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DELTA REPORT

10-K

TWOU - 2U, INC.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	2836
CHANGES	437
DELETIONS	944
ADDITIONS	1455

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2022 December 31, 2023

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 logo.jpg

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

Delaware	**26-2335939**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7900 Harkins Road	**Lanham, MD**	**20706**
(Address of Principal Executive Offices)		(Zip Code)

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

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

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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ ☐ No ☐ ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the 58,351,442 69,415,504 shares of the registrant's common stock held by non-affiliates as of June 30, 2022 June 30, 2023 (computed based on the closing price on such date as reported on The Nasdaq Global Select Market) was $610,939,598. $279,744,481.

As of February 15, 2023 February 29, 2024, there were 79,274,086 83,644,026 shares of the registrant's common stock, par value $0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive proxy statement, to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, for its 2023 2024 Annual Meeting of Stockholders, or an amendment on Form 10-K/A are incorporated by reference in Part III of this Form 10-K.

2U, Inc.
FORM 10-K
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to substantial risks and uncertainties. All statements, other than statements of historical fact, are forward-looking statements. 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 Annual Report on Form 10-K, we caution you that these statements are based on a combination of facts and factors currently known by us and our expectations of the future, about which we cannot be certain. Factors that may cause actual results to differ materially from current expectations include, but are not limited to:

- trends in the higher education market and the market for online education, and expectations for growth in those markets;
- our ability to maintain minimum recurring revenues Recurring Revenue (as defined by the Second Amended Credit Agreement) or other financial ratios during required periods through the maturity date of our Second Amended Term Loan Facilities Credit Agreement (as defined below);
- the acceptance, adoption and growth of online learning by colleges and universities, faculty, students, employers, accreditors and state and federal licensing bodies;
- the impact of competition on our industry and innovations by competitors;
- our ability to comply with evolving regulations and legal obligations related to data privacy, data protection, artificial intelligence and information security;
- our expectations about the potential benefits of our cloud-based software-as-a-service technology and technology-enabled services to university clients and students;
- our dependence on third parties to provide certain technological services or components used in our platform;
- our expectations about the predictability, visibility and recurring nature of our business model;
- our ability to meet the anticipated launch dates of our offerings;
- our ability to acquire new clients and expand our offerings with existing university clients;
- our ability to successfully integrate the operations of our acquisitions, including the edX Acquisition (as defined below), to achieve the expected benefits of our acquisitions and manage, expand and grow the combined company;
- our ability to refinance our indebtedness on attractive terms, if at all, to better align with our focus on profitability;
- our ability to service our substantial indebtedness and comply with the covenants and conversion obligations contained in the Indentures Indenture (as defined below) governing our Convertible Notes (as defined below) and the Second Amended Credit Agreement (as defined below) governing our Amended Term Loan Facilities ; term loan facilities;
- our ability to implement our platform strategy and achieve the expected benefits;
- our ability to generate sufficient future operating cash flows from recent acquisitions to ensure related goodwill is not impaired;
- our ability to execute our growth strategy including expansion internationally and grow growing our enterprise business;
- our ability to continue to recruit prospective students for our offerings;
- our ability to maintain or increase student retention rates in our degree programs;
- our ability to attract, hire and retain qualified employees; senior management and other key personnel;
- our expectations about the scalability of our platform;
- potential changes in laws, regulations or guidance applicable to us or our university clients;
- our expectations regarding the amount of time our cash balances and other available financial resources will be sufficient to fund our operations;
- the impact and cost of stockholder activism;
- the potential negative impact of the significant decline in the market price of our common stock, including the impairment of goodwill and indefinite-lived intangible assets;
- the expected impact of our 2022 Strategic Realignment Plan, or similar performance improvement initiatives and the estimated savings and amounts expected to be incurred in connection therewith;
- the impact of any natural disasters or public health emergencies, such as the coronavirus disease 2019 (“COVID-19”) pandemic;
- our expectations regarding the effect of the capped call transactions and regarding actions of the option counterparties and/or their respective affiliates; and
- other factors beyond our control.

You should refer to the risks described in Part I, Item 1A “Risk Factors” in this Annual Report on Form 10-K 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 Annual Report on Form 10-K 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 Annual Report on Form 10-K 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.

Additional Information

In this Annual Report on Form 10-K, the terms "2U," "our company," "we," "us," and "our" refer to 2U, Inc. and its subsidiaries, unless the context indicates otherwise.

We announce material information to the public through a variety of means, including filings with the Securities and Exchange Commission, press releases, public conference calls, our website (2u.com), the investor relations section of our website (investor.2u.com), our Twitter account (@2Uinc), Chip Paucek's Twitter account (@chippaucek) and our blogs (2u.com/latest newsroom and blog.edx.org) press.edx.org). We use these channels to communicate with investors and the public about our company, our products, and other matters. Therefore, we encourage investors, the media and others interested in our company to review the information we make public in these locations, as such information could be deemed to be material information. The information on or accessible through our websites and social media channels is not incorporated by reference in this Annual Report on Form 10-K.

PART I

Item 1. Business

Overview

We are a leading online education platform company. Our mission is to expand access to high-quality education and unlock human potential. As a trusted partner to top-ranked nonprofit universities and other leading organizations, we deliver technology and services that enable our clients to bring their educational offerings online at scale. Through edX, our best-in-class education consumer marketplace with 48 million registered learners, we host a comprehensive range of education offerings, from free courses to degree programs.

We serve more than 230 provide 83 million people worldwide with access to world-class education in partnership with 260 top-ranked global universities and other leading organizations and, together, organizations. Through edX, our education consumer marketplace, we offer more than 4,000 4,500 high-quality online learning opportunities, including open courses, executive education offerings, boot camps, micro-credentials, professional certificates as well as undergraduate and graduate degree programs. Our offerings cover a wide range of topics, including technology, artificial intelligence, business, healthcare, science, education, and social work, and sustainability. Many of our offerings are stackable, providing provide learners with an affordable pathway to achieve both short-term and long-term professional and educational goals. Our platform provides our clients with the digital infrastructure to launch world-class online education offerings and allows students to easily access high-quality, job-relevant education without the barriers of cost or location.

Business Segments

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

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

In our Alternative Credential Segment, we provide premium online open courses, executive education programs, offerings, technical, skills-based boot camps and micro-credential programs to individual consumers through relationships with nonprofit colleges and universities and other leading organizations. Students enrolled in these offerings are generally seeking to reskill or upskill for career advancement or personal development through shorter duration, lower-priced offerings. In addition to selling these offerings directly to individuals, we also offer an enterprise solution that we sell to organizations and institutions, including employers, leading corporations, non-profits, governments and governmental entities to enable upskilling and reskilling of their workforces.

Our Platform

Our platform consists of a seamlessly integrated ecosystem of technology, people and data. Through our platform, we provide the tools and services our clients need to bring their education offerings online, at scale and we provide learners with flexible, high-quality learning opportunities across an expansive range of topics to support their educational and career goals.

edX Marketplace

edX.org provides access to the full catalog of online offerings that we enable, ranging from free offerings to graduate degrees. This thriving marketplace allows us to connect a large base of learners with our comprehensive range of high-quality education offerings and identify new high-intent learners efficiently.

Our Technology and Technology-Enabled Services

In the Degree Program Segment, we offer our university clients a broad set of technology and services spanning the student journey from pre-enrollment through graduation. Clients can utilize the entire bundle of technology and services that we offer, or a more flexible set of services under our flexible degree model. In the Alternative Credential Segment, we provide technology and services to enable our clients to provide a range of non-degree credentials and other courses to learners.

Our Technology

- *Learning Technology* – For many of our offerings, including all of our open course and micro-credential offerings, courses, our clients leverage an open source learning technology platform (the "Open edX Platform"). We have customized this learner-centric, scalable learning platform to enable our clients to easily build and launch offerings on edX. For certain degree, executive education and boot camp offerings, we use other learning platforms that provide an integrated hub for students to access coursework and learning modules, interact with tutors and peers, attend live classes, and review assignment grading and tutor feedback. Our STEM-based education tools and collaborative annotation technology, together with AI-powered translation and summarization tools, significantly enhance the learning experience for students and the instruction capabilities for faculty.

- *Integrated Learning and Business Systems* – We use a variety of proprietary technologies to streamline the launch of our degree programs at scale across multiple schools. Prior to the launch of new degree programs, we also tightly integrate our systems with our university clients' systems by building integrations and data connections. These integrations facilitate the secure bi-directional exchange of data to support our degree programs and to automate a variety of processes on an ongoing basis, including admissions and live class scheduling. We also integrate our systems with those of our enterprise clients to allow for secure access to our catalog of offerings directly through our clients' corporate learning management systems.
- *Data and Analytics Support* – Our platform enables us to measure user interactions from their first introduction to the a program all the way through completion. This allows us to analyze and understand the types of offerings a given student will be most successful in and helps us determine the level of support they need. In addition, instructors and faculty are able to leverage platform tools so they can better understand how their students are performing and who may need additional help.

Our Technology-Enabled Services

- *Student Engagement Services*. We provide a broad scope of services to support students at each stage of their learning journey from the enrollment process through post-completion career services.
    - Pre-Enrollment – We provide prospective students with transparent information regarding admissions and enrollment requirements, the application process, curriculum, tuition, and time to completion.
    - Student Support – In many offerings, we provide students with best-in-class support by assigning a dedicated advisor that is focused on retention and graduation. These advisors provide individualized non-academic support throughout their program by using data analysis and proprietary tools to create personalized coaching plans for students, and ensure student questions on asynchronous content or coursework receive a timely response from an advisor or teaching assistant.
    - Post-Completion – We provide students and alumni of our clients' offerings with access to industry-aligned resources designed to support students in achieving their career goals following program completion through our Career Engagement Network. These services include resume and interview tools, live coaching and workshops as well as career fairs and employer referrals to our strong network of employer partnerships around the world.
- *Curriculum and Learning Services.* Our platform enables faculty of our university clients to author and publish high-quality content for their offerings efficiently. We provide course strategy and design consultation services and other self-help resources to assist faculty in creating engaging course content. For certain offerings, our we provide learning design and development experts to collaborate with faculty to produce high-quality, engaging, online coursework and content for our university clients' offerings. We use a variety of technology tools that allow us to scale our curriculum and learning services, including a learning management system to author and host asynchronous learning activities and make real-time updates in certain quickly evolving fields. We also use tools to streamline scheduling, grading and student collaboration in the virtual learning environment for students and professors. We also recruit, hire While our university clients are generally responsible for hiring and train training faculty to teach the for our degree offerings, for our executive education and boot camp offerings, for our clients. we also recruit, hire and train faculty.
- *Marketing Services.* Our marketing efforts center on using leverage the strength of the edX brand and the popularity of edX.org to enable learners to find our offerings through free or low-cost acquisition channels. The edX platform gives us access to a large global audience, a comprehensive library of educational content, and a trusted brand with significant consumer recognition. Through data analytics, artificial intelligence and machine learning techniques, we connect learners with the appropriate high-quality learning experiences based on their skill sets and learning goals. We also deploy program-specific marketing campaigns, primarily for our university clients' degree programs. programs and our boot camp offerings. These campaigns leverage our university clients' brands and approved messaging to generate interest in a particular program.
- *University & Faculty Support Services*. We provide a range of other services to enable the success of our university clients' online degree programs and allow them to focus on their core academic functions.
    - Admissions – While our university clients are solely responsible for setting admissions standards and making admissions decisions, we provide technology-enabled services to streamline the admissions process by assisting prospective students in the application process and organizing and routing completed student application packages to the university's admissions office.
    - Placement – Using our global network of clinics, hospitals, schools and other sites, our field placement team secures local placements for students enrolled in degree programs such as nursing, social work, teaching and

      other programs that require field placements to satisfy curriculum and accreditation requirements. We have integrated placements into our learning technology to enable students, faculty and field placement supervisors to monitor completion of student field work directly from our platform.

- ◦ Faculty Success – We provide a dedicated team to support and train university administration and faculty on how to use our platform to facilitate high-quality live instruction. In addition, we help our university clients succeed by assisting with faculty recruiting efforts, including attracting, cultivating and vetting a pool of faculty candidates for our university clients.

Key Benefits of our Platform

We believe our platform provides the following key benefits:

- *Extend Institutional Reach and Impact*. Our platform enables our clients to extend their brands and increase their impact by delivering high-quality education offerings to students anywhere in the world at a wide range of prices and credential levels.

- *Comprehensive Scope of Offerings*. We provide a broad range of education offerings to students that range from free open courses to graduate degree programs. Our breadth of offerings allows students to gain the skills and credentials they need to reach their career and personal goals and provides the flexibility to "stack" credentials to progress towards a more advanced credential or degree.

- *Marketing Reach and Trusted Brand*. We believe edX.org, together with its strong consumer-facing brand, enables our clients to efficiently reach a large audience of potential students. As we continue to expand the scope of offerings on edX, we believe we will generate additional interest in our offerings among students and incentivize clients to create additional offerings ranging from free-to-degree.

- *Quality and Outcomes.* Our platform allows students to pursue a wide range of high-quality education offerings provided by leading universities and other top-tier institutions. Through these offerings, students obtain valuable skills and credentials that can create upward career mobility, facilitate a transition to a new field and lead to personal enrichment.

- *Turnkey Solution*. Our platform provides a broad set of capabilities that would otherwise require universities to purchase multiple, disparate point solutions, and significantly increase headcount in marketing, data analytics, technology and other areas, particularly with respect to degree offerings.

- *Scalable Support.* High-quality student support is central to our services. We provide student support that is tailored to student needs and offering type. For many of our offerings our support teams work with prospective students prior to enrollment as they consider and apply to a particular offering. Once enrolled, we augment the academic experience by assigning a dedicated advisor to provide ongoing individualized non-academic support and career guidance for certain offerings.

- *Low Financial Risk for Clients Flexible Partnership Model*. We make many of the initial investments required to launch new offerings across our portfolio. In our Degree Program Segment, in particular, we offer our university clients a variety of partnership options that allows them to select the level of service we provide for a corresponding revenue share. We also offer a flat fee pricing model, for partners that prefer to pay a set fee for our services. These options give our partners flexibility to choose the package of services and pricing arrangement that best fits their institutions' needs. In addition, for partners that select our full bundle of services, we make significant upfront investments in technology, integration, content production, marketing, student and faculty support, and other services. Our revenue-share model, combined with long contractual terms in this segment, enables us to make these investments without significant launch their offerings, reducing the financial risk to our university clients. client.

Our Growth Strategy

We intend to continue our industry leadership as a provider of a digital education platform that enables our clients to deliver high-quality online education at scale and provides students with lifelong learning opportunities to unlock their potential. Our approach to growth is disciplined and focused on long-term success. The principal elements of our strategy are:

- *Adding New Offerings and Increasing Enrollments*. We intend to add additional top-tier universities and other entities to our client base and to increase strategically add offerings to our portfolio with a focus on high-demand subjects such as artificial intelligence, verticals where we believe we have a competitive advantage such as licensure and STEM-based degrees and overall profitability profile of the number of offerings we power on behalf of our existing client base. edX allows potential students to search for and find courses of interest from free-to-degree efficiently. offering.

- *Adding New Offering Types.* We intend to continue evolving our offering portfolio to meet the demands of lifelong learners particularly in rapidly evolving fields. This evolution could include new offering types, course bundles or stacks, or additional credentialing options.

- *Broadening Enterprise Channel.* We believe continuing to expand our enterprise channel presents a significant opportunity for us. Our deep catalog of over 4,000 4,500 high-quality free-to-degree offerings enables us to partner with a

  wide range of institutions seeking to upskill and train employees at any level of their organizations in job-relevant subject areas. We also intend to expand our work with governments, local workforce agencies as well as corporations and nonprofits to provide lifelong learning and skills training to fill pressing workforce needs often in technology focused fields.

- *Expanding Globally.* edX generates significant global web traffic and has a large non-US learner base. We believe this creates a significant opportunity to expand our offerings with top-tier international universities and other entities and to attract additional non-US learners to our existing offerings. We also intend to grow our geographic reach by adding offerings to edX from other digital education providers that have a strong non-U.S. university client base.

Clients

As of December 31, 2022 December 31, 2023, we had more than 230 260 clients with more than 4,000 4,500 offerings. Our clients are nonprofit colleges and universities as well as leading corporations and non-profit entities.

Competition

The overall market for technology solutions that enable higher education providers to deliver education online is highly fragmented, rapidly evolving and subject to changing technology, shifting needs of students, faculty and clients and frequent introductions of new delivery methods.

We face competition from various companies in the online education sector, including companies that provide direct-to-consumer online education offerings, corporate training programs and technology solutions and services to universities that offer online learning programs. Many of these companies provide components of the technology and services we provide, and these companies may choose to pursue some of the institutions we target. Moreover, nonprofit colleges and universities may elect to continue using or develop their own online learning solutions in-house.

We expect that the competitive landscape will continue to expand as the market for online education offerings at nonprofit institutions matures. We believe the principal competitive factors in our market include the following:

- quality and reputation of university client base and track record of performance;
- robustness and evolution of technology solutions and marketplace capabilities;
- scope and quality of educational content;
- strength of brand awareness and reputation among consumers;
- ability of online education offerings to deliver desired student outcomes;
- breadth and depth of service offering;
- ability to make significant investments in launching and operating degree programs;
- expertise in marketing, student acquisition and student retention;
- student and faculty experience;
- ease of deployment and use of technology solutions; and
- level of customization, configurability, integration, security, scalability and reliability of technology solutions.

We believe we compete favorably on the basis of these factors. Our ability to remain competitive will depend, to a great extent, on our ability to consistently deliver high-quality offerings; attract, support and retain students; and deliver desired student, faculty and client outcomes.

Seasonality

We experience seasonality in our marketing and sales expense in both our Degree Program Segment and our Alternative Credential Segment. We typically reduce our paid search and other marketing and sales efforts during late November and December because of less demand during the holiday season. Our trade working capital is also subject to significant seasonality based on the timing of the academic calendar and university payments, seasonal trends in marketing and sales expense, and the timing of payments made to university clients. We generally do not experience pronounced seasonality in our revenue, although revenue can fluctuate significantly from quarter to quarter due to variations driven by the varying academic schedules of our offerings and university clients.

Intellectual Property

We protect our intellectual property by relying on a combination of copyrights, trademarks, trade secrets and contractual agreements. For example, we rely on trademark protection in the United States and various foreign jurisdictions to protect our rights to various marks, including 2U, NO BACK ROW, GETSMARTER, EDX and other distinctive logos associated with our brand. We continue to evaluate developing and expanding our intellectual property rights in patents, trademarks and copyrights, as available through registration in the United States and internationally.

We ensure that we own intellectual property created for us by signing agreements with employees, independent contractors, consultants, companies, and any other third party that creates intellectual property for us that assign any intellectual property rights to us.

We have also established business procedures designed to maintain the confidentiality of our proprietary information, including the use of confidentiality agreements with employees, independent contractors, consultants and companies with which we conduct business.

We also purchase or license technology and other intellectual property that we incorporate into our technology or services. While it may be necessary in the future to seek or renew licenses relating to various aspects of our technology and services, we believe, based upon past experience and industry practice, such licenses generally could be obtained on commercially reasonable terms.

For important additional information related to our intellectual property position, please review the information set forth in “Risk Factors—Risks Related to Intellectual Property.”

Education Laws and Regulations

The higher education industry is heavily regulated. Institutions of higher education that award degrees and certificates to signify the successful completion of an academic program are subject to regulation from three primary entities: the U.S. Department of Education, or DOE, accrediting agencies and state licensing authorities. Each of these entities promulgates and enforces its own laws, regulations, guidance and standards, which we refer to collectively as education laws.

We contract with postsecondary institutions that are subject to education laws. In addition, we ourselves are required to comply with certain education laws as a result of our role as a service provider to institutions of higher education, either directly or indirectly through our contractual arrangements with university clients. Our failure, or that of our university clients, to comply with education laws could adversely impact our operations. As a result, we work closely with our university clients to maintain compliance with education laws.

Federal Laws and Regulations

Under the Higher Education Act of 1965, as amended, or the HEA, institutions offering postsecondary education must comply with certain laws and related regulations promulgated by the DOE in order to participate in the Title IV federal student financial assistance programs. Most of our university clients participate in the Title IV programs.

The HEA and the regulations and guidance promulgated thereunder are frequently revised, repealed or expanded. Congress historically has reauthorized and amended the HEA at regular intervals but has failed to do so in recent years. The reauthorization process and congressional oversight of the DOE is nonetheless ongoing, such as oversight and investigations of the education sector and DOE conducted on behalf of Congress by the Government Accountability Office, or GAO.

The reauthorization of the HEA, or other legislation, could alter the regulatory landscape of the higher education industry, and thereby impact the manner in which we conduct business and serve our university clients. In addition, the DOE frequently conducts rulemakings that may impact our business and we expect each incoming administration to change the DOE rules in accordance with its policy priorities regardless of whether the HEA is reauthorized by Congress. The DOE also issues formal

and informal guidance instructing institutions of higher education and other covered entities how to comply with various federal laws and regulations. DOE guidance is subject to change and such changes may impact our business model.

Although we are not considered an institution of higher education and we do not directly participate in Title IV programs, we are required to comply with certain regulations and guidance promulgated by the DOE as a result of our role as a service provider to institutions that do participate in Title IV programs. These include, for example, regulations governing student privacy under Family Educational Rights and Privacy Act, or FERPA and the DOE's recent guidance regarding third-party servicers. incentive compensation regulations. While online executive education courses and boot camps are typically not eligible for Title IV aid, when offered by or on behalf of Title IV eligible institutions, many education laws, such as FERPA, remain applicable to us or our university clients even in the Alternative Credential Segment.

Current DOE rules and state and federal regulation material to our business include the Third-Party Servicer regulations, the incentive compensation rule, the misrepresentation rule, the "written arrangements" rules, and state authorization requirements, which are discussed in further detail below.

Incentive Compensation Rule

The HEA provides that any institution that participates in the Title IV federal student financial assistance programs must agree with the DOE that the institution will not provide any commission, bonus or other incentive payment to any person or entity engaged in any student recruiting or admission activities as those terms and activities are defined in DOE regulations and policy guidance.

Under the DOE's incentive compensation regulations, each higher education institution agrees that it will not "provide any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid, to any person or entity who is engaged in any student recruitment or admission activity, or in making decisions regarding the award of Title IV, HEA program funds." Pursuant to this rule, we are prohibited from offering our covered employees, who are those involved with or responsible for recruiting or admissions activities, any bonus or incentive-based compensation based on the successful recruitment, admission or enrollment of students into a Title IV eligible postsecondary institution.

At the time the incentive compensation rule was last revised, in July 2011, the revised rule initially raised a question as to whether entities could be prohibited from entering into tuition revenue-sharing arrangements with university clients. On March 17, 2011, the DOE issued official agency guidance, known as a "Dear Dear Colleague Letter" or the DCL, (the "2011 DCL") providing guidance on this point. The 2011 DCL states that "[t]he Department generally views payment based on the amount of tuition generated as an indirect payment of incentive compensation based on success in recruitment and therefore a prohibited basis upon which to measure the value of the services provided" and that "[t]his is true regardless of the manner in which the entity compensates its employees." But the 2011 DCL also provides an important exception to the ban on tuition revenue-sharing arrangements between institutions and third parties. According to the 2011 DCL, the DOE does not consider payment based on the amount of tuition generated by an institution to violate the incentive compensation ban if the payment compensates an "unaffiliated third party" that provides a set of "bundled services" that includes recruitment services, such as those we provide. Example 2-B in the 2011 DCL is described as a "possible business model" developed "with the statutory mandate in mind." Example 2-B describes the following as a possible business model:

"A third party that is not affiliated with the institution it serves and is not affiliated with any other institution that provides educational services, provides bundled services to the institution including marketing, enrollment application assistance, recruitment services, course support for online delivery of courses, the provision of technology, placement services for internships, and student career counseling. The institution may pay the entity an amount based on tuition generated for the institution by the entity's activities for all the bundled services that are offered and provided collectively, as long as the entity does not make prohibited compensation payments to its employees, and the institution does not pay the entity separately for student recruitment services provided by the entity."

The 2011 DCL guidance indicates that an arrangement that complies with Example 2-B will be deemed to be in compliance with the incentive compensation provisions of the HEA and the DOE's regulations. Our business model and contractual arrangements with our university clients closely follow Example 2-B in the 2011 DCL. In addition, we assure that none of our "covered employees" are paid any bonus or other incentive compensation in violation of the rule.

Because the bundled services rule was promulgated in the form of agency guidance issued by the DOE in the form of a DCL Dear Colleague Letter and is not codified by statute or regulation, the rule could technically be altered or removed without customary administrative procedural requirements, such as adequate prior notice and the opportunity for comment, that accompany formal agency rulemaking. Similarly, a court could invalidate the rule in an action involving our company or our university clients, or in an action that does not involve us at all. Finally, while most states defer to DOE regulations, analogous but different versions of the federal incentive compensation rule exist under state law, the laws of some states, and such statutes or rules,

or their interpretation, may change at any time. In March 2023, the DOE provided notice that it intends to review the bundled services rule with the intent to improve the guidance on the incentive compensation rule with respect to bundled services, but there has been no further action. The revision, removal or invalidation of the bundled services rule by Congress, the DOE or a court, could require us to change our business model, and or separate revisions at the state level could require us to change our business model and/or amend certain of our contracts.

Misrepresentation Rule

The HEA prohibits an institution that participates in the Title IV programs from engaging in any “substantial misrepresentation” regarding three broad subject areas: (i) the nature of the school’s education programs, (ii) the school’s financial charges and (iii) the employability of the school’s graduates.

Under the DOE rule, “misrepresentation” is defined broadly as any false, erroneous or misleading statement, written, visual or oral. This may include even statements that “have the likelihood or tendency to deceive.” Therefore, a statement need not be intentionally deceitful to qualify as a misrepresentation. “Substantial misrepresentation” is defined loosely as a misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person’s detriment.

The regulation also covers statements made by any representative of an institution, including agents, employees and subcontractors, and statements made directly or indirectly to any third party, including state agencies, government officials or the public, and not just statements made to students or prospective students.

Violations of the misrepresentation rule are subject to various sanctions by the DOE and violations may be used as a basis for legal action by third parties or as a defense to the obligation to repay student loans. In 2022, the DOE completed changes to related “borrower defense to repayment” regulations including new definitions of “aggressive and deceptive recruitment” and misrepresentation (including omission of fact). The new rules could make it significantly easier for students to obtain student loan discharges, in some cases at the institution’s expense, and may trigger further scrutiny of marketing or recruiting practices. In addition, the DOE has designated an investigations unit to enforce rules related to deceptive student marketing, which is expected to work with other federal agencies.

Similar rules apply under state laws or are incorporated in institutional accreditation standards and the Federal Trade Commission, or FTC applies similar rules that prohibit any unfair or deceptive marketing practices by vendors in the education sector. As a result, we and our employees and subcontractors, as agents of our university clients, must use a high degree of care to comply with such rules and are prohibited by contract from making any false, erroneous or misleading statements about our university clients. To avoid an issue under the misrepresentation rule and similar state and federal rules, we assure that all marketing materials are approved in advance by our university clients before they are used by our employees.

Accreditation Rules and Standards

Accrediting agencies primarily examine the academic quality of the instructional programs of an educational institution, and a grant of accreditation is typically viewed as confirmation that an institution or an institution’s programs meet generally accepted academic standards. Accrediting agencies also review the administrative and financial operations of the institutions they accredit to ensure that each institution has the resources to perform its educational mission. The DOE also relies on accrediting agencies to determine whether institutions qualify to participate in Title IV programs.

In addition to institutional accreditation, colleges and universities may require specialized programmatic accreditation for particular educational programs. Many states and professional associations require professional programs to be accredited, and require individuals to have graduated from accredited programs in order to sit for professional license exams. Programmatic accreditation, while not a sufficient basis for institutional Title IV Program program certification by the DOE, assists graduates to practice or otherwise secure appropriate employment in their chosen field. Common fields of study subject to programmatic accreditation include teaching and nursing.

Although we are not an accredited institution and are not required to maintain accreditation, accrediting agencies are responsible for reviewing an accredited institution’s third-party contracts with service providers like us and may require an institution to obtain approval from or to notify the accreditor in connection with such arrangements. One purpose of the notification and approval requirements is to verify that the accredited institution remains responsible for providing academic instruction leading to a credential and provides oversight of other activities undertaken by third parties like us that are within the scope of its accreditation. We work closely with our university clients to assure that the standards of their respective accreditors are met and are not adversely impacted by us.

Accrediting agencies are also responsible for assuring that any “written arrangements” to outsource academic instruction meet accreditation standards and related regulations of the DOE. Our operations are generally not subject to such “written

arrangements” rules because academic instruction is provided by our university client institutions and not by us; however, the “written arrangements” rules may apply to online programs in the Alternative Credential Segment to the extent such courses are outsourced by university clients.

The DOE is currently considering changes to the accreditation regulations as part of a negotiated rulemaking process, including with respect to accreditors' oversight of written arrangements. We are monitoring the DOE's negotiated rulemaking process, but we are unable to determine the potential impact of any future final rulemaking at this time.

State Laws and Regulations

Each state has at least one licensing agency responsible for the oversight of educational institutions operating within its jurisdiction. Continued approval by such agencies is necessary for an institution to operate and grant degrees, diplomas or certificates in those states. Moreover, under the HEA, approval by such agencies is necessary to maintain eligibility to participate in Title IV programs. State attorneys general are also active in enforcing education laws, and the level of regulatory oversight varies substantially from state to state.

We and our university clients may be subject to regulation in each state in which we or they own facilities, provide distance education or recruit students. State laws establish standards for, among other things, student instruction, qualifications of faculty, location and nature of facilities, recruiting practices and financial policies. The need to comply with applicable state laws and regulations may limit or delay our ability to market or expand our offerings. In addition, the interpretation of state authorization regulations is subject to substantial discretion by the state agency responsible for enforcing the regulations.

The DOE requires, among other things, that an institution offering distance learning or online programs secure the approval authorization of those states each state in which require the institution enrolls students (if such approval authorization is required by the state) and provide evidence of such approval to the DOE upon request. This regulation increases the importance of state authorization because failure to obtain the necessary state authorization for online programs (which may also be obtained through participation in a state authorization reciprocity agreement) could result in an obligation to return federal funds received by an institution. The federal state authorization rules were updated in July 2020 On October 31, 2023, the DOE published new regulations, effective July 1, 2024, that require institutions to among other things, require provide more detailed disclosure requirements about whether particular states have authorized programs a program's curriculum meets a state's educational requirements for licensure or certification in that may lead to professional licensure, which created an state. This change could create additional compliance burden burdens or limit enrollment for many of our partner institutions. The DOE is currently considering further changes to its state authorization requirements. requirements as part of a negotiated rulemaking process. We are monitoring the DOE's rulemaking process, but we are unable to determine the potential impact of any future final rulemaking at this time.

All states except California now participate in the State Authorization Reciprocity Agreement, or SARA, governing the licensing of online offerings. All SARA-member institutions may provide online offerings in SARA states without obtaining separate state authorization (this includes externships, recruiting, local advertising, and faculty presence). SARA-member institutions must still obtain a separate authorization in order to open a physical location in another each state and are also required to obtain any additional approvals that may be required for offerings leading to professional licensure in a state (e.g., nursing, teaching, or counseling). Most of our university clients are SARA members and the DOE accepts participation in a reciprocity agreement as evidence of state approval. SARA policies and procedures change frequently and must reflect changes in policy instituted by accreditation agencies and the DOE. As noted above, the DOE is currently considering further changes to distance education regulations and state reciprocity requirements as part of a negotiated rulemaking process.

Finally, many programs leading to professional licensure, such as graduate degree programs in nursing or teaching, also require approval from, and are subject to ongoing oversight by separate state agencies such as state nursing boards. Membership in SARA does not encompass approvals by professional licensing boards, which must be obtained separately. Under new DOE regulations effective July 1, 2024, institutions cannot disburse Title IV funds for programs for which they cannot attest that the program meets licensure requirements. This new requirement may limit enrollment or the payment of Title IV aid for these programs.

We monitor state law developments closely and work closely with our university clients to assist them with obtaining any required approvals.

Third-Party Servicer

The HEA and its regulations authorize the DOE to provide oversight of "Third-Party Servicers," as such term is defined in the HEA regulations. Third-Party Servicers must comply with a number of HEA regulatory requirements, including conducting and submitting to the DOE compliance audits, and contractually agreeing with their university clients to, among other things, be jointly and severally liable with the institution for violations of the Title IV requirements resulting from the functions performed by the servicer, comply with applicable statutory, regulatory and other Title IV requirements, refer any suspicion of fraudulent or criminal conduct regarding the institution's administration of Title IV funds to the DOE's Office of Inspector General, implement and maintain safeguards required under information security requirements for financial institutions established by the Federal Trade Commission (FTC) under the Gramm-Leach-Bliley Act (GLBA), and comply with FERPA with regard to the receipt and use of any education records provided by the institution.

On February 15, 2023, the DOE issued official agency guidance, known as a "Dear Colleague Letter," which updated its existing guidance to significantly expand its interpretation of the types of service providers that would be considered a Third-Party Servicer, which would include the Company and other Online Program Managers. On April 4, 2023, the Company filed a lawsuit against the DOE and the Secretary of Education that challenged the Dear Colleague Letter. The DOE subsequently announced that it would consider changes to the Dear Colleague Letter, suspended the September 1, 2023 effective date, and provided that the updated version would not go into effect for at least six months after publication of a new Dear Colleague Letter to give regulated entities sufficient time to comply. Given these developments, the Company withdrew its motion for a stay and preliminary injunction in the lawsuit and the court stayed the litigation pending release of a final Dear Colleague Letter. On December 19, 2023, the parties filed a joint status report to the court, in which the government indicated that it was still developing updated guidance, and that it did not anticipate issuing updated guidance in the next 90 days. The Company believes that it has a meritorious claim in its litigation and intends to vigorously pursue its challenge against the DOE if the DOE continues with guidance that seeks to treat the Company as a Third-Party Servicer.

If the February 2023 Dear Colleague Letter is not substantially revised, or our legal challenge to it is not successful, we may have to make significant changes to our contractual arrangements with current and prospective university clients due to the additional costs, administrative burdens and/or risk imposed by having to comply with Title IV requirements applicable to Third-Party Servicers. These changes could materially impact our business model.

Other Laws

Our activities or those of our university clients are also subject to other federal and state laws. These regulations include, but are not limited to, consumer marketing and unfair trade practices laws and regulations, including those promulgated and enforced by the FTC, state and federal consumer lending laws, including those enforced by the federal

Consumer Financial Protection Bureau or state agencies, student accessibility requirements, federal and state data protection and privacy requirements and foreign and U.S. anti-corruption regulations. In addition, we use Artificial Intelligence (AI) technologies in our platform and offerings, and we are making investments in expanding the use of AI throughout our business. Our use of AI and our ability to innovate using AI could be limited by oversight laws and regulations or potential liabilities associated with its use.

Human Capital Resources

General Information About Our Human Capital Resources

As of December 31, 2022 December 31, 2023, we had approximately 3,445 2,961 full-time employees and 3,699 2,607 part-time employees worldwide. Approximately 6,077 4,260 of our employees are located in the U.S., approximately 702 894 of our employees are located in Cape Town, South Africa, and approximately 365 414 employees are located in other jurisdictions. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We consider our relations with our employees to be good.

Our Culture

2U was founded on a set of “guiding principles” that are core to our culture and guide big and small decisions every day. New employees are introduced to the guiding principles in orientation and are expected to bring these guiding principles to life as they work with their teams, interact with our university clients and students or otherwise represent 2U in the community.

- *Cherish each opportunity*. Life is short, so treasure every moment.
- *Give a damn*. Care about what you do each day.
- *Strive for excellence*. Don’t settle for second best.
- *Be bold and fearless*. Question the status quo and embrace change.
- *Be candid, honest and open*. Listen to others and offer respectful feedback.
- *Have fun*. Fun is important. Fun is simply better.
- *Make service your mission*. Give the highest level of support to our partners and to one another.
- *Don’t let the skeptic win*. “No” is easy. “Yes” is hard. Fight for “yes.”
- *Relationships matter*. Invest the time, build trust, and value differences.

Human Capital Measures and Objectives

2U is dedicated to eliminating the back row in higher education and our employees are critical to achieving this mission. We believe that when our employees feel appreciated and included they can be more creative, innovative, and better serve our university clients and students. Human capital measures and objectives that we focus on in managing our business include talent acquisition and retention, diversity and inclusion, employee development and training, community involvement and employee engagement and wellness.

- *Talent Acquisition and Retention*. We seek to recruit, retain and incentivize highly talented high performing employees and our compensation and benefits programs are aligned with these goals. We are committed to providing total rewards programs for our employees that are market-competitive and that rewards our talented employees based on each employee’s contribution and performance. To foster a stronger sense of ownership and align the interests of employees with stockholders, we provide equity compensation in the form of performance and service-based restricted stock units to eligible employees. We also offer eligible employees the ability to participate in our Employee Stock Purchase Plan, which enables them to purchase shares of our stock at a discount. We also provide comprehensive benefits for employees and their families, which are tailored to the various geographies in which we operate. Depending on the jurisdiction, our benefits may include health insurance coverage, 401(k) matching, paid parental leave, and unlimited paid time off.
- *Diversity and Inclusion*. We believe an equitable and inclusive environment with diverse teams produces more creative solutions and results in better outcomes for our university clients and students. We strive to attract, retain and promote diverse talent at all levels of the organization. Our Board is 27% 13% women and27% 50% people of color and our executive senior leadership team is comprised of 19% 50% women and 25% 21% people of color. We have established a diversity and inclusion committee, known as “Mosaic” that serves as a liaison with management on diversity and inclusion issues and we maintain executive-sponsored business resource networks (“BRNs”) that offer a forum for employees to network and engage in professional development activities. As of December 31, 2022 December 31, 2023 we had 7 9 BRNs focused on the following groups: Black/African American, Americans, Women, LGBTQ+, Asian & Pacific Islander, Islanders, Latinx, People Who Are Differently Abled Persons with disabilities, Jewish employees, Black African employees (in South Africa) and Parents and Caregivers. To further support our diversity and inclusion goals, starting in since 2020 the Company bonus plan has included a diversity and inclusion component for our employees at and above the vice president level.
- *Employee Development and Training*. We provide a range of mandatory and optional employee development programs and opportunities for employees to develop the skills they need to be successful. Our learning and development teams create and teach a variety of live courses and our employees also have free access to a library of learning resources via LinkedIn Learning. Our diversity and inclusion principles are also reflected in our employee training programs. We require all managers to complete trainings

on allyship unconscious bias, cultural communication and thriving across differences and we offer additional training on emotional intelligence and leading with empathy. In addition, we offer a subscription to edX for employees, which allows eligible employees and a family member to access certain of our offerings.

- *Community Involvement*. We are committed to making an impact in our local communities through volunteering, financial donations, scholarships and other forms of engagement. Our corporate social responsibility program, “2U Engage”, supports local non-profit organizations in each location where we have an office with a focus on organizations that are aligned with our mission to provide access to quality education. Employees are encouraged to volunteer for these organizations throughout the year and we provide employees with 24 hours of “Volunteer Time Off” annually to support nonprofit organizations of their choice. We also organize company sponsored community service events for volunteerism and fundraising. We also endeavor to support the local community through scholarship initiatives, which focus on reaching the Black, Latinx and indigenous communities, as well as women and individuals from low income households. As part of our global community involvement, we partnered with the International Rescue Committee to support a 2U-sponsored scholarship program for its employees.

- *Employee Engagement and Wellness*. We strive to create employee programs that promote our guiding principles, support employee wellness and enable employees to work productively. These efforts include providing access to free wellness resources such as meditation and mental health support, a family support benefit to cover fertility treatments, adoptions, surrogacy and a travel benefit for eligible reproductive care services. We regularly survey our employees to assess wellness and additional support needs. A large portion of our full-time workforce is remote or has a hybrid working arrangement, and we are committed to supporting our employees in doing their best work no matter where they are located.

Other Information

We were incorporated as a Delaware corporation in April 2008 and completed our initial public offering in April 2014.

Our principal executive offices are located at 7900 Harkins Road, Lanham, MD 20706, and our telephone number is (301) 892-4350.

You can obtain copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings with the U.S. Securities and Exchange Commission, or the SEC, and all amendments to these filings, free of charge from our website at investor.2u.com or on the SEC’s website at www.sec.gov as soon as reasonably practicable following our filing of any of these reports with the SEC. The contents of these websites are not incorporated into this filing. Further, our references to the URLs for these websites are intended to be inactive textual references only.

Item 1A. Risk Factors

In addition to the other information set forth in this Annual Report on Form 10-K, you should carefully consider the factors discussed in the “Special Note Regarding Forward-Looking Statements” in this Annual Report on Form 10-K.

Risk Factors Summary

Our business is subject to numerous risks and uncertainties, including those highlighted in this section of our Annual Report on Form 10-K and summarized below. This risk factor summary does not contain all of the information that may be important to you, and you should read the risk factor summary together with the more detailed discussion of risks and uncertainties set forth following this section as well as elsewhere in this Annual Report on Form 10-K.

Risks Related to Our Business Model

- We have incurred significant net losses since inception and may not achieve or maintain profitability in the future.
- Our financial performance depends heavily on our ability to recruit potential students for our offerings, and our ability to do so may be affected by circumstances beyond our control.
- Our business depends heavily on the adoption by colleges and universities of online delivery of their educational offerings.
- To launch a new degree program, we typically must generally incur significant expense in technology and content development, as well as in marketing and sales to identify and attract prospective students, and it may be several years, if ever, before we generate revenue from a new program sufficient to recover our costs.
- If new offerings do not launch and scale efficiently and in the time frames we expect, our reputation and our revenue will suffer.
- Our financial performance depends heavily on student retention within our offerings, and factors influencing student retention may be out of our control.

Risks Related to Our Operations and Our Growth Strategy

- Our student acquisition efforts depend in large part upon a limited number of third-party advertising platforms.
- If our security measures or those of our third-party service providers are breached or fail and result in unauthorized disclosure of data, we could lose clients, fail to attract new clients and be exposed to protracted and costly litigation.
- Disruption to or failures of our platform online learning platforms could reduce client and student satisfaction with our offerings and could harm our reputation.

- We face competition from established and emerging companies, which could divert clients or students to our competitors, result in pricing pressure and significantly reduce our revenue.
- If we do not retain our senior management team and key employees, we may not be able to sustain our growth or achieve our business objectives.
- If we are unable to maintain and enhance our brand, our reputation and business may suffer.
- We have undergone recent changes to our senior management team and organizational structure, and if we are unable to successfully implement our new organizational structure, or if we lose the services of any of our senior management, our business, operating results, and financial condition could be adversely affected.
- Implementation of our 2022 Strategic Realignment Plan (as defined below) or similar plans may not be successful, which could affect our ability to increase our profitability.
- If students do not expand beyond the free offerings available on our platform, our ability to grow our business and improve our results of operations may be adversely affected.

Risks Related to Our Indebtedness and Capital Structure

- Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk and prevent us from meeting our obligations with respect to our indebtedness.
- Despite current indebtedness levels and existing restrictive covenants, we may still incur additional indebtedness that could further exacerbate the risks associated with our substantial financial leverage.
- To service our indebtedness, we will require a significant amount of cash, and our ability to generate cash depends on many factors beyond our control.
- We may be unable to raise the funds necessary to repurchase the Convertible Notes (as defined below) for cash following a "fundamental change," or to pay any cash amounts due upon conversion, and our other indebtedness may limit our ability to repurchase the Convertible Notes or pay cash upon their conversion.
- Conversion of the Convertible Notes may dilute the ownership interest of existing stockholders or may otherwise depress the price of our common stock.
- We may need additional capital in the future to pursue our business objectives. Additional capital may not be available on favorable terms, or at all, which could compromise our ability to grow our business.

Risks Related to Regulation of Our Business and That of Our University Clients

- Our business model relies on university client institutions complying with federal and state laws and regulations.
- Our activities are subject to federal and state laws and regulations and other requirements.
- Activities of the U.S. Congress or the DOE could result in adverse legislation, or regulatory regulations, guidance, actions or investigations.
- Our business model, which depends in part on our ability to receive a share of tuition revenue as payment from our university clients, has been validated by a DOE "dear colleague" letter, but such validation is not codified by statute or regulation and may be subject to change.
- If we or our subcontractors or agents violate the incentive compensation rule, we could be liable to our university clients for substantial fines, sanctions or other liabilities.
- Our future growth could be impaired negatively impacted if our university clients fail to obtain timely approval from applicable regulatory agencies to offer new programs, make substantive changes to existing programs or expand their programs into or within certain states.
- Evolving regulations and legal obligations related to data privacy, data protection and information security and our actual or perceived failure to comply with such obligations, could have an adverse effect on our business.

Risk Factors

Risks Related to Our Business Model

The evolving scope of our offerings and changes to our operating model make it difficult to predict our future financial and operating results, and we may not achieve our expected financial and operating results in the future.

From 2008 to 2017, our offerings generally only consisted of graduate degree programs. In July 2017, we expanded our offerings to include premium online executive education programs and in May 2019, we further expanded our offerings to include skills-based boot camps. In 2020 we launched our first undergraduate degree program and in November 2021 we expanded our offerings to include open courses and micro-credentials and added a consumer facing marketplace. In addition, from time to time, we have entered into and we may in the future enter into agreements to strategically exit certain of our clients' programs to better align with our evolving scope of offerings and our business. Given the significant evolution of our current scope of our offerings and changes to our operating model, our ability to forecast our future operating results, including revenue, cash flows and profitability, is limited and subject to a number of risks and uncertainties. For example, a decline in our revenue due to a mutually agreed strategic exit from a program may not be apparent in our financial results until a few quarters later. We may also experience a temporary increase in our revenue because of certain payments we receive upon the termination of these programs. If our assumptions regarding these risks and uncertainties are incorrect or change, or if we do not manage these risks successfully, our operating and financial results may differ materially from our expectations and our business may suffer.

We have incurred significant net losses since inception and may not achieve or maintain profitability in the future.

We incurred net losses of $322.2 million $317.6 million, $194.8 million $322.2 million and $216.5 million $194.8 million during the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively. We will need to generate and sustain increased revenue levels and/or reduce operating expenditures in future periods to become profitable, and, even if we do, we may not be able to maintain or increase our profitability. We have invested, and expect to continue to invest, substantial financial and other resources in developing our platform, including expanding our platform offerings, developing or acquiring new platform features and services, expanding into new markets and geographies, developing new content, and on our sales and marketing efforts. Our efforts to grow our business may be more costly than we expect, and we may not be able to achieve or maintain profitability or to increase our revenue enough to offset our operating expenses. We may incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications, delays and other unknown events. As a result, we may be unable to achieve and maintain profitability, and the value of our company and our common stock could decline significantly.

Our financial performance depends heavily on our ability to recruit potential students for our offerings, and our ability to do so may be affected by circumstances beyond our control.

Building awareness of our offerings is critical to our ability to recruit prospective students for our university clients' offerings and generate revenue. A substantial portion of our expenses is attributable to marketing and sales efforts dedicated to attracting potential students to our offerings. Because we generate revenue based on a portion of the tuition and fees that students pay, it is critical to our success that we identify prospective students for our offerings in a cost-effective manner, and that enrolled students remain active in our offerings until graduation or completion.

We have experienced, and may in the future experience, fluctuations in our student enrollments based on a variety of factors. For example, student enrollments have declined, and may decline in the future, due to our university clients changing their admissions standards and the COVID-19 pandemic led and macroeconomic conditions have each contributed to significant fluctuations in student enrollment across our offerings.

The following factors, many of which are largely outside of our control, may prevent us from successfully driving and maintaining student enrollment in our offerings in a cost-effective manner or at all, which would adversely affect our revenue and ability to achieve profitability:

- Negative perceptions about online learning programs. Online offerings that we or our competitors provide may not be successful, or operate efficiently, and new entrants to the market also may not or perform well. Such Any such underperformance could create the perception that online offerings in general are not an effective way to educate students, whether or not our offerings achieve satisfactory performance. In addition, special interest groups have in the past and may in the future take actions to create negative perceptions about online learning programs through the media, litigation or other tactics.

- Unsuccessful marketing efforts. We invest substantial resources in developing and implementing data-driven marketing strategies that focus on identifying the right potential student at the right time. In connection with our platform-based and product-level marketing efforts, we make substantial use of search engine optimization, paid search, social media and custom website development and deployment and we rely on a small number of internet search engines and marketing partners. The effectiveness and cost of our marketing efforts has varied over time and from offering to offering based on economic conditions, competition, advertising prices, offerings type, university client reputation and other factors, including the effectiveness of our marketing partners to identify students and learners.

- Damage to university client reputation. Because we often use a university client's brand in connection with our marketing efforts for their offerings, our university clients' reputations are critical to our ability to enroll students. Many factors affecting our university clients' reputations are beyond our control, including ranking among nonprofit educational institutions, internal university matters, changes in university leadership positions and other matters that impact the public perception of our university clients.

- Lack of interest in an offering. We may encounter difficulties attracting students for offerings that are not highly desired or that are relatively new within their fields. Macroeconomic conditions beyond our control may diminish interest in employment in a field, which could contribute to a lack of interest in offerings related to that field.

- Reduced support from our university clients. Our ability to grow our revenue from a particular offering depends on the growth of enrollment in that offering. Our university clients could limit enrollment in certain offerings, cease providing the offerings altogether or significantly curtail or inhibit our ability to promote their offerings, any of which would negatively impact our revenue.

- Our lack of control over our university clients' admissions standards and admissions decisions for degree programs. Even if we identify prospective students for a degree program, there is no guarantee that our university clients will admit these students to that program. Our university clients retain complete discretion over setting admissions standards and making admissions decisions, and university clients may change admissions standards or inconsistently apply admissions standards.

- Our lack of control over our university clients' tuition decisions, particularly for our degree programs. We do not control tuition decisions for our offerings and, in particular, for our degree programs, our university clients retain complete control over tuition decisions. If we are not able to effectively recruit and retain students for a program because the tuition is too high, or perceived as being too high, it could negatively impact our business.

- Inability to maintain sufficient high-quality content from our clients. Our success depends on our ability to provide students with high-quality learning experiences. For certain of our offerings, including many of our degree programs, while our clients are primarily responsible for curriculum development, our we provide learning design and development experts that collaborate with faculty to ensure the final course content is engaging and digestible in an online format. For other offerings, including our open course and micro-credential offerings, our clients are solely responsible for curriculum development and we provide limited self-help resources. If the course content in our offerings is not high-quality and students are dissatisfied with their experience in an offering on our platform or do not find the content of our offerings appealing, they may stop accessing our content. In turn, if clients perceive that our platform lacks an adequate learner

audience, clients may be less willing to provide content to offer on our platform, and the experience of students could be further negatively impacted.

- Inability of students to secure funding. Like on-campus college and university students, many of the students in our university clients' offerings, in particular degree programs and boot camps, rely on the availability of third-party financing to pay for tuition and other costs of their education. This may include federal, state or private student loans, scholarships and grants, or benefits or reimbursement provided by an employer. Any developments that reduce the availability or increase the cost of financial aid for higher education generally, or for our university clients' offerings, such as a government shutdown as a result of failure to enact funding legislation for the government's fiscal year, could impair students' abilities to meet their financial obligations and could negatively impact future enrollment in our offerings.

- General economic conditions. Student enrollment in our offerings may be affected by changes in global economic conditions. An improvement in economic conditions and, in particular, an improvement in the economic conditions in the U.S. and the U.S. unemployment rate, may reduce demand among potential students for educational services, as they may find adequate employment without additional education. Conversely, a worsening of economic and employment conditions may reduce the willingness of employers to sponsor educational opportunities for their employees or discourage existing or potential students from pursuing additional education due to a perception that there are insufficient job opportunities, increased economic uncertainty or other factors.

Our business depends heavily on the adoption by colleges and universities of online delivery of their educational offerings. If we fail to attract new university clients, or if new leadership at existing university clients does not have an interest in continuing or expanding online delivery of their educational offerings, our revenue growth and profitability may suffer.

The success of our business depends in large part on our ability to enter into agreements with additional nonprofit colleges and universities to provide their offerings online. In particular, to engage new university clients, we need to convince potential university clients, many of which have been educating students only in on-campus programs for hundreds of years, to invest significant time and resources to introduce a new teaching modality. The delivery of online education at leading nonprofit colleges and universities is evolving, but many administrators and faculty members continue to have concern regarding the perceived loss of control over the education process that might result from offering content online, as well as skepticism regarding the ability of colleges and universities to provide high-quality education online that maintains the standards they set for their on-campus programs. It may be difficult to overcome this resistance, and certain online offerings of the kind we develop with our university clients may not achieve significant market acceptance. In addition, our university clients have regular turnover in their leadership positions, and there is no guarantee that any new leader will have an interest in continuing or expanding online delivery of the university's educational offerings. If new leaders at our university clients do not embrace online delivery of educational offerings, we may not be able to add additional offerings with the university client and the university client may attempt to terminate or may not renew their relationship with us.

The market for our offerings may be limited due to exclusivity provisions in certain of our contracts with university clients. We have agreed to incur, and we may incur in the future, costs to terminate some or all of the exclusivity obligations in certain of our university client contracts.

Certain of our contracts with our university clients limit our ability to enable competitive offerings with other schools. In our Degree Program Segment, we have determined that enabling some of these contractually prohibited competitive programs may be part of our business strategy. We have in the past agreed and may in the future agree with certain university clients to do some or all of the following to reduce or eliminate certain exclusivity obligations: make fixed and contingent cash payments over time, reduce our revenue share over time, and/or make minimum investments in marketing under certain conditions.

In addition, in order to maintain good relations with our university clients, we may decide not to approach certain institutions that our university clients regard as their direct competitors to offer similar programs or courses, even if we are allowed to do so under our contracts. A limited number of our contracts with our university clients include provisions that may result in pricing adjustments in limited circumstances. If we need to incur contingent costs in connection with enabling competitive offerings or if we determine not to approach certain institutions, or if we have to adjust our pricing provisions, our ability to grow our business and achieve profitability would be impaired.

To launch a new degree program, we generally incur significant expense in technology and content development, as well as in marketing and sales to identify and attract prospective students, and it may be several years, if ever, before we generate revenue from a new program sufficient to recover our costs.

To launch a new degree program, we generally integrate components of our platform with the various student information and other operating systems our university clients use to manage functions within their institutions. institutions and we must commence student acquisition activities. In addition, for these degree programs, university clients that have elected to purchase our content development services for a degree program, we provide content development staff that work closely with the university client's faculty members to produce engaging online coursework and content, and we must commence student acquisition activities. content. This process is can be time-consuming and costly and, under our agreements with our university clients, we are primarily responsible for the significant costs of this effort for most of our degree programs, even before we generate any revenue and there is no guarantee we will ever recoup these costs.

In exchange for the upfront investments we make in our university clients' degree programs and to align our incentives with those of our university clients, our university client agreements generally provide that we receive a fixed percentage of the tuition that the university clients receive from the students enrolled in their degree programs. We only begin to recover these upfront costs once students are enrolled and our university clients begin billing students for tuition and fees. The time that it takes for us to recover our investment in a new degree program depends on a variety of factors, primarily our content development costs, student acquisition costs, the rate of growth in student enrollment in the program, and the tuition of the program. We estimate that, on average, it takes approximately three years after signing an agreement with a university client to fully recover our investment in that university client's new degree program. Because of the lengthy period that may be required to recoup our investment in these new degree programs, unexpected developments beyond our control could occur that result in the university client ceasing or significantly curtailing a degree program before we are able to fully recoup our investment. As a result, we may ultimately be unable to recover the full investment that we make in a new degree program or achieve our expected level of profitability for the degree program.

If new offerings do not launch and scale efficiently and in the time frames we expect, our reputation and our revenue will suffer.

Our continued growth and ability to achieve profitability depends on our and our university clients' ability to successfully launch and scale new offerings. The number of offerings we launch in a year has varied over time and we expect the number of newly launched offerings. programs to increase significantly in 2024. Our ability to launch and scale new offerings in the time frame we expect has varied over time and from offering to offering. If we are not successful in launching an offering in the planned timeframe or recruiting potential students for our offerings, it would adversely impact our ability to generate revenue, and our university clients and the students in their offerings could lose confidence in the knowledge and capability of our employees. If we cannot quickly and efficiently scale our technology to handle growing student enrollment and new offerings, our university clients' and their students' experiences may suffer, which could damage our reputation among colleges and universities and their faculty and students and impact our ability to acquire new university clients.

In addition, in our Degree Program Segment, if our university clients cannot quickly develop the infrastructure and hire sufficient faculty and administrators to handle growing student enrollments, our university clients' and their students' experiences with our platform may suffer, which could damage our reputation among colleges and universities and their faculty and students.

Our ability to efficiently scale new offerings may depend on a number of factors, including our ability to:

- satisfy existing students in, and attract and enroll new students for, our offerings;
- assist our university clients in recruiting qualified faculty to support their expanding enrollments;
- assist our university clients in developing development and producing production of an increased volume of course content;
- successfully introduce new features and enhancements and maintain a high level of functionality in our platform; and
- deliver high-quality support to our university clients and their faculty and students.

If student enrollments in our offerings do not increase, if we are unable to launch new offerings timely and in a cost-effective manner or if we are otherwise unable to manage new offerings effectively, our ability to grow our business and achieve profitability would be impaired, and the quality of our platform and the satisfaction of our university clients and their students could suffer.

If we fail to increase sales of our enterprise offerings, or if we need to change the contract terms associated therewith, including with respect to pricing or contract length, it could negatively affect our business, financial condition, and results of operations.

In addition to our offerings for individual learners, we sell our enterprise offerings to businesses, academic institutions, and governmental organizations. These customers utilize our platform to provide relevant training, skills, and credentialing programs to current and potential employees through our online platform. To maintain and expand our relationships with these entities, we must demonstrate the value, benefits, and return on investment of providing education, training, skills, and credentialing through our online platform and achieve acceptance from both employees and these entities of the merits and legitimacy of our offerings.

Our growth strategy is dependent upon increasing sales of our enterprise offerings to these entities, which we offer on a subscription basis. We have a limited history with our enterprise models and changes in our models could adversely affect our revenue and financial condition. In addition, as new competitors introduce competitive applications or services, or as we enter into new international markets, we may be unable to attract new customers at the same price or based on the same pricing models we have historically used, or for contract lengths consistent with our historical averages. Changes to our pricing models or contract lengths could negatively impact our revenue and financial position, and we may have increased difficulty achieving growth or profitability. As we drive a greater portion of our revenue through our enterprise offerings, this may also result in reduced margins in the future.

As we seek to increase sales of our enterprise offerings, we face upfront sales costs, higher customer acquisition costs, more complex customer requirements, and discount requirements. If we are unable to maintain or increase the number of enterprise customers offerings, our business, financial condition, and results of operations may be negatively impacted.

Our financial performance depends heavily on student retention within our offerings, and factors influencing student retention may be out of our control.

Once a student is enrolled in an offering, we and our university client must retain the student over the life of the offering to generate ongoing revenue. Our strategy involves offering high-quality support to students enrolled in these offerings to support their retention. If we are unable to help students quickly resolve any educational, technological or logistical issues they encounter, otherwise provide effective ongoing support to students or deliver high-quality, engaging educational content, students may withdraw from the offering, which would negatively impact our revenue.

In addition, student retention could be compromised by the following factors, many of which are largely outside of our control:

- Lack of support from faculty members in our university clients' degree programs. It takes a significant time commitment and dedication from our university clients' faculty members to work with us to develop or to independently develop course content for their degree programs and other courses designed for an online learning environment. Our university clients' faculty may be unfamiliar with the development and production process, may not understand the time commitment involved, or may otherwise be resistant to changing the ways in which they present the same content in an on-campus class. Our ability to maintain high student retention will depend in part on our ability to convince our university clients' faculty of the value in the time and effort they will spend developing the course content. Lack of support from faculty could cause the quality of our degree programs to decline, which could contribute to decreased student satisfaction and retention in our Degree Program Segment.
- Student dissatisfaction. Enrolled students may drop out of our offerings based on their individual perceptions of the value they are getting from the offering. For example, we may face retention challenges as a result of students' dissatisfaction with our university clients' faculty, changing views of the value of our offerings and perceptions of employment prospects following completion of the offering.
- Personal factors. Personal factors, such as ability to continue to pay tuition, ability to meet the rigorous demands of the offering, and lack of time to continue classes, all of which are generally beyond our control, may impact a student's willingness and ability to stay enrolled in an offering.

If student retention is compromised by any of these factors, it could significantly reduce the revenue that we generate from our offerings, which would negatively impact our return on investment for the particular offering and could compromise our ability to grow our business and achieve profitability.

The loss, or material underperformance, of any one of our offerings could harm our reputation, which could in turn affect our future revenue growth.

We rely on our reputation for delivering high-quality online educational offerings and recommendations from existing university clients to attract potential new university clients. Therefore, the loss of any single offering, whether due to a mutual decision between us and a university client to terminate an agreement or the failure of any university client to renew its agreement with us upon expiration, or otherwise, could harm our reputation and impair our ability to pursue our growth strategy and ultimately to become profitable.

The recent significant decline in the market price of our common stock and the impairment of intangible assets and goodwill arising from our acquisitions could continue to negatively impact and affect our net income and shareholders' equity.

We review goodwill and other indefinite-lived intangible assets for impairment annually, and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of goodwill or an indefinite-lived asset below its carrying value. We experienced a significant decline in the market price of our common stock subsequent to February 9, 2022 that resulted in a triggering event for assessing our goodwill and indefinite-lived intangible asset balances. When we acquire a business, a substantial portion of the purchase price of the acquisition may be allocated to goodwill and other indefinite-lived intangible assets. During the three months ended March 31, 2022, we recorded impairment charges of $28.8 million and $30.0 million to goodwill and the indefinite-lived intangible asset, respectively. During the three months ended September 30, 2022, we recorded impairment charges of $50.2 million and $29.3 million to goodwill and the indefinite-lived intangible asset, respectively. During the three months ended June 30, 2023, we recorded impairment charges of $16.7 million and $117.4 million to goodwill and the indefinite-lived intangible asset, respectively. During the three months ended December 31, 2023, we recorded impairment charges of $62.8 million to goodwill.

Future declines in the results of our acquisitions and other factors could cause us to record an impairment of all or a portion of the relevant goodwill in the future. We may not be able to achieve our business targets for businesses we previously acquired or will acquire in the future, which could result in our incurring additional goodwill and other intangible assets impairment charges. Further declines in our market capitalization increase the risk that we may be required to perform another impairment analysis, which could result in an impairment of up to the entire balance of our goodwill and other intangible assets based on the quantitative assessment performed.

We are working to incorporate generative artificial intelligence, or AI, into some of our products. This technology is new and developing and may present operational and reputational risks, competitive harm, legal and regulatory risk, and additional costs, any of which could materially and adversely affect our business, financial condition and result of operations.

We use AI technologies in our platform and offerings, and we are making investments in expanding the use of AI throughout our business. This new and emerging technology, which is in its early stages of commercial use, presents a number of inherent risks. For example, AI technologies can create accuracy issues, unintended biases, and discriminatory outcomes and create other perceived or actual technical, legal, compliance, privacy, security, and ethical risks which could slow our partners' and customers' adoption of our products and services that use AI. The use of AI technologies may in the future result in cybersecurity incidents that implicate the personal data of end users of AI applications. Such cybersecurity incidents may be more complicated to discover due to the nature of AI and the limited ability to track its reasoning mechanism when producing results. To the extent we experience cybersecurity incidents in connection with our use of AI technology, it could similarly adversely affect our reputation and expose us to legal liability or regulatory risk. Further, our competitors or other third parties may incorporate AI into their products more quickly or more successfully than us, which could impair our ability to compete effectively.

In addition, litigation or government regulation related to the use of AI (including the use of generative AI) may also adversely impact our ability to develop and offer products that use AI, as well as increase the cost and complexity of doing so. For example, the publication of the White House Blueprint for an AI Bill of Rights signals that compliance requirements on operators of AI systems in the U.S. may be significant. In addition, developing, testing and deploying AI in our platform, offerings and services involves significant technical complexity and requires specialized expertise. Any disruption or failure in our AI systems or infrastructure could result in delays or errors in our operations, which could harm our business and financial results. Further, market demand and acceptance of AI technologies are uncertain, and we may be unsuccessful in our efforts related to deploying AI in our business.

Risks Related to Our Operations and Our Growth Strategy

Our student acquisition efforts depend in large part upon a limited number of third-party advertising platforms.

Our platform and program-level marketing efforts make substantial use of paid search, social media, search engine optimization and custom website development and deployment and we rely on advertising through a limited number of third-party advertising platforms such as Google, Meta Platforms and LinkedIn, to direct traffic to, and recruit new students for, our offerings. Changes in the way these platforms operate - whether due to changes in law, changes in the practices of mobile operating system providers, or otherwise - or changes in their advertising prices, data use practices, or other terms have impacted the cost and efficiency of our student acquisition efforts in the past and could in the future make marketing our offerings more expensive, or less effective. For example, on January 4, 2024, Google began testing a new feature on its Chrome browser called "Tracking Protection." This feature limits cross-site tracking by restricting website access to third-party cookies by default. Third-party cookies have been a fundamental part of the web for nearly three decades, aiding platforms in generating relevant ads, among other functions. However, the implementation of this change could have adverse consequences for the advertising platforms we use, negatively affecting our ability to effectively advertise our services. Google is expected to implement the Tracking Protection Tool in all Chrome browsers by the end of the second quarter of 2024. In addition, the elimination of a particular medium or platform on which we advertise, could limit our ability to direct traffic to our offerings and recruit new students on a cost-effective basis, any of which could have a material adverse effect on our business, results of operations and financial condition.

If internet search engines' methodologies are modified, our search engine optimization capability in connection with our student recruiting efforts could be harmed.

Our search engine optimization capability in connection with our student acquisition efforts substantially depends on various internet search engines, such as Google, to direct a significant amount of traffic to our marketplace at edX.org and other websites related to our offerings. Our ability to influence the number of visitors directed to these websites through search engines is not entirely within our control. For example, search engines frequently revise their algorithms in an attempt to optimize their search result listings. In this respect, we have experienced fluctuations in our search result listings and website traffic based on changes to search engine algorithms, and future algorithm changes by Google or any other search engines could cause edX.org and other websites for our offerings to receive less favorable placements, which could reduce the number of prospective students who visit these websites and impact our ability to effectively utilize search engine optimization as part of our student acquisition strategies in the long-term. Further, if our competitors' search engine optimization efforts are more successful than ours, fewer prospective students may be directed to our websites.

The U.S. Department of Justice brought several antitrust lawsuits against Google claiming, among other things, that Google improperly uses its monopoly over internet search to impede competition and harm consumers. We Certain of these lawsuits are ongoing and we cannot predict the impact that these lawsuits may have on advertising costs or Google's future operations. Any reduction in the number of prospective students directed to our websites could negatively affect our ability to generate prospective students, and ultimately revenue, through our student acquisition activities.

If our security measures or those of our third-party service providers are breached or fail resulting and result in unauthorized disclosure of data, we could lose clients, fail to attract new clients and be exposed to protracted and costly litigation.

Our platforms and computer systems store and transmit proprietary and confidential client, student, and company information, which may include personal information of students, prospective students, faculty and employees, subject to stringent legal and regulatory obligations. As a technology company, we have faced and continue to face an increasing number of threats to our platforms and computer systems, including unauthorized activity and access, system viruses, worms, malicious code, denial of service attacks, phishing attacks, ransomware attacks, social engineering attacks, and organized cyberattacks, any of which could breach our security, or threaten an open source platform that we do not control and create a data exfiltration condition and/or disrupt our platform and our clients' offerings. The techniques used by computer hackers and cyber criminals to obtain unauthorized access to data or to sabotage computer systems are growing in sophistication, change frequently and generally are not detected until after an incident has occurred. We have experienced, and may in the future experience, an increasing number of cybersecurity threats to our platform and computer systems and to the systems of our third-party service providers and our efforts to maintain the security and integrity of our platform, and the cybersecurity measures taken by our third-party service providers, may be unable to anticipate, detect or prevent all attempts to compromise our systems. While there can be no assurances of effectiveness, we have implemented certain safeguards and processes to thwart hackers, and all related activity, and protect the data in our platforms and computer systems. If our, or our third-party service providers', security measures are breached or fail as a result of third-party action, employee error, malfeasance or otherwise, it could result in the loss or misuse of proprietary and confidential university, student (including prospective student), employee or company information, which could subject us to material liability, or materially interrupt our business, potentially over an extended period of time. Any such event could harm our reputation, adversely affect our ability to attract new clients and students, cause existing clients to scale back their offerings or elect not to renew their agreements, cause prospective students not to enroll or existing students to not stay enrolled in our offerings, or subject us to third-party lawsuits, regulatory fines or other action or liability. Further, any reputational damage resulting from breach of our security measures could create distrust of our company by prospective clients or students. In addition, our insurance coverage may not be adequate to cover losses associated with such events, and in any case, such insurance may not cover all costs, expenses or losses we could incur to respond to and remediate a security breach. As a result, we may be required to expend significant additional resources to protect against the threat of these disruptions and security breaches or to alleviate problems caused by such disruptions or breaches.

Data protection laws in jurisdictions around the world require companies and institutions to notify impacted individuals of certain data breach incidents, usually in writing. Under the terms of our contracts with our university clients, we would be responsible for the costs of investigating and disclosing data breaches to the university clients' students, if required by law. In addition to costs associated with investigating, disclosing, and remediating a data breach, we could be required to compensate victims by providing identity protection or monitoring services. We also could be subject to substantial monetary fines or private claims by affected parties and our reputation would likely be harmed.

Disruption to or failures of our online learning platforms could reduce university client and student satisfaction with our offerings and could harm our reputation.

The performance and reliability of our online learning platforms is critical to our operations, reputation and ability to attract new university clients, as well as our student acquisition and retention efforts. Our university clients rely on our platforms to provide their offerings online, and students access our platforms on a frequent basis as an important part of their educational experience. Because our platforms are complex and incorporates incorporate a variety of hardware and proprietary and third-party software, our platforms may have errors or defects that could result in unanticipated downtime for our university clients and students. Web- and mobile- based applications frequently contain undetected errors when first introduced or when new versions or enhancements are released, and we have from time to time found errors and defects in our technology and new errors and defects may be detected in the future. In addition, we have experienced and may in the future experience temporary system interruptions to our platforms for a variety of reasons, including network failures, power failures, problems with third-party firmware and software updates, as well as an overwhelming number of users trying to access our platforms. Any errors, defects, disruptions or other performance problems with our platforms could damage our or our university clients' reputations, decrease student satisfaction and retention and impact our ability to attract new students and university clients. If any of these problems occur, our university clients could attempt to terminate their agreements with us or make indemnification or other claims against us. In addition, sustained or recurring disruptions in our platforms could adversely affect our and our university clients' compliance with applicable regulations and accrediting body standards.

We rely upon Amazon Web Services to host certain aspects of our platform and any disruption of or interference with our use of Amazon Web Services could impair our ability to deliver our platform to clients and students, resulting in client and student dissatisfaction, damage to our reputation, and harm to our business.

Our online learning platform and certain of our other technology and services are hosted on data centers provided by Amazon Web Services, or AWS. Given this, along with the fact that we cannot easily switch our AWS operations to another cloud provider, any disruption of, or interference with our use of, AWS would impact our operations and our business would be adversely impacted. AWS may terminate its agreement with us upon 30 days' notice. Additionally, AWS has the right to terminate the agreement immediately with notice to us in certain scenarios, such as if AWS believes providing the services could create a substantial economic or technical burden or material security risk for AWS, or in order to comply with the law or requests of governmental entities. If any of our arrangements with AWS is terminated, we could experience interruptions in our platform as well as delays and additional expenses in arranging new facilities and services.

Our operations depend, in part, on AWS's abilities to protect their data center hosting facilities against damage or interruption from natural disasters, power or telecommunications failures, criminal acts and similar events. The occurrence of spikes in usage volume, a natural disaster, an act of terrorism, vandalism or sabotage, a decision to close a facility without adequate notice, lack of network connectivity in one or more regions, or other unanticipated problems at a facility could result in lengthy interruptions in the availability of our platform, which would result in harm to our business. In the event of a system failure, the backup systems and disaster recovery services provided by AWS may be insufficient or fail. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could further reduce our revenue, subject us to liability or cause our clients to fail to renew or terminate their contracts, any of which could harm our business.

Our internal information technology systems are critical to our business. System integration and implementation issues could disrupt our operations, which could have a material adverse impact on our business or result in significant deficiencies or material weaknesses in our internal controls.

We rely on the efficient and uninterrupted operation of complex information technology systems, including systems for billing, human resources, enterprise resource planning, and customer relationship management. As our business has grown in size and complexity, the growth has placed, and will continue to place, significant demands on our internal information technology systems. To effectively manage this growth, the volume of our business, we must commit significant financial resources and personnel to maintain and enhance existing systems and develop or acquire new systems to keep pace with continuing changes in our business and information-processing technology as well as evolving industry, regulatory, and accounting standards. If the information we rely upon to run our businesses is determined to be inaccurate or unreliable, or if we fail to properly maintain or enhance our internal information technology systems, we could have operational disruptions, significant deficiencies, or material weaknesses in our internal controls, incur increased operating and administrative expenses, lose our ability to produce timely and accurate financial reports, or suffer other adverse consequences.

If the mobile solutions available to our students and clients are not effective, the use of our platform could decline.

Students have been increasingly accessing our offerings and marketplace on mobile devices through our mobile applications in recent years. The smaller screen size and reduced functionality associated with some mobile devices may make the use of our platform more difficult or our clients may believe that online learning through such mobile devices is not effective. If we are not able to provide our clients with the functionality to deliver a rewarding experience on mobile devices, our ability to attract students to our offerings may be harmed and, consequently, our business may suffer.

As new mobile devices and mobile features are released, we may encounter problems in developing or supporting apps for them. In addition, supporting new devices and mobile device operating systems may require substantial time and resources.

The success of our mobile apps could also be harmed by factors outside our control, such as:

- actions taken by mobile app distributors;

- unfavorable treatment received by our mobile apps, especially as compared to competing apps, such as the placement of our mobile apps in a mobile app download store;
- increased costs in the distribution and use of our mobile apps; or
- changes in mobile operating systems, such as iOS and Android, that degrade functionality of our mobile website or mobile apps or that give preferential treatment to competitive offerings.

If our clients or students encounter difficulty accessing or using, or if they choose not to use, our mobile platform, our growth prospects and our business may be adversely affected.

If we fail to manage our growth or changes to our business operations effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.

We have experienced rapid growth and changes to our business operations in a relatively short period of time, which has placed, and will continue to place, a significant strain on our administrative and operational infrastructure and may require us to expand personnel on certain teams, as well as our facilities and infrastructure. We will also be required to refine our operational, financial and management controls and reporting systems and procedures. If we fail to manage our growth or changes in our business operations efficiently, our costs and expenses may increase more than we plan and we may not successfully expand our university client base, enhance our platform, develop new offerings with new and existing university clients, attract a sufficient number of students in a cost-effective manner, satisfy the requirements of our existing university clients, respond to competitive challenges or otherwise execute our business plan.

Our ability to manage any growth or changes in our business operations effectively will depend on a number of factors, including our ability to:

- effectively recruit, integrate, train and motivate any new employees, while retaining existing employees;
- maintain the beneficial aspects of our corporate culture and effectively execute our business plan;
- implement systems enhancements and continue to improve our operational, financial and management controls;
- protect and further develop our strategic assets, including our intellectual property rights; and
- make sound business decisions in light of the scrutiny associated with operating as a public company.

These activities will require significant capital expenditures and place significant demands on our management and our operational and financial infrastructure.

We may not be able to effectively manage any future growth in a cost-effective or timely manner, or at all, which could negatively affect the quality of our platform, our reputation, results of operations and overall business.

We may expand by acquiring or investing in other companies or technologies, which may divert our management's attention, result in dilution to our shareholders and consume resources that are necessary to sustain our business.

We have in the past acquired and may in the future acquire complementary products, services, technologies or businesses. Negotiating these transactions can be time-consuming, difficult and expensive, and our ability to complete these transactions may be subject to conditions or approvals that are beyond our control. In addition, we may not be able to identify desirable

acquisition targets, may incorrectly estimate the value of an acquisition target or may not be successful in entering into an agreement with any particular target. Consequently, these transactions, even if undertaken and announced, may not close.

An acquisition, investment, or new business relationship may result in unforeseen operating difficulties, expenditures and integration challenges including the following:

- diversion of management's attention from ongoing business concerns and performance;
- managing a larger combined company;
- maintaining employee morale and retaining key management and other employees;
- retaining existing business and operational relationships and attracting new business and operational relationships;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations and inconsistencies in standards, controls, procedures and policies;
- coordinating geographically separate organizations;

- unanticipated issues in integrating information technology, communications and other systems;
- undetected errors or unauthorized use of a third party's code in the products of the acquired companies or in the technology acquired;
- breaches of our cybersecurity measures if there are cybersecurity issues we are not aware of at the time of the acquisition;
- entry into highly competitive markets in which we have no or limited direct prior experience and where competitors have stronger market positions; and

- exposure to unknown liabilities, including claims and disputes by third parties against the companies we acquire.

Many of these factors will be outside of the combined company's control and any one of them could result in delays, increased costs, decreased revenue and diversion of management's time and energy, which could materially affect our financial position, results of operations and cash flows.

If we experience difficulties with the integration process following an acquisition, the anticipated benefits of the acquisition may not be realized fully or at all, or may take longer to realize than expected. Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized.

In addition, in connection with an acquisition, investment or new business relationship we may:

- issue additional equity securities that would dilute current shareholders;
- use cash that we may need in the future to operate our business;
- incur debt on terms unfavorable to us or that we are unable to repay or that may place burdensome restrictions on our operations;
- incur large charges or substantial liabilities; or
- become subject to adverse tax consequences.

Any of these outcomes could harm our business and operating results. In addition, a significant portion of the purchase price of companies we have acquired and may acquire in the future may be allocated to goodwill and indefinite-lived intangible assets, which must be assessed for impairment at least annually. If our acquisitions do not ultimately yield expected returns, we may be required to make changes to our operating results based on our impairment assessment process. For example, during the three months ended March 31, 2022, we recorded impairment charges of $28.8 million and $30.0 million to goodwill and the indefinite-lived intangible asset, respectively. During the three months ended September 30, 2022, we recorded impairment charges of $50.2 million and $29.3 million to goodwill and the indefinite-lived intangible asset, respectively. During the three months ended June 30, 2023, we recorded impairment charges of $16.7 million and $117.4 million to goodwill and the indefinite-lived intangible asset, respectively. During the three months ended December 31, 2023, we recorded impairment charges of $62.8 million to goodwill. As of December 31, 2022 December 31, 2023, our goodwill balance was $734.6 million $651.5 million. In 2023, the Company concluded that due to changes in facts and indefinite-lived circumstances, the edX trade name should be classified as a finite-lived intangible asset balance rather than an indefinite-lived asset. As of December 31, 2023, the net carrying value of the edX trade name was $195.7 million, a significant portion of which relate to the acquisition of edX completed in November 2021 (the "edX Acquisition") $76.7 million.

We face competition from established and emerging companies, which could divert clients or students to our competitors, result in pricing pressure and significantly reduce our revenue.

We expect that the online learning market will continue to expand and that the number of degree and non-degree offerings available online will proliferate.

In the Degree Program Segment, the number of new competitive entrants into the online learning market has expanded rapidly in recent years. As the number of online degree programs expands, we face increasing competition to enroll students in our offerings. This expansion has also resulted in an increase in the number of regional online degree program offerings for potential students. In addition to making enrollment decisions based on factors such as program quality and university brand strength, we have observed potential students giving preference to universities located in their region, which has further impacted the competitive landscape in our Degree Program Segment.

In our Alternative Credential Segment, which has a lower barrier to entry, we face increasing competition from other providers of massive open online courses, which directly compete with our open course offerings, but have also expanded their offerings to include certificate offerings, nano-degrees and similar non-degree alternatives. We also face competition from

companies that provide corporate training programs and online courses taught outside the university environment (e.g., by experts in various fields).

We expect existing competitors and new entrants to the online learning market to revise and improve their business models constantly in response to challenges from competing businesses, including ours. If these or other market participants introduce new or improved delivery of online education and technology-enabled services that we cannot match or exceed in a timely or cost-effective manner, our ability to grow our revenue and achieve profitability could be compromised.

Some of our competitors and potential competitors have significantly greater resources than we do. Increased competition may result in pricing pressure for us in terms of the percentage of tuition and fees we are able to negotiate to receive. The competitive landscape may also result in longer and more complex sales cycles with a prospective university client or a decrease in our market share among select nonprofit colleges and universities seeking to offer online educational offerings, any of which could negatively affect our revenue and future operating results and our ability to grow our business.

A number of competitive factors could cause us to lose potential client and student opportunities or force us to offer our platform on less favorable economic terms, including:

- competitors may develop service offerings that our potential clients or students find to be more compelling than ours;
- competitors may adopt more aggressive pricing policies and offer more attractive sales terms, adapt more quickly to new technologies and changes in client and student requirements, and devote greater resources to the acquisition of students than we can;
- current and potential competitors may establish cooperative relationships among themselves or with third parties to enhance their products and expand their markets, and our industry is likely to see an increasing number of new entrants and increased consolidation. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share; and

- colleges and universities may choose to continue using or to develop their own online learning solutions in-house, rather than pay for our platform.

We may not be able to compete successfully against current and future competitors. In addition, competition may intensify as our competitors raise additional capital and as established companies in other market segments or geographic markets expand into our market segments or geographic markets. If we cannot compete successfully against our competitors, our ability to grow our business and achieve profitability could be impaired.

If we are not able to maintain and enhance our brand, our reputation and business may suffer.

We believe that maintaining and enhancing our reputation and brand recognition is important to attract and retain students and clients, and that the importance of our reputation and brand recognition will continue to increase as competition in the markets in which we operate continues to develop. Our success in this arena will depend on a range of factors, both within and beyond our control. The following factors, many of which are beyond our control, may affect our reputation and brand recognition:

- our ability to market our platform effectively and efficiently;
- our ability to maintain a useful, innovative, and reliable platform;
- our ability to maintain a high satisfaction among students and partners;
- our ability to provide high quality, valuable content for our platform;
- our ability to successfully differentiate our platform from competing offerings;
- our ability to maintain a consistently high level of customer service;
- our ability to prevent any actual or perceived data security breach or incident or data loss, or misuse or perceived misuse of our platform;
- the actions of competitors or other third parties;
- positive or negative publicity, including with respect to events or activities attributed to us, our employees or our clients;
- interruptions, delays, or attacks on our platform; and
- litigation or legal developments.

Damage to our reputation and brand, from the factors listed above or otherwise, may reduce demand for our platform and have an adverse effect on our business, operating results and financial condition. Moreover, any attempts to rehabilitate our reputation and brand recognition may be costly and time-consuming, and there can be no assurance that any such efforts will ultimately be successful.

If for-profit postsecondary institutions, which offer online education alternatives different from ours, or online program management providers perform poorly or continue to attract negative publicity, it could tarnish our reputation or the reputation of online education as a whole, which could impair our ability to grow our business.

For-profit postsecondary institutions, many of which provide course offerings predominantly online, remain under intense regulatory and other scrutiny, which has led to media attention that has portrayed that sector in an unflattering light. Some for-profit online school operators have been subject to governmental investigations alleging the misuse of public funds, financial irregularities, false or exaggerated promises to students, and failure to achieve positive outcomes for students, including the inability to obtain employment in their fields. These allegations have attracted significant adverse media coverage and have prompted ongoing legislative hearings and actions as well as regulatory responses at both the state and federal level. These investigations have focused on specific companies and individuals, and the entire industry in the case of marketing and recruiting practices by for-profit higher education companies. Even though we do not market our platform to for-profit institutions, and have a different business model from them, this negative media attention has nevertheless fostered skepticism about online program management companies, online higher education generally and our company specifically. Allegations of abuse of federal financial aid funds and other statutory and regulatory violations against higher education companies, even if unfounded, could negatively impact our opportunity to succeed due to increased regulation or decreased demand for our offerings. Our company has been the subject of articles and inquiries by critics of for-profit education models generally, and such critics continue to advocate for changes in law and regulation at the state and federal level that would be adverse to our business model and have sought information and increased oversight regarding the business practices of online program management companies. For example, such critics have sometimes compared our business to that of entities that were formally for-profit institutions and that subsequently converted to non-profit status, and the conflation of these newer business models with our own likely increased scrutiny of our business by Congress, the DOE or other regulatory agencies. Any of these factors could negatively impact our ability to increase our university client base and grow our offerings and our revenue, which would make it difficult to continue to grow our business.

If we do not retain We have undergone recent changes to our senior management team and key organizational structure, and if we are unable to successfully implement our new organizational structure, or if we lose the services of any of our senior management, our business, operating results, and financial condition could be adversely affected.

In November 2023, Christopher “Chip” Paucek, our former Chief Executive Officer resigned and the Board of Directors appointed Paul Lalljie as our Chief Executive Officer. In addition, over the last twelve months, we have had several senior management changes and we have changed our organizational structure to appoint a leader of each business segment.

Any significant leadership change, senior management transition or change to our organizational structure involves inherent risk and any failure to ensure a smooth transition could hinder our strategic planning, business execution and future performance. In particular, this or any future leadership transition or organizational change may result in a loss of personnel with deep institutional or technical knowledge and changes in business strategy or objectives, and has the potential to disrupt our operations and relationships with employees we may not be able and partners due to sustain added costs, operational inefficiencies, changes in strategy, decreased employee morale and productivity and increased turnover. We must successfully implement our growth or new organizational structure to achieve our business operating objectives.

Our future success is substantially dependent depends in large part on the continued service of our certain senior management. Our senior management team. In this respect, team is critical to the development of our technology, platform, university client relationships, and overall financial and strategic direction and members of senior management are all employed on an at-will basis, which means that they could terminate their employment with us at any time, for any reason and without notice. From time to time, there may be changes in our senior management team is heavily involved in resulting from the university client identification hiring or departure of executives. If we lose the services of senior management, or if our senior management team cannot work together effectively, our business, operating results, and sales process, and their expertise is critical in navigating the complex approval processes of large nonprofit colleges and universities. financial condition could be adversely affected. We do not maintain key-person insurance on any of our employees, including our senior management team. The loss of the services of any individual on key member of our senior management team, or failure to find a suitable successor, could make it more difficult to successfully operate our business and achieve our business goals.

Our future success also depends heavily on the retention of our marketing and sales, technology and content development and support teams to continue to attract and retain students, thereby generating revenue for us. In particular, our highly-skilled technology and content development employees provide the technical expertise underlying our technology and technology-

enabled services that support our university clients' offerings and the students enrolled in these offerings. We have experienced intense competition for these employees, and we may be unable to attract or retain these key personnel that are critical to our success, resulting in harm to our relationships with university clients, loss of expertise or know-how and unanticipated recruitment and training costs.

In addition, as a result of business acquisitions and our Strategic Realignment Plan, recent organizational changes, our current and prospective employees and employees of any acquired company may experience uncertainty about their future roles following the acquisition or announcement of the Strategic Realignment Plan. roles. If our employees or the employees of any acquired company depart because of issues relating to uncertainty or perceived difficulties of integration, our ability to realize the anticipated benefits of an acquisition could be adversely impacted.

We have employees outside of the United States, have international residents that apply to and enroll in our offerings and plan to expand our international business, which exposes us to risks inherent in international operations.

Since 2017, and more recently as a result of the edX Acquisition, we have significantly increased our international operations, including the number of international applicants and students in our offerings. One element of our growth strategy is to continue expanding our international operations and to continue expanding our global student and client base. Our current international operations and future initiatives will involve a variety of risks that could constrain our operations and compromise our growth prospects, including:

- the need to localize and adapt online offerings for specific countries, including translation into foreign languages and ensuring that these offerings enable our university clients to comply with local education laws and regulations;
- difficulties in staffing and managing foreign operations, including different pricing environments, longer sales cycles, longer accounts receivable payment cycles and collections issues;
- lack of familiarity with and unexpected changes in foreign regulatory requirements;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- new and different sources of competition, and practices which may favor local competitors;
- weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including labor and employment, tax, education, privacy and data protection, and anti-bribery laws and regulations, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act;
- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds;
- adverse tax consequences, including liabilities for indirect taxes or the potential for required withholding taxes for our overseas employees;
- terrorist attacks, public health crises, labor strikes or other widespread work stoppages, adverse environmental conditions and acts of violence or war such as the ongoing conflicts in Ukraine and adverse environmental conditions; the Middle East;
- unstable regional, economic or political conditions; and

- fluctuations in currency exchange rates or restrictions on foreign currency and resulting effects on our revenue and expenses.

Our expansion efforts may not be successful. Our experience with attracting university clients and students in the U.S. may not be relevant to our ability to attract clients and students in other markets. If we invest substantial time and resources to expand our international operations and are unable to attract university clients and students successfully and in a timely manner, our business and operating results will be harmed.

Our operations in South Africa expose us to risks that could have an adverse effect on our business.

We have a significant employee base in South Africa. We may incur costs complying with labor laws, rules and regulations in South Africa, including laws that regulate work time, provide for mandatory compensation in the event of termination of employment for operational reasons, and impose monetary penalties for non-compliance with administrative and reporting requirements in respect of affirmative action policies. Our reliance on a workforce in South Africa also exposes us to disruptions in the business, political, and economic environment in that region, as well as natural disasters, public health crises, power outages and other environmental conditions. Maintenance of a stable political environment is important to our operations in South Africa, and terrorist attacks and acts of violence or war may directly affect our physical facilities and workforce or contribute to general instability. Our operations in South Africa require us to comply with complex local laws and regulatory requirements and expose us to foreign currency exchange rate risk. The economy of South Africa in the past has been, and in the future may continue to be, characterized by rates of inflation and interest rates that are substantially higher than those prevailing in the United States, which could increase our South-African-based costs and decrease our operating margins. Our operations in South Africa may also subject us to trade restrictions, exchange control limitations, reduced or inadequate protection for intellectual property rights, security breaches, and other factors that may adversely affect our business. Negative developments in any of these areas could increase our costs of operations or otherwise harm our business.

We engage some individuals classified as independent contractors, not employees, and if U.S. or international regulatory authorities mandate that they be classified as employees, our business would be adversely impacted.

We engage independent contractors and are subject to U.S. and international regulations and guidelines regarding independent contractor classification. These regulations and guidelines are subject to judicial and agency interpretation, and it could be determined that our current or former independent contractor classifications are inapplicable. Further, if legal standards for classification of independent contractors change, it may be necessary to modify our compensation structure for these personnel, including by paying additional compensation or reimbursing expenses. In addition, if our independent contractors are determined to have been misclassified as independent contractors, we would incur additional exposure under U.S. and international law, workers' compensation, unemployment benefits, labor, employment and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings. Any of these outcomes could result in substantial costs to us, could significantly impair our financial condition and our ability to conduct our business as we choose, and could damage our reputation and our ability to attract and retain other personnel.

We rely on certain third-party providers of software and services integral to the operations of our business.

We rely on software that we license from third parties and services provided by third parties to offer certain components of our technology and services. In addition, we may need to obtain future licenses or services from third parties necessary for the continued provision of our technology and services, which might not be available to us on acceptable terms, or at all. If our agreements with third-party software or services vendors are not renewed or the third-party software or services become obsolete, fail to function properly, are defective or otherwise fail to provide quality service or address our or our clients' needs, there is no assurance that we would be able to replace the functionality provided by the third-party software or service provider with software or services from alternative providers. Any of these factors could have a material adverse effect on our financial condition, cash flows or results of operations.

Implementation of our 2022 Strategic Realignment Plan or similar plans may not be successful, which could affect our ability to increase our profitability.

On July 28, 2022, we announced a plan to accelerate our transition to a platform company (the "2022 Strategic Realignment Plan"). The plan was designed to reorient the company around a single platform allowing us to pursue a portfolio-based marketing strategy that drives traffic to the edX marketplace. As part of the plan, the Company optimized marketing spend, in 2022, we simplified its our executive structure, to reduce silos, reduced employee headcount, and rationalized its our real estate footprint. footprint and took steps to optimize our marketing spend. In furtherance of the 2022 Strategic Realignment Plan, we reduced employee headcount during the third quarter of 2023. We expect to record in the aggregate approximately $35 $70 million to $40 $75 million in restructuring charges associated with the 2022 Strategic Realignment Plan. The plan was substantially completed by December 31, 2022 with cash expenditures relating to the employee headcount reduction continuing through the first quarter of 2024 and cash expenditures related to real estate continuing through the duration of lease terms ranging from 1 to 9 years. In late 2023, we announced leadership changes and commenced a comprehensive performance improvement exercise aimed at, among other things, further improving profitability and optimizing our operating model. Part of this exercise includes headcount reductions associated with implementing changes to the Company's organizational structure, as management works to align staffing levels with business priorities across functional Although we believe that the 2022 Strategic Realignment Plan and subsequent related actions will reduce overhead costs, enhance operational efficiency, and result in improved profitability, we cannot guarantee that the 2022 Strategic Realignment Plan these activities will achieve or sustain the expected benefits, or that the benefits, even if achieved, will be adequate to meet our long-term profitability and operational expectations. Risks associated with the impact of the 2022 Strategic Realignment Plan and subsequent related

actions also include additional unexpected costs and negative impacts on our cash flows from operations and liquidity, employee attrition beyond our intended reductions and adverse effects on employee morale, diversion of management attention, adverse effects to our reputation as an employer, which could make it more difficult for us to hire and retain employees in the future, and potential failure or delays to meet operational and growth targets due to the loss of qualified employees and the potential negative impact on our reputation among our university clients. If we do not realize the expected benefits or synergies of the 2022 Strategic Realignment Plan and subsequent related actions, our business, financial condition, cash flows and results of operations could be negatively impacted.

If students do not expand beyond the free offerings available on our platform, our ability to grow our business and improve our results of operations may be adversely affected.

Many of our students initially access the free or audit track of the open courses available on our platform. Our growth strategy depends in part on our ability to increase the number of registered learners on our platform and to persuade those learners to enroll in the paid certificate track of the open courses available on our platform or in one of our other paid offerings. If students do not expand beyond free offerings, our ability to grow our business may be adversely affected.

Risks Related to Our Indebtedness and Capital Structure

Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk and prevent us from meeting our obligations with respect to our indebtedness.

As of December 31, 2022 December 31, 2023, we had approximately $953.8 million $948.4 million of indebtedness on a consolidated basis, including $380 million of 2.25% Senior Unsecured Convertible Notes due 2025 (the "2025 Notes") issued pursuant to an indenture between the Company and Wilmington Trust, National Association (the "2025 Indenture"). Additionally, on January 11, 2023, we issued $147 million of 4.50% Senior Unsecured Convertible Notes due 2030 (the "2030 Notes" and together with the 2025 Notes, the "Convertible Notes") pursuant to an indenture between the Company and Wilmington Trust, National Association (the "2030 Indenture" and together with the 2025 Indenture, the "Indentures"), and amended, extended and paid down the Term Loan Credit and Guaranty Agreement, dated as of June 28, 2021, by entering into the Extension Amendment, Second Amendment and First Incremental Agreement to Credit and Guaranty Agreement, dated as of January 9, 2023 (the "Second Amended Credit Agreement") reducing the amount of term loans outstanding under such instrument to $380 million and adding a revolving credit facility in an amount not to exceed $40 million. See Note 10 in the "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this Annual Report on Form 10-K.

Our substantial indebtedness could have important consequences. For example, it could:

- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions, investments and other general corporate purposes;
- require a substantial portion of our cash from operating activities to be dedicated to debt service payments and reduce the amount of cash available for working capital, capital expenditures, investments or acquisitions and other general corporate purposes;
- place us at a competitive disadvantage compared to certain of our competitors who have less debt;
- hinder our ability to adjust rapidly to changing market conditions;
- subject us to additional scrutiny from regulators;
- limit our ability to secure adequate bank financing in the future with reasonable terms and conditions; and
- increase our vulnerability to, and limit our flexibility in planning for or reacting to, a potential downturn in general economic conditions or in one or more of our businesses.

The Indentures and the Second Amended Credit Agreement contain, and the agreements governing indebtedness we may incur in the future may contain, affirmative and negative covenants that limit our ability to engage in activities that may be in our long-term best interests. For example, the scheduled maturity date of the loans under the Second Amended Credit Agreement may be accelerated to: (i) in the case of the term loan facility, January 30, 2025 in the event more than $40 million of 2025 Notes remain outstanding on such date and (ii) in the case of the revolving facility, January 1, 2025, in the event more than $50 million of 2025 Notes remain outstanding on such date. If the debt under the Second Amended Credit Agreement were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, including the Convertible Notes which have cross-acceleration provisions to the Second Amended Credit Agreement, which could immediately materially and adversely affect our business, financial condition, and results of operations. See below also "Risk Factors – Risks Related to Our Indebtedness and Capital Structure – The Second Amended Credit Agreement contains financial covenants that may limit our operational flexibility." Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt. debt, which may adversely impact our business, financial condition, and results of operations and raises substantial doubt about our ability to continue as a going concern. In addition, the perception that we may not be able to continue as a going concern may cause customers and other business partners to choose not to conduct business with us due to concerns about our ability to meet our contractual obligations and continue operating our business without interruption.

Despite current indebtedness levels and existing restrictive covenants, we may still incur additional indebtedness that could further exacerbate the risks associated with our substantial financial leverage.

We may incur significant additional indebtedness in the future under the agreements governing our indebtedness. We are subject to limited restriction under the terms of the Indentures from incurring additional unsecured debt. Although the Second Amended Credit Agreement contains, and any future indebtedness may contain, restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of thresholds, qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. Additionally, these restrictions could permit us to incur obligations that, although preferential to our common stock in terms of payment, do not constitute indebtedness.

The Second Amended Credit Agreement contains financial covenants that may limit our operational flexibility.

The Second Amended Credit Agreement requires us to comply with several financial covenants and other restrictive covenants, such as maintaining minimum recurring revenues, a minimum fixed charge coverage ratio, a maximum consolidated senior secured net leverage ratio and a maximum consolidated total net leverage ratio, maintaining insurance coverage, and restricting our ability to make certain investments. In addition, the 2030 Notes also contain financial covenants consistent with the Second Amended Credit Agreement. Compliance with these covenants may limit our ability to engage in new lines of business, make certain investments, pay dividends, or enter into various transactions.

These covenants may limit the flexibility of our operations, and lack of compliance, or inability to obtain a waiver related to those covenants, could result in a default under the Second Amended Credit Agreement. If such a default were to occur, the lenders would have the right to terminate their commitments to provide loans under the Second Amended Credit Agreement and declare any and all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. In addition, the lenders would have the right to proceed against the collateral in which we granted a first priority security interest to them, which consists of substantially all our assets. Additionally, the scheduled maturity date of the loans under the Second Amended Credit Agreement may be accelerated to (i) in the case of the term loan facility, January 30, 2025 in the event more than $40 million of 2025 Notes remain outstanding on such date and (ii) in the case of the revolving facility, January 1, 2025, in the event more than $50 million of 2025 Notes remain outstanding on such date. Our Second Amended Credit Agreement includes a financial covenant that requires the Company to maintain $900 million minimum Recurring Revenues (as defined by the Second Amended Credit Agreement) as of the last day of any period of four consecutive fiscal quarters. Failure to maintain this minimum recurring revenue may result in us defaulting under the aforementioned financing facilities and therefore in the acceleration of their due dates. If the debt under the Second Amended Credit Agreement were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, including the Convertible Notes which have cross-acceleration provisions to the Second Amended Credit Agreement, which could immediately materially and adversely affect our business, financial condition, and results of operations. operations and raises substantial doubt about our ability to continue as a going concern.

Furthermore, the Second Amended Credit Agreement restricts, and any future indebtedness may similarly restrict or prohibit, us from making any cash payments to settle a conversion, repurchase, mandatory redemption or maturity payment in respect of the Convertible Notes. Our inability to make cash payments upon the conversion or repurchase of the Convertible Notes could result in dilution to our stockholders and limit our operational flexibility, respectively, and, in respect of a payment in connection with a mandatory redemption or maturity, would permit holders of the Convertible Notes to accelerate our obligations under the Convertible Notes. In addition, any future indebtedness that we may incur may contain financial and other restrictive covenants that limit our ability to operate our business, raise capital or make payments under our other indebtedness. If we fail to comply with such covenants, to obtain waivers related to those covenants, if available, or to make payments under our indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that indebtedness becoming immediately payable in full.

To service our indebtedness, we will require a significant amount of cash, and our ability to generate cash depends on many factors beyond our control.

Our ability to make cash payments on and to refinance our indebtedness will depend upon our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to financial, business, legislative, regulatory and other factors beyond our control.

If we are unable to generate sufficient cash from operating activities or are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or amounts payable upon maturity or a mandatory redemption of the Convertible Notes, or if we fail to comply with the various covenants in the instruments governing our indebtedness and we are unable to obtain waivers, if available, from the required lenders or noteholders, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of our indebtedness could elect to declare all the funds borrowed to be due and payable, together with accrued and unpaid interest. As a result, we could be forced into bankruptcy or liquidation.

We may be unable to raise the funds necessary to repurchase the Convertible Notes for cash following a "fundamental change," or to pay any cash amounts due upon conversion, and our other indebtedness may limit our ability to repurchase the Convertible Notes or pay cash upon their conversion.

Holders of the Convertible Notes may, subject to certain exceptions, require us to repurchase their Convertible Notes following a "fundamental change" (as defined in the applicable Indenture) at a cash repurchase price generally equal to the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion, we will satisfy part or all of our conversion obligations in cash unless we elect to settle conversions solely in shares of our common stock. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the Convertible Notes or pay the cash amounts due upon conversion. In addition, applicable law, regulatory authorities and the agreements governing our other indebtedness may restrict our ability to repurchase the Convertible Notes or pay the cash amounts due upon conversion. Our failure to repurchase Convertible Notes or to pay the cash amounts due upon conversion when required will constitute a default under the Indentures. A default under the Indentures or the fundamental

change itself could also lead to a default under agreements governing our other indebtedness, which may result in that other indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under the other indebtedness and the Convertible Notes.

Conversion of the Convertible Notes may dilute the ownership interest of existing stockholders or may otherwise depress the price of our common stock.

The conversion of some or all of the Convertible Notes may dilute the ownership interests of existing stockholders to the extent we deliver shares upon any conversion of the Convertible Notes. The make-whole conversion provisions under the Indentures governing the Convertible Notes may also further dilute the ownership interests of existing stockholders. In addition, the Indentures governing the Convertible Notes provide for customary anti-dilution provisions, which may result in the issuance of additional shares of our common stock. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Convertible Notes may encourage short selling by market participants because the conversion of the Convertible Notes could be used to satisfy short positions. The anticipated conversion of the Convertible Notes into shares of our common stock could also depress the price of our common stock.

Provisions in the Convertible Notes, Indentures and in the Second Amended Credit Agreement could delay or prevent an otherwise beneficial takeover of us.

Certain provisions in the Convertible Notes and in the Indentures could make a third-party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a "fundamental change" (as defined in the applicable Indenture), then noteholders will have the right to require us to repurchase their Convertible Notes for cash. In addition, if a takeover constitutes a “make-whole fundamental change” (as defined in the applicable Indenture), then we may be required to temporarily increase the conversion rate. In either case, and in other cases, our obligations under the Convertible Notes and the Indentures, as well as the Second Amended Credit Agreement, under which a “change of control” is an event of default resulting in acceleration of all indebtedness thereunder, could increase the cost of acquiring us or otherwise discourage a third

party from acquiring us or removing incumbent management, including in a transaction that noteholders or holders of our common stock may view as favorable.

The accounting method for convertible debt securities that may be settled in cash, such as the Convertible Notes, could have a material effect on our reported financial results.

In August 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-06, Accounting for Convertible Instruments and Contract in an Entity's Own Equity (Subtopic 815-40) (“ASU 2020-06”), which amends the accounting standards for convertible debt instruments that may be settled entirely or partially in cash upon conversion. ASU 2020-06 eliminates requirements to separately account for liability and equity components of such convertible debt instruments and eliminates the ability to use the treasury stock method for calculating diluted earnings per share for convertible instruments whose principal amount may be settled using shares. Instead, ASU 2020-06 requires (i) the entire amount of the security to be presented as a liability on the balance sheet and (ii) application of the if-converted method for calculating diluted earnings per share. Under the if-converted method, diluted earnings per share will generally be calculated assuming that all the Convertible Notes were converted solely into shares of common stock at the beginning of the reporting period, unless the result would be anti-dilutive, which could adversely affect our diluted earnings per share.

We adopted ASU 2020-06 in the first quarter of 2022, using the modified retrospective basis, effective as of January 1, 2022. Following adoption of this ASU, we no longer separate the liability and equity components of the Convertible Notes on our balance sheet.

The capped call transactions may affect the value of our common stock.

In connection with the 2025 Notes, we entered into capped call transactions with certain option counterparties. The capped call transactions are expected generally to reduce the potential dilution upon any conversion of the 2025 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted 2025 Notes, as the case may be, with such reduction and/or offset subject to a cap.

The option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions from time to time (and are likely to do so following any conversion of the 2025 Notes, any repurchase of the 2025 Notes by us on any fundamental change repurchase date, any redemption date or any other date on which the 2025 Notes are retired by us, in each case, if we exercise our option to terminate the relevant portion of the capped call transactions). This activity could also cause or avoid an increase or a decrease in the market price of our common stock.

In addition, if any such capped call transactions are terminated for any reason, the option counterparties or their respective affiliates may unwind their hedge positions with respect to our common stock, which could adversely affect the value of our common stock.

Furthermore, the option counterparties are financial institutions, and we will be subject to the risk that any or all of them might default under the capped call transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Past global economic conditions have resulted in the actual or perceived failure or financial difficulties of a number of financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the capped call transactions with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the option counterparties.

We might not be able to utilize a portion of our net operating loss carryforwards, which could adversely affect our profitability.

As of December 31, 2022 December 31, 2023, we had federal net operating loss carryforwards due to prior period losses, which, if not utilized, will begin to expire in 2029. Our gross state net operating loss carryforwards are equal to or less than the federal net operating loss carryforwards and expire over various periods based on individual state tax laws. These net operating loss carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change,” which is generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. Similar rules may apply under state tax laws. During the three-year period ended December 31, 2016, we determined that such an ownership change occurred. Absent a subsequent ownership change, however, all of our historical net operating losses should be available. Therefore, the occurrence of the ownership change during the

three-year period ended December 31, 2016 is not expected to limit our ability to carry forward historical net operating losses before expiration. We may experience ownership changes in the future as a result of subsequent shifts in our stock ownership. If a future ownership change occurs and limits our ability to use our historical net operating loss carryforwards, it would harm our future financial statement results by increasing our future tax obligations. We also have net operating loss carryforwards in South Africa and the United Kingdom and there is no guarantee that entities in these countries will generate enough taxable income to fully utilize them.

We may need additional capital in the future to pursue our business objectives. Additional capital may not be available on favorable terms, or at all, which could compromise our ability to grow our business.

We may need to raise additional funds to respond to business challenges or opportunities, accelerate our growth, develop new offerings or enhance our platform. Our continued access to sources of liquidity depends on multiple factors, including global economic conditions, the condition of global financial markets, the availability of sufficient amounts of financing and our operating performance, all of which may be impacted by the recent growth in inflation. inflation and currency and interest rate fluctuations. If we seek to raise additional capital, it may not be available on favorable terms or may not be available at all. In addition, under our Second Amended Credit Agreement, we may be restricted from using the net proceeds of financing transactions for our operating objectives. Lack of sufficient capital resources could significantly limit our ability to manage our business and to take advantage of business and strategic opportunities. opportunities and raise substantial doubt about our ability to continue as a going concern. Additionally, if we fail to refinance our 2025 Notes (i) prior to January 30, 2025, then the maturity on the term loan facility under the Second Amended Credit Agreement will be accelerated, and (ii) prior to January 1, 2025, then the maturity on the revolving facility under the Second Amended Credit Agreement will be accelerated. Our Second Amended Credit Agreement includes a financial covenant that requires the Company to maintain $900 million minimum Recurring Revenues (as defined by the Second Amended Credit Agreement) as of the last day of any period of four consecutive fiscal quarters, commencing with the fiscal quarter ending September 30, 2021 through the maturity date. Failure to maintain this minimum recurring revenue may result in us defaulting under the aforementioned financing facilities and therefore in the acceleration of their due dates. Any additional capital raised through the sale of equity or debt securities with an equity component would dilute our stock ownership. If adequate additional funds are not available if and when needed, we may be required to delay, reduce the scope of, or eliminate material parts of our business strategy.

strategy or may be forced into bankruptcy or liquidation. See above also “Risk Factors – Risks Related to Our Indebtedness and Capital Structure – The Second Amended Credit Agreement contains financial covenants that may limit our operational flexibility.”

Risks Related to Regulation of Our Business and That of Our University Clients

Our business model relies on university client institutions complying with federal and state laws and regulations.

Higher education is heavily regulated. All of our university clients in the United States and certain university clients outside of the United States participate in Title IV federal student financial assistance programs under the HEA of 1965, as amended, or HEA, and are subject to extensive regulation by the U.S. Department of Education, or DOE, as well as various state agencies, licensing boards and accrediting commissions. To participate in the Title IV programs, an institution must receive and maintain authorization by the appropriate state education agencies, be accredited by an accrediting commission recognized by the DOE, and be certified by the DOE as an eligible institution. If a university client participating in Title IV failed to maintain in good standing its approval by these regulators, or was found to be in non-compliance with any of these the laws, regulations, standards or policies promulgated by such regulators, the university client could lose some or all of its access to Title IV program funds, lose the ability to offer certain programs or lose its ability to operate in certain states, any of which could cause our revenue from that university client’s program to decline.

The regulations, standards, guidance and policies applicable to our university clients change frequently and are often subject to interpretation. Changes in, or new interpretations of, applicable laws, regulations, guidance or standards could compromise our university clients’ accreditation, authorization to operate in various states, permissible activities or use of federal funds under Title IV programs or state funds under state grant programs. We cannot predict with certainty how the requirements applied by our university clients’ regulators will be interpreted, or whether our university clients will be able to comply with these requirements in the future.

Certain requirements of Title II and Title III of the Americans with Disabilities Act apply to us and our university clients and Section 504 of the Rehabilitation Act of 1974 applies to our university clients that receive federal funding. Further, in the absence of definitive federal rulemaking, the Web Content Accessibility Guidelines 2.1, a set of recommendations and technical standards for making websites accessible to individuals with disabilities published by the World Wide Web Consortium, have become the effective standard for learner-facing aspects of our platform. We may not be successful in ensuring that our offerings and services comply with these changing statutory and regulatory requirements, which could make our solutions less attractive to our clients and students, and we expect to incur ongoing costs of compliance.

Our activities are subject to federal and state laws and regulations and other requirements.

Although we are not an institution of higher education, we are required to comply with certain education laws, regulations and regulations accreditation standards as a result of our role as a service provider to higher education institutions, either directly or indirectly through our contractual arrangements with university clients. Failure to comply with these laws, regulations and regulations standards could result in breach of contract and indemnification claims and could cause damage to our reputation and impair our ability to grow our business and achieve profitability.

Activities of the U.S. Congress or Department of Education could result in adverse legislation, or regulatory regulations, guidance, actions or investigations.

The process of reauthorization of the HEA is expected to continue until the HEA is updated. Congressional hearings may be scheduled by the U.S. Senate Committee on Health, Education, Labor and Pensions, the U.S. House of Representatives Committee on Education and the Workforce and other Congressional committees regarding various aspects of the education industry, including Title IV programs, accreditation matters, student debt, student recruiting, cost of tuition, distance learning, competency-based learning, student success and outcomes and other matters. Future hearings may include a discussion of the role of online program management companies.

The increased scrutiny and results-based accountability initiatives in the education sector, as well as ongoing policy differences in Congress regarding spending levels and other issues, including funding legislation for the government’s next fiscal year, could lead to significant changes in connection with the reauthorization of the HEA or otherwise. These changes may result in new or additional regulatory burdens on postsecondary schools generally, and specific initiatives may be targeted at or have an impact upon on companies like us that serve higher education. The adoption of any laws or regulations that limit our ability to provide our services to our university clients could compromise our ability to drive revenue through their programs or make our platform less attractive to them. Congress could also enact laws, authorize regulations or revise guidance that requires us to modify our practices in ways that could increase our costs or decrease our revenues.

In addition, ongoing regulatory activities and initiatives of the DOE may have similar consequences for our business even in the absence of Congressional action. For example, there is a DOE completed new rulemaking processes process underway in 2022 2024 that may includes agenda topics related to accreditation, state authorization, and distance education that could impact our partners. While the most recent regulatory changes do not impact institutional partners and our business model, business. The DOE has released a new also indicated that it may consider additional rulemaking agenda issued new guidance and indicated it intends to consider future regulatory topics and guidance changes in 2023, some of which may impact us or our partners. 2024. We cannot predict with certainty what these future changes will be, or whether they will lead to any additional reports that may impact our business in the future.

Our business model, which depends on our ability to receive a share of tuition revenue as payment from our university clients, has been validated by a DOE "dear colleague" letter, but such validation is not codified by statute or regulation and may be subject to change.

Each institution of higher education that participates in Title IV programs agrees it will not "provide any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid, to any person or entity who is engaged in any student recruitment or admission activity, or in making decisions regarding the award of Title IV, HEA program funds." Virtually all of our university clients participate in Title IV Programs. programs.

Although this rule, referred to as the incentive compensation rule, generally prohibits entities or individuals from receiving incentive-based compensation payments for the successful recruitment, admission or enrollment of students, the DOE provided official policy guidance in 2011 permitting tuition revenue-sharing arrangements known as the "bundled services rule." Our current business model relies in part on the bundled services rule to enter into tuition revenue-sharing agreements with our university clients.

Because the bundled services rule was promulgated in the form of agency guidance issued by the DOE in the form of a "dear colleague" letter, or DCL, and is not codified by statute or regulation, there is risk that the rule could be altered or removed without customary administrative procedural requirements, such as adequate prior notice and an opportunity to comment, that accompany formal agency rulemaking. Although the DCL remains the longstanding policy, in March 2023, the DOE has provided notice that they intend it intends to review the bundled services rule, in March 2023 with the intent to improve the guidance on the incentive compensation rule with respect to bundled services. Following this notice, DOE held listening sessions and accepted written feedback from the public on questions it posed. DOE has not indicated if or when it will issue revised guidance on the DCL, and we are unable to determine the impact that any such guidance would have on our business model or results of operations.

In addition, the legal weight the DCL would carry in any litigation over the propriety of any specific compensation or revenue sharing arrangements under the HEA or the incentive compensation rule is uncertain. We can offer no assurances as to how the DCL would be interpreted by a court. The revision, removal or invalidation of the bundled services rule by Congress, the DOE or a court, whether in an action involving our company or our university clients, or in an action that does not involve us, could require us to change our business model and renegotiate the terms of many of our university client contracts and could compromise our ability to generate revenue or otherwise adversely impact our business.

If we or our subcontractors or agents violate the incentive compensation rule, we could be liable to our university clients for substantial fines, sanctions or other liabilities.

Even though the DCL issued in 2011 clarifies that tuition revenue-sharing arrangements with our university clients are permissible, we are still subject to other provisions of the incentive compensation rule that prohibit us from offering to our employees who are involved with or responsible for recruiting or admissions activities any bonus or incentive-based compensation based on the successful identification, recruitment, admission or enrollment of students into any institution. If we or our subcontractors or agents violate the incentive compensation rule, we could be liable to our university clients for substantial fines, sanctions or other liabilities, including liabilities related to "whistleblower" claims under the federal False Claims Act. Any such claims, even if without merit, could require us to incur significant costs to defend the claim, distract management's attention and damage our reputation.

If we or our university clients fail to meet the DOE's third party servicer requirements, we may incur liabilities, or be fined, limited, suspended or terminated from participating as a third-party servicer Third-Party Servicer of Title IV programs.

The On February 15, 2023, DOE has issued revised published Dear Colleague Letter GEN-23-03, subsequently amended, which updated its existing guidance indicating to significantly expand its interpretation of the types of service providers that qualify as participating in the administration of Title IV funds under the definition of a "Third-Party Servicer" (TPS). Under this guidance, entities like ours performing the functions of student recruiting and retention, the provision of software products and services involving Title IV administration activities, and the provision of educational content and instruction, among other things, are now would have been deemed "third-party servicers". Institutions of higher education that contract with third party servicers are "Third-Party Servicers" and would have been subject to reporting requirements with respect to such entities, and the entities themselves are subject to annual audits of the Title IV-relevant functions they perform, if such functions are covered regulation by the DOE audit guide then under the HEA and the DOE's regulations and guidance. This guidance also prohibited institutions from contracting with foreign or foreign-owned Third-Party Servicers.

On April 4, 2023, the Company filed a lawsuit in effect. federal district court against the DOE and its Secretary that challenged the DOE's revised TPS guidance. The lawsuit contends that the DOE's expansion of the definition of "Third-Party Servicer" from that contained in the HEA, and prohibition on contracting with foreign or foreign-owned TPSs, violated both the HEA and the Administrative Procedure Act.

On May 16, 2023, the DOE published *Dear Colleague Letter* GEN-23-08, which rescinded the DOE's prohibition on contracting with foreign or foreign-owned third party services and further delayed the implementation of the remaining TPS guidance, and reinstated the guidance in place prior to DOE's February 15, 2023 notice. The DOE stated that it plans to publish revised guidance with an effective date at least six months after its publication. The lawsuit remains pending but is stayed awaiting issuance of the DOE's revised TPS guidance. We do not know when the DOE will issue this revised guidance or the scope or terms of the guidance.

If the DOE determines that Company were deemed to be a third party servicer has TPS under revised regulation and guidance, its risks related to the Title IV obligations of its Title IV eligible partner institutions would increase, as would its regulatory burden, and its ability to contract with institutions could be limited and our business could be adversely impacted. For example, a TPS is required to meet certain administrative capability and financial responsibility requirements, which if not met DOE regulations or has violated its fiduciary duty, the DOE may fine the third-party servicer or limit, suspend or terminate the third party servicer's participation in would disqualify it from contracting with Title IV programs. In addition, third party servicers and their institutional partners are jointly and severally liable for violating Title IV requirements. eligible institutions.

If we or our subcontractors or agents violate the misrepresentation rule, or similar international, federal and state regulatory requirements, we could face fines, sanctions and other liabilities.

We are required to comply with other regulations promulgated by the DOE that affect our student acquisition activities, including the misrepresentation rule. The misrepresentation rule is broad in scope and applies to statements our employees, subcontractors or agents may make about the nature of a university client's program, a university client's financial charges or the employability of a university client's program graduates. A violation of this rule, FTC rules or other international, federal or state regulations applicable to our marketing activities by our university client, an employee,

subcontractor our employees, subcontractors or agent agents performing services for clients could lead to governmental investigations and sanctions, hurt our reputation, result in the termination of university client contracts and our ability to contract with institutions, require us to pay fines or other monetary penalties or require us to pay the costs associated with indemnifying a university client from private claims or government investigations.

If our university clients fail to maintain their state authorizations, or we or our university clients violate other state laws and regulations, students in their offerings could be adversely affected and we could lose our ability to operate in that state and provide services to these university clients.

Our university clients must be authorized in certain states to offer online educational offerings, engage in recruiting and operate externships, internships, clinical training or other forms of field experience, depending on state law. The loss of or failure to obtain state authorization would, among other things, limit the ability of a university client to enroll students in that state, render the university client and its students ineligible to participate in Title IV programs or receive other aid in that state, diminish the attractiveness of the university client's offering and ultimately compromise our ability to generate revenue and become profitable.

In addition, if we or any of our university clients fail to comply with any state agency's rules, regulations or standards beyond authorizations, the state agency or state attorney general could limit the ability of the university client to offer educational offerings in that state or limit our ability to perform our contractual obligations to our university client in that state.

If our university clients fail to maintain institutional or programmatic accreditation for their offerings, our revenue could be materially affected.

The loss or suspension of a university client's accreditation or other adverse action by the university client's institutional or programmatic accreditor would could render the institution or its offerings ineligible to participate in Title IV programs, could prevent the university client from offering certain educational offerings and, for certain degree-granting programs, could make it impossible for the graduates of the university client's program to obtain employment in the profession for which they trained. If any of these results occurs, it could hurt our ability to generate revenue from that offering.

Our future growth could be impaired negatively impacted if our university clients fail to obtain timely approval from applicable regulatory agencies to offer new programs, make substantive changes to existing programs or expand their programs into or within certain states.

Our university clients are required to obtain the appropriate approvals from the DOE and applicable state and accrediting regulatory agencies for new programs or locations, which may be conditioned, delayed or denied in a manner that could impair our strategic plans and future growth. Regulatory constraints have resulted in delays to various approvals our university clients are requesting, and such delays could in turn delay the timing of our ability to generate revenue from our university clients' programs. In addition, changes to accrediting agency standards, policies and procedures could also delay university program approvals and negatively impact our ability to generate revenue from our university clients' programs.

If more state agencies require specialized approval of our university clients' offerings, our operating costs could increase significantly, approval times could lag, or we could be prohibited from operating in certain states.

In addition to state licensing agencies, our university clients may be required to obtain approval from professional licensing boards in certain states to offer specialized programs in specific fields of study. Currently, relatively few states require institutions to obtain professional board approval for their online educational offerings. However, more states could pass laws requiring our university clients' offerings, such as graduate programs in teaching or nursing, to obtain approval from state professional boards. If a significant number of states pass additional laws requiring schools to obtain professional board approval, the cost of obtaining all necessary state approvals could dramatically increase, which could make our platform less attractive to university clients, and these university clients could be barred from operating in some states entirely.

Evolving regulations and legal obligations related to data privacy, data protection and information security, and our actual or perceived failure to comply with such obligations, could have an adverse effect on our business.

The legislative and regulatory framework for privacy and data security is rapidly evolving and likely is to remain uncertain for the foreseeable future. In providing our platform to university clients and in operating our business, we collect and process regulated personal information from students, faculty, prospective students and employees. Our handling of this personal information is subject to a variety of laws and regulations, which have been adopted by federal, state and foreign governments to regulate the collection, distribution, use and storage of personal information. Any failure or perceived failure by us to comply with these data protection laws and regulations or any security incident that results in the unauthorized release or transfer of this personal information in our possession, could result in government enforcement actions, litigation, fines and penalties or adverse publicity, all of which could have an adverse effect on our reputation and business.

Various federal, state and foreign legislative, regulatory or other governmental bodies have adopted laws or regulations concerning privacy, security, data storage and data protection that could materially adversely impact our business. Moreover, much of the personal information we collect and process is regulated by multiple privacy laws across various jurisdictions. For example, the General Data Protection Regulation ("GDPR"), which took effect in May 2018, introduced robust requirements

for the protection of personal data of individuals in the European Union ("EU") and substantial fines for non-compliance, including fines up to 4% of a Company's annual global revenue. However, with the withdrawal of the United Kingdom ("UK") from the EU in 2020, we must also now comply with the local laws of that jurisdiction such as the UK Data Protection Act 2018 and the UK General Data Protection Regulation. This introduces the risk of possible enforcement from a separate data protection authority, with its distinct power to impose substantial fines for non-compliance. As another example, in July 2020, South Africa's privacy law known as the Protection of Personal Information Act became effective, mandating new requirements for processing of personal information by entities domiciled in South Africa, and our Company must comply with these laws.

We are also subject to evolving EU rules on data transfer, as we may transfer personal data from the European Economic Area to other jurisdictions. The invalidation of the EU-U.S. Privacy Shield framework in July 2020, enforcement action by certain EU data protection authorities (such as the Irish Data Protection Commission in May 2023) and introduction of updated Standard Contractual Clauses (SCC) in 2021 for alternative means of cross-border data transfer, results in additional complexity and risk to our compliance measures. The European Commission issued an adequacy decision in respect of the EU-US Data Privacy Framework on July 10, 2023, permitting transfers of personal data from the EU to U.S. organizations certified under the Framework, without additional transfer mechanisms. However, legal challenges to the validity of this adequacy decision have already been lodged in the EU, with further challenges expected.

Moreover, other new regulations, such as the Digital Services Act, which entered into force in the UK on November 16, 2022, and will apply to all EU member states in February 2024, and California's Age Appropriate Design Code, passed in August 2022 and going into effect in July 2024, place additional obligations on online platforms and the ways in which they handle, share and disclose data.

In the U.S., the California Consumer Privacy Act ("CCPA") took effect in January 2020. Pursuant to the CCPA, we are required, among other things, to meet certain enhanced notice requirements to California residents regarding our use or disclosure of their personal information, allow California residents to opt-out of certain uses and disclosures of their personal information without penalty, and provide Californians with other choices related to personal data in our possession. The California Attorney General may seek substantial monetary penalties and injunctive relief in the event of our non-compliance with the CCPA. The CCPA also allows for private lawsuits from Californians in the event of certain data breaches. The CCPA was amended by the California Privacy Rights Act ("CPRA"), which went into effect on January 1, 2023 (regulations pending). CPRA places additional obligations on covered businesses regarding consumer opt-out rights and use of sensitive data, among other requirements. Moreover, Virginia, Utah, Connecticut and Colorado all have passed new privacy laws that either went into effect in 2022 or 2023. New privacy laws have also recently been passed in Indiana, Iowa, Montana, and Tennessee, which will go into effect between 2024 and 2026. There are a number of additional proposals for U.S. federal and state privacy laws that, if passed, could increase our potential liability, add layers of complexity to compliance in 2023. Without the U.S. market, increase our compliance costs, and adversely impact our business. However, without an overarching federal law driving privacy compliance in the U.S., the risk is high of a patchwork of privacy legislation formed by individual state laws, similar to the states' approach to breach notification obligations. This could not only increase costs for compliance but also raise the risk of enforcement by individual state attorneys general.

We also expect that there will continue to be new proposed laws, regulations, rulings and industry standards concerning privacy, security, data storage and data protection in the U.S., the EU and other jurisdictions, and we cannot yet determine the impact such future laws, regulations, rulings and standards may have on our business. For example, the European ePrivacy Directive (Directive 2002/58/EC, as amended by Directive 2009/136/EC), which obliges EU member states to introduce certain national laws regulating privacy in the electronic communications sector, will soon be replaced by the ePrivacy Regulation. As the text of the ePrivacy Regulation is still under development and in draft form, and as further guidance is issued and interpretations of both the ePrivacy Regulation and the GDPR develop, it is difficult to assess the impact of either on our business or operations, but it may require us to modify our data practices and policies. In addition, in 2021 new privacy laws were passed in China, Brazil and other jurisdictions, and many in 2023, a new privacy law was passed in India. Many countries are considering updates to their current data protection regulations, including Australia and India. Australia.

Complying with these and other changing requirements could cause us to incur substantial costs, or require us to change our business practices, any of which could materially adversely affect our business and operating results.

We are required to comply with the Family Educational Rights and Privacy Act, or FERPA, and failure to do so could harm our reputation and negatively affect our business.

FERPA generally prohibits an institution of higher education participating in Title IV programs from disclosing personally identifiable information from a student's education records without the student's consent. Our university clients and their students disclose to us certain information that originates from or comprises a student education record under FERPA. As an entity that provides services to institutions participating in Title IV programs, we are indirectly subject to FERPA, and we may not transfer or otherwise disclose any personally identifiable information from a student record to another party other than in a

manner permitted under the statute. If we violate FERPA, it could result in a material breach of contract with one or more of our

university clients and could harm our reputation. Further, in the event that we disclose student information in violation of FERPA, the DOE could require a university client to suspend our access to its student information for at least five years.

In our Alternative Credential Segment, we are subject to risks and compliance rules and regulations related to the third-party credit card payment processing platform integrated within our websites or otherwise used by our business.

Students typically use a credit or debit card to pay application and enrollment fees and to make tuition payments for the offerings in our Alternative Credential Segment that are not free. We are subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. We believe that we and the payment processing service providers we use are compliant in all material respects with the Payment Card Industry Data Security Standard. However, there is no guarantee that such compliance will be maintained or that compliance will prevent illegal or improper use of our systems that are integrated with our payment processing providers. If we or any of the third-party payment processors we use fail to be in compliance with applicable credit card rules and regulations, we may be required to migrate to an alternate payment processor which could result in transaction downtime during the migration and/or a loss of students and have a material adverse effect on our business, financial condition and results of operations.

We are subject to governmental export, import and sanctions controls that could impair our ability to compete in international markets and subject us to liability if we are not in full compliance with applicable laws.

Our business activities are subject to various restrictions under U.S. export and similar laws and regulations, including the U.S. Department of Commerce's Export Administration Regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. The U.S. export control laws and U.S. economic sanctions laws include restrictions or prohibitions on the sale of certain services to U.S. embargoed or sanctioned countries, governments, persons, and entities. In addition, various countries regulate the import of certain technology and have enacted or could enact laws that could limit our ability to provide students access to our platform or could limit our students' ability to access or use our services in those countries.

Changes in our platform, or future changes in export and import regulations, may prevent our international students from utilizing our platform or, in some cases, prevent the export or import of our platform to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions, or related legislation or changes in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our platform by, or in our decreased ability to export or sell subscriptions to our platform to, existing or potential students internationally. Any decreased use of our platform or limitation on our ability to export or sell our platform would adversely affect our business, results of operations, and financial results.

Risks Related to Intellectual Property

We operate in an industry with extensive intellectual property litigation. Claims of infringement against us may hurt our business.

Our success depends, in part, upon our ability to avoid infringing intellectual property rights owned by others and being able to resolve claims of intellectual property infringement without major financial expenditures or adverse consequences. The technology and software fields generally are characterized by extensive intellectual property litigation and many companies that own, or claim to own, intellectual property have aggressively asserted their rights. In addition, we face potential copyright and trademark infringement from the content we produce in connection with our marketing activities, including in websites related to our offerings. From time to time, we may be subject to legal proceedings and claims relating to the intellectual property rights of others, and we expect that third parties will assert intellectual property claims against us, particularly as we expand the complexity and scope of our business. In addition, our university client agreements require us to indemnify our university clients against claims that our platform infringes the intellectual property rights of third parties.

Future litigation may be necessary to defend ourselves or our university clients from intellectual property infringement claims or to establish our proprietary rights. Some of our competitors have substantially greater resources than we do and would be able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. In addition, patent holding companies that focus solely on extracting royalties and settlements by enforcing patent rights may target us. Regardless of whether claims that we are infringing patents or other intellectual property rights have any merit, these claims are time-consuming and costly to evaluate and defend and could:

- hurt our reputation;
- adversely affect our relationships with our current or future university clients;
- cause delays or stoppages in providing our platform;
- divert management's attention and resources;
- require technology changes to our software that could cause us to incur substantial cost;
- subject us to significant liabilities; and
- require us to cease some or all of our activities.

In addition to liability for monetary damages against us, which may include attorneys' fees, treble damages in the event of a finding of willful infringement, or, in some circumstances, damages against our university clients, we may be prohibited from developing, commercializing or continuing to provide some or all of our bundled technology-enabled platform unless we obtain licenses from, and pay royalties to, the holders of the patents or other intellectual property rights, which may not be available on commercially favorable terms, or at all.

We may incur liability, or our reputation may be harmed, as a result of the activities of our university clients and students or the content in our online learning platforms.

We may be subject to potential liability for the activities of our university clients or students in connection with the data they post or store in our online learning platforms. For example, university personnel or students, or our employees or independent contractors, may post to our online learning platforms various articles or other third-party content for use in class discussions or within asynchronous lessons.

Various U.S. federal statutes may apply to us with respect to these activities. For example, the Digital Millennium Copyright Act of 1998, or DMCA and the Communications Decency Act, or CDA, have provisions that limit our liability for certain content posted by third parties on our platforms.

Although statutes and case law in the U.S. have generally shielded us from liability for these activities to date, court rulings in pending or future litigation may narrow the scope of protection afforded us under these laws. In addition, laws governing these activities are unsettled in many international jurisdictions. As a result, we could incur liability to third parties for the unauthorized duplication, distribution or other use of third-party content. Any such claims could subject us to costly litigation and impose a significant strain on our financial resources and management personnel regardless of whether the claims have merit. Our various liability insurance coverages may not cover potential claims of this type adequately or at all, and we may be required to alter or cease our uses of such material, which may include changing or removing content from courses or altering the functionality of our online learning platform, or to pay monetary damages.

Additionally, university personnel or students, or our employees or independent contractors could use our online learning platform to store or process regulated personal information without our knowledge. In the event that our systems experience a data security incident, or an individual or entity accesses information without, or in excess of, proper authorization, we could be subject to data security incident notification laws, as described elsewhere, which may require prompt remediation and notification to individuals. If we are unaware of the data and information stored on our systems, we may be unable to appropriately comply with all legal obligations, and we may be exposed to governmental enforcement or prosecution actions, private litigation, fines and penalties or adverse publicity and these incidents could harm our reputation and business.

Our failure to protect our intellectual property rights could diminish the value of our platform, weaken our competitive position and reduce our revenue.

We regard the protection of our intellectual property, which includes trade secrets, copyrights, trademarks and domain names, as critical to our success. We protect our proprietary information from unauthorized use and disclosure by entering into confidentiality agreements with any party that may come in contact with such information. We also seek to ensure that we own intellectual property created for us by signing agreements with employees, independent contractors, consultants, companies and any other third party that may create intellectual property for us that assigns any copyright and patent rights to us. However, these arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary information or deter independent development of similar technologies by others.

We pursue the registration of our domain names, trademarks and service marks in the United States and in jurisdictions outside the United States. However, third parties may knowingly or unknowingly infringe on our trademark or service mark rights, third parties may challenge our trademark or service mark rights, and pending or future trademark or service mark applications may not be approved. In addition, effective trademark protection may not be available in every country in which we operate or intend to operate. In any or all cases, we may be required to expend significant time and expense to prevent infringement or enforce our rights.

Monitoring unauthorized use of our intellectual property is difficult and costly. Our efforts to protect our proprietary rights may not be adequate to prevent misappropriation of our intellectual property. Further, we may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Our competitors may also independently develop similar technology. In addition, the laws of many countries may not protect our proprietary rights to as great an extent as do the laws of the United States. Further, the laws in the United States and elsewhere change rapidly, and any future changes could adversely affect us and our intellectual property rights. Our failure to meaningfully protect our intellectual property could result in competitors offering services that incorporate our most technologically advanced features, which could seriously reduce demand for our platform. In addition, we may in the future need to initiate litigation such as infringement or administrative proceedings, to protect our intellectual property rights. Litigation, whether we are a plaintiff or a defendant, can be expensive, time-consuming and may divert the efforts of our technical staff and managerial personnel, whether or not such litigation results in a determination that is unfavorable to us. In addition, litigation is inherently uncertain, and thus we may not be able to stop our competitors from infringing upon our intellectual property rights.

The use of "open source" software in our platform could negatively affect our ability to offer our platform and subject us to possible litigation.

A portion of our platform incorporates so-called "open source" software, and we may incorporate additional open source software in the future. Certain open source licenses may, in certain circumstances, require us to offer our platform that incorporates the open source software for no cost, to make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and to license such modifications or derivative works under the terms of the particular open source license. Our efforts to monitor the use of open source software in our platform to ensure that no open source software is used in such a way as to require us to disclose our source code when we do not wish to do so, may be unable to prevent such use from occurring. In addition, if a third-party software provider has incorporated certain types of open source software into software we license from such third party without our knowledge, we could, under certain circumstances, be required to comply with the foregoing conditions. If an author or other third party that distributes open source software that we use were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, including being enjoined from offering the component of our platform that contained the open source software and being required to comply with the foregoing conditions, which could disrupt our ability to offer certain components of our platform.

We could also be subject to suits by parties claiming ownership of what we believe to be open source software. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts. Accordingly, there is a risk that those licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to offer our platform. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition and require us to devote additional research and development resources to change our products.

Individuals that appear in content hosted on our online learning platform may claim violation of their rights.

Faculty and students that appear in video segments hosted on our online learning platform may claim that proper assignments, licenses, consents and releases were not obtained for use of their likenesses, images or other contributed content. Our contracts typically require that our university clients ensure that proper assignments, licenses, consents and releases are obtained for their course material, but we cannot know with certainty that they have obtained all necessary rights. Moreover, the laws governing rights of publicity and privacy, and the laws governing faculty ownership of course content, are imprecise and adjudicated on a case-by-case basis, such that the enforcement of agreements to transfer the necessary rights is unclear. As a result, we could incur liability to third parties for the unauthorized duplication, display, distribution or other use of this material. Any such claims could subject us to costly litigation and impose a significant strain on our financial resources and management personnel regardless of whether the claims have merit. Our various liability insurance coverages may not cover potential claims of this type adequately or at all, and we may be required to alter or cease our use of such material, which may include changing or removing content from courses, or to pay monetary damages. Moreover, claims by faculty and students could damage our reputation, regardless of whether such claims have merit.

We do not control and may be unable to predict the future path of the Open edX Platform.

Certain of our offerings are hosted on the Open edX Platform that is owned by the non-profit entity that survived the edX Acquisition. We do not own the Open edX Platform and we do not control and may be unable to predict the future path of open source technology development of the Open edX Platform, including the ongoing development of open source components used in the Open edX Platform, which could reduce the appeal of our offerings hosted on the Open edX Platform and damage our reputation. If open source software programmers, many of whom we do not employ, or our own internal programmers do not continue to develop and enhance the Open edX Platform, we may be unable to meet student or university requirements.

Risks Related to Ownership of Our Common Stock

Our operating results have fluctuated in the past and may do so in the future, which could cause our stock price to decline.

Our operating results have historically fluctuated due to seasonality and changes in our business, and our future operating results may vary significantly due to a variety of factors, many of which are beyond our control. You should not rely on period-to-period comparisons of our operating results as an indication of our future performance. Factors that may cause fluctuations in our operating results include, but are not limited to, the following:

- the timing of our costs incurred in connection with the launch of new degree programs and the delay in receiving revenue from these new programs, which delay may last for several years;
- seasonal variation driven by the semester schedules for our university clients' degree programs and seasonal engagement patterns of students on the edX marketplace, which may vary from year to year;
- changes in the student enrollment and retention levels in our university clients' offerings;
- changes in our key metrics or the methods used to calculate our key metrics;
- changes in tuition rates;
- the timing and amount of our marketing and sales expenses;
- costs necessary to improve and maintain our platform;
- fluctuations in foreign currency exchange rates;
- the impact of pandemics, including on the global economy, educational institutions and our results of operations;
- costs related to any acquisition and integration of business and technology;
- our ability to effectively integrate businesses and technologies that we acquire;
- impairment of goodwill or intangible assets; and
- changes in the prospects of the economy generally, which could alter current or prospective university clients' or students' spending priorities or could increase the time it takes us to launch new offerings.

Our operating results may fall below the expectations of market analysts and investors in some future periods, which could cause the market price of our common stock to decline substantially.

The trading price of the shares of our common stock may be volatile, and purchasers of our common stock could incur substantial losses.

The trading price of the shares of our common stock may be volatile. The stock market in general, and the market for technology companies in particular, have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their common stock at or above the price paid for the shares. The market price for our common stock may be influenced by many factors, including:

- actual or anticipated variations in our operating results;
- variations between our actual operating results and the expectations of securities analysts, investors and the financial community;
- changes in financial estimates by us or by any securities analysts who might cover our stock or our failure to meet these financial estimates;
- conditions or trends in our industry, the stock market or the economy; economy, including the impact of recessions, inflation, and currency and interest rate fluctuations;

- the level of demand for our stock, including the amount of short interest in our stock;
- stock market price and volume fluctuations of comparable companies and, in particular, those that operate in the software and information technology industries;
- announcements by us or our competitors of new product or service offerings, significant acquisitions, strategic partnerships or divestitures;
- announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us;
- capital commitments;
- investors' general perception of our company and our business;
- actions instituted by activist shareholders or others;
- lawsuits threatened or filed against us;
- recruitment or departure of key personnel;
- sales of our common stock, including sales by our directors and officers or specific stockholders; and
- other factors such as political or social unrest, labor strikes or other widespread work stoppages, terrorist attacks, other hostilities, natural disasters, and potential public health crises and other hostilities within or beyond areas where we currently have, or may in the future have, international operations, such as COVID-19. the ongoing conflicts in Ukraine and the Middle East.

Activist shareholders who disagree with the composition of our board of directors, our strategy or the way we are managed may seek to effect change through various strategies that range from private engagement to publicity campaigns, proxy contests, efforts to force transactions not supported by our board of directors and litigation. Responding to these actions may be costly and time-consuming, disrupt our operations, divert the attention of our board of directors, management and employees and interfere with the execution of our strategic plan. A contested election could also require us to incur substantial legal and public relations fees and proxy solicitation expenses. The perceived uncertainty as to our future direction resulting from activist strategies could also affect the market price and volatility of our common stock.

As described in Part I, Item 3 of this Annual Report on Form 10-K, certain stockholders and consumers have initiated class action lawsuits against us and certain of our employees and directors. us. Our defense against this litigation has caused and will continue to cause us to incur additional expenses and continue to divert management's attention and resources from our business.

Provisions in our corporate charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management and hinder efforts to acquire a controlling interest in us, and the market price of our common stock may be lower as a result.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may make it difficult for a third party to acquire, or attempt to acquire, control of our company, even if a change in control is considered favorable by you and other stockholders. For example, our board of directors has the authority to issue up to 5,000,000 shares of preferred stock. The board of directors can fix the price, rights, preferences, privileges, and restrictions of the preferred stock without any further vote or action by our stockholders. An issuance of shares of preferred stock may result in the loss of voting control to other stockholders, which could delay or prevent a change in control transaction. As a result, the market price of our common stock and the voting and other rights of our stockholders may be adversely affected.

Our charter documents also contain other provisions that could have an anti-takeover effect, including:

- our board of directors is divided into three classes, with each class serving three-year staggered terms, until our 2025 annual meeting of shareholders;
- stockholders are not entitled to remove directors other than by a 66 2/3% vote and only for cause;
- stockholders are not permitted to take actions by written consent;
- stockholders are not permitted to call a special meeting of stockholders;
- our board of directors is allowed to adopt, amend or repeal our bylaws; and
- stockholders are required to give us advance notice of their intention to nominate directors or submit proposals for consideration at stockholder meetings.

In addition, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law ("DGCL"), which regulates corporate acquisitions by prohibiting Delaware corporations from engaging in specified business combinations with particular stockholders of those companies. These provisions could discourage potential acquisition proposals and could delay or prevent a change in control transaction. They could also have the effect of discouraging others from making tender offers for our common stock, including transactions that may be in your best interests. These provisions may also prevent changes in our management or limit the price that investors are willing to pay for our stock.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware and the state and federal courts located within the State of Delaware are the exclusive forum for substantially all disputes between us and our

stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, stockholders, or employees and, in turn, discourage lawsuits against our directors, officers, or employees.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state or federal court in the State of Delaware) will be the sole and exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of a fiduciary duty owed by any of our directors, stockholders, officers, or other employees to us or our stockholders; any action arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation, or our bylaws; and any action asserting a claim that is governed by the internal affairs doctrine. This exclusive forum provision would not apply to any action brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction.

This exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our current or former directors, officers, stockholders, or other employees, which may discourage such lawsuits against us and our current and former directors, officers, stockholders, and other employees. Alternatively, if a court were to find the exclusive forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving such action in other jurisdictions, all of which could have a material adverse effect on our business, financial condition, and results of operations.

Concentration of ownership of our common stock among our existing executive officers, directors and large stockholders may prevent smaller stockholders from influencing significant corporate decisions.

Our executive officers, directors and current beneficial owners of 5% or more of our common stock and their respective affiliates, in the aggregate, beneficially own a substantial percentage of our outstanding common stock. These persons, acting together, are able to significantly influence all matters requiring stockholder approval, including the election and removal of directors, any merger, consolidation, sale of all or substantially all of our assets, or other significant corporate transaction. The interests of this group of stockholders may not coincide with our interests or the interests of other stockholders.

Because we do not anticipate paying any cash dividends on our common stock in the foreseeable future, capital appreciation, if any, will be your sole source of gains and you may never receive a return on your investment.

We have not declared or paid cash dividends on our common stock to date. We currently intend to retain our future earnings, if any, to fund the development and growth of our business. In addition, the terms of our Term Loan Agreement preclude, and the terms of any future debt agreements are likely to similarly preclude, us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future. Investors seeking cash dividends should not purchase our common stock.

General Risk Factors

Increased scrutiny and changing expectations from investors, customers, employees, and others regarding our environmental, social and governance practices and reporting could cause us to incur additional costs, devote additional resources and expose us to additional risks, which could adversely impact our reputation, customer acquisition and retention, access to capital and employee retention.

Companies across all industries are facing increasing scrutiny related to their environmental, social and governance, or ESG, practices and reporting. Investors, customers, employees and other stakeholders have focused increasingly on ESG practices and placed increasing importance on the implications and social cost of their investments, purchases and other interactions with companies. For example, many investment funds focus on positive ESG business practices and sustainability scores when making investments and may consider a company's ESG or sustainability scores as a reputational or other factor in making an investment decision. In addition, investors, particularly institutional investors, use these scores to benchmark companies against their peers and if a company is perceived as lagging, these investors may engage with such company to improve ESG disclosure or performance and may also make voting decisions on this basis. With this increased focus and demand, public reporting regarding ESG practices is becoming more broadly expected. If our ESG practices and reporting do not meet investor, customer, or employee expectations, which continue to evolve, our brand and reputation may be negatively impacted. Any disclosure we make may include our policies and practices on a variety of ESG matters, including corporate governance, environmental compliance, employee health and safety practices, human capital management, and workforce inclusion and diversity. It is possible that stakeholders may not be satisfied with our ESG reporting, our ESG practices or our speed of adoption. We could also incur additional costs and devote additional resources to monitor, report and implement various ESG practices. practices, including resources required to comply with any final SEC rulemaking related to climate disclosures, the proposed rule for which was published by the SEC on March 21, 2022. If we fail, or are perceived to be failing, to meet the standards included in any sustainability disclosure or the expectations of our various stakeholders, it could negatively impact our reputation, access to capital and employee retention.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act and the rules and regulations of the Nasdaq Global Select Market. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are required to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting in our Form 10-K filing for that year, as required by Section 404 of the Sarbanes-Oxley Act. This may require us to incur substantial additional professional fees and internal costs to further expand our accounting and finance functions and expend significant management efforts.

We may in the future discover material weaknesses in our system of internal financial and accounting controls and procedures that could result in a material misstatement of our financial statements. In addition, our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to errors or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. If that were to happen, the market price of our stock could decline and we could be subject to sanctions or investigations by the stock exchange on which our common stock is listed, the Securities and Exchange Commission, or SEC, or other regulatory authorities.

Our results of operations could be adversely affected by natural disasters, public health crises, political crises, political or geopolitical crises, the physical effects of climate changes or other catastrophic events.

Our business and operations could be materially and adversely affected in the event of droughts, floods, fires, telecommunications failures, blackouts or other power losses, break-ins, acts of terrorism, an outbreak of hostilities, political or geopolitical crises such as Russia's recent invasion of conflicts in Ukraine and the Ukraine, Middle East, inclement weather, the physical effects of climate change, public health crises, pandemics or endemics, or other catastrophic events. For example, the uncertain nature, magnitude, and duration of hostilities stemming from Russia's recent military invasion of Ukraine or the Ukraine, conflict in the Middle East, including the potential effects of sanctions and retaliatory cyber-attacks on the world economy and markets, have contributed to increased market volatility and uncertainty, which could negatively impact our results of operations. If floods, fire, inclement weather including extreme rain, wind, heat, or cold, or accidents due to human error were to occur and cause damage to our properties or other locations from which our employees are working, or if our operations or the operations of our service providers were interrupted by telecommunications failures, blackouts, acts of terrorism or outbreak of hostilities, political or geopolitical crises, or public health crises, our results of operations would suffer, especially if such events were to occur during peak periods. We may not be able to effectively shift our operations due to disruptions arising from the occurrence of such events, and our business could be affected adversely as a result.

Further, risks related to rapid climate change may have an increasingly adverse impact on our business and those of our university clients and students in the longer term. Any of our primary locations and the locations of our university clients and students may be vulnerable to the adverse effects of climate change. Changing market dynamics, global policy developments, and the increasing frequency and impact of extreme weather events on critical infrastructure in the U.S., South Africa, and elsewhere have the potential to disrupt our business and the business of our university clients and students, and may cause us to experience higher attrition, losses, and additional costs to maintain our operations. Further, the effects of climate change may negatively impact regional and local economic activity, which could lead to an adverse effect on our university clients and students and impact the communities in which we operate. Overall, climate change, its effects, and the resulting, unknown impact could have a material adverse effect on our financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information. Our cybersecurity risk management program includes a cybersecurity incident response plan.

We design and assess our program based on the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF). This does not imply that we meet any particular technical standards, specifications, or requirements, only that we use the NIST CSF as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business.

Our cybersecurity risk management program is integrated into our overall enterprise risk management program, and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas.

Our cybersecurity risk management program includes:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise IT environment;
- a security team principally responsible for managing (1) our cybersecurity risk assessment processes, (2) our security controls, and (3) our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security controls;
- cybersecurity awareness training of our employees, incident response personnel, and senior management;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents; and
- a third-party risk management process for service providers, suppliers, and vendors.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. We, however, have experienced and expect to continue to experience cyber incidents of varying degrees. See Part I, Item A "Risk Factors – Risks Related to our Operations and Our Growth Strategy – If our security measures or those of our third-party service providers are breached or fail, resulting in unauthorized disclosure of data, we could lose clients, fail to attract new clients and be exposed to protracted and costly litigation," for more detailed information on cybersecurity risks and the potential impacts.

Cybersecurity Governance

Our Board considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee oversight of cybersecurity and other information technology risks. The Audit Committee oversees management's implementation of our cybersecurity risk management program.

The Audit Committee receives periodic reports from management on our cybersecurity risks. In addition, management updates the Audit Committee, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential. The Audit Committee reports to the full Board regarding its activities, including those related to cybersecurity. The full Board also receives periodic briefings from management on our cyber risk management program.

Our management team, including our Chief Technology Officer and our SVP Cybersecurity and Runtime Operations, is responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants. Additional management is in place for dedicated governance, risk and compliance (GRC) team and cloud and application security team all with a daily focus on the technology risk management within 2U. These management teams have decades of experience in technology risk management.

Our management team supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

Item 2. Properties

Our headquarters are located in Lanham, Maryland, where we occupy approximately 303,000 309,000 square feet under a lease that expires in 2028. Our other material property is 173,000 square feet of leased office space in Cape Town, South Africa. Our Lanham, Maryland and Cape Town, South Africa properties are used to support both of our business segments.

We intend to adjust our facility occupancy commensurate with our business needs and believe that we will be able to do so on commercially reasonable terms.

Item 3. Legal Proceedings

As disclosed in Note 7 in the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report on Form 10-K, the Company is involved in various claims and legal proceedings arising in the ordinary course of business and the disclosure in Note 7 relating to certain legal proceedings is incorporated herein by reference.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock has been listed on the Nasdaq Global Select Market since March 28, 2014, under the symbol “TWOU.”

As of February 15, 2023 February 29, 2024, there were 45 43 stockholders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Stock Performance Graph

The graph set forth below compares the cumulative total stockholder return on our common stock with that of the Nasdaq Composite Index, the Russell 3000 Index and the S&P North American Technology Software Index for the five years ended December 31, 2022 December 31, 2023. The graph assumes that $100 was invested at the close of market on the last trading day of the fiscal year ended December 31, 2016 in the common stock of 2U, Inc., the Nasdaq Composite Index, the Russell 3000 Index and the S&P North American Technology Software Index. We have not paid any cash dividends and, therefore, the cumulative total return calculation on our common stock is based solely upon our stock price appreciation or depreciation and does not include any reinvestment of cash dividends. The data for the Nasdaq Composite Index, the Russell 3000 Index and the S&P North American Technology Software Index assumes reinvestments of gross dividends. The comparisons shown in the graph below are based upon historical data, and are not necessarily indicative of, nor intended to forecast, the potential future stock performance of our common stock.

Comparison of Cumulative Total Return
Through December 31, 2022 December 31, 2023
Assumes Initial Investment of $100

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TWOU stock chart.jpg

The information presented above in the stock performance graph shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, except to the extent that we subsequently specifically request that such information be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act of 1933, as amended, or a filing under the Securities Exchange Act of 1934, as amended.

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes and other financial information included elsewhere in this Annual Report on Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review "Special Note Regarding Forward-Looking Statements" and Item 1A "Risk Factors" in this report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

This section of this Form 10-K does not address certain items regarding the year ended December 31, 2020 December 31, 2021. For a discussion of our results of operations and liquidity and capital resources for the year ended December 31, 2020 December 31, 2021, including a year-over-year comparison between the years ended December 31, 2021 December 31, 2022 and 2020, 2021, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2021 December 31, 2022.

Overview

We are a leading online education platform company. Our mission is to expand access to high-quality education and unlock human potential. As a trusted partner to top-ranked nonprofit universities and other leading organizations, we deliver technology and services that enable our clients to bring their educational offerings online at scale. Through edX, our best-in-class education consumer marketplace with 48 million registered learners, we host a comprehensive range of education offerings, from free courses to degree programs.

We serve more than 230 provide 83 million people worldwide with access to world-class education in partnership with 260 top-ranked global universities and other leading organizations and, together, organizations. Through edX, our education consumer marketplace, we offer more than 4,000 4,500 high-quality online learning opportunities, including open courses, executive education offerings, boot camps, micro-credentials, professional certificates as well as undergraduate and graduate degree programs. Our offerings cover a wide range of topics including technology, artificial intelligence, business, healthcare, science, education, and social work, and sustainability. Many of our offerings are stackable, providing provide learners with an affordable pathway to achieve both short-term and long-term professional and educational goals. Our platform provides our clients with the digital infrastructure to launch world-class online education offerings and allow allows students to easily access high-quality, job-relevant education without the barriers of cost or location.

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

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

In our Alternative Credential Segment, we provide premium online open courses, executive education programs, technical, and skills-based boot camps and micro-credential programs through relationships with nonprofit colleges and universities and other leading organizations. Students enrolled in these offerings are generally seeking to reskill or upskill for career advancement or personal development through shorter duration, lower-priced offerings. In addition to selling these offerings directly to individuals, we also sell to organizations and institutions, including employers, non-profits, governments and governmental entities to enable upskilling and reskilling of their workforces.

Subsequent Event Leadership Transition

In January November 2023, we entered into an agreement to amend announced that Christopher "Chip" J. Paucek would depart from the role of Chief Executive Officer and resign as a member of the Board and that Paul S. Lalljie, our First Amended Term Loan Agreement to, among other things, extend then Chief Financial Officer, would succeed Mr. Paucek as Chief Executive Officer and become a member of the maturity date from December 2024 to December 2026. Board. In connection with amending Mr. Lalljie's appointment as Chief Executive Officer, Matthew J. Norden, the terms and extending Company's current Chief Legal Officer, was also appointed to the maturities under the First Amended Term Loan Agreement, role of Chief Financial Officer. In January 2024, we issued the 2030 Notes announced a new organizational structure with an aggregate principal amount executive leading each of $147.0 million. We used cash on hand and the $127.1 million of net proceeds from the 2030 Notes to reduce the outstanding principal amount of secured debt under the Amended Term Loan Facilities from $567 million to $380 million. As part our reportable segments. Andrew Hermalyn has been appointed President of the refinancing transaction, in addition to extending the maturity date, the lenders provided us with a senior secured first lien revolving loan facility in the principal amount of $40 million. Refer to Note 10 in the "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this Annual Report on Form 10-K for more information regarding our debt.

2022 Strategic Realignment Plan

During the second quarter of 2022, we accelerated our planned transition to a platform company (the "2022 Strategic Realignment Plan"). The plan was designed to reorient the company around a single platform allowing us to pursue a portfolio-based marketing strategy that drives traffic to the edX marketplace. As part Degree Program Segment, and Aaron McCullough, has been appointed President of the plan, we simplified our executive structure, reduced employee headcount, rationalized our real estate footprint and implemented steps to optimize marketing spend. Alternative Credential Segment.

As a result of the plan, in addition to marketing efficiencies, we expect to generate approximately $70 million in annual cost savings. We anticipate that we will incur aggregate restructuring charges associated with the 2022 Strategic Realignment Plan of approximately $35 million to $40 million. We recorded $30.7 million in restructuring charges related to the 2022 Strategic Realignment Plan for the year ended December 31, 2022. The majority of the estimated remaining restructuring charges relate to leased facilities, and will be recognized as expense over the remaining lease terms ranging from 1 to 9 years.

Certain Trends and Uncertainties

The following represents a summary of certain trends and uncertainties, which could have a significant impact on our financial condition and results of operations. This summary is not intended to be a complete list of potential trends and uncertainties and should be considered along with the factors identified in the section titled "Risk Factors" of this Annual Report on Form 10-K and elsewhere in this report.

- If we do not amend or refinance our term loan, or raise capital to reduce our debt in the short term, we would likely not have sufficient cash on hand or available liquidity to pay off the balance of our term loan at an accelerated maturity date. Given these factors, substantial doubt exists about our ability to continue as a going concern within one year from the date that the consolidated financial statements are issued. Refer to “Liquidity and Capital Resources” included in Part II, Item 7 of this Annual Report on Form 10-K for more information. Refer to Notes 2 and 10 in the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report on Form 10-K for more information regarding our going concern assessment and our debt, respectively. Refer to the risks described in Part I, Item A “Risk Factors” for a discussion of the risks related to our indebtedness and capital structure.

- Beginning in mid-2022, we initiated a series of actions designed to strengthen our business by driving profitability and cash flow. In furtherance of these goals, in late 2023 we commenced comprehensive performance improvement exercises aimed at further improving our profitability through cost control and contribution margin improvement across both segments, optimizing our operating model, ensuring staffing levels align with business priorities across functional areas, and deleveraging our balance sheet. If we are unable to realize the anticipated benefits of these efforts, our results of operations and financial condition could be materially and adversely affected.

- The risk of a data security breach or service disruption has increased as the frequency, intensity and sophistication of attempted attacks and intrusions from around the world have increased. While we make significant efforts to maintain the security and integrity of our services and computer systems, our cybersecurity measures and the cybersecurity measures taken by our third-party software and service providers may be unable to anticipate, detect or prevent all attempts to compromise our systems. In particular, the risk of cyber-attacks or other privacy or data security incidents may be heightened because many of our employees and third-party service providers work remotely from networks that may be less secure.

- We and our university clients are subject to certain education laws, regulations and guidance that are frequently revised, repealed or expanded. Any administration may change certain DOE rules, guidance or policies in accordance with its policy priorities. The outcome of the process to re-authorize the HEA, any DOE rulemakings, or other law, guidance or policy changes may alter the regulatory landscape of the higher education industry, and thereby impact the manner in which we conduct business and serve our university clients.

- A general slowdown in the global economy, including a recession, inflation or a tightening of the credit markets could adversely impact our business, financial condition and results of operations. Demand for our offerings from students can be impacted by the labor market and general economic conditions. For example, in a strong job market, demand for our offerings may decrease. Macroeconomic weakness and uncertainty may also make it more difficult to access capital markets and to forecast our future operating results including revenue, cash flows, and profitability.

- During the second quarter of 2022, we implemented the 2022 Strategic Realignment Plan, accelerating our transition to a platform company. We believe the implementation of the 2022 Strategic Realignment Plan will strengthen our business by driving profitability and cash flow. If we are unable to realize the anticipated benefits of the 2022 Strategic Realignment Plan, our results of operations and financial condition could be materially and adversely affected.

Our Business Model and Components of Operating Results

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

Revenue Drivers

In our Degree Program Segment, we derive substantially all of our revenue from revenue-share arrangements with our university clients under which we receive a contractually specified percentage of the amounts students pay them to enroll in degree programs. Our contracts to provide our entire bundle of services generally have 10 to 15 year terms and do not include termination rights for convenience. Our contracts to provide services under our flexible degree model generally have terms of five years or more and do not include termination rights for convenience. From time to time, we enter into agreements to strategically exit certain programs. These portfolio management agreements may provide for compensation related to the transfer of these programs and make-whole fees. In our Alternative Credential Segment, we derive substantially all of our revenue from tuition and fees from students taking our executive education programs, boot camps, and premium online open courses. Revenue in each segment is primarily driven by the number of student enrollments in our offerings.

Operating Expense

Marketing and Sales

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

In our Degree Program Segment, our marketing and sales expense in any period generates student enrollments eight seven to twelve months later, on average. We then generate revenue as students progress through their programs, which generally occurs over a two-year period following initial enrollment. Accordingly, our marketing and sales expense in any period is an

investment to generate revenue in future periods. Therefore, we do not believe it is meaningful to directly compare current period revenue to current period marketing and sales expense. Further, in this segment we believe that our marketing and sales expense in future

periods will generally decline as a percentage of the revenue reported in those same periods as our revenue base from returning students in existing programs increases.

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

Curriculum and Teaching

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

Servicing and Support

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

Technology and Content Development

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

General and Administrative

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

Restructuring charges

Restructuring charges consist of severance and severance-related costs, costs associated with the exit of facilities, and costs associated with professional services.

Impairment charges

Impairment charges consist of amounts recorded to write down the carrying value of assets to fair value.

Net Interest Income (Expense)

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

Loss Debt modification expense and loss on debt extinguishment

Debt Extinguishment

Loss modification expense and loss on debt extinguishment consists of amounts recorded related to the retirement refinancing of certain of our debt obligations.

Other Income (Expense), Net

Other income (expense), net consists primarily of foreign currency gains and losses, gains and losses related to the sale of investments and other non-operating income and expense.

Income Taxes

Our income tax provisions for all periods consist of U.S. federal, state and foreign income taxes. Our effective tax rate for the period is based on a mix of higher-taxed and lower-taxed jurisdictions. On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which, among other things, implements a 15% minimum tax on book income of certain large corporations, a 1% excise tax on net stock repurchases and several tax incentives to promote clean energy. Currently, we do not believe this legislation will have a material impact on our consolidated financial statements.

Results of Operations

Consolidated Operating Results

Comparison of Years Ended December 31, 2022 December 31, 2023 and 2021 2022

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

	Year Ended December 31,					
	Year Ended December 31,					
	2022		2021		Period-to-Period Change	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage
	(dollars in thousands)					
	(dollars in thousands)					

2023		2022	Per
Amount	Percentage of Revenue	Amount	Perce of Re

(dollars in thousands)

(dollars in thousands)

Revenue	**Revenue**	$ 963,080	100.0 %	$ 945,682	100.0 %	$ 17,398	1.8 %	**Revenue**	$ 945,953	100.0	100.0 %	$	963,080	100.0
Costs and expenses	**Costs and expenses**													
Curriculum and teaching														
Curriculum and teaching														
Curriculum and teaching	Curriculum and teaching	129,886	13.5	130,817	13.8	(931)	(0.7)							
Servicing and support	Servicing and support	147,797	15.3	138,548	14.7	9,249	6.7							
Technology and content development	Technology and content development	190,472	19.8	179,061	18.9	11,411	6.4							
Marketing and sales	Marketing and sales	422,147	43.8	456,096	48.2	(33,949)	(7.4)							
General and administrative	General and administrative	159,418	16.6	200,054	21.2	(40,636)	(20.3)							
Restructuring charges	Restructuring charges	33,239	3.5	8,544	0.9	24,695	289.0							
Impairment charges	Impairment charges	138,291	14.4	—	—	138,291	*							
Total costs and expenses	**Total costs and expenses**	1,221,250	126.9	1,113,120	117.7	108,130	9.7							
Loss from operations	**Loss from operations**	(258,170)	(26.9)	(167,438)	(17.7)	(90,732)	54.2							
Interest income	Interest income	1,165	0.1	1,475	0.2	(310)	(21.1)							
Interest expense	Interest expense	(62,234)	(6.5)	(51,222)	(5.4)	(11,012)	21.5							
Loss on debt extinguishment		—	—	(1,101)	(0.1)	1,101	(100.0)							
Other income (expense), net		(3,815)	(0.4)	22,324	2.4	(26,139)	117.1							
Debt modification expense and loss on debt extinguishment								Debt modification expense and loss on debt extinguishment	(16,735)		(1.8)	—		—
Other (expense) income, net														
Loss before income taxes	**Loss before income taxes**	(323,054)	(33.7)	(195,962)	(20.6)	(127,092)	64.9							
Income tax benefit		903	0.1	1,196	0.1	(293)	(24.4)							
Income tax (expense) benefit														
Net loss	**Net loss**	$(322,151)	(33.6) %	$(194,766)	(20.5) %	$(127,385)	65.4 %	**Net loss**	$(317,607)	(33.6)	(33.6)%	$	(322,151)	(33.6)

* Not meaningful for comparative purposes.

Revenue. Revenue for the year ended December 31, 2022 increased $17.4 million December 31, 2023 decreased $17.1 million, or 1.8%, to $963.1 million $946.0 million as compared to $945.7 million $963.1 million in 2021. Revenue for the year ended December 31, 2022 includes $39.2 million of revenue from legacy edX offerings. 2022.

Revenue from our Degree Program Segment decreased $20.7 million $10.6 million, or 3.5%. Average 1.8% to $561.0 million and included $88.0 million of revenue per full from the mutually negotiated exit of certain degree programs, or portfolio management activities. Full course equivalent (“FCE”) enrollment decreased from $2,497 to $2,447, or 2.0%, and FCE enrollments decreased by 3,610, 39,061, or 1.5%. 16.7%, primarily driven by fewer programs operating in the period due to portfolio management activities, a greater number of students graduating from programs that were launched during the pandemic than new student enrollments in these programs, and the impact of our transition to a new marketing framework in mid-2022 in connection with the 2022 Strategic Realignment Plan. Average revenue per FCE enrollment increased from $2,447 to $2,883, or 17.8%, primarily driven by the revenue acceleration from fees received in connection with portfolio management activities.

Revenue from our Alternative Credential Segment increased $38.1 million decreased $6.6 million, or 10.8% 1.7% to $384.9 million. This decrease was primarily due to a $13.6 million decrease in revenue from our boot camp offerings driven by a 6% decrease in FCE enrollments, increased partially offset by 7,387, or 8.6%, and average a $6.9 million increase in revenue per from our executive education offerings driven by an 8% increase in FCE enrollment decreased from $4,105 to $3,897, or 5.1%. enrollments.

Curriculum and Teaching. Curriculum and teaching expense decreased $0.9 million $0.6 million, or 0.7% 0.4%, to $129.9 million $129.3 million as compared to $130.8 million $129.9 million in 2021. The 2022 expense includes $0.2 million of operating expense from edX. The remaining 2022. This decrease of $1.1 million was primarily due to lower expense as a result of a reduction decrease in amounts due to university clients driven by lower revenue in certain offerings in our Alternative Credential Segment. personnel and personnel-related expense.

Servicing and Support. Servicing and support expense increased $9.2 million decreased $19.5 million, or 6.7% 13.2%, to $147.8 million $128.3 million as compared to $138.5 million $147.8 million in 2021. The 2022 expense includes $10.8 million of operating expense from edX, an increase of $9.1 million. The remaining increase of $0.1 million 2022. This decrease was primarily due to a $1.9 million increase in other student support costs, partially offset by a $1.8 million $17.9 million decrease in personnel and personnel-related expense. expense driven by headcount reductions, lower performance-based compensation, and a reduction in the size of equity grant values and a $2.3 million decrease in lease and facility costs due to the consolidation of facilities in connection with the 2022 Strategic Realignment Plan.

Technology and Content Development. Technology and content development expense increased $11.4 million decreased $14.3 million, or 6.4% 7.5%, to $190.5 million $176.2 million as compared to $179.1 million $190.5 million in 2021. The 2022 expense includes $21.2 million of operating expense from

edX, an increase of $17.1 million. The remaining 2022. This decrease of $5.7 million was primarily due to an $8.0 $8.8 million decrease in depreciation and amortization expense, a $5.5 million decrease in personnel and personnel-related expense driven by headcount reductions, lower performance-based compensation, and a reduction in the size of equity grant values, a $3.8 million decrease in professional fees and other costs to support technology and content development, and a $1.8 million decrease in lease and facility costs due to the consolidation of facilities in connection with the 2022 Strategic Realignment Plan and lower performance-based compensation. This decrease was Plan. These decreases were partially offset by a $3.0 million $6.0 million increase in expenses to support our platform and software applications.

Marketing and Sales. Marketing and sales expense decreased $33.9 million $50.0 million, or 7.4% 11.8%, to $422.1 million $372.1 million as compared to $456.1 million $422.1 million in 2021. The 2022 expense includes $29.4 million of operating expense from edX, an increase of $24.4 million. The remaining 2022. This decrease of $58.3 million was primarily due to a $51.1 $27.2 million decrease in marketing expense from the implementation of a more efficient marketing framework and a $13.0 in mid-2022, an $11.4 million decrease in personnel and personnel-related expense driven by headcount reductions, lower performance-based compensation, and a reduction in the size of equity grant values, a $5.8 million decrease in depreciation and amortization expense, and a $3.8 million decrease in lease and facility costs due to the consolidation of facilities in connection with the 2022 Strategic Realignment Plan and lower performance-based compensation. These decreases were partially offset by a $4.1 million increase in depreciation and amortization expense. Plan.

General and Administrative. General and administrative expense decreased $40.6 million $26.7 million, or 20.3% 16.8%, to $159.4 million $132.7 million as compared to $200.1 million $159.4 million in 2021. The 2022 expense includes $6.4 million of operating expense from edX, an increase of $2.8 million. The remaining 2022. This decrease of $43.4 million was primarily due to a $27.0 million $30.2 million decrease in personnel and personnel-related expense driven by headcount reductions, lower performance-based compensation, and a reduction in the size of equity grant values, and a $3.5 million decrease in lease and facility costs due to the consolidation of facilities in connection with the 2022 Strategic Realignment Plan and lower performance-based compensation, Realignment. These decreases were partially offset by a $13.9 $5.2 million decrease increase in transaction and integration certain litigation-related expense, a $1.9 million increase in professional fees, and a $2.7 $1.6 million decrease increase in certain litigation-related depreciation and amortization expense.

Restructuring Charges. Restructuring charges increased $24.7 million $3.0 million, or 289.0% 9.1%, to $33.2 million $36.3 million as compared to $8.5 $33.2 million in 2021. Restructuring charges for the year ended December 31, 2022 include $15.4 2022. This increase was primarily due to a $5.6 million increase in severance and severance-related expense, $12.3 partially offset by a $1.0 million in lease and facility exit costs, $2.0 million decrease in professional and other fees relating to restructuring activities, and $1.0 million in acceleration of certain technology and content development costs, each in connection with the 2022 Strategic Realignment Plan, and $2.5 million in other restructuring charges. Restructuring charges for the year ended December 31, 2021 include $6.4 million in lease and facility exit costs and $2.1 million in severance and severance-related expense. activities.

Impairment Charges. In the second quarter of 2023, we recorded impairment charges of $16.7 million and $117.4 million to goodwill and the indefinite-lived intangible asset, respectively. In the fourth quarter of 2023, we recorded impairment charges of $62.8 million to goodwill. In the first quarter of 2022, we recorded impairment charges of $28.8 million $28.8 million and $30.0 million $30.0 million to goodwill and the indefinite-lived intangible asset, respectively. In the third quarter of 2022, we recorded impairment charges of $50.2 million $50.2 million and $29.3 million $29.3 million to goodwill and the indefinite-lived intangible asset, respectively.

Net Interest Income (Expense). Net interest expense increased $11.3 $11.5 million, or 23% 18.9%, to $61.1 million $72.6 million as compared to $49.7 million $61.1 million in 2021. 2022. This increase was primarily due to a $31.7 million $9.1 million increase in interest expense related to the 2030 Notes that were issued in January 2023 and a $3.7 million increase in interest expense incurred under our Second Amended Term Loan Facilities. This increase was partially offset by a $20.3 million decrease in interest expense due to the adoption of ASU 2020-06, which eliminated the amortization of the debt discount previously associated with the 2025 Notes. Credit Agreement.

Loss on Debt Extinguishment. The modification expense and loss on debt extinguishment for. In the year ended December 31, 2021 was due first quarter of 2023, we recorded $12.1 million in loss on debt extinguishment and $4.6 million in debt modification expense related to the write-off refinancing of deferred financing costs and fees paid in connection with the termination of our $50 million credit agreement in June 2021. Second Amended Credit Agreement.

Other Income (Expense), Net. Other expense, net was $0.8 million for the year ended December 31, 2023, as compared to other expense, net of $3.8 million for the year ended December 31, 2022, as compared to other income, net of $22.3 million for the year ended December 31, 2021. This change was primarily due to fluctuations in foreign currency rates impacting our operations in the gain recognized in connection with the sale of our investment in an education technology company in 2021. Alternative Credential Segment.

Income Tax (Expense) Benefit. For the year ended December 31, 2023, we recognized income tax expense of $1.7 million, and our effective tax rate was approximately (0.5)%. For the year ended December 31, 2022, we recognized an income tax benefit of $0.9 million, $0.9 million, and our effective tax rate was approximately 0.3%. For the year ended December 31, 2021, we recognized an income tax benefit of $1.2 million, and our effective tax rate was approximately 0.6%. 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), other income (expense), net, taxes, depreciation and amortization expense, transaction costs, integration costs, restructuring-related costs, stockholder activism costs, certain litigation-related costs, consisting of fees for certain non-ordinary course litigation and other proceedings, impairment charges, debt modification expense and losses on debt extinguishment, and stock-based compensation expense. Some of these items may not be applicable in any given reporting period and they may vary from period to period. Total segment profitability is a non-GAAP measure when presented outside of the financial statement footnotes. Total segment profitability is a key measure used by our management and board of directors to understand and evaluate our operating performance and trends, to develop short- and long-term operational plans and to compare our performance against that of other peer companies using similar measures. In particular, the exclusion of certain expenses in calculating total segment profitability can provide a useful measure for period-to-period comparisons of our business. Accordingly, we believe that total segment profitability provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

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

					Year Ended December 31,	
					2023	**2022**
		Year Ended December 31,				
		2022		**2021**		
		(in thousands)			**(in thousands)**	
Net loss	Net loss	$	(322,151)	$ (194,766)		
Adjustments:	Adjustments:					
Stock-based compensation expense	Stock-based compensation expense		80,220	97,766		
Stock-based compensation expense						
Stock-based compensation expense						
Other (income) expense, net	Other (income) expense, net		3,815	(22,324)		
Net interest expense	Net interest expense		61,069	49,747		
Income tax benefit			(903)	(1,196)		
Income tax expense (benefit)						
Depreciation and amortization expense	Depreciation and amortization expense		128,153	108,448		
Loss on debt extinguishment			—	1,101		

Debt modification expense and loss on debt extinguishment			
Impairment charges	Impairment charges	138,291	—
Restructuring charges	Restructuring charges	33,239	8,544
Other*	Other*	3,348	19,257
Total adjustments	Total adjustments	447,232	261,343
Total segment profitability	Total segment profitability	$ 125,081	$ 66,577

* Includes (i) transaction and integration expense of $3.6 million and $16.9 million $3.6 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively, and (ii) stockholder activism and litigation-related (recoveries) expense of $4.9 million and $(0.3) million and $2.4 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Years Ended December 31, 2022 December 31, 2023 and 2021 2022

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

		Year Ended December 31,		Period-to-Period Change			Year Ended December 31,						Pe
		2022	2021	Amount	Percentage		2023		2022		Amount		Pe
		(dollars in thousands)					(dollars in thousands)						
Revenue by segment*	**Revenue by segment***					**Revenue by segment***							
Degree Program Segment	Degree Program Segment	$571,608	$592,288	$(20,680)	(3.5)%	Degree Program Segment	$561,044	$	$571,608	$	$(10,564)	(1.8)	
Alternative Credential Segment	Alternative Credential Segment	391,472	353,394	38,078	10.8 %	Alternative Credential Segment	384,909	391,472	391,472	(6,563)	(6,563)	(1.7)	
Total revenue	Total revenue	$963,080	$945,682	$ 17,398	1.8 %	Total revenue	$945,953	$	$963,080	$	$(17,127)	(1.8)	
Segment profitability	**Segment profitability**												
Segment profitability													
Segment profitability													
Degree Program Segment													
Degree Program Segment													
Degree Program Segment	Degree Program Segment	$180,727	$126,141	$ 54,586	43.3 %	$	214,699	$	$180,727	$	$33,972	18.8	18.8

Alternative Credential Segment	Alternative Credential Segment	(55,646)	(59,564)	3,918	6.6 %	Alternative Credential Segment	(43,903)	(55,646)	(55,646)	11,743		11,743	21.1
Total segment profitability	Total segment profitability	$125,081	$ 66,577	$ 58,504	87.9 %	Total segment profitability	$170,796	$	$125,081	$		$ 45,715	36.5

* Immaterial amounts of intersegment revenue have been excluded from the above results for the years ended December 31, 2022 December 31, 2023 and 2021. 2022.

Degree Program Segment profitability increased $54.6 million $34.0 million, or 43% 19%, to $180.7 million $214.7 million as compared to $126.1 million $180.7 million in 2021. This increase was primarily due to lower operating 2022. Revenue from our Degree Program Segment decreased $10.6 million, or 1.8%, and included $88.0 million of revenue from portfolio management activities. Operating expenses decreased $44.5 million due to the implementation of the 2022 Strategic Realignment Plan and lower performance-based compensation, partially offset by a decline in revenue of $20.7 million. compensation.

Alternative Credential Segment profitability increased $3.9 million $11.7 million, or 7% 21%, to $(55.6) $(43.9) million as compared to $(59.6) $(55.6) million in 2021. 2022. Revenue from our Alternative Credential Segment decreased $6.6 million, or 1.7%. This increase decrease was primarily due to a $13.6 million decrease in revenue growth of $38.1 million, including an increase of $22.0 million from the addition of edX our boot camp offerings driven by a 6% decrease in FCE enrollments, partially offset by higher operating expenses, including a $33.1 $6.9 million increase in revenue from our executive education offerings driven by an 8% increase in FCE enrollments. In addition, operating expenses from edX that are included in segment profitability. decreased $18.3 million due to the implementation of the 2022 Strategic Realignment Plan and lower performance-based compensation.

Key Business and Financial Performance Metrics

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

Full Course Equivalent Enrollments

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

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

For the Degree Program Segment, FCE enrollments and average revenue per FCE enrollment include enrollments and revenue from edX bachelor’s and master’s degree offerings. For the Alternative Credential Segment, FCE enrollments and average revenue per FCE enrollment exclude enrollments and revenue from edX offerings due to the large number of learners

taking free or low-cost courses. We believe excluding the impact of these enrollments and revenue is useful to investors because it facilitates a period-to-period comparison.

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

		Year Ended December 31,		Year Ended December 31,	
		2022	**2021**	**2023**	**2022**
Degree Program Segment	**Degree Program Segment**				
Degree Program Segment					
Degree Program Segment					

FCE enrollments			
FCE enrollments			
FCE enrollments	FCE enrollments	233,635	237,245
Average revenue per FCE enrollment	Average revenue per FCE enrollment	$ 2,447	$ 2,497
Alternative Credential Segment	**Alternative Credential Segment**		
FCE enrollments	FCE enrollments	93,471	86,084
FCE enrollments			
FCE enrollments			
Average revenue per FCE enrollment	Average revenue per FCE enrollment	$ 3,897	$ 4,105

Adjusted EBITDA (Loss)

We define adjusted EBITDA (loss) as net income or net loss, as applicable, before net interest income (expense), other income (expense), net, taxes, depreciation and amortization expense, transaction costs, integration costs, restructuring-related costs, stockholder activism costs, certain litigation-related costs, consisting of fees for certain non-ordinary course litigation and other proceedings, impairment charges, losses on debt modification and extinguishment, and stock-based compensation expense. Some of these items may not be applicable in any given reporting period and they may vary from period to period.

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

Adjusted EBITDA (loss) is not a measure calculated in accordance with U.S. GAAP, and should not be considered as an alternative to any measure of financial performance calculated and presented in accordance with U.S. GAAP. Our use of adjusted EBITDA (loss) has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under U.S. GAAP. Some of the limitations are:

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

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

	Year Ended December 31,		Year Ended December 31,	
	2022	**2021**	**2023**	**2022**
	(in thousands)		**(in thousands)**	

Net loss	Net loss	$ (322,151)	$ (194,766)
Adjustments:	Adjustments:		
Stock-based compensation expense	Stock-based compensation expense	80,220	97,766
Stock-based compensation expense			
Stock-based compensation expense			
Other (income) expense, net	Other (income) expense, net	3,815	(22,324)
Net interest expense	Net interest expense	61,069	49,747
Income tax benefit		(903)	(1,196)
Income tax expense (benefit)			
Depreciation and amortization expense	Depreciation and amortization expense	128,153	108,448
Loss on debt extinguishment		—	1,101
Debt modification expense and loss on debt extinguishment			
Impairment charge	Impairment charge	138,291	—
Restructuring charges	Restructuring charges	33,239	8,544
Other*	Other*	3,348	19,257
Total adjustments	Total adjustments	447,232	261,343
Adjusted EBITDA	Adjusted EBITDA	$ 125,081	$ 66,577

* Includes (i) transaction and integration expense of $3.6 million and $16.9 million $3.6 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively, and (ii) stockholder activism and litigation-related (recoveries) expense of $4.9 million and $(0.3) million and $2.4 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Liquidity and Capital Resources

As of December 31, 2022 December 31, 2023, our principal sources of liquidity were cash and cash equivalents totaling $167.5 million $60.7 million, which were held for working capital and general corporate purposes.

In April 2020, we issued the 2025 Notes in an aggregate principal amount of $380 million, including the exercise by the initial purchasers of an option to purchase additional 2025 Notes, in a private placement to qualified institutional buyers under Rule 144A of the Securities Act. The 2025 Notes are governed by an indenture (the “2025 Indenture”) between the Company and Wilmington Trust, National Association, as trustee. The 2025 Notes bear interest at a rate of 2.25% per annum, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2020. The 2025 Notes mature on May 1, 2025, unless repurchased, redeemed or converted in accordance with their terms prior to such date. Prior to November 1, 2024, the 2025 Notes are convertible only upon satisfaction of certain conditions, and thereafter at any time until the close of business on the second scheduled trading date immediately before the maturity date. In connection with the 2025 Notes, we entered into privately negotiated capped call transactions with a premium cost of approximately $50.5 million. The capped call transactions are generally expected to reduce the potential dilution to our common stock upon any conversion of the 2025 Notes and/or to offset any cash payments we are required to make in excess of the principal amount of the converted 2025 Notes, with such reduction and/or offset subject to the cap. The net proceeds from the issuance of the 2025 Notes were $319.0 million after deducting the initial purchasers’ discount, offering expenses and the cost of the capped call transactions. As of December 31, 2022 December 31, 2023, the conditions allowing holders of the 2025 Notes to convert had not been met and we have the right under the 2025 Indenture to determine the method of settlement at the time of conversion, and the 2025 Notes, therefore, are classified as a non-current on the consolidated balance sheets. Refer to Note 10 in the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report on Form 10-K for more information regarding our 2025 Notes.

On April 23, 2020, we repaid our $250 million senior secured term loan facility in full (including interest and prepayment premium) and terminated our credit agreement with Owl Rock Capital Corporation. In connection with the extinguishment of our $250 million senior secured term loan facility, we recognized a charge of approximately $11.7 million in the second quarter of 2020.

On June 25, 2020, we entered into a $50 million credit agreement with Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent, and certain other lenders party thereto that provided for $50 million in revolving loans. In connection with entering into the Term Loan Agreement (as defined below) in June 2021, we terminated our $50 million credit agreement with Morgan Stanley Senior Funding, Inc. Refer to Note 10 in the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report on Form 10-K for more information.

On August 6, 2020, we sold 6,800,000 shares of our common stock to the public. We received net proceeds of $299.8 million, which we use for working capital and other general corporate purposes.

In June 2021, we entered into a Term Loan Credit and Guaranty Agreement, dated June 28, 2021 (“the Term Loan Agreement”), with Alter Domus (US) LLC as administrative agent and collateral agent, to make term loans to us in the aggregate principal amount of $475 million (the “2021 Term Loan Facilities”), which have had an initial maturity date of December 28, 2024. Loans under this facility, bear which was amended in January 2023 as described below, bore interest at a per annum rate equal to a base rate or adjusted Eurodollar rate, as applicable, plus the applicable margin of 4.75% in the case of the base rate loans and 5.75% in the case of the Eurodollar loans. We used the proceeds of the 2021 Term Loan Facilities to fund a portion of the edX Acquisition acquisition and to pay related costs, fees and expenses. On November 4, 2021, we entered into a First Amendment to Term Loan Credit and Guaranty Agreement and a Joinder Agreement, which amended the Term Loan Agreement (collectively, the “Amended Term Loan Facilities”) primarily to provide for an incremental facility to us in an original principal amount of $100 million. The proceeds of the Amended Term Loan Facilities may be used for general corporate purposes.

In January 2023, we entered into an Extension Amendment, Second Amendment and First Incremental Agreement to Credit and Guaranty Agreement, (the “Second Amended Credit Agreement”), which amended the Amended Term Loan Facilities. The provisions of the Second Amended Credit Agreement became effective upon the satisfaction of certain conditions set for therein, including, without limitation, the funding of the 2030 Notes referenced below and the prepayment of certain existing term loans to reduce the outstanding principal amount of term loans outstanding under the Amended Term Loan Facilities from $567 million to $380 million. Pursuant to the Second Amended Credit Agreement, the lenders thereunder agreed to, among other amendments, extend the maturity date of the term loans thereunder from December 28, 2024 to December 28, 2026 (or, if more than $40 million of our 2025 Notes remain outstanding on January 30, 2025, January 30, 2025) and to provide a senior secured first lien revolving loan facility in the principal amount of $40 million. The termination date for such revolving loans will be June 28, 2026 (or, if more than $50 million of the 2025 Notes remain outstanding on January 1, 2025, January 1, 2025). Loans under the Second Amended Credit Agreement will bear interest at a per annum rate equal to (i) with respect to term loans, a base rate or the Term SOFR rate, as applicable, plus a margin of 5.50% in the case of the base rate loans and 6.50% in the case of Term SOFR loans and (ii) with respect to revolving loans, a base rate or the Term SOFR rate, as applicable, plus a margin of 4.50% in the case of the base rate loans and 5.50% in the case of Term SOFR loans.

In January 2023, we consummated the issuance of the notes (“2030 Notes”) in an aggregate principal amount of $147.0 million in a private placement to qualified institutional buyers under Rule 144A of the Securities Act. The 2030 Notes are governed by an indenture (“the 2030 Indenture”) between the Company and Wilmington Trust, National Association, as trustee. The 2030 Notes bear interest at a rate of 4.50% per annum, payable semi-annually in arrears on February 1 and August 1 of each year, beginning on August 1, 2023. The 2030 Notes mature on February 1, 2030, unless earlier redeemed or repurchased by us or converted. At any time from, and after January 11, 2023, the 2030 Notes are convertible only upon satisfaction of certain conditions, and thereafter at any time until the close of business on the second scheduled trading date immediately before the maturity date. The net proceeds from the issuance of the 2030 Notes were $127.1 million. We used the proceeds from the offering of the 2030 Notes, along with cash on our balance sheet, to repay a portion of the amounts outstanding under the Amended Term Loan Facilities. We have the right under the 2030 Indenture to determine the method of

settlement at the time of conversion. Therefore, the 2030 Notes are classified as non-current on the consolidated balance sheets.

Refer to Note 10 in the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report on Form 10-K for more information regarding our Amended Term Loan Facilities.

In January 2023, we entered into an Extension Amendment, debt. Refer to the risks described in Part I, Item A “Risk Factors” for a discussion of the risks related to our indebtedness and capital structure. Specifically, refer to the factors titled, “*The Second Amendment and First Incremental Agreement to Credit and Guaranty Agreement, dated as of January 9, 2023 (the “Second* Amended Credit *Agreement”) Agreement contains financial covenants that may limit our operational flexibility,*” and, issued the 2030 Notes. Refer to Note 10 “*We may need additional capital in the “Notes future to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report pursue our business objectives. Additional capital may not be available on Form 10-K for more information. favorable terms, or at all, which could compromise our ability to grow our business.*”

We have financed our operations primarily through payments from university our clients and students for our technology and services, the borrowings under our Second Amended Term Loan Facilities, Credit Agreement, the 2025 Notes, the 2030 Notes, and public and private equity financings. In January 2024, we entered into a receivables factoring transaction with Morgan Stanley Senior Funding (“Morgan Stanley”) whereby Morgan Stanley has committed to purchase up to $86.2 million of receivables owing to the company related to portfolio management activities at a purchase rate of 88%. We believe that our existing cash and cash equivalents, together with cash generated from operations and available borrowing capacity under the our Second Amended Term Loan Facilities, Credit Agreement, will be sufficient to meet our working capital and capital expenditure requirements for the next 12 twelve months. However, our ability to continue as a going concern within one year from the date our consolidated financial statements are issued is dependent on refinancing our debt or raising capital to reduce our debt in the short term. If we are unable to complete the foregoing, we likely would not have sufficient cash on hand or available liquidity to pay off the balance of our term loan on an accelerated maturity date.

Pursuant to the Second Amended Credit Agreement, if more than $40 million of our 2025 Notes remain outstanding on January 30, 2025, the maturity date of the outstanding term loan balance of $372.4 million springs forward to January 30, 2025. In addition, our Second Amended Credit Agreement includes a financial covenant that requires us to maintain $900 million minimum Recurring Revenues (as defined by the Second Amended Credit Agreement) as of the last day of any period of four consecutive fiscal quarters. As of December 31, 2023, we were in compliance with this covenant; however, we cannot provide assurance that we will achieve minimum Recurring Revenues in future periods. If we are unable to comply with this financial covenant and are unable to cure or obtain a waiver related to this covenant, the obligations under the Second Amended Credit Agreement could accelerate. We regularly evaluate are currently evaluating options to refinance our liquidity position, debt obligations, maturity schedule, and anticipated cash needs, and may consider capital raising, refinancing, and other market opportunities in the short term, however there can be no assurance that may such financing would be available to us on favorable terms or at all. Refer to optimize the risks described in Part I, Item A “Risk Factors” for a discussion of the risks related to indebtedness and capital structure. Given these factors, substantial doubt exists about our balance sheet. ability to continue as a going concern within one year from the date that the consolidated financial statements are issued.

The implementation of the 2022 Strategic Realignment Plan has resulted in improved profitability and we expect this, in conjunction with the comprehensive performance improvement exercise initiated in the fourth quarter of 2023, will lead to further profitability improvements going forward. We believe these profitability improvements will be further aided by our long-term revenue contracts. Our ability to support our cash requirements in the long term will depend on many factors, including our ability to realize the anticipated benefits of the 2022 Strategic Realignment Plan and the comprehensive performance improvement exercise initiated in the fourth quarter of 2023 and our ability to obtain equity or debt financing on reasonable terms, if at all.

Our operations require us to make principal uses of cash include refinancing our debt, debt service requirements, and capital expenditures for content development, capitalized technology, and property and equipment and to service our debt. equipment. During the years ended December 31, 2022 December 31, 2023 and 2021, 2022, our capital asset additions were $75.4 million $50.8 million and $72.0 million $75.4 million, respectively.

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

Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands).

		Year Ended December 31,		Year Ended December 31,	
		2022	2021	2023	2022
Net cash provided by (used in) operating activities		$ 10,927	$ (18,074)		
Net cash (used in) provided by operating activities					
Net cash (used in) provided by operating activities					
Net cash (used in) provided by operating activities					
Net cash used in investing activities	Net cash used in investing activities	(69,350)	(793,434)		
Net cash (used in) provided by financing activities		(6,925)	544,860		
Net cash used in financing activities					
Effect of exchange rate changes on cash	Effect of exchange rate changes on cash	(1,983)	(2,309)		
Net decrease in cash, cash equivalents and restricted cash	Net decrease in cash, cash equivalents and restricted cash	$(67,331)	$(268,957)		

Operating Activities

Cash flows from operating activities have typically been generated from our net income (loss) and by changes in our operating assets and liabilities, adjusted for non-cash expense items such as depreciation and amortization expense and stock-based compensation expense. Our cash flows from operations can fluctuate from quarter to quarter due to changes in accounts receivable and deferred revenue driven by the varying academic schedules of and enrollment levels in our offerings and university clients. offerings. In addition to these fluctuations in working capital, cash flows from operations at the beginning of the year are impacted by greater marketing spend and the timing of certain payments. We also typically reduce our paid search and other marketing and sales efforts during late November and December because of less demand during the holiday season. season, contributing to improvements in working capital in the fourth quarter.

The following sections set forth the components of our $10.9 million $3.4 million of cash provided by used in operating activities during the year ended December 31, 2022 December 31, 2023.

Net (loss) income (adjusted for non-cash charges)

The following table sets forth our net loss income (adjusted for non-cash charges) during the year ended December 31, 2022 December 31, 2023 (in thousands):

Net loss	$	(322,151) (317,607)
Non-cash interest expense		19,835 13,652
Depreciation and amortization expense		128,153 115,322
Stock-based compensation expense		80,220 39,688
Loss on debt extinguishment		12,123
Non-cash lease expense		21,020 17,404
Provision for credit losses		8,610 10,017
Impairment charges		138,291 196,871
Restructuring		9,555 866
Other		5,443 965
Net income (adjusted for non-cash charges)	$	88,976 89,301

Changes in operating assets and liabilities, net of assets and liabilities acquired

The following table sets forth the net cash used in changes in operating assets and liabilities during the year ended December 31, 2022 December 31, 2023 (in thousands):

Changes in operating assets and liabilities, net of assets and liabilities acquired:		
Cash used in accounts receivable, net and other receivables, net	$	(3,558) (55,992)
Cash used in prepaid expenses, other assets, and other liabilities, net		(37,082) (27,647)
Cash used in accounts payable and accrued expenses		(42,735) (436)
Cash provided by deferred revenue		5,326 (8,657)
Net cash used in changes in operating assets and liabilities	$	(78,049) (92,732)

From December 31, 2021 December 31, 2022 to December 31, 2022 December 31, 2023:

- Accounts receivable, net and other receivables, net increased $3.6 million $56.0 million. This increase was primarily due to the timing of collections an increase in accounts receivable from our university partners. portfolio management activities.
- Other liabilities decreased $41.9 million $41.2 million, primarily due to a decrease in our lease liability and payments made to university clients in certain of our alternative credential offerings.
- Accounts payable and accrued expenses Deferred revenue decreased $42.7 million $8.7 million, primarily due to a decrease lower enrollments in accrued compensation and related benefits. coding boot camp offerings, partially offset by higher enrollments in executive education offerings.
- Deferred revenue increased $5.3 million, primarily due to the timing of our Degree Program Segment clients' academic terms.

Investing Activities

Our investing activities primarily consist of strategic acquisitions, divestitures and purchases of property and equipment capital expenditures to support the overall growth of our business. We business, strategic acquisitions, and divestitures.We expect our investing cash flows to be affected by the timing of payments we make for capital expenditures and the strategic acquisition or other growth opportunities we decide to pursue.

During the year ended December 31, 2022 December 31, 2023, net cash used in investing activities was $69.4 million $49.8 million. This use of cash was driven by cash outflows of $62.4 million $44.0 million for the addition of amortizable intangible assets and $11.8 million $6.0 million for purchases of property and equipment, partially offset by a purchase price adjustment related to a change in net working capital which reduced the preliminary purchase price of the edX Acquisition by $5.0 million. equipment.

Financing Activities

Our financing activities primarily consist of long-term debt borrowings, the repayment of principal on long-term debt, tax withholding payments associated with the settlement of restricted stock units and the exercise of stock options.

During the year ended December 31, 2022 December 31, 2023, net cash used in financing activities was $6.9 million. $55.0 million. This use of cash was primarily driven by net cash outflows of $7.2 million for quarterly amortization payments on our $56.1 million under the Second Amended Term Loan Facilities and $2.9 million for tax withholding payments associated with the settlement of restricted stock units, partially offset by a cash inflow of $2.4 million from cash proceeds received from employee stock purchase plan share purchases Credit Agreement and the exercise of stock options. 2030 Notes.

Contractual Obligations and Commitments

The following table summarizes our obligations under the 2025 Notes, the 2030 Notes, deferred government grant obligations, non-cancelable operating leases, commitments to certain of our university clients in exchange for contract extensions and various marketing and other rights, and purchase obligations as of December 31, 2022 December 31, 2023. Future events could cause actual payments to differ from these amounts. As of December 31, 2023, outstanding borrowings under our Revolving Loan Facility were $40 million.

		Payment due by period						Payment due by period				
Contractual Obligations	Contractual Obligations	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total	Contractual Obligations	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
		(in thousands)						(in thousands)				
Term loan facilities*	Term loan facilities*	$ 78,486	$ 618,450	$ —	$ —	$ 696,936						
Convertible senior notes**		8,550	392,825	—	—	401,375						
Deferred government grant obligations		—	—	3,500	—	3,500						
2025 Notes**												
2030 Notes**												
Deferred government grant obligations***												
Operating lease obligations	Operating lease obligations	24,541	45,262	43,237	51,931	164,971						
Future minimum payments to university clients	Future minimum payments to university clients	1,125	1,250	1,250	1,275	4,900						
Purchase obligations***		25,135	27,752	10,800	—	63,687						
Non-cancelable purchase obligations												
Total	Total	$137,837	$1,085,539	$58,787	$53,206	$1,335,369						

* Amounts represent principal and interest, based on the interest rate in effect at December 31, 2022 December 31, 2023. In January 2023, we amended the Amended Term Loan Facilities to, among other things, extend the maturity date from December 2024 to December 2026. We prepaid certain amounts under the term loan facilities to reduce the outstanding principal amount from $567 million to $380 million.

** Amounts represent principal and fixed-rate interest cash payments over the life of the 2025 Notes and 2030 Notes, including anticipated interest payments that are not recorded on our consolidated balance sheets. Any future settlement of the 2025 Notes and 2030 Notes would impact our cash payments. In January 2023, we issued the 2030 Notes in an aggregate principal amount of $147 million. The 2030 Notes have a maturity date in February 2030.

*** Other purchase orders made in Amounts represent conditional loan obligations that may be forgiven, provided that the ordinary course of business are excluded from the table above. Any amounts for which we are liable under purchase orders are reflected on our consolidated balance sheets as accounts payable and accrued liabilities. Company attains certain conditions related to employment levels at 2U's Lanham, Maryland headquarters.

Contingent Payments

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

In the first quarter of 2019, we entered into an agreement to make investments in an education technology company of up to $15.0 million, upon demand by the investee. During the second quarter of 2021, we sold our investment in this education technology company and were released from any further obligation to make additional investments.

See Note 7 in the "Notes to Consolidated Financial Statements" included in Part II, Item 8 and "Legal Proceedings" contained in Part I, Item 3 of this Annual Report on Form 10-K for additional information regarding contingencies.

Critical Accounting Policies and Estimates

This management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reported period. In accordance with U.S. GAAP, we base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Actual results may differ from these estimates if conditions differ from our assumptions.

While our significant accounting policies are more fully described in Note 2 in the "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this Annual Report on Form 10-K, we believe the following accounting policies are critical to the process of making significant judgments and estimates in preparation of our consolidated financial statements.

Revenue Recognition, Receivables and Provision for Credit Losses

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

Performance Obligations

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

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

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

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

Payments to University Clients

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

Receivables, Contract Assets and Liabilities

Balance sheet items related to contracts consist of accounts receivable, net, other receivables, net and deferred revenue on our consolidated balance sheets. Accounts receivable, net includes trade accounts receivable, which are comprised of billed and unbilled revenue. Our trade accounts receivable balances have terms of less than one year. Accounts receivable, net is stated at amortized cost net of provision for credit losses. Our methodology to measure the provision for credit losses requires an estimation of loss rates based upon historical loss experience adjusted for factors that are relevant to determining the expected

collectability of accounts receivable. Some of these factors include current market conditions, delinquency trends, aging behavior of receivables and credit and liquidity quality indicators for industry groups, customer classes or individual customers.

Our estimates are reviewed and revised periodically based on the ongoing evaluation of credit quality indicators. Historically, actual write-offs for uncollectible accounts have not significantly differed from prior estimates.

We recognize unbilled revenue when revenue recognition occurs in advance of billings. Unbilled revenue is recognized in our Degree Program Segment because billings to university clients do not occur until after the academic term has commenced and final enrollment information is available. Our unbilled revenue represents contract assets.

Other receivables, net are comprised of amounts due under tuition payment plans with extended payment terms from students enrolled in certain of our alternative credential offerings. These plans, which are managed and serviced by third-party providers, are designed to assist students with covering tuition costs after all other student financial assistance and scholarships have been applied. The associated receivables generally have payment terms that exceed one year and are recorded net of any implied pricing concessions, which are determined based on our collections history, market data and any time value of money component. There are no fees or origination costs included in these receivables.

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

Business Combinations

The purchase price of an acquisition is allocated to the assets acquired, including intangible assets, and liabilities assumed, based on their respective fair values at the acquisition date. The excess of the cost of an acquired entity, net of the amounts assigned to the assets acquired and liabilities assumed, is recognized as goodwill. The net assets and results of operations of an acquired entity are included on our consolidated financial statements from the acquisition date.

The purchase price allocation process requires management to make significant estimates and assumptions, especially with respect to intangible assets. Although we believe the assumptions and estimates we have made are reasonable, they are based in part on historical experience, market conditions, and information obtained from management of the acquired companies and are inherently uncertain. Examples of critical estimates in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to the cash flows that an asset is expected to generate in the future, the appropriate weighted-average cost of capital, and the cost savings expected to be derived from acquiring an asset. Unanticipated events and circumstances may occur, which may affect the accuracy or validity of such assumptions, estimates or actual results.

On November 16, 2021, we completed the edX Acquisition for a purchase price of $768.0 million. Refer to Note 3 in the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report on Form 10-K for more information regarding this transaction.

Long-Lived Assets

Amortizable Intangible Assets

Acquired Definite-lived Intangible Assets. We capitalize purchased definite-lived intangible assets, such as software, websites, trade names, and domains, and amortize them on a straight-line basis over their estimated useful life. Historically, we have assessed the useful lives of these acquired intangible assets to be between three and 10 25 years.

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

Capitalized Content Development. We develop content for each offering on a course-by-course basis in collaboration with university client faculty and industry experts. Depending upon the offering, we may use materials provided by university clients and their faculty, including curricula, case studies, presentations and other reading materials. We are responsible for the creation

of materials suitable for delivery through our online learning platform, including all expenses associated with this effort. With respect to the Degree Program Segment, the development of content is part of our single performance obligation and is considered a contract fulfillment cost.

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

Evaluation of Long-Lived Assets

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

Goodwill and Other Indefinite-lived Intangible Assets

We review goodwill and other indefinite-lived intangible assets for impairment annually, as of October 1, and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of goodwill or an indefinite-lived asset below its carrying value.

Goodwill

We test our goodwill at the reporting unit level, which is an operating segment or one level below an operating segment. During the second quarter of 2023, we completed the update of our internal financial reporting structure to better align with the executive structure following the 2022 Strategic Realignment Plan. As a result of this update, our three reporting units within the Alternative Credential Segment (Executive Education, Boot Camp, and Open Courses) were combined into a single reporting unit (Alternative Credential). The Degree Program Segment continues to have one reporting unit (Degree Program). We performed impairment assessments before and after the change in reporting units. The results of these assessments are described further below.

We initially assess qualitative factors to determine if it is necessary to perform a quantitative goodwill impairment review. We review goodwill for impairment using a quantitative approach if we decide to bypass the qualitative assessment or determine that it is more likely than not that the fair value of a reporting unit is less than its carrying value based on a qualitative assessment. Upon completion of a quantitative assessment, we may be required to recognize an impairment based on the difference between the carrying value and the fair value of the reporting unit.

We determine the fair value of a reporting unit by utilizing a weighted combination of the income-based and market-based approaches.

The income-based approach requires us to make significant assumptions and estimates. These assumptions and estimates primarily include, but are not limited to, discount rates, terminal growth rates, and forecasts of revenue and margins. When determining these assumptions and preparing these estimates, we consider each reporting unit's historical results and current operating trends, revenue, profitability, cash flow results and forecasts, and industry trends. These estimates can be affected by a number of factors including, but not limited to, general economic and regulatory conditions, market capitalization, the continued efforts of competitors to gain market share and prospective student enrollment patterns.

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

Other Indefinite-lived Intangible Assets

In November 2021, we acquired an indefinite-lived intangible asset, which represented the established edX trade name. We concluded that due to changes in facts and circumstances, effective July 1, 2023, the edX trade name should no longer have an indefinite useful life. We began amortizing the edX trade name on a straight-line basis over its estimated remaining useful life of 25 years. The impact of this change in accounting estimate was immaterial to our consolidated statements of operations for year ended December 31, 2023. We expect the impact to be immaterial in future periods. See Note 5 to our Consolidated Financial Statements in Item 8 of Part II of this annual report for more information regarding the indefinite-lived intangible asset.

We determined the fair value of our indefinite-lived asset utilizing the income-based approach. The income-based approach requires us to make significant assumptions and estimates. These assumptions and estimates primarily include, but are not limited to, discount rates, terminal growth rates, forecasts of revenue and margins, and royalty rates. When determining these assumptions and preparing these estimates, we consider historical results and current operating trends, revenue, profitability, cash flow results and forecasts, and industry trends. These estimates can be affected by a number of factors including, but not limited to, general economic and regulatory conditions, the continued efforts of competitors to gain market share and prospective student enrollment patterns.

Impairment Assessments

During both the first and third quarter of 2022, we experienced a significant decline in our market capitalization. Management deemed these declines triggering events related to our goodwill and indefinite-lived intangible asset. As a result, we We performed interim impairment assessments as of March 1, 2022 and September 30, 2022.

For the interim impairment assessment performed as of March 1, 2022, we determined the carrying value of our Open Courses reporting unit and the carrying value of our indefinite-lived intangible asset, both within the Alternative Credential Segment, exceeded their respective estimated fair value. As a result, during the three months ended March 31, 2022, we recorded impairment charges of $28.8 million and $30.0 million to goodwill and the indefinite-lived intangible asset, respectively. These charges are included within operating expense on our consolidated statements of operations. The estimated fair value of each of the remaining reporting units exceeded their respective carrying value by approximately 10% or more.

For the interim impairment assessment performed as of September 30, 2022, we determined the carrying values of two of the reporting units within our Alternative Credential Segment and the carrying value of an indefinite-lived intangible asset exceeded their respective estimated fair value. As a result, during the three months ended September 30, 2022, we recorded impairment charges of $50.2 million to goodwill, of which $43.0 million related to the Open Courses reporting unit and $7.2 million related to the Executive Education reporting unit. In addition, during the three months ended September 30, 2022, we recorded impairment charges of $29.3 million to the indefinite-lived intangible asset within our Alternative Credential Segment. These charges are included within operating expense on our consolidated statements of operations. The estimated fair value of each of the remaining reporting units exceeded their respective carrying value by approximately 10% or more.

During the second quarter of 2023, we experienced a significant decline in our market capitalization, which management deemed to be a triggering event related to our goodwill and indefinite-lived intangible asset. In addition, as a result of the change in the our reporting units in the second quarter of 2023, we performed interim impairment assessments before and after the change in reporting units. We performed these interim impairment assessments as of May 1, 2023.

For the interim impairment assessment performed as of May 1, 2023, before the change in reporting units, we determined the carrying value of our Open Courses reporting unit and the carrying value of our indefinite-lived intangible asset, both within the Alternative Credential Segment, exceeded their respective estimated fair value. As a result, during the three months ended June 30, 2023, we recorded impairment charges of $16.7 million to goodwill and $117.4 million to the indefinite-lived intangible asset. These charges are included within operating expense on our consolidated statements of operations. The estimated fair value of each of the remaining reporting units exceeded their respective carrying value by approximately 10% or more.

For the interim impairment assessment performed as of May 1, 2023, after the change in reporting units, management determined it was not more likely than not that the fair values of the Degree Program reporting unit and the Alternative Credential reporting unit were less than their respective carrying amounts. As such, we concluded that the goodwill relating to those reporting units was not impaired and further quantitative impairment assessment was not necessary.

During the third quarter of 2023, we experienced a significant decline in our market capitalization, which management deemed to be a triggering event related to our goodwill. We performed an interim impairment assessment as of September 30, 2023. The estimated fair value of each of the remaining reporting units exceeded their respective carrying value by more than 10%.

During the fourth quarter of 2023, we experienced a significant decline in our market capitalization. In addition, we made updates to certain long-term financial projections. Management deemed these factors to be triggering events related to our goodwill. We performed a quantitative interim impairment assessment as of December 31, 2023 and determined the carrying value of the Alternative Credential reporting unit exceeded its estimated fair value. As a result, during the three months ended December 31, 2023, we recorded impairment charges of $62.8 million to goodwill, These charges are included within operating expense on our consolidated statements of operations. The estimated fair value of the Degree Program reporting unit exceeded its carrying value by more than 10%.

For each of the interim impairment assessments, we utilized a weighted combination of the income-based approach and market-based approach to determine the fair value of each reporting unit and the an income-based approach to determine the fair value of its long-lived indefinite-lived intangible asset. Key For the impairment assessments performed in 2022, key assumptions used in the income-based approach included forecasts of revenue, operating income, depreciation and amortization expense, capital expenditures and future working capital requirements, terminal growth rates, and discount rates based upon each respective reporting unit's or indefinite-lived intangible asset's weighted-average cost of capital adjusted for the risk associated with the operations at the time of the assessment. assessment, terminal growth rates and forecasts of revenue and margins. For the goodwill impairment assessments performed in 2023, key assumptions used in the income-based approach included discount rates based upon each respective reporting unit's or indefinite-lived intangible asset's weighted-average cost of capital adjusted for the risk associated with the operations at the time of the assessment, terminal growth rates and forecasts of revenue and margins. For the indefinite-lived intangible asset impairment assessment performed as of May 1, 2023, key assumptions used in the income-based approach included discount rates, terminal growth rates, forecasts of revenue, and a royalty rate. The income-based approach largely relied on inputs that were not observable to active markets, which would be deemed "Level 3" fair value measurements. Key assumptions used in the market-based approach included the selection of appropriate peer group companies. Changes in the estimates and assumptions used to estimate fair value could materially affect the determination of fair value and the impairment test result.

For As of December 31, 2023 and December 31, 2022, the interim impairment assessment performed goodwill balance was $651.5 million and $734.6 million, respectively. As of December 31, 2023 the Degree Program reporting unit and the Alternative Credential reporting unit had goodwill balances of $192.5 million and $459.0 million, respectively. It is possible that future changes in circumstances, such as of March 1, 2022, we determined a decline in our market capitalization, or in the carrying variables associated with the judgments, assumptions and estimates used in assessing the fair value for one of our reporting units, within our Alternative Credential Segment and the carrying value of our indefinite-lived intangible asset exceeded their respective estimated fair value. As a result, during the three months ended March 31, 2022, we recorded could require us to record additional impairment charges of $28.8 million and $30.0 million to goodwill and in the indefinite-lived intangible asset, respectively. These charges are included within operating expense on our consolidated statements of operations. The estimated fair values of the remaining reporting units exceeded their respective carrying values by approximately 10% or more.

For the interim impairment assessment performed as of September 30, 2022, we determined the carrying value for two of the reporting units within our Alternative Credential Segment and the carrying value of an indefinite-lived intangible asset exceeded their respective estimated fair value. As a result, during the three months ended September 30, 2022, we recorded impairment charges of $50.2 million and $29.3 million to goodwill and the indefinite-lived intangible asset, respectively, both within our Alternative Credential Segment. These charges are included within operating expense on our condensed consolidated statements of operations. The estimated fair value of each of the remaining reporting units exceeded their respective carrying value by approximately 10% or more. future.

Changes in the estimates and assumptions used to estimate fair value could materially affect the determination of fair value and the impairment test result. For one of the reporting units within the Alternative Credential Segment, which had a goodwill balance of $97.2 million as of December 31, 2022, we recorded goodwill impairment charges of $43.0 million and $71.8 million in the first and third quarter of 2022, respectively. For the impairment analysis of the Open Courses reporting unit performed as of September 30, 2022 May 1, 2023, a 1% increase or decrease to the discount rate, in isolation, would result in a $40.3 million $6.6 million decrease or a $53.5 $7.5 million increase to the estimated fair value of the reporting unit, respectively, and a 1% decrease or increase to the terminal growth rate, in isolation, would result a $27.6 $2.2 million decrease or a $36.6 $2.5 million increase to the estimated fair value of the reporting unit, respectively.

For the other reporting unit within impairment analysis of the Alternative Credential Segment, which had a goodwill balance of $59.3 million as of December 31, 2022, we recorded goodwill impairment charges of $7.2 million in the third quarter of 2022. For the impairment analysis indefinite-lived intangible asset performed as of September 30, 2022 May 1, 2023, a 1% increase or decrease to the discount rate, in isolation, would result in a $5.2 million $8.9 million decrease or a $6.7 $11.2 million increase to the estimated fair value, respectively, and a 1% decrease or increase to the royalty rate, in isolation, would result a $9.8 million decrease or a $9.7 million increase to the estimated fair value, respectively.

For the impairment analysis of the Alternative Credential reporting unit performed as of December 31, 2023, a 1% increase or decrease to the discount rate, in isolation, would result in an $18.6 million decrease or a $20.7 million increase to the estimated fair value of the reporting unit, respectively, and a 1% decrease or increase to the terminal growth rate, in isolation, would result a $3.1 $6.3 million decrease or a $3.9 $7.0 million increase to the estimated fair value of the reporting unit, respectively.

For the indefinite-lived intangible asset within the Alternative Credential Segment, we recorded impairment charges of $29.3 million and $59.3 million in the first and third quarter of 2022, respectively. For the impairment analysis performed as of September 30, 2022, a 1% increase or decrease to the discount rate, in isolation, would result in a $51.6 million decrease or a $66.3 million increase to the estimated fair value of the reporting unit, respectively.

As of December 31, 2022 and 2021, the goodwill balance was $734.6 million and $834.5 million, respectively. See Note 5 to our Consolidated Financial Statements in Item 8 of Part II of this annual report for more information regarding goodwill.

Other Indefinite-lived Intangible Assets

Our indefinite-lived goodwill and intangible asset was acquired in November 2021 and represents the established edX trade name. As of December 31, 2022 and 2021, the indefinite-lived intangible asset balance was $195.7 million and $255.0 million, respectively. See Note 5 to our Consolidated Financial Statements in Item 8 of Part II of this annual report for more information regarding the indefinite-lived intangible asset. assets.

Stock-Based Compensation

We provide stock-based compensation awards consisting of restricted stock units (“RSUs”), performance restricted stock units (“PRSUs”) and stock options to employees, directors and consultants. We measure all stock-based compensation awards at fair value as of the grant date. The fair values of RSUs and PRSUs containing performance-based vesting conditions are

based on the fair value of our stock on the date of grant. We use a Black-Scholes option pricing model to estimate the fair value of stock option grants and a Monte Carlo valuation model to estimate the fair value of PRSUs containing market-based vesting conditions. We also maintain the 2017 Employee Stock Purchase Plan (the “ESPP”) and estimate the fair value of each purchase right thereunder as of the grant date using a Black-Scholes option pricing model.

The Black-Scholes and Monte Carlo valuation models require the input of subjective assumptions, including the risk-free interest rate, expected life, expected stock price volatility and dividend yield. For stock option grants, the risk-free interest rate assumption is based upon observed interest rates for constant maturity U.S. Treasury securities consistent with the expected

term of our employee stock options. The expected life represents the period of time the stock options are expected to be outstanding and is based on the “simplified method.” Under the “simplified method,” the expected life of an option is presumed to be the mid-point between the vesting date and the end of the contractual term. We use the “simplified method” due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. Expected volatility is based on the historical volatility of our common stock over the estimated expected life of the stock options. We assume no dividend yield because dividends are not expected to be paid in the near future, which is consistent with our history of not declaring or paying dividends to date.

For PRSUs subject to market-based vesting conditions, the risk-free interest rate assumption is based upon observed interest rates for constant maturity U.S. Treasury securities consistent with the expected life of the awards. The expected life is consistent with the performance measurement period of the awards. Expected volatility is based on the historical volatility of our common stock over the estimated expected life. We assume no dividend yield because dividends are not expected to be paid in the near future, which is consistent with our history of not declaring or paying dividends to date. The valuations determined by the Monte Carlo simulation utilize 50,000 future stock prices for us and our peer group. We have chosen this amount for the simulation as to minimize the standard modeling error and believe that the resulting distribution gives a reasonable estimate of the grant date fair value.

For awards subject only to service-based vesting conditions, we recognize stock-based compensation expense on a straight-line basis over the awards’ requisite service period. For awards subject to both service and performance-based vesting conditions, we recognize stock-based compensation expense using an accelerated recognition method when it is probable that the performance condition will be achieved. For awards subject to both service and market-based vesting conditions, we recognize stock-based compensation expense using an accelerated recognition method over the requisite service period beginning with the date of the grant and ending upon completion of the service period, with stock-based compensation expense being recognized irrespective of the achievement of the market condition. For shares subject to the ESPP, we use the straight-line method to record stock-based compensation expense over the respective offering period.

Refer to Note 13 in the "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this Annual Report on Form 10-K for more information regarding our stock-based compensation awards.

Recent Accounting Pronouncements

Refer to Note 2 in the "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this Annual Report on Form 10-K for a discussion of the FASB's recent accounting pronouncements and their effect on us.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss to future earnings, values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, exchange rates, commodity prices, equity prices and other market changes. Our exposure to market risk related to changes in foreign currency exchange rates is deemed moderate as further described below. In addition, we do not use derivative financial instruments for speculative, hedging or trading purposes, although in the future we may enter into exchange rate hedging arrangements to manage the risks described in the succeeding paragraphs.

Interest Rate Risk

We are subject to interest rate risk through our borrowings under our Amended Term Loan Facilities. Loans under this facility bear interest at a per annum rate equal to a base rate or adjusted Eurodollar rate, as applicable, plus the applicable margin of 4.75% in the case of the base rate loans and 5.75% in the case of the Eurodollar loans. The effective interest rate of the Amended Term Loan Facilities for the year ended December 31, 2022 was approximately 9.10%. As of December 31, 2022, borrowings under our Amended Term Loan Facilities were $566.6 million. A hypothetical increase in interest rates by 100 basis points would increase interest expense by $5.7 million.

In January 2023, we entered into the Second Amended Credit Agreement. Loans under the Second Amended Credit Agreement will bear interest at a per annum rate equal to (i) with respect to term loans, a base rate or the Term SOFR (as

defined in the Second Amended Credit Agreement) rate, as applicable, plus a margin of 5.50% in the case of the base rate loans and 6.50% in the case of Term SOFR loans and (ii) with respect to revolving loans, a base rate or the Term SOFR rate, as applicable, plus a margin of 4.50% in the case of the base rate loans and 5.50% in the case of Term SOFR loans. As of December 31, 2023, borrowings under our Second Amended Credit Agreement were $416.2 million. A hypothetical change in interest rates by 100 basis points would result in a change to 2023 interest expense of approximately $4.2 million.

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 years ended December 31, 2022 December 31, 2023 and 2021, 2022, our foreign currency translation adjustment was a loss adjustments were losses of $3.5 $5.7 million and a loss of $6.1 million $3.5 million, respectively. For the years ended December 31, 2022 December 31, 2023 and 2021, 2022, we recognized foreign currency exchange losses of $4.2 million $0.8 million and $2.5 million $4.2 million, respectively, included on our consolidated statements of operations and comprehensive loss.

The foreign exchange rate volatility of the trailing 12 months ended December 31, 2022 December 31, 2023 was 12% 11% and 9% 6% for the South African rand and British pound, respectively. The foreign exchange rate volatility of the trailing 12 months ended December 31, 2021 December 31, 2022 was 11% 12% and 5% 9% for the South African rand and British pound, respectively. A 10% fluctuation of foreign currency exchange rates would have had an immaterial effect on our results of operations and cash flows for all periods presented. The fluctuations of currencies in which we conduct business can both increase and decrease our overall revenue and expenses for any given fiscal period. Such volatility, even when it increases our revenue or decreases our expense, impacts our ability to accurately predict our future results and earnings.

Inflation

We do not believe that inflation has had a material effect on our business, financial condition or results of operations for the years ended December 31, 2023 and 2022, however, our business could be materially affected by inflation in the future. As inflation has accelerated in the U.S. and globally, we continue to monitor all inflation-driven costs, regardless of where they are incurred. If our costs were to become subject to significant inflationary pressures, the price increases implemented by our university clients and our own pricing strategies might not fully offset the higher costs, which could harm our business, financial condition and results of operations.

Item 8. Financial Statements and Supplementary Data

2U, Inc.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

2U, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of 2U, Inc. and subsidiaries (the Company) as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022 December 31, 2023, and the related notes and financial statement Schedule II - Valuation and Qualifying Accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022 December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 21, 2023 March 6, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has changed its method projects that it will not have sufficient cash on hand or available liquidity to meet the obligations of accounting for convertible debt the Second Amended Credit Agreement. As a result, substantial doubt is raised about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of January 1, 2022 due to the adoption of ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*.this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Determination of implied pricing concessions

As discussed in Note 15 to the consolidated financial statements, the Company's Alternative Credential Segment recorded revenue of $391 million $384.9 million for the year ended December 31, 2022 December 31, 2023. As discussed in Note 2 to the consolidated financial statements, the transaction price in certain contracts with customers of the Alternative Credential Segment includes variable consideration, subject to a constraint, in the form of implied pricing concessions. The Company initially estimates the value of implied pricing concessions, including the effect of the constraint on variable consideration, at contract inception and updates the estimate in each reporting period based on the Company's own collection history data and market data.

We identified the assessment of the estimated implied pricing concessions as a critical audit matter. Significant auditor judgment was involved in evaluating the reliability of market data and the weighting applied to the Company's own collection history data and the market data used in estimating the overall rate of implied pricing concessions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's process to estimate the overall rate of implied pricing concessions, including controls related to the reliability of the market data and determination of the weighting applied to the Company's own collection history data and market data used in the estimate. We evaluated the reliability of the market data by considering the source and nature of the data. We evaluated the reasonableness of the weighting applied to the Company's own collection history data and market data by performing sensitivity analyses over those inputs and by comparing the Company's overall rate of implied pricing concessions to data published by certain agencies of the federal government.

Impairment of goodwill and indefinite-lived intangible asset

As discussed in Notes Note 2 and 5 to the consolidated financial statements, the Company reviews goodwill and other indefinite-lived intangible assets for impairment annually, and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of goodwill or an indefinite-lived asset below its carrying value. The During the second quarter of 2023, the Company uses determined the carrying value of the Open Courses reporting unit and the carrying value of an indefinite-lived intangible asset, both within the Alternative Credential Segment, exceeded their respective fair values. As a result, the Company recorded impairment charges of $16.7 million to goodwill, all of which related to the Open Courses reporting unit, and $117.4 million to the indefinite-lived intangible asset. In addition, during the fourth quarter, the Company determined the carrying value of its Alternative Credential reporting unit exceeded its estimated fair value. As a result, the Company recorded impairment charges of $62.8 million to goodwill. For each impairment assessment, the Company used a weighted combination of the an income-based approach and market-based approaches approach to determine the fair value of each reporting units unit and an income-based model approach to determine the fair value of its indefinite-lived intangible assets. During asset.

We identified the first evaluation of the second quarter impairment of goodwill for the Open Courses reporting unit and third quarters of 2022, the Company determined that triggering events occurred and the carrying values of certain reporting units an indefinite-lived intangible asset within the Alternative Credential Segment, and an indefinite-lived intangible asset exceeded their fair value, resulting in goodwill the fourth quarter impairment charges of $79 million and indefinite-lived intangible asset impairment charges of $59 million.

We identified the impairment of goodwill for a reporting unit within the Alternative Credential Segment and an indefinite-lived intangible asset reporting unit as a critical audit matter. A high degree of subjectivity Subjective auditor judgment was required to evaluate certain key assumptions applied in the respective income-based approaches used to determine the fair value of the reporting units and the indefinite-lived intangible asset. For the reporting units, the key assumptions included the forecasted revenue growth rates, including the terminal growth rate, forecasted margins, and the discount rates. For the indefinite-lived intangible asset, the key assumptions included the forecasted revenue growth rates, including the terminal growth rate, assumptions used in each of and the income-based methodologies. discount rate. Changes to these key assumptions could have had a substantial impact on the fair value of the reporting unit units and indefinite-lived intangible asset and the amount of the impairment charges. Additionally, the audit effort associated with the estimates required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter included matter. We evaluated the following. We design and tested the operating effectiveness of certain internal controls over the Company's goodwill and indefinite-lived intangible asset impairment analysis process, including process. This included controls related to the forecasted revenue growth rates, including the terminal growth rate, forecasted margins, and the development of the discount rate assumptions. rates. We evaluated the Company's forecasted revenue growth rates and forecasted margins by comparing them to historical actual results of for the Company and its peers. In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's terminal growth rate by comparing it to publicly available market data
- evaluating the Company's discount rate assumptions rates by comparing the inputs assumptions and data used by management to develop the discount rates to publicly available market data and historical experience.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

McLean, Virginia
February 21, 2023 March 6, 2024

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

2U, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited 2U, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022 December 31, 2023, and the related notes and financial statement Schedule II - Valuation and Qualifying Accounts (collectively, the consolidated financial statements), and our report dated February 21, 2023 March 6, 2024 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

McLean, Virginia
February 21, 2023 March 6, 2024

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

		December 31, 2022	December 31, 2021		December 31, 2023	December 31, 2022
Assets	**Assets**			**Assets**		
Current assets	**Current assets**			**Current assets**		
Cash and cash equivalents	Cash and cash equivalents	$ 167,518	$ 232,932			
Restricted cash	Restricted cash	15,060	16,977			
Accounts receivable, net	Accounts receivable, net	62,826	67,287			
Other receivables, net	Other receivables, net	33,813	29,439			
Prepaid expenses and other assets	Prepaid expenses and other assets	43,090	47,217			

Total current assets	Total current assets	322,307	393,852	
Other receivables, net, non-current	**Other receivables, net, non-current**	14,788	21,568	
Property and equipment, net	**Property and equipment, net**	45,855	48,650	
Right-of-use assets	**Right-of-use assets**	72,361	76,841	
Goodwill	**Goodwill**	734,620	834,539	
Intangible assets, net	**Intangible assets, net**	549,755	665,523	
Other assets, non-current	**Other assets, non-current**	71,173	68,033	
Total assets	**Total assets**	$1,810,859	$2,109,006	
Liabilities and stockholders' equity	**Liabilities and stockholders' equity**			**Liabilities and stockholders' equity**
Current liabilities	**Current liabilities**			**Current liabilities**
Accounts payable and accrued expenses	Accounts payable and accrued expenses	$ 110,020	$ 164,723	
Deferred revenue	Deferred revenue	90,161	91,926	
Lease liability	Lease liability	13,909	13,985	
Accrued restructuring liability	Accrued restructuring liability	6,692	1,735	
Other current liabilities	Other current liabilities	58,210	61,138	
Total current liabilities	Total current liabilities	278,992	333,507	
Long-term debt	**Long-term debt**	928,564	845,316	
Deferred tax liabilities, net	**Deferred tax liabilities, net**	282	1,726	
Lease liability, non-current	**Lease liability, non-current**	99,709	98,666	
Other liabilities, non-current	**Other liabilities, non-current**	1,796	636	
Total liabilities	**Total liabilities**	1,309,343	1,279,851	
Commitments and contingencies (Note 7)	**Commitments and contingencies (Note 7)**			**Commitments and contingencies (Note 7)**
Stockholders' equity	**Stockholders' equity**			**Stockholders' equity**
Preferred stock, $0.001 par value, 5,000,000 shares authorized, none issued	Preferred stock, $0.001 par value, 5,000,000 shares authorized, none issued	—	—	

Common stock, $0.001 par value, 200,000,000 shares authorized, 78,334,666 shares issued and outstanding as of December 31, 2022; 75,754,663 shares issued and outstanding as of December 31, 2021		78	76
Common stock, $0.001 par value, 200,000,000 shares authorized, 82,260,619 shares issued and outstanding as of December 31, 2023; 78,334,666 shares issued and outstanding as of December 31, 2022			
Additional paid-in capital	Additional paid-in capital	1,700,855	1,735,628
Accumulated deficit	Accumulated deficit	(1,179,972)	(890,638)
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(19,445)	(15,911)
Total stockholders' equity	**Total stockholders' equity**	501,516	829,155
Total liabilities and stockholders' equity	**Total liabilities and stockholders' equity**	$1,810,859	$2,109,006

See accompanying notes to consolidated financial statements.

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

		Year Ended December 31,			Year Ended December 31,		
		2022	2021	2020	2023	2022	2021
Revenue	**Revenue**	$ 963,080	$ 945,682	$ 774,533			
Costs and expenses	**Costs and expenses**						
Curriculum and teaching							
Curriculum and teaching							
Curriculum and teaching	Curriculum and teaching	129,886	130,817	107,968			
Servicing and support	Servicing and support	147,797	138,548	125,851			

Technology and content development	Technology and content development	190,472	179,061	155,949	
Marketing and sales	Marketing and sales	422,147	456,096	390,148	
General and administrative	General and administrative	159,418	200,054	166,741	
Restructuring charges	Restructuring charges	33,239	8,544	6,811	
Impairment charges	Impairment charges	138,291	—	—	
Total costs and expenses	**Total costs and expenses**	1,221,250	1,113,120	953,468	
Loss from operations	**Loss from operations**	(258,170)	(167,438)	(178,935)	
Interest income	Interest income	1,165	1,475	1,354	
Interest expense	Interest expense	(62,234)	(51,222)	(27,317)	
Loss on debt extinguishment		—	(1,101)	(11,671)	
Debt modification expense and loss on debt extinguishment					
Other income (expense), net	Other income (expense), net	(3,815)	22,324	(1,429)	
Loss before income taxes	**Loss before income taxes**	(323,054)	(195,962)	(217,998)	
Income tax benefit		903	1,196	1,514	
Income tax (expense) benefit					
Net loss	**Net loss**	$ (322,151)	$ (194,766)	$ (216,484)	
Net loss per share, basic and diluted	**Net loss per share, basic and diluted**	$ (4.17)	$ (2.61)	$ (3.22)	
Weighted-average shares of common stock outstanding, basic and diluted	**Weighted-average shares of common stock outstanding, basic and diluted**	77,327,850	74,580,115	67,142,976	
Other comprehensive income (loss)	**Other comprehensive income (loss)**				**Other comprehensive income (loss)**
Foreign currency translation adjustments, net of tax of $0 for all periods presented	Foreign currency translation adjustments, net of tax of $0 for all periods presented	(3,534)	(6,127)	(2,980)	
Comprehensive loss	**Comprehensive loss**	$ (325,685)	$ (200,893)	$ (219,464)	

See accompanying notes to consolidated financial statements.

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

		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
		Shares	Amount									
Balance, December 31, 2019		63,569,109	$ 63	$1,197,379	$ (479,388)	$ (6,804)	$ 711,250					
Issuance of common stock in connection with a public offering of common stock, net of offering costs		6,800,000	7	299,789	—	—	299,796					
Equity component of convertible senior notes, net of issuance costs		—	—	114,551	—	—	114,551					
Purchases of capped calls in connection with convertible senior notes		—	—	(50,540)	—	—	(50,540)					
Issuance of common stock in connection with settlement of restricted stock units, net of withholdings		1,582,362	2	(4,784)	—	—	(4,782)					
Exercise of stock options		353,480	—	4,177	—	—	4,177					
Issuance of common stock in connection with employee stock purchase plan		146,570	—	3,960			3,960					
Stock-based compensation expense		—	—	82,042	—	—	82,042					
Net loss		—	—	—	(216,484)	—	(216,484)					
Foreign currency translation adjustment		—	—	—	—	(2,980)	(2,980)					
Balance, December 31, 2020												
Balance, December 31, 2020												
Balance, December 31, 2020	**Balance, December 31, 2020**	72,451,521	72	1,646,574	(695,872)	(9,784)	940,990					
Issuance of common stock in connection with settlement of restricted stock units, net of withholdings	Issuance of common stock in connection with settlement of restricted stock units, net of withholdings	2,839,887	4	(18,784)	—	—	(18,780)					
Exercise of stock options	Exercise of stock options	312,570	—	6,489	—	—	6,489					

Issuance of common stock in connection with employee stock purchase plan	Issuance of common stock in connection with employee stock purchase plan	150,685	—	3,583	—	—	3,583
Stock-based compensation expense	Stock-based compensation expense	—	—	97,766	—	—	97,766
Net loss	Net loss	—	—	—	(194,766)	—	(194,766)
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	—	(6,127)	(6,127)
Balance, December 31, 2021	**Balance, December 31, 2021**	75,754,663	76	1,735,628	(890,638)	(15,911)	829,155
Cumulative effect of adoption of ASU No. 2020-06, net of taxes	Cumulative effect of adoption of ASU No. 2020-06, net of taxes	—	—	(114,551)	32,817	—	(81,734)
Issuance of common stock in connection with settlement of restricted stock units, net of withholdings	Issuance of common stock in connection with settlement of restricted stock units, net of withholdings	2,118,999	2	(2,852)	—	—	(2,850)
Exercise of stock options, net	Exercise of stock options, net	324,965	—	1,128	—	—	1,128
Issuance of common stock in connection with employee stock purchase plan	Issuance of common stock in connection with employee stock purchase plan	136,039	—	1,282	—	—	1,282
Stock-based compensation expense	Stock-based compensation expense	—	—	80,220	—	—	80,220
Net loss	Net loss	—	—	—	(322,151)	—	(322,151)
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	—	(3,534)	(3,534)
Balance, December 31, 2022	**Balance, December 31, 2022**	78,334,666	$ 78	$1,700,855	$(1,179,972)	$ (19,445)	$ 501,516

Issuance of common stock in connection with settlement of restricted stock units, net of withholdings
Exercise of stock options, net
Issuance of common stock in connection with employee stock purchase plan
Stock-based compensation expense
Net loss
Foreign currency translation adjustment
Balance, December 31, 2023

See accompanying notes to consolidated financial statements.

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

		Year Ended December 31,				Year Ended December 31,		
		2022	2021	2020		2023	2022	2021
Cash flows from operating activities								
Cash flows from operating activities								
Cash flows from operating activities	**Cash flows from operating activities**							
Net loss	**Net loss**	$(322,151)	$(194,766)	$(216,484)				
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:	Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Non-cash interest expense	Non-cash interest expense	19,835	25,403	16,267				

Depreciation and amortization expense	Depreciation and amortization expense	128,153	108,448	96,469	
Stock-based compensation expense	Stock-based compensation expense	80,220	97,766	82,042	
Non-cash lease expense	Non-cash lease expense	21,020	18,933	15,153	
Restructuring	Restructuring	9,555	5,014	283	
Provision for credit losses	Provision for credit losses	8,610	8,036	4,642	
Impairment charges	Impairment charges	138,291	—	—	
Loss on debt extinguishment	Loss on debt extinguishment	—	1,101	11,671	
Gain on sale of investment	Gain on sale of investment	—	(27,762)	—	
Other	Other	5,443	2,515	1,443	
Changes in operating assets and liabilities, net of assets and liabilities acquired:	Changes in operating assets and liabilities, net of assets and liabilities acquired:				Changes in operating assets and liabilities, net of assets and liabilities acquired:
Accounts receivable, net	Accounts receivable, net	(3,041)	(31,756)	(17,877)	
Other receivables	Other receivables	(517)	(27,001)	(21,148)	
Prepaid expenses and other assets	Prepaid expenses and other assets	4,833	(7,636)	(5,513)	
Accounts payable and accrued expenses	Accounts payable and accrued expenses	(42,735)	21,212	41,959	
Deferred revenue	Deferred revenue	5,326	9,388	26,061	
Other liabilities, net	Other liabilities, net	(41,915)	(26,969)	(5,364)	
Net cash provided by (used in) operating activities		10,927	(18,074)	29,604	
Net cash (used in) provided by operating activities					
Cash flows from investing activities	**Cash flows from investing activities**				**Cash flows from investing activities**
Purchase of a business, net of cash acquired	Purchase of a business, net of cash acquired	5,010	(761,118)	(949)	

Additions of amortizable intangible assets	Additions of amortizable intangible assets	(62,445)	(60,546)	(62,784)	
Purchases of property and equipment	Purchases of property and equipment	(11,755)	(9,788)	(6,517)	
Purchase of investments	Purchase of investments	—	(1,000)	—	
Proceeds from investments	Proceeds from investments	—	38,818	—	
Advances made to university clients	Advances made to university clients	(310)	—	—	
Advances repaid by university clients	Advances repaid by university clients	200	200	925	
Other	Other	(50)	—	—	
Net cash used in investing activities	**Net cash used in investing activities**	(69,350)	(793,434)	(69,325)	
Cash flows from financing activities	**Cash flows from financing activities**				**Cash flows from financing activities**
Proceeds from issuance of common stock, net of offering costs		—	—	299,796	
Proceeds from debt					
Proceeds from debt					
Proceeds from debt	Proceeds from debt	696	569,477	371,681	
Payments on debt	Payments on debt	(7,181)	(4,334)	(837)	
Extinguishment of long-term facility		—	—	(250,000)	
Purchases of capped calls in connection with issuance of convertible senior notes		—	—	(50,540)	
Prepayment premium on extinguishment of senior secured term loan facility					
Prepayment premium on extinguishment of senior secured term loan facility					
Prepayment premium on extinguishment of senior secured term loan facility	Prepayment premium on extinguishment of senior secured term loan facility	—	—	(2,528)	
Payment of debt issuance costs	Payment of debt issuance costs	—	(11,575)	(3,419)	
Tax withholding payments associated with settlement of restricted stock units	Tax withholding payments associated with settlement of restricted stock units	(2,850)	(18,780)	(4,784)	

Proceeds from exercise of stock options	Proceeds from exercise of stock options	1,128	6,489	4,177
Proceeds from employee stock purchase plan share purchases	Proceeds from employee stock purchase plan share purchases	1,282	3,583	3,960
Net cash (used in) provided by financing activities	**Net cash (used in) provided by financing activities**	(6,925)	544,860	367,506
Effect of exchange rate changes on cash	**Effect of exchange rate changes on cash**	(1,983)	(2,309)	1,212
Net (decrease) increase in cash, cash equivalents and restricted cash		(67,331)	(268,957)	328,997
Net decrease in cash, cash equivalents and restricted cash				
Cash, cash equivalents and restricted cash, beginning of period	**Cash, cash equivalents and restricted cash, beginning of period**	249,909	518,866	189,869
Cash, cash equivalents and restricted cash, end of period	**Cash, cash equivalents and restricted cash, end of period**	$ 182,578	$ 249,909	$ 518,866

See accompanying notes to consolidated financial statements.

2U, Inc.
Notes to Consolidated Financial Statements

1. Organization

2U, Inc. (together with its subsidiaries, the "Company") is a leading online education platform company. The Company's mission is to expand access to, high-quality education and unlock human potential. As a trusted partner to top-ranked nonprofit universities and other leading organizations, the Company delivers technology and services that enable its clients to bring their educational offerings online at scale.

The Company provides 83 million people worldwide with access to world-class education in partnership with 260 top-ranked global universities and other leading organizations. Through edX, its education consumer marketplace, with 48 million registered learners, the Company hosts a comprehensive range of education offerings, from free courses to degree programs.

The Company serves more than 230 top-ranked global universities and other leading organizations and, together, it offers more than 4,000 4,500 high-quality online learning opportunities, including open courses, executive education offerings, boot camps, micro-credentials, professional certificates as well as undergraduate and graduate degree programs. The Company's offerings cover a wide range of topics including technology, artificial intelligence, business, healthcare, science, education, and social work, and sustainability. Many of the offerings are stackable, providing provide learners with an affordable pathway to achieve both short-term and long-term professional and educational goals. The Company's platform provides its clients with the digital infrastructure to launch world-class online education offerings and allow students to easily access high-quality, job-relevant education without the barriers of cost or location.

The Company has two reportable segments: the Degree Program Segment and the Alternative Credential Segment.

The Company's Degree Program Segment provides the technology and services to nonprofit colleges and universities to enable the online delivery of degree programs. Students enrolled in these programs are generally seeking an undergraduate or graduate degree of the same quality they would receive on campus.

The Company's Alternative Credential Segment provides premium online open courses, executive education programs, technical, and skills-based boot camps and micro-credential programs through relationships with nonprofit colleges and universities and other leading organizations. Students enrolled in these offerings are generally seeking to reskill or upskill for career advancement or personal development through shorter duration, lower-priced offerings. In addition to selling these offerings directly to individuals, the Company also sells to organizations and institutions, including employers, non-profits, governments and governmental entities to enable upskilling and reskilling of their workforces.

2. Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") and include the assets, liabilities, results of operations and cash flows of the Company. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications Going Concern

At each annual and interim period, the Company evaluates whether there are conditions or events, considered in the aggregate, that raise substantial doubt about its ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. The evaluation is based on relevant conditions or events that are known or reasonably knowable at the date that the consolidated financial statements are issued.

Pursuant to the Second Amended Credit Agreement, as defined in Note 10, if more than $40 million of the Company's 2025 Notes, as defined below, remain outstanding on January 30, 2025, the maturity date of the outstanding term loan balance of $372.4 million springs forward to January 30, 2025.

The Second Amended Credit Agreement also contains a financial covenant that requires the Company has reclassified prior to maintain $900 million minimum Recurring Revenues (as defined by the Second Amended Credit Agreement) as of the last day of any period amounts of four consecutive fiscal quarters. As of December 31, 2023, the Company was in compliance with this covenant; however, management cannot provide assurance that minimum Recurring Revenues will be achieved by the Company in future periods. If the Company is unable to conform comply with this financial covenant and is otherwise unable to cure or obtain a waiver related to this covenant, the obligations under the Second Amended Credit Agreement could accelerate. Refer to Note 10 for further information about the Company's debt.

The Company's ability to continue as a going concern is dependent on refinancing its debt or raising capital to reduce its debt in the short term. If it is unable to complete the foregoing, the Company likely would not have sufficient cash on hand or available liquidity to pay off the balance of the term loan on the accelerated maturity date. The Company is currently evaluating options to refinance its debt in the short term; however, there can be no assurance that such financing would be available to the current period's presentation of restructuring charges. On Company on favorable terms or at all. Given these factors, substantial doubt exists about the Company's ability to continue as a going concern within one year from the date that the consolidated balance sheet, financial statements are issued.

The accompanying consolidated financial statements have been prepared on a going concern basis, which assumes the Company reclassified $1.7 million will be able to continue as a going concern and contemplates the realization of assets and satisfaction of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments that might result from accounts payable the outcome of this uncertainty, nor do they include adjustments to reflect the possible future effects of the recoverability and accrued classification of recorded asset amounts and classifications of liabilities to accrued restructuring liability. On the consolidated statement of operations, that might be necessary should the Company reclassified $8.5 million and $6.8 million from general and administrative expense be unable to restructuring charges for the years ended December 31, 2021, and 2020, respectively. On the consolidated statement of cash flows, the Company reclassified $0.2 million and $0.3 million from changes in prepaid expenses and other assets to restructuring for the years ended December 31, 2021, and 2020, respectively. This reclassification had no impact on previously reported operating cash flows for either period. continue as a going concern.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported herein. The Company bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances. Significant items subject to such estimates include, but are not limited to, the measurement of provisions for credit losses, implied price concessions, acquired intangible assets, the recoverability of goodwill and indefinite-lived intangible assets, deferred tax assets, and the fair value of the convertible senior notes. 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.

Revenue Recognition, Receivables and Provision for Credit Losses

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

Performance Obligations

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

The Degree Program Segment derives revenue primarily from contractually specified percentages of the amounts the Company's university clients receive from their students in 2U-enabled degree programs for tuition and fees, less credit card fees and other specified charges the Company has agreed to exclude in certain university contracts. The Company's contracts with university clients in this segment typically have terms of 10 to 15 years and have a single performance obligation, as the promises to provide a platform of tightly

integrated technology and services that university clients need to attract, enroll, educate and support students are not distinct within the context of the contracts. The Company's contracts to provide its entire bundle of services generally have 10 to 15 year terms and the contracts to provide services under the flexible degree model generally have terms of five years or more. 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 tuition charged and 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 the Company's expected obligation to refund tuition and fees to university clients.

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

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

2U, Inc.
Notes to Consolidated Financial Statements

Contract Acquisition Costs

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

With respect to contract acquisition costs in the Alternative Credential Segment, the Company has elected to apply the practical expedient in Accounting Standards Codification ("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 the Company's contracts in the Degree Program Segment, the Company has made, or is obligated to make, payments to university clients at either the execution of a contract or at the extension of a contract in exchange for various marketing and other rights. Generally, these amounts are capitalized as other assets on the Company's consolidated balance sheets, and amortized as contra revenue over the life of the contract, commencing on the later of when payment is due or when contract revenue recognition begins.

Receivables, Contract Assets and Liabilities

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

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The Company recognizes unbilled revenue when revenue recognition occurs in advance of billings. Unbilled revenue is recognized in the Degree Program Segment because billings to university clients do not occur until after the academic term has commenced and final enrollment information is available. The Company's unbilled revenue represents contract assets.

Other receivables, net are comprised of amounts due under tuition payment plans with extended payment terms from students enrolled in certain of the Company's alternative credential offerings. These plans, which are managed and serviced by third-party providers, are designed to assist students with covering tuition costs after all other student financial assistance and scholarships have been applied. The associated receivables generally have payment terms that range from 12 to 42 months and are recorded net of any implied pricing concessions, which are determined based on our collections history, market data and any time value of money component. There are no fees or origination costs included in these receivables.

Deferred revenue represents the excess of amounts billed or received as compared to amounts recognized in revenue on the Company's 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 the Company's consolidated balance sheets. The Company's deferred revenue represents contract liabilities. The Company generally receives payments from Degree Program Segment university clients early in each academic term and from Alternative Credential Segment students, either in full upon registration for the course or in full before the end of the course based on a payment plan, prior to completion of the service period. These payments are recorded as deferred revenue until the services are delivered or until the Company's obligations are otherwise met, at which time revenue is recognized.

Marketing and Sales Costs

The Company's marketing and sales costs relate to activities to attract students to offerings across both of the Company's segments. This includes the cost of Search Engine Optimization, Search Engine Marketing and Social Media Optimization, as well as personnel and personnel-related expense for the Company's marketing and recruiting teams. For the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, expense 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 consolidated statements of operations and comprehensive loss.

Stock-Based Compensation

The Company provides stock-based compensation awards consisting of restricted stock units ("RSUs"), performance restricted stock units ("PRSUs") and stock options to employees, directors and consultants. The Company measures all stock-based compensation awards at fair value as of the grant date. The fair values of RSUs and PRSUs containing performance-based vesting conditions are based on the fair value of the Company's stock on the date of grant. The Company uses a Monte Carlo valuation model to estimate the fair value of PRSUs containing market-based vesting conditions and uses a Black-Scholes option pricing model to measure the fair value of stock option grants. The Company also maintains the 2017 Employee Stock Purchase Plan (the "ESPP") and estimates the fair value of each purchase right thereunder as of the grant date using a Black-Scholes option pricing model.

For awards subject only to service-based vesting conditions, the Company recognizes stock-based compensation expense on a straight-line basis over the awards' requisite service period. For awards subject to both service and performance-based vesting conditions, the Company recognizes stock-based compensation expense using an accelerated recognition method when it is probable that the performance condition will be achieved. For awards subject to both service and market-based vesting conditions, the Company recognizes stock-based compensation expense using an accelerated recognition method over the requisite service period beginning with the date of the grant and ending upon completion of the service period, with stock-based compensation expense being recognized irrespective of the achievement of the market condition. The Company accounts for forfeitures as they occur. For shares subject to the ESPP, the Company uses the straight-line method to record stock-based compensation expense over the respective offering period.

Refer to Note 13 for further information about the Company's stock-based compensation awards.

Income Taxes

Income taxes are accounted for under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that are included in the financial statements. Under this method, the deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of the assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on the deferred tax assets and liabilities is recognized in earnings in the period when the new rate is enacted. Deferred tax assets are subject to periodic recoverability assessments. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that more likely than not will be realized. The Company considers all positive and negative evidence relating to the realization of the deferred tax assets in assessing the need for a valuation allowance. The Company currently maintains a full valuation allowance against deferred tax assets in the U.S. and certain entities in the foreign jurisdictions.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company accounts for uncertainty in income taxes using a two-step approach for evaluating tax positions. Step one, recognition, occurs when the Company concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Step two, measurement, determines the amount of benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Derecognition of a tax position that was previously recognized would occur if the Company subsequently determines that a tax position no longer meets the more likely than not threshold of being sustained. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense on the consolidated statements of operations and comprehensive loss.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank checking accounts, money market accounts, investments in certificates of deposit that have an original maturity of three months or less and highly liquid marketable securities with maturities at the time of purchase of three months or less.

Restricted Cash

The Company maintains restricted cash as collateral for standby letters of credit for the Company's leased facilities and in connection with the deferred government grant obligations.

Fair Value Measurements

The carrying amounts of certain assets and liabilities, including cash and cash equivalents, receivables, advances to university clients, accounts payable and accrued expenses and other current liabilities, approximate their respective fair values due to their short-term nature.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the Company's principal or, in the absence of a principal, most advantageous, market for the specific asset or liability.

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U.S. GAAP provides for a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. Generally, assets are recorded at fair value on a non-recurring basis as a result of impairment charges. The Company remeasures non-financial assets such as goodwill, intangible assets and other long-lived assets at fair value when there is an indicator of impairment, and records them at fair value only when recognizing an impairment loss. The fair value hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs when determining fair value. Refer to Notes 4 and 5 for further discussion of assets measured at fair value on a nonrecurring basis. The three tiers are defined as follows:

- *Level 1*—Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;
- *Level 2*—Observable inputs, other than quoted prices in active markets, that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and
- *Level 3*—Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The Company has financial instruments, including cash deposits, receivables, accounts payable and debt. The carrying values for such financial instruments, other than the Company's convertible senior notes, each approximated their fair values as of December 31, 2022 December 31, 2023 and 2021. 2022. Refer to Note 10 for more information regarding the Company's convertible senior notes.

Long-Lived Assets

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Expenditures for major additions, construction and improvements are capitalized. Depreciation and amortization is expensed using the straight-line method over the estimated useful lives of the related assets, which range from three to five years for computer hardware and five to seven years for furniture and office equipment. Leasehold improvements are depreciated on a straight-line basis over the lesser of the remaining term of the leased facility or the estimated useful life of the improvement, which generally ranges from four to approximately 11 years. Useful lives of significant assets are periodically reviewed and adjusted prospectively to reflect the Company's current estimates of the respective assets' expected utility. Repair and maintenance costs are expensed as incurred.

Amortizable Intangible Assets

Acquired Definite-lived Intangible Assets. The Company capitalizes purchased intangible assets, such as software, websites, trade names and domains, and amortizes them on a straight-line basis over their estimated useful life. Historically, the Company has assessed the useful lives of these acquired intangible assets to be between three and 10 25 years.

Capitalized Technology. Capitalized technology includes certain purchased software and technology licenses, direct third-party costs, and internal payroll and payroll-related costs used in the creation of 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 the Company's and technology with 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 the Company expects to benefit from the use of that software. Once the software

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is placed in service, these amounts are amortized using the straight-line method over the estimated useful life of the software, which is generally three to five years.

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

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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, the Company capitalizes internal payroll and payroll-related expenses incurred to create and produce videos and other digital content utilized in the university clients' offerings for delivery via the Company's online learning platform. Capitalization ends when content has been fully developed by both the Company and the university client, at which time amortization of the capitalized content development begins. The capitalized costs for each offering are recorded on a course-by-course basis and included in intangible assets, net on the Company's 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

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

Non-Cash Long-Lived Asset Additions

The Company had non-cash capital asset additions of $1.2 million $0.8 million and $1.8 $1.2 million in property and equipment, during the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Business Combinations

The purchase price of an acquisition is allocated to the assets acquired, including intangible assets, and liabilities assumed, based on their respective fair values at the acquisition date. Acquisition-related costs are expensed as incurred. The excess of the cost of an acquired entity, net of the amounts assigned to the assets acquired and liabilities assumed, is recognized as goodwill. The net assets and results of operations of an acquired entity are included on the Company's consolidated financial statements from the acquisition date.

Goodwill and Other Indefinite-lived Intangible Assets

The Company reviews goodwill and other indefinite-lived intangible assets for impairment annually, as of October 1, and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of goodwill or an indefinite-lived asset below its carrying value.

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Goodwill

Goodwill is the excess of purchase price over the fair value of identified net assets of businesses acquired. The Company's goodwill balance relates to its acquisitions of GetSmarter in July 2017, Trilogy in May 2019 and edX in November 2021. The Company tests goodwill at the reporting unit level, which is an operating segment or one level below an operating segment. The Company initially assesses qualitative factors to determine if it is necessary to perform a quantitative goodwill impairment review. The Company reviews goodwill for impairment using a quantitative approach if it decides to bypass the qualitative assessment or determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value based on a qualitative assessment. Upon completion of a quantitative assessment, the Company may be required to recognize an impairment based on the difference between the carrying value and the fair value of the reporting unit.

During the second quarter of 2023, the Company completed an update of its internal financial reporting structure to better align with the executive structure following the 2022 Strategic Realignment Plan. As a result of this update, the Company's three reporting units within the Alternative Credential Segment (Executive Education, Boot Camp, and Open Courses) were combined into a single reporting unit (Alternative Credential). The Degree Program Segment continues to have one reporting unit (Degree Program). The Company performed impairment assessments before and after the change in reporting units. Refer to the Interim Impairment Assessments section below for further information regarding the results of these assessments.

The Company determines the fair value of a reporting unit by utilizing a weighted combination of the income-based and market-based approaches.

The income-based approach requires the Company to make significant assumptions and estimates. These assumptions and estimates primarily include, but are not limited to, discount rates, terminal growth rates, and forecasts of revenue and margins. When determining these assumptions and preparing these estimates, the Company considers each reporting unit's historical results and current operating trends, revenue, profitability, cash flow results and forecasts, and industry trends. These estimates can be affected by a number of factors including, but not limited to, general economic and regulatory conditions, market capitalization, the continued efforts of competitors to gain market share and prospective student enrollment patterns.

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

Other Indefinite-lived Intangible Assets

In November 2021, the Company acquired an indefinite-lived intangible asset, which represented the established edX trade name. The Company concluded that due to changes in facts and circumstances, effective July 1, 2023, the edX trade name should no longer have an indefinite useful life. The Company began amortizing the edX trade name on a straight-line basis over its estimated remaining useful life of 25 years. The impact of this change in accounting estimate was immaterial to the Company's consolidated statements of operations for the year ended December 31, 2023. The Company expects the impact to be immaterial in future periods.

The Company determined the fair value of its indefinite-lived asset utilizing the income-based approach. The income-based approach requires the Company to make significant assumptions and estimates. These assumptions and estimates primarily include, but are not limited to, discount rates, terminal growth rates, forecasts of revenue and margins, and royalty rates. When determining these assumptions and preparing these estimates, the Company considers historical results and current operating trends, revenue, profitability, cash flow results and forecasts, and industry trends. These estimates can be affected by a number of factors including, but not limited to, general economic and regulatory conditions, the continued efforts of competitors to gain market share and prospective student enrollment patterns.

Impairment Assessments

During both the first and third quarter of 2022, the Company experienced a significant decline in its market capitalization. Management deemed these declines triggering events related to the Company's goodwill and indefinite-lived intangible asset. As a result, the The Company performed interim impairment assessments as of March 1, 2022 and September 30, 2022.

For the quantitative interim impairment assessment performed as of March 1, 2022, management determined the carrying value of the Open Courses reporting unit and the carrying value of an indefinite-lived intangible asset, both within the Alternative Credential Segment, exceeded their respective estimated fair value. As a result, during the three months ended March 31, 2022, the Company recorded impairment charges of $28.8 million and $30.0 million to goodwill and the indefinite-lived intangible asset, respectively. These charges are included within operating expense on the Company's consolidated statements of operations. The estimated fair value of each of the remaining reporting units exceeded their respective carrying value by approximately 10% or more.

For the quantitative interim impairment assessment performed as of September 30, 2022, management determined the carrying value of two of the reporting units and the carrying value of an indefinite-lived intangible asset, each within the Company's Alternative Credential Segment, exceeded their respective estimated fair value. As a result, during the three months ended September 30, 2022, the Company recorded impairment charges of $50.2 million to goodwill, of which $43.0 million related to the Open Courses reporting unit and $7.2 million related to the Executive Education reporting unit, and $29.3 million to the indefinite-lived intangible asset. These charges are included within operating expense on the Company's consolidated statements of operations. The estimated fair value of each of the remaining reporting units exceeded their respective carrying value by approximately 10% or more.

Other than the reporting units impaired in the third quarter of 2022, based on the qualitative assessment performed as of October 1, 2022, the date of the annual goodwill impairment assessment, the Company had no reporting units whose estimated fair value exceeded their carrying value by less than 10%.

During the second quarter of 2023, the Company experienced a significant decline in its market capitalization, which management deemed to be a triggering event related to the Company's goodwill and indefinite-lived intangible asset. In addition, as a result of the change in the Company's reporting units in the second quarter of 2023, the Company performed interim impairment assessments before and after the change in reporting units. The Company performed these interim impairment assessments as of May 1, 2023.

For the quantitative interim impairment assessment performed as of May 1, 2023, before the change in reporting units, management determined the carrying value of the Open Courses reporting unit and the carrying value of an indefinite-lived intangible asset, both within the Alternative Credential Segment, exceeded their respective estimated fair value. As a result, during the three months ended June 30, 2023, the Company recorded impairment charges of $16.7 million to goodwill, all of which related to the Open Courses reporting unit, and $117.4 million to the indefinite-lived intangible asset. These charges are included within operating expense on the Company's consolidated statements of operations. The estimated fair value of each of the remaining reporting units exceeded their respective carrying value by approximately 10% or more.

For the interim impairment assessment performed as of May 1, 2023, after the change in reporting units, management determined it was not more likely than not that the fair values of the Degree Program reporting unit and the Alternative Credential reporting unit were less than their respective carrying amounts. As such, the Company concluded that the goodwill relating to those reporting units was not impaired and further quantitative impairment assessment was not necessary.

During the third quarter of 2023, the Company experienced a significant decline in its market capitalization, which management deemed to be a triggering event related to the Company's goodwill. The Company performed a quantitative interim impairment assessment as of September 30, 2023. The estimated fair value of each of the Company's reporting units exceeded their respective carrying value by more than 10%. Based on the qualitative assessment performed as of October 1, 2023, the date of the annual goodwill impairment assessment, the Company had no reporting units whose estimated fair value exceeded their carrying value by less than 10%.

During the fourth quarter of 2023, the Company experienced a significant decline in its market capitalization. In addition, the Company made updates to certain long-term financial projections. Management deemed these factors to be triggering events related to the Company's goodwill. The Company performed a quantitative interim impairment assessment as of December 31, 2023 and determined the carrying value of its Alternative Credential reporting unit exceeded its estimated fair value. As a result, during the three months ended December 31, 2023, the Company recorded impairment charges of $62.8 million to goodwill. This charge is included within operating expense on the Company's consolidated statements of operations. The estimated fair value of the Degree Program reporting unit exceeded its carrying value by more than 10%.

It is possible that future changes in circumstances, such as a decline in our market capitalization, or in the variables associated with the judgments, assumptions and estimates used in assessing the fair value of our reporting units, could require us to record additional impairment charges in the future.

For each of the interim impairment assessments, the Company utilized a weighted combination of the an income-based approach and market-based approach to determine the fair value of each reporting unit and the an income-based approach to determine the fair value of its long-lived indefinite-lived intangible asset. Key assumptions used in the income-based approach included discount rates terminal growth rates, and forecasts of revenue and margins based upon each respective reporting unit's or indefinite-lived intangible asset's weighted-average cost of capital adjusted for the risk associated with the operations at the time of the assessment. assessment, terminal growth rates, forecasts of revenue and margins, and royalty rates. The income-based approach largely relied on inputs that were not observable to active markets, which would be deemed "Level 3" fair value measurements, as defined in the Fair Value Measurements section above. Key assumptions used in the market-based approach included the selection of appropriate peer group companies. Changes in the estimates and assumptions used to estimate fair value could materially affect the determination of fair value and the impairment test result.

For the interim impairment assessment performed as of March 1, 2022, management determined the carrying value for one of the reporting units within the Company's Alternative Credential Segment and the carrying value of an indefinite-lived intangible asset exceeded their respective estimated fair value. As a result, during the first quarter of 2022, the Company recorded impairment charges of $28.8 million and $30.0 million to goodwill and the indefinite-lived intangible asset, respectively, both within the Company's Alternative Credential Segment. These charges are included within operating expense on the Company's consolidated statements of operations. The estimated fair value of each of the remaining reporting units exceeded their respective carrying value by approximately 10% or more.

For the interim impairment assessment performed as of September 30, 2022, management determined the carrying value for two of the reporting units within the Company's Alternative Credential Segment and the carrying value of an indefinite-lived intangible asset exceeded their respective estimated fair value. As a result, during the third quarter of 2022, the Company recorded impairment charges of $50.2 million and $29.3 million to goodwill and the indefinite-lived intangible asset, respectively, both within the Company's Alternative Credential Segment. These charges are included within operating expense on the Company's consolidated statements of operations. The estimated fair value of each of the remaining reporting units exceeded their respective carrying value by approximately 10% or more.

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Other than the reporting units impaired in the third quarter of 2022, based on the qualitative assessment performed as of October 1, 2022, the date of the annual goodwill impairment assessment, the Company had no reporting units whose estimated fair value exceeded their carrying value by less than 10%. Based upon the Company's qualitative assessments performed as of October 1 in 2020 and 2021, the Company believes that the estimated fair values of the reporting units exceeded their carrying values by no less than 10%. It is possible that future changes in the Company's circumstances or in the variables associated with the judgments, assumptions and estimates used in assessing the fair value of the Company's reporting units, could require the Company to record additional impairment charges in the future.

Other Indefinite-lived Intangible Assets

The Company's indefinite-lived intangible asset was acquired in November 2021 and represents the established edX trade name.

Equity Interests

As of December 31, 2020, the Company had a $10.0 million investment in an education technology company recorded within other assets, non-current on the consolidated balance sheets. This investment did not have a readily determinable fair value, and was accounted for as a cost method investment, which was subject to fair value remeasurement upon the occurrence of an observable event. During the second quarter of 2021, the Company sold its investment in this education technology company and recorded a gain on sale of $27.8 million. Refer to Note 7 for further information.

Employee Benefits

The Company offers a variety of benefits to its employees (e.g., health care, gym memberships and tuition reimbursement). The Company accounts for costs related to providing employee benefits as incurred, unless there is a service requirement, in which case, such costs are recognized over the service commitment period.

Convertible Senior Notes

In April 2020, the Company issued 2.25% convertible senior notes due May 1, 2025 (the "2025 Notes") in an aggregate principal amount of $380 million, including the exercise by the initial purchasers of an option to purchase additional 2025 Notes, in a private offering. Refer to Note 10 for more information regarding the 2025 Notes.

During the first quarter of 2022, In January 2023, the Company adopted issued 4.50% convertible senior notes due February 1, 2030 (the "2030 Notes") in an aggregate principal amount of $147.0 million in a private offering. Refer to Note 10 for more information regarding the 2030 Notes.

Pursuant to ASU No. 2020-06,*Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.* Pursuant to this ASU, which simplified the accounting for convertible instruments, the Company's convertible senior notes are accounted for as a single instrument. Refer to the Recent Accounting Pronouncements section below for further information regarding the Company's adoption of ASU 2020-06.

Debt Issuance Costs

Debt issuance costs are incurred as a result of entering into certain borrowing transactions and are presented as a reduction from the carrying amount of the debt liability on the Company's consolidated balance sheets. Debt issuance costs are amortized over the term of the associated debt instrument. The amortization of debt issuance costs is included as a component of interest expense on the Company's consolidated statements of operations and comprehensive loss. If the Company extinguishes debt prior to the end of the underlying instrument's full term, some or all of the unamortized debt issuance costs may need to be written off, and a loss on extinguishment may need to be recognized. Refer to Note 10 for further information about the Company's debt.

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

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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 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 liabilities and ROU assets. The Company will only remeasure variable payments that depend on an index or a rate when the Company is remeasuring the lease liabilities 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 liabilities are 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 liabilities and recognized in the consolidated statements of operations and comprehensive loss in the period in which the obligation for those payments is incurred.

Business Combinations

The purchase price of an acquisition is allocated to the assets acquired, including intangible assets, and liabilities assumed, based on their respective fair values at the acquisition date. Acquisition-related costs are expensed as incurred. The excess of the cost of an acquired entity, net of the amounts assigned to the assets acquired and liabilities assumed, is recognized as

goodwill. The net assets and results of operations of an acquired entity are included on the Company's consolidated financial statements from the acquisition date.

Foreign Currency Translation

For the portion of the Company's non-U.S. business where the local currency is the functional currency, operating results are translated into U.S. dollars using the average rate of exchange for the period, and assets and liabilities are converted at the closing rates on the period end date. Gains and losses on translation of these accounts are accumulated and reported as a separate component of stockholder's equity and comprehensive loss.

For any transaction that is in a currency different from the entity's functional currency, the Company records a gain or loss based on the difference between the exchange rate at the transaction date and the exchange rate at the transaction settlement date (or rate at period end, if unsettled) as other income (expense), net on the consolidated statements of operations and comprehensive loss.

Concentration of Credit Risk

Financial instruments that subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. All of the Company's cash is held at financial institutions that management believes to be of high credit quality. The Company's bank accounts exceed federally insured limits at times. The Company has not experienced any losses on cash to date. The Company maintains an allowance for doubtful accounts, if needed, based on collection history.

Recent Accounting Pronouncements

In October 2021, the FASB issued ASU 2021-08 *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The new guidance requires companies to apply ASC Topic 606 to recognize and measure contract assets and contract liabilities with customers acquired in a business combination, which creates an exception to the general recognition principle in ASC Topic 805. In addition, the guidance clarifies that companies should apply the definition of a performance obligation in ASC Topic 606 when recognizing contract liabilities assumed in a business combination. The guidance is effective for fiscal years beginning after December 15, 2022 and interim periods within those years. Early adoption is permitted. The Company adopted the standard in the fourth quarter of 2021, effective January 1, 2021.

Adoption of this standard is reflected in the preliminary purchase price allocation of the edX Acquisition. Refer to Note 3 for further information about the edX Acquisition.

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

The Company adopted this ASU on a modified retrospective basis in the first quarter of 2022, effective as of January 1, 2022. As a result of the adoption, long-term debt increased $81.7 million, additional paid-in capital decreased $114.6 million, deferred tax liabilities decreased $22.1 million, and the Company recorded a cumulative-effect adjustment to opening accumulated deficit of $32.8 million. Adoption of this ASU requires the use of the if-converted method for all convertible notes in the diluted net income (loss) per share calculation and the inclusion of the effect of potential share settlement of the convertible notes, if the effective is more dilutive. There was no impact to the number of potentially dilutive shares as a result of the adoption. Adoption of this standard did not have a material impact on the Company's liquidity or cash flows.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU is intended to provide optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, to ease the potential accounting and financial reporting burden associated with the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. This ASU may be applied as of the beginning of any interim period that includes its effective date (i.e., March 12, 2020) through December 31, 2022. On December 21, 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. This ASU defers the sunset date from December 31, 2022 to December 31, 2024 and is effective immediately. The Company will adopt the standard when LIBOR is discontinued and does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

In March 2022, the FASB issued ASU No 2022-02, *Financial Instruments - Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures*. This ASU eliminates the accounting guidance for troubled debt restructurings by creditors that have adopted ASU 2016-13 and enhances the disclosure requirements for certain loan refinancings when borrowers are experiencing financial difficulty. In addition, the ASU requires the disclosure of current-period gross write-offs for financing receivables by year of origination in the vintage disclosures. This ASU is effective for fiscal years beginning after December 15, 2022. The Company adopted this ASU in the first quarter of 2023. Adoption of this standard did not have a material impact on the Company's consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU No 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU requires annual and interim disclosures that are expected to improve reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses. This ASU is effective for fiscal years beginning after December 15, 2023 and should be adopted on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of the new guidance on its disclosures but does not expect there to be a material impact adoption of this standard on its consolidated financial statements. statements and related disclosures.

In December 2023, the FASB issued ASU No 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures.* This ASU requires new disclosures about income taxes, primarily focused on the disclosure of income taxes paid and the rate reconciliation table. The ASU is effective for annual periods beginning after December 15, 2024 and should be applied on a prospective basis, with the option to apply the standard retrospectively. Early adoption is permitted. The Company is currently evaluating the impact of adoption of this standard on its consolidated financial statements and related disclosures.

3. Business Combination

On November 16, 2021, pursuant to the Membership Interest Purchase Agreement, dated June 28, 2021 (the "Purchase Agreement"), by and among the Company, edX Inc., a Massachusetts nonprofit corporation ("edX Inc.") and edX LLC (f/k/a Circuit Sub LLC), a Delaware limited liability company and a wholly owned subsidiary of edX Inc. ("edX"), edX Inc. contributed substantially all of its assets to edX and the Company acquired 100% of the outstanding membership interests of edX (the "edX Acquisition") including the edX brand, website, and marketplace.

The total preliminary purchase price was $773.0 million in cash consideration, of which $23.0 million was distributed to an escrow account to satisfy indemnification claims and purchase price adjustments, as applicable. As of December 31, 2022 December 31, 2023, $8.4 $3.4 million remained in escrow. During the year ended December 31, 2022, the Company recorded working capital adjustments of $5.0 million, reducing the final purchase price to $768.0 million.

The transaction was accounted for under the acquisition method of accounting and revenue and operating expense have been included in the Company's consolidated statement of operations since the date of acquisition. The Company recorded $14.8 million and $0.3 million of acquisition costs in general and administrative expense related to this acquisition during the years ended December 31, 2021 and 2020, respectively.

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Under the acquisition method of accounting, the total preliminary purchase price was allocated to edX's net tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of November 16, 2021. The following table summarizes the final purchase price allocation based on the estimated fair value of the assets acquired and liabilities assumed and reflects the measurement period adjustments recorded during the year ended December 31, 2022.

		Estimated Useful Life (in years)	Purchase Price Allocation (in thousands)	Estimated Useful Life (in years)	Purchase Price Allocation (in thousands)
Cash and cash equivalents	Cash and cash equivalents		$ 11,901		
Accounts receivable	Accounts receivable		6,608		
Prepaid expenses and other assets	Prepaid expenses and other assets		13,098		

Property and equipment, net	Property and equipment, net		529
Right-of-use assets	Right-of-use assets		2,355
Other assets, non-current	Other assets, non-current		572
Accounts payable and accrued expenses	Accounts payable and accrued expenses		(10,057)
Deferred revenue	Deferred revenue		(16,408)
Lease liability	Lease liability		(2,512)
Other liabilities	Other liabilities		(32,981)
Intangible assets:	Intangible assets:		
Developed technology	Developed technology	3	15,400
Developed technology			
Developed technology			
University client relationships	University client relationships	10	104,000
Enterprise client relationships	Enterprise client relationships	10	14,300
Trade names	Trade names	indefinite	255,000
Goodwill	Goodwill		406,204
			$768,009

Of the total purchase price, the Company allocated $255.0 million and $133.7 million to indefinite-lived intangibles and definite-lived intangibles, respectively.

* In 2023, the Company began amortizing the trade name on a straight-line basis over its estimated useful life of 25 years. Refer to Note 5 for further information about the change in estimated useful life.

The estimated values of the definite-lived intangibles is are being amortized on a straight-line basis over the estimated useful lives. The methodologies utilized to determine the estimated fair values of the acquired intangible assets are Level 3 measurements.

The acquired indefinite-lived intangible asset represents the established edX trade name that the Company expects to be the primary brand for the Company's marketplace, educational offerings and services. The Company concluded that due to changes in facts and circumstances, effective July 1, 2023, the edX trade name should no longer have an indefinite useful life. The Company began amortizing the edX trade name on a straight-line basis over its estimated remaining useful life of 25 years. Acquired client relationships represent agreements with existing clients as of the acquisition date. The fair values of the trade name and the client relationships were determined using the discounted cash flow method. Under this method, the Company's significant assumptions and estimates included expected future cash flows and the weighted-average cost of capital.

The acquired developed technology represents technology that had reached technological feasibility and for which development had been completed as of the date of the edX Acquisition. The Company utilized the relief-from-royalty valuation method to value the acquired technology. Under this method, the Company's significant assumptions and estimates included an estimated market royalty rate, remaining useful life, future revenue, and a rate of return utilized in the determination of a discounted present value.

The goodwill balance is primarily attributed to the assembled workforce, expanded market opportunities and operating synergies anticipated upon the integration of the operations of the Company and edX. The goodwill is expected to be deductible for tax purposes. Refer to Note 5 for details.

The Company's unaudited pro forma combined financial information below is presented for illustrative purposes and does not purport to represent what the results of operations would actually have been if the business combination occurred as of the date indicated or what the results would be for any future periods. The following table presents the Company's unaudited pro forma combined revenue, pro forma combined net loss and pro forma combined net loss per share for the years ended December 31, 2021 and 2020, as if the acquisition of edX had occurred on January 1, 2020.

	Year Ended December 31, 2021	Year Ended December 31, 2020
	(in thousands)	
Pro forma revenue	$ 985,016	$ 818,700
Pro forma net loss	$ (273,889)	$ (323,277)
Pro forma net loss per share, basic and diluted	$ (3.67)	$ (4.81)

4. Property and Equipment, Net

The following table presents the components of property and equipment, net on the Company's consolidated balance sheets as of each of the dates indicated.

		December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
		(in thousands)		(in thousands)	
Computer hardware	Computer hardware	$ 8,392	$ 9,454		
Furniture and office equipment	Furniture and office equipment	9,453	16,739		
Leasehold improvements	Leasehold improvements	67,188	57,972		
Leasehold improvements in process	Leasehold improvements in process	4,631	5,667		
Total	Total	89,664	89,832		
Accumulated depreciation and amortization	Accumulated depreciation and amortization	(43,809)	(41,182)		
Property and equipment, net	Property and equipment, net	$45,855	$48,650		

Depreciation expense of property and equipment was $11.3 million $10.6 million, $12.5 million $11.3 million and $13.4 million $12.5 million for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively.

5. Goodwill and Intangible Assets

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

	Balance as of December 31, 2020	Additions*	Foreign Currency Translation Adjustments	Balance as of December 31, 2021

		(in thousands)		
Alternative Credential Segment				
Gross goodwill	$ 486,209	$ —	$ (4,843)	$ 481,366
Accumulated impairments	(70,379)	—	—	(70,379)
Net goodwill	415,830	—	(4,843)	410,987
Unallocated goodwill	$ —	$ 423,552	$ —	$ 423,552
Total				
Gross goodwill	$ 486,209	$ 423,552	$ (4,843)	$ 904,918
Accumulated impairments	(70,379)	—	—	(70,379)
Net goodwill	$ 415,830	$ 423,552	$ (4,843)	$ 834,539

* See Note 3 for a discussion of the edX Acquisition.

	Balance as of December 31, 2021	Allocations	Adjustments	Impairment Charges	Foreign Currency Translation Adjustments	Balance as of December 31, 2022
			(in thousands)			
Degree Program Segment						
Gross goodwill	$ —	$ 198,378	$ (5,919)	$ —	$ —	$ 192,459
Accumulated impairments	—	—	—	—	—	—
Net goodwill	—	198,378	(5,919)	—	—	192,459
Alternative Credential Segment						
Gross goodwill	$ 481,366	$ 225,174	$ (11,429)	$ —	$ (3,580)	$ 691,531
Accumulated impairments	(70,379)	—	—	(78,991)	—	(149,370)
Net goodwill	410,987	225,174	(11,429)	(78,991)	(3,580)	542,161
Unallocated goodwill	$ 423,552	$ (423,552)	$ —	$ —	$ —	$ —
Total						
Gross goodwill	$ 904,918	$ —	$ (17,348)	$ —	$ (3,580)	$ 883,990
Accumulated impairments	(70,379)	—	—	(78,991)	—	(149,370)
Net goodwill	$ 834,539	$ —	$ (17,348)	$ (78,991)	$ (3,580)	$ 734,620

During the first quarter of 2022, the Company completed the allocation of the preliminary goodwill balance resulting from the edX Acquisition to the Company's reporting units. Refer to Note 3 for further information about the edX Acquisition. The goodwill was assigned to the reporting units that are were expected to drive synergies from the acquisition, which is was each of the Company's four reporting units. In addition, during the year ended December 31, 2022, the Company recorded working capital adjustments of $5.0 million, $5.0 million, adjustments to the preliminary valuation of acquired assets and assumed liabilities of edX of $12.3 million, and goodwill impairment charges of $79.0 million. Refer to Note 2 for further information about the goodwill impairment charges.

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	Balance as of December 31, 2022	Impairment Charges*	Foreign Currency Translation Adjustments	Balance as of December 31, 2023
	(in thousands)			
Degree Program Segment				
Gross goodwill	$ 192,459	$ —	$ —	$ 192,459
Accumulated impairments	—	—	—	—
Net goodwill	192,459	—	—	192,459
Alternative Credential Segment				
Gross goodwill	$ 691,531	$ —	$ (3,651)	$ 687,880
Accumulated impairments	(149,370)	(79,471)	—	(228,841)
Net goodwill	542,161	(79,471)	(3,651)	459,039
Total				
Gross goodwill	$ 883,990	$ —	$ (3,651)	$ 880,339
Accumulated impairments	(149,370)	(79,471)	—	(228,841)
Net goodwill	$ 734,620	$ (79,471)	$ (3,651)	$ 651,498

Refer to Note2for further information about the goodwill impairment charges.

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

		December 31, 2022			December 31, 2021		
	Estimated Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(in thousands)					
Definite-lived intangible assets							
Capitalized technology	3-5	$ 226,761	$ (132,621)	$ 94,140	$ 199,766	$ (112,357)	$ 87,409
Capitalized content development	4-5	261,844	(177,154)	84,690	243,687	(125,599)	118,088
University client relationships	9-10	210,138	(55,556)	154,582	211,680	(34,995)	176,685
Enterprise client relationships	10	14,300	(1,609)	12,691	14,300	(179)	14,121
Trade names and domain names	5-10	29,701	(21,749)	7,952	27,161	(12,941)	14,220
Total definite-lived intangible assets		$ 742,744	$ (388,689)	$ 354,055	$ 696,594	$ (286,071)	$ 410,523

	December 31, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Impairments*	Net Carrying Amount	Gross Carrying Amount	Accumulated Impairments	Net Carrying Amount
	(in thousands)					
Indefinite-lived intangible assets						
Trade names	255,000	(59,300)	$ 195,700	$ 255,000	$ —	$ 255,000
Total indefinite-lived intangible assets	$ 255,000	$ (59,300)	$ 195,700	$ 255,000	$ —	$ 255,000

		December 31, 2023			December 31, 2022		
	Estimated Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization and Impairments	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization and Impairments	Net Carrying Amount
		(in thousands)					
Capitalized technology	3-5	$ 245,867	$ (159,155)	$ 86,712	$ 226,761	$ (132,621)	$ 94,140
Capitalized content development	4-5	233,592	(176,374)	57,218	261,844	(177,154)	84,690
University client relationships	9-10	208,823	(75,849)	132,974	210,138	(55,556)	154,582

Enterprise client relationships	10	14,300	(3,039)	11,261	14,300	(1,609)	12,691
Trade names and domain names*	5-25	284,810	(201,777)	83,033	284,701	(81,049)	203,652
Total intangible assets		$ 987,392	$ (616,194)	$ 371,198	$ 997,744	$ (447,989)	$ 549,755

* During The Company concluded that due to changes in facts and circumstances, the first and edX trade name, which was classified as indefinite-lived as of June 30, 2023, is now finite-lived. In the third quarter of 2022, 2023, the Company recorded began amortizing the trade name on a straight-line basis over its estimated useful life. The gross carrying amount of the edX trade name was $255.0 million as of both December 31, 2023 and December 31, 2022. Accumulated amortization and impairments include $176.7 million and $59.3 million of impairment charges of $30.0 million and $29.3 million, respectively, related to its indefinite-lived intangible asset. the edX trade name as of December 31, 2023 and December 31, 2022, respectively. Refer to Note 2 for further information about these impairment charges.

The amounts presented in the table above include $53.9 million $43.4 million and $46.3 million $53.9 million of in process capitalized technology and content development as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively.

The Company recorded amortization expense related to amortizable intangible assets of $116.9 million $104.7 million, $95.9 million $116.9 million and $83.1 million $95.9 million for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively.

The following table presents the estimated future amortization expense of the Company's amortizable intangible assets placed in service as of December 31, 2022 December 31, 2023.

		Future Amortization Expense (in thousands)
2023		$ 80,472
	Future Amortization Expense (in thousands)	Future Amortization Expense (in thousands)
2024	2024	64,893
2025	2025	44,296
2026	2026	30,516
2027	2027	22,247
2028		
Thereafter	Thereafter	57,782
Total	Total	$ 300,206

6. Other Balance Sheet Details

Prepaid expenses Expenses and other assets Other Assets

As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company had balances of $20.5 $19.8 million and $23.0 $20.5 million, respectively, of prepaid assets within prepaid expenses and other assets on the consolidated balance sheets.

Other Assets, Non-current

As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company had balances of $9.3 $13.6 million and $7.0 $9.3 million, respectively, of deferred expenses incurred to integrate the software associated with its cloud computing arrangements, within other assets, non-current on the consolidated balance sheets. Such expenses are subject to amortization over the remaining contractual term of the associated cloud computing arrangement, with a useful life of between three to five years. The Company incurred $3.7 million, $2.3 million, $2.4 million, and $1.3 $2.4 million of such amortization for the years ended December 31, 2022 December 31, 2023, 2021, 2022, and 2020, 2021, respectively.

Accounts Payable and Accrued Expenses

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

		December 31, 2022	December 31, 2021
		(in thousands)	
	December 31, 2023	December 31, 2023	December 31, 2022
	(in thousands)		(in thousands)
Accrued university and instructional staff compensation	Accrued university and instructional staff compensation	$ 30,807	$ 36,806
Accrued marketing expenses	Accrued marketing expenses	15,988	26,469
Accrued transaction and integration expenses		464	4,072
Accrued compensation and related benefits	Accrued compensation and related benefits	16,213	49,143
Accounts payable and other accrued expenses	Accounts payable and other accrued expenses	46,548	48,233
Total accounts payable and accrued expenses	Total accounts payable and accrued expenses	$110,020	$164,723

Other Current Liabilities

As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company had balances of $14.7 $10.5 million and $21.9 $14.7 million, respectively, within other current liabilities on the consolidated balance sheets, which represent proceeds received from students enrolled in certain of the Company's alternative credential offerings that are payable to an associated university client.

In response to COVID-19, various government programs have been announced to provide financial relief for affected businesses. Under the Coronavirus Aid, Relief, As of December 31, 2023 and Economic Security Act (the "CARES Act"), which was enacted in the United States on March 27, 2020, 2022, the Company is allowed to defer payment had accrued interest balances of the employer's share of Social Security taxes incurred from March 27, 2020 through December 31, 2020. In addition, the CARES Act provides eligible employers with an employee retention tax credit for employees whose services were impacted by COVID-19. As of December 31, 2021, the amount of payroll taxes subject to deferred payment, net of employee retention tax credits of $0.5 million, was approximately $5.0 $13.6 million and is recorded $11.2 million, respectively, within other current liabilities on the consolidated balance sheets. These payroll taxes were paid in the fourth quarter of 2022.

7. Commitments and Contingencies

Legal Contingencies

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

In re 2U, Inc., Securities Class Action

On August 7 and 9, 2019, Aaron Harper and Anne M. Chinn filed putative class action complaints against the Company, Christopher J. Paucek, the Company's CEO, and Catherine A. Graham, the Company's former CFO, in the United States District Court for the Southern District of New York, alleging violations of Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder, based upon allegedly false and misleading statements regarding the Company's business prospects and financial projections. The district court transferred the cases to the United States District Court for the District of Maryland, consolidated them under docket number 8:19-cv-3455 (D. Md.), and appointed Fiyyaz Pirani as the lead plaintiff in the consolidated action. On July 30, 2020, Mr. Pirani filed a consolidated class action complaint ("CAC"), adding Harsha Mokkarala, the Company's former Chief Marketing Officer and current Chief Revenue Officer, as a defendant. The CAC also asserts claims under Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, as amended, against Mr. Paucek, Ms. Graham, members of the Company's board of directors, and the Company's underwriters, based on allegations related to the Company's secondary stock offering on May 23, 2018. The proposed class consists of all persons who acquired the Company's securities between February 26, 2018 and July 30, 2019. The parties agreed to settle the Securities Class Action for, among other things, a payment to the settlement class in the amount of $37.0 million (the "Settlement Amount"). The Court approved the settlement and entered final judgment on December 9, 2022. The Company's insurance carriers paid the Settlement Amount to the settlement class following the Court's approval in mid-December 2022.

Stockholder Derivative Suits

On April 30, 2020, Richard Theis filed a stockholder derivative complaint purportedly on behalf of the Company and against Christopher J. Paucek, the Company's CEO, Catherine A. Graham, the Company's former CFO, and the Company's board of directors in the United States District Court for the Southern District of New York, with docket number 20-cv-3360. The complaint alleges claims for breaches of fiduciary duty, insider sales and misappropriation of information, unjust enrichment, and violations of Section 14(a) of the Exchange Act, based upon allegedly false and misleading statements regarding the Company's business prospects and financial projections. On July 22, 2020, the court entered a joint stipulation staying the case pending resolution of the securities class action, which stay the court extended on multiple occasions to allow the parties to discuss settlement. The most recent stay concludes on March 24, 2023. Due to the complex nature of the legal and factual issues involved, the outcome of this matter is not presently determinable.

On August 21, 2020, Thomas Lucey filed a stockholder derivative complaint purportedly on behalf of the Company and against Christopher J. Paucek, the Company's CEO, Catherine A. Graham, the Company's former CFO, Harsha Mokkarala, the Company's former Chief Marketing Officer and current Chief Revenue Officer, and the Company's board of directors in the United States District Court for the District of Maryland, with docket number 1:20-cv-02424-GLR. The complaint alleges claims for breaches of fiduciary duty, insider trading, and contribution for alleged violations of Sections 10(b) and 21D of the Exchange Act, based upon allegedly false and misleading statements regarding the Company's business prospects and financial projections. On September 3, 2020, the court entered a joint stipulation staying the case pending resolution of the securities class action, which stay the court extended on multiple occasions to allow the parties to discuss settlement. The most recent stay concludes on March 24, 2023. Due to the complex nature of the legal and factual issues involved, the outcome of this matter is not presently determinable.

On November 30, 2020, Leo Shumacher filed a stockholder derivative complaint purportedly on behalf of the Company and against Christopher J. Paucek, the Company's CEO, Catherine A. Graham, the Company's former CFO, Harsha Mokkarala, the Company's former Chief Marketing Officer and current Chief Revenue Officer, and the Company's board of

directors in the Court of Chancery of the State of Delaware, with docket number 2020-1019-AGB. The complaint alleges claims for breaches of fiduciary duty and unjust enrichment, based upon allegedly false and misleading statements regarding the Company's business prospects and financial projections. On January 6, 2021, the court entered a joint stipulation staying the case pending resolution of the securities class action, which stay the court extended on multiple occasions to allow the parties to discuss settlement. The most recent stay concluded on September 23, 2022. Due to the complex nature of the legal and factual issues involved, the outcome of this matter is not presently determinable.

On September 14, 2022, Daniel Sebagh filed a stockholder derivative complaint purportedly on behalf of the Company and against Christopher J. Paucek, the Company's CEO, Catherine A. Graham, the Company's former CFO, James Kenigsberg, the Company's former CTO, and the Company's board of directors in the United States District Court for the District of Delaware, with docket number 1:22-cv-01205-UNA. The complaint alleges claims for breaches of fiduciary duty, unjust enrichment, waste of corporate assets, insider trading and alleged violations of Section 14(a) of the Exchange Act based upon allegedly false and misleading statements regarding the Company's business prospects and financial projections. On January 26, 2023, the court entered a joint stipulation staying the case until March 24, 2023 to allow the parties to continue to discuss settlement. Due to the complex nature of the legal and factual issues involved, the outcome of this matter is not presently determinable.

Favell, et al. v. University of Southern California and 2U, Inc. Consumer Class Action

On December 20, 2022, Plaintiffs Iola Favell, Sue Zarnowski, and Mariah Cummings filed a putative class action in the Superior Court of the State of California, County of Los Angeles, against the University of Southern California ("USC") and 2U, Inc. ("2U") the Company on behalf of "[a]ll students who were enrolled in an online graduate degree program at USC Rossier, from April 1, 2009 through April 27, 2022." ("Favell I") Compl. ¶ 135. Plaintiffs purport purported to allege violations of California's Unfair Competition False Advertising Law ("FAL"), Cal. Bus. & Prof. Civ. Code § 17500, California's Unfair Competition Law ("UCL"), Cal. Bus. & Prof. Civ. Code § 17200, Violations of Civil California's Consumers Legal Remedies Act ("CLRA"), Cal. Civ. Code § 1770, (CLRA), and a Quasi-Contract Claim for Restitution as well as for unjust enrichment related to the use of the USC Rossier school's Rossier's rankings in certain marketing materials.

On February 3, 2023, the Company removed the case to the United States District Court for the Central District of California. Then, on March 8, 2023, the Company filed a motion to dismiss the lawsuit, arguing, among other things, that all of Plaintiffs' allegations lacked merit and that certain claims for relief could not be brought in federal court in light of other allegations Plaintiffs had made. On March 28, 2023, before the court could rule on that motion, Plaintiffs filed an amended complaint (the "First Amended Complaint"), dropping the challenged claims for relief and instead asserting only a single cause of action under the CLRA. The claims seek First Amended Complaint is based on the same factual allegations as the original complaint but seeks declaratory relief, actual damages, incidental damages, consequential damages, compensatory damages, punitive damages, and attorneys' fees and costs. costs in connection with their CLRA claim.

On January 5, 2023 March 28, 2023, 2U was served Plaintiffs also filed a separate class action lawsuit in the Superior Court of the State of California, County of Los Angeles, reasserting the FAL, UCL, and CLRA claims they dropped from the federal lawsuit ("Favell II"). The state court lawsuit is based on the same factual allegations as the federal lawsuit. Plaintiffs seek declaratory and injunctive relief, restitution, and attorneys' fees and costs in connection with the Complaint. claims in state court.

On February 3, 2023 April 17, 2023, 2U the Company moved to dismiss the First Amended Complaint in Favell I in its entirety, arguing that all of Plaintiffs' claims lack merit. On May 4, 2023, the Company removed the case Favell II lawsuit from state court to the United States District Court for the Central District of California. 2U's deadline California, and Plaintiffs later filed a motion to respond remand it back to state court. On July 6, 2023, the Court held a hearing on the Company's motion to dismiss the First Amended Complaint in Favell I and the Plaintiffs' motion to remand in Favell II, and issued a ruling granting the Company's motion to dismiss with leave to amend and denying Plaintiffs' motion to remand. On July 28, 2023, Plaintiffs filed amended complaints in both Favell I and Favell II, adding an additional plaintiff and more detailed allegations but otherwise reasserting the same claims in each case. 2U moved to dismiss the amended complaints on August 31, 2023, and a hearing was held on November 16, 2023. On January 23, 2024, the Court issued an order dismissing Plaintiffs' amended complaints in both Favell I and II, but granting Plaintiffs leave to amend within twenty-one days of the order. Plaintiffs did not file an amended complaint within twenty-one days of the order. Therefore, there are no active claims against 2U in the matter any longer. The Company has always maintained that both lawsuits' claims against 2U were meritless.

2U, Inc., et al. v. Cardona, et al.

On April 4, 2023, the Company filed a lawsuit on behalf of itself and its South African subsidiary, Get Educated International Proprietary Ltd., against the Department of Education (the "Department") and Secretary of Education Miguel Cardona. The suit challenges a Dear Colleague Letter issued by the Department that would treat the Company and other Online Program Managers (OPMs) as highly regulated "Third-Party Servicers" for purposes of the Higher Education Act ("HEA").

The Company contends that the Department has exceeded its authority by seeking to expand the definition of "Third-Party Servicer" contained in the HEA, 20 U.S.C. § 1088(c), as well as in the Department's regulations and longstanding guidance documents. The Company also argues that the Department violated both the HEA and the Administrative Procedure Act in issuing its new understanding of Third-Party Servicer without following required rulemaking procedures. The case is now pending in the District of D.C., under case number 1:23-cv-00925. On April 7, 2023, the Company filed a motion for a stay and preliminary injunction to block the new Dear Colleague Letter to take effect as planned on September 1, 2023. On April 11, 2023, the Department announced that it would suspend the September 1, 2023 effective date and consider changes to the complaint is March 8, 2023. Dear Colleague Letter. The Department indicated that when it finalizes an updated version of the Dear Colleague Letter, the updated version will not go into effect for at least six months, to give regulated entities sufficient time to comply. Given these developments, the Company withdrew its motion for a stay and preliminary injunction and the court stayed the litigation pending the release of the finalized Dear Colleague Letter. On December 19, 2023, the parties filed a joint status report to the court, in which the government indicated that it was still in the process of developing an updated guidance, and that it did not anticipate issuing an updated guidance in the next 90 days. The Company believes that it has a meritorious claim and intends to vigorously pursue its challenge against the claims are Department if the Department continues seeking to treat the Company as a Third-Party Servicer. Due to the complex nature of the legal issues involved, the outcome of this matter is not presently determinable.

Francis v. 2U, Inc. et al; Privacy Class Action

On October 10, 2023, plaintiff Chad Francis filed a putative class action against the Company and edX LLC in the United States District Court for the District of Massachusetts, alleging violations of the federal Video Privacy Protection Act. The plaintiff, who seeks to represent a class of individuals who viewed a video on edX while they had a Facebook account, alleges that 2U and edX disclosed his personal viewing information to Facebook without merit his consent. Plaintiff seeks damages of $2,500 for each violation, punitive damages, injunctive relief and attorney fees. On December 15, 2023, the Company and edX filed a motion to dismiss the complaint for failure to state a claim. The plaintiff filed a response on February 12, 2024, and the Company and edX's reply is due on March 13, 2024. The Company intends to vigorously defend against these claims. However, due to the complex nature of the legal and factual issues involved, the outcome of this the matter is not presently determinable.

Marketing and Sales Commitments

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

Other Vendor Commitments

In September 2023, as part of an effort to consolidate vendors to reduce the cost of launching programs, the Company entered into an agreement with an existing vendor to purchase content development and other services at more favorable pricing, with a total minimum commitment of $30.0 million through December 31, 2026.

Future Minimum Payments to University Clients

Pursuant to certain of the Company's contracts in the Degree Program Segment, the Company has made, or is obligated to make, payments to university clients in exchange for contract extensions and various marketing and other rights. Generally, these amounts are capitalized as other assets on the Company's consolidated balance sheets, and amortized as contra revenue over the life of the contract, commencing on the later of when payment is due or when contract revenue recognition begins.

The following table presents the estimated future minimum payments due to university clients as of December 31, 2022 December 31, 2023.

		Future Minimum Payments (in thousands)	
2023		$ 1,125	
	Future Minimum Payments (in thousands)		Future Minimum Payments (in thousands)
2024	2024	625	
2025	2025	625	
2026	2026	625	
2027	2027	625	
2028			
Thereafter	Thereafter	1,275	
Total future minimum payments to university clients	Total future minimum payments to university clients	$ 4,900	

Contingent Payments

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

8. Restructuring Charges

2022 Strategic Realignment Plan

During the second quarter of 2022, the Company accelerated its planned transition to a platform company (the "2022 Strategic Realignment Plan"). The plan was designed to reorient the Company around a single platform allowing it to pursue a portfolio-based marketing strategy that drives traffic to the edX marketplace. As part of the plan, the Company simplified its executive structure, reduced employee headcount, rationalized its real estate footprint and implemented steps to optimize marketing spend. During the third quarter of 2022, the Company completed the planned headcount reductions and consolidated its in-person operations to its offices in Lanham, Maryland and Cape Town, South Africa. In furtherance of the 2022 Strategic Realignment Plan, the Company reduced employee headcount during the third quarter of 2023.

The Company anticipates that it will incur aggregate restructuring charges associated with the 2022 Strategic Realignment Plan of approximately $35 $70 million to $40 $75 million. The Company recorded $30.7 million $24.9 million in restructuring charges related to the 2022 Strategic Realignment Plan for the year ended December 31, 2022 December 31, 2023. The Company recorded $24.9 million and $30.7 million in restructuring charges related to the 2022 Strategic Realignment Plan for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, we incurred cumulative restructuring charges of $55.7 million related to the 2022 Strategic Realignment Plan. The majority of the estimated remaining restructuring charges relate to leased facilities and will be recognized as expense over the remaining lease terms, ranging from 1 to 9 years.

In late 2023, the Company announced leadership changes and commenced a comprehensive performance improvement exercise aimed at, among other things, further improving its profitability and optimizing its operating model. Part of this exercise includes headcount reductions associated with implementing changes to the Company's organizational structure, as management works to align staffing levels with business priorities across functional areas.

The following table presents restructuring charges by reportable segment on the Company's condensed consolidated statements of operations for the periods indicated.

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Degree Program Segment	Alternative Credential Segment	Degree Program Segment	Alternative Credential Segment

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Degree Program Segment	Alternative Credential Segment	Degree Program Segment	Alternative Credential Segment
Leadership and organizational structure changes				
Leadership and organizational structure changes				
Leadership and organizational structure changes				
Severance and severance-related costs				
Severance and severance-related costs				
Severance and severance-related costs				
2022 Strategic Realignment Plan				
2022 Strategic Realignment Plan				
2022 Strategic Realignment Plan				
2022 Strategic Realignment Plan				
Severance and severance-related costs				
Severance and severance-related costs				
Severance and severance-related costs	$ 8,993	$ 6,431	$ —	$ —
Lease and lease-related charges*	11,215	1,061	—	—
Professional and other fees relating to restructuring activities	2,013	—	—	—
Other**	7	1,008	—	—
	22,228	8,500	—	—
22,133				
Other restructuring charges***	2,300	211	7,736	808
Other restructuring charges***				
Other restructuring charges***				
Total restructuring charges	$ 24,528	$ 8,711	$ 7,736	$ 808

2U, Inc.
Notes to Consolidated Financial Statements

* For the year years ended December 31, 2022 December 31, 2023, and 2022, includes $0.7 million and $8.5 million, respectively, of accelerated amortization of right-of-use assets and accelerated depreciation of leasehold improvements related to updates to the estimated useful lives of certain leased facilities and $10.9 million and $3.7 million, respectively, in rent expense associated with these facilities, including amortization of the right-of-use asset and accretion of the operating lease liability, sublease income, and other variable lease costs. The liabilities associated with these leases continue to be presented within lease liability and lease liability, non-current on the Company's condensed consolidated balance sheets.

** Includes the acceleration of certain technology and content development costs.

*** Includes severance and severance-related costs and lease-related charges.

2U, Inc.
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Summary of Accrued Restructuring Liability

The following table presents the additions and adjustments to the accrued restructuring liability on the Company's condensed consolidated balance sheets for the periods indicated.

		Balance as of December 31, 2020	Additional Costs	Cash Payments	Balance as of December 31, 2021	Additional Costs	Cash Payments	Balance as of December 31, 2022	Balance as of December 31, 2021	Additional Costs	Cash Payments	Balance as of December 31, 2022	Additional Costs	Cash Payments	Balance as of December 31, 2023
					(in thousands)								(in thousands)		
Leadership and organizational structure changes															
Severance and severance-related costs															
Severance and severance-related costs															
Severance and severance-related costs															
2022 Strategic Realignment Plan	2022 Strategic Realignment Plan														
2022 Strategic Realignment Plan															
2022 Strategic Realignment Plan															
Severance and severance-related costs															
Severance and severance-related costs															
Severance and severance-related costs	Severance and severance-related costs	$ —	$ —	$ —	$ —	$ 14,762	$ (9,537)	$ 5,225							

Professional and other fees relating to restructuring activities	Professional and other fees relating to restructuring activities	—	—	—	—	1,777	(854)	923
Lease and lease-related charges	Lease and lease-related charges	—	—	—	—	3,351	(3,268)	83
Other severance and severance-related costs	Other severance and severance-related costs	2,714	1,965	(2,944)	1,735	728	(2,002)	461
Other severance and severance-related costs								
Other severance and severance-related costs								
Total restructuring	Total restructuring	$ 2,714	$ 1,965	$(2,944)	$ 1,735	$20,618	$(15,661)	$ 6,692

9. Leases

The Company leases facilities under non-cancellable operating leases primarily in the United States, South Africa, and the United Kingdom. The Company's operating leases have remaining lease terms of between less than one to 11 10 years, some of which include options to extend the leases for up to five years, and some of which include options to terminate the leases within one year. These options to extend the terms of the Company's operating leases were not deemed to be reasonably certain of exercise as of lease commencement and are therefore not included in the determination of their respective non-cancellable lease terms. The future lease payments due under non-cancellable operating lease arrangements contain fixed rent increases over the term of the lease.

In October 2020, the Company entered into an agreement with an unrelated party to sublease a portion of the Company's office space in the United States. In October 2021, the Company entered into an agreement with the same party to sublease additional office space in the same facility. The agreements are coterminous. As of December 31, 2022, the subleases were classified as operating leases and each had a remaining term of 0.8 years, with scheduled annual rent increases and no option to extend or renew the sublease term. Sublease income is recognized on a straight-line basis over the term of the subleases as a reduction to expense incurred by the Company under the associated head lease.

In In August 2021, the Company entered into an agreement with an unrelated party to sublease a portion of the Company's office space in Denver, Colorado, as part of its overall real estate management strategy. As of December 31, 2022 December 31, 2023, this sublease was classified as an operating lease and had a remaining term of 1.9 0.9 years with scheduled annual rent increases and no option to extend or renew the sublease term. Sublease income is recognized on a straight-line basis over the sublease term as a reduction to expense incurred by the Company under the associated master lease. In connection with the execution of this agreement, the Company recognized a non-cash loss on sublease of $4.8 million in the third quarter of 2021.

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

	Year Ended December 31,	
	2022	2021
	(in thousands)	
Operating lease expense	$ 20,943	$ 18,933
Short-term lease expense	470	185
Variable lease expense	6,877	6,279
Sublease income	(1,310)	(489)
Total lease expense	$ 26,980	$ 24,908

2U, Inc.
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	Year Ended December 31,			
	2023		2022	
	(in thousands)			
Operating lease expense	$	17,423	$	20,943
Short-term lease expense		183		470
Variable lease expense		6,588		6,877
Sublease income		(2,021)		(1,310)
Total lease expense	$	22,173	$	26,980

As of December 31, 2022 December 31, 2023, for the Company's operating leases, the weighted-average remaining lease term was 6.9 6.2 years and the weighted-average discount rate was 10.7% 10.8%. For the years ended December 31, 2022 December 31, 2023 and 2021, 2022, cash paid for amounts included in the measurement of operating lease liabilities was $24.5 million $24.4 million and $21.7 million $24.5 million, respectively. There were no lease liabilities arising from obtaining right-of-use assets for the year ended December 31, 2023. There were no lease liabilities arising from obtaining right-of-use assets for the year ended December 31, 2023. For the years year ended December 31, 2022 and 2021, , lease liabilities arising from obtaining right-of-use assets were $15.5 million and $28.0 million, respectively. million.

The following table presents the maturities of the Company's operating lease liabilities as of the date indicated, and excludes the impact of future sublease income totaling $3.1 million $4.7 million in aggregate.

	December 31, 2022
	(in thousands)
2023	$ 24,541

	December 31, 2023		December 31, 2023
	(in thousands)		(in thousands)
2024	2024	24,512	
2025	2025	20,750	
2026	2026	21,321	
2027	2027	21,916	
2028			
Thereafter	Thereafter	51,931	
Total lease payments	Total lease payments	164,971	
Less: imputed interest	Less: imputed interest	(51,353)	
Total lease liability	Total lease liability	$113,618	

10. Debt

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

	December 31, 2022	December 31, 2021
	(in thousands)	

December 31, 2023	December 31, 2023	December 31, 2022

	(in thousands)			(in thousands)
Term loan facilities	Term loan facilities	$566,622	$572,374	
Revolving facility				
Convertible senior notes	Convertible senior notes	380,000	380,000	
Deferred government grant obligations	Deferred government grant obligations	3,500	3,500	
Other borrowings	Other borrowings	3,688	4,423	
Less: unamortized debt discount and issuance costs	Less: unamortized debt discount and issuance costs	(17,666)	(107,777)	
Total debt	Total debt	936,144	852,520	
Less: current portion of long-term debt	Less: current portion of long-term debt	(7,580)	(7,204)	
Total long-term debt	Total long-term debt	$928,564	$845,316	

The Company believes the carrying value of its long-term debt approximates the fair value of the debt as the terms and interest rates approximate the market rates, other than the 2.25% convertible senior notes due 2025 (the "2025 Notes"), Notes, which had an estimated fair value of $241.6 $191.7 million and $403.3 million $241.6 million as of December 31, 2022 December 31, 2023 and 2021, respectively. 2022, respectively, and the 2030 Notes, which had an estimated fair value of $55.0 million as of December 31, 2023. The 2030 Notes, described below, were issued in January 2023. Each of the Company's long-term debt instruments were classified as Level 2 within the fair value hierarchy.

The Company's cash interest payments, net of amounts capitalized, were $61.2 million, $43.8 million $25.5 million and $10.8 $25.5 million for the years ended December 31, 2022 December 31, 2023, 2022 and 2021, and 2020, respectively.

Term Loan Credit and Guaranty Agreement

The On January 9, 2023, the Company entered into a Term Loan an Extension Amendment, Second Amendment and First Incremental Agreement to Credit and Guaranty Agreement, dated June 28, 2021 as of January 9, 2023 (the "Term Loan "Second Amended Credit Agreement"), among which amended the Company, Company's existing term loan facilities, previously referred to as borrower, the subsidiaries Amended Term Loan Facilities. The provisions of the Company party thereto, as guarantors, Second Amended Credit Agreement became effective upon the lenders party thereto, satisfaction of certain conditions set for therein, including, without limitation, the funding of the 2030 Notes referenced below and Alter Domus (US) LLC as administrative agent and collateral agent. the prepayment of certain existing term loans to reduce the outstanding principal amount of term loans outstanding under the Amended Term Loan Facilities from $567 million to $380 million. Pursuant to the Term Loan Second Amended Credit Agreement, the lenders thereunder made agreed to, among other amendments, extend the maturity date of the term loans thereunder from December 28, 2024 to December 28, 2026 (or, if more than $40 million of the Company's 2025 Notes remain outstanding on January 30, 2025, January 30, 2025) and to provide a senior secured first lien revolving loan facility to the Company on June 29, 2021 (the "Funding Date") in the aggregate principal amount of $475 $40 million (the "2021 Term "Revolving Loan Facilities" Facility"). The 2021 termination date for such revolving loans will be June 28, 2026 (or, if more than $50 million of the Company's 2025 Notes remain outstanding on January 1, 2025, January 1, 2025). If the Company does not refinance or raise capital to reduce its debt in the short term, and in the event that the maturity date of the outstanding term loan balance of $372.4 million springs forward to January 30, 2025, the Company's liquidity may not be sufficient to pay off the balance on the accelerated maturity date if the Company does not otherwise sufficiently increase revenues, realize additional operating efficiencies and reduce its expenses. As of December 31, 2023, outstanding borrowings under the Revolving Loan Facility were $40 million. In addition, our Second Amended Credit Agreement includes a financial covenant that requires the Company to maintain $900 million minimum Recurring Revenues (as defined by the Second Amended Credit Agreement) as of the last day of any period of four consecutive fiscal quarters, commencing with the fiscal quarter ending September 30, 2021 through the maturity

date. Failure to maintain this minimum Recurring Revenue may result in a default under the aforementioned financing facilities and therefore result in the acceleration of due dates.

Loans under the Second Amended Credit Agreement will bear interest at a per annum rate equal to (i) with respect to term loans, a base rate or the Term SOFR (as defined in the Second Amended Credit Agreement) rate, as applicable, plus a margin of 5.50% in the case of the base rate loans and 6.50% in the case of Term SOFR loans and (ii) with respect to revolving loans, a base rate or the Term SOFR rate, as applicable, plus a margin of 4.50% in the case of the base rate loans and 5.50% in the case of Term SOFR loans. If the term loans under the Second Amended Credit Agreement are prepaid or amended prior to the six month anniversary of the Second Amended Credit Agreement in connection with a Repricing Event (as defined in the Second Amended Credit Agreement), the Company shall pay a prepayment premium of 1.0% of the amount of the loans so prepaid.

Prior to the amendment, loans under the Amended Term Loan Facilities have an initial maturity date of December 28, 2024 (the "Maturity Date"). Commencing on the Funding Date, loans under the 2021 Term Loan Facilities will bear bore interest at a per annum rate equal to a base rate or adjusted Eurodollar rate, as applicable, plus the applicable margin of 4.75% in the case of the base rate loans and 5.75% in the case of the Eurodollar loans. The Term Loan Agreement requires the Company to make quarterly principal repayments equal to 0.25% of the $475 million aggregate principal amount, beginning September 2021. If the loans under the 2021 Term Loan Facilities are prepaid prior to the second anniversary, subject to certain customary exceptions, the Company shall pay the Applicable Premium (as defined in the Term Loan Agreement) on the amount of the loans so prepaid.

On November 4, 2021, the Company entered into a First Amendment to Term Loan Credit and Guaranty Agreement and a Joinder Agreement (the "First Amended Term Loan Agreement"), which amended the Term Loan Agreement (collectively, the "First Amended Term Loan Facility") primarily to provide for an incremental facility to the Company in an original principal amount of $100 million (together with the 2021 Term Loan Facilities, the "Amended Term Loan Facilities"). The Company is required to make quarterly principal repayments equal to 0.25% of this original the aggregate principal amount beginning in December 2021. The proceeds of the First Amended Term Loan Agreement may be used for general corporate purposes.

The associated effective interest rate of the Amended Term Loan Facilities for the years ended December 31, 2022 and 2021 was approximately 9.10% and 7.56%, respectively, and the associated interest expense was approximately $51.2 million and $19.5 million, respectively. amount.

The obligations under the Second Amended Term Loan Facilities Credit Agreement are guaranteed by certain of the Company's subsidiaries (the Company and the guarantors, collectively, the "Credit Parties"). The obligations under the Second Amended Term Loan Facilities Credit Agreement are secured, subject to customary permitted liens and other agreed-upon exceptions, by a perfected security interest in all tangible and intangible assets of the Credit Parties, except for certain customary excluded assets.

The Second Amended Term Loan Facilities contain Credit Agreement contains customary affirmative covenants, including, among others, the provision of annual and quarterly financial statements and compliance certificates, maintenance of property, insurance, compliance with laws and environmental matters. The Second Amended Term Loan Facilities contain Credit Agreement contains customary negative covenants, including, among others, restrictions on the incurrence of indebtedness, granting of liens, making investments and acquisitions, paying dividends, repurchases of equity interests in the Company and entering into affiliate transactions and asset sales. The Second Amended Term Loan Facilities contain Credit Agreement contains (i) a financial covenant for the benefit of the lenders that requires the Company to maintain minimum Recurring Revenues (as defined in the First Second Amended Term Loan Credit Agreement) as of the last day of any period of four consecutive fiscal quarters of the Company commencing with fiscal quarter ending September 30, 2021 through the Maturity Date. maturity date and (ii) three financial covenants solely for the benefit of the revolving lenders, in respect of a maximum consolidated senior secured net leverage ratio, a maximum consolidated total net leverage ratio, and a minimum consolidated fixed charge coverage ratio. The Second Amended Term Loan Facilities Credit Agreement also provide provides for customary events of default, including, among others: non-payment of obligations; bankruptcy or insolvency event; failure to comply with covenants; breach of representations or warranties; defaults on other material indebtedness; impairment of any lien on any material portion of the Collateral (as defined in the Second Amended Term Loan Facilities) Credit Agreement); failure of any material provision of the Second Amended Term Loan Facilities Credit Agreement or any guaranty to remain in full force and effect; a change of control of the Company; and material judgment defaults. The occurrence of an event of default could result in the acceleration of obligations under the Second Amended Term Loan Facilities. Credit Agreement. As of both December 31, 2023 and 2022, the Company was in compliance with the covenants under the Second Amended Credit Agreement.

If an event of default under the Second Amended Term Loan Facilities Credit Agreement occurs and is continuing, then, at the request (or with the consent) of the lenders holding a majority the applicable requisite amount of the commitments and loans under the Second Amended Term Loan Facilities, Credit Agreement, upon notice by the administrative agent to the borrowers, the obligations under the Second Amended Term Loan Facilities Credit Agreement shall become immediately due and payable. In addition, if the Credit Parties become the subject of voluntary or involuntary proceedings under any bankruptcy, insolvency or similar law, then any outstanding obligations under the Second Amended Term Loan Facilities Credit Agreement will automatically become immediately due and payable.

Credit Agreement

On June 25, 2020, As of December 31, 2023 and 2022, the Company entered into a credit agreement (the "Credit Agreement") with Morgan Stanley Senior Funding, Inc., as administrative agent balance of unamortized debt discount and collateral agent, and certain other lenders party thereto that provided for $50 million in revolving loans (the "Loans"). The issuance costs related to the term loan under the Second Amended Credit Agreement allowed for incremental borrowings from time to time in an aggregate amount for all such incremental amounts not to exceed (i) the lesser of (x) $50 was $21.7 million and (y) an amount such that $12.8 million, respectively. For the aggregate principal amount of years ended December 31, 2023 and 2022, the lenders' commitments associated effective interest rate for the term loan under the revolving credit facility does not exceed $100 million, plus (ii) certain specified prepayments of indebtedness, plus (iii) an unlimited amount subject to satisfaction of a leverage ratio based compliance test.

The Loans bore Second Amended Credit Agreement was approximately 14.4% and 9.1%, respectively. For the year ended December 31, 2023 the associated interest at the Company's option, at variable rates based on (i) a customary base rate plus an applicable margin of 2.75% or (ii) an adjusted LIBOR rate (with a floor of 0.00%) for the interest period relevant to such borrowing plus an applicable margin of 3.75%. In connection with entering into revolving loan under the Term Loan Agreement in June 2021, the Company terminated the Second Amended Credit Agreement was approximately 10.7%. For the years ended December 31, 2023 and recognized a loss on debt extinguishment of $1.1 2022, the associated interest expense for these facilities was approximately $54.9 million in connection with the write-off of previously capitalized deferred financing costs and associated fees. $51.2 million, respectively.

Convertible Senior Notes

2025 Notes

In April 2020, the Company issued the 2025 Notes in an aggregate principal amount of $380 million, including the exercise by the initial purchasers of an option to purchase additional 2025 Notes, in a private placement to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended. The net proceeds from the offering of the 2025 Notes were approximately $369.6 million after deducting the initial purchasers' discounts, commissions and offering expenses payable by the Company.

The 2025 Notes are governed by an indenture (the "2025 Indenture") between the Company and Wilmington Trust, National Association, as trustee. The 2025 Notes bear interest at a rate of 2.25% per annum, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2020. The 2025 Notes will mature on May 1, 2025, unless earlier repurchased, redeemed or converted. converted and contain a cross-acceleration provision tied to the acceleration of the Second Amended Credit Agreement.

The 2025 Notes are the senior, unsecured obligations of the Company and are equal in right of payment with the Company's senior unsecured indebtedness, senior in right of payment to the Company's indebtedness that is expressly subordinated to the 2025 Notes, effectively subordinated to the Company's senior secured indebtedness (including indebtedness under the Second Amended Term Loan Facilities) Credit Agreement), to the extent of the value of the collateral securing that indebtedness, and structurally

2U, Inc.
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subordinated to all indebtedness and other liabilities, including trade payables, and (to the extent the Company is not a holder thereof) preferred equity, if any, of the Company's subsidiaries.

The net carrying amount of the 2025 Notes consists of the following as of each of the dates indicated:

	December 31, 2023			December 31, 2023	December 31, 2022
		December 31, 2022	December 31, 2021		
		(in thousands)			
		(in thousands)			
		(in thousands)			
		(in thousands)			
Principal	Principal	$380,000	$380,000		
Unamortized debt discount for conversion option		—	(83,609)		
Unamortized issuance costs	Unamortized issuance costs	(4,898)	(5,104)		
Net carrying amount	Net carrying amount	$375,102	$291,287		

Issuance costs are being amortized to interest expense over the contractual term of the 2025 Notes. Subsequent to the adoption of ASU 2020-06 in the first quarter of 2022, the effective interest rate used to amortize the issuance costs was 2.8%. The interest expense related to the 2025 Notes for the years ended December 31, 2022 December 31, 2023 and 2021 2022 was $10.6 million and $30.9 $10.6 million, respectively.

Holders may convert their 2025 Notes at their option in the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on September 30, 2020 (and only during such calendar quarter), if the last reported sale price per share of the Company's common stock, exceeds 130% of the conversion price for each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter;
- during the five consecutive business days immediately after any 10 consecutive trading day period (such 10 consecutive trading day period, the "measurement period") in which the trading price per $1,000 principal amount of 2025 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company's common stock on such trading day and the conversion rate on such trading day;

- upon the occurrence of certain corporate events or distributions on the Company's common stock, as provided in the 2025 Indenture;
- if the Company calls such 2025 Notes for redemption; and
- at any time from, and including, November 1, 2024 until the close of business on the second scheduled trading day immediately before the maturity date.

The initial conversion rate for the 2025 Notes is 35.3773 shares of the Company's common stock per $1,000 principal amount of 2025 Notes, which represents an initial conversion price of approximately $28.27 per share of the Company's common stock, and is subject to adjustment upon the occurrence of certain specified events as set forth in the 2025 Indenture. Upon conversion, the Company will pay or deliver, as applicable, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election. In the event of the Company calling the 2025 Notes for redemption or the holders of the 2025 Notes electing to convert their 2025 Notes, the Company will determine whether to settle in cash, common stock or a combination thereof. Upon the occurrence of a "make-whole fundamental change" (as defined in the 2025 Indenture), the Company will in certain circumstances increase the conversion rate for a specified period of time. As of December 31, 2022 December 31, 2023, the if-converted value of the 2025 Notes did not exceed the principal amount.

In addition, upon the occurrence of a "fundamental change" (as defined in the 2025 Indenture), holders of the 2025 Notes may require the Company to repurchase their 2025 Notes at a cash repurchase price equal to the principal amount of the 2025 Notes to be repurchased, plus accrued and unpaid interest, if any.

The 2025 Notes will be redeemable, in whole or in part, at the Company's option at any time, and from time to time, on or after May 5, 2023 and on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption

price equal to the principal amount of the 2025 Notes to be redeemed, plus accrued and unpaid interest, if any, but only if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice, and (ii) the trading day immediately before the date the Company sends such notice. In addition, calling any Note for redemption will constitute a "make-whole fundamental change" with respect to that Note, in which case the conversion rate applicable to the conversion of that Note will be increased in certain circumstances if such Note is converted after it is called for redemption. No sinking fund is provided for the 2025 Notes.

As of December 31, 2022 December 31, 2023, the conditions allowing holders of the 2025 Notes to convert had not been met and the Company has the right under the 2025 Indenture to determine the method of settlement at the time of conversion. Therefore, the 2025 Notes are classified as non-current on the consolidated balance sheets.

In connection with the 2025 Notes, the Company entered into privately negotiated capped call transactions (the "Capped Call Transactions") with certain counterparties. The Capped Call Transactions are generally expected to reduce potential dilution to the Company's common stock upon any conversion of 2025 Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted 2025 Notes, as the case may be, with such reduction and/or offset subject to a cap, based on the cap price of the Capped Call Transactions. The cap price of the Capped Call Transactions is initially $44.34 per share. The cost of the Capped Call Transactions was approximately $50.5 million.

In April 2020, the Company used a portion of the proceeds from the sale of the 2025 Notes to repay in full all amounts outstanding, and discharge all obligations in respect of, the $250 million senior secured term loan facility. The Company intends to use the remaining net proceeds from the sale of the 2025 Notes for working capital or other general corporate purposes, which may include capital expenditures, potential acquisitions and strategic transactions.

2030 Notes

On January 11, 2023, the Company issued the 2030 Notes in an aggregate principal amount of $147.0 million. The 2030 Notes are governed by an indenture (the "2030 Indenture") between the Company and Wilmington Trust, National Association, as trustee. The 2030 Notes bear interest at a rate of 4.50% per annum, payable semi-annually in arrears on February 1 and August 1 of each year, beginning on August 1, 2023. The 2030 Notes mature on February 1, 2030, unless earlier redeemed or repurchased by the Company or converted and contain a cross-acceleration provision tied to the acceleration of the Second Amended Credit Agreement. The net proceeds from the issuance of the 2030 Notes was $127.1 million.

The 2030 Notes are the senior, unsecured obligations of the Company and are equal in right of payment with the Company's senior indebtedness, senior in right of payment to the Company's indebtedness that is expressly subordinated to the 2030 Notes, effectively subordinated to the Company's senior secured indebtedness, to the extent of the value of the collateral securing that indebtedness, and structurally subordinated to all indebtedness and other liabilities, including trade payables, and (to the extent the Company is not a holder thereof) preferred equity, if any, of the Company's subsidiaries.

The net carrying amount of the 2030 Notes consist of the following as of the date indicated:

		December 31, 2023
		(in thousands)
Principal	$	147,000
Unamortized debt discount and issuance costs		(19,136)
Net carrying amount	$	127,864

Issuance costs are being amortized to interest expense over the contractual term of the 2030 Notes. The effective interest rate used to amortize the issuance costs was 7.4% for year ended December 31, 2023. The interest expense related to the 2030 Notes for the year ended December 31, 2023 was $9.1 million.

Holders may convert their 2030 Notes at their option in the following circumstances:

- at any time from, and after January 11, 2023 until the close of business on the second scheduled trading day immediately before the maturity date;
- upon the occurrence of certain corporate events or distributions on the Common Stock as provided in the Indenture;
- if the Company calls such 2030 Notes for redemption; subject to the right of certain holders to elect a delayed conversion period for any such 2030 Notes called for redemption that would cause such holders to beneficially own shares of Common Stock, in excess of the Ownership Cap (as defined below), over which threshold a settlement of such conversion could be made in cash; and
- upon the occurrence of a default with regard to the Company's financial covenants under the Indenture.

The initial conversion rate for the 2030 Notes is 111.1111 shares of Common Stock per $1,000 principal amount of 2030 Notes, which represents an initial conversion price of approximately $9.00 per share, and is subject to adjustment upon the occurrence of certain specified events as set forth in the 2030 Indenture. Upon conversion, the Company will pay or deliver, as applicable, cash, shares of Common Stock or a combination of cash and shares of Common Stock, at the Company's election (subject to aforementioned Ownership Cap). Upon the occurrence of a "Make-Whole Fundamental Change" (as defined in the 2030 Indenture) the Company will in certain circumstances increase the conversion rate for a specified period of time.

In addition, upon the occurrence of a "Fundamental Change" (as defined in the 2030 Indenture), holders of the 2030 Notes may require the Company to repurchase their 2030 Notes at a cash repurchase price equal to the principal amount of the 2030 Notes to be repurchased, plus accrued and unpaid interest, if any.

The 2030 Notes are redeemable, in whole or in part, at the Company's option at any time, and from time to time, subject to limited exceptions with respect to 2030 Notes that cannot be immediately physically settled due to the Ownership Cap, on or after January 11, 2026 and on or before the 30th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the 2030 Notes to be redeemed, plus accrued and unpaid interest, if any, but only if the last reported sale price per share of Common Stock exceeds 130% of the conversion price on each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice. In addition, calling any Note for redemption will constitute a Make-Whole Fundamental Change with respect to that Note, in which case the conversion rate applicable to the conversion of that Note will be increased in certain circumstances if such Note is converted after it is called for redemption. No sinking fund is provided for the 2030 Notes. The Company used cash on hand and the proceeds from the offering of the 2030 Notes to repay a portion of the amounts outstanding under the Amended Term Loan Facilities.

The Company has the right under the 2030 Indenture to determine the method of settlement at the time of conversion. Therefore, the 2030 Notes are classified as non-current on the consolidated balance sheets.

Deferred Government Grant Obligations

Government grants awarded to the Company in the form of forgivable loans are recorded within long-term debt on the Company's consolidated balance sheets until all contingencies are resolved and the grants are determined to be realized. The Company has a total of two outstanding conditional loan agreements with Prince George's County, Maryland and the State of Maryland for an aggregate amount of $3.5 million, each bearing an interest rate of 3% per annum. These agreements are

conditional loan obligations that may be forgiven, provided that the Company attains certain conditions related to employment levels at 2U's Lanham, Maryland headquarters.

In July 2020, the Company amended its conditional loan agreement with Prince George's County to modify the terms of the employment level thresholds. The conditional loan with Prince George's County has a maturity date of June 22, 2027.

In January 2021, and the Company amended its conditional loan agreement with the State of Maryland to modify the terms of the employment level thresholds and extend the has a maturity date to of June 30, 2028.

The interest expense related to these loans for each of the years ended December 31, 2022 December 31, 2023 and 2021 2022 was immaterial. As of December 31, 2022 and 2021, the Company's combined accrued interest balance associated with the deferred government grant obligations was $0.6 million and $0.5 million, respectively.

Letters of Credit

Certain of the Company's operating lease agreements entered into require security deposits in the form of cash or an unconditional, irrevocable letter of credit. As of December 31, 2022 December 31, 2023, the Company has entered into standby letters of credit totaling $14.2 million $12.1 million as security deposits for the applicable leased facilities and in connection with the deferred government grant obligations.

The Company maintains restricted cash as collateral for standby letters of credit for the Company's leased facilities and in connection with the deferred government grant obligations.

Future Principal Payments

Future principal payments for the term loan under the Second Amended Term Loan Facilities, Credit Agreement, the 2025 Notes, the 2030 Notes, and the government grants, as of the date indicated are as follows:

		December 31, 2021	
		(in thousands)	
2023		$ 5,753	
2024		560,869	
	December 31, 2023		**December 31, 2023**
	(in thousands)		**(in thousands)**
2024*			
2025	2025	380,000	
2026	2026	—	
2027	2027	1,500	
Thereafter*		2,000	
2028			
Thereafter			
Total future principal payments	Total future principal payments	$950,122	

* Amounts represent due in 2024 include $1.5 million and $2.0 million of conditional loan obligations that may be forgiven, provided that the Company attains certain conditions related to employment levels at 2U's Lanham, Maryland headquarters.

Subsequent Event

On January 9, 2023, the Company entered into an Extension Amendment, Second Amendment and First Incremental Agreement to Credit and Guaranty Agreement, dated as of January 9, 2023 (the "Second Amended Credit Agreement"), which amended the Amended Term Loan Facilities . The provisions of the Second Amended Credit Agreement became effective upon the satisfaction of certain conditions set for therein, including, without limitation, the funding of the 2030 Notes referenced below and the prepayment of certain existing term loans to reduce the outstanding principal amount of term loans outstanding under the Amended Term Loan Facilities from $567 million to $380 million. Pursuant to the Second Amended Credit Agreement, the lenders thereunder agreed to, among other amendments, extend the maturity date of the term loans thereunder from December 28, 2024 to December 28, 2026 (or, if more than $40 million of the Company's 2025 Notes remain outstanding on January 30, 2025, January 30, 2025) and to provide a senior secured first lien revolving loan facility to the Company in the principal amount of $40 million. The termination date for such revolving loans will be June 28, 2026 (or, if more than $50 million of the Company's 2025 Notes remain outstanding on January 1, 2025, January 1, 2025).

Loans under the Second Amended Credit Agreement will bear interest at a per annum rate equal to (i) with respect to term loans, a base rate or the Term SOFR (as defined in the Second Amended Credit Agreement) rate, as applicable, plus a margin of 5.50% in the case of the base rate loans and 6.50% in the case of Term SOFR loans and (ii) with respect to revolving loans, a base rate or the Term SOFR rate, as applicable, plus a margin of 4.50% in the case of the base rate loans and 5.50% in the case of Term SOFR loans. If the term loans under the Second Amended Credit Agreement are prepaid or amended prior to the six month anniversary of the Second Amended Credit Agreement in connection with a Repricing Event (as defined in the Second Amended Credit Agreement), the Company shall pay a prepayment premium of 1.0% of the amount of the loans so prepaid.

The obligations under the Second Amended Credit Agreement are guaranteed by the Credit Parties. The obligations under the Second Amended Credit Agreement are secured, subject to customary permitted liens and other agreed-upon exceptions, by a perfected security interest in all tangible and intangible assets of the Credit Parties, except for certain customary excluded assets.

The Second Amended Credit Agreement contains customary affirmative covenants, including, among others, the provision of annual and quarterly financial statements and compliance certificates, maintenance of property, insurance, compliance with laws and environmental matters. The Second Amended Credit Agreement contains customary negative covenants, including, among others, restrictions on the incurrence of indebtedness, granting of liens, making investments and acquisitions, paying dividends, repurchases of equity interests in the Company and entering into affiliate transactions and asset sales. The Second Amended Credit Agreement contains (i) a financial covenant for the benefit of the lenders that requires the Company to maintain minimum Recurring Revenues (as defined in the Second Amended Credit Agreement) as of the last day of any period of four consecutive fiscal quarters of the Company commencing with fiscal quarter ending September 30, 2021 through the maturity date and (ii) three financial covenants solely for the benefit of the revolving lenders, in respect of a maximum

consolidated senior secured net leverage ratio, a maximum consolidated total net leverage ratio, and a minimum consolidated fixed charge coverage ratio. The Second Amended Credit Agreement also provides for customary events of default, including, among others: non-payment of obligations; bankruptcy or insolvency event; failure to comply with covenants; breach of representations or warranties; defaults on other material indebtedness; impairment of any lien on any material portion of the Collateral (as defined in the Second Amended Credit Agreement); failure of any material provision of the Second Amended Credit Agreement or any guaranty to remain in full force and effect; a change of control of the Company; and material judgment defaults. The occurrence of an event of default could result in the acceleration of obligations under the Second Amended Credit Agreement.

If an event of default under the Second Amended Credit Agreement occurs and is continuing, then, at the request (or with the consent) of the lenders holding the applicable requisite amount of commitments and loans under the Second Amended Credit Agreement, upon notice by the administrative agent to the borrowers, the obligations under the Second Amended Credit Agreement shall become immediately due and payable. In addition, if the Credit Parties become the subject of voluntary or involuntary proceedings under any bankruptcy, insolvency or similar law, then any outstanding obligations under the Second Amended Credit Agreement will automatically become immediately due and payable.

On January 11, 2023, the Company issued the notes (the “2030 Notes”) in an aggregate principal amount of $147.0 million. The 2030 Notes are governed by an indenture (the “2030 Indenture”) between the Company and Wilmington Trust, National Association, as trustee. The 2030 Notes bear interest at a rate of 4.50% per annum, payable semi-annually in arrears on February 1 and August 1 of each year, beginning on August 1, 2023. The 2030 Notes mature on February 1, 2030, unless earlier redeemed or repurchased by us or converted. The net proceeds from the issuance of the 2030 Notes was $127.1 million.

The 2030 Notes are the senior, unsecured obligations of the Company and are equal in right of payment with the Company’s senior indebtedness, senior in right of payment to the Company’s indebtedness that is expressly subordinated to the 2030 Notes, effectively subordinated to the Company’s senior secured indebtedness, to the extent of the value of the collateral securing that indebtedness, and structurally subordinated to all indebtedness and other liabilities, including trade payables, and (to the extent the Company is not a holder thereof) preferred equity, if any, of the Company’s subsidiaries.

Holders may convert their 2030 Notes at their option at any time from, and after January 11, 2023 until the close of business on the second scheduled trading day immediately before the maturity date, including if the Company calls such 2030 Notes for redemption, subject to the right of certain holders to elect a delayed conversion period for any such 2030 Notes called for redemption the selected settlement of which would cause such holders to beneficially own shares of Common Stock in excess of the Ownership Cap (as defined in the 2030 Indenture).

The initial conversion rate for the 2030 Notes will be 111.1111 shares of Common Stock per $1,000 principal amount of 2030 Notes, which represents an initial conversion price of approximately $9.00 per share, and is subject to adjustment upon the occurrence of certain specified events as set forth in the 2030 Indenture. Upon conversion, the Company will pay or deliver, as applicable, cash, shares of Common Stock or a combination of cash and shares of Common Stock, at the Company’s election (subject to aforementioned Ownership Cap). Upon the occurrence of a “Make-Whole Fundamental Change” (as defined in the 2030 Indenture) the Company will in certain circumstances increase the conversion rate for a specified period of time.

In addition, upon the occurrence of a “Fundamental Change” (as defined in the 2030 Indenture), holders of the 2030 Notes may require the Company to repurchase their 2030 Notes at a cash repurchase price equal to the principal amount of the 2030 Notes to be repurchased, plus accrued and unpaid interest, if any.

The 2030 Notes will be redeemable, in whole or in part, at the Company’s option at any time, and from time to time, subject to limited exceptions with respect to 2030 Notes that cannot be immediately physically settled due to the Ownership Cap, on or after January 11, 2026 and on or before the 30th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the 2030 Notes to be redeemed, plus accrued and unpaid interest, if any, but only if the last reported sale price per share of Common Stock exceeds 130% of the conversion price on each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice. In addition, calling any Note for redemption will constitute a Make-Whole Fundamental Change with respect to that Note, in which case the conversion rate applicable to the conversion of that Note will be increased in certain circumstances if such Note is converted after it is called for redemption. No sinking fund is provided for the 2030 Notes. The Company used cash on hand and the proceeds from the offering of the 2030 Notes to repay a portion of the amounts outstanding under the Amended Term Loan Facilities.

11. Other Income (Expense)

The following table presents the components of other income (expense) on the Company’s consolidated statements of operations and comprehensive loss for each of the periods indicated.

Year Ended December 31,	Year Ended December 31,

	2022	2021	2020
	(in thousands)		
Other income (expense):			
Gain on sale of investment	$ —	$27,762	$ —
Foreign currency loss	(4,205)	(2,491)	(1,429)
Other	390	(2,947)	—
Total	$(3,815)	$22,324	$(1,429)

	2023	2022	2021
	(in thousands)		
Other income (expense):			

During the year ended December 31, 2021, the Company recorded a gain of $27.8 million on the sale of its interest in an education technology company. Refer to Note 7 for further information.

12. Income Taxes

The following table presents the components of loss before income taxes on the Company's consolidated statements of operations and comprehensive loss for each of the periods indicated.

	Year Ended December 31,		
	2022	2021	2020
	(in thousands)		
Loss before income taxes:			
United States	$(302,541)	$(172,856)	$(204,522)
Foreign	(20,513)	(23,106)	(13,476)
Total	$(323,054)	$(195,962)	$(217,998)

	Year Ended December 31,		
	2023	2022	2021
	(in thousands)		
Loss before income taxes:			

The following table presents the components of the income tax (provision) benefit (provision) on the Company's consolidated statements of operations and comprehensive loss for each of the periods indicated.

	Year Ended December 31,		
	2022	2021	2020
	(in thousands)		
Current income tax (provision) benefit:			
United States federal and state	$ (393)	$ (240)	$ (347)
Foreign	(224)	(636)	(249)

	Year Ended December 31,		
	2023	2022	2021
	(in thousands)		
United States federal and state			
United States federal and state			

Total current income tax provision	Total current income tax provision	$ (617)	$ (876)	$ (596)
Deferred income tax (provision) benefit:	Deferred income tax (provision) benefit:			
Deferred income tax (provision) benefit:				
Deferred income tax (provision) benefit:				
United States federal and state	United States federal and state	$ 389	$ (389)	$ —
Foreign	Foreign	1,131	2,461	2,110
Total deferred income tax benefit		$1,520	$2,072	$2,110
Total deferred income tax (provision) benefit				
Total income tax benefit		$ 903	$1,196	$1,514
Total income tax (provision) benefit				
Total income tax (provision) benefit				
Total income tax (provision) benefit				

The following table presents a reconciliation between the Company’s statutory federal income tax rate and the effective tax rate for each of the periods indicated.

	Year Ended December 31,		
	2023	2022	2021
U.S. statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Increase (decrease) resulting from:			
U.S. state income taxes, net of federal benefits	4.4	4.3	4.4
Foreign tax rate differential	0.2	0.1	0.1
Non-deductible compensation	(0.1)	(0.5)	(6.7)
Stock-based compensation	(1.6)	(1.1)	6.7
Change in valuation allowance	(18.9)	(20.2)	(26.5)
Non-deductible impairment	(3.2)	(0.1)	—
Other	(2.3)	(3.2)	1.6
Effective tax rate	(0.5) %	0.3 %	0.6 %

	Year Ended December 31,		
	2022	2021	2020
U.S. statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Increase (decrease) resulting from:			
U.S. state income taxes, net of federal benefits	4.3	4.4	5.0
Foreign tax rate differential	0.1	0.1	0.3
Non-deductible compensation	(0.5)	(6.7)	(2.0)
Stock-based compensation	(1.1)	6.7	0.7
Change in valuation allowance	(20.2)	(26.5)	(23.9)
Other	(3.3)	1.6	(0.4)
Effective tax rate	0.3 %	0.6 %	0.7 %

The following table presents the significant components of deferred tax assets and liabilities on the Company's consolidated balance sheets as of each of the dates indicated.

		As of December 31,			As of December 31,	
		2022	2021		2023	2022
		(in thousands)			(in thousands)	
Deferred tax assets:	Deferred tax assets:			Deferred tax assets:		
Accrued expenses and other	Accrued expenses and other	$ 12,217	$ 12,095			
Accrued compensation and related benefits	Accrued compensation and related benefits	3,253	10,285			
Property and equipment	Property and equipment	676	100			
Stock-based compensation	Stock-based compensation	19,644	21,729			
Deferred income	Deferred income	1,343	2,096			
Lease liability	Lease liability	24,865	24,463			
Intangible assets						
Interest expense carryforwards	Interest expense carryforwards	27,405	12,868			
Foreign net operating loss carryforwards	Foreign net operating loss carryforwards	8,480	6,981			
U.S. net operating loss carryforwards	U.S. net operating loss carryforwards	218,319	208,585			
Valuation allowance	Valuation allowance	(277,840)	(190,779)			
Total deferred tax assets	Total deferred tax assets	$ 38,362	$108,423			
Deferred tax liabilities:	Deferred tax liabilities:			Deferred tax liabilities:		
Prepaid expenses and other		$ —	$ (322)			
Right-of-use assets	Right-of-use assets	(14,097)	(15,310)			
Intangibles		(22,957)	(70,865)			

Intangible assets			
Deferred rent	Deferred rent	(383)	(414)
Nondeductible interest on debt discount		—	(22,083)
Total deferred tax liabilities	Total deferred tax liabilities	(37,437)	(108,994)
Net deferred tax assets (liabilities)		$ 925	$ (571)
Net deferred tax (liabilities) assets			

As of December 31, 2022 December 31, 2023, the Company had a U.S. net operating loss ("NOL") carryforward of approximately $832.4 $829.7 million, of which $265.0 million $264.0 million expires between 2029 and 2037. In accordance with the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), U.S. NOLs arising in a tax year ending after 2017 will not expire. The Company has generated $567.4 million $565.7 million of U.S. NOLs in tax years ending after 2017. The gross amount of the state NOL carryforwards is equal to or less than the federal NOL carryforwards and expires over various periods based on individual state tax laws. The Company also has an NOL carryforward of $33.6 million $42.4 million in its foreign jurisdictions, of which $0.8 $0.4 million begins to expire in 2038 and the remainder will not expire. A full valuation allowance has been established to offset its net deferred tax assets in the U.S., and certain foreign jurisdictions as the Company has not generated taxable income since inception and does not have sufficient deferred tax

liabilities to recover the deferred tax assets in these jurisdictions. The total increase in the valuation allowance was $87.1 $60.0 million for the year ended December 31, 2022 December 31, 2023. The utilization of the NOL carryforwards to reduce future income taxes will depend on the Company's ability to generate sufficient taxable income prior to the expiration of the NOL carryforwards. Under the provisions of Internal Revenue Code Section 382, certain substantial changes in the Company's ownership may result in a limitation on the amount of U.S. net operating loss carryforwards that could be utilized annually to offset future taxable income and taxes payable. The Company does not expect such limitation, if any, to impact the use of the net operating losses prior to their expiration.

As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company has not recognized any amounts for uncertain tax positions.

The Company has analyzed its filing positions in all significant federal, state and foreign jurisdictions where it is required to file income tax returns, as well as open tax years in these jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local tax examinations by tax authorities for the years prior to 2019, 2020, though the NOL carryforwards can be adjusted upon audit and could impact taxes owed in open tax years. No income tax returns are currently under examination by the taxing authorities.

The Tax Act includes Global Intangible Low-Taxed Income ("GILTI") provisions that require a company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible

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assets. Due to foreign subsidiary losses, this provision did not apply to the Company in 2022. 2023. Another significant section of the Tax Act, the Base Erosion Anti-Abuse Tax ("BEAT"), did not apply to the Company's 2022 2023 tax year as the Company's base erosion payments are less than 3% of the Company's total deductions. As these taxes may become applicable in the future, the Company will continue to monitor the potential impact.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which, among other things, implements a 15% minimum tax on book income of certain large corporations, a 1% excise tax on net stock repurchases and several tax incentives to promote clean energy. Currently, the Company does not expect this legislation will have a material impact on its consolidated financial statements.

In 2021, the Organization of Economic Cooperation and Development introduced its Pillar Two Framework Model Rules ("Pillar 2"), which is designed to impose a 15% global minimum tax on adjusted financial results. Certain aspects of Pillar 2 took effect on January 1, 2024, while other aspects go into effect on January 1, 2025. The Company will continue to monitor the potential impact of Pillar 2 on its business, as the countries in which it operates are enacting legislation implementing Pillar 2. While many aspects of the application of Pillar 2 remain to be clarified, the Company does not expect Pillar 2 to materially impact its tax liability.

13. Stockholders' Equity

Common Stock

As of December 31, 2022 December 31, 2023, 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 December 31, 2022 December 31, 2023, there were 78,334,666 82,260,619 shares of common stock outstanding, and the

Company had reserved a total of 28,727,505 47,216,572 of its authorized shares of common stock for future issuance as follows:

	Shares Reserved for Future Issuance
Outstanding restricted stock units	4,739,861 4,595,630
Outstanding performance restricted stock units	1,651,864 1,404,125
Outstanding stock options	5,195,538 4,103,758
Reserved for convertible senior notes	17,140,242 37,113,059
Total shares of common stock reserved for future issuance	28,727,505 47,216,572

On August 6, 2020, the Company sold 6,800,000 shares of the Company's common stock to the public. The Company received net proceeds of $299.8 million, which the Company uses for working capital and other general corporate purposes.

Stock-Based Compensation

The Company maintains two stock-based compensation plans: the Amended and Restated 2014 Equity Incentive Plan (the "2014 Plan") and the 2008 Stock Incentive Plan (the "2008 Plan" and together with the 2014 Plan, the "Stock Plans"). Upon the effective date of the 2014 Plan in January 2014, the Company ceased using the 2008 Plan to grant new equity awards.

2014 Plan

In February 2014, the Company's stockholders approved the 2014 Plan. The 2014 Plan provides for the grant of incentive stock options to the Company's employees and for the grant of nonstatutory stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights, performance stock awards and other forms of stock compensation to the Company's employees, directors and consultants. The 2014 Plan also provides for the grant of performance-based cash awards to the Company's employees, directors and consultants.

A total of 2,800,000 shares of the Company's common stock were initially reserved for issuance pursuant to the 2014 Plan. In addition, the shares reserved for issuance under the 2014 Plan include (a) those shares reserved but unissued under the 2008 Plan, and (b) shares returned to the 2008 Plan as the result of expiration or termination of awards (provided that the maximum number of shares that may be added to the 2014 Plan pursuant to (a) and (b) is 5,943,348 shares). The number of shares of the Company's common stock that may be issued under the 2014 Plan will automatically increase on January 1st of each year, for a period of ten years, from January 1, 2015 continuing through January 1, 2024, by 5% of the total number of shares of the Company's common stock outstanding on December 31st of the preceding calendar year, or a lesser number of shares as may

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

be determined by the Company's board of directors. The shares available for future issuance under the 2014 Plan increased by 4,113,030 and 3,916,733 on January 1, 2024 and 3,782,719 on January 1, 2023 and 2022, 2023, respectively, pursuant to the automatic share reserve increase provision in the 2014 Plan.

In addition, shares subject to outstanding stock awards granted under the 2008 Plan and 2014 Plan that (i) expire or terminate for any reason prior to exercise or settlement; (ii) are forfeited because of the failure to meet a contingency or condition required to vest such shares or otherwise return to the Company; or (iii) are reacquired or withheld (or not issued) to satisfy a tax withholding obligation in connection with an award or to satisfy the purchase price or exercise price of a stock award, return to the 2014 Plan's share reserve and become available for future grant under the 2014 Plan, up to the maximum number of shares of 5,943,348.

As of December 31, 2022 December 31, 2023, the Company had 3,753,633 6,904,662 shares available for issuance under the 2014 Plan. Further, as of December 31, 2022 December 31, 2023, under the 2014 Plan, options to purchase 4,673,230 4,103,758 shares of the Company's common stock were outstanding at a weighted-average exercise price of $27.25 $27.79 per share, and 4,739,861 4,595,630 RSUs and 1,651,864 1,404,125 PRSUs were also outstanding.

2008 Plan

In October 2008, the Company's stockholders approved the Company's 2008 Plan. The 2008 Plan was most recently amended on May 8, 2013. The 2008 Plan provided for the grant of incentive stock options to the Company's employees and the employees of the Company's subsidiaries, and for the grant of nonstatutory stock options, restricted stock awards and deferred stock awards to the Company's employees, directors and consultants. The Company ceased granting equity awards under the 2008 Plan, and accordingly, as of January 30, 2014, no shares were available for future grant under the 2008 Plan. However, the 2008 Plan will continue to govern the terms and conditions of outstanding awards granted thereunder.

As of December 31, 2022 December 31, 2023, no options to purchase 522,308 shares of the Company's common stock were outstanding under the 2008 Plan at a weighted-average exercise price of $7.70 per share. Plan.

Employee Stock Purchase Plan

The Company also has an ESPP. The Company's ESPP provides (i) for two offering periods each year and (ii) that the purchase price for shares of the Company's common stock purchased under the ESPP will be 90% of the lesser of the fair market value of the Company's common stock on the purchase date or the fair market value of the Company's common stock on the first day of the offering period. Notwithstanding the foregoing, the compensation committee of the Company's board of directors may exercise its discretion, subject to certain conditions, to make changes to certain aspects of the ESPP including, but not limited to, the length of the offering periods and that the purchase price will be 85% of the lesser of the fair market value of the Company's common stock on the purchase date or the fair market value of 2U's common stock on the first day of the offering period. Participating eligible employees select a rate of payroll deduction between 1% and 15% of their salary or wage compensation received from the Company as in effect at the start of the offering period, with the aggregate purchase limited to a maximum fair market value of $25,000 per employee per year. Participation in the ESPP began on January 1, 2018. The ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code. A maximum During the second quarter of 1,000,000 2023, shares available for purchase under the ESPP increased by 2,000,000 shares, pursuant to an amendment to the Company's ESPP to increase the number of 2U's common stock may be issued authorized shares available under such plan. As of December 31, 2023, 1,917,341 shares remained available for purchase under the ESPP, subject to adjustments for certain capital transactions.

During the years ended December 31, 2022 December 31, 2023 and 2021, 2022, an aggregate of 136,039 462,329 and 150,685 136,039 shares, respectively, of the Company's common stock were purchased in accordance with the ESPP. Net proceeds from the issuance of these shares were $1.3 $2.1 million and $3.6 $1.3 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. As of December 31, 2022 December 31, 2023, 379,670 1,917,341 shares remained available for purchase under the ESPP.

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Notes to Consolidated Financial Statements (Continued)

Stock-Based Compensation Expense

The following table presents stock-based compensation expense related to the Stock Plans and the ESPP, contained on the following line items on the Company's consolidated statements of operations and comprehensive loss for each of the periods indicated. The Company accounts for forfeitures as they occur.

		Year Ended December 31,			Year Ended December 31,		
		2022	2021	2020	2023	2022	2021
		(in thousands)			(in thousands)		
Curriculum and teaching	Curriculum and teaching	$ 208	$ 69	$ 230			
Servicing and support	Servicing and support	15,543	15,352	14,033			
Technology and content development	Technology and content development	9,534	11,832	12,014			
Marketing and sales	Marketing and sales	6,319	6,711	8,217			
General and administrative	General and administrative	48,616	63,802	47,548			
Total stock-based compensation expense	Total stock-based compensation expense	$80,220	$97,766	$82,042			

Restricted Stock Units

The 2014 Plan provides for the issuance of RSUs to eligible participants. Throughout 2023, 2022 2021, and 2020, 2021, the Company granted RSUs under the 2014 Plan to the Company's directors and certain of the Company's employees and certain consultants. The terms of the restricted stock unit grants under the 2014 Plan, including the vesting periods, are determined by the Company's board of directors or the compensation committee thereof. Restricted stock units are generally subject to service-based vesting conditions and vest at various times from the date of the grant, with most restricted stock units vesting in equal quarterly or annual tranches, generally over a period of three to four years.

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

		Number of Units	Weighted-Average Grant Date Fair Value per Share				
Outstanding balance as of December 31, 2021		2,613,063	$ 32.29				
Granted		5,290,062	9.98				
	Number of Units				Number of Units		Weighted-Average Grant Date Fair Value per Share
Outstanding balance as of December 31, 2022							
Granted*				Granted*	4,182,872		6.34
Vested	Vested	(2,279,812)	23.62	Vested	(3,373,076)	14.08	14.08
Forfeited	Forfeited	(883,452)	17.88	Forfeited	(954,027)	9.79	9.79
Outstanding balance as of December 31, 2022		4,739,861	$ 14.24				
Outstanding balance as of December 31, 2023							

* Includes 215,054 RSUs issued pursuant to an inducement award outside of the 2014 Plan.

The total fair value of RSUs vested during the years ended December 31, 2022 December 31, 2023, 2022 and 2021, and 2020, was $17.3 million, $33.9 million, $57.8 million, and $25.0 $57.8 million, respectively. The total compensation cost related to the unvested RSUs not yet recognized as of December 31, 2022 December 31, 2023 was $43.2 $24.8 million and will be recognized over a weighted-average period of approximately 1.9 1.7 years.

Performance Restricted Stock Units

The 2014 Plan provides for the issuance of PRSUs to eligible participants. PRSUs generally include both service conditions and either market conditions related to total shareholder return ("TSR") targets relative to that of companies comprising the Russell 3000 Index and/or conditions based on the Company's internal financial performance achieving predetermined targets. The terms of the performance restricted stock unit grants under the 2014 Plan, including the vesting periods, are determined by the Company's board of directors or the compensation committee thereof.

During the fourth quarter of 2019, the Company granted 1.3 million PRSUs with a weighted-average grant date fair value per share of $22.94 to certain of its employees. These PRSU awards are subject to vesting over a period of three years, based on the Company's stock price achieving predetermined total shareholder return targets relative to that of companies comprising the Russell 3000 Index during each of the one, two and three-year vesting periods. The PRSU award agreements provide that the quantity of units subject to vesting may range from 200% to 0% of the granted quantities, depending on the achievement of market-based targets. The expense recognized each period is determined at the time of grant and is not subject to fluctuation due to the achievement of market-based targets. For the first and second performance periods, 200% of the eligible PRSUs were earned. For the third performance period, 0% of the eligible PRSUs were earned.

During the first quarter of 2020, as part of its annual equity awards cycle, the Company awarded 1.9 million PRSUs with an aggregate intrinsic value of $37.8 million. The PRSU award agreements provide that the quantity of units subject to vesting may range from 200% to 0% of the granted quantities for each of the performance periods, depending on the achievement of market-based targets, which are established annually. The PRSUs vest at the end of each of three one-year performance periods, based on the Company's stock price achieving predetermined total shareholder return targets relative to that of companies comprising the Russell 3000 Index. The expense recognized each period is determined at the time of grant and not subject to fluctuation due to the achievement of market-based targets. Of the PRSUs awarded, 0.6 million were granted in January 2020 with a weighted-average grant date fair value per share of $22.45, 0.6 million were granted in January 2021 with a weighted-average grant date fair value per share of $61.14, and

0.7 million were granted in January 2022 with a weighted-average grant date fair value per share of $23.46. For the first performance period, 200% of the eligible PRSUs were earned. For the second and third performance periods, 0% of the eligible PRSUs were earned.

During the first quarter of 2021, as part of its annual equity awards cycle, the Company awarded 0.4 million PRSUs with an aggregate intrinsic value of $20.0 million. The PRSU award agreements provide provided that the quantity of units subject to vesting may range from 200% to 0% of the granted quantities depending on the achievement of internal financial performance-based targets, which are were established annually. Certain of these PRSUs vest vested at the end of all three one-year performance periods, while others vest vested at the end of each of three one-year performance periods. Of the PRSUs awarded, 0.1 million were granted in March 2021 with a weighted-average grant date fair value per share of $40.69, and 0.1 million were granted in January March 2022 with a weighted-average grant date fair value per share of $20.07. $10.77, and 0.1 million were granted in February 2023 with a weighted-average grant date fair value per share of $11.13. The expense recognized each period is was estimated at the time of grant and is was subject to fluctuation due to the achievement of internal financial performance-based targets. For the first, second, and third performance period, periods, which ended on December 31, 2021, 2022 and 2023, respectively, 112.7%, 100%, and 27.8%, of the eligible PRSUs were earned. For the second performance period, 100% of the eligible PRSUs were earned. earned, respectively.

During the first quarter of 2021, as part of its annual equity awards cycle, the Company granted 0.2 million PRSUs with an aggregate intrinsic value of $9.1 million and a weighted-average grant date fair value of $61.94. These PRSU awards were eligible to vest at the end of a single three-year period, which concluded on December 31, 2023, based on the Company's stock price achieving predetermined total shareholder return TSR targets relative to that of companies comprising the Russell 3000 Index. The PRSU award agreements provide provided that the quantity of units subject to vesting may range from 200% to 0% of the granted quantities for the performance period, depending on the achievement of market-based targets. The expense recognized each period is was determined at the time of grant and was not subject to fluctuation due to the achievement of market-based targets. None of the eligible PRSUs were earned.

During the first quarter of 2022, as part of its annual equity awards cycle, the Company awarded 1.7 million PRSUs with an aggregate intrinsic value of $20.4 million. The PRSU award agreements provide that the quantity of units subject to vesting may range from 200% to 0% of the granted quantities, depending on the achievement of internal financial performance-based targets, which are established annually. Certain of these PRSUs vest at the end of all three one-year performance periods, while others vest at the end of each of three one-year performance periods. Of the PRSUs awarded, 0.6 million were granted in March 2022 with a weighted-average grant date fair value per share of $10.77. $10.77 and 0.6 million were granted in February 2023 with a weighted-average grant date fair value per share of $11.13. The expense recognized each period is estimated at the time of grant and is subject to fluctuation due to the achievement of internal financial performance-based targets. For the first and second performance period, periods, 100% and 27.8% of the eligible PRSUs were earned. earned, respectively.

During the first quarter of 2022, as part of its annual equity awards cycle, the Company granted 0.7 million PRSUs with an aggregate intrinsic value of $8.9 million and a weighted-average grant date fair value of $14.53. These PRSU awards are subject eligible to vesting over vest at the end of a single three-year period, which ends on December 31, 2024, based on the Company's stock price achieving predetermined total shareholder return targets relative to that of companies comprising the Russell 3000 Index. The PRSU award agreements provide that the quantity of units subject to vesting may range from 200% to 0% of the granted quantities for the performance period, depending on the achievement of market-based targets. The expense recognized each period is determined at the time of grant and not subject to fluctuation due to the achievement of market-based targets.

During the first quarter of 2023, as part of its annual equity award cycle, the Company awarded 1.4 million PRSUs with an aggregate intrinsic value of $12.2 million. The PRSU award agreements provide that the quantity of units subject to vesting may range from 150% to 0% of the granted quantities. For the first performance period, which began on January 1, 2023 and ends on December 31, 2023, the quantity of units eligible to be earned ranges from 130% to 0% depending on the achievement of internal financial performance-based targets, which are established annually. Additionally, the actual number of PRSUs earned may be adjusted upward or downward by 20% based upon the Company's TSR performance compared to the Russell 3000 Index's TSR performance over the same period. If the Company's absolute TSR is negative, the TSR multiplier cannot exceed 0% and the achievement percentage based up on the internal financial performance-based targets is capped at 125%. Of the PRSUs awarded, 0.5 million were granted in March 2023, with a weighted-average grant date fair value per share of $7.15. This includes the fair value of the TSR-performance component of the award, which was determined using a Monte Carlo valuation model, and was $0.39 per share.

The Company values PRSUs subject to market-based vesting conditions using uses a Monte Carlo valuation model which to estimate the value of PRSUs, and components of PRSUs, that are subject to market-based vesting conditions. The Monte Carlo valuation model requires the input of subjective assumptions, including the risk-free interest rate, expected life, expected stock price volatility and dividend yield. The risk-free interest rate assumption is based upon observed interest rates for constant maturity U.S. Treasury securities consistent with the performance period. The expected life is consistent with the performance period of the awards. Expected volatility is based on the historical volatility of the Company's common stock over the estimated expected life. The Company assumes no dividend yield because dividends are not expected to be paid in the near future, which is consistent with the Company's history of not declaring or paying dividends to date.

The following table summarizes tables present a summary of (i) for the year ended December 31, 2023, the assumptions used for estimating the fair value of the TSR-performance component of the PRSUs, and (ii) for the years ended December 31, 2022 and 2021, the assumptions used for estimating the fair values of the PRSUs subject to market-based vesting conditions that conditions. As of December 31, 2023, 2022 and 2021 there were 1.2 million, 1.0 million, and 1.0 million outstanding PRSUs for which the performance metrics has not been defined as of each respective date. Accordingly, such awards are not considered granted for accounting purposes as of December 31, 2023, 2022 and 2021, and have been excluded from the periods presented. tables below.

	Year Ended December 31,		
	2022	2021	2020
Risk-free interest rate	0.39% – 1.88%	0.10% – 0.26%	1.51%
Expected term (years)	1.00 – 3.00	1.00 – 3.00	1.00
Expected volatility	49% – 97%	85% – 89%	75%

Dividend yield	0%	0%	0%

	Year Ended December 31, 2023
Risk-free interest rate	4.68%
Expected term (years)	1.00
Expected volatility	108%
Dividend yield	0%

	Year Ended December 31,	
	2022	2021
Risk-free interest rate	0.39% – 1.88%	0.10% – 0.26%
Expected term (years)	1.00 – 3.00	1.00 – 3.00
Expected volatility	49% – 97%	85% – 89%
Dividend yield	0%	0%

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

		Number of Units	Weighted-Average Grant Date Fair Value per Share		Number of Units		Weighted-Average Grant Date Fair Value per Share
Outstanding balance as of December 31, 2021		1,121,277	$ 48.62				
Outstanding balance as of December 31, 2022							
Granted	Granted	2,081,647	16.63	Granted	1,182,620	9.57	9.57
Vested	Vested	(313,778)	12.28	Vested	(179,886)	20.57	20.57
Forfeited	Forfeited	(1,237,282)	39.39	Forfeited	(1,250,473)	23.18	23.18
Outstanding balance as of December 31, 2022		1,651,864	$ 22.74				
Outstanding balance as of December 31, 2023							

The total fair value of PRSUs vested during the years ended December 31, 2022 December 31, 2023, 2022 and 2021, and 2020, was $0.2 million, $1.9 million, $71.9 million, and $28.5 $71.9 million, respectively. The total compensation cost related to the unvested PRSUs not yet recognized as of December 31, 2022 December 31, 2023 was $10.5 $2.0 million and will be recognized over a weighted-average period of approximately 1.8 1.3 years.

Stock Options

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

The terms of stock option grants, including the exercise price per share and vesting periods, are determined by the Company's board of directors or the compensation committee thereof. Stock options are granted at exercise prices of not less than the estimated fair market value of the Company's common stock at the date of grant. Stock options are generally subject to service-based vesting conditions and vest at various times from the date of the grant, with most options vesting in tranches, generally over a three- or four-year period. Stock options granted under the 2014 Plan and the 2008 Plan are subject to service-based vesting conditions, and generally expire ten years from the grant date.

The Company values stock options using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including the risk-free interest rate, expected life of the option, expected stock price volatility and dividend yield. The risk-free interest rate assumption is based upon observed interest rates for constant maturity U.S. Treasury securities consistent with the expected term of the Company's employee stock options. The expected life represents the period of time the stock options are expected to be outstanding and is based on the "simplified method." Under the "simplified method," the expected life of an option is presumed to be the mid-point between the vesting date and the end of the contractual term. The Company uses the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. Expected volatility is based on the historical volatility of the Company's common stock over the estimated expected life of the stock options. The Company assumes no dividend yield

because dividends are not expected to be paid in the near future, which is consistent with the Company's history of not declaring or paying dividends to date.

The following table summarizes the assumptions used for estimating the fair value of the stock options granted for the periods presented. No stock options were granted during the year ended December 31, 2021.

		Year Ended December 31,			Year Ended December 31,	
		2022	2020		2023	2022
Risk-free interest rate	Risk-free interest rate	1.9%-4.2%	1.5%	Risk-free interest rate	3.6%	1.9% – 4.2%
Expected term (years)	Expected term (years)	5.63 - 5.78	6.04	Expected term (years)	5.69	5.63 – 5.78
Expected volatility	Expected volatility	75% - 81%	64%	Expected volatility	87%	75% – 81%
Dividend yield	Dividend yield	0%	0%	Dividend yield	0%	0%
Weighted-average grant date fair value per share				Weighted-average grant date fair value per share	$4.93	$6.98

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

	Number of Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding balance as of December 31, 2021	3,477,439	$ 36.13	3.87	$ 16,246
Granted	3,203,323	10.71	7.07	
Exercised	(324,965)	3.48	0.07	
Forfeited	(651,407)	12.91		
Expired	(508,852)	37.40		
Outstanding balance as of December 31, 2022	5,195,538	25.28	5.88	78
Exercisable as of December 31, 2022	3,195,768	$ 32.34	3.96	$ 76

The weighted-average grant date fair value of stock options granted during the years ended December 31, 2022 and 2020 was $6.98 and $11.48 per share, respectively.

	Number of Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding balance as of December 31, 2022	5,195,538	$ 25.28	5.88	$ 78
Granted	66,910	6.76	6.05	
Exercised	(17,166)	6.38	0.48	
Forfeited	(331,684)	10.74		
Expired	(809,840)	17.44		
Outstanding balance as of December 31, 2023	4,103,758	27.79	4.63	—
Exercisable as of December 31, 2023	3,229,631	$ 31.66	3.85	$ —

The aggregate intrinsic value of options exercised during the years ended December 31, 2022 December 31, 2023, 2022 and 2021 and 2020 was $0.1 million, $3.3 million $6.8 million and $8.7 $6.8 million, respectively.

The total unrecognized compensation cost related to the unvested options as of December 31, 2022 December 31, 2023 was $15.0 $4.6 million and will be recognized over a weighted-average period of approximately 2.0 1.1 years.

14. Net Loss per Share

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

	Year Ended December 31,		
	2022	2021	2020
Stock options	5,195,538	3,477,439	3,916,867
Restricted stock units	4,739,861	2,613,063	3,010,019
Performance restricted stock units	1,651,864	1,121,277	1,355,296
Shares related to convertible senior notes	13,443,374	13,443,374	3,432,837
Total antidilutive securities	25,030,637	20,655,153	11,715,019

14. Net Loss per Share (Continued)

	Year Ended December 31,		
	2023	2022	2021
Stock options	4,103,758	5,195,538	3,477,439
Restricted stock units	4,595,630	4,739,861	2,613,063
Performance restricted stock units	1,404,125	1,651,864	1,121,277
Shares related to convertible senior notes	29,776,706	13,443,374	13,443,374
Total antidilutive securities	39,880,219	25,030,637	20,655,153

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

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

14. Net Loss per Share (Continued)

		Year Ended December 31,				Year Ended December 31,		
		2022	2021	2020		2023	2022	2021
Numerator (in thousands):	Numerator (in thousands):				Numerator (in thousands):			

Net loss	Net loss	$ (322,151)	$ (194,766)	$ (216,484)	
Denominator:	Denominator:				Denominator:
Weighted-average shares of common stock outstanding, basic and diluted	Weighted-average shares of common stock outstanding, basic and diluted	77,327,850	74,580,115	67,142,976	
Net loss per share, basic and diluted	Net loss per share, basic and diluted	$ (4.17)	$ (2.61)	$ (3.22)	

15. Segment and Geographic Information

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

Significant Customers

For the years ended December 31, 2022 December 31, 2023, 2022 and 2021, no university clients accounted for 10% or more of the Company's consolidated revenue. For the year ended December 31, 2020

As of December 31, 2023, one two university client clients in the Degree Program Segment accounted for 10% or more of the Company's consolidated revenue, contributing $74.6 million, or approximately 10% accounts receivable, net balance, as follows: $36.4 million and $14.3 million which equaled 31% and 12% of the Company's consolidated revenue.

accounts receivable, net balance, respectively. As of December 31, 2022, one university client in the Degree Program Segment accounted for 10% or more of the Company's consolidated accounts receivable, net balance, as follows: with $7.3 million, which equaled or approximately 12% of the Company's consolidated accounts receivable, net balance. As of December 31, 2021, two university clients in the Degree Program Segment each accounted for 10% or more of the Company's consolidated accounts receivable, net balance, as follows: $9.8 million and $8.8 million, which equaled 14% and 13% of the Company's consolidated accounts receivable, net balance, respectively.

Segment Performance

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

		Year Ended December 31,				Year Ended December 31,		
		2022	2021	2020		2023	2022	2021
		(in thousands)				(in thousands)		
Revenue by segment*	**Revenue by segment***							
Degree Program Segment	Degree Program Segment	$571,608	$592,288	$486,676				
Degree Program Segment								
Degree Program Segment								
Alternative Credential Segment	Alternative Credential Segment	391,472	353,394	287,857				
Total revenue	Total revenue	$963,080	$945,682	$774,533				
Segment profitability**	**Segment profitability****							

Segment profitability**

Segment profitability**

Degree Program Segment

Degree Program Segment

Degree Program Segment	Degree Program Segment	$180,727	$126,141	$ 49,607			
Alternative Credential Segment	Alternative Credential Segment	(55,646)	(59,564)	(33,534)			
Total segment profitability	Total segment profitability	$125,081	$ 66,577	$ 16,073			
Segment profitability margin***	**Segment profitability margin*****						

Segment profitability margin***

Segment profitability margin***

Degree Program Segment

Degree Program Segment

Degree Program Segment	Degree Program Segment	32 %	21 %	10 %		38 %	32 %	21 %
Alternative Credential Segment	Alternative Credential Segment	(14)%	(17)%	(12)%	Alternative Credential Segment	(11) %	(14) %	(17) %
Total segment profitability margin	Total segment profitability margin	13 %	7 %	2 %	Total segment profitability margin	18 %	13 %	7 %

* The Company has excluded immaterial amounts of intersegment revenues from each of the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020. 2021.

** The Company defines segment profitability as net income or net loss, as applicable, before net interest income (expense), other income (expense), net, taxes, depreciation and amortization expense, transaction costs, integration costs, restructuring-related costs, stockholder activism costs, certain litigation-related costs, consisting of fees for certain non-ordinary course litigation and other proceedings, impairment charges, debt modification expense and losses on debt extinguishment, and stock-based compensation expense. Some or all of these items may not be applicable in any given reporting period.

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

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

		Year Ended December 31,			Year Ended December 31,		
		2022	2021	2020	2023	2022	2021
		(in thousands)			(in thousands)		
Net loss	Net loss	$(322,151)	$(194,766)	$(216,484)			
Adjustments:	Adjustments:						

Stock-based compensation expense	Stock-based compensation expense	80,220	97,766	82,042
Stock-based compensation expense				
Stock-based compensation expense				
Other (income) expense, net	Other (income) expense, net	3,815	(22,324)	1,429
Net interest expense	Net interest expense	61,069	49,747	25,963
Income tax benefit		(903)	(1,196)	(1,514)
Income tax expense (benefit)				
Depreciation and amortization expense	Depreciation and amortization expense	128,153	108,448	96,469
Loss on debt extinguishment		—	1,101	11,671
Impairment charge		138,291	—	—
Debt modification expense and loss on debt extinguishment				
Impairment charges				
Restructuring charges	Restructuring charges	33,239	8,544	6,811
Other*	Other*	3,348	19,257	9,686
Total adjustments	Total adjustments	447,232	261,343	232,557
Total segment profitability	Total segment profitability	$ 125,081	$ 66,577	$ 16,073

* Includes (i) transaction and integration costs of $3.6 million, $16.9 million $3.6 million and $2.3 million $16.9 million for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively, and (ii) stockholder activism and litigation-related (recoveries) costs of $4.9 million, $(0.3) million $2.4 million and $7.4 million $2.4 million for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively.

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

		December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
		(in thousands)		(in thousands)	
Total assets	**Total assets**			**Total assets**	
Degree Program Segment	Degree Program Segment	$ 459,252	$ 546,572		
Alternative Credential Segment	Alternative Credential Segment	1,351,607	1,562,434		
Total assets	Total assets	$1,810,859	$2,109,006		

Geographical Information

The Company’s non-U.S. revenue is based on the currency of the country in which the university client primarily operates. The Company’s non-U.S. revenue was $107.2 million $116.9 million, $98.5 million $107.2 million and $73.0 $98.5 million for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively. Substantially all of the Company’s non-U.S. revenue for each of the aforementioned periods was sourced from the Alternative Credential Segment’s operations outside of the U.S. The Company’s long-lived tangible assets in non-U.S. countries as of December 31, 2022 December 31, 2023 and 2021 2022 totaled approximately $4.5 $3.5 million and $3.3 $4.5 million, respectively.

16. Receivables and Contract Liabilities

Trade Accounts Receivable

The Company’s trade accounts receivable balances relate to amounts due from students or customers occurring in the normal course of business. Trade accounts receivable balances have a term of less than one year and are included in accounts receivable, net on the Company’s consolidated balance sheets. The following table presents the Company’s trade accounts receivable in each segment as of each of the dates indicated.

		December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
		(in thousands)		(in thousands)	
Degree Program Segment accounts receivable	Degree Program Segment accounts receivable	$20,612	$31,762		
Degree Program Segment unbilled revenue	Degree Program Segment unbilled revenue	8,496	4,440		
Alternative Credential Segment accounts receivable	Alternative Credential Segment accounts receivable	51,360	42,771		
Total	Total	80,468	78,973		
Less: Provision for credit losses	Less: Provision for credit losses	(17,642)	(11,686)		
Trade accounts receivable, net	Trade accounts receivable, net	$62,826	$67,287		

The Company regularly reviews its portfolio of offerings for alignment with its business objectives, including cost to operate, expected enrollments, and other factors, and from time to time, the Company has entered into, and may in the future enter into, agreements to strategically exit certain programs. As of December 31, 2023 and December 31, 2022, the Company had balances of $68.2 million and $6.4 million, respectively, of unbilled revenue associated with portfolio management activities within accounts receivable, net on the consolidated balance sheets. In addition, as of December 31, 2023 and December 31, 2022, the Company had balances of $16.9 million and $6.3 million, respectively, of non-current accounts receivable associated with portfolio management activities within other assets, non-current on the consolidated balance sheets. These non-current accounts receivable are typically due within 12 to 24 months. In January 2024, the Company entered into a receivables factoring transaction whereby a counterparty has committed to purchase up to $86.2 million of receivables owing to the company related to portfolio management activities at a purchase rate of 88%.

The following table presents the change in provision for credit losses for trade accounts receivable on the Company’s consolidated balance sheets for the period indicated.

	Provision for C Losses
	(in thousand
Balance as of December 31, 2021	$ 1
Current period provision	
Foreign currency translation adjustments	
Other	
Balance as of December 31, 2022	$ 1
Current period provision	
Amounts written off	(1
Foreign currency translation adjustments	
Other	
Balance as of December 31, 2023	$

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

Other Receivables

The Company's other receivables are comprised of amounts due under tuition payment plans with extended payment terms from students enrolled in certain of the Company's alternative credential offerings. These payment plans, which are managed and serviced by third-party providers, are designed to assist students with paying tuition costs after all other student financial assistance and scholarships have been applied. The associated receivables generally have payment terms that range from 12 to 42 months and are recorded net of any implied pricing concessions, which are determined based on collections history, market data and any time value of money component. There are no fees or origination costs included in these receivables. The carrying value of these receivable balances approximate their fair value. The following table presents the components of the Company's other receivables, net, as of each of the dates indicated.

December 31, 2023				December 31, 2023	December 31, 2022
		December 31, 2022	December 31, 2021		
		(in thousands)			
		(in thousands)			
		(in thousands)			
		(in thousands)			
Other receivables, amortized cost	Other receivables, amortized cost	$52,180	$52,428		
Less: Provision for credit losses	Less: Provision for credit losses	(3,579)	(1,421)		
Other receivables, net	Other receivables, net	$48,601	$51,007		
Other receivables, net, current	Other receivables, net, current	$33,813	$29,439		
Other receivables, net, non-current	Other receivables, net, non-current	$14,788	$21,568		

2U, Inc.

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

	Provision for Credit Losses
	(in thousands)
Balance as of December 31, 2021	$ 1,421
Current period provision	2,216
Other	(58)
Balance as of December 31, 2022	$ 3,579
Current period provision	4,979
Other	—
Balance as of December 31, 2023	$ 8,558

The Company considers receivables to be past due when amounts contractually due under the extended payment plans have not been paid. As of December 31, 2022 December 31, 2023, 83% 76% of other receivables, net due under extended payment plans were current.

At the time of origination, the Company categorizes its other receivables using a credit quality indicator based on the credit tier rankings obtained from the third-party providers that manage and service the payment plans. The third-party providers utilize credit rating agency data to determine the credit tier rankings. The Company monitors the collectability of its other receivables on an ongoing basis. The adequacy of the allowance for credit losses is determined through analysis of multiple factors, including industry trends, portfolio performance, and delinquency rates. The following tables present other receivables, at amortized cost including interest accretion, by credit quality indicator and year of origination, as of the dates indicated.

		December 31, 2023						December 31, 2023
		Year of Origination						Year of Origination
		2023	2022	2021	2020	2019 and Prior	Total	

		December 31, 2022					
		Year of Origination					
		2022	2021	2020	2019	2018	Total
		(in thousands)					
		(in thousands)					
		(in thousands)					
		(in thousands)					
Credit Quality Tier	**Credit Quality Tier**						
High							
High							
High	High	$ 15,737	$ 2,285	$ 48	$ 18	115	$ 18,203
Mid	Mid	14,005	3,773	1,239	1,363	392	20,772
Low	Low	6,160	3,099	1,677	1,939	330	13,205
Total	Total	$ 35,902	$ 9,157	$ 2,964	$ 3,320	$ 837	$ 52,180

	December 31, 2021									
	Year of Origination									
	2021		2020		2019		2018		Total	
	(in thousands)									
Credit Quality Tier										
High	$	18,466	$	1,635	$	24		115	$	20,240
Mid		14,352		2,992		1,312		392		19,048
Low		8,135		2,802		1,873		330		13,140
Total	$	40,953	$	7,429	$	3,209	$	837	$	52,428

	December 31, 2022											
	Year of Origination											
	2022		2021		2020		2019		2018		Total	
	(in thousands)											
Credit Quality Tier												
High	$	15,737	$	2,285	$	48		18		115	$	18,203
Mid		14,005		3,773		1,239		1,363		392		20,772
Low		6,160		3,099		1,677		1,939		330		13,205
Total	$	35,902	$	9,157	$	2,964	$	3,320	$	837	$	52,180

Contract Liabilities

The Company's deferred revenue represents contract liabilities. The Company generally receives payments from Degree Program Segment university clients early in each academic term and from Alternative Credential Segment students, either in full upon registration for the course or in full before the end of the course based on a payment plan, prior to completion of the service period. These payments are recorded as deferred revenue until the services are delivered or until the Company's obligations are otherwise met, at which time revenue is recognized. The following table presents the Company's contract liabilities in each segment as of each of the dates indicated.

	December 31, 2023	December 31, 2022
	(in thousands)	

	December 31, 2022	December 31, 2021
	(in thousands)	
Degree Program Segment deferred revenue	$ 1,245	$ 3,462
Degree Program Segment deferred revenue		
Degree Program Segment deferred revenue		
Alternative Credential Segment deferred revenue	88,916	88,464
Total contract liabilities	$90,161	$91,926

For the Degree Program Segment, revenue recognized during the years ended December 31, 2022 December 31, 2023 and 2021 2022 that was included in the deferred revenue balance that existed at the end of each preceding year was $1.5 $1.2 million and $1.7 $1.5 million, respectively.

For the Alternative Credential Segment, revenue recognized during the years ended December 31, 2022 December 31, 2023 and 2021 2022 that was included in the deferred revenue balance that existed at the end of each preceding year was $73.4 million and $77.9 million, and $71.9 million, respectively.

Contract Acquisition Costs

The Degree Program Segment had $0.5 million $1.0 million and $0.5 million of net capitalized contract acquisition costs recorded primarily within other assets, non-current on the Company's consolidated balance sheets as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. For the years ended December 31, 2022 December 31, 2023 and 2021, 2022, the Company capitalized an immaterial amount of contract acquisition costs and recorded an immaterial amount of associated amortization expense in the Degree Program Segment.

17. Retirement Plan

The Company has established a 401(k) plan for eligible employees to contribute up to 100% of their compensation, limited by the IRS-imposed maximum contribution amount. The Company matches 100% of the first 2% of each employee's contribution, and 50% of the next 4% of each employee's contribution, each plan year. For the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, the Company made employer contributions of $9.7 million $8.9 million, $7.8 million $9.7 million and $3.6 million $7.8 million, respectively.

18. Subsequent Event

In January 2023, the Company entered into an agreement to amend its Amended Term Loan Facilities to, among other things, extend the maturity date from December 2024 to December 2026. In connection with amending the terms and extending the maturities of the term loans under the Second Amended Credit Agreement, the Company issued the 2030 Notes with an aggregate principal amount of $147.0 million. The Company used cash on hand and the $127.1 million of net proceeds from the 2030 Notes to reduce the outstanding principal amount of secured debt under the Second Amended Credit Agreement from $567 million to $380 million. As part of the refinancing transaction, in addition to extending the maturity date, the lenders provided the Company with a senior secured first lien revolving loan facility in the principal amount of $40 million. Refer to Note 10 for more information.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to the Securities Exchange Act of 1934 Rules 13a-15 and 15d-15 as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for our company. With the participation of our Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2022 December 31, 2023 based on the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2022 December 31, 2023.

Our independent registered public accounting firm, KPMG LLP, has issued an audit report on the effectiveness of our internal control over financial reporting, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

We made no changes in our internal control over financial reporting during the three months ended December 31, 2022 December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None. During the three months ended December 31, 2023, none of our directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or adopted or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

We will file a definitive Proxy Statement for our 2023 2024 Annual Meeting of Stockholders or our 2023 2024 Proxy Statement with the SEC, pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year. Accordingly, certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K. Only those sections of the 2023 2024 Proxy Statement that specifically address the items set forth herein are incorporated by reference.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 will be contained in our 2023 2024 Proxy Statement under the captions “The Board of Directors,” “Board Composition and Structure,” “Our Executive Officers,” “Code of Business Conduct and Ethics for Employees, Executive Officers and Directors” and, if applicable, “Delinquent Section 16(a) Reports” or in an amendment on Form 10-K/A and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by Item 11 will be contained in our 2023 2024 Proxy Statement under the captions “Executive Compensation,” “Director Compensation” and “Compensation Committee Interlocks and Insider Participation” or in an amendment on Form 10-K/A and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 will be contained in our 2023 2024 Proxy Statement under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Securities Authorized for Issuance under Equity Compensation Plans” or in an amendment on Form 10-K/A and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 will be contained in our 2023 2024 Proxy Statement under the captions “Transactions with Related Parties” and “Director Independence” or in an amendment on Form 10-K/A and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 will be contained in our 2023 2024 Proxy Statement under the caption “Independent Registered Public Accounting Firm Fees” and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Exhibits

See the Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

(b) Financial Statement Schedules

Schedule II—Valuation and Qualifying Accounts (in thousands)

		Balance at Beginning of Period	Additions Charged to Expense/Against Revenue	Deductions	Balance at End of Period		Balance at Beginning of Period	Additions Charged to Expense/Against Revenue	Deductions	Balance at End of Period
Provision for credit losses for trade accounts receivable:	Provision for credit losses for trade accounts receivable:					Provision for credit losses for trade accounts receivable:				
Year ended December 31, 2023										
Year ended December 31, 2022	Year ended December 31, 2022	$11,686	6,393	(437)	$17,642					

Year ended December 31, 2021	5,936	6,794	(1,044)	11,686
Year ended December 31, 2020	$ 1,331	$ 4,642	$ (37)	$ 5,936

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
Income tax valuation allowance:				
Year ended December 31, 2023				
Year ended December 31, 2022	$190,779	$87,061	$ —	$277,840
Year ended December 31, 2021	137,767	53,012	—	190,779
Year ended December 31, 2020	$116,244	$21,523	$ —	$137,767

Other financial statement schedules have been omitted because they are not applicable, not material, or the required information is presented in the Consolidated Financial Statements or notes thereto.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

February 21, 2023 March 06, 2024

By:	/s/ CHRISTOPHER J. PAUCEK PAUL S. LALLJIE	
	Name:	Christopher J. Paucek Paul S. Lalljie
	Title:	*Chief Executive Officer and Director*

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Christopher J. Paucek, Paul S. Lalljie and Matthew J. Norden, or each of them, as his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ CHRISTOPHER J. PAUCEK PAUL S. LALLJIE Christopher J. Paucek Paul S. Lalljie	Chief Executive Officer and Director (Principal Executive Officer)	February 21, 2023 March 6, 2024
/s/ PAUL S. LALLJIE MATTHEW J. NORDEN Paul S. Lalljie Matthew J. Norden	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 21, 2023 March 6, 2024
/s/ HEATHER M. HOFFERT Heather M. Hoffert	Senior Vice President, Accounting (Principal Accounting Officer)	March 6, 2024
/s/ PAUL A. MAEDER Paul A. Maeder	Director and Chairman of the Board	February 21, 2023 March 6, 2024
/s/ TIMOTHY M. HALEY Timothy M. Haley	Director	February 21, 2023 March 6, 2024
/s/ JOHN M. LARSON John M. Larson	Director	February 21, 2023 March 6, 2024
/s/ CORETHA M. RUSHING Coretha M. Rushing	Director	February 21, 2023 March 6, 2024
/s/ ROBERT M. STAVIS Robert M. Stavis	Director	February 21, 2023 March 6, 2024
/s/ SALLIE L. KRAWCHECK Sallie L. Krawcheck	Director	February 21, 2023
/s/ EARL LEWIS Earl Lewis	Director	February 21, 2023 March 6, 2024
/s/ EDWARD S. MACIAS Edward S. Macias	Director	February 21, 2023 March 6, 2024
/s/ GREGORY PETERS Gregory Peters	Director	February 21, 2023
/s/ ALEXIS MAYBANK Alexis Maybank	Director	February 21, 2023

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Annual Report on Form 10-K and the Company’s other public filings, which are available without charge through the SEC’s website at http://www.sec.gov.

The Company acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this report not misleading.

Exhibit Index

Exhibit Number	Exhibit Number	Description	Form	File No.	Exhibit Number	Filing Date	Filed/Furnished Herewith	Exhibit Number	Description	Form	File No.	Exhibit Number	Filing Date	Filed/Furnished 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								
2.2**		Membership Interest Purchase Agreement, dated as of June 28, 2021, by and among 2U, Inc., edX Inc. and Circuit Sub LLC. Interest Purchase Agreement, dated as of June 28, 2021, by and among 2U, Inc., edX Inc. and Circuit Sub LLC.	8-K	001-36376	2.1	June 29, 2021								
2.1**														
2.3		Amendment No. 1 to Membership Interest Purchase Agreement, dated as of November 16, 2021, by and between 2U, Inc. and edX Inc.	10-K	001-36376	2.3	March 1, 2022								
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3.1	3.1	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-36376	3.1	June 6, 2022	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-36376	3.1	June 10, 2022
3.2	3.2	Amended and Restated Bylaws of the Registrant.	8-K	001-36376	3.1	December 20, 2022					

	3.2						
	3.2	Amended and Restated Bylaws of the Registrant.	8-K	001-36376	3.1	December 20, 2022	
	4.1						
	4.1						
4.1	4.1	Specimen stock certificate evidencing shares of Common Stock.	S-1/A	333-194079	4.2	March 17, 2014	
		Specimen stock certificate evidencing shares of Common Stock.	S-1/A	333-194079	4.2	March 17, 2014	
4.2	4.2	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.					X
	4.2						
	4.2	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.					X
4.3	4.3	Indenture, dated as of April 23, 2020, between 2U, Inc. and Wilmington Trust, National Association.	8-K	001-36376	4.1	April 27, 2020	
	4.3						
	4.3						
	4.4						
	4.4						
4.4	4.4	Form of 2.25% Convertible Senior Note due May 1, 2025 (included as Exhibit A to Exhibit 4.3).	8-K	001-36376	4.2	April 27, 2020	
4.5	4.5	Indenture, dated as of January 11, 2023, between 2U, Inc. and Wilmington Trust, National Association.	8-K	001-36376	4.1	January 13, 2023	
	4.5						
	4.5						

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4.6	4.6	Form of 4.50% Senior Unsecured Convertible Notes due 2030 (included as Exhibit A to Exhibit 4.5).	8-K	001-36376	4.2	January 13, 2023						
	4.6											
	4.6											
	10.1*											
	10.1*											
	10.1*											
	10.2*											
	10.2*											
	10.2*											
	10.2.1*											
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10.2.1*	10.2.1*	Second Addendum to the Master Services Agreement, by and between the Registrant and University of Southern California, on behalf of the School of Social Work, dated as of March 14, 2014.	S-1/A	333-194079	10.2.1	March 17, 2014		Second Addendum to the Master Services Agreement, by and between the Registrant and University of Southern California, on behalf of the School of Social Work, dated as of March 14, 2014.	S-1/A	333-194079	10.2.1	March 17, 2014
10.2.2*	10.2.2*	Amendment to Master Services Agreement, by and between the Registrant and University of Southern California, on behalf of School of Social Work, dated as of November 5, 2015.	10-K	001-36376	10.2.2	March 10, 2016						
	10.2.2*											
	10.2.2*							Amendment to Master Services Agreement, by and between the Registrant and University of Southern California, on behalf of School of Social Work, dated as of November 5, 2015.	10-K	001-36376	10.2.2	March 10, 2016

10.3†	Fourth Amended and Restated 2008 Stock Incentive Plan, as amended to date.	S-1	333-194079	10.7	February 21, 2014
10.4†	Form of Incentive Stock Option Agreement under 2008 Stock Incentive Plan.	S-1	333-194079	10.8	February 21, 2014

Exhibit Number	Description	Form	File No.	Exhibit Number	Filing Date	Filed/Furnished Herewith
10.3†	Fourth Amended and Restated 2008 Stock Incentive Plan, as amended to date.	S-1	333-194079	10.7	February 21, 2014	
10.4†	Form of Incentive Stock Option Agreement under 2008 Stock Incentive Plan.	S-1	333-194079	10.8	February 21, 2014	
10.5†	Form of Non-Qualified Stock Option Agreement under 2008 Stock Incentive Plan.	S-1	333-194079	10.9	February 21, 2014	
10.6†	Amended and Restated 2014 Equity Incentive Plan.	10-Q	001-36376	10.3	November 9, 2021	
10.7†	Form of Stock Option Agreement under Amended and Restated 2014 Equity Incentive Plan.	10-Q	001-36376	10.2	August 2, 2018	
10.8†	Form of Restricted Stock Unit Award Agreement under Amended and Restated 2014 Equity Incentive Plan.	10-K	001-36376	10.8	February 28, 2020	
10.9†	Form of Performance Stock Unit Award Agreement under Amended and Restated 2014 Equity Incentive Plan.	10-Q	001-36376	10.3	November 12, 2019	
10.10†	Form of Performance Stock Unit Award Agreement under Amended and Restated 2014 Equity Incentive Plan.	10-K	001-36376	10.10	February 28, 2020	
10.11†	Form of Restricted Stock Unit Award Agreement under Amended and Restated 2014 Equity Incentive Plan.	10-Q	001-36376	10.1	April 28, 2021	
10.12†*	Form of Performance Stock Unit Award Agreement under Amended and Restated 2014 Equity Incentive Plan.	10-Q	001-36376	10.2	April 28, 2021	
10.13† 10.13†	Form of Performance Stock Unit Award Agreement under Amended and Restated 2014 Equity Incentive Plan	10-Q	001-36376	10.1	April 28, 2023	
10.14†	Form of Performance Stock Unit Award Agreement under Amended and Restated 2014 Equity Incentive Plan.		001-36376			X
10.15†	Form of Severance Pay and Change in Control Plan.	8-K	001-36376	10.1	February 21, 2020	
10.13.1 10.15.1†	First Amendment to the 2U, Inc. Severance Pay and Change in Control Plan.	10-Q	001-36376	10.4	April 30, 2020	
10.14† 10.16†	Summary of Non-Employee Director Compensation.	10-Q	001-36376	10.2	July 29, 2021 August 8, 2023	
10.15† 10.17†	Confidential Information, Invention Assignment, Work for Hire, Noncompete and No Solicit/No Hire Agreement, dated as of February 28, 2009, by and between the Registrant and Christopher J. Paucek.	S-1/A	333-194079	10.14	March 17, 2014	
10.16† 10.18†	Form of Indemnification Agreement with directors and executive officers.	S-1	333-194079	10.15	February 21, 2014	
10.17† 10.19†	Offer letter agreement, dated as of October 10, 2019, between Paul S. Lalljie and 2U, Inc.	8-K	001-36376	10.1	October 16, 2019	
10.18† 10.20†	Employee Intellectual Property, Non-Competition, and Non-Solicitation Agreement, dated October 10, 2019, between Paul S. Lalljie and 2U, Inc.	8-K	001-36376	10.2	October 16, 2019	
10.19†	Separation and Transition Agreement, dated October 17, 2019, between Catherine A. Graham and 2U, Inc.	8-K	001-36376	10.1	October 23, 2019	
10.20†	Separation, Consulting and Release Agreement, dated November 10, 2021 by and between 2U, Inc. and James Kenigsberg.	8-K	001-36376	10.1	November 12, 2021	
10.21**	Term Loan Credit and Guaranty Agreement, dated June 28, 2021, by and among 2U, Inc., as borrower, the Guarantors party thereto, Alter Domus (US) LLC, as administrative agent and collateral agent, and the Lenders party thereto.	8-K	001-36376	10.1	June 29, 2021	

Exhibit Number	Description	Form	File No.	Exhibit Number	Filing Date	Filed/Furnished Herewith
10.22	First Amendment to Term Loan Credit and Guaranty Agreement.	10-Q	001-36376	10.1	November 9, 2021	
10.23*	Joinder Agreement.	10-Q	001-36376	10.2	November 9, 2021	
10.24	Base Call Option Confirmation, dated as of April 20, 2020, between 2U, Inc. and Citibank, N.A.	8-K	001-36376	10.1	April 27, 2020	
10.25	Base Call Option Confirmation, dated as of April 20, 2020, between 2U, Inc. and Morgan Stanley & Co. LLC.	8-K	001-36376	10.2	April 27, 2020	
10.26	Base Call Option Confirmation, dated as of April 20, 2020, between 2U, Inc. and Credit Suisse Capital LLC.	8-K	001-36376	10.3	April 27, 2020	
10.27	Additional Call Option Confirmation, dated as of April 29, 2020, between 2U, Inc. and Citibank, N.A.	8-K	001-36376	10.1	May 1, 2020	
10.28	Additional Call Option Confirmation, dated as of April 29, 2020, between 2U, Inc. and Morgan Stanley & Co. LLC.	8-K	001-36376	10.2	May 1, 2020	
10.29	Additional Call Option Confirmation, dated as of April 29, 2020, between 2U, Inc. and Credit Suisse Capital LLC.	8-K	001-36376	10.3	May 1, 2020	
10.30	Office Lease, by and between Lanham Office 2015 LLC and 2U Harkins Road LLC, dated as of December 23, 2015.	10-K	001-36376	10.16	February 24, 2017	
10.32	Agreement of Lease, by and between 55 Prospect Owner LLC and 2U NYC, LLC, dated as of February 13, 2017.	10-K	001-36376	10.17	February 24, 2017	
10.33	Office Lease, by and between SRI Ten DCC LCC and 2U, Inc., dated May 11, 2016.	10-K	001-36376	10.18	February 24, 2017	
10.34†	Separation, Consulting and Release Agreement, dated as of April 15, 2022, by and between 2U, Inc. and John Ellis.	8-K	001-36376	10.1	April 15, 2022	
10.35†	Separation, Consulting and Release Agreement, dated as of July 27, 2022, by and between 2U, Inc. and Mark Chernis.	8-K	001-36376	10.1	July 28, 2022	
10.36*	Extension Amendment, Second Amendment and First Incremental Agreement to Credit and Guaranty Agreement.	8-K	001-36376	10.1	January 9, 2023	
10.37**	Purchase Agreement, dated January 9, 2023.	8-K	001-36376	10.2	January 9, 2023	
10.38**	Purchase Agreement, dated January 9, 2023.	8-K	001-36376	10.3	January 9, 2023	
21.1	Subsidiaries of the Registrant.					X
23.1	Consent of KPMG LLP, independent registered public accounting firm.					X
31.1	Certification of Chief Executive Officer of 2U, Inc. pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X

Exhibit Number	Description	Form	File No.	Exhibit Number	Filing Date	Filed/Furnished Herewith
10.21†	Separation, Consulting and Release Agreement, dated November 10, 2021 by and between 2U, Inc. and James Kenigsberg.	8-K	001-36376	10.1	November 12, 2021	
10.22†	Employment Letter Agreement, dated November 16, 2023, between Paul S. Lalljie and 2U, Inc.	8-K	001-36376	10.1	November 17, 2023	
10.23†	Employment Letter Agreement, dated November 16, 2023, between Matthew J. Norden and 2U, Inc.	8-K	001-36376	10.2	November 17, 2023	
10.24†	Separation, Consulting and Release Agreement, dated November 16, 2023, between Christopher J. Paucek and 2U, Inc.	8-K	001-36376	10.3	November 17, 2023	
10.25†	Offer Letter Agreement, dated as of May 23, 2023 between Aaron McCullough and 2U, Inc.	10-Q	001-36376	10.1	August 8, 2023	

Exhibit Number	Description	Form	File No.	Exhibit Number	Filing Date	Filed/Furnished Herewith
10.26†	Offer Letter, dated January 3, 2024, between Andrew Hermalyn and 2U, Inc.	8-K	001-36376	10.1	January 3, 2024	
10.27†	Offer Letter, dated January 3, 2024, between Andrew McCullough and 2U, Inc.	8-K	001-36376	10.2	January 3, 2024	
10.28†	Separation, Consulting and Release Agreement, dated as of January 3, 2024, by and between 2U, Inc. and Harsha Mokkarala.	8-K	001-36376	10.3	January 3, 2024	
10.29**	Term Loan Credit and Guaranty Agreement, dated June 28, 2021, by and among 2U, Inc., as borrower, the Guarantors party thereto, Alter Domus (US) LLC, as administrative agent and collateral agent, and the Lenders party thereto.	8-K	001-36376	10.1	June 29, 2021	
10.30	First Amendment to Term Loan Credit and Guaranty Agreement.	10-Q	001-36376	10.1	November 9, 2021	
10.31**	Extension Amendment, Second Amendment and First Incremental Amendment to Credit and Guarantee Agreement.	8-K	001-36376	10.1	January 9, 2023	
10.32*	Joinder Agreement.	10-Q	001-36376	10.2	November 9, 2021	
10.33	Base Call Option Confirmation, dated as of April 20, 2020, between 2U, Inc. and Citibank, N.A.	8-K	001-36376	10.1	April 27, 2020	
10.34	Base Call Option Confirmation, dated as of April 20, 2020, between 2U, Inc. and Morgan Stanley & Co. LLC.	8-K	001-36376	10.2	April 27, 2020	
10.35	Base Call Option Confirmation, dated as of April 20, 2020, between 2U, Inc. and Credit Suisse Capital LLC.	8-K	001-36376	10.3	April 27, 2020	
10.36	Additional Call Option Confirmation, dated as of April 29, 2020, between 2U, Inc. and Citibank, N.A.	8-K	001-36376	10.1	May 1, 2020	
10.37	Additional Call Option Confirmation, dated as of April 29, 2020, between 2U, Inc. and Morgan Stanley & Co. LLC.	8-K	001-36376	10.2	May 1, 2020	
10.38	Additional Call Option Confirmation, dated as of April 29, 2020, between 2U, Inc. and Credit Suisse Capital LLC.	8-K	001-36376	10.3	May 1, 2020	
10.39	Office Lease, by and between Lanham Office 2015 LLC and 2U Harkins Road LLC, dated as of December 23, 2015.	10-K	001-36376	10.16	February 24, 2017	
10.40	Agreement of Lease, by and between 55 Prospect Owner LLC and 2U NYC, LLC, dated as of February 13, 2017.	10-K	001-36376	10.17	February 24, 2017	
10.41	Office Lease, by and between SRI Ten DCC LCC and 2U, Inc., dated May 11, 2016.	10-K	001-36376	10.18	February 24, 2017	
10.42†	Separation, Consulting and Release Agreement, dated as of April 15, 2022, by and between 2U, Inc. and John Ellis.	8-K	001-36376	10.1	April 15, 2022	
10.43†	Separation, Consulting and Release Agreement, dated as of July 27, 2022, by and between 2U, Inc. and Mark Chernis.	8-K	001-36376	10.1	July 28, 2022	
10.44*	Extension Amendment, Second Amendment and First Incremental Agreement to Credit and Guaranty Agreement.	8-K	001-36376	10.1	January 9, 2023	
10.45**	Purchase Agreement, dated January 9, 2023.	8-K	001-36376	10.2	January 9, 2023	
10.46**	Purchase Agreement, dated January 9, 2023.	8-K	001-36376	10.3	January 9, 2023	
21.1	Subsidiaries of the Registrant.					X
23.1	Consent of KPMG LLP, independent registered public accounting firm.					X

31.1	Certification of Chief Executive Officer of 2U, Inc. pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
31.2	Certification of Chief Financial Officer of 2U, Inc. pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
32.1	Certification of Chief Executive Officer of 2U, Inc. in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
32.2	Certification of Chief Financial Officer of 2U, Inc. in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
97.1	2U, Inc. Clawback Policy	X
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.	X
101.SCH	XBRL Taxonomy Extension Schema Document.	X

Exhibit Number	Description	Form	File No.	Exhibit Number	Filing Date	Filed/Furnished Herewith
31.2	Certification of Chief Financial Officer of 2U, Inc. pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Chief Executive Officer of 2U, Inc. in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Certification of Chief Financial Officer of 2U, Inc. in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).					X

* Portions of this exhibit, indicated by asterisks, have been omitted pursuant to a request for confidential treatment and have been separately filed with the Securities and Exchange Commission.

** Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby undertakes to supplementally furnish to the Securities and Exchange Commission copies of any of the omitted schedules and exhibits upon request by the Securities and Exchange Commission.

† Indicates management contract or compensatory plan.

EXHIBIT 4.2

DESCRIPTION OF REGISTERED SECURITIES

2U, Inc., a Delaware corporation (the “Company,” “we” or “our”), currently has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, the Company’s common stock, $0.001 par value per share (the “common stock”). The following summary includes a brief description of the common stock as well as certain related information.

The following summary does not purport to be complete and is subject to, and qualified in its entirety by, the full text of our Eighth Amended and Restated Certificate of Incorporation (the “Certificate of Incorporation”) and our Fifth Amended and Restated Bylaws (the “Bylaws”). For additional information please refer to the Certificate of Incorporation and Bylaws, each of which are exhibits to our Annual Report on Form 10-K, and applicable provisions of the General Corporation Law of the State of Delaware (the “DGCL”).

General

Under our Certificate of Incorporation, the total number of shares of all classes of capital stock which the Company shall have authority to issue is 205,000,000, which consists of two classes as follows: (i) 200,000,000 shares of common stock and (ii) 5,000,000 shares of preferred stock, $0.001 par value per share (the “preferred stock”). Our Board of Directors (the “Board”) is expressly authorized to provide for the issue of the shares of preferred stock in one or more series, and to fix the number of shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designation, preferences, and relative, participating, optional, or other rights and such qualifications, limitations, or restrictions thereof, of the preferred stock from time to time. We currently have no preferred stock outstanding.

Common Stock

Voting Rights.

Each holder of our common stock is entitled to one vote for each share on all matters properly submitted to a vote of the stockholders of the Company, including the election of directors; provided, however, that, except as otherwise required by law, holders of shares of common stock shall not be entitled to vote on any amendment to the Certificate of Incorporation (including any certificate of designation filed with respect to any series of preferred stock) that relates solely to the terms of one or more outstanding series of preferred stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon by law or pursuant to the Certificate of Incorporation (including any certificate of designation filed with respect to any series of preferred stock). Except as otherwise provided by statute or by applicable stock exchange rules, or by the Certificate of Incorporation or Bylaws, in all matters other than the election of directors, the affirmative vote of the majority of shares present in person, by remote communication, if applicable, or represented by proxy at the meeting and entitled to vote generally on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or Bylaws, directors shall be elected by a majority of the votes of the shares present in person, by remote communication, if applicable, or represented by proxy at the meeting and entitled to vote generally on the election of directors. Under our Certificate of Incorporation and Bylaws, our stockholders do not have cumulative voting rights. Because of this, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they should so choose.

Dividends.

Subject to applicable law and the preferential rights as to dividends of the holders of all classes or series of preferred stock at the time outstanding, holders of shares of common stock are entitled to receive such dividends when, as and if declared from time to time by the Board out of legally available funds of the Company.

Classification of the Board of Directors.

Subject to the rights of the holders of any series of preferred stock to elect additional directors under specified circumstances, (a) each director elected at or prior to the 2022 annual meeting of stockholders shall be elected for a term expiring on the date of the third annual meeting of stockholders following the annual meeting at which the director was elected; (b) each director elected at the 2023 annual meeting of stockholders shall be elected for a one-year term expiring at the 2024 annual meeting of stockholders (the “2024 Annual Meeting”); (c) each director elected at the 2024 Annual Meeting shall be elected for a one-year term expiring at the 2025 annual meeting of stockholders (the “2025 Annual Meeting”); and (d) commencing at the 2025 Annual Meeting and each annual meeting of stockholders thereafter, all directors shall be elected for a one-year term expiring at the next annual meeting of stockholders and the Board of Directors shall no longer be divided into separate classes. Each director shall serve until their successor is duly elected and qualified or until their earlier death, resignation or removal.

Liquidation.

In the event of our liquidation, dissolution or winding up (either voluntary or involuntary), holders of shares of common stock will be entitled to receive the assets and funds of the Company available for distribution after payments to creditors and to the holders of any preferred stock that may at the time be outstanding, in proportion to the number of shares held by them, respectively, without regard to class.

Rights and Preferences.

Holders of shares of common stock have no preemptive, conversion or subscription rights and there are no redemption or sinking fund provisions applicable to the common stock.

Certain Other Provisions of Our Certificate of Incorporation and Bylaws

The following provisions of our Certificate of Incorporation and Bylaws could be deemed to have an anti-takeover effect and could delay, defer or prevent a takeover attempt that a stockholder might consider to be in the stockholders' best interests.

- *Advance notice of director nominations and matters to be acted upon at meetings*. Our Bylaws contain advance notice requirements for nominations for election of directors to our Board and for proposing matters that can be acted upon by stockholders at stockholder meetings.
- *Removal of directors.* Our Certificate of Incorporation and Bylaws provide that neither the Board nor any individual director may be removed without cause and, subject to any limitation imposed by law, may be removed with cause by the affirmative vote of the holders of at least 66 2/3% of the voting power of all then-outstanding shares of capital stock of the Company entitled to vote generally at an election of directors. Following the completion of the Company's 2025 Annual Meeting and the declassification of our Board, directors (subject to the Certificate of Incorporation and the rights of any series of Preferred Stock to elect additional directors under specified circumstances) may be removed at any time either, with or without cause, by the holders of a majority of all then-outstanding shares of capital stock of the Company entitled to vote generally at an election of directors, voting as a single class, except as otherwise required by applicable law.

- *Board size; Vacancies.* Our Certificate of Incorporation and Bylaws provide that the number of directors that shall constitute the Board may be fixed only by resolution adopted by a majority of the authorized number of directors constituting the Board, and vacancies and newly created directorships on the Board may, unless the Board determines by resolution that any such vacancy or newly created directorship shall be filled by the stockholders, be filled only by a majority vote of the directors then serving on the Board, even though less than a quorum, or by a sole remaining director.
- *Stockholder Actions*. Our Certificate of Incorporation and Bylaws provide that action shall be taken by the stockholders only at annual or special meetings of stockholders and stockholders may not act by written consent.
- *Special Meetings of Stockholders*. Our Certificate of Incorporation and Bylaws provide that special meetings of stockholders may be called only by the chairman of the Board, a majority of the members of the Board pursuant to a resolution approved by the Board, or a committee of the Board that has been duly designated by the Board and the powers of which specifically include the authority to call such meetings, and special meetings may not be called by any other person or persons.
- *Preferred Stock*. Preferred stock could be issued with terms calculated to delay, defer or prevent a change in our control or to make it more difficult to remove our management.
- *Amendments.* Our Certificate of Incorporation provides that in addition to any other vote required by law or our Certificate of Incorporation, the vote of 66 2/3% or more of the voting power of the outstanding shares of capital stock entitled to vote generally in the election of directors shall be required to amend alter, amend or repeal Articles V, VI, VII and VIII of the Certificate of Incorporation. Our Certificate of Incorporation and Bylaws provide that our Board is authorized to adopt, amend or repeal our Bylaws without further stockholder approval. Our Certificate of Incorporation and our Bylaws also provide that the stockholders can amend the bylaws; provided, however, that in addition to any other vote required by law or our Certificate of Incorporation, the vote of 66 2/3% or more of the voting power of the outstanding shares of capital stock entitled to vote generally in the election of directors shall be required for the stockholders to amend our Bylaws.
- *Forum Selection Provision*. Our Certificate of Incorporation provides that unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company; (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company's stockholders; (iii) any action asserting a claim against the Company arising pursuant to any provision of the DGCL, the Certificate of Incorporation or the Bylaws;

or (iv) any action asserting a claim against the Company governed by the internal affairs doctrine; provided, however, that, in the event the Court of Chancery of the State of Delaware lacks jurisdiction over any such proceeding, the sole and exclusive forum for such action or proceeding shall be another state or federal court located within the State of Delaware.

EXHIBIT 10.14

2U, Inc.

Performance Stock Unit Grant Notice

(Amended and Restated 2014 Equity Incentive Plan)

(US)

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

Participant:	______________________
Date of Grant:	______________________
Grant Number:	______________________
Vesting Commencement Date:	______________________
Number of PSUs:	______________________

Vesting Schedule:	Except as otherwise set forth in the Plan or the Award Agreement, the Award shall vest on the date that the Sustained Stock Price is at least $10.00 (the "***Performance-Vesting Criteria***"), subject to Participant's Continuous Service through the date that the Performance-Vesting Criteria is first satisfied (such date, the "***Vesting Date***"); provided, that, no portion of the Award shall become vested, and all shares of Common Stock subject to the Award shall be forfeited, if the Performance-Vesting Criteria is not satisfied at any time on or prior to the two-year anniversary of the Vesting Commencement Date (such two-year period, the "***Performance Period***"). For purposes of this Award, "***Sustained Stock Price***" means, as of any date within the Performance Period, the average closing price of Common Stock over the thirty (30) consecutive trading days prior to any such date as reported on the Nasdaq Global Select Market or, if different from the Nasdaq Global Select Market, the principal U.S. securities exchange on which the Common Stock is listed on such date.

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

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

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

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

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

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

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

2. **VESTING.**

(a) Except as otherwise set forth in this Agreement or in the Plan, the Performance Stock Units shall vest in accordance with the Vesting Schedule set forth in the Grant Notice.

(b) If your Continuous Service ends due to your death or Disability, then your PSUs shall remain outstanding and be eligible to vest or be forfeited in accordance with the Vesting Schedule set forth in the Grant Notice or Section 3 of this Agreement, as applicable; provided, that, to the extent that the PSUs vest in accordance with the Vesting Schedule, you or your estate (as applicable) shall receive a pro-rated portion of such PSUs in a number equal to (i) Number of PSUs that vest in accordance with the Vesting Schedule set forth in the Grant Notice, multiplied by (ii) the quotient of (x) the number of days elapsed from and including the Vesting Commencement Date to the date your Continuous Service ends due to your death or Disability over (y) the number of days elapsed from and including the Vesting Commencement Date to the Vesting Date. Such resulting number of shares of Common Stock in settlement of such pro-rated number of PSUs shall be issued in accordance with Section 8.

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

3. **CHANGE IN CONTROL.** Notwithstanding any contrary provision of the Grant Notice or this Agreement, if a Change in Control occurs during the Performance Period but prior to the Vesting Date and your Continuous Service with the Company has not terminated as of, or immediately

prior to, the effective time of the Change in Control:

(a) As of the effective time of the Change in Control, (i) if the per share consideration paid to the holders of Common Stock in respect of such Change in Control (the "***Change in Control Share Price***") is at least equal to $10.00 (as determined by the Company in its sole discretion), then the Sustained Stock Price shall equal the Change in Control Share Price and the Performance-Vesting Criteria shall be deemed satisfied effective as of the effective time

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of such Change in Control, or (ii) if the Change in Control Share Price is less than $10.00, a number of PSUs shall vest in an amount equal to (A) the Number of PSUs, multiplied by (B) the quotient of (x) the Change in Control Share Price over (y) $10.00, rounded up to the nearest whole share of Common Stock; provided, that, any portion of the Award that does not vest in accordance with this Section 3(a) shall forfeited in its entirety.

(b) As of the effective time of the Change in Control, if there is no Change in Control Share Price, then (i) the Sustained Stock Price shall be measured as of the date upon which the effective time of the Change in Control occurs and the Performance Period shall conclude as of such date and (ii) a number of PSUs shall vest in an amount equal to (A) the Number of PSUs, multiplied by (B) the quotient of (x) such Sustained Stock Price over (y) $10.00, rounded up to the nearest whole share of Common Stock (provided that such resulting number of PSUs shall not exceed the Number of PSUs); provided, that, any portion of the Award that does not vest in accordance with this Section 3(b) shall forfeited in its entirety

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

5. **ADJUSTMENTS FOR EXTRAORDINARY OR OTHER EVENTS**. Notwithstanding anything in this Agreement, the Plan or the Grant Notice to the contrary, if the Committee determines that due to unusual, extraordinary or nonrecurring transactions (such as a Capitalization Adjustment) or events materially affecting the Award or any other reasons, an adjustment in the Sustained Stock Price hurdle of $10.00 (as may be adjusted pursuant to this Section 5), is necessary or appropriate, the Committee may adjust the Sustained Stock Price hurdle of $10.00 (as may be adjusted pursuant to this Section 5), in such a manner as the Committee determines in good faith to be equitable to reflect such transactions, events or reasons.

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

7. TRANSFER RESTRICTIONS. Prior to the time that shares of Common Stock have been delivered to you, you may not transfer, pledge, sell or otherwise dispose of this Award or the shares issuable in respect of your Award, except as expressly provided in this Section 7. For example, you may not use shares that may be issued in respect of your Performance Stock Units as security for a loan.

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

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

8. DATE OF ISSUANCE.

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

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

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

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

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

11. EXECUTION OF DOCUMENTS. You hereby acknowledge and agree that the manner selected by the Company by which you indicate your consent to your Grant Notice is also deemed to be your execution of your Grant Notice and of this Agreement. You further agree

that such manner of indicating consent may be relied upon as your signature for establishing your execution of any documents to be executed in the future in connection with your Award.

12. AWARD NOT A SERVICE CONTRACT.

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

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

13. **WITHHOLDING OBLIGATIONS.**

(a) On each vesting date, and on or before the time you receive a distribution of the shares underlying your Performance Stock Units, and at any other time as reasonably requested by the Company in accordance with applicable tax laws, you hereby authorize any required withholding from the Common Stock issuable to you and/or otherwise agree to make adequate provision in cash for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any Affiliate that arise in connection with your Award (the "***Withholding Taxes***"). Additionally, the Company shall satisfy all Withholding Taxes by or any portion of the Withholding Taxes obligation relating to your Award by withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the Award with a Fair Market Value (measured as of the date shares of Common Stock are issued to pursuant to Section 8) equal to the amount of such Withholding Taxes ("***Share Withholding***"); *provided, however*, that the number of such shares of Common Stock so withheld will not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the maximum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income; *provided further* that if Share Withholding would cause the Company to violate a provision set forth in any credit agreement or other financing document to which the Company is a party, the Committee may require you to satisfy the Withholding Taxes through any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company; (ii) causing you to tender a cash payment; or (iii) provided that at the time of issuance the Common Stock is publicly traded, permitting or requiring you to enter into a "same day sale" commitment whereby you irrevocably elect to sell a portion of the shares to be delivered in connection with your Performance Stock Units to a registered broker to satisfy the Withholding Taxes and whereby the broker irrevocably commits

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to forward the proceeds necessary to satisfy the Withholding Taxes directly to the Company and/or its Affiliates.

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

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

14. **TAX CONSEQUENCES.** The Company has no duty or obligation to minimize the tax consequences to you of this Award and shall not be liable to you for any adverse tax consequences to you arising in connection with this Award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this Award and have agree that you have done so or knowingly and

voluntarily declined to do so. You understand that you (and not the Company) shall be responsible for your own tax liability that may arise as a result of the Award.

15. UNSECURED OBLIGATION. Your Award is unfunded, and as a holder of a vested Award, you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares or other property pursuant to this Agreement. You shall not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this Agreement until such shares are issued to you pursuant to Section 8 of this Agreement. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

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

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

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

18. MISCELLANEOUS.

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

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

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

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

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

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

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

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

22. SEVERABILITY. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or

invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

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

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

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

EXHIBIT 21.1

Subsidiaries of 2U, Inc.

Name of Subsidiary	**Jurisdiction of Incorporation or Organization**
CritiqueIt, Inc.	California
edX LLC	Delaware
edX Boot Camps LLC	Delaware
2U HK LLC	Delaware
2U Harkins Road LLC	Delaware
2U KEIH Holdco, LLC	Delaware
2U NYC, LLC	Delaware
2U GetSmarter, LLC	Delaware
2U GetSmarter (US), LLC	Delaware
TESI Merger Sub, Inc.	Delaware
TES, Inc.	Delaware
TES, LLC	Delaware
edX Boot Camps (Australia) Proprietary Limited	Australia
edX Boot Camps (Canada) ULC	Canada
edX Boot Camps (Germany) GmbH	Germany
edX Boot Camps Mexico S. de R.L de C.V	Mexico
K2017143886 (South Africa) Proprietary Limited	South Africa
Get Educated International Proprietary Limited	South Africa
Get Educated Proprietary Limited	South Africa
2U GetSmarter (UK) Limited	The United Kingdom
GetSmarter Online Limited	The United Kingdom
2U Group (UK) Limited	The United Kingdom
edX Boot Camps (UK) Limited	The United Kingdom

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statement (No. 333-259928) on Form S-3 and registration statements (Nos. 333-267645, 333-221964, 333-194943, 333-269948, 333-272646, and 333-194943) 333-273202) on Form S-8 of our reports dated February 21, 2023 March 6, 2024, with respect to the consolidated financial statements of 2U, Inc. and subsidiaries and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

McLean, Virginia
February 21, 2023 March 6, 2024

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Christopher J. Paucek, certify that:

1. I have reviewed this Annual Report on Form 10-K 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(s) 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(s) 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: February 21, 2023	By:	/s/ CHRISTOPHER J. PAUCEK	
		Name:	Christopher J. Paucek
		Title:	*Chief Executive Officer*

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Paul S. Lalljie, certify that:

1. I have reviewed this Annual Report on Form 10-K 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(s) 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(s) 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: February 21, 2023 March 06, 2024

By: /s/ PAUL S. LALLJIE
Name: Paul S. Lalljie
Title: *Chief Executive Officer*

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Matthew J. Norden, certify that:

1. I have reviewed this Annual Report on Form 10-K 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(s) 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(s) 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: March 06, 2024

By: /s/ MATTHEW J. NORDEN
Name: Matthew J. Norden
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 Annual Report on Form 10-K of 2U, Inc. (the "Company") for the year ended December 31, 2022 December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Paucek, Paul S. Lalljie, 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: February 21, 2023 March 06, 2024

By: /s/ CHRISTOPHER J. PAUCEK PAUL S. LALLJIE
Name: Christopher J. Paucek Paul S. Lalljie
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 Annual Report on Form 10-K of 2U, Inc. (the "Company") for the year ended December 31, 2022 December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul S. Lalljie, Matthew J. Norden, 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: February 21, 2023 March 06, 2024

By: /s/ PAUL S. LALLJIE MATTHEW J. NORDEN

Name: Paul S. Lalljie Matthew J. Norden

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.

EXHIBIT 97.1

2U, INC.

CLAWBACK POLICY

The Board of Directors (the "Board") of 2U, Inc. (the "Company") believes that it is appropriate for the Company to adopt this Clawback Policy (the "Policy") to be applied to the Executive Officers of the Company and adopts this Policy to be effective as of the Effective Date.

1. Definitions

For purposes of this Policy, the following definitions shall apply:

a) "Committee" means the Compensation Committee of the Board.

b) "Company Group" means the Company and each of its Subsidiaries, as applicable.

c) "Covered Compensation" means any Incentive-Based Compensation granted, vested or paid to a person who served as an Executive Officer at any time during the performance period for the Incentive-Based Compensation and that was Received (i) on or after the Effective Date, (ii) after the person became an Executive Officer and (iii) at a time that the Company had a class of securities listed on a national securities exchange or a national securities association.

d) "Effective Date" means December 1, 2023.

e) "Erroneously Awarded Compensation" means the amount of Covered Compensation granted, vested or paid to a person during the fiscal period when the applicable Financial Reporting Measure relating to such Covered Compensation was attained that exceeds the amount of Covered Compensation that otherwise would have been granted, vested or paid to the person had such amount been determined based on the applicable Restatement, computed without regard to any taxes paid (i.e., on a pre-tax basis). For Covered Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in a Restatement, the Committee will determine the amount of such Covered Compensation that constitutes Erroneously Awarded Compensation, if any, based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Covered Compensation was granted, vested or paid and the Committee shall maintain documentation of such determination and provide such documentation to the Nasdaq.

f) "Exchange Act" means the Securities Exchange Act of 1934.

g) "Executive Officer"means each "officer" of the Company as defined under Rule 16a-1(f) under Section 16 of the Exchange Act, which shall be deemed to include any individuals identified by the Company as executive officers pursuant to Item 401(b) of Regulation S-K under the Exchange Act. Both current and former Executive Officers are subject to the Policy in accordance with its terms.

h) "Financial Reporting Measure" means (i) any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures derived wholly or in part from such measures and may consist of GAAP or non-GAAP financial measures (as defined under Regulation G of the Exchange

Act and Item 10 of Regulation S-K under the Exchange Act), (ii) stock price or (iii) total shareholder return. Financial Reporting Measures may or may not be filed with the SEC and may be presented outside the Company's financial statements, such as in Managements' Discussion and Analysis of Financial Conditions and Result of Operations or in the performance graph required under Item 201(e) of Regulation S-K under the Exchange Act.

i) "Home Country" means the Company's jurisdiction of incorporation.

j) "Incentive-Based Compensation" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

k) "Lookback Period" means the three completed fiscal years (plus any transition period of less than nine months that is within or immediately following the three completed fiscal years and that results from a change in the Company's fiscal year) immediately preceding the date on which the Company is required to prepare a Restatement for a given reporting period, with such date being the earlier of: (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare a Restatement. Recovery of any Erroneously Awarded Compensation under the Policy is not dependent on if or when the Restatement is actually filed.

l) "Nasdaq" means the Nasdaq Stock Market.

m) "Received": Incentive-Based Compensation is deemed "Received" in the Company's fiscal period during which the Financial Reporting Measure specified in or otherwise relating to the Incentive-Based Compensation award is attained, even if the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

n) "Restatement" means a required accounting restatement of any Company financial statement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including (i) to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as a "Big R" restatement) or (ii) to correct an error in previously issued financial statements that is not material to the previously issued financial statements but that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as a "little r" restatement). Changes to the Company's financial statements that do not represent error corrections under the then-current relevant accounting standards will not constitute Restatements. Recovery of any Erroneously Awarded Compensation under the Policy is not dependent on fraud or misconduct by any person in connection with the Restatement.

o) "SEC" means the United States Securities and Exchange Commission.

p) "Subsidiary" means any domestic or foreign corporation, partnership, association, joint stock company, joint venture, trust or unincorporated organization "affiliated" with the Company, that is, directly or indirectly, through one or more intermediaries, "controlling", "controlled by" or "under common control with", the Company. "Control" for this purpose means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, contract or otherwise.

2. **Recoupment of Erroneously Awarded Compensation**

In the event of a Restatement, any Erroneously Awarded Compensation Received during the Lookback Period prior to the Restatement (a) that is then-outstanding but has not yet been paid shall be automatically and immediately forfeited and (b) that has been paid to any person shall be subject to reasonably prompt repayment to the Company Group in accordance with Section 3 of this Policy. The Committee must pursue (and shall not have the discretion to waive) the forfeiture and/or repayment of such Erroneously Awarded Compensation in accordance with Section 3 of this Policy, except as provided below.

Notwithstanding the foregoing, the Committee (or, if the Committee is not a committee of the Board responsible for the Company's executive compensation decisions and composed entirely of independent directors, a majority of the independent directors serving on the Board) may determine not to pursue the forfeiture and/or recovery of Erroneously Awarded Compensation from any person if the Committee determines that such forfeiture and/or recovery would be impracticable due to any of the following circumstances: (i) the direct expense paid to a third party (for example, reasonable legal expenses and consulting fees) to assist in enforcing the Policy would exceed the amount to be recovered (following reasonable attempts by the Company Group to recover such Erroneously Awarded Compensation, the documentation of such attempts, and the provision of such documentation to the Nasdaq), (ii) pursuing such recovery would violate the Company's Home Country laws adopted prior to November 28, 2022 (provided that the Company obtains an opinion of Home Country counsel acceptable to the Nasdaq that recovery would result in such a violation and provides such opinion to the Nasdaq), or (iii) recovery would likely cause any otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

3. **Means of Repayment**

In the event that the Committee determines that any person shall repay any Erroneously Awarded Compensation, the Committee shall provide written notice to such person by email or certified mail to the physical address on file with the Company Group for such person, and the person shall satisfy such repayment in a manner and on such terms as required by the Committee, and the Company Group shall be entitled to set off the repayment amount against any amount owed to the person by the Company Group, to require the forfeiture of any award granted by the Company Group to the person, or to take any and all necessary actions to reasonably promptly recoup the repayment amount from the person, in each case, to the fullest extent permitted under applicable law, including without limitation, Section 409A of the Internal Revenue Code and the regulations and guidance thereunder. If the Committee does not specify a repayment timing in the written notice described above, the applicable person shall be required to repay the Erroneously Awarded Compensation to the Company Group by wire, cash or cashier's check no later than thirty (30) days after receipt of such notice.

4. **No Indemnification**

No person shall be indemnified, insured or reimbursed by the Company Group in respect of any loss of compensation by such person in accordance with this Policy, nor shall any person receive any advancement of expenses for disputes related to any loss of compensation by such person in accordance with this Policy, and no person shall be paid or reimbursed by the Company Group for any premiums paid by such person for any third-party insurance policy covering potential recovery obligations under this Policy. For this purpose, "indemnification" includes any modification to current compensation arrangements or other means that would amount to *de facto* indemnification (for example, providing the person a new cash award which would be cancelled to effect the recovery of any Erroneously Awarded

Compensation). In no event shall the Company Group be required to award any person an additional payment if any Restatement would result in a higher incentive compensation payment.

5. **Miscellaneous**

This Policy generally will be administered and interpreted by the Committee. Any determination by the Committee with respect to this Policy shall be final, conclusive and binding on all interested parties. Any discretionary determinations of the Committee under this Policy, if any, need not be uniform with respect to all persons, and may be made selectively amongst persons, whether or not such persons are similarly situated.

This Policy is intended to satisfy the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as it may be amended from time to time, and any related rules or regulations promulgated by the SEC or the Nasdaq, including any additional or new requirements that become effective after the Effective Date which upon effectiveness shall be deemed to automatically amend this Policy to the extent necessary to comply with such additional or new requirements.

The provisions in this Policy are intended to be applied to the fullest extent of the law. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to applicable law. The invalidity or unenforceability of any provision of this Policy shall not affect the validity or enforceability of any other provision of this Policy. Recoupment of Erroneously Awarded Compensation under this Policy is not dependent upon the Company Group satisfying any conditions in this Policy, including any requirements to provide applicable documentation to the Nasdaq.

The rights of the Company Group under this Policy to seek forfeiture or reimbursement are in addition to, and not in lieu of, any rights of recoupment, or remedies or rights other than recoupment, that may be available to the Company Group pursuant to the terms of any law, government regulation or stock exchange listing requirement or any other policy, code of conduct, employee handbook, employment agreement, equity award agreement, or other plan or agreement of the Company Group.

6. Amendment and Termination

To the extent permitted by, and in a manner consistent with applicable law, including SEC and Nasdaq rules, the Committee may terminate, suspend or amend this Policy at any time in its discretion.

7. Successors

This Policy shall be binding and enforceable against all persons and their respective beneficiaries, heirs, executors, administrators or other legal representatives with respect to any Covered Compensation granted, vested or paid to or administered by such persons or entities.

2U, INC.

CLAWBACK POLICY

ACKNOWLEDGMENT, CONSENT AND AGREEMENT

I acknowledge that I have received and reviewed a copy of the 2U, Inc. Clawback Policy (as may be amended from time to time, the “Policy”) and I have been given an opportunity to ask questions about the Policy and review it with my counsel. I knowingly, voluntarily and irrevocably consent to an agree to be bound by and subject to the Policy’s terms and conditions, including that I will return any Erroneously Awarded Compensation that is required to be repaid in accordance with the Policy. I further acknowledge, understand and agree that (i) the compensation that I receive, have received or may become entitled to receive from the Company Group is subject to the Policy, and the Policy may affect such compensation and (ii) I have no right to indemnification, insurance payments or other reimbursement by or from the Company Group for any compensation that is subject to recoupment and/or forfeiture under the Policy. Capitalized terms not defined herein have the meanings set forth in the Policy.

Signed: ____

Print Name: ______________________________________

Date: ______________________________________

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