

REFINITIV

DELTA REPORT

10-Q

TWOU - 2U, INC.

10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	965
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■ CHANGES	280
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■ DELETIONS	276
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■ ADDITIONS	409
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2023** ~~June 30, 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, INC.

(Exact name of registrant as specified in its charter)

Delaware

26-2335939

(State or other jurisdiction of incorporation or
organization)

(I.R.S. Employer Identification No.)

7900 Harkins Road Lanham, MD

20706

(Address of Principal Executive Offices)

(Zip Code)

(301) 892-4350

(Registrant's telephone number, including area code)

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

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of **April 26, 2023** ~~August 4, 2023~~, there were **80,419,429** ~~81,419,968~~ shares of the registrant's common stock, par value \$0.001 per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- trends in the higher education market and the market for online education, and expectations for growth in those markets;
- our ability to maintain minimum recurring revenues or other financial ratios during required periods through the maturity date of our Second Amended 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 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 our acquisition of edX, 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;

Total current assets	Total current assets	257,978	322,307	Total current assets	225,862	322,307
Other receivables, net, non-current	Other receivables, net, non-current	14,725	14,788	Other receivables, net, non-current	16,369	14,788
Property and equipment, net	Property and equipment, net	44,165	45,855	Property and equipment, net	42,691	45,855
Right-of-use assets	Right-of-use assets	70,020	72,361	Right-of-use assets	67,501	72,361
Goodwill	Goodwill	732,349	734,620	Goodwill	712,858	734,620
Intangible assets, net	Intangible assets, net	532,695	549,755	Intangible assets, net	403,440	549,755
Other assets, non-current	Other assets, non-current	73,263	71,173	Other assets, non-current	69,696	71,173
Total assets	Total assets	\$ 1,725,195	\$ 1,810,859	Total assets	\$ 1,538,417	\$ 1,810,859
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	\$ 126,305	\$ 110,020	Accounts payable and accrued expenses	\$ 122,010	\$ 110,020
Deferred revenue	Deferred revenue	114,957	90,161	Deferred revenue	107,189	90,161
Lease liability	Lease liability	14,324	13,909	Lease liability	14,735	13,909
Accrued restructuring liability	Accrued restructuring liability	4,529	6,692	Accrued restructuring liability	2,424	6,692
Other current liabilities	Other current liabilities	53,776	58,210	Other current liabilities	49,477	58,210
Total current liabilities	Total current liabilities	313,891	278,992	Total current liabilities	295,835	278,992
Long-term debt	Long-term debt	854,348	928,564	Long-term debt	856,399	928,564
Deferred tax liabilities, net	Deferred tax liabilities, net	293	282	Deferred tax liabilities, net	315	282
Lease liability, non-current	Lease liability, non-current	95,215	99,709	Lease liability, non-current	90,404	99,709
Other liabilities, non-current	Other liabilities, non-current	1,808	1,796	Other liabilities, non-current	1,946	1,796
Total liabilities	Total liabilities	1,265,555	1,309,343	Total liabilities	1,244,899	1,309,343
Commitments and contingencies (Note 5)	Commitments and contingencies (Note 5)			Commitments and contingencies (Note 5)		
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	—	—	Preferred stock, \$0.001 par value, 5,000,000 shares authorized, none issued	—	—
Common stock, \$0.001 par value, 200,000,000 shares authorized, 79,606,757 shares issued and outstanding as of March 31, 2023; 78,334,666 shares issued and outstanding as of December 31, 2022	Common stock, \$0.001 par value, 200,000,000 shares authorized, 79,606,757 shares issued and outstanding as of March 31, 2023; 78,334,666 shares issued and outstanding as of December 31, 2022	80	78			

Common stock, \$0.001 par value, 200,000,000 shares authorized, 80,957,654 shares issued and outstanding as of June 30, 2023; 78,334,666 shares issued and outstanding as of December 31, 2022				Common stock, \$0.001 par value, 200,000,000 shares authorized, 80,957,654 shares issued and outstanding as of June 30, 2023; 78,334,666 shares issued and outstanding as of December 31, 2022			
Additional paid-in capital	Additional paid-in capital	1,716,342	1,700,855	Additional paid-in capital	1,727,874	1,700,855	
Accumulated deficit	Accumulated deficit	(1,234,034)	(1,179,972)	Accumulated deficit	(1,407,688)	(1,179,972)	
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(22,748)	(19,445)	Accumulated other comprehensive loss	(26,749)	(19,445)	
Total stockholders' equity	Total stockholders' equity	459,640	501,516	Total stockholders' equity	293,518	501,516	
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 1,725,195	\$ 1,810,859	Total liabilities and stockholders' equity	\$ 1,538,417	\$ 1,810,859	

See accompanying notes to condensed consolidated financial statements.

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

		Three Months Ended March 31,			Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022		2023	2022	2023	2022
Revenue	Revenue	\$ 238,504	\$ 253,329	Revenue	\$ 222,089	\$ 241,464	\$ 460,593	\$ 494,793
Costs and expenses	Costs and expenses			Costs and expenses				
Curriculum and teaching	Curriculum and teaching	32,840	33,230	Curriculum and teaching	34,102	32,145	66,942	65,375
Servicing and support	Servicing and support	36,109	39,624	Servicing and support	33,585	37,061	69,694	76,685
Technology and content development	Technology and content development	45,484	51,057	Technology and content development	44,250	45,616	89,734	96,673
Marketing and sales	Marketing and sales	100,175	130,982	Marketing and sales	95,882	116,350	196,057	247,332
General and administrative	General and administrative	39,250	50,235	General and administrative	32,657	41,523	71,907	91,758
Restructuring charges	Restructuring charges	4,875	787	Restructuring charges	3,622	16,753	8,497	17,540
Impairment charges	Impairment charges	—	58,782	Impairment charges	134,117	—	134,117	58,782
Total costs and expenses	Total costs and expenses	258,733	364,697	Total costs and expenses	378,215	289,448	636,948	654,145
Loss from operations	Loss from operations	(20,229)	(111,368)	Loss from operations	(156,126)	(47,984)	(176,355)	0
Interest income	Interest income	365	257	Interest income	371	241	736	498
Interest expense	Interest expense	(17,957)	(13,890)	Interest expense	(17,916)	(13,906)	(35,873)	(27,796)

Debt modification expense and loss on debt extinguishment	Debt modification expense and loss on debt extinguishment	(16,735)	—	Debt modification expense and loss on debt extinguishment	—	—	(16,735)	—
Other income (expense), net	Other income (expense), net	607	(1,030)	Other income (expense), net	227	(1,367)	834	(2,397)
Loss before income taxes	Loss before income taxes	(53,949)	(126,031)	Loss before income taxes	(173,444)	(63,016)	(227,393)	(189,047)
Income tax (expense) benefit	Income tax (expense) benefit	(113)	251	Income tax (expense) benefit	(210)	164	(323)	415
Net loss	Net loss	<u>\$ (54,062)</u>	<u>\$ (125,780)</u>	Net loss	<u>\$ (173,654)</u>	<u>\$ (62,852)</u>	<u>\$ (227,716)</u>	<u>\$ (188,632)</u>
Net loss per share, basic and diluted	Net loss per share, basic and diluted	<u>\$ (0.68)</u>	<u>\$ (1.65)</u>	Net loss per share, basic and diluted	<u>\$ (2.16)</u>	<u>\$ (0.82)</u>	<u>\$ (2.85)</u>	<u>\$ (2.46)</u>
Weighted-average shares of common stock outstanding, basic and diluted	Weighted-average shares of common stock outstanding, basic and diluted	<u>79,310,434</u>	<u>76,271,855</u>	Weighted-average shares of common stock outstanding, basic and diluted	<u>80,560,755</u>	<u>77,059,157</u>	<u>79,939,048</u>	<u>76,667,681</u>
Other comprehensive (loss) income								
Other comprehensive loss	Other comprehensive loss			Other comprehensive 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	(3,303)	7,329	Foreign currency translation adjustments, net of tax of \$0 for all periods presented	(4,001)	(7,674)	(7,304)	(345)
Comprehensive loss	Comprehensive loss	<u>\$ (57,365)</u>	<u>\$ (118,451)</u>	Comprehensive loss	<u>\$ (177,655)</u>	<u>\$ (70,526)</u>	<u>\$ (235,020)</u>	<u>\$ (188,977)</u>

See accompanying notes to condensed consolidated financial statements.

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

		2022						2021					
		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Losses		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Losses	Total
		Shares	Amount			Shares	Amount	Shares	Amount				
Balance, December 31, 2022	Balance, December 31, 2022	78,334,666	\$ 78	\$1,700,855	\$(1,179,972)	\$ (19,445)	\$ 501,516	Balance, December 31, 2021	Balance, December 31, 2021	78,334,666	\$ 78	\$1,700,855	\$(1,179,972)
Issuance of common stock in connection with employee stock purchase plan	Issuance of common stock in connection with employee stock purchase plan	207,160	1	1,176	—	—	1,177	Issuance of common stock in connection with employee stock purchase plan	Issuance of common stock in connection with employee stock purchase plan	207,160	1	1,176	—

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	1,047,765	1	(362)	—	—	(361)	Issuance of common stock in connection with settlement of restricted stock units, net of withholdings	1,047,765	1	(362)	—
Exercise of stock options	Exercise of stock options	17,166	—	110	—	—	110	Exercise of stock options	17,166	—	110	—
Stock-based compensation expense	Stock-based compensation expense	—	—	14,563	—	—	14,563	Stock-based compensation expense	—	—	14,563	—
Net loss	Net loss	—	—	—	(54,062)	—	(54,062)	Net loss	—	—	—	(54,062)
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	—	(3,303)	(3,303)	Foreign currency translation adjustment	—	—	—	—
Balance, March 31, 2023	Balance, March 31, 2023	<u>79,606,757</u>	<u>\$ 80</u>	<u>\$1,716,342</u>	<u>\$(1,234,034)</u>	<u>\$ (22,748)</u>	<u>\$ 459,640</u>	Balance, March 31, 2023	<u>79,606,757</u>	<u>80</u>	<u>1,716,342</u>	<u>\$(1,234,034)</u>
Issuance of common stock in connection with employee stock purchase plan								Issuance of common stock in connection with employee stock purchase plan	255,169	—	925	—
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	1,095,728	1	(376)	—
Stock-based compensation expense								Stock-based compensation expense	—	—	10,983	—
Net loss								Net loss	—	—	—	(173,654)
Foreign currency translation adjustment								Foreign currency translation adjustment	—	—	—	—
Balance, June 30, 2023								Balance, June 30, 2023	<u>80,957,654</u>	<u>\$81</u>	<u>\$1,727,874</u>	<u>\$(1,407,688)</u>

See accompanying notes to condensed consolidated financial statements.

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

		Balance Sheet						Income Statement					
		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Losses		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Losses	Total
		Shares	Amount			Shares	Amount	Amount	Amount				
Balance, December 31, 2021	Balance, December 31, 2021	75,754,663	\$ 76	\$1,735,628	\$ (890,638)	\$ (15,911)	\$ 829,155	Balance, December 31, 2021	75,754,663	\$76	\$1,735,628	\$ (890,638)	\$ 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)	Cumulative effect of adoption of ASU No. 2020-06, net of taxes	—	—	(114,551)	32,817	—
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	577,416	1	(920)	—	—	(919)	Issuance of common stock in connection with settlement of restricted stock units, net of withholdings	577,416	1	(920)	—	—
Exercise of stock options	Exercise of stock options	284,455	—	875	—	—	875	Exercise of stock options	284,455	—	875	—	—
Stock-based compensation expense	Stock-based compensation expense	—	—	24,424	—	—	24,424	Stock-based compensation expense	—	—	24,424	—	—
Net loss	Net loss	—	—	—	(125,780)	—	(125,780)	Net loss	—	—	—	(125,780)	—
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	—	7,329	7,329	Foreign currency translation adjustment	—	—	—	—	—
Balance, March 31, 2022	Balance, March 31, 2022	76,616,534	\$ 77	\$1,645,456	\$ (983,601)	\$ (8,582)	\$ 653,350	Balance, March 31, 2022	76,616,534	77	1,645,456	(983,601)	\$ 653,350
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	464,984	—	(822)	—	—	—	Issuance of common stock in connection with settlement of restricted stock units, net of withholdings	464,984	—	(822)	—	—
Exercise of stock options	Exercise of stock options	2,278	—	17	—	—	—	Exercise of stock options	2,278	—	17	—	—
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	—	—	—	Issuance of common stock in connection with employee stock purchase plan	136,039	—	1,282	—	—
Stock-based compensation expense	Stock-based compensation expense	—	—	22,349	—	—	—	Stock-based compensation expense	—	—	22,349	—	—
Net loss	Net loss	—	—	—	(62,852)	—	—	Net loss	—	—	—	(62,852)	—

Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	—
Balance, June 30, 2022	Balance, June 30, 2022	<u>77,219,835</u>	<u>\$77</u>	<u>\$1,668,282</u>	<u>\$(1,046,453)</u>

See accompanying notes to condensed consolidated financial statements.

2U, Inc. Condensed Consolidated Statements of Cash Flows (unaudited, in thousands)						
		Three Months Ended March 31,			Six Months Ended June 30,	
		2023	2022		2023	2022
Cash flows from operating activities	Cash flows from operating activities			Cash flows from operating activities		
Net loss	Net loss	\$ (54,062)	\$ (125,780)	Net loss	\$ (227,716)	\$ (188,632)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:						
Adjustments to reconcile net loss to net cash provided by operating activities:				Adjustments to reconcile net loss to net cash provided by operating activities:		
Non-cash interest expense	Non-cash interest expense	3,532	4,254	Non-cash interest expense	6,818	5,664
Depreciation and amortization expense	Depreciation and amortization expense	30,020	34,415	Depreciation and amortization expense	57,348	65,757
Stock-based compensation expense	Stock-based compensation expense	14,563	24,424	Stock-based compensation expense	25,546	46,773
Non-cash lease expense	Non-cash lease expense	4,457	5,750	Non-cash lease expense	8,804	11,405
Restructuring charges				Restructuring charges	(13)	—
Impairment charges	Impairment charges	—	58,782	Impairment charges	134,117	58,782
Provision for credit losses	Provision for credit losses	2,497	2,350	Provision for credit losses	4,245	4,610
Loss on debt extinguishment	Loss on debt extinguishment	12,123	—	Loss on debt extinguishment	12,123	—
Other	Other	(598)	1,378	Other	(787)	2,920
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	(11,455)	(12,012)	Accounts receivable, net	(26,968)	(6,632)
Other receivables, net	Other receivables, net	947	(1,206)	Other receivables, net	723	(2,790)
Prepaid expenses and other assets	Prepaid expenses and other assets	(1,213)	(1,419)	Prepaid expenses and other assets	4,358	2,585
Accounts payable and accrued expenses	Accounts payable and accrued expenses	11,158	(11,944)	Accounts payable and accrued expenses	5,014	3,484
Deferred revenue	Deferred revenue	24,674	29,614	Deferred revenue	16,736	45,549

Other liabilities, net	Other liabilities, net	(9,165)	(8,672)	Other liabilities, net	(19,166)	(20,831)
Net cash provided by (used in) operating activities		27,478	(66)			
Net cash provided by operating activities				Net cash provided by operating activities	1,182	28,644
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	—	4,960	Purchase of a business, net of cash acquired	—	5,010
Additions of amortizable intangible assets	Additions of amortizable intangible assets	(10,586)	(17,487)	Additions of amortizable intangible assets	(23,027)	(34,854)
Purchases of property and equipment	Purchases of property and equipment	(1,222)	(1,769)	Purchases of property and equipment	(2,105)	(5,218)
Advances made to university clients				Advances made to university clients	—	(310)
Advances repaid by university clients				Advances repaid by university clients	100	200
Other				Other	—	(7)
Net cash used in investing activities	Net cash used in investing activities	(11,808)	(14,296)	Net cash used in investing activities	(25,032)	(35,179)
Cash flows from financing activities	Cash flows from financing activities			Cash flows from financing activities		
Proceeds from debt	Proceeds from debt	239,223	33	Proceeds from debt	269,223	385
Payments on debt	Payments on debt	(321,078)	(1,903)	Payments on debt	(352,533)	(3,793)
Prepayment premium on extinguishment of senior secured term loan facility	Prepayment premium on extinguishment of senior secured term loan facility	(5,666)	—	Prepayment premium on extinguishment of senior secured term loan facility	(5,666)	—
Payment of debt issuance costs	Payment of debt issuance costs	(2,867)	—	Payment of debt issuance costs	(4,411)	—
Tax withholding payments associated with settlement of restricted stock units	Tax withholding payments associated with settlement of restricted stock units	(361)	(919)	Tax withholding payments associated with settlement of restricted stock units	(736)	(1,741)
Proceeds from exercise of stock options	Proceeds from exercise of stock options	110	875	Proceeds from exercise of stock options	110	892
Proceeds from employee stock purchase plan share purchases	Proceeds from employee stock purchase plan share purchases	1,176	—	Proceeds from employee stock purchase plan share purchases	2,102	1,282
Net cash used in financing activities	Net cash used in financing activities	(89,463)	(1,914)	Net cash used in financing activities	(91,911)	(2,975)
Effect of exchange rate changes on cash	Effect of exchange rate changes on cash	501	(36)	Effect of exchange rate changes on cash	(118)	(2,614)
Net decrease in cash, cash equivalents and restricted cash	Net decrease in cash, cash equivalents and restricted cash	(73,292)	(16,312)	Net decrease in cash, cash equivalents and restricted cash	(115,879)	(12,124)

Cash, cash equivalents and restricted cash, beginning of period	Cash, cash equivalents and restricted cash, beginning of period	182,578	249,909	Cash, cash equivalents and restricted cash, beginning of period	182,578	249,909
Cash, cash equivalents and restricted cash, end of period	Cash, cash equivalents and restricted cash, end of period	\$ 109,286	\$ 233,597	Cash, cash equivalents and restricted cash, end of period	\$ 66,699	\$ 237,785

See accompanying notes to condensed consolidated financial statements.

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

1. Organization

2U, Inc. (together with its subsidiaries, the “Company”) is a leading 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 76.78 million people worldwide with access to world-class education in partnership with more than 250 top-ranked global universities and other leading organizations. Through edX, its education consumer marketplace, the Company offers more than 4,200 4,300 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, business, healthcare, science, education, social work, and sustainability. Many of the offerings are stackable, providing 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, 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 unaudited condensed consolidated financial statements, which include the assets, liabilities, results of operations and cash flows of the Company have been prepared in accordance with: (i) generally accepted accounting principles in the United States (“U.S. GAAP”) for interim financial information; (ii) the instructions to Form 10-Q; and (iii) the guidance of Rule 10-01 of Regulation S-X under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), for financial statements required to be filed with the Securities and Exchange Commission (the “SEC”). As permitted under such rules, certain notes and other financial information normally required by U.S. GAAP have been condensed or omitted. The Company believes the condensed consolidated financial statements reflect all normal and recurring adjustments necessary for a fair statement of the Company’s financial position, results of operations, and cash flows as of and for the periods presented herein. The Company’s results of operations for the three and six months ended March 31, 2023 June 30, 2023 and 2022 may not be indicative of the Company’s future results. These condensed consolidated financial statements are unaudited and should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022. All significant intercompany accounts and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet data as of December 31, 2022 was derived from the audited financial statements, but does not include all disclosures required by U.S. GAAP on an annual reporting basis.

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

The Company has reclassified prior period amounts in the condensed consolidated statement of operations to conform to the current period's presentation of restructuring charges. The Company reclassified \$0.8 million from general and administrative expense to restructuring charges for the three months ended March 31, 2022.

Use of Estimates

The preparation of condensed consolidated financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported herein. The Company bases its estimates and

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Notes to Condensed Consolidated Financial Statements (Continued)
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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.

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.

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 Note 3 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 **March 31, 2023**, **June 30, 2023** and **December 31, 2021**, **December 31, 2022**. Refer to Note 8 for more information regarding the Company's convertible senior notes.

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.

2U, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
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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. **Within**

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

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

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.

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

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

Interim 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 Company performed interim impairment assessments as of March 1, 2022 and September 30, 2022.

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 each of the interim impairment assessments, the Company 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 intangible asset. Key assumptions used in the income-based approach included discount rates, terminal growth rates, royalty 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. 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 of the Open Courses reporting unit and the carrying value of an indefinite-lived intangible asset, both within the Alternative

2U, Inc.

Notes to Condensed Consolidated Financial Statements (Continued) **(unaudited)**

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 condensed consolidated statements

2U, Inc.

Notes to Condensed Consolidated Financial Statements (Continued) **(unaudited)**

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 of 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 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. In addition, during the three months ended September 30, 2022, the Company recorded impairment charges of \$29.3 million to the indefinite-lived intangible asset within the Company's Alternative Credential Segment. These charges are included within operating expense on the Company's 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.

Other than For the reporting units impaired in the third quarter of 2022, based on the qualitative interim impairment assessment performed as of October 1, 2022 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 date Company recorded impairment charges of \$16.7 million to goodwill, all of which related to the annual goodwill impairment assessment, Open Courses reporting unit, and \$117.4 million to the Company had no reporting units whose indefinite-lived intangible asset. These charges are included within operating expense on the Company's 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.

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 10%, 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.

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.

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 8 for more information regarding the 2025 Notes.

In January 2023, the Company 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 8 for more information regarding the 2030 Notes.

During the first quarter of 2022, the Company adopted 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

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

written off, and a loss on extinguishment may need to be recognized. Refer to Note 8 for further information about the Company's debt.

Recent Accounting Pronouncements

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.

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

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.

2U, Inc.

Notes to Condensed Consolidated Financial Statements (Continued) (unaudited)

3. Goodwill and Intangible Assets

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

	Balance as of December 31, 2022	Foreign Currency Translation Adjustments	Balance as of March 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	\$ (2,271)	\$ 689,260
Accumulated impairments	(149,370)	—	(149,370)
Net goodwill	542,161	(2,271)	539,890
Total			
Gross goodwill	\$ 883,990	\$ (2,271)	\$ 881,719
Accumulated impairments	(149,370)	—	(149,370)
Net goodwill	\$ 734,620	\$ (2,271)	\$ 732,349

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Notes to Condensed Consolidated Financial Statements (Continued) (unaudited)

	Balance as of December 31, 2022	Impairment Charges*	Foreign Currency Translation Adjustments	Balance as of June 30, 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	\$	—	\$ (5,045) \$ 686,486
Accumulated impairments		(149,370)		(16,717)	— (166,087)
Net goodwill		542,161		(16,717)	(5,045) 520,399
Total					
Gross goodwill	\$	883,990	\$	—	\$ (5,045) \$ 878,945
Accumulated impairments		(149,370)		(16,717)	— (166,087)
Net goodwill	\$	734,620	\$	(16,717)	\$ (5,045) \$ 712,858

* Refer to Note 2 for further information about the impairment charges recorded during the second quarter of 2023.

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

		Estimated Average Useful Life (in years)	March 31, 2023			December 31, 2022				Estimated Average Useful Life (in years)	June 30, 2023			
			Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount			Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
(in thousands)									(in thousands)					
Definite-lived intangible assets	Definite-lived intangible assets								Definite-lived intangible assets					
Capitalized technology	Capitalized technology	3-5	\$232,418	\$ (140,983)	\$ 91,435	\$226,761	\$ (132,621)	\$ 94,140	Capitalized technology	3-5	\$240,943	\$ (149,270)	\$ 91,673	\$226,761
Capitalized content development	Capitalized content development	4-5	257,047	(180,600)	76,447	261,844	(177,154)	84,690	Capitalized content development	4-5	254,970	(184,418)	70,552	261,844
University client relationships	University client relationships	9-10	209,284	(60,325)	148,959	210,138	(55,556)	154,582	University client relationships	9-10	208,298	(64,895)	143,403	210,138
Enterprise client relationships	Enterprise client relationships	10	14,300	(1,966)	12,334	14,300	(1,609)	12,691	Enterprise client relationships	10	14,300	(2,323)	11,977	14,300
Trade names and domain names	Trade names and domain names	5-10	29,802	(21,982)	7,820	29,701	(21,749)	7,952	Trade names and domain names	5-10	29,743	(22,208)	7,535	29,701
Total definite-lived intangible assets	Total definite-lived intangible assets		\$742,851	\$ (405,856)	\$336,995	\$742,744	\$ (388,689)	\$354,055	Total definite-lived intangible assets		\$748,254	\$ (423,114)	\$325,140	\$742,744
									</					

	June 30, 2023			December 31, 2022		
	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	\$ (176,700)	\$ 78,300	\$ 255,000	\$ (59,300)	\$ 195,700
Total indefinite-lived intangible assets	\$ 255,000	\$ (176,700)	\$ 78,300	\$ 255,000	\$ (59,300)	\$ 195,700

* During the first and third quarter of 2022, the Company recorded impairment charges of \$30.0 million and \$29.3 million, respectively, related to its indefinite-lived intangible asset. During the second quarter of 2023, the Company recorded impairment charges of \$117.4 million related to its indefinite-lived intangible asset. Refer to Note 2 for further information about these impairment charges.

** The Company concluded that due to changes in facts and circumstances, the trade name, which was previously classified as indefinite-lived, is now finite-lived. In the third quarter of 2023, the Company will begin to amortize the trade name on a straight-line basis over its estimated useful life.

The amounts presented in the table above include \$48.4 million \$53.7 million and \$53.9 million of in-process capitalized technology and content development as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively.

The Company recorded amortization expense related to amortizable intangible assets of \$27.2 million \$24.7 million and \$31.4 million \$28.5 million for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively. The Company recorded amortization expense related to amortizable intangible assets of \$51.9 million and \$59.9 million for the six months ended June 30, 2023 and 2022, respectively.

The following table presents the estimated future amortization expense of the Company's amortizable intangible assets placed in service as of March 31, 2023 June 30, 2023.

		Future Amortization Expense		Future Amortization Expense	
		(in thousands)		(in thousands)	
Remainder of 2023	Remainder of 2023	\$	62,580	Remainder of 2023	\$ 41,852
2024	2024		66,976	2024	71,439
2025	2025		46,528	2025	50,143
2026	2026		31,659	2026	36,209
2027	2027		23,131	2027	27,232
Thereafter	Thereafter		57,772	Thereafter	122,904
Total	Total	\$	288,646	Total	\$ 349,779

2U, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
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4. Other Balance Sheet Details

Prepaid expenses and other assets

As of March 31, 2023 June 30, 2023 and December 31, 2022, the Company had balances of \$25.7 \$22.7 million and \$20.5 million, respectively, of prepaid assets within prepaid expenses and other assets on the condensed consolidated balance sheets.

Other Assets, Non-current

As of March 31, 2023 June 30, 2023 and December 31, 2022, the Company had balances of \$10.6 \$11.4 million and \$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 condensed consolidated balance sheets. Such expenses are subject to amortization over the remaining contractual

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Notes to Condensed Consolidated Financial Statements (Continued)
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term of the associated cloud computing arrangement, with a useful life of between three to five years. The Company incurred \$0.8 \$1.0 million and \$0.7 \$0.6 million of such amortization for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively. The Company incurred \$1.8 million and \$1.3 million of such amortization for the six months ended June 30, 2023 and 2022, respectively.

Accounts Payable and Accrued Expenses

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

	March 31, 2023	December 31, 2022
	(in thousands)	
Accrued university and instructional staff compensation	\$ 33,214	\$ 30,807
Accrued marketing expenses	26,219	15,988
Accrued compensation and related benefits	27,307	16,213
Accounts payable and other accrued expenses	39,565	47,012
Total accounts payable and accrued expenses	\$ 126,305	\$ 110,020

For each of the three months ended March 31, 2023 and 2022, expenses related to the Company's marketing and advertising efforts of its own brands were not material.

	June 30, 2023	December 31, 2022
	(in thousands)	
Accrued university and instructional staff compensation	\$ 35,861	\$ 30,807
Accrued marketing expenses	19,847	15,988
Accrued compensation and related benefits	17,853	16,213
Accounts payable and other accrued expenses	48,449	47,012
Total accounts payable and accrued expenses	\$ 122,010	\$ 110,020

Other Current Liabilities

As of March 31, 2023 June 30, 2023 and December 31, 2022, the Company had balances of \$14.0 \$9.0 million and \$14.7 million, respectively, within other current liabilities on the condensed 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.

5. Commitments and Contingencies

Legal Contingencies

The Company is involved in various claims and legal proceedings arising in the ordinary course of business. The Company accrues a liability when a loss is considered probable and the amount can be reasonably estimated. While the Company does not expect that the ultimate resolution of any existing claims and proceedings (other than the specific 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.

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

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Notes to Condensed Consolidated Financial Statements (Continued) (unaudited)

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 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.

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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 September 14, 2022, Daniel Sebahgh 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.

These actions have been stayed. On July 6, 2023 the court entered an order preliminarily approving the settlement of these claims. The hearing to allow the parties to discuss settlement. The parties have reached an agreement in principle to resolve the actions and continue to negotiate the terms of their agreement. Due to the complex nature enter final approval of the legal settlement is currently scheduled for September 15, 2023. The settlement payment is immaterial and factual issues involved, is being funded by the outcome of these actions is not presently determinable. Company's insurers.

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 purported to allege violations of California's False Advertising Law ("FAL"), Cal. Civ. Code § 17500, California's Unfair Competition Law ("UCL"), Cal. Civ. Code § 17200, California's Consumers Legal Remedies Act ("CLRA"), Cal. Civ. Code § 1770, as well as for unjust enrichment related to the use of USC 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, 2U 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 a First Amended Complaint, dropping the challenged claims for relief and instead asserting only a single cause of action under the CLRA. The 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 in connection with their CLRA claim.

On March 28, 2023, 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. 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 claims in state court.

2U, Inc.
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On April 17, 2023, the Company moved to dismiss the First Amended Complaint in the federal lawsuit Favell I in its entirety, arguing that all of Plaintiffs' claims lack merit. The On May 4, 2023, the Company removed the Favell II lawsuit from state court to the United States District Court for the Central District of California, and Plaintiffs later filed a motion is set for to remand it back to state court. On July 6, 2023, the Court held a hearing on May 31, 2023. The the Company's response motion to dismiss the complaint pending First Amended Complaint in state court is 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's motions to dismiss the amended complaints are due May 4, 2023 August 31, 2023.

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

2U, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
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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 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), 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 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, 2U 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. The Company believes that it has a meritorious claim and intends to vigorously pursue its challenge against the 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.

Marketing and Sales Commitments

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

Future Minimum Payments to University Clients

Pursuant to certain of the Company’s contracts in the Degree Program Segment, the Company has made, or is obligated to make, payments to university clients in exchange for contract extensions and various marketing and other rights. As of March 31, 2023 June 30, 2023, the future minimum payments due to university clients have not materially changed relative to the amounts provided in the notes to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Contingent Payments

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

6. 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

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

The Company anticipates that it will incur aggregate restructuring charges associated with the 2022 Strategic Realignment Plan of approximately \$35 million to \$40 million. The Company recorded \$4.5 \$3.2 million and \$15.8 million in restructuring

2U, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
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charges related to the 2022 Strategic Realignment Plan for the three months ended June 30, 2023 and 2022, respectively. The Company recorded \$7.7 million and \$15.8 million in restructuring charges related to the 2022 Strategic Realignment Plan for the three six months ended March 31, 2023, June 30, 2023 and 2022, respectively. 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.

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

Three Months Ended	Three Months Ended	Three Months Ended	Three Months Ended
March 31, 2023	March 31, 2022	June 30, 2023	June 30, 2022

		Degree Program Segment	Alternative Credential Segment	Degree Program Segment	Alternative Credential Segment		Degree Program Segment	Alternative Credential Segment	Degree Program Segment	Alternative Credential Segment
2022 Strategic Realignment Plan	2022 Strategic Realignment Plan					2022 Strategic Realignment Plan				
Severance and severance- related costs	Severance and severance- related costs	\$ 1,231	\$ —	\$ —	\$ —	Severance and severance- related costs	\$ —	\$ —	\$ 8,772	\$ 6,431
Lease and lease- related charges	Lease and lease- related charges	2,143	759	—	—	Lease and lease- related charges	2,129	682	—	—
Professional and other fees relating to restructuring activities	Professional and other fees relating to restructuring activities	340	—	—	—	Professional and other fees relating to restructuring activities	404	—	554	—
Other	Other	13	—	—	—	Other	13	—	—	—
		3,727	759	—	—		2,546	682	9,326	6,431
Other restructuring charges*	Other restructuring charges*	380	9	688	99	Other restructuring charges*	\$ 373	\$ 21	\$ 926	\$ 70
Total restructuring charges	Total restructuring charges	\$ 4,107	\$ 768	\$ 688	\$ 99	Total restructuring charges	\$ 2,919	\$ 703	\$ 10,252	\$ 6,501

	Six Months Ended June 30, 2023		Six Months Ended June 30, 2022	
	Degree Program Segment	Alternative Credential Segment	Degree Program Segment	Alternative Credential Segment
2022 Strategic Realignment Plan				
Severance and severance-related costs	\$ 1,231	\$ —	\$ 8,772	\$ 6,431
Lease and lease-related charges	4,272	1,441	—	—
Professional and other fees relating to restructuring activities	744	—	554	—
Other	26	—	—	—
	6,273	1,441	9,326	6,431
Other restructuring charges*	\$ 753	\$ 30	\$ 1,615	\$ 168
Total restructuring charges	\$ 7,026	\$ 1,471	\$ 10,941	\$ 6,599

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

2U, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
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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, 2022				Balance as of March 31, 2023					Balance as of December 31, 2022				Balance as of June 30, 2023			
		(in thousands)									(in thousands)							
2022 Strategic Realignment Plan	2022 Strategic Realignment Plan									2022 Strategic Realignment Plan								
Severance and severance-related costs	Severance and severance-related costs	\$	5,225	\$	1,231	\$	(2,438)	\$	4,018	Severance and severance-related costs	\$	5,225	\$	1,231	\$	(4,696)	\$	1,760
Professional and other fees relating to restructuring activities	Professional and other fees relating to restructuring activities		923		305		(1,025)		203	Professional and other fees relating to restructuring activities		923		825		(1,292)		456
Lease and lease-related charges	Lease and lease-related charges		83		3,277		(3,349)		11	Lease and lease-related charges		83		6,486		(6,545)		24
Other severance and severance-related costs	Other severance and severance-related costs		461		27		(191)		297	Other severance and severance-related costs		461		211		(488)		184
Total restructuring	Total restructuring	\$	6,692	\$	4,840	\$	(7,003)	\$	4,529	Total restructuring	\$	6,692	\$	8,753	\$	(13,021)	\$	2,424

7. 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 years, some of which include options to extend the leases for up to five years, and some of which include options to terminate the leases within one year. These options to extend the terms of the Company's operating leases were not deemed to be reasonably certain of exercise as of lease commencement and are therefore not included in the determination of their respective non-cancellable lease terms. The future lease payments due under non-cancellable operating lease arrangements contain fixed rent increases over the term of the lease.

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

	Three Months Ended March 31,			Three Months Ended June 30,			Six Months Ended June 30,	
	2023	2022		2023	2022	2023	2022	
	(in thousands)			(in thousands)				
Operating lease expense	Operating lease expense \$	4,457	\$ 5,761	Operating lease expense \$	4,346	\$ 5,611	\$ 8,803	\$ 11,372
Short-term lease expense	Short-term lease expense	34	111	Short-term lease expense	35	157	69	268
Variable lease expense	Variable lease expense	1,907	1,823	Variable lease expense	1,362	1,546	3,269	3,369
Sublease income	Sublease income	(427)	(228)	Sublease income	(481)	(228)	(908)	(456)
Total lease expense	Total lease expense \$	5,971	\$ 7,467	Total lease expense \$	5,262	\$ 7,086	\$ 11,233	\$ 14,553

2U, Inc.

Notes to Condensed Consolidated Financial Statements (Continued) (unaudited)

As of **March 31, 2023** **June 30, 2023**, for the Company's operating leases, the weighted-average remaining lease term was **6.7** **6.5** years and the weighted-average discount rate was 10.7%. For the **three** **six** months ended **March 31, 2023** **June 30, 2023** and 2022, cash paid for amounts included in the measurement of operating lease liabilities was **\$6.0** **million** **\$12.1 million** and **\$6.6 million** **\$13.1 million**, respectively. There were no lease liabilities arising from obtaining right-of-use assets for **each** **the** **three** **six** months ended **March 31, 2023** and 2022 **June 30, 2023**. For the six months ended June 30, 2022, lease liabilities arising from obtaining right-of use assets were \$1.3 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 \$2.6 million \$3.8 million in aggregate.

		March 31, 2023			June 30, 2023
		(in thousands)			(in thousands)
Remainder of 2023	Remainder of 2023	\$ 18,402	Remainder of 2023	\$ 12,248	
2024	2024	24,383	2024	24,227	
2025	2025	20,613	2025	20,446	
2026	2026	21,175	2026	20,997	
2027	2027	21,761	2027	21,571	
Thereafter	Thereafter	50,797	Thereafter	49,412	
Total lease payments	Total lease payments	157,131	Total lease payments	148,901	
Less: imputed interest	Less: imputed interest	(47,592)	Less: imputed interest	(43,762)	
Total lease liability	Total lease liability	\$ 109,539	Total lease liability	\$ 105,139	

8. Debt

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

		March 31, 2023	December 31, 2022			June 30, 2023	December 31, 2022
		(in thousands)				(in thousands)	
Term loan facilities	Term loan facilities	\$ 379,050	\$ 566,622	Term loan facilities	\$ 378,100	\$ 566,622	
Revolving facility	Revolving facility	—	—	Revolving facility	—	—	
Convertible senior notes	Convertible senior notes	527,000	380,000	Convertible senior notes	527,000	380,000	
Deferred government grant obligations	Deferred government grant obligations	3,500	3,500	Deferred government grant obligations	3,500	3,500	
Other borrowings	Other borrowings	3,191	3,688	Other borrowings	2,685	3,688	
Less: unamortized debt discount and issuance costs	Less: unamortized debt discount and issuance costs	(52,836)	(17,666)	Less: unamortized debt discount and issuance costs	(49,673)	(17,666)	
Total debt	Total debt	859,905	936,144	Total debt	861,612	936,144	
Less: current portion of long-term debt	Less: current portion of long-term debt	(5,557)	(7,580)	Less: current portion of long-term debt	(5,213)	(7,580)	
Total long-term debt	Total long-term debt	\$ 854,348	\$ 928,564	Total long-term debt	\$ 856,399	\$ 928,564	

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"), which had an estimated fair value of \$297.0 \$246.6 million and \$241.6 million as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively, and the 4.5% convertible senior notes due 2030 (the "2030 Notes"), which had an estimated fair value of \$137.6 \$96.1 million as of March 31, 2023 June 30, 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.

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

Term Loan Credit and Guaranty Agreement

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 Company's existing term loan facilities, previously referred to as 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 "Revolving Loan

Facility"). 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). As of March 31, 2023 June 30, 2023, there were no outstanding borrowings under the Revolving Loan Facility.

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 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 Company is required to make quarterly principal repayments equal to 0.25% of the aggregate principal amount.

The obligations under the Second Amended Credit Agreement are guaranteed by certain of the Credit Parties. Company's subsidiaries (the Company and the guarantors, collectively, 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. As of both March 31, 2023 June 30, 2023 and December 31, 2022, the Company was in compliance with the covenants 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

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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.

As of March 31, 2023 June 30, 2023 and December 31, 2022, the balance of unamortized debt discount and issuance costs related to the term loan under the Second Amended Credit Agreement was \$27.1 \$25.2 million and \$12.8 million, respectively. For the three months ended March 31, 2023 June 30, 2023 and 2022, the associated effective interest rate for the term loan under the Second Amended Credit Agreement was approximately 13.8% 14.4% and 8.0%, respectively. For the six months ended June 30, 2023 and 2022, the associated effective interest rate for the term loan under the Second Amended Credit Agreement was approximately 14.1% and 8.0%, respectively. For the three and six months ended March 31, 2023 June 30, 2023 the associated interest rate for the revolving loan under the Second Amended Credit Agreement was approximately 10.1% 10.6% and 10.4%, respectively. For the three months ended March 31, 2023 June 30, 2023 and 2022, the associated interest expense for these facilities was approximately \$13.2 \$13.3 million and \$11.1 million, respectively. For the six months ended June 30, 2023 and 2022, the associated interest expense for these facilities was approximately \$26.5 million and \$22.2 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.

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 Credit Agreement), 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 2025 Notes consists of the following as of each of the dates indicated:

	March 31, 2023		December 31, 2022		June 30, 2023		December 31, 2022			
		(in thousands)				(in thousands)				
Principal	Principal	\$	380,000	\$	380,000	Principal	\$	380,000	\$	380,000
Unamortized issuance costs	Unamortized issuance costs		(4,376)		(4,898)	Unamortized issuance costs		(3,854)		(4,898)
Net carrying amount	Net carrying amount	\$	375,624	\$	375,102	Net carrying amount	\$	376,146	\$	375,102

Issuance costs are being amortized to interest expense over the contractual term of the 2025 Notes. Subsequent to the adoption of ASU 2020-06, the effective interest rate used to amortize the issuance costs was 2.9%. The interest expense related to the 2025 Notes for the three months ended **March 31, 2023**, June 30, 2023 and 2022 was **\$2.7** \$2.6 million and \$2.7 million, respectively. The interest expense related to the 2025 Notes for the six months ended June 30, 2023 and 2022 was \$5.3 million and \$5.3 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, par value \$0.001 per

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share ("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

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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 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 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 Common Stock per \$1,000 principal amount of 2025 Notes, which represents an initial conversion price of approximately \$28.27 per share of the 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 Common Stock or a combination of cash and shares of the 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.

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 Common Stock exceeds 130% of the conversion price on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice, and (ii) the trading day immediately before the date the Company sends such notice. In addition, calling any Note for redemption will constitute a "make-whole fundamental change" with respect to that Note, in which case the conversion rate applicable to the conversion of that Note will be increased in certain circumstances if such Note is converted after it is called for redemption. No sinking fund is provided for the Notes.

As of **March 31, 2023**, **June 30, 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 condensed consolidated balance sheets.

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

	March 31, June 30, 2023
	(in thousands)
Principal	\$ 147,000
Unamortized debt discount and issuance costs	(21,316) (20,594)
Net carrying amount	\$ 125,684 126,406

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

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 7.2%, 7.6% and 7.4% for three and six months ended June 30, 2023, respectively. The interest expense related to the 2030 Notes for the three and six months ended March 31, 2023 June 30, 2023 was \$2.0 million, \$2.3 million and \$4.3 million, respectively.

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

2U, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
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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 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 condensed 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 condensed 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. The conditional loan with Prince George's County has a maturity date of June 22, 2027 and the conditional loan agreement with the State of Maryland has a maturity date of June 30, 2028. The interest expense related to these loans for the three and six months ended March 31, 2023 June 30, 2023 and 2022 was immaterial. As of March 31, 2023 June 30, 2023 and December 31, 2022, the Company's combined accrued interest balance associated with the deferred government grant obligations was \$0.7 million and \$0.6 million, respectively.

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

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 March 31, 2023 June 30, 2023, the Company has entered into standby letters of credit totaling \$14.2 million \$12.7 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.

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

Future Principal Payments

Future principal payments under the Amended Term Loan Facility, the Notes, and the government grants, as of the date indicated are as follows:

		March 31, 2023		June 30, 2023	
		(in thousands)		(in thousands)	
Remainder of 2023	Remainder of 2023	\$	2,850	Remainder of 2023	\$ 1,900
2024	2024		3,800	2024	3,800
2025	2025		383,800	2025	383,800
2026	2026		368,600	2026	368,600
2027*	2027*		1,500	2027*	1,500
Thereafter*	Thereafter*		149,000	Thereafter*	149,000

Total future principal payments	Total future principal payments	\$ 909,550	Total future principal payments	\$ 908,600
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* Amounts due in 2027 and thereafter include \$1.5 million and \$2.0 million, respectively, 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.

Debt Refinancing Costs

In January 2023, the Company entered into the Second Amended Credit Agreement, which amended the Amended Term Loan Facilities. Certain investors in the Amended Term Loan Facilities participated in the Second Amended Credit Agreement and the change in the present value of future cash flows between the investments was less than 10%. Accordingly, the Company accounted for this refinancing event for these investors as a debt modification. Certain investors in the Amended Term Loan Facilities did not participate in the Second Amended Credit Agreement or the change in the present value of future cash flows between the investments was greater than 10%. Accordingly, the Company accounted for this refinancing event for these investors as a debt extinguishment. In applying debt modification accounting in connection with this refinancing event, during the first quarter of 2023, the Company recorded \$12.1 million in loss on debt extinguishment and \$4.6 million in debt modification expense.

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

9. Income Taxes

The Company's income tax provisions for all periods consist of federal, state and foreign income taxes. The income tax provision for the three and six months ended March 31, 2023 June 30, 2023 and 2022 were based on estimated full-year effective tax rates, including the mix of income for the period between higher-taxed and lower-taxed jurisdictions, after giving effect to significant items related specifically to the interim periods, and loss-making entities for which it is not more likely than not that a tax benefit will be realized.

The Company's effective tax rate for each of the three and six months ended March 31, 2023 June 30, 2023 and 2022 was less than 1%. For the three months ended March 31, 2023 June 30, 2023, the Company's income tax expense was \$0.1 million \$0.2 million. For the three months ended three months ended March 31, 2023 June 30, 2022, the Company's income tax benefit was \$0.2 million. For the six months ended June 30, 2023, the Company's income tax expense was \$0.3 million. For the six months ended June 30, 2022, the Company's income tax benefit was \$0.4 million.

To date, the Company has not been required to pay U.S. federal income taxes because of current and accumulated net operating losses.

10. Stockholders' Equity

Common Stock

As of March 31, 2023 June 30, 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 March 31, 2023 June 30, 2023, there were 79,606,757

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

80,957,654 shares of common stock outstanding, and the Company had reserved a total of 51,857,868 50,543,589 of its authorized shares of common stock for future issuance as follows:

	Shares Reserved for Future Issuance
Outstanding restricted stock units	7,424,337 6,384,461
Outstanding performance restricted stock units	2,181,702 2,153,760
Outstanding stock options	5,138,770 4,892,309
Reserved for convertible senior notes	37,113,059
Total shares of common stock reserved for future issuance	51,857,868 50,543,589

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. The shares available for future issuance under the 2014 Plan increased by 3,916,733 and 3,782,719 on January 1, 2023 and 2022, respectively, pursuant to the automatic share reserve increase provision in the 2014 Plan.

The Company also has a 2017 Employee Stock Purchase Plan (the “ESPP”). During the second quarter of 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 authorized shares available under such plan. As of March 31, 2023 June 30, 2023, 172,510 1,917,341 shares remained available for purchase under the ESPP.

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 condensed consolidated statements of operations and comprehensive loss for each of the periods indicated.

	Three Months Ended	
	March 31,	
	2023	2022
	(in thousands)	
Curriculum and teaching	\$ 40	\$ 47
Servicing and support	3,277	4,359
Technology and content development	1,657	3,862
Marketing and sales	1,154	2,126
General and administrative	8,435	14,030
Total stock-based compensation expense	\$ 14,563	\$ 24,424

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(in thousands)			
Curriculum and teaching	\$ 51	\$ 49	\$ 91	\$ 96
Servicing and support	2,239	4,321	5,516	8,680
Technology and content development	1,960	2,635	3,617	6,497
Marketing and sales	1,369	1,722	2,523	3,848
General and administrative	5,364	13,622	13,799	27,652
Total stock-based compensation expense	\$ 10,983	\$ 22,349	\$ 25,546	\$ 46,773

Restricted Stock Units

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

	Number of Units	Weighted- Average Grant Date Fair Value per Share	Number of Units	Weighted- Average Grant Date Fair Value per Share
Outstanding balance as of December 31, 2022	4,739,861	\$ 14.24	4,739,861	\$ 14.24
Granted	3,604,276	6.76	3,865,105	6.58
Vested	(809,247)	17.02	(1,954,263)	15.68
Forfeited	(110,553)	17.90	(266,242)	13.34
Outstanding balance as of March 31, 2023	7,424,337	\$ 10.25		
Outstanding balance as of June 30, 2023			6,384,461	\$ 9.20

The total fair value of RSUs vested during the three months ended March 31, 2023 June 30, 2023 and 2022 was \$5.2 \$7.9 million and \$8.6 million, respectively. The total fair value of RSUs vested during the six months ended June 30, 2023 and 2022 was \$13.1 million and \$17.2 million, respectively. The total compensation expense related to the unvested RSUs

not yet recognized as of **March 31, 2023** **June 30, 2023** was **\$55.9 million** **\$47.3 million**, and will be recognized over a weighted-average period of approximately **2.3** **2.1** years.

Performance Restricted Stock Units

The 2014 Plan provides for the issuance of performance restricted stock units ("PRSUs") to eligible participants. PRSUs generally include both service conditions and market conditions related to total shareholder return 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 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 total shareholder return ("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%. The grant date fair value of the PRSUs granted in the first quarter of 2023 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.

2U, Inc.

Notes to Condensed Consolidated Financial Statements (Continued) (unaudited)

The following tables present a summary of (i) for the **three six** months ended **March 31, 2023** **June 30, 2023**, the assumptions used for estimating the fair value of the TSR-performance component of the PRSUs, (ii) for the **three six** months ended **March 31, 2022** **June 30, 2022**, the assumptions used for estimating the fair values of the PRSUs subject to market-based vesting conditions and (iii) the Company's PRSU activity for the period indicated. As of **March 31, 2023** **June 30, 2023** and December 31, 2022, there were 1.4 million and 1.0 million outstanding PRSUs for which the performance metrics had not been defined as of each respective date. Accordingly, such awards are not considered granted for accounting purposes as of **March 31, 2023** **June 30, 2023** and December 31, 2022, and have been excluded from the tables below.

2U, Inc.

Notes to Condensed Consolidated Financial Statements (Continued) (unaudited)

No PRSUs were granted during each of the three months ended June 30, 2023 and 2022.

	Three Six Months Ended March 31, June 30, 2023
Risk-free interest rate	4.68%
Expected term (years)	1.00
Expected volatility	108%
Dividend yield	0%
Weighted-average grant date fair value of the TSR-performance component	\$0.39

	Three Six Months Ended March 31, June 30, 2022
Risk-free interest rate	0.39% – 1.88%
Expected term (years)	1.00 – 3.00
Expected volatility	49% – 97%
Dividend yield	0%
Weighted-average grant date fair value per share	\$18.67

		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, 2022	Outstanding balance as of December 31, 2022	1,651,864	\$ 22.74	Outstanding balance as of December 31, 2022	1,651,864	\$ 22.74

Granted	Granted	1,176,077	9.55	Granted	1,176,077	9.55
Vested	Vested	—	—	Vested	—	—
Forfeited	Forfeited	(646,239)	20.53	Forfeited	(674,181)	20.22
Outstanding balance as of March 31, 2023		2,181,702	\$ 16.01			
Outstanding balance as of June 30, 2023				Outstanding balance as of June 30, 2023	2,153,760	\$ 16.08

The total compensation expense related to the unvested PRSUs not yet recognized as of March 31, 2023 June 30, 2023 was \$16.2 million \$7.0 million, and will be recognized over a weighted-average period of approximately 1.7 1.4 years.

Stock Options

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

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

	Three Months Ended	
	March 31,	
	2023	2022
	(in thousands)	
Risk-free interest rate	3.6%	1.9%
Expected term (years)	5.69	5.72
Expected volatility	87%	75%
Dividend yield	0%	0%
Weighted-average grant date fair value per share	\$4.93	\$6.99

No stock options were granted during the three months ended June 30, 2023.

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

	Three Months Ended June 30, 2022
Risk-free interest rate	2.8% – 3.0%
Expected term (years)	5.63 – 5.78
Expected volatility	75% – 77%
Dividend yield	0%
Weighted-average grant date fair value per share	\$7.03

	Six Months Ended June 30,	
	2023	2022
Risk-free interest rate	3.6%	1.9% – 3.0%
Expected term (years)	5.69	5.63 – 5.78
Expected volatility	87%	75% – 77%
Dividend yield	0%	0%
Weighted-average grant date fair value per share	\$4.93	\$6.99

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)		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	Outstanding balance as of December 31, 2022	5,195,538	\$ 25.28	5.88	\$ 78	Outstanding balance as of December 31, 2022	5,195,538	\$ 25.28	5.88	\$ 78
Granted	Granted	66,910	6.76	9.99		Granted	66,910	6.76	9.74	
Exercised	Exercised	(17,166)	6.38	0.69		Exercised	(17,166)	6.38	0.67	
Forfeited	Forfeited	(82,205)	11.10			Forfeited	(127,532)	10.96		
Expired	Expired	(24,307)	11.74			Expired	(225,441)	12.73		
Outstanding balance as of March 31, 2023		5,138,770	25.40	5.63	182					
Exercisable as of March 31, 2023		3,393,182	\$ 31.66	3.98	\$ 146					
Outstanding balance as of June 30, 2023						Outstanding balance as of June 30, 2023	4,892,309	26.05	5.42	—
Exercisable as of June 30, 2023						Exercisable as of June 30, 2023	3,411,916	\$ 31.71	4.06	\$ —

The aggregate intrinsic value of options exercised during the **three** **six** months ended **March 31, 2023** **June 30, 2023** and 2022 was \$0.1 million and \$3.2 million, respectively.

The total compensation expense related to the unvested options not yet recognized as of **March 31, 2023** **June 30, 2023** was **\$12.5 million** **\$10.4 million**, and will be recognized over a weighted-average period of approximately **1.9** **1.6** years.

11. Net Loss per Share

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

	Three Months Ended March 31,	
	2023	2022
Stock options	5,138,770	6,061,129
Restricted stock units	7,424,337	5,711,313
Performance restricted stock units	2,181,702	2,547,247
Shares related to convertible senior notes	29,776,706	13,443,374
Total antidilutive securities	44,521,515	27,763,063

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

	Three and Six Months Ended June 30,	
	2023	2022
Stock options	4,892,309	5,964,973
Restricted stock units	6,384,461	5,477,279
Performance restricted stock units	2,153,760	2,515,924
Shares related to convertible senior notes	29,776,706	13,443,374

Total antidilutive securities		43,207,236	27,401,550
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The following table presents the calculation of the Company's basic and diluted net loss per share for each of the periods indicated.

		Three Months Ended March 31,			Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022		2023	2022	2023	2022
Numerator (in thousands):	Numerator (in thousands):			Numerator (in thousands):				
Net loss	Net loss	\$ (54,062)	\$ (125,780)	Net loss	\$ (173,654)	\$ (62,852)	\$ (227,716)	\$ (188,632)
Denominator:	Denominator:			Denominator:				
Weighted-average shares of common stock outstanding, basic and diluted	Weighted-average shares of common stock outstanding, basic and diluted	79,310,434	76,271,855	Weighted-average shares of common stock outstanding, basic and diluted	80,560,755	77,059,157	79,939,048	76,667,681
Net loss per share, basic and diluted	Net loss per share, basic and diluted	\$ (0.68)	\$ (1.65)	Net loss per share, basic and diluted	\$ (2.16)	\$ (0.82)	\$ (2.85)	\$ (2.46)

2U, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)

12. 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 each of the three and six months ended March 31, 2023 June 30, 2023 and March 31, 2022 June 30, 2022, no university clients accounted for 10% or more of the Company's consolidated revenue.

As of March 31, 2023 June 30, 2023, no university clients in the Degree Program Segment accounted for 10% or more of the Company's consolidated accounts receivable, net balance. As of December 31, 2022, one university client in the Degree Program Segment each accounted for 10% or more of the Company's consolidated accounts receivable, net balance, with \$7.3 million, or approximately 12% of the Company's consolidated accounts receivable, net balance.

2U, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)

Segment Performance

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

	Three Months Ended March 31,	
	2023	2022
	(dollars in thousands)	
Revenue by segment*		
Degree Program Segment	\$ 140,480	\$ 154,167
Alternative Credential Segment	98,024	99,162
Total revenue	\$ 238,504	\$ 253,329

Segment profitability**			
Degree Program Segment	\$	47,204	\$ 35,818
Alternative Credential Segment		(17,013)	(23,538)
Total segment profitability	\$	30,191	\$ 12,280
Segment profitability margin***			
Degree Program Segment		33.6 %	23.2 %
Alternative Credential Segment		(17.4)	(23.7)
Total segment profitability margin		12.7 %	4.8 %

2U, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(dollars in thousands)			
Revenue by segment*				
Degree Program Segment	\$ 119,494	\$ 143,090	\$ 259,974	\$ 297,257
Alternative Credential Segment	102,595	98,374	200,619	197,536
Total revenue	<u>\$ 222,089</u>	<u>\$ 241,464</u>	<u>\$ 460,593</u>	<u>\$ 494,793</u>
Segment profitability**				
Degree Program Segment	\$ 33,111	\$ 39,539	\$ 80,315	\$ 75,357
Alternative Credential Segment	(11,319)	(17,637)	(28,332)	(41,175)
Total segment profitability	<u>\$ 21,792</u>	<u>\$ 21,902</u>	<u>\$ 51,983</u>	<u>\$ 34,182</u>
Segment profitability margin***				
Degree Program Segment	27.7 %	27.6 %	30.9 %	25.4 %
Alternative Credential Segment	(11.0)	(17.9)	(14.1)	(20.8)
Total segment profitability margin	9.8 %	9.1 %	11.3 %	6.9 %

- * The Company has excluded immaterial amounts of intersegment revenues from each of the three and six months ended March 31, 2023 June 30, 2023 and 2022.
- ** 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.

2U, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)

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

	Three Months Ended		Three Months Ended		Six Months Ended	
	March 31,		June 30,		June 30,	
	2023	2022	2023	2022	2023	2022
	(in thousands)		(in thousands)		(in thousands)	
Net loss	\$ (54,062)	\$ (125,780)	\$ (173,654)	\$ (62,852)	\$ (227,716)	\$ (188,632)

Adjustments:	Adjustments:	Adjustments:	Adjustments:
Stock-based compensation expense	Stock-based compensation expense	Stock-based compensation expense	Stock-based compensation expense
Other (income) expense, net	Other (income) expense, net	Other (income) expense, net	Other (income) expense, net
Net interest expense	Net interest expense	Net interest expense	Net interest expense
Income tax expense (benefit)	Income tax expense (benefit)	Income tax expense (benefit)	Income tax expense (benefit)
Depreciation and amortization expense	Depreciation and amortization expense	Depreciation and amortization expense	Depreciation and amortization expense
Impairment charges	Impairment charges	Impairment charges	Impairment charges
Debt modification expense and loss on debt extinguishment	Debt modification expense and loss on debt extinguishment	Debt modification expense and loss on debt extinguishment	Debt modification expense and loss on debt extinguishment
Restructuring charges	Restructuring charges	Restructuring charges	Restructuring charges
Other*	Other*	Other*	Other*
Total adjustments	Total adjustments	Total adjustments	Total adjustments
Total segment profitability	Total segment profitability	Total segment profitability	Total segment profitability

* Includes (i) transaction and integration expense of \$0.1 million and \$2.4 million for the three months ended March 31, 2023, June 30, 2023 and 2022, respectively, and \$0.2 million and \$3.4 million for the six months ended June 30, 2023 and 2022, respectively, and (ii) stockholder activism and litigation-related expense (recovery) of \$0.8 million \$1.8 million and \$2.8 million \$(1.6) million for the three months ended March 31, 2023, June 30, 2023 and 2022, respectively, and \$2.6 million and \$1.3 million for the six months ended June 30, 2023 and 2022, respectively.

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

	March 31, 2023	December 31, 2022
	(in thousands)	
Total assets		
Degree Program Segment	\$ 403,932	\$ 459,252
Alternative Credential Segment	1,321,263	1,351,607
Total assets	\$ 1,725,195	\$ 1,810,859

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

	June 30, 2023	December 31, 2022
	(in thousands)	
Total assets		
Degree Program Segment	\$ 368,453	\$ 459,252
Alternative Credential Segment	1,169,964	1,351,607
Total assets	\$ 1,538,417	\$ 1,810,859

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 \$30.7 million \$28.8 million and \$28.2 million \$27.2 million for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively. The Company's non-U.S. revenue was \$59.5 million and \$55.3 million for the six months ended June 30, 2023 and 2022, respectively. Substantially all of the Company's non-U.S. revenue for each of the aforementioned periods was sourced from the Alternative Credential Segment's operations outside of the U.S. The Company's long-lived tangible assets in non-U.S. countries as of March 31, 2023 June 30, 2023 and December 31, 2022 totaled approximately \$4.3 million \$3.9 million and \$4.5 million, respectively.

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

13. 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 condensed consolidated balance sheets. The following table presents the Company's trade accounts receivable in each segment as of each of the dates indicated.

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
		(in thousands)			(in thousands)	
Degree Program Segment accounts receivable	Degree Program Segment accounts receivable	\$ 19,959	\$ 20,612	Degree Program Segment accounts receivable	\$ 32,339	\$ 20,612
Degree Program Segment unbilled revenue	Degree Program Segment unbilled revenue	16,467	8,496	Degree Program Segment unbilled revenue	21,024	8,496
Alternative Credential Segment accounts receivable	Alternative Credential Segment accounts receivable	43,858	51,360	Alternative Credential Segment accounts receivable	41,108	51,360
Total	Total	80,284	80,468	Total	94,471	80,468
Less: Provision for credit losses	Less: Provision for credit losses	(7,469)	(17,642)	Less: Provision for credit losses	(7,124)	(17,642)
Trade accounts receivable, net	Trade accounts receivable, net	\$ 72,815	\$ 62,826	Trade accounts receivable, net	\$ 87,347	\$ 62,826

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

	Provision for Credit Losses (in thousands)
Balance as of December 31, 2022	\$ 17,642
Current period provision	1,311 2,270
Amounts written off	(11,493) (12,795)
Foreign currency translation adjustments	97
Balance as of March 31, 2023 June 30, 2023	\$ 7,469 7,124

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.

	June 30, 2023	December 31, 2022
	(in thousands)	
Other receivables, amortized cost	\$ 51,607	\$ 52,180
Less: Provision for credit losses	(5,553)	(3,579)
Other receivables, net	\$ 46,054	\$ 48,601
Other receivables, net, current	\$ 29,685	\$ 33,813
Other receivables, net, non-current	\$ 16,369	\$ 14,788

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

	March 31, 2023	December 31, 2022
	(in thousands)	
Other receivables, amortized cost	\$ 51,253	\$ 52,180
Less: Provision for credit losses	(4,765)	(3,579)
Other receivables, net	\$ 46,488	\$ 48,601
Other receivables, net, current	\$ 31,763	\$ 33,813
Other receivables, net, non-current	\$ 14,725	\$ 14,788

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

	Provision for Credit Losses (in thousands)
Balance as of December 31, 2022	\$ 3,579
Current period provision	1,186
Balance as of March 31, 2023 June 30, 2023	\$ 4,765 5,553

The Company considers receivables to be past due when amounts contractually due under the extended payment plans have not been paid. As of March 31, 2023 June 30, 2023, 82% of other receivables, net due under extended payment plans were current.

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

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.

	March 31, 2023					
	Year of Origination					
	2023	2022	2021	2020	2019 & Prior	Total
	(in thousands)					
Credit Quality Tier						
High	\$ 7,206	\$ 9,922	\$ 1,420	\$ 839	\$ 367	\$ 19,754

Mid	5,481	9,078	2,299	1,794	1,274	19,926
Low	2,201	4,072	2,054	1,807	1,439	11,573
Total	\$ 14,888	\$ 23,072	\$ 5,773	\$ 4,440	\$ 3,080	\$ 51,253

June 30, 2023						
Year of Origination						
	2023	2022	2021	2020	2019 & Prior	Total
(in thousands)						
Credit Quality Tier						
High	\$ 9,184	\$ 6,636	\$ 1,014	\$ 822	\$ 547	\$ 18,203
Mid	7,785	6,825	2,002	1,796	1,753	20,161
Low	3,129	3,405	3,001	1,789	1,919	13,243
Total	\$ 20,098	\$ 16,866	\$ 6,017	\$ 4,407	\$ 4,219	\$ 51,607

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

2U, Inc.

Notes to Condensed Consolidated Financial Statements (Continued) (unaudited)

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.

		March 31, 2023	December 31, 2022			June 30, 2023	December 31, 2022
		(in thousands)				(in thousands)	
Degree Program Segment deferred revenue	Degree Program Segment deferred revenue	\$ 21,939	\$ 1,245	Degree Program Segment deferred revenue	\$ 24,180	\$ 1,245	
Alternative Credential Segment deferred revenue	Alternative Credential Segment deferred revenue	93,018	88,916	Alternative Credential Segment deferred revenue	83,009	88,916	
Total contract liabilities	Total contract liabilities	\$ 114,957	\$ 90,161	Total contract liabilities	\$ 107,189	\$ 90,161	

For the Degree Program Segment, during the three months ended March 31, 2023 June 30, 2023 and 2022 the Company recognized \$1.1 \$0.1 million and \$1.4 million \$0.1 million of revenue related to its deferred revenue balances that existed at the end of each preceding year.

2U, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
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year, respectively. Revenue recognized in this segment during the six months ended June 30, 2023 and 2022 that was included in the deferred revenue balance that existed at the end of each preceding year was \$1.2 million and \$1.4 million, respectively.

For the Alternative Credential Segment, during the three months ended March 31, 2023 June 30, 2023 and 2022 the Company recognized \$54.9 \$16.1 million and \$50.1 million \$16.3 million of revenue related to its deferred revenue balances that existed at the end of each preceding year. Revenue recognized in this segment during the six months ended June 30, 2023 and 2022 that was included in the deferred revenue balance that existed at the end of each preceding year was \$71.0 million and \$66.5 million, respectively.

Contract Acquisition Costs

The Degree Program Segment had \$0.6 million and \$0.5 million of net capitalized contract acquisition costs recorded primarily within other assets, non-current on the condensed consolidated balance sheets as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively. For each of the three six months ended March 31, 2023 June 30, 2023 and 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.

14. Supplemental Cash Flow Information

The Company's cash interest payments, net of amounts capitalized, were \$13.9 million \$28.4 million and \$9.6 million \$23.5 million for the three six months ended March 31, 2023 June 30, 2023 and 2022, respectively. The Company's accrued but unpaid capital expenditures were \$1.0 \$2.4 million and \$2.9 million \$4.7 million for the three six months ended March 31, 2023 June 30, 2023 and 2022, respectively.

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

15. Subsequent Event

Subsequent to March 31, 2023, the Company's market capitalization has declined significantly. Management is evaluating and will continue to evaluate whether this decline represents a triggering event for assessing the goodwill and indefinite-lived intangible asset balances.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes to those statements included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2022. Certain statements contained in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions, or the negative of such words or phrases, are intended to identify "forward-looking statements." We have based these forward-looking statements on our current expectations and projections about future events. Because such statements include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Many factors could cause or contribute to these differences, including those discussed in our Annual Report on Form 10-K for the year ended December 31, 2022, and our other filings with the Securities and Exchange Commission (the "SEC"). Statements made herein are as of the date of the filing of this Form 10-Q with the SEC and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim, any obligation to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

Unless the context otherwise requires, all references to "we," "us" or "our" refer to 2U, Inc., together with its subsidiaries. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes that appear in Item 1 of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and related notes for the year ended December 31, 2022, which are included in our Annual Report on Form 10-K, filed with the SEC on February 21, 2023.

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. We provide 76 78 million people worldwide with access to world-class education in partnership with more than 250 top-ranked global universities and other leading organizations. Through edX, our education consumer marketplace, we offer more than 4,200 4,300 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, business, healthcare, science, education, social work, and sustainability. Many of the offerings are stackable, providing learners with an affordable pathway to achieve both short-term and long-term professional and educational goals. Our platform provides 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.

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, 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.

January 2023 Debt Refinancing

In January 2023, we entered into an agreement to amend our First Amended Term Loan Agreement to, among other things, extend the maturity date from December 2024 to December 2026. In connection with amending the terms and extending the maturities under the First Amended Term Loan Agreement, we issued the 2030 Notes with an aggregate principal amount 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 our term loan facilities from \$567 million to \$380 million. As part 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. In connection with this refinancing event, during the first quarter of 2023, we recorded \$12.1 million in loss on debt extinguishment and \$4.6 million in debt modification expense. Refer to Note 8 in the "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information regarding our 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 of the plan, we simplified our executive structure, reduced employee headcount, rationalized our real estate footprint and implemented steps to optimize marketing spend. Implementation of the 2022 Strategic Realignment Plan has resulted in improved profitability, and we expect it will lead to further profitability improvements going forward.

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 generally have 10 to 15 year terms and do not include termination rights for convenience. 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. These agreements may provide for the provision of transition services and make-whole fees for technology and services provided prior to the contract end date. 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 and Social Media Optimization, as well as personnel and personnel-related expense for our marketing and recruiting teams.

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

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

Curriculum and Teaching

Curriculum and teaching expense consists primarily of amounts due to universities for licenses to use their brand names and other trademarks in connection with our 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 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.

Debt modification expense and loss on debt extinguishment

Debt modification expense and loss on debt extinguishment consists of amounts recorded related to the 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.

Results of Operations

Consolidated Operating Results

Comparison of Three Months Ended **March 31, 2023**, **June 30, 2023** and 2022

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

		Three Months Ended March 31,				Period-to-Period				Three Months Ended June 30,				Period-to-Period	
		2023		2022		Change				2023		2022		Change	
		Percentage		Percentage						Percentage		Percentage			
		Amount	of Revenue	Amount	of Revenue	Amount	Percentage			Amount	of Revenue	Amount	of Revenue	Amount	Percentage
		(dollars in thousands)								(dollars in thousands)					
Revenue	Revenue	\$238,504	100.0 %	\$ 253,329	100.0 %	\$(14,825)	(5.9) %	Revenue		\$ 222,089	100.0 %	\$241,464	100.0 %	\$ (19,375)	(8.0) %
Costs and expenses	Costs and expenses							Costs and expenses							
Curriculum and teaching	Curriculum and teaching	32,840	13.8	33,230	13.1	(390)	(1.2)	Curriculum and teaching		34,102	15.4	32,145	13.3	1,957	6.1
Servicing and support	Servicing and support	36,109	15.1	39,624	15.6	(3,515)	(8.9)	Servicing and support		33,585	15.1	37,061	15.3	(3,476)	(9.4)
Technology and content development	Technology and content development	45,484	19.1	51,057	20.2	(5,573)	(10.9)	Technology and content development		44,250	19.9	45,616	18.9	(1,366)	(3.0)

Marketing and sales	Marketing and sales	100,175	42.0	130,982	51.7	(30,807)	(23.5)	Marketing and sales	95,882	43.2	116,350	48.2	(20,468)	(17.6)
General and administrative	General and administrative	39,250	16.5	50,235	19.8	(10,985)	(21.9)	General and administrative	32,657	14.7	41,523	17.2	(8,866)	(21.4)
Restructuring charges	Restructuring charges	4,875	2.0	787	0.3	4,088	519.7	Restructuring charges	3,622	1.6	16,753	6.9	(13,131)	(704.3)
Impairment charges	Impairment charges	—	—	58,782	23.2	(58,782)	*	Impairment charges	134,117	60.4	—	—	134,117	*
Total costs and expenses	Total costs and expenses	258,733	108.5	364,697	143.9	(105,964)	(29.1)	Total costs and expenses	378,215	170.3	289,448	119.8	88,767	30.3
Loss from operations	Loss from operations	(20,229)	(8.5)	(111,368)	(43.9)	91,139	(81.8)	Loss from operations	(156,126)	(70.3)	(47,984)	(19.8)	(108,142)	22.2
Interest income	Interest income	365	0.2	257	0.1	108	42.3	Interest income	371	0.2	241	0.1	130	5.0
Interest expense	Interest expense	(17,957)	(7.5)	(13,890)	(5.5)	(4,067)	29.3	Interest expense	(17,916)	(8.1)	(13,906)	(5.8)	(4,010)	2.0
Debt modification expense and loss on debt extinguishment		(16,735)	(7.0)	—	—	(16,735)	*							
Other income (expense), net	Other income (expense), net	607	0.3	(1,030)	(0.4)	1,637	(158.9)	Other income (expense), net	227	0.1	(1,367)	(0.6)	1,594	(111.0)
Loss before income taxes	Loss before income taxes	(53,949)	(22.5)	(126,031)	(49.7)	72,082	(57.2)	Loss before income taxes	(173,444)	(78.1)	(63,016)	(26.1)	(110,428)	17.0
Income tax (expense) benefit	Income tax (expense) benefit	(113)	0.0	251	0.1	(364)	(144.8)	Income tax (expense) benefit	(210)	(0.1)	164	0.1	(374)	(22.0)
Net loss	Net loss	\$ (54,062)	(22.5) %	\$ (125,780)	(49.6) %	\$ 71,718	(57.0) %	Net loss	\$ (173,654)	(78.2) %	\$ (62,852)	(26.0) %	\$ (110,802)	17.0 %

* Not meaningful for comparative purposes.

Revenue. Revenue for the three months ended **March 31, 2023** **June 30, 2023** decreased **\$14.8 million** \$19.4 million, or **5.9%** 8.0%, to **\$238.5 million** \$222.1 million as compared to **\$253.3 million** \$241.5 million in 2022.

Revenue from our Degree Program Segment decreased **\$13.7 million** \$23.6 million, or **8.9%** 16.5%. This decrease reflects the impact of our transition to a new marketing framework in mid-2022 in connection with the 2022 Strategic Realignment Plan. Full course equivalent ("FCE") enrollments decreased by **7,118** 9,813, or **11.4%** 16.3%, and average revenue per FCE enrollment **increased** decreased from **\$2,462** \$2,373 to **\$2,532** \$2,367, or **2.8%** 0.3%.

Revenue from our Alternative Credential Segment **decreased** \$1.1 million **increased** \$4.2 million, or **1.1%** 4.3%. FCE enrollments **decreased** increased by **674** 2,397, or **3.0%** 10.2%, and average revenue per FCE enrollment **increased** decreased from **4,012** 3,891 to **4,193** 3,591, or **4.5%** 7.7%.

Curriculum and Teaching. Curriculum and teaching expense **for the three months ended March 31, 2023** **increased** \$2.0 million, or 6.1%, to \$34.1 million as compared to \$32.1 million in 2022. This increase was **\$32.8 million**, which was comparable primarily due to **the three months ended March 31, 2022** an increase in personnel and personnel-related expense.

Servicing and Support. Servicing and support expense decreased \$3.5 million, or **8.9%** 9.4%, to **\$36.1 million** \$33.6 million as compared to **\$39.6 million** \$37.1 million in 2022. This decrease was primarily due to a decrease in personnel and personnel-related expense.

Technology and Content Development. Technology and content development expense decreased **\$5.6 million** \$1.4 million, or **10.9%** 3.0%, to **\$45.5 million** \$44.3 million as compared to **\$51.1 million** \$45.6 million in 2022. This decrease was primarily due to a **\$3.9** \$2.4 million decrease in professional fees and other costs to support technology and content development and a \$2.2 million decrease in depreciation and amortization expense. These decreases were partially offset by a \$2.0 million increase in personnel and personnel-related expense and a **\$1.0** \$1.9 million **decrease** increase in **depreciation** expenses to support our platform and **amortization expense** software applications.

Marketing and Sales. Marketing and sales expense decreased **\$30.8 million** \$20.5 million, or **23.5%** 17.6%, to **\$100.2 million** \$95.9 million as compared to **\$131.0 million** \$116.4 million in 2022. This decrease was primarily due to a **\$21.9** \$16.4 million decrease in marketing expense from the

implementation of a more efficient marketing framework in connection with the 2022 Strategic Realignment Plan, a \$6.1 \$1.9 million decrease in depreciation and amortization expense, and a \$1.3 million decrease in personnel and personnel-related expense, and a \$3.6 million decrease in depreciation and amortization expense.

General and Administrative. General and administrative expense decreased \$11.0 million \$8.9 million, or 21.9% 21.4%, to \$39.3 million \$32.7 million as compared to \$50.2 million \$41.5 million in 2022. This decrease was primarily due to a \$6.3 million \$10.1 million decrease in personnel and personnel-related expense and a \$1.3 million decrease in lease and facility costs. These decreases were partially offset by a \$3.4 million increase in certain litigation-related expense.

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.

Restructuring Charges. Restructuring charges decreased \$13.1 million, or 78.4%, to \$3.6 million as compared to \$16.8 million in 2022. Restructuring charges for the three months ended June 30, 2023 include \$2.8 million in lease and facility exit costs in connection with the 2022 Strategic Realignment Plan. Restructuring charges for the three months ended June 30, 2022 include \$15.2 million in severance and severance-related expense in connection with the 2022 Strategic Realignment Plan.

Net Interest Income (Expense). Net interest expense increased \$3.9 million, or 28.4%, to \$17.5 million as compared to \$13.7 million in 2022. This increase was primarily due to a \$2.3 million increase in interest expense related to the 2030 Notes that were issued in January 2023 and a \$2.2 million increase in interest expense incurred under our Second Amended Credit Agreement.

Other Income (Expense), Net. Other income, net was \$0.2 million for the three months ended June 30, 2023, as compared to other expense, net of \$1.4 million for the three months ended June 30, 2022. This change was primarily due to fluctuations in foreign currency rates impacting our operations in the Alternative Credential Segment.

Income Tax Benefit. For the three months ended June 30, 2023, we recognized income tax expense of \$0.2 million, and our effective tax rate was less than 1%. For the three months ended June 30, 2022, we recognized an income tax benefit of \$0.2 million, and our effective tax rate was less than 1%. To date, we have not been required to pay U.S. federal income taxes because of our current and accumulated net operating losses.

Comparison of Six Months Ended June 30, 2023 and 2022

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

	Six Months Ended June 30,								
	2023				2022		Period-to-Period Change		
	Percentage of		Percentage of						
	Amount	Revenue	Amount	Revenue	Amount	Percentage			
	(dollars in thousands)								
Revenue	\$	460,593	100.0 %	\$	494,793	100.0 %	\$	(34,200)	(6.9)%
Costs and expenses									
Curriculum and teaching		66,942	14.5		65,375	13.2		1,567	2.4
Servicing and support		69,694	15.1		76,685	15.5		(6,991)	(9.1)
Technology and content development		89,734	19.5		96,673	19.5		(6,939)	(7.2)
Marketing and sales		196,057	42.6		247,332	50.0		(51,275)	(20.7)
General and administrative		71,907	15.6		91,758	18.5		(19,851)	(21.6)
Restructuring charges		8,497	1.8		17,540	3.5		(9,043)	(51.6)
Impairment charge		134,117	29.1		58,782	11.9		75,335	128.2
Total costs and expenses		636,948	138.2		654,145	132.1		(17,197)	(2.6)
Loss from operations		(176,355)	(38.2)		(159,352)	(32.1)		(17,003)	10.7
Interest income		736	0.2		498	0.1		238	47.8
Interest expense		(35,873)	(7.8)		(27,796)	(5.6)		(8,077)	29.1
Debt modification expense and loss on debt extinguishment		(16,735)	(3.6)		—	—		(16,735)	*
Other income (expense), net		834	0.2		(2,397)	(0.5)		3,231	(134.8)
Loss before income taxes		(227,393)	(49.2)		(189,047)	(38.1)		(38,346)	20.3
Income tax (expense) benefit		(323)	(0.1)		415	0.1		(738)	(177.8)
Net loss	\$	(227,716)	(49.3)%	\$	(188,632)	(38.0)%	\$	(39,084)	20.7 %

* Not meaningful for comparative purposes.

Revenue. Revenue for the six months ended June 30, 2023 decreased \$34.2 million, or 6.9%, to \$460.6 million as compared to \$494.8 million in 2022.

Revenue from our Degree Program Segment decreased \$37.3 million, or 12.5%. The decrease in revenue reflects the impact of our transition to a new marketing framework in mid-2022 in connection with the 2022 Strategic Realignment Plan. Of note, revenue for the six months ended June 30, 2023 includes \$7.6 million in make-whole fees from agreements to strategically exit certain of our clients' programs. Full course equivalent ("FCE") enrollments decreased by 16,931, or 13.8%, and average revenue per FCE enrollment increased from \$2,418 to \$2,453, or 1.4%.

Revenue from our Alternative Credential Segment increased \$3.1 million, or 1.6%. FCE enrollments increased by 1,723, or 3.7%, and average revenue per FCE enrollment decreased from 3,951 to 3,868, or 2.1%.

Curriculum and Teaching. Curriculum and teaching expense increased \$1.6 million, or 2.4%, to \$66.9 million as compared to \$65.4 million in 2022. This increase was primarily due to higher expense as a result of an increase in amounts due to university clients driven by higher revenue in certain offerings in our Alternative Credential Segment.

Servicing and Support. Servicing and support expense decreased \$7.0 million, or 9.1%, to \$69.7 million as compared to \$76.7 million in 2022. This decrease was primarily due to a \$5.8 million decrease in personnel and personnel-related expense and a \$1.7 million decrease in other student support costs.

Technology and Content Development. Technology and content development expense decreased \$6.9 million, or 7.2%, to \$89.7 million as compared to \$96.7 million in 2022. This decrease was primarily due to a \$3.2 million decrease in depreciation and amortization expense, a \$2.5 million decrease in professional fees and other costs to support technology and content development, \$1.9 million decrease in personnel and personnel-related expense, and a \$1.4 million decrease in lease and facility

costs. These decreases were partially offset by a \$2.5 million increase in expenses to support our platform and software applications.

Marketing and Sales. Marketing and sales expense decreased \$51.3 million, or 20.7%, to \$196.1 million as compared to \$247.3 million in 2022. This decrease was primarily due to a \$38.3 million decrease in marketing expense from the implementation of a more efficient marketing framework in connection with the 2022 Strategic Realignment Plan, a \$7.4 million decrease in personnel and personnel-related expense, and a \$5.5 million decrease in depreciation and amortization expense.

General and Administrative. General and administrative expense decreased \$19.9 million, or 21.6%, to \$71.9 million as compared to \$91.8 million in 2022. This decrease was primarily due to a \$16.4 million decrease in personnel and personnel-related expense, a \$2.2 \$3.0 million decrease in transaction and integration expense, and a \$2.0 \$2.5 million decrease in lease and facility costs. These decreases were partially offset by a \$1.4 million increase in certain litigation-related expense.

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 first quarter of 2022, we recorded impairment charges of \$28.8 million and \$30.0 million to goodwill and the indefinite-lived intangible asset, respectively.

Restructuring Charges. Restructuring charges increased \$4.1 million decreased \$9.0 million, or 519.7% 51.6%, to \$4.9 million \$8.5 million as compared to \$0.8 \$17.5 million in 2022. Restructuring charges for the three six months ended March 31, 2023 June 30, 2023 include \$2.9 million \$5.7 million in lease and facility exit costs and \$1.2 million in severance and severance-related expense, each in connection with the 2022 Strategic Realignment Plan. Restructuring charges for the three six months ended March 31, 2022 June 30, 2022 include \$0.5 million in lease and facility exit costs and \$0.3 million \$15.2 million in severance and severance-related costs. expense in connection with the 2022 Strategic Realignment Plan.

Net Interest Income (Expense). Net interest expense increased \$4.0 million \$7.8 million, or 29.0% 28.7%, to \$17.6 million \$35.1 million as compared to \$13.6 million \$27.3 million in 2022. This increase was primarily due to a \$2.2 \$4.3 million increase in interest expense incurred under our Second Amended Credit Agreement. In addition, during the three months ended March 31, 2023, we incurred \$2.0 Agreement and a \$4.3 million increase in interest expense related to the 2030 Notes that were issued in January 2023.

Debt modification expense and loss on debt extinguishment. During In the three months ended March 31, 2023, 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 refinancing of the Second Amended Credit Agreement.

Other Income (Expense), Net. Other income, net was \$0.6 million \$0.8 million for the three six months ended March 31, 2023 June 30, 2023, as compared to other expense, net of \$1.0 million \$2.4 million for the three six months ended March 31, 2022 June 30, 2022. This change was primarily due to fluctuations in foreign currency rates impacting our operations in the Alternative Credential Segment.

Income Tax Benefit. For the three six months ended March 31, 2023 June 30, 2023, we recognized income tax expense of \$0.1 million \$0.3 million, and our effective tax rate was less than 1%. For the three six months ended March 31, 2022 June 30, 2022, we recognized an income tax benefit of \$0.3 million, \$0.4 million, and our effective tax rate was less than 1%. 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.

		Three Months Ended March 31,			Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022		2023	2022	2023	2022
		(in thousands)			(in thousands)			
Net loss	Net loss	\$ (54,062)	\$ (125,780)	Net loss	\$ (173,654)	\$ (62,852)	\$ (227,716)	\$ (188,632)
Adjustments:	Adjustments:			Adjustments:				
Stock-based compensation expense	Stock-based compensation expense	14,563	24,424	Stock-based compensation expense	10,983	22,349	25,546	46,773
Other (income) expense, net	Other (income) expense, net	(607)	1,030	Other (income) expense, net	(227)	1,367	(834)	2,397
Net interest expense	Net interest expense	17,592	13,633	Net interest expense	17,545	13,665	35,137	27,298
Income tax expense (benefit)	Income tax expense (benefit)	113	(251)	Income tax expense (benefit)	210	(164)	323	(415)
Depreciation and amortization expense	Depreciation and amortization expense	30,020	34,415	Depreciation and amortization expense	27,328	31,342	57,348	65,757
Impairment charges				Impairment charges	134,117	—	134,117	58,782
Debt modification expense and loss on debt extinguishment	Debt modification expense and loss on debt extinguishment	16,735	—	Debt modification expense and loss on debt extinguishment	—	—	16,735	—
Impairment charges		—	58,782					
Restructuring charges	Restructuring charges	4,875	787	Restructuring charges	3,622	16,753	8,497	17,540
Other*	Other*	962	5,240	Other*	1,868	(558)	2,830	4,682
Total adjustments	Total adjustments	84,253	138,060	Total adjustments	195,446	84,754	279,699	279699000 222,814
Total segment profitability	Total segment profitability	\$ 30,191	\$ 12,280	Total segment profitability	\$ 21,792	\$ 21,902	\$ 51,983	\$ 34,182

* Includes (i) transaction and integration expense of \$0.1 million and \$2.4 \$1.0 million for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively, and \$0.2 million and \$3.4 million for the six months ended June 30, 2023 and 2022, respectively, and (ii) stockholder activism and litigation-related expense (recovery) of \$0.8 \$1.8 million and \$2.8 \$(1.6) million for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively, and \$2.6 million and \$1.3 million for the six months ended June 30, 2023 and 2022, respectively.

Three Months Ended March 31, 2023 June 30, 2023 and 2022

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

		Three Months Ended March 31,		Period-to-Period Change			Three Months Ended June 30,		Period-to-Period Change	
		2023	2022	Amount	Percentage		2023	2022	Amount	Percentage
		(dollars in thousands)					(dollars in thousands)			
Revenue by segment*	Revenue by segment*					Revenue by segment*				
Degree Program Segment	Degree Program Segment	\$ 140,480	\$ 154,167	\$ (13,687)	(8.9) %	Degree Program Segment	\$ 119,494	\$ 143,090	\$ (23,596)	(16.5) %

Alternative Credential Segment	Alternative Credential Segment	98,024	99,162	(1,138)	(1.1)	Alternative Credential Segment	102,595	98,374	4,221	4.3
Total revenue	Total revenue	\$ 238,504	\$ 253,329	\$ (14,825)	(5.9) %	Total revenue	\$ 222,089	\$ 241,464	\$ (19,375)	(8.0) %
Segment profitability	Segment profitability					Segment profitability				
Degree Program Segment	Degree Program Segment	\$ 47,204	\$ 35,818	\$ 11,386	31.8 %	Degree Program Segment	\$ 33,111	\$ 39,539	\$ (6,428)	(16.3) %
Alternative Credential Segment	Alternative Credential Segment	(17,013)	(23,538)	6,525	27.7	Alternative Credential Segment	(11,319)	(17,637)	6,318	35.8
Total segment profitability	Total segment profitability	\$ 30,191	\$ 12,280	\$ 17,911	145.8 %	Total segment profitability	\$ 21,792	\$ 21,902	\$ (110)	(0.5) %

* Immaterial amounts of intersegment revenue have been excluded from the above results for the three months ended **March 31, 2023** **June 30, 2023** and 2022.

Degree Program Segment profitability **increased \$11.4 million** **decreased \$6.4 million**, or **31.8%** **16.3%**, to **\$47.2 million** **\$33.1 million** as compared to **\$35.8 million** **\$39.5 million** in 2022. This **increase** **decrease** was primarily due to **a \$23.6 million decrease in revenue**, partially offset by lower operating expenses due to the implementation of the 2022 Strategic Realignment Plan.

Alternative Credential Segment profitability increased **\$6.5 million** **\$6.3 million**, or **27.7%** **35.8%**, to **\$(17.0)** **\$(11.3)** million as compared to **\$(23.5)** **\$(17.6)** million in 2022. This increase was primarily due to lower operating expenses due to the implementation of the 2022 Strategic Realignment Plan.

Six Months Ended June 30, 2023 and 2022

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

	Six Months Ended June 30,		Period-to-Period Change	
	2023	2022	Amount	Percentage
(dollars in thousands)				
Revenue by segment*				
Degree Program Segment	\$ 259,974	\$ 297,257	\$ (37,283)	(12.5)%
Alternative Credential Segment	200,619	197,536	3,083	1.6
Total revenue	<u>\$ 460,593</u>	<u>\$ 494,793</u>	<u>\$ (34,200)</u>	<u>(6.9)%</u>
Segment profitability				
Degree Program Segment	\$ 80,315	\$ 75,357	\$ 4,958	6.6 %
Alternative Credential Segment	(28,332)	(41,175)	12,843	31.2 %
Total segment profitability	<u>\$ 51,983</u>	<u>\$ 34,182</u>	<u>\$ 17,801</u>	<u>52.1 %</u>

* Immaterial amounts of intersegment revenue have been excluded from the above results for the six months ended **June 30, 2023** and 2022.

Degree Program Segment profitability increased \$5.0 million to \$80.3 million as compared to \$75.4 million in 2022. This increase was primarily due to lower operating expenses due to the implementation of the 2022 Strategic Realignment Plan, partially offset by a \$37.3 million decrease in revenue.

Alternative Credential Segment profitability increased \$12.8 million, or 31.2%, to \$(28.3) million as compared to \$(41.2) million in 2022. This decrease was primarily due to lower operating expenses due to the implementation of the 2022 Strategic Realignment Plan.

Liquidity and Capital Resources

As of **March 31, 2023** **June 30, 2023**, our principal sources of liquidity were cash and cash equivalents totaling **\$94.2 million** **\$53.3 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 March 31, 2023, June 30, 2023, the conditions allowing holders of the 2025 Notes to convert had not been met and we have the right under the 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 condensed consolidated balance sheets.

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 had an initial maturity date of December 28, 2024. Loans under this facility, 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 Term Loan Facilities to fund a portion of the edX 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 Credit Agreement 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 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 ("the 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 Second Amended Term Loan Facility. 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 condensed consolidated balance sheets.

Refer to Note 8 in the "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information regarding our debt.

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 Credit Agreement, the 2025 Notes, the 2030 Notes, and public and private equity financings. We believe that our existing cash and cash equivalents, together with cash generated from operations and available borrowing capacity under the Second Amended Credit Agreement, will be sufficient to meet our working capital and capital expenditure requirements for the next 12 months. The implementation of the 2022 Strategic Realignment Plan has resulted in improved profitability and we expect this 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 our ability to obtain equity or debt financing on reasonable terms. We regularly evaluate our liquidity position, debt obligations, maturity schedule and anticipated cash needs, and may consider capital raising, refinancing and other market opportunities that may be available to us to optimize our balance sheet.

Our operations require us to make capital expenditures for content development, capitalized technology, and property and equipment and to service our debt. During the three six months ended March 31, 2023, June 30, 2023 and 2022, our capital asset additions were \$12.8 million \$27.5 million and \$22.2 million \$34.5 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).

		Three Months Ended March 31,		Six Months Ended June 30,	
		2023	2022	2023	2022
Net cash provided by (used in) operating activities		\$ 27,478	\$ (66)		
Net cash provided by operating activities				\$ 1,182	\$ 28,644
Net cash used in investing activities	Net cash used in investing activities	(11,808)	(14,296)	(25,032)	(35,179)
Net cash used in financing activities	Net cash used in financing activities	(89,463)	(1,914)	(91,911)	(2,975)
Effect of exchange rate changes on cash	Effect of exchange rate changes on cash	501	(36)	(118)	(2,614)
Net decrease in cash, cash equivalents and restricted cash	Net decrease in cash, cash equivalents and restricted cash	\$ (73,292)	\$ (16,312)	\$ (115,879)	\$ (12,124)

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 our offerings and university clients. 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 typically reduce our paid search and other marketing and sales efforts during late November and December because of less demand during the holiday season.

The following sections set forth the components of our \$27.5 million \$1.2 million of cash provided by operating activities during the three six months ended March 31, 2023 June 30, 2023.

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

The following table sets forth our net loss (adjusted for non-cash charges) during the three six months ended March 31, 2023 June 30, 2023 (in thousands):

Net loss	\$ (54,062)	(227,716)
Non-cash interest expense	3,532	6,818
Depreciation and amortization expense	30,020	57,348
Stock-based compensation expense	14,563	25,546
Non-cash lease expense	4,457	8,804
Restructuring charges		(13)
Impairment charges		134,117
Provision for credit losses	2,497	4,245
Loss on debt extinguishment		12,123
Other	(598)	(787)
Net income loss (adjusted for non-cash charges)	\$ 12,532	20,485

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

The following table sets forth the net cash provided by used in changes in operating assets and liabilities during the three six months ended March 31, 2023 June 30, 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	\$	(10,508) (26,245)
Cash used in prepaid expenses, other assets, and other liabilities, net		(10,378) (14,808)
Cash provided by accounts payable and accrued expenses		11,158 5,014
Cash provided by deferred revenue		24,674 16,736
Net cash provided by used in changes in operating assets and liabilities	\$	14,946 (19,303)

From December 31, 2022 to March 31, 2023 June 30, 2023:

- Accounts receivable, net and other receivables, net increased \$10.5 million \$26.2 million and deferred revenue increased \$24.7 million \$16.7 million. These increases were primarily due to the timing of our Degree Program Segment clients' academic terms.
- Accounts payable and accrued expenses increased \$11.2 million \$5.0 million, primarily due to an increase in the amount due to university clients and a higher accrual for marketing expense.
- Other liabilities decreased \$9.2 million \$19.2 million, primarily due to a decrease in our lease liability and payments made to university clients a decrease in amounts payable for proceeds received from students enrolled in certain of our alternative credential offerings. offerings that are payable to an associated university client.

Investing Activities

Our investing activities primarily consist of strategic acquisitions, divestitures and purchases of property and equipment to support the overall growth of our business. 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 three six months ended March 31, 2023 June 30, 2023, net cash used in investing activities was \$11.8 million \$25.0 million. This use of cash was driven by cash outflows of \$10.6 million \$23.0 million for the addition of amortizable intangible assets and \$1.2 million \$2.1 million for purchases of property and 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 cash proceeds from the exercise of stock options.

During the three six months ended March 31, 2023 June 30, 2023, net cash used in financing activities was \$89.5 million \$91.9 million. This use of cash was driven by net cash outflows of \$90.4 million \$93.4 million under the Second Amended Credit Agreement and the 2030 Notes and \$0.4 million \$0.7

million for tax withholding payments associated with the settlement of restricted stock units, partially offset by \$1.3 \$2.2 million from cash proceeds received from employee stock purchase plan share purchases and the exercise of stock options.

Critical Accounting Policies and Estimates

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 technology and technology-enabled services that support our offerings.

Performance Obligations

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

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

Our Alternative Credential Segment derives revenue primarily from contracts with students for the tuition and fees paid to enroll in, and progress through, our 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. These amounts are recognized as curriculum and teaching expenses on our condensed consolidated statements of operations and comprehensive loss. Our contracts with university clients in this segment are typically shorter and less restrictive than our contracts with university clients in our Degree Program Segment.

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

Payments to University Clients

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

Receivables, Contract Assets and Liabilities

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

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

Long-Lived Assets

Amortizable Intangible Assets

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

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

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

The content development costs that qualify for capitalization are third-party direct costs, such as videography, editing and other services associated with creating digital content. Additionally, we capitalize internal payroll and payroll-related expenses incurred to create and produce videos and other digital content utilized in the university clients' offerings for delivery via our online learning platform. Capitalization ends when content has been fully developed by both us and the university client, at which time amortization of

the capitalized content development begins. The capitalized costs for each offering are recorded on a course-by-course basis and included in amortizable intangible assets, net on our condensed 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. Within 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. 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 we continues to have one reporting unit (Degree Program). We performed impairment assessments before and after the Degree Program change in reporting unit. Within the Alternative Credential Segment, we have three reporting units, the Executive Education reporting unit, the Boot Camp reporting unit, and the Open Courses reporting unit, 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.

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.

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 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 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. For the goodwill impairment assessment performed as of May 1, 2023, 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 weighted-average cost of capital adjusted for the risk associated with the operations at the time of the assessment. For the long-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 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 condensed consolidated statements of operations. The estimated fair values value of each of the remaining reporting units exceeded their respective carrying values 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 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 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.

Changes For the interim impairment assessment performed as of May 1, 2023, before the change in reporting units, we determined the estimates and assumptions used to estimate fair carrying value could materially affect the determination of fair value and the impairment test result. For the our Open Courses reporting unit which had and the carrying value of our indefinite-lived intangible asset, both within the Alternative Credential Segment, exceeded their respective estimated fair value. As a goodwill balance of \$97.2 million as of March 31, 2023 result, during the three months ended June 30, 2023, we recorded goodwill impairment charges of \$28.8 million \$16.7 million to goodwill and \$43.0 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 \$117.4 million to the discount rate, in isolation, would result in a \$40.3 million decrease or a \$53.5 million increase to the indefinite-lived intangible asset. These charges are included within operating expense on our condensed consolidated statements of operations. 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 million decrease or a \$36.6 million increase to the estimated fair value each of the remaining reporting unit, respectively, units exceeded their respective carrying value by approximately 10% or more.

For the Executive Education reporting unit, which had a goodwill balance of \$57.0 million as of March 31, 2023, we recorded goodwill interim impairment charges of \$7.2 million in the third quarter of 2022. 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 \$5.2 million decrease or a \$6.7 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 million decrease or a \$3.9 million increase to the estimated fair value of the reporting unit, respectively.

Other than the reporting units impaired in the third quarter of 2022, based on the qualitative assessment performed as of October 1, 2022 May 1, 2023, after the date change in reporting units, management determined it was not more likely than not that the fair values of the annual goodwill impairment assessment, the Company had no reporting units whose estimated fair value exceeded their carrying value by less than 10%. The Degree Program reporting unit and the Boot Camp 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.

As of June 30, 2023 and December 31, 2022, the goodwill balance was \$712.9 million and \$734.6 million, respectively. As of June 30, 2023 the Degree Program reporting unit and the Alternative Credential reporting unit had goodwill balances of \$192.5 million and \$385.7 \$520.4 million, respectively, as of March 31, 2023, respectively. 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 the indefinite-lived intangible asset within the Alternative Credential Segment, we recorded impairment charges of \$29.3 million and \$30.0 million Changes in the first estimates and third quarter assumptions used to estimate fair value could materially affect the determination of 2022, respectively, fair value and the impairment test result. 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 \$51.6 \$6.6 million decrease or a \$66.3 \$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 \$2.2 million decrease or a \$2.5 million increase to the estimated fair value of the reporting unit, respectively.

As For the impairment analysis of March 31, 2023 and December 31, 2022, the goodwill balance was \$732.3 million and \$734.6 million, respectively, and the indefinite-lived intangible asset balance was \$195.7 million performed as of May 1, 2023, a 1% increase or decrease to the discount rate, in isolation, would result in a \$8.9 million decrease or a \$11.2 million increase to the estimated fair value,

respectively, and \$195.7 million, 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. Subsequent to March 31, 2023, our market capitalization has declined significantly. We are evaluating and will continue to evaluate whether this decline represents a triggering event for assessing the goodwill and indefinite-lived intangible asset balances.

Refer to Note 3 in the "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information regarding goodwill and our indefinite-lived intangible asset.

Other Indefinite-lived Intangible Assets

Our indefinite-lived intangible asset was acquired in November 2021 and represents the established edX trade name. As of both March 31, 2023 June 30, 2023 and December 31, 2022, the indefinite-lived intangible asset balance was \$78.3 million and \$195.7 million, respectively. Refer to Note 3 in the "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information regarding our indefinite-lived intangible asset.

Recent Accounting Pronouncements

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

Key Business and Financial Performance Metrics

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

Full Course Equivalent Enrollments

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

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

		Three Months Ended March 31,			Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022		2023	2022	2023	2022
Degree Program Segment	Degree Program Segment			Degree Program Segment				
FCE enrollments	FCE enrollments	55,491	62,609	FCE enrollments	50,490	60,303	105,981	122,912
Average revenue per FCE enrollment	Average revenue per FCE enrollment	\$ 2,532	\$ 2,462	Average revenue per FCE enrollment	\$ 2,367	\$ 2,373	\$ 2,453	\$ 2,418
Alternative Credential Segment*	Alternative Credential Segment*			Alternative Credential Segment*				
FCE enrollments	FCE enrollments	21,990	22,664	FCE enrollments	25,840	23,443	47,830	46,107
Average revenue per FCE enrollment	Average revenue per FCE enrollment	\$ 4,193	\$ 4,012	Average revenue per FCE enrollment	\$ 3,591	\$ 3,891	\$ 3,868	\$ 3,951

* FCE enrollments and average revenue per FCE exclude the impact of enrollments in edX offerings and the related revenue of \$5.8 million and \$9.8 million and \$8.2 million \$7.1 million for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively. FCE enrollments and average revenue per FCE exclude the impact of enrollments in edX offerings and the related revenue of \$15.6 million and \$15.4 million for the six months ended June 30, 2023 and 2022, respectively.

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.

		Three Months Ended March 31,			Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022		2023	2022	2023	2022
		(in thousands)			(in thousands)		(in thousands)	
Net loss	Net loss	\$ (54,062)	\$ (125,780)	Net loss	\$ (173,654)	\$ (62,852)	\$ (227,716)	\$ (188,632)
Adjustments:	Adjustments:			Adjustments:				
Stock-based compensation expense	Stock-based compensation expense	14,563	24,424	Stock-based compensation expense	10,983	22,349	25,546	46,773
Other (income) expense, net	Other (income) expense, net	(607)	1,030	Other (income) expense, net	(227)	1,367	(834)	2,397
Net interest expense	Net interest expense	17,592	13,633	Net interest expense	17,545	13,665	35,137	27,298
Income tax expense (benefit)	Income tax expense (benefit)	113	(251)	Income tax expense (benefit)	210	(164)	323	(415)
Depreciation and amortization expense	Depreciation and amortization expense	30,020	34,415	Depreciation and amortization expense	27,328	31,342	57,348	65,757
Impairment charges				Impairment charges	134,117	—	134,117	58,782
Debt modification expense and loss on debt extinguishment	Debt modification expense and loss on debt extinguishment	16,735	—	Debt modification expense and loss on debt extinguishment	—	—	16,735	—
Impairment charges		—	58,782					
Restructuring charges	Restructuring charges	4,875	787	Restructuring charges	3,622	16,753	8,497	17,540
Other*	Other*	962	5,240	Other*	1,868	(558)	2,830	4,682
Total adjustments	Total adjustments	84,253	138,060	Total adjustments	195,446	84,754	279,699	222,814
Adjusted EBITDA	Adjusted EBITDA	\$ 30,191	\$ 12,280	Adjusted EBITDA	\$ 21,792	\$ 21,902	\$ 51,983	\$ 34,182

* Includes (i) transaction and integration expense of \$0.1 million and ~~\$2.4~~ \$1.0 million for the three months ended ~~March 31, 2023~~ June 30, 2023 and 2022, respectively, and \$0.2 million and \$3.4 million for the six months ended June 30, 2023 and 2022, respectively, and (ii) stockholder activism and litigation-related expense (recovery) of ~~\$0.8~~ \$1.8 million and ~~\$2.8~~ \$(1.6) million for the three months ended ~~March 31, 2023~~ June 30, 2023 and 2022, respectively, and \$2.6 million and \$1.3 million for the six months ended June 30, 2023 and 2022, respectively.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to market risk from the information provided in Part II, Item 7A of our Annual Report on Form 10-K, filed with the SEC on February 21, 2023.

Interest Rate Risk

We are subject to interest rate risk through our borrowings under our 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 March 31, 2023 June 30, 2023, borrowings under our Second Amended Credit Agreement were \$379.1 \$378.1 million. A hypothetical increase in interest rates by 100 basis points would not have a material impact on our financial position.

Foreign Currency Exchange Risk

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

For the three months ended March 31, 2023 June 30, 2023 and 2022, our foreign currency translation adjustment was a loss of \$3.3 losses were \$4.0 million and a gain of \$7.7 million, respectively. For the six months ended June 30, 2023 and 2022, our foreign currency translation adjustment losses were \$7.3 million and \$0.3 million, respectively.

For the three months ended March 31, 2023 June 30, 2023 and 2022, we recognized a foreign currency exchange gain of \$0.6 million \$0.2 million and a loss of \$1.3 million \$1.4 million, respectively, included on our condensed consolidated statements of operations and comprehensive loss. For the six months ended June 30, 2023 and 2022, we recognized a foreign currency exchange gain of \$0.8 million and a loss of \$2.8 million, respectively, included on our condensed consolidated statements of operations and comprehensive loss.

The foreign exchange rate volatility of the trailing 12 months ended March 31, 2023 June 30, 2023 was 12% 11.4% and 10% 9.3% for the South African rand and British pound, respectively. The foreign exchange rate volatility of the trailing 12 months ended March 31, 2022 June 30, 2022 was 11% and 5% 6% for the South African rand and British pound, respectively. A 10% fluctuation of foreign currency exchange rates would have had an immaterial effect on our results of operations and cash flows for all periods presented. The fluctuations of currencies in which we conduct business can both increase and decrease our overall revenue and expenses for any given fiscal period. Such volatility, even when it increases our 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 three six months ended March 31, 2023 June 30, 2023 and 2022, however, our business could be 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 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" as promulgated under the Exchange Act and the rules and regulations thereunder. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, management concluded that our disclosure controls and procedures were effective as of March 31, 2023 June 30, 2023 at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

We made no changes in internal control over financial reporting during the three months ended March 31, 2023 June 30, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

The risks described in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the SEC on February 21, 2023, remain current in all material respects. These risks do not identify all risks that we face. Our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**(a) Sales of Unregistered Securities**

None.

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

None.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

(c) Information required by Item 6. Exhibits

Exhibit Number	Description	Form	File No.	Exhibit Number	Filing Date	Filed/Furnished Herewith
<u>3.1</u>	<u>Amended and Restated Certificate of Incorporation of the Registrant.</u>	8-K	001-36376	3.1	June 10, 2022	
<u>3.2</u>	<u>Amended and Restated Bylaws of the Registrant.</u>	8-K	001-36376	3.2	June 10, 2022	
<u>4.1</u>	<u>Indenture, dated as of January 11, 2023, between 2U, Inc. and Wilmington Trust, National Association.</u>	8-K	001-36376	4.1	January 13, 2023	
<u>4.2</u>	<u>Form of 4.50% Senior Unsecured Convertible Notes due 2030 (included as Exhibit A to Exhibit 4.1).</u>	8-K	001-36376	4.2	January 13, 2023	
<u>10.1†*</u>	<u>Form of Performance Stock Unit Award Agreement under Amended and Restated 2014 Equity Incentive Plan.</u>					X
<u>10.2*</u>	<u>Extension Amendment, Second Amendment and First Incremental Agreement to Credit and Guarantee Agreement.</u>	8-K	001-36376	10.1	January 9, 2023	
<u>10.3*</u>	<u>Purchase Agreement, dated January 9, 2023, by and among 2U, Inc. and entities affiliated with Greenvale Capital LLP.</u>	8-K	001-36376	10.2	January 9, 2023	
<u>10.4*</u>	<u>Purchase Agreement, dated January 9, 2023, by and among 2U, Inc. and The Berg Family Trust.</u>	8-K	001-36376	10.3	January 9, 2023	
<u>31.1</u>	<u>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.</u>					X
<u>31.2</u>	<u>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.</u>					X
<u>32.1</u>	<u>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.</u>					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

408(a) of Regulation S-K.

104 Trading Arrangement						
Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in						
	Action	Exhibits 101, Date	Rule 10b5-1*	Non-Rule 10b5-1**	Total Shares to be Sold	Expiration Date
Matthew J. Norden (Chief Legal Officer)	Adopt	June 16, 2023	X		30,000	June 14, 2024

- X* Intended to satisfy the affirmative defense of Rule 10b5-1(c)
- ** A "non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of Regulation S-K

Item 6. Exhibits

Exhibit Number	Description	Form	File No.	Exhibit Number	Filing Date	Filed/Furnished Herewith
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-36376	3.1	June 10, 2022	
3.2	Amended and Restated Bylaws of the Registrant.	8-K	001-36376	3.2	June 10, 2022	
10.1†	Offer letter agreement, dated as of May 23, 2023, between Aaron McCullough and 2U, Inc.					X
10.2†	Summary of Non-Employee Director Compensation.					X
31.1	Certification of Chief Executive Officer of 2U, Inc. pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X

31.2	Certification of Chief Financial Officer of 2U, Inc. pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
32.1	Certification of Chief Executive Officer of 2U, Inc. in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
32.2	Certification of Chief Financial Officer of 2U, Inc. in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.	X
101.SCH	XBRL Taxonomy Extension Schema Document.	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	X
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).	X

† Indicates management contract or compensatory plan.

* Portions of this exhibit have been omitted pursuant to Item 601(b) of Regulation S-K.

SIGNATURES

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

2U, Inc.

April 28, August 8, 2023

By: /s/ Christopher J. Paucek
Christopher J. Paucek
Chief Executive Officer

April 28, August 8, 2023

By: /s/ Paul S. Lalljie
Paul S. Lalljie
Chief Financial Officer

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PSU Form (Executive – US Employees) May 23, 2023 Aaron McCullough Aaron, we appreciate the time you have spent with us during the interview process, and we are excited about you becoming INC. PERFORMANCE STOCK UNIT GRANT NOTICE (AMENDED AND RESTATED 2014 EQUITY INCENTIVE PLAN) (US, Inc.'s ("2U" or the "Company") next Chief Product Officer. This offer letter (this "Letter") contains the terms of your offer of employment with 2U. You will serve as the Chief Product Officer of the Company, starting on July 17, 2023 (your "Start Date"). In this position, you will report directly to Christopher "Chip" Paucek, Co-founder and CEO. Your position will be remote. Base Salary Your regular annual base salary will be \$450,000, paid semi-monthly in accordance with 2U's standard payroll practices and subject to all deductions and withholdings required by law. Your position is a full-time position and is classified as "exempt" for wage and hour purposes. Signing Bonus You will receive a signing bonus of \$200,000 (subject to all deductions and withholdings required by law) in the first pay period after your Start Date (the "Signing Bonus"); provided that you agree to repay a pro rata portion of the Signing Bonus if, prior to one year anniversary of your Start Date, you terminate your employment without Good Reason (as defined in the Restrictive Covenant Agreement) or are terminated by the Company for Cause (as defined in the Restrictive Covenant Agreement). Annual Bonus For each calendar year during your employment, you will be eligible to receive an annual bonus (the "Annual Bonus") with a target amount equal to 70% of your annual base salary during that calendar year (or portion thereof during which you were employed). The exact percentage of the Annual Bonus, and whether it is earned, will be determined in accordance with the Inc. bonus plan in effect for the applicable calendar year, as determined by the compensation committee of 2U's Board of Directors, Company Compensation Committee. You will first be eligible for the Annual Bonus beginning with the 2023 calendar year (which bonus payment will be pro-rated based on the period of 2023 during which you are employed by 2U from and after the Start Date and, to the extent earned in accordance with the applicable 2U bonus plan, will be made in the first quarter of 2024). Please note that the Annual Bonus is not guaranteed and will only be paid according to the terms of the bonus plan for the applicable calendar year. One-Time Equity Award Subject to approval of the Compensation Committee, as an inducement that is material to your entering into employment with the Company, you will be granted a one-time restricted stock unit award (the "One-Time RSU Award") in an amount of 215,054 restricted stock units. The One-Time RSU Award will vest as follows: one-third will vest on December 31, 2023 and the remaining two-thirds vesting in equal quarterly installments over the following two years (with the first quarterly installment vesting on April 1, 2024). Exhibit 10.1



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subject to your continued employment on each vesting date. The One-Time RSU Award will be granted [REDACTED] Section 6(c) the inducement grant exception under Nasdaq Rule 5635(c)(4) and the Company's standard form [REDACTED] Restricted Stock Unit Agreement for inducement awards, which you will be required to electronically accept as a condition of receiving the One-Time RSU Award. Annual Equity Award During your employment with 2U, you will be eligible to participate in all long-term cash and equity incentive plans and programs generally applicable to other senior executives of the Company as in effect from time to time, subject to the terms and conditions of such plans and programs. For each calendar year during your employment with 2U beginning with calendar year 2024, subject to the annual approval of the Compensation Committee, your annual equity award will have a target value of \$2,000,000 and will be granted in such form(s) and with a vesting schedule and other terms and conditions consistent with those applicable generally to grants to other senior executives (the "Annual Equity Award"). The Annual Equity Award shall be made pursuant and subject to [REDACTED] (the "Plan"), hereby [REDACTED] awards to Participant a Performance Stock Unit Award for the target number of shares and 2U's standard forms [REDACTED] Company's Common Stock ("Performance Stock Units" or "PSUs") set forth below (the "Award"). applicable award agreements, which you will be required to electronically accept as a condition of receiving the applicable equity award. Benefits As a full-time employee of 2U, you will be eligible for benefits beginning on the first day of the full calendar month immediately following your Start Date. Additionally, you will become eligible to enroll in our employee 401(k) on your Start Date. You are entitled to unlimited paid-time off in accordance with 2U's policy. [REDACTED] Award following list highlights some of the benefits available to you. Please note that each [REDACTED] its own terms and conditions as more fully described in the applicable plan/benefit documents that you will receive upon starting with 2U. Unlimited Paid-Time Off Volunteer Time-Off (VTO) (currently 3 days per year) Benefits: Medical, Dental, Vision 401(k) Plan with 2U match. Please understand your employment with 2U is "at-will". This means that either you or 2U may terminate your employment relationship with or without cause, and with or without notice, at any time. This letter does not constitute a contract of employment for any specific period of time, but creates only an "employment at will" relationship. Lastly, please note that this offer is contingent upon: a) Board of Directors approval b) [REDACTED] Verification of your right to work in the United States, as demonstrated by your completion



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of the I-9 form upon hire and your submission of acceptable documentation (as noted on the I-9 form) verifying your identity and work authorization within three days of your Start Date. A copy of the I-9 Forms List of acceptable documents will be sent to you via our third-party vendor. On your first day of employment, please bring with you the needed documentation to complete the I-9 form. c) Satisfactory completion of a background investigation, for which the required notice and consent forms will be sent via our third-party vendor. d) Your review and acknowledgment of receipt of 2U's Employee Handbook (and any applicable state addenda) and your signing and completing 2U's Employee Intellectual Property, Non-Competition and Non-Solicitation Agreement (the "Restrictive Covenant Agreement"), which contains a non-compete provision, e) Your agreement to be subject to [redacted] other 2U policies applicable to executive officers, including 2U's Clawback Policy. This Letter, along with the Restrictive Covenant Agreement and the exhibits, hereto and thereto, contain our complete agreement, and supersede and prior agreements or undertakings, whether written or oral, regarding [redacted] as set forth in this notice [redacted] grant (this "Performance Stock Unit Grant Notice") and in the Plan and the Performance Stock Unit Award Agreement (the "Award Agreement"), both of which are attached hereto and incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan or the Award Agreement. In the event of any conflict between the terms in the Award Agreement or this Performance Stock Unit Grant Notice and the Plan, the terms of the Plan shall control. Participant: [redacted] Date of Grant: [redacted] Grant Number: [redacted] Vesting Commencement Date: [redacted] Target Number of Performance Stock Units/Shares: [redacted] Performance-Based Vesting: The number of PSUs earned for each Performance Period will be determined by multiplying the Achievement Percentage (as determined in accordance with Appendix A based on the Company's annual adjusted net income and relative total stockholder return measured over three (3) successive one-year measurement periods commencing January 1 and ending December 31 of 2023, 2024 and 2025, respectively (each a "Performance Periods")) by thirty-three percent (33%) of the Target Number of PSUs. The Committee (or its designee) shall determine the applicable Achievement Percentage and resulting number of PSUs conditionally earned for each Performance Period (the "Determination Date") no later than the first March 15th following the completion of such Performance Period. Except if [redacted] Continuous Service ends due [redacted] employment. This Letter is personal [redacted] Retirement, Disability [redacted] employment with 2U and neither the Letter nor any of your rights [redacted] death, all PSUs conditionally earned will only [redacted] obligations hereunder may [redacted] earned, vested [redacted] assigned by you for any reason. We look forward to changing lives while having fun with you. #NOBACKROW Sincerely, Christopher "Chip" Paucek I accept this offer of employment with 2U [redacted] issued [redacted] agree [redacted] the Participant if the Participant remains in Continuous Service through the end of all Performance Periods. Additional Terms/Acknowledgements: Participant acknowledges receipt of, and understands and agrees to, this Performance Stock Unit Grant Notice, the Award Agreement and the Plan. Participant further acknowledges that as of the Date of Grant, this Performance Stock Unit Grant Notice, the Award Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the Award specified above and supersede all prior oral and written agreements on the terms of this Award with the exception, if applicable, of (i) the written employment agreement or offer letter agreement entered into between the Company and Participant specifying the terms that should govern this specific Award, and (ii) any compensation recovery policy that is adopted by the Company or is otherwise required by applicable law. Participant acknowledges having received and read the Performance Stock Unit Grant Notice, the Award Agreement and the Plan and agrees to all of [redacted] 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.



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2023, INC. PARTICIPANT By: Signature Signature Title: [this letter](#) Date: ATTACHMENTS: Award Agreement and Amended and Restated 2014 Equity Incentive Plan



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3 2U, INC. AMENDED AND RESTATED 2014 EQUITY INCENTIVE PLAN PERFORMANCE STOCK UNIT AWARD AGREEMENT (US) Pursuant to the Performance Stock Unit Grant Notice (the "Grant Notice") and this Performance Stock Unit Award Agreement (the "Agreement"), 2U, Inc. (the "Company") has awarded you ("Participant") a Performance Stock Unit Award (the "Award") pursuant to Section 6(c) of the Company's Amended and Restated 2014 Equity Incentive Plan (the "Plan") for the Target Number of PSUs. Capitalized terms not explicitly defined in this Agreement or the Grant Notice shall have the same meanings given to them in the Plan. The terms of your Award, in addition to those set forth in the Grant Notice, are as follows. Section references are to this Agreement unless otherwise stated. 1. GRANT OF THE AWARD. This Award represents the right to be issued on a future date one (1) share of Common Stock for each Performance Stock Unit that is earned and vests in accordance with the Grant Notice and Sections 2 and 3 below (subject to any adjustment under Section 4 below). As of the Date of Grant, the Company will credit to a bookkeeping account maintained by the Company for your benefit the Target Number of PSUs subject to the Award. This Award was granted in consideration of your services to the Company. 2. VESTING. (a) The Performance Stock Units will be conditionally earned, if at all, as a percentage of the Target Number of PSUs based on the Company's achievement of the performance conditions set forth in Appendix A during the Performance Periods. The Performance Stock Units conditionally earned in respect of a Performance Period (if any) will be determined on the applicable Determination Date. Any Performance Stock Units that were eligible to be earned for a Performance Period and that are not conditionally earned for the Performance Period will immediately and automatically be cancelled and forfeited without consideration as of the applicable Determination Date. Except as otherwise provided in Section 2(b) of this Agreement, any Performance Stock Units that were eligible to be earned for a Performance Period and are conditionally earned for the Performance Period will become earned and vested only if you remain in Continuous Service through the end of all Performance Periods subject to this Agreement. Except as otherwise provided in Section 2(b) and Section 3 of this Agreement, upon a termination of your Continuous Service prior to the end of all Performance Periods, the Performance Stock Units eligible to be earned for such Performance Period will be forfeited at no cost to the Company and you will have no further right, title or interest in or to such Performance Stock Units or the underlying shares of Common Stock. Any fraction of a share of Common Stock that would otherwise be issuable in respect of a vested Performance Stock Unit will be rounded to the nearest whole share. (b) If your Continuous Service ends due to your death, Disability or Retirement (as defined below), then your PSUs shall be calculated by (A) providing full vesting credit for any PSUs earned in accordance with Appendix A for any Performance Period that ended before the calendar year of your death, Disability or Retirement, as applicable, (B) providing no vesting credit for any PSUs that would have otherwise been earned in accordance



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4 with Appendix A during any Performance Period commencing after the calendar year of your death, Disability or Retirement, as applicable, (C) providing for pro-rata vesting for any PSUs earned in accordance with Appendix A for the Performance Period that includes the date of your death, Disability or Retirement, as applicable, based on the number of full calendar months you were employed during such Performance Period; and (D) the Company issuing you (or your representative) the shares of Common Stock in settlement of the vested PSUs calculated under clauses (A) and (C) no later than the first March 15th following the Determination Date for the Performance Period that includes the date of your death, Disability or Retirement, as applicable. (c) Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings: (i) "Disability" means you, by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months, become entitled to receive benefits under a long-term disability insurance program maintained by the Company or any of its Affiliates. (ii) "Retirement" means your voluntary resignation from Continuous Service or after the date on which your age is at least 55 and the sum of your age and years of Continuous Service is at least 70, but only to the extent that circumstances constituting Cause do not exist. 3. CHANGE IN CONTROL. Notwithstanding any contrary provision of the Grant Notice or this Agreement, if a Change in Control occurs prior to the third anniversary of the Vesting Commencement Date and your Continuous Service with the Company has not terminated as of, or immediately prior to, the effective time of the Change in Control: (a) Any Performance Period that includes the effective time of the Change in Control will be shortened, and immediately prior to the effective time of the Change in Control, the Performance Stock Units eligible to be earned for such Performance Period will be deemed earned and will vest with respect to a number of shares of Common Stock equal to (x) the product of (A) the Target Number of PSUs eligible to be earned for such Performance Period and (B) a fraction, the numerator of which equals the number of days elapsed in such Performance Period through and including the date the Change in Control occurs and the denominator of which equals the original number of days in such Performance Period (such product, the "Prorata Units"), multiplied by (y) the Achievement Percentage (calculated assuming Adjusted Net Income was attained at 100% of target Adjusted Net Income). You will also be deemed to vest in any Performance Stock Units that were earned in accordance with Appendix A for any Performance Period that ended prior to the calendar year in which the Change in Control occurs. (b) Time-Based Vesting (i) With respect to any Performance Periods with an end date following a Change in Control, a number of Performance Stock Units equal to (A) the Target Number of PSUs eligible to be earned for such Performance Periods minus (B) the Prorata Units the "Time-Vesting Units") will cease to be subject to the vesting schedule



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5 set forth in Section 2 and will instead become eligible to vest solely based on your Continuous Service and shall vest on the last day of the applicable original Performance Period, subject to your Continuous Service through such vesting date, provided that if as of, or within twelve (12) months after, the effective time of such Change in Control, your Continuous Service terminates due to an involuntary termination (not including death or Disability) by the Company without Cause or due to a voluntary termination by you with Good Reason, then, as of the date of termination of Continuous Service, the Time- Vesting Units shall be accelerated in full; and (ii) If the Time-Vesting Units are not continued, assumed or substituted for in accordance with the provisions of Section 9(c)(i) of the Plan, then, as of the effective time of such Change in Control, the Time- Vesting Units shall be accelerated in full. For clarity, your Award will be considered to be continued, assumed or substituted for if it remains (or is replaced by an award that is) subject to terms and conditions that preserve its intrinsic value as of immediately prior to the Change in Control, provided that it may instead confer the right to receive cash, common stock of the acquiring entity or other consideration paid to the stockholders of the Company pursuant to the Change in Control; and (c) As of immediately prior to the effective time of such Change in Control, any portion of the Performance Stock Units under this Award other than the Time-Vesting Units that remains unvested after giving effect to Sections 3(a)-(c) above will be cancelled and forfeited for no consideration. 4. NUMBER OF SHARES. The number of Performance Stock Units subject to your Award may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan. Any additional Performance Stock Units, shares, cash or other property that becomes subject to the Award pursuant to this Section 4, if any, shall be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other Performance Stock Units and shares covered by your Award. Notwithstanding the provisions of this Section 4, no fractional shares or rights for fractional shares of Common Stock shall be created pursuant to this Section 4. Any fraction of a share will be rounded down to the nearest whole share. 5. SECURITIES LAW COMPLIANCE. You may not be issued any Common Stock under your Award unless the shares of Common Stock underlying the Performance Stock Units are either (i) then registered under the Securities Act, or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award must also comply with other applicable laws and regulations governing the Award, and you shall not receive such Common Stock if the Company determines that such receipt would not be in material compliance with such laws and regulations. 6. TRANSFER RESTRICTIONS. Prior to the time that shares of Common Stock have been delivered to you, you may not transfer, pledge, sell or otherwise dispose of this Award or the shares issuable in respect of your Award, except as expressly provided in this Section 6. For example, you may not use shares that may be issued in respect of your Performance Stock Units as security for a loan.



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6 (a) Death. Your Award is transferable by will and by the laws of descent and distribution. At your death, vesting of your Award will cease and your executor or administrator of your estate shall be entitled to receive, on behalf of your estate, any Common Stock or other consideration that vested but was not issued before your death. (b) Domestic Relations Orders. Upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your right to receive the distribution of Common Stock or other consideration hereunder, pursuant to a domestic relations order or marital settlement agreement that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of this Award with the Company General Counsel prior to finalizing the domestic relations order or marital settlement agreement to verify that you may make such transfer, and if so, to help ensure the required information is contained within the domestic relations order or marital settlement agreement. 7. DATE OF ISSUANCE. (a) The issuance of shares in respect of the Performance Stock Units is intended to be exempt from Section 409A of the Code as a "short-term deferral" pursuant to Treasury Regulations Section 1.409A-1(b)(4) and will be construed and administered in such a manner. Subject to the satisfaction of the withholding obligations set forth in this Agreement, in the event one or more Performance Stock Units vests, the Company shall issue to you one (1) share of Common Stock in settlement of each Performance Stock Unit that is earned and vests in accordance with this Agreement (subject to any adjustment under Section 4 above). The Issuance dates shall be no later than the first March 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).



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7 (c) The form of delivery of shares (e.g., a stock certificate or electronic entry evidencing such shares) shall be determined by the Company. 8. DIVIDENDS. You shall receive no benefit or adjustment to your Award with respect to any cash dividend, stock dividend or other distribution that does not result from a Capitalization Adjustment. 9. RESTRICTIVE LEGENDS. The shares of Common Stock issued under your Award shall be endorsed with appropriate legends as determined by the Company. 10. EXECUTION OF DOCUMENTS. You hereby acknowledge and agree that the manner selected by the Company by which you indicate your consent to your Grant Notice is also deemed to be your execution of your Grant Notice and of this Agreement. You further agree that such manner of indicating consent may be relied upon as your signature for establishing your execution of any documents to be executed in the future in connection with your Award. 11. AWARD NOT A SERVICE CONTRACT. (a) Nothing in this Agreement (including but not limited to, the vesting of your Award or the issuance of the shares subject to your Award), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon you any right to continue in the employ of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or the Plan; or (iv) deprive the Company of the right to terminate you at will and without regard to any future vesting opportunity that you may have. (b) The Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "reorganization"). Such a reorganization could result in the termination of your Continuous Service, or the termination of Affiliate status of your employer and the loss of benefits available to you under this Agreement, including but not limited to, the termination of the right to continue vesting in the Award. This Agreement, the Plan, the transactions contemplated hereunder and the vesting schedule set forth herein or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued engagement as an employee or consultant for the term of this Agreement, for any period, or at all, and shall not interfere in any way with the Company's right to conduct a reorganization. 12. WITHHOLDING OBLIGATIONS. (a) On each vesting date, and on or before the time you receive a distribution of the shares underlying your Performance Stock Units, and at any other time as reasonably requested by the Company in accordance with applicable tax laws, you hereby authorize any required withholding from the Common Stock issuable to you and/or otherwise agree to make adequate provision in cash for any sums required to satisfy the federal, state, local and foreign



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8 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 pursuant to Section 7) equal to the amount of such Withholding Taxes ("Share Withholding"); provided, however, that the number of such shares of Common Stock so withheld will not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the maximum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income; provided further that if Share Withholding would cause the Company to violate a provision set forth in any credit agreement or other financing document to which the Company is a party, the Committee may require you to satisfy the Withholding Taxes through any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company; (ii) causing you to tender a cash payment; or (iii) provided that at the time of issuance the Common Stock is publicly traded, permitting or requiring you to enter into a "same day sale" commitment whereby you irrevocably elect to sell a portion of the shares to be delivered in connection with your Performance Stock Units to a registered broker to satisfy the Withholding Taxes and whereby the broker irrevocably commits to forward the proceeds necessary to satisfy the Withholding Taxes directly to the Company and/or its Affiliates. (b) Unless the tax withholding obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to deliver to you any Common Stock otherwise issuable with respect to the Award. (c) In the event the Company's obligation to withhold arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the Company's withholding obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount. 13. TAX CONSEQUENCES. The Company has no duty or obligation to minimize the tax consequences to you of this Award and shall not be liable to you for any adverse tax consequences to you arising in connection with this Award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this Award and 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. 14. UNSECURED OBLIGATION. Your Award is unfunded, and as a holder of a vested Award, you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares or other property pursuant to this Agreement. You shall not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this Agreement until such shares are issued to you pursuant to Section 7 of this Agreement. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this Agreement, and no action taken pursuant



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9 to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person. 15. NOTICES. Any notice or request required or permitted hereunder shall be given in writing to each of the other parties hereto and shall be deemed effectively given on the earlier of (i) the date of personal delivery, including delivery by express courier, or delivery via electronic means, or (ii) the date that is five (5) days after deposit in the United States Post Office (whether or not actually received by the addressee), by registered or certified mail with postage and fees prepaid, addressed at the following addresses, or at such other address(es) as a party may designate by ten (10) days' advance written notice to each of the other parties hereto: COMPANY: 2U, Inc. Attn: Stock Administrator 7900 Harkins Road Lanham, MD 20706 PARTICIPANT: Your address as on file with the Company at the time notice is given 16. HEADINGS. The headings of the Sections in this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement or to affect the meaning of this Agreement. 17. MISCELLANEOUS. (a) The rights and obligations of the Company under your Award shall be transferable by the Company to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by, the Company's successors and assigns. (b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award. (c) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award and fully understand all provisions of your Award. (d) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. (e) All obligations of the Company under the Plan and this Agreement shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.



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

"constructive termination" or any similar term under any plan of or agreement with the Company. 19. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS. The value of the Award subject to this Agreement shall not be included as compensation, earnings, salaries, or other similar terms used when calculating benefits under any employee benefit plan (other than the Plan) sponsored by the Company or any Affiliate except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any or all of the employee benefit plans of the Company or any Affiliate. 20. CHOICE OF LAW. The interpretation, performance and enforcement of this Agreement shall be governed by the law of the State of Delaware without regard to that state's conflicts of laws rules. 21. SEVERABILITY. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid. 22. OTHER DOCUMENTS. You hereby acknowledge receipt or the right to receive a prospectus providing the information required by Rule 428(b)(1) promulgated under the Securities Act. In addition, you acknowledge receipt of the Company's Insider Trading Policy. 23. AMENDMENT. This Agreement may not be modified, amended or terminated except by an instrument in writing, signed by you and by a duly authorized representative of the Company. Notwithstanding the foregoing, this Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, and provided that, except as otherwise expressly provided in the Plan, no such amendment materially adversely affecting your rights hereunder may be made without your written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable to carry out the purpose of the Award as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided



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



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12 Appendix A Performance Measure The performance measures for the Award are the Company's adjusted net income and relative total stockholder return measured for each Performance Period. Adjusted net income shall mean the adjusted net income reported in the Company's filings with the Securities and Exchange Commission, subject to such adjustments as the Committee deems appropriate. Relative total stockholder return ("TSR") shall mean the Company's TSR compared to the TSR of a benchmark group of companies (the "Benchmark Group") during each Performance Period. TSR will be the sum of a company's ending stock price plus dividends over each Performance Period divided by a company's beginning stock price, as adjusted by the Committee as it may deem appropriate to account for stock splits and other similar corporate events. Both the beginning and ending stock prices will be calculated using the average closing price during the last 30 trading days prior to and including the calculation date. This calculation is used instead of the actual closing price on the given date to smooth volatility in the stock price and avoid single-day fluctuations. $TSR = \frac{\text{ending stock price} + \text{all dividends with a record date during the Performance Period}}{\text{beginning stock price}}$ Benchmark Group The Benchmark Group for purposes of this Award shall be the companies that comprise the Russell 3000 Index on the first day of the Performance Period. In the event that a company is no longer a part of the Russell 3000 Index on the last day of the Performance Period, such company will be removed from the Benchmark Group, provided that the Committee may provide for such other treatment as it determines in its sole discretion. Achievement Percentage The Achievement Percentage shall be the Adjusted Net Income Achievement Percentage plus the TSR Modifier, solely in the event that the threshold Adjusted Net Income level is achieved. For the first Performance Period (i.e. the calendar year ending December 31, 2023), the Adjusted Net Income Achievement Percentage will be determined based on the table below using a target adjusted net income of \$[***] million; subject to the Cap, as set forth below. Adjusted Net Income Percent of Adjusted Net Income Target Adjusted Net Income Achievement Percentage [***] < 90% 0% [***] 90% 50% [***] 100% 90% [***] 125% 130% For the second and third Performance Periods (i.e., the calendar years ending on December 31, 2024 and December 31, 2025, respectively), the target adjusted net income, and corresponding Adjusted Net Income Achievement Percentage will be established by the Committee in the first quarter of the Performance Period.



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13 The Adjusted Net Income Achievement Percentage will be determined based on the Percent of Adjusted Net Income Target, with linear interpolation for achievement between levels, subject to the Cap. The TSR Modifier will be determined based on the difference between the Company's TSR as compared to the Russell 3000 Index as of the end of each Performance Period ("TSR Variance") as set forth in the table below. TSR Variance TSR Modifier 20% 20% -20% -20% The TSR Modifier will be determined based on TSR Variance; provided however, if the Company's absolute TSR is negative, the TSR Modifier cannot exceed 0% and the Achievement Percentage cannot exceed 125% ("Cap"). Linear interpolation will apply between -20% and +20%. The number of Performance Stock Units earned for each of the first, second and third Performance Periods shall be determined by multiplying (i) the Achievement Percentage for such period by (ii) 33% of the Target Number of PSUs subject to this Award. Adjustments for Extraordinary or Other Events Notwithstanding the foregoing, if the Committee determines that due to unusual, extraordinary or nonrecurring transactions or events materially affecting the Award or any other reasons, an adjustment in the Benchmark Group or calculation of adjusted net income, target adjusted net income, the payment schedule and/or other terms of the Award is necessary or appropriate, the Committee may adjust the Benchmark Group, adjusted net income, performance targets, the payment schedule and/or such other terms of the Award in such a manner as the Committee determines in good faith to be equitable to reflect such transactions or reasons. * * *

* 5/24/23 Signature: /s/ Aaron McCullough

EXHIBIT 10.2

SUMMARY OF NON-EMPLOYEE DIRECTOR COMPENSATION

- Each year, the Compensation Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of 2U, Inc. (the “**Company**”) approves the compensation arrangements for non-employee members of the Board to take effect as of April 1 of such year. The compensation arrangements described below may be modified, amended or terminated by the Board at any time in its discretion.
- Each non-employee director will receive an annual cash retainer of \$55,000, to be paid in equal quarterly installments of \$13,750 on April 1 (or as soon as reasonably practicable thereafter) and on the first day of each calendar quarter thereafter.
- Each non-employee director who serves as Chair of the Board or Chair of the Audit Committee, Compensation Committee or Nominating and Corporate Governance Committee will receive an additional annual cash retainer of \$69,000, \$25,000, \$15,000 or \$11,000, respectively, to be paid in equal quarterly installments on April 1 (or as soon as reasonably practicable thereafter) and on the first day of each calendar quarter thereafter.
- Each non-employee director who serves as a member of the Audit Committee, Compensation Committee or Nominating and Corporate Governance Committee (in each case, other than the Chair) will receive an additional annual cash retainer of \$12,500, \$10,000, or \$5,000, respectively, to be paid in equal quarterly installments on April 1 (or as soon as reasonably practicable thereafter) and on the first day of each calendar quarter thereafter.
- On or about April 1 of each year, each non-employee director will receive an annual restricted stock unit award (each, a “**Director Annual RSU Grant**”) of 21,246 restricted stock units. Director Annual RSU Grants vest in full on the first anniversary of the vesting commencement date (typically April 1 of the applicable year), assuming Continuous Service (as defined in the Company’s Amended and Restated 2014 Equity Incentive Plan (the “**2014 Plan**”) through the vesting date.
- In connection with his or her initial appointment to the Board, each non-employee director will receive a restricted stock unit award of 21,246 restricted stock units (an “**Initial RSU Grant**”) on the first day of the first quarter immediately following the effective date of the director’s appointment. Initial RSU Grants vest in full on the first anniversary of the vesting commencement date, assuming Continuous Service through the vesting date.
- Each Director Annual RSU Grant and Initial RSU Grant is granted under and subject to the terms and conditions of the 2014 Plan and an award agreement in substantially the forms previously approved by the Board or the Compensation Committee to evidence awards issued under the 2014 Plan.
- The cash retainers, equity awards and vesting schedules described in this summary may be prorated to reflect partial periods of a non-employee director’s service.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Christopher J. Paucek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 2U, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, August 8, 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 Quarterly Report on Form 10-Q of 2U, Inc.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, August 8, 2023

By: /s/ Paul S. Lalljie

Name: Paul S. Lalljie
Title: Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report on Form 10-Q of 2U, Inc. (the "Company") for the quarterly period ended March 31, 2023 June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Paucek, as Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, August 8, 2023

By: /s/ Christopher J. Paucek

Name: Christopher J. Paucek
Title: Chief Executive Officer

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

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

EXHIBIT 32.2

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

In connection with the Quarterly Report on Form 10-Q of 2U, Inc. (the "Company") for the quarterly period ended March 31, 2023 June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul S. Lalljie, as Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, August 8, 2023

By: /s/ Paul S. Lalljie

Name: Paul S. Lalljie
Title: Chief Financial Officer

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

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

DISCLAIMER

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