such variable payments are included in the total lease payments when measuring the lease liability and ROU asset. The Company will only remeasure variable payments that depend on an index or a rate when the Company is remeasuring the lease liability due to any of the following occurring: (i) the lease is modified and the modification is not accounted for as a separate contract, (ii) a contingency, upon which some or all of the variable lease payments that will be paid over the remainder of the lease term are based, is resolved, (iii) there is a change in lease term, (iv) there is a change in the probability of exercising a purchase option or (v) there is a change in the amount probable of being owed under residual value guarantees. Until the lease liability is remeasured due to one of the aforementioned events, additional payments for an increase in the index or rate will be recognized in the period in which they are incurred. Variable payments that do not depend on an index or a rate are excluded from the measurement of the lease liability and recognized in the condensed consolidated statements of operations and comprehensive loss in the period in which the obligation for those payments is incurred. The Company will remeasure its lease payments when the contingency underlying such variable payments is resolved such that some or all of the remaining payments become fixed.

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

2. Significant Accounting Policies (Continued)

Long-Lived Asset Additions

During the three months ended March 31, 2019 , the Company had capital asset additions of $20.0 million in property and equipment and capitalized technology and content development, $3.2 million of which consisted of non-cash capital expenditures. Due to extended payment terms associated with the timing of cash capital expenditures made more than 90 days after the date of purchase, $1.3 million of these additions was classified as cash flows from financing activities in the condensed consolidated statement of cash flows for the three months ended March 31, 2019 .

During the three months ended March 31, 2018 , the Company had capital asset additions of $31.0 million in property and equipment and capitalized technology and content development, of which $7.4 million consisted of non-cash capital expenditures, primarily related to the acquisition of certain long-lived assets for which a liability was accrued.

Recent Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* , which requires customers in cloud computing arrangements that are service contracts to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company early adopted this ASU on July 1, 2018 under the prospective method. As a result of adopting this standard, as of March 31, 2019 and December 31, 2018 , the Company had balances of $1.0 million and $0.4 million , respectively, of capitalized implementation costs incurred to integrate the software associated with its cloud computing arrangements, within university payments and other assets, non-current on the condensed consolidated balance sheets. Such capitalized costs are subject to amortization over the remaining contractual term of the associated cloud computing arrangement, with a maximum useful life of between three to five years. The Company did not incur a material amount of such amortization for the three months ended March 31, 2019 .

In July 2018, the FASB issued ASU No. 2018-09, *Codification Improvements* , which clarifies and corrects unintended applications of guidance, and makes improvements to several Accounting Standards Codification topics. The applicable amendments in this ASU are effective for the Company in annual periods beginning after December 15, 2018. The Company adopted this ASU on January 1, 2019. Adoption of this standard did not have a material impact on the Company’s condensed consolidated financial statements or related disclosures.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* , which simplifies the accounting for share-based payments to nonemployees. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company adopted this ASU on January 1, 2019. Adoption of this standard did not have a material impact on the Company’s condensed consolidated financial statements or related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* , which eliminates step two from the goodwill impairment test and requires an entity to recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value, up to the amount of goodwill allocated to that reporting unit. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company early adopted this ASU on January 1, 2019. Adoption of this standard did not have a material impact on the Company’s condensed consolidated financial statements or related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* , which supersedes ASC 840, *Leases (Topic 840)* . The ASU introduces a model for lessees requiring most leases to be reported on the balance sheet. The Company adopted this ASU and the related amendments on January 1, 2019 under the modified retrospective transition method, which resulted in no cumulative-effect adjustment to retained earnings. The Company’s financial results for periods ending after January 1, 2019 are presented in accordance with the requirements of Topic 842, while prior period amounts are not adjusted and continue to be reported in accordance with Topic 840.

2. Significant Accounting Policies (Continued)

Upon adoption, the Company elected to not recognize ROU assets or lease liabilities for leases with a term of 12 months or less, as permitted by the short-term lease practical expedient. In transition, the Company also applied the package of practical expedients that permit entities to not reassess (i) whether expired or existing contracts contain a lease under the new standard, (ii) the lease classification for expired or existing leases, or (iii) whether previously capitalized initial direct costs would qualify for capitalization under the new standard. The Company also applied the practical expedient that permits a lessee to account for lease and non-lease components in a contract as a single lease component. In addition, the Company did not use hindsight during transition.

Upon adoption, the Company recorded ROU assets of approximately $34 million , which have been reduced for accrued rent, and the remaining balance of any lease incentives upon transition, and also recorded corresponding current and non-current lease liabilities for its operating leases of approximately $5 million and $58 million , respectively, on the condensed consolidated balance sheets. Adoption of this standard did not have a material impact on the Company's condensed consolidated statements of operations and comprehensive loss, the condensed consolidated statements of changes in stockholders' equity or the condensed consolidated statements of cash flows. Refer to Note 5 for more information about the Company's lease-related obligations.

3. Goodwill and Amortizable Intangible Assets

The table below summarizes the changes in the carrying amount of goodwill by reportable segment:

	Graduate Program Segment	Short Course Segment	Total
		(in thousands)	
Balance as of December 31, 2018	$ —	$ 61,852	$ 61,852
Foreign currency translation adjustments	—	(354)	(354)
Balance as of March 31, 2019	$ —	$ 61,498	$ 61,498

Amortizable intangible assets, net consisted of the following as of:

		March 31, 2019			December 31, 2018		
	Estimated Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
				(in thousands)			
Capitalized technology	3-5	$ 75,253	$ (19,352)	$ 55,901	$ 68,291	$ (16,945)	$ 51,346
Capitalized content development	4-5	88,054	(34,970)	53,084	79,725	(31,662)	48,063
University client relationships	9	25,482	(4,955)	20,527	25,616	(4,269)	21,347
Trade names and domain names	8-10	18,903	(3,458)	15,445	18,793	(2,944)	15,849
Total amortizable intangible assets, net		$ 207,692	$ (62,735)	$ 144,957	$ 192,425	$ (55,820)	$ 136,605

The amounts presented above include $44.2 million and $40.3 million of in process capitalized technology and content development as of March 31, 2019 and December 31, 2018 , respectively.

During 2018, the Company acquired certain third-party technologies to enhance the Company's platform, which is referred to as the 2U Operating System, or 2UOS, for aggregate consideration of $9.5 million . As of March 31, 2019 , the Company has a remaining obligation to pay the seller $0.7 million by December 31, 2019.

In the first quarter of 2018, the Company entered into an agreement with WeWork Companies, Inc. ("WeWork") and Flatiron School, Inc., a wholly owned subsidiary of WeWork, to purchase a perpetual source code license for the Learn.co platform and certain integration software development services for $14.5 million . As of March 31, 2019 , the Company has recorded capitalized technology of $14.5 million related to this agreement in amortizable intangible assets, net on the

3. Goodwill and Amortizable Intangible Assets (Continued)

Company's condensed consolidated balance sheets and $1.3 million is payable under the agreement in connection with the performance of certain software development services. In addition, the Company entered into a multi-year agreement to purchase Global Access Memberships to WeWork spaces around the world that will be provided to students in 2U-powered online graduate programs as well as to faculty and lead convenors of its offerings, an agreement to offer $5 million in scholarships to certain WeWork community members and employees, and collaborate on additional mutually agreed upon projects.

The Company recorded amortization expense related to amortizable intangible assets of $7.0 million and $5.1 million for the three months ended March 31, 2019 and 2018 , respectively. As of March 31, 2019 , the estimated future amortization expense for amortizable intangible assets placed in service is as follows (in thousands):

Remainder of 2019	$	20,444
2020		24,127
2021		18,689
2022		14,648
2023		9,848
Thereafter		12,980
Total	$	100,736

4. Commitments and Contingencies

Legal Contingencies

From time to time, the Company may become involved in legal proceedings or be subject to claims (e.g., related to regulatory, employment or indirect tax matters) in the ordinary course of its business. The Company is not presently involved in any legal proceeding or subject to claims that, if determined adversely to it, would individually or in the aggregate have a material adverse effect on its business, operating results, financial condition or cash flows. Accordingly, the Company does not believe that it is reasonably possible that a material loss exceeding amounts already recognized may have been incurred as of the date of the balance sheets presented herein.

Marketing and Sales Commitments

Certain of the agreements entered into between the Company and its university clients in the Graduate Program Segment require the Company to commit to meet certain staffing and spending investment thresholds related to marketing and sales activities. In addition, certain of the agreements in the Graduate 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 Graduate 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, 2019 , the future minimum payments due to university clients has 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, 2018 .

Contingent Payments

The Company has entered into agreements with certain of its university clients in the Graduate Program Segment under which the Company would be obligated 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 in which they relate, and records a liability in other current liabilities on the condensed consolidated balance sheets.

2U, Inc.
Notes to Condensed Consolidated Financial Statements
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4. Commitments and Contingencies (Continued)

As of March 31, 2019 , the Company had an obligation to make an additional investment in an education technology company of up to $12.5 million , upon demand by the investee.

5. Leases

The Company leases office facilities under non-cancelable operating leases in Maryland, New York, California, Colorado, North Carolina, Virginia, Hong Kong, South Africa and the United Kingdom. The Company's operating leases have remaining lease terms of between 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-cancelable lease terms. The future lease payments due under non-cancelable operating lease arrangements contain fixed rent increases over the term of the lease. The Company also leases office equipment under non-cancelable leases. The Company did not have any subleases as of March 31, 2019 .

As of December 31, 2018 , the future minimum lease payments were as follows (in thousands):

2019	$	12,941
2020		14,020
2021		13,900
2022		13,633
2023		13,959
Thereafter		68,347
Total future minimum lease payments	$	136,800

The components of lease expense consisted of the following for the period presented:

	Three Months Ended March 31, 2019	
	(in thousands)	
Operating lease expense	$	2,622
Short-term lease expense		236
Variable lease expense		914
Total lease expense	$	3,772

As of March 31, 2019 , for the Company's operating leases, the weighted-average remaining lease term was 8.8 years and the weighted-average discount rate was 13.1% . For the three months ended March 31, 2019 , cash paid for amounts included in the measurement of operating lease liabilities was $2.9 million .

As of March 31, 2019 , the maturities of operating lease liabilities were as follows (in thousands):

Remainder of 2019	$	9,475
2020		12,279
2021		11,195
2022		10,725
2023		10,964
Thereafter		51,935
Total lease payments		106,573
Less: imputed interest		(44,343)
Total lease liability	$	62,230

As of March 31, 2019 , the Company has additional operating leases for office facilities that have not yet commenced with future minimum lease payments of approximately $32 million . These operating leases will commence between fiscal years 2019 and 2020, with lease terms of between four to ten years .

2U, Inc.
Notes to Condensed Consolidated Financial Statements
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6. Debt

Lines of Credit

Effective in the first quarter of 2019, the Company amended its $25.0 million revolving line of credit agreement to extend the maturity date through June 30, 2019. No amounts were outstanding under this credit agreement as of March 31, 2019 or December 31, 2018 .

Certain of the Company's operating lease agreements entered into prior to March 31, 2019 require security deposits in the form of cash or an unconditional, irrevocable letter of credit. As of March 31, 2019 , the Company has entered into standby letters of credit totaling $15.0 million as security deposits for the applicable leased facilities and in connection with government grants. These letters of credit reduced the aggregate amount the Company may borrow under its revolving line of credit to $10.0 million . The Company intends to replace these letters of credit in connection with its pending acquisition, as described in Note 12.

Government Grants

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 our Lanham, Maryland headquarters. The conditional loan with the State of Maryland has a maturity date of December 31, 2026, and the conditional loan with Prince George's County, Maryland has a maturity date of June 22, 2027. The interest expense related to these loans for the three months ended March 31, 2019 and 2018 is immaterial.

7. Income Taxes

The Company's income tax provisions for all periods consist of U.S. federal, state and foreign income taxes. The tax provisions for the three months ended March 31, 2019 and 2018 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 was approximately 4% and 8% for the three months ended March 31, 2019 and 2018 , respectively. The Company's tax benefit of $0.9 million for the three months ended March 31, 2019 , 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. The Company expects to continue to recognize a tax benefit in the future for the Alternative Credential Segment to the extent that this segment continues to generate pre-tax losses while carrying deferred tax liabilities that are in excess of deferred tax assets. To date, the Company has not been required to pay U.S. federal income taxes because of current and accumulated net operating losses.

8. Stockholders' Equity

On May 22, 2018 the Company sold 3,833,334 shares of its common stock to the public, including 500,000 shares sold pursuant to the underwriters' over-allotment option, and received net proceeds of $330.9 million . The Company will use the net proceeds from this public offering of common stock for working capital and other general corporate purposes, including expenditures for graduate program and short course marketing, technology and content development, in connection with new graduate program and short course launches and growing existing graduate programs and short courses, as well as strategic acquisitions of, or investments in, complementary products, technologies, solutions or businesses.

2U, Inc.
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8. Stockholders' Equity (Continued)

As of March 31, 2019 , 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, 2019 , the Company had reserved a total of 15,027,946 of its authorized shares of common stock for future issuance as follows:

Outstanding stock options	3,847,116
Possible future issuance under 2014 Equity Incentive Plan	8,875,865
Outstanding restricted stock units	1,368,636
Available for future issuance under 2017 Employee Stock Purchase Plan	936,329
Total shares of common stock reserved for future issuance	15,027,946

The shares available for future issuance increased by 2,896,365 and 2,625,292 on January 1, 2019 and 2018 , respectively, pursuant to the automatic share reserve increase provision under the Amended and Restated 2014 Equity Incentive Plan (the “2014 Plan”). The Company has not declared or paid cash dividends on its common stock to date.

9. Stock-Based Compensation

The Company provides equity-based compensation awards to employees, independent contractors and directors as an effective means for attracting, retaining and motivating such individuals. The Company maintains two share-based compensation plans: the 2014 Plan and the 2008 Stock Incentive Plan (the “2008 Plan”). Upon the effective date of the 2014 Plan in January 2014, the Company ceased using the 2008 Plan to grant new equity awards and began using the 2014 Plan for grants of new equity awards.

Stock-Based Compensation Expense

Stock-based compensation expense related to stock-based awards, as well as the 2017 Employee Stock Purchase Plan, is included in the following line items on the condensed consolidated statements of operations and comprehensive loss:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Curriculum and teaching	$ 3	$ 2
Servicing and support	1,669	872
Technology and content development	1,856	711
Marketing and sales	1,256	489
General and administrative	4,800	5,048
Total stock-based compensation expense	$ 9,584	$ 7,122

Stock Options

The following is a summary of the stock option activity for the three months ended March 31, 2019 :

	Number of Options	Weighted-Average Exercise Price per Share
Outstanding balance as of December 31, 2018	4,057,788	$ 27.23
Granted	3,265	49.68
Exercised	(211,506)	9.12
Forfeited	(2,431)	84.03
Expired	—	—
Outstanding balance as of March 31, 2019	3,847,116	28.21
Exercisable as of March 31, 2019*	2,799,566	15.17

* As of March 31, 2019 , the aggregate intrinsic value of options exercisable was $156.2 million and such shares had a weighted-average remaining contractual term of 4.99 years .

9. Stock-Based Compensation (Continued)

Restricted Stock Units

Under the 2014 Plan, the Company grants restricted stock units ("RSUs") to the Company's directors and certain of the Company's employees, and grants performance restricted stock units ("PRSUs") to certain of the Company's employees. The terms of these grants under the 2014 Plan, including the vesting periods, are determined by the Company's board of directors or the compensation committee, or a subcommittee thereof.

In the first quarter of 2019, the Company granted 186,433 PRSUs with an aggregate grant date fair value of $11.5 million to certain of its employees. These PRSU awards are generally subject to vesting over periods of approximately one or two years , based on the Company achieving pre-determined consolidated revenue and adjusted EBITDA performance targets for the 2019 fiscal year. The PRSU award agreements provide that the quantity of units subject to vesting may range from 100% to 0% of the granted quantities, depending on the achievement of performance targets. The expense recognized each period is dependent upon the Company's estimate of the number of shares that will ultimately be issued.

The following is a summary of RSU and PRSU activity for the three months ended March 31, 2019 :

	Number of Units	Weighted-Average Grant Date Fair Value per Share
Outstanding balance as of December 31, 2018	1,139,045	$ 52.47
Granted	255,341	62.97
Vested	(9,319)	37.69
Forfeited	(16,431)	58.97
Outstanding balance as of March 31, 2019	1,368,636	54.45

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 the three months ended March 31, 2019 and 2018 :

	Three Months Ended March 31,	
	2019	2018
Stock options	3,847,116	4,334,612
Restricted stock units	1,368,636	1,281,880

Basic and diluted net loss per share is calculated as follows:

	Three Months Ended March 31,	
	2019	2018
Numerator (in thousands):		
Net loss	$ (21,554)	$ (14,871)
Denominator:		
Weighted-average shares of common stock outstanding, basic and diluted	58,138,692	52,687,299
Net loss per share, basic and diluted	$ (0.37)	$ (0.28)

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

The Company has two operating segments, which are also its two reportable segments: the Graduate Program Segment and the Alternative Credential Segment (formerly known as the Short Course Segment). The Company's Graduate Program Segment provides services to well-recognized nonprofit colleges and universities, primarily in the United States, to enable the online delivery of graduate programs. The Company's Alternative Credential Segment provides short form non-degree offerings such as premium online short courses to working professionals around the world through relationships with leading universities.

Graduate Program Segment

For the three months ended March 31, 2019 , three university clients each accounted for 10% or more of the Company's consolidated revenue, as follows: $22.6 million , $12.9 million and $12.7 million which equaled 18% , 11% and 10% of the Company's consolidated revenue, respectively. For the three months ended March 31, 2018 , three university clients each accounted for 10% or more of the Company's consolidated revenue, as follows: $20.7 million , $13.5 million and $9.6 million , which equaled 22% , 15% and 10% of the Company's consolidated revenue, respectively.

As of March 31, 2019 , two university clients each accounted for 10% or more of the Company's consolidated accounts receivable, net balance, as follows: $33.1 million and $8.9 million , which equaled 47% and 13% of the Company's consolidated accounts receivable, net balance, respectively. As of December 31, 2018 , two university clients each accounted for 10% or more of the Company's consolidated accounts receivable, net balance, as follows: $11.9 million and $11.8 million , which equaled 36% and 36% of the Company's consolidated accounts receivable, net balance, respectively.

Alternative Credential Segment

For the three months ended March 31, 2019 and 2018 , there were no customers or individual university clients that had revenue associated with it that accounted for 10% or more of the Company's consolidated revenue. In addition, as of March 31, 2019 and December 31, 2018 , no customers had accounts receivable, net balances that accounted for 10% or more of the Company's consolidated accounts receivable, net balance, as customers are individual students or third parties paying on their behalf, rather than university clients.

For the three months ended March 31, 2019 , offerings associated with four university clients each accounted for 10% or more of the segment's revenue, and when combined, accounted for approximately 88% of the segment's revenue. For the three months ended March 31, 2018 , offerings associated with three university clients each accounted for 10% or more of the segment's revenue, and when combined, accounted for approximately 83% of the segment's revenue.

2U, Inc.
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11. Segment and Geographic Information (Continued)

Segment Performance

The following table summarizes financial information regarding each reportable segment's results of operations for the periods presented:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(in thousands)	
Revenue by segment*		
Graduate Program Segment	$ 104,174	$ 80,559
Alternative Credential Segment	18,060	11,729
Total revenue	$ 122,234	$ 92,288
Segment profitability**		
Graduate Program Segment	$ 710	$ (274)
Alternative Credential Segment	(3,916)	(1,248)
Total segment profitability	$ (3,206)	$ (1,522)
Segment profitability margin***		
Graduate Program Segment	0.7 %	(0.3)%
Alternative Credential Segment	(21.7)%	(10.6)%
Total segment profitability margin	(2.6)%	(1.6)%

* The Company has excluded immaterial amounts of intersegment revenues from the three month periods ended March 31, 2019 and 2018 .

** The Company defines segment profitability as net income or net loss, as applicable, before net interest income (expense), taxes, depreciation and amortization expense, foreign currency gains or losses, acquisition-related gains or losses, transaction costs (including advisory fees and integration and restructuring expenses) 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 reconciles net loss to total segment profitability:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(in thousands)	
Net loss	$ (21,554)	$ (14,871)
Adjustments:		
Interest income	(2,349)	(342)
Interest expense	55	27
Foreign currency loss	370	395
Depreciation and amortization expense	9,698	7,375
Income tax benefit	(941)	(1,228)
Transaction costs	1,931	—
Stock-based compensation expense	9,584	7,122
Total adjustments	18,348	13,349
Total segment profitability	$ (3,206)	$ (1,522)

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

The Company's total assets by segment are as follows:

	March 31, 2019	December 31, 2018
	(in thousands)	
Total assets		
Graduate Program Segment	$ 754,419	$ 702,827
Alternative Credential Segment	109,991	104,527
Total assets	$ 864,410	$ 807,354

Trade Accounts Receivable and Contract Liabilities

The Company's trade accounts receivable and contract liabilities in each segment are as follows:

	March 31, 2019	December 31, 2018
	(in thousands)	
Trade accounts receivable		
Graduate Program Segment accounts receivable, net of allowance for doubtful accounts of $0 for all periods presented	$ 60,319	$ 31,110
Graduate Program Segment unbilled revenue*	8,299	265
Alternative Credential Segment accounts receivable, net of allowance for doubtful accounts of $345 and $257 as of March 31, 2019 and December 31, 2018, respectively	1,643	982
Total trade accounts receivable	$ 70,261	$ 32,357
Contract liabilities		
Graduate Program Segment deferred revenue	$ 15,104	$ 2,864
Alternative Credential Segment deferred revenue	9,427	5,481
Total contract liabilities	$ 24,531	$ 8,345

* Unbilled revenue represents contract assets.

For the Graduate Program Segment, revenue recognized during the three months ended March 31, 2019 and 2018 that was included in the deferred revenue balance at the beginning of each year was $2.4 million and $2.5 million , respectively. For the Alternative Credential Segment, revenue recognized during the three months ended March 31, 2019 and 2018 that was included in the deferred revenue balance at the beginning of each year was $5.4 million and $4.5 million , respectively.

Contract Acquisition Costs

The Graduate Program Segment had $0.4 million and $0.3 million of net capitalized contract acquisition costs as of March 31, 2019 and December 31, 2018 , respectively. During the three months ended March 31, 2019 and 2018 , the Company capitalized $0.1 million and $0.1 million , respectively, of such costs and did not record a material amount of associated amortization expense in the Graduate Program Segment in either period.

Geographical Information

The Company's non-U.S. revenue, which is based upon the currency of the country in which the university client primarily operates, was $7.7 million and $7.4 million , for the three months ended March 31, 2019 and 2018 , respectively, and was sourced entirely 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, 2019 and December 31, 2018 totaled approximately $1.5 million and $1.2 million , respectively.

2U, Inc.
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12. Subsequent Event

On April 7, 2019, the Company, along with Skywalker Purchaser, LLC, a wholly owned subsidiary of the Company ("Purchaser") and Skywalker Sub, Inc., a wholly owned subsidiary of the Company ("Merger Sub"), entered into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement") with Trilogy Education Services, Inc. ("Trilogy") and Fortis Advisors LLC, in its capacity as the Stockholder Representative thereunder, pursuant to which the Company agreed to acquire Trilogy.

The acquisition of Trilogy will be accomplished by means of the merger (the "First Merger") of Merger Sub with and into Trilogy, with Trilogy continuing as the surviving corporation and a direct, wholly owned subsidiary of the Company, followed by the merger (the "Second Merger" and, together with the First Merger, the "Mergers") of Trilogy with and into Purchaser, with Purchaser continuing as the surviving company. As a result of the First Merger, former holders of capital stock of Trilogy and options to purchase capital stock of Trilogy (collectively, the "Equityholders") will receive their applicable portion of (a) $400.0 million in cash and (b) a number of shares of common stock of the Company (the "Shares") determined by dividing $350.0 million by the average of the daily volume-weighted average trading prices of the Company's common stock during the 10 consecutive trading days immediately preceding April 7, 2019. The foregoing consideration is subject to customary adjustments based on, among other things, the amount of cash, debt, transaction expenses, deferred revenue and working capital of Trilogy and its subsidiaries at the closing date.

In connection with the Merger Agreement, the Company entered into a debt commitment letter, dated April 7, 2019 (the "Debt Commitment Letter"), with Owl Rock Capital Corporation ("ORCC") and Owl Rock Capital Advisors LLC ("ORCA" and, together with ORCC, the "Commitment Parties"), pursuant to which the Commitment Parties agreed to provide the financing necessary to fund, in part, the cash consideration to be paid pursuant to the terms of the Merger Agreement (the "Debt Financing"). The Debt Financing is expected to consist of a senior secured term loan facility in an aggregate principal amount of up to $250 million . The term loan facility is expected to mature five years after the closing date of the Mergers and bear interest, at the Company's option, at variable rates based on (a) a customary base rate (with a floor of 2.00%) plus an applicable margin of 4.75% or (b) an adjusted LIBOR rate (with a floor of 1.00%) for the interest period relevant to such borrowing plus an applicable margin of 5.75% .

The foregoing summary of the Merger Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement.

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, 2018 . 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, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. 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, 2018 , and our other filings with the Securities and Exchange Commission, or "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 the "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, 2018 , which are included in our Annual Report on Form 10-K, filed with the SEC on February 26, 2019.

Overview

Our Business

We are a leading education technology company that well-recognized nonprofit colleges and universities trust to bring them into the digital age. Our comprehensive platform of tightly integrated technology and services provides the digital infrastructure universities need to attract, enroll, educate and support students at scale. With our platform, students can pursue their education anytime, anywhere, without quitting their jobs or moving; and university clients can improve educational outcomes, skills attainment and career prospects for a greater number of students.

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

- Our Graduate Program Segment provides services to well-recognized nonprofit colleges and universities, primarily in the United States to enable the online delivery of graduate programs. We target students seeking a full graduate degree of the same quality they would receive on-campus.
- Our Alternative Credential Segment provides short form non-degree offerings such as premium online short courses to working professionals around the world through relationships with leading universities. We target working professionals seeking career advancement through skills attainment. We elected to change the name of this segment from Short Course to Alternative Credential because we believe the name, Alternative Credential, more accurately describes this segment as we expand our offerings along the career curriculum continuum.

Our core strategy is to launch graduate programs and short courses with new and existing university clients, to increase student enrollments across our portfolio of offerings and to expand our non-degree offerings along the career curriculum continuum. We are also committed to continuously improving our platform to deliver high-quality university and student experiences and outcomes at scale.

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

Our Graduate Program Segment derives revenue primarily from contractually specified percentages of the amounts our university clients receive from their students for tuition and fees, less credit card fees and other agreed-upon charges. Most of our contracts with university clients in this segment are long-term and typically have 10 to 15 year initial terms.

Our Alternative Credential Segment derives revenue directly from contracts with students for the tuition and fees paid to enroll in and progress through our short courses. We pay a contractually specified percentage of the gross proceeds received from students for each course to the associated university client for providing short course content and certification, which is recognized on our condensed consolidated statements of operations and comprehensive loss as curriculum and teaching costs. Our contracts with university clients in this segment are typically shorter and less restrictive than our contracts with university clients in our Graduate Program Segment.

Marketing and Sales Costs

Our most significant cost in each fiscal period relates primarily to student acquisition activities across both of our segments. This includes the cost of online advertising and demand generation, as well as cash and non-cash compensation and benefit costs (including stock-based compensation) for our graduate program and short course marketing, marketing analytics and admissions application counseling personnel.

We have the primary responsibility for identifying qualified students for our graduate programs and short courses, generating potential student interest and driving applications to the educational offerings. The number of students who enroll in our graduate programs and short courses in any given period is significantly dependent on the amount we have spent on these student acquisition activities in prior periods.

Graduate Program Segment

We typically identify prospective students for our graduate programs between three months and two or more years before they ultimately enroll. For the students currently enrolled in our graduate programs and those who have graduated, the average time from our initial contact with that student to enrollment was approximately eight months. Based on the student retention rates and patterns we have observed in our graduate programs, we estimate that, for our current graduate programs, the average time from a graduate program student's initial enrollment to graduation will be approximately two years.

Although most of our university clients' graduate programs span multiple academic terms and, therefore, generate continued revenue beyond the term in which initial enrollments occur, we expect that we will need to continue to incur significant marketing and sales expense for existing graduate programs going forward to generate a continuous pipeline of new enrollments. For new graduate programs, we begin incurring marketing and sales costs as early as nine months prior to the classes beginning.

Accordingly, our marketing and sales expense in any period is an investment we make to generate revenue in future periods. Likewise, revenue generated in any period is largely attributable to the investment made in student acquisition activities in earlier periods. Because marketing and sales expense in any period is almost entirely unrelated to revenue generated in that period, we do not believe it is meaningful to directly compare the two. We believe that the total revenue we will receive over time related to students who enroll in our graduate programs as a result of current period marketing and sales expense, will be significantly greater as a multiple of that current period expense than is implied by the multiple of current period revenue to current period marketing and sales expense as expressed in our financial statements. Further, 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.

We continually manage our marketing and sales expense to ensure that across our portfolio of offerings, our cost to acquire students for these offerings is appropriate for our business model. We use a ratio of attrition adjusted lifetime revenue of a student, or LTR, to the total cost to acquire that student, or TCA, as the measure of our marketing efficiency and to determine how much we are willing to spend to acquire an additional student for any offering. The LTR to TCA ratio may vary across offerings depending on the nature of the offering, where that offering is in its lifecycle and whether we enable the same or similar offerings at other universities.

Alternative Credential Segment

We typically begin incurring marketing and sales costs approximately three months prior to each short course presentation, and our short courses run between six and 16 weeks. As our short courses often have a course length that straddles two fiscal quarters based on the timing of the course start, the marketing and sales expense in any period is a combination of investments we make to generate revenue in the current and subsequent periods. Likewise, revenue generated in any period is attributable to investments made in student acquisition activities in the prior and current periods.

As the majority of our short course student enrollments are attributable to discrete marketing efforts for each short course presentation, we expect that we will need to continue to incur significant marketing and sales expense for each new and recurring short course presentation going forward to generate a continuous pipeline of new enrollments.

Other Costs and Expenses

Our other costs and expenses consist of the following:

Curriculum and teaching. Curriculum and teaching costs are associated with our Alternative Credential Segment and primarily relate to amounts due to our university clients, which are based on contractually specified percentages of the gross proceeds associated with our short course offerings for providing content and certifying courses. This also includes costs to compensate short course facilitators.

Servicing and support. Servicing and support costs consist primarily of cash and non-cash compensation and benefit costs (including stock-based compensation) related to the management and operations of our graduate programs and short courses, providing support for our SaaS technology, as well as supporting students enrolled in our offerings and faculty members. It also includes software licensing, telecommunications, technical support and other costs related to providing access to and support for our platform for our university clients and students. In addition, servicing and support includes costs to facilitate in-program field placements, student immersions and other student enrichment experiences, as well as costs to assist our university clients with their state compliance requirements.

Technology and content development. Technology and content development costs consist primarily of cash and non-cash compensation and benefit costs (including stock-based compensation) and outsourced services costs related to the ongoing improvement and maintenance of our platform, and the developed content for our graduate programs and short courses. It also includes the associated amortization expense related to capitalized technology and content development, as well as hosting and licensing and other costs associated with maintaining our platform in a cloud environment and support for our internal infrastructure.

General and administrative. General and administrative costs consist primarily of cash and non-cash compensation and benefit costs (including stock-based compensation) for employees in our executive, administrative, finance and accounting, legal, communications and human resources functions. It also includes external legal, accounting and other professional fees, and other corporate costs such as insurance and travel that are not related to another function.

Results of Operations

First Quarter 2019 Highlights

- Revenue was $122.2 million , an increase of 32.4% from $92.3 million in the first quarter of 2018 .
- Net loss was $(21.6) million , or $(0.37) per share, compared to $(14.9) million , or $(0.28) per share, in the first quarter of 2018 .
- Adjusted EBITDA loss* was $(3.2) million , compared to $(1.5) million in the first quarter of 2018 .
- We launched one new graduate program and nine new short courses.

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* Adjusted EBITDA is a financial measure not in accordance with United States generally accepted accounting principles, or U.S. GAAP. For more information about adjusted EBITDA and a reconciliation of net loss, the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, to adjusted EBITDA, see the section below titled “Adjusted EBITDA.”

Consolidated Operating Results

Comparison of Three Months Ended March 31, 2019 and 2018

The following table sets forth selected condensed consolidated statement of operations data for each of the periods indicated.

	Three Months Ended March 31,					
	2019		2018		Period-to-Period Change	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage
	(dollars in thousands)					
Revenue	$ 122,234	100.0 %	$ 92,288	100.0 %	$ 29,946	32.4 %
Costs and expenses						
Curriculum and teaching	6,701	5.5	4,307	4.7	2,394	55.6
Servicing and support	20,174	16.5	15,233	16.5	4,941	32.4
Technology and content development	19,794	16.2	13,840	15.0	5,954	43.0
Marketing and sales	76,961	63.0	53,058	57.5	23,903	45.0
General and administrative	23,023	18.8	21,869	23.7	1,154	5.3
Total costs and expenses	146,653	120.0	108,307	117.4	38,346	35.4
Loss from operations	(24,419)	(20.0)	(16,019)	(17.4)	(8,400)	52.4
Interest income	2,349	1.9	342	0.4	2,007	*
Interest expense	(55)	—	(27)	—	(28)	103.8
Other expense, net	(370)	(0.3)	(395)	(0.4)	25	(6.4)
Loss before income taxes	(22,495)	(18.4)	(16,099)	(17.4)	(6,396)	39.7
Income tax benefit	941	0.8	1,228	1.3	(287)	(23.4)
Net loss	$ (21,554)	(17.6)	$ (14,871)	(16.1)	$ (6,683)	44.9

* Not meaningful for comparative purposes.

The following table sets forth the revenue by segment for each of the periods indicated.

	Three Months Ended March 31,		Period-to-Period Change	
	2019	2018	Amount	Percentage
	(dollars in thousands)			
Revenue by segment*				
Graduate Program Segment	$ 104,174	$ 80,559	$ 23,615	29.3%
Alternative Credential Segment	18,060	11,729	6,331	54.0
Total revenue	$ 122,234	$ 92,288	$ 29,946	32.4

* The Company has excluded immaterial amounts of intersegment revenues from the three months ended March 31, 2019 and 2018 .

Revenue . Revenue for the three months ended March 31, 2019 was $122.2 million , an increase of $29.9 million , or 32.4% , from $92.3 million for the same period of 2018 . Graduate Program Segment revenue increased by $23.6 million , or 29.3% . This increase was primarily driven by growth in full course equivalent enrollments of 9,742 , or 32.7% and partially offset by a decrease in the average revenue per full course equivalent enrollment, from $2,706 to $2,637 . Alternative Credential Segment revenue increased by $6.3 million , or 54.0% . This increase was primarily driven by growth in full course equivalent enrollments of 3,126 , or 52.1% and, to a lesser extent, an increase in the average revenue per full course equivalent enrollment, from $1,954 to $1,979 . Fluctuations in foreign currency exchange rates for the three months ended March 31, 2019 from those prevailing in the same period of 2018 , did not have a material impact on revenue.

Curriculum and Teaching. Curriculum and teaching costs for the three months ended March 31, 2019 were $6.7 million , an increase of $2.4 million , or 55.6% , from $4.3 million for the same period of 2018 . This increase was primarily due to an increase in the number of short courses taken in our Alternative Credential Segment.

Servicing and Support. Servicing and support costs for the three months ended March 31, 2019 were $20.2 million , an increase of $5.0 million , or 32.4% , from $15.2 million for the same period of 2018 . This increase was primarily due to a $4.1 million increase in cash and non-cash compensation and benefit costs, as we increased our headcount in servicing and support by 38% to serve a growing number of students and faculty in existing and new graduate programs and short courses. Additionally, $0.9 million of the increase primarily related to higher student immersion costs, rent and other servicing and support costs.

Technology and Content Development. Technology and content development costs for the three months ended March 31, 2019 were $19.8 million , an increase of $6.0 million , or 43.0% , from $13.8 million for the same period of 2018 . This increase was due in part to a $2.1 million increase in cash and non-cash compensation and benefit costs (net of amounts capitalized for technology and content development), as we increased our headcount in technology and content development by 63% to support the scaling of existing and launching of new graduate programs and short courses. Additionally, $1.9 million of the increase related to higher hosting and licensing costs, due to the larger number of courses that have been developed and the continued maintenance of our platform in a cloud environment, and $1.8 million of the increase related to higher amortization expense associated with capitalized technology and content development. The remainder of the increase related to $0.2 million of other net costs to support and maintain our internal software applications.

Marketing and Sales. Marketing and sales costs for the three months ended March 31, 2019 were $77.0 million , an increase of $23.9 million , or 45.0% , from $53.1 million for the same period of 2018 . This increase was primarily due to higher direct internet marketing costs of $17.0 million as we increased our student acquisition activities to drive enrollments in our graduate programs and short courses. Additionally, the increase included $5.3 million of higher cash and non-cash compensation and benefit costs, as we increased our headcount in marketing and sales by 34% to drive enrollment and revenue growth in existing and new graduate programs and short courses. The remaining $1.6 million of the increase related to higher other marketing and sales costs.

General and Administrative. General and administrative costs for the three months ended March 31, 2019 were $23.0 million , an increase of $1.1 million , or 5.3% , from $21.9 million for the same period of 2018 . This increase was primarily due to $1.9 million of transaction costs associated with our agreement to purchase Trilogy Education Services, Inc. and a $0.3 million increase in other net costs to support growth within our Graduate Program Segment. These increases were partially offset by a $1.1 million decrease in cash and non-cash compensation and benefit costs, which was driven by lower costs related to our employee benefit programs.

Net Interest Income (Expense). In the three months ended March 31, 2019 , we earned net interest income of $2.3 million , compared to net interest expense of $0.3 million in the same period of 2018 , primarily driven by a higher cash balance resulting from our May 2018 public offering of common stock.

Other Expense, Net. For the three months ended March 31, 2019 , we incurred other expense, net, of $0.4 million , compared to $0.4 million in the same period of 2018 .

Income Tax Benefit . Our income tax provisions for all periods consist of U.S. federal, state and foreign income taxes. The tax provisions for the three months ended March 31, 2019 and 2018 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.

Our effective tax rate was approximately 4% and 8% for the three months ended March 31, 2019 and 2018 , respectively. Our tax benefit of $0.9 million for the three months ended March 31, 2019 , related to losses generated by operations and the amortization of acquired intangibles in our Alternative Credential Segment that are expected to be realized through future reversing taxable temporary differences. We expect to continue to recognize a tax benefit in the future for our Alternative Credential Segment to the extent that this segment continues to generate pre-tax losses while carrying deferred tax liabilities that are in excess of deferred tax assets. 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), taxes, depreciation and amortization expense, foreign currency gains or losses, acquisition-related gains, transaction costs (including advisory fees and integration and restructuring expenses) or losses and stock-based compensation expense. Some or all of these items may not be applicable in any given reporting period.

The following table reconciles net loss to total segment profitability:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(in thousands)	
Net loss	$ (21,554)	$ (14,871)
Adjustments:		
Interest income	(2,349)	(342)
Interest expense	55	27
Foreign currency loss	370	395
Depreciation and amortization expense	9,698	7,375
Transaction costs	1,931	—
Income tax benefit	(941)	(1,228)
Stock-based compensation expense	9,584	7,122
Total adjustments	18,348	13,349
Total segment profitability	$ (3,206)	$ (1,522)

Three Months Ended March 31, 2019 and 2018

Revenue by segment and segment profitability for the three months ended March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31,		Period-to-Period Change	
	2019	2018	Amount	Percentage
	(dollars in thousands)			
Revenue by segment*				
Graduate Program Segment	$ 104,174	$ 80,559	$ 23,615	29.3 %
Alternative Credential Segment	18,060	11,729	6,331	54.0
Total revenue	$ 122,234	$ 92,288	$ 29,946	32.4
Segment profitability				
Graduate Program Segment	$ 710	$ (274)	$ 984	(359.3)
Alternative Credential Segment	(3,916)	(1,248)	(2,668)	213.8
Total segment profitability	$ (3,206)	$ (1,522)	$ (1,684)	110.6

* The Company has excluded immaterial amounts of intersegment revenues from the three months ended March 31, 2019 and 2018 .

Segment profitability in our Graduate Program Segment for the three months ended March 31, 2019 was $0.7 million , an increase of $1.0 million , or 359.3% , from $(0.3) million for the same period of 2018 . The factors favorably impacting segment profitability in this segment was the year-over-year growth in revenue, and a decrease in our costs related to our employee benefits. We expect to increase investment in the development, marketing and support of newer and newly launching programs in this segment. Based on timing differences between the addition of costs related to the increased investment and the related recognition of revenue, we expect that there will be significant variability in segment profitability in this segment between periods.

Segment profitability in our Alternative Credential Segment for the three months ended March 31, 2019 was $(3.9) million , a decrease of $2.7 million , or 213.8% , from $(1.2) million for the same period of 2018 . The primary factor impacting segment profitability in this segment was the year-over-year increase in net loss. There were also changes in relative expense levels and expense timing in this period of rapid growth for the Alternative Credential Segment, year-over-year and quarter-over-quarter. Therefore, changes in segment profitability do not necessarily represent a business trend. Changes in segment profitability are highly dependent upon the timing of new course launches and new course presentations. We expect to increase investment in the development, marketing and support of newer and newly launching courses in this segment. Based on timing differences between the addition of costs related to the increased investment and the related recognition of revenue, we expect that there will be significant variability in segment profitability in this segment between periods.

Capital Resources and Liquidity

Capital Expenditures

During the three months ended March 31, 2019 , we had capital asset additions of $20.0 million , which were comprised of $15.3 million in capitalized technology and content development, $3.4 million of leasehold improvements $1.1 million of other property and equipment, and $0.2 million of trade and domain names. The $20.0 million of capital asset additions consisted of $16.8 million in cash capital expenditures. Due to extended payment terms associated with the timing of cash capital expenditures made more than 90 days after the date of purchase, an additional $1.3 million for purchases made in prior year was classified as cash flows from financing activities in the condensed consolidated statement of cash flows for the three months ended March 31, 2019 . For the full year of 2019 , we expect new capital asset additions of approximately $90 to $95 million, of which approximately $3 to $6 million will be funded by landlord leasehold improvement allowances.

Sources of Liquidity

Lines of Credit

We currently have a $25.0 million revolving line of credit with Comerica Bank ("Comerica"), which had no amounts outstanding as of March 31, 2019 or December 31, 2018 . The most recent amendment was effective as of March 31, 2019 , to extend the maturity date of the credit agreement through June 30, 2019.

Under this revolving line of credit, we have the option of borrowing funds subject to (i) a base rate, which is equal to 1.5% plus the greater of Comerica's prime rate, the federal funds rate plus 1% or the 30 day LIBOR plus 1%, or (ii) LIBOR plus 2.5%. For amounts borrowed under the base rate, we may make interest-only payments quarterly, and may prepay such amounts with no penalty. For amounts borrowed under LIBOR, we may make interest-only payments in periods of one, two and three months and will be subject to a prepayment penalty if we repay such borrowed amounts before the end of the interest period.

Borrowings under the line of credit are collateralized by substantially all of our assets. The availability of borrowings under this credit line is subject to our compliance with reporting and financial covenants, including, among other things, that we achieve specified minimum three-month trailing revenue levels during the term of the agreement and specified minimum six-month trailing profitability levels for some of our graduate programs, measured quarterly. In addition, we are required to maintain a minimum adjusted quick ratio, which measures our short-term liquidity, of at least 1.10 to 1.00. As of March 31, 2019 and December 31, 2018 , our adjusted quick ratios were 8.50 and 12.38 , respectively.

The covenants under the line of credit also place limitations on our ability to incur additional indebtedness or to prepay permitted indebtedness, grant liens on or security interests in our assets, carry out mergers and acquisitions, dispose of assets, declare, make or pay dividends, make capital expenditures in excess of specified amounts, make investments, loans or advances, enter into transactions with our affiliates, amend or modify the terms of our material contracts, or change our fiscal year. If we are not in compliance with the covenants under the line of credit, after any opportunity to cure such non-compliance, or we otherwise experience an event of default under the line of credit, the lenders may require repayment in full of all principal and interest outstanding. We are currently in compliance with all such covenants.

Certain of our operating lease agreements require security deposits in the form of cash or an unconditional, irrevocable letter of credit. As of March 31, 2019 , we had entered into standby letters of credit totaling $11.5 million as security deposits for the applicable leased facilities and standby letters of credit totaling $3.5 million in connection with two government grants. These letters of credit reduced the aggregate amount we may borrow under our revolving line of credit to $10.0 million. The Company intends to replace these letters of credit in connection with its pending acquisition, as described in Note 12 in the "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Government Grants

In June 2017, we entered into a total of two 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 we attain certain conditions related to employment levels at our Lanham, Maryland headquarters. The loan with the State of Maryland has a maturity date of December 31, 2026, and the loan with Prince George's County, Maryland has a maturity date of June 22, 2027. The interest expense related to these loans for the three months ended March 31, 2019 and 2018 is immaterial.

Working Capital

We define working capital as current assets minus current liabilities. Our working capital as of March 31, 2019 and December 31, 2018 was $419.9 million and $453.2 million , respectively. Our cash and cash equivalents balances within working capital as of March 31, 2019 and December 31, 2018 were $423.6 million and $449.8 million , respectively. The decrease in our working capital primarily relates to a $20.9 million increase in accounts payable and accrued expenses, a $16.2 million increase in deferred revenue and a $4.9 million increase in the lease liability in connection with the adoption of Topic 842. The increases of these current liabilities were partially offset by a $6.8 million decrease in accrued compensation and related benefits and a decrease in other current liabilities.

We do not enter into investments for trading or speculative purposes. We invest any cash in excess of our immediate requirements in investments designed to preserve the principal balance and provide liquidity. Accordingly, our cash is invested primarily in demand deposit accounts or certificates of deposit that are currently providing only a minimal return.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Three Months Ended March 31,		Period-to-Period Change	
	2019	**2018**	**Amount**	**Percentage**
	(dollars in thousands)			
Cash (used in) provided by:				
Operating activities	$ (32,528)	$ (18,832)	$ (13,696)	72.7 %
Investing activities	5,966	(23,661)	29,627	(125.2)
Financing activities	645	1,118	(473)	(42.3)
Effect of exchange rate changes on cash	(249)	115	(364)	(317.9)
Net decrease in cash and cash equivalents	$ (26,166)	$ (41,260)	$ 15,094	(36.6)

Operating Activities

Cash used in operating activities for the three months ended March 31, 2019 was $32.5 million , an increase of $13.7 million or 72.7% from $18.8 million for the same period of 2018 . This was primarily due to cash used by the following items:

- a $14.4 million change in working capital; and
- a $6.7 million increase in net loss.

These cash outflows were partially offset by:

- a $2.6 million increase in non-cash lease expense in connection with the adoption of Topic 842;
- a $2.5 million increase in stock-based compensation expense; and
- a $2.3 million increase in depreciation and amortization expense.

Investing Activities

Cash provided by investing activities for the three months ended March 31, 2019 was $6.0 million , an increase of $29.7 million or 125.2% from cash used in investing activities of $23.7 million for the same period of 2018 . This increase was primarily due to a $25.0 million inflow from the maturity of investments and a decrease in additions of amortizable intangible assets of $8.2 million . These increases in inflows were partially offset by a $1.3 million increase in purchases of property and equipment as we expanded into new facilities and a $2.5 million outflow related to the purchase of an equity interest in an education technology company.

Financing Activities

Cash provided by financing activities for the three months ended March 31, 2019 was $0.6 million , a decrease of $0.5 million from $1.1 million for the same period of 2018 . This decrease was primarily due to an outflow of $1.3 million related to payments made for the acquisitions of amortizable intangible assets and a $0.2 million decrease in proceeds received from the exercise of stock options. These decreases in cash provided by financing activities were partially offset by $1.0 million of tax withholding payments associated with the settlement of restricted stock units in the prior year.

Other

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 Allowance for Doubtful Accounts

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 graduate programs and short courses.

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.

Our Graduate Program Segment derives revenue primarily from contractually specified percentages of the amounts our university clients receive from their students in 2U-enabled graduate 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 10 to 15 year initial terms 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 directly from contracts with students for the tuition and fees paid to enroll in and progress through our short courses, which run between six and 16 weeks. Our contracts with students in this segment have multiple performance obligations as the delivery of the short course and student support services are each considered distinct performance obligations. These performance obligations are each satisfied ratably over the same short course presentation period, which is defined as the period beginning on the first day of the course through the last. We recognize the gross proceeds received from the students and share contractually specified percentages with our university clients, for providing short course content and certification, which are recognized as curriculum and teaching costs 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 Graduate Program Segment.

We do not disclose the value of unsatisfied performance obligations for our Graduate 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 obligation is part of a contract that has an original duration of less than one year.

Contract Acquisition Costs

We pay commissions to certain of our employees to obtain contracts with university clients in our Graduate 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 Graduate Program Segment, we have made, or are obligated to make, payments to university clients at either execution of a contract or at the extension of a contract in exchange for various marketing and other rights. Generally, these amounts are capitalized 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.

Accounts Receivable, Contract Assets and Liabilities

Balance sheet items related to contracts consist of accounts receivable, net and deferred revenue on our condensed consolidated balance sheets. Included in accounts receivable, net are trade accounts receivable, which are comprised of billed and unbilled revenue. Accounts receivable, net is stated at net realizable value, and we utilize the allowance method to provide for doubtful accounts based on management's evaluation of the collectability of the amounts due. Our estimates are reviewed and revised periodically based on historical collection experience and a review of the current status of accounts receivable, net. Historically, actual write-offs for uncollectible accounts have not significantly differed from prior estimates. We recognize unbilled revenue when revenue recognition occurs in advance of billings. Unbilled revenue is recognized in our Graduate 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.

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. We generally receive payments for our share of tuition and fees from graduate program university clients early in each academic term and from short course 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.

Goodwill

Goodwill is the excess of purchase price over the fair value of identified net assets of the business acquired. Our goodwill balance relates to the acquisition of GetSmarter in 2017. We review goodwill at least 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 the 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 the two-step goodwill impairment review. We review our goodwill for impairment using the two-step process 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 our qualitative assessment. Upon the completion of the two-step process, we may be required to recognize an impairment based on the difference between the carrying value and the fair value of the goodwill recorded.

Internally-Developed Intangible Assets

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 costs are amortized on 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 conjunction with the faculty for each graduate program and short course. University clients and their faculty generally provide materials used for the course in an on-campus setting, including curricula, case studies and other reading materials, and presentations. We are responsible for the conversion of the materials into a format suitable for delivery through our online learning platform, including all expenses associated with this effort. With regard to the Graduate 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 costs 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 costs begin. The capitalized costs for each offering are recorded on a course-by-course basis and included in capitalized content costs in amortizable intangible assets, net on our condensed consolidated balance sheets. These costs 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 costs, capitalized content development costs 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 costs, the costs are grouped by the lowest level of independent cash flows (i.e., by degree program or short course, for content development costs). 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.

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, 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 full course equivalent enrollments as a key metric to evaluate the success of our growth strategy.

Full Course Equivalent Enrollments in Our University Clients’ Offerings

We measure full course equivalent enrollments for each of the courses offered during a particular period by taking the number of students enrolled in that course and multiplying it by the percentage of the course completed during that period. We add the full course equivalent enrollments for each course within each segment to calculate the total full course equivalent 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 two or more 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 full course equivalent enrollments for that period. Any individual student may be enrolled in more than one course during a period.

Average revenue per full course equivalent 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 full course equivalent 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 graduate programs and short courses, as applicable, and varying tuition levels, among other factors.

The following table sets forth the full course equivalent enrollments and average revenue per full course equivalent enrollment in our Graduate Program Segment and Alternative Credential Segment for the periods presented.

	Three Months Ended March 31,	
	2019	**2018**
Graduate Program Segment		
Full course equivalent enrollments	39,512	29,770
Average revenue per full course equivalent enrollment	$ 2,637	$ 2,706
Alternative Credential Segment		
Full course equivalent enrollments	9,128	6,002
Average revenue per full course equivalent enrollment	$ 1,979	$ 1,954

Of the increase in full course equivalent enrollments in our Graduate Program Segment for the three months ended March 31, 2019 and 2018 , 3,511 or 36.0% and 2,244 or 37.9%, respectively, were attributable to graduate programs launched during the preceding 12 months. Of the increase in full course equivalent enrollments in our Alternative Credential Segment for the three months ended March 31, 2019 , 2,343 or 75.0% , were attributable to short courses launched during the preceding 12 months. Of the increase in full course equivalent enrollments in our Alternative Credential Segment for the three months ended March 31, 2018 , 3,137 or 52.3% , were attributable to short courses launched during the preceding nine months since the July 1, 2017 acquisition of GetSmarter.

Adjusted EBITDA

Adjusted EBITDA represents our earnings before net interest income (expense), taxes, depreciation and amortization expense, foreign currency gains or losses, acquisition-related gains or losses, transaction costs (including advisory fees and integration and restructuring expenses) and stock-based compensation expense. In the first quarter of 2019, we revised our definition of adjusted EBITDA to exclude the impact of transaction costs in connection with the acquisition of Trilogy Education Services, Inc. We believe this change is meaningful to investors because we did not have material transaction costs in prior periods and as a result, excluding the impact of such costs beginning in this period facilitates a period-to-period comparison of our business. Adjusted EBITDA is a key measure used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that adjusted EBITDA 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 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. In addition, adjusted EBITDA may not be comparable to similarly titled measures of other companies because other companies may not calculate adjusted EBITDA in the same manner as we do. We prepare adjusted EBITDA to eliminate the impact of stock-based compensation expense, which we do not consider indicative of our core operating performance.

Our use of adjusted EBITDA 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 these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect the impact of changes in foreign currency exchange rates;
- adjusted EBITDA does not reflect acquisition related gains or losses such as, but not limited to, post-acquisition changes in the value of contingent consideration reflected in operations;
- adjusted EBITDA does not reflect transaction costs;
- adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation;
- adjusted EBITDA does not reflect interest or tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these and other limitations, you should consider adjusted EBITDA 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 net loss to adjusted EBITDA (loss) for each of the periods indicated:

	Three Months Ended March 31,	
	2019	**2018**
	(in thousands)	
Net loss	$ (21,554)	$ (14,871)
Adjustments:		
Interest income	(2,349)	(342)
Interest expense	55	27
Foreign currency loss	370	395
Depreciation and amortization expense	9,698	7,375
Income tax benefit	(941)	(1,228)
Transaction costs	1,931	—
Stock-based compensation expense	9,584	7,122
Total adjustments	18,348	13,349
Adjusted EBITDA (loss)	$ (3,206)	$ (1,522)

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 26, 2019.

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, 2019 and 2018 , our foreign currency translation adjustment was a loss of $0.4 million and a gain of $4.6 million , respectively.

For the three months ended March 31, 2019 and 2018 , we recognized foreign currency exchange losses of $0.4 million and $0.4 million , respectively, included on our condensed consolidated statements of operations and comprehensive loss.

The foreign currency exchange rate volatility of the trailing 12 months ending March 31, 2019 was 13% and 6% 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 revenues or decreases our expenses, 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 Securities Exchange Act of 1934 (the "Exchange Act"), as amended, 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 at a reasonable assurance level as of March 31, 2019 .

Changes in Internal Control Over Financial Reporting

We made no changes in our internal control over financial reporting during the three months ended March 31, 2019 that have 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 4 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, 2018 , which was filed with the SEC on February 26, 2019, 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.

Item 6. Exhibits

Exhibit Number	Description	Form	File No.	Exhibit Number	Filing Date	Filed Herewith
2.1	Agreement and Plan of Merger and Reorganization, dated as of April 7, 2019, by and among 2U, Inc., Skywalker Purchaser, LLC, Skywalker Sub, Inc., Fortis Advisors LLC, as stockholder representative and Trilogy Education Services, Inc.	8-K	001-36376	2.1	April 8, 2019	
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	
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.					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

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.	
May 7, 2019	By:	/s/ Christopher J. Paucek
		Christopher J. Paucek
		Chief Executive Officer
May 7, 2019	By:	/s/ Catherine A. Graham
		Catherine A. Graham
		Chief Financial Officer

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: May 7, 2019

By: /s/ Christopher J. Paucek

Name: Christopher J. Paucek
Title: *Chief Executive Officer*

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Catherine A. Graham, 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: May 7, 2019 By: /s/ Catherine A. Graham

Name: Catherine A. Graham
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, 2019 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:	May 7, 2019	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, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Catherine A. Graham, 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:	May 7, 2019	By:	/s/ Catherine A. Graham
		Name:	Catherine A. Graham
		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.