

# Udemy Investor Presentation

Q4 2021

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# Knowledge for the real world

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Our mission is to create **new possibilities for people and organizations everywhere** by connecting them to the knowledge and skills they need to succeed in a changing world.

# Udemy at a glance

## Reach

**49M**

learners globally

## Scale

**\$518M**

2021 revenue —  
21% YOY

## Content

**185K**

courses from  
64K+ instructors

## Usage

**187M**

2021 enrollments

**10.5K+**

Q4 2021 Udemy  
Business customers —  
44% YOY

**\$239M**

Q4 2021 UB ARR —  
74% YOY

**\$177M**

2021 instructor  
payments

**2.7B**

Q4 2021 minutes  
watched

# Synergy at scale

Udemy sits at the intersection of the creator economy and the skills economy. We've built a world-class SaaS company on top of a consumer marketplace — a powerful combination that enables us to offer fresh, high-quality, affordable learning to organizations and individuals around the world and help them reach personal and professional goals and achieve critical business outcomes.

## Three pillars power the business

### **Organizations**

Companies looking to upskill and reskill their teams, keep up with new technologies, and develop and retain talent

### **Learners**

Individuals looking to advance their careers and pursue personal passions

### **Instructors**

Real-world experts looking to share and monetize their knowledge

# The future of work & learning

# Accelerating change in the workplace

A changing world requires a global workforce that can continually upskill and reskill

## \$200B

estimated total addressable online  
learning market opportunity



### 97M

new roles may  
emerge by 2025

### 94%

of business leaders  
surveyed expect  
employees to pick up  
new skills on the job

### 84%

of employers surveyed  
report COVID has  
increased the need  
to digitize

# What today's learners and organizations want



## Quality

Ease discovering high-quality content



## Freshness

Course content that adapts to swift market changes



## Relevance & Breadth

Broad and diverse content for multifaceted, modern learners



## Access & Reach

Affordability to facilitate skills advancement

Pricing adjusted to local markets

Training that can scale across large organizations



# Why most learning models fail to deliver

## Modern learning needs

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Quality

Freshness

Relevance & Breadth

Access & Reach

## Publisher model challenges

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- ✘ **Inflexible:** One-size-fits-all teaching approach; limited use of ratings, reviews, and enrollments for quality signals and improvement
- ✘ **Slow:** Lengthy production timeline; delayed response to trends
- ✘ **Theoretical and limited:** Academic approach to subject matter; narrow range of topics and teaching styles
- ✘ **Not scalable:** Challenging to localize content effectively and authentically for different markets

# The marketplace solution

## Modern learning needs

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Quality

Freshness

Relevance & Breadth

Access & Reach

## Marketplace model

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- ✓ **Quality-driven:** Real-time ratings and reviews; data and insights help instructors improve quality and increase engagement
- ✓ **Fast and agile:** Production as fast as market changes
- ✓ **Relevant and expansive:** Taught by industry experts for real-world applications; thousands of courses on a range of topics; multiple teaching styles
- ✓ **Global and affordable:** Thousands of international instructors teaching in native languages; market-adaptive pricing engine

A platform built for the future

# Our robust content-generation engine

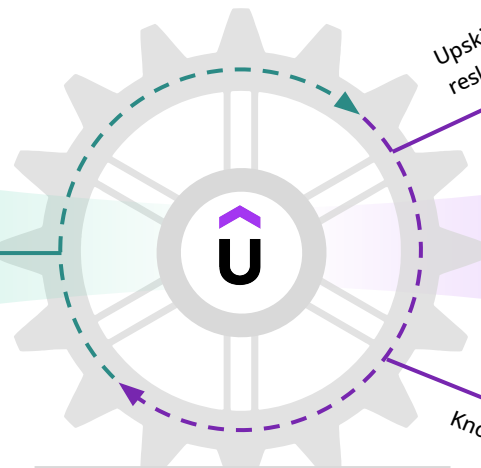
Dynamic supply

Instructors



High-quality,  
fresh content

Incentives



Learning engine

- Global
- Data-driven with ML & AI
- Personalized, immersive learning capabilities

Organizations



Upskilling &  
reskilling

Feedback

Feedback

Knowledge

Learners



Robust demand

# Organizations

A flexible solution that works for companies of any size anywhere to drive business outcomes

## Leaders and admins

- **Insights:** Comprehensive analytics dashboard
- **Empowerment:** Admin tools for learner engagement
- **Support:** Customer success services and playbooks
- **Integration:** Fits seamlessly in the flow of work

## Employees

- **Engaging:** Quality content focused on relevant skills and taught by real-world experts
- **Inclusion:** Extensive international content collection
- **Guidance:** Personalization (Learning Paths)



# Learners

A broad selection of fresh, high-quality content from real-world experts to achieve professional and personal goals

- **Quality:** Relevant, expert instruction
- **Freshness:** Up-to-date content
- **Support:** Direct instructor interaction (Q&A)
- **Practice:** Hands-on exercises
- **Guidance:** Personalized course recommendations based on goals and interests



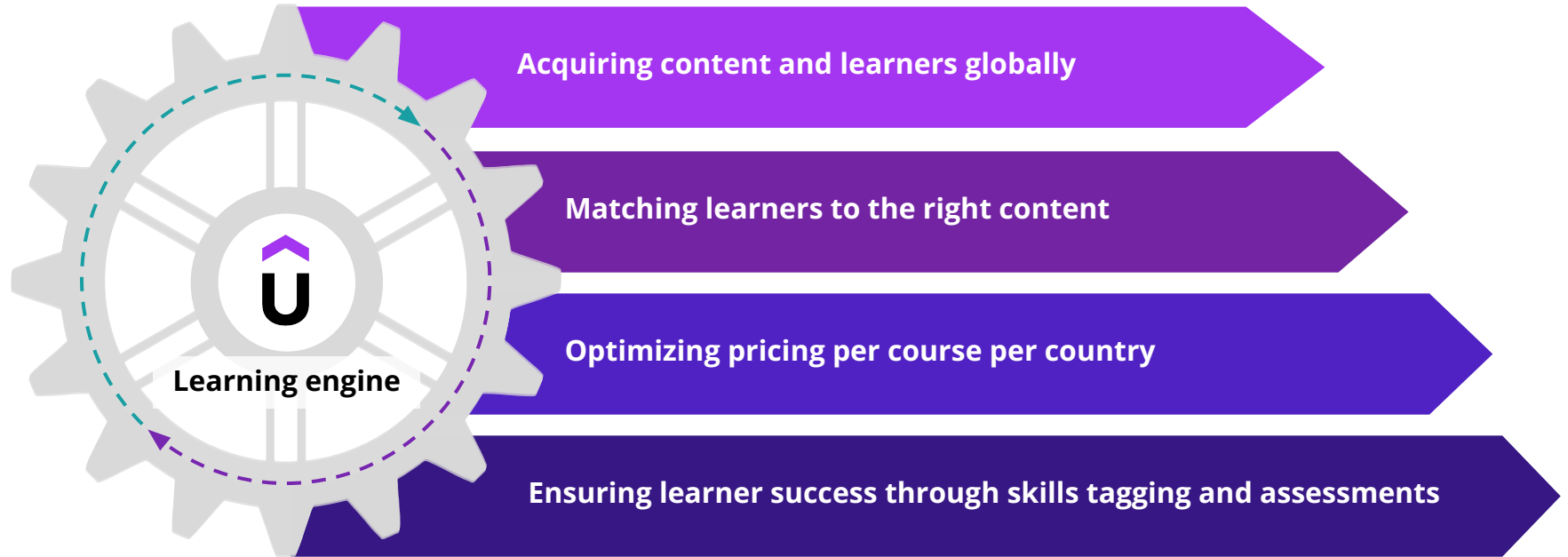
# Instructors

A wealth of data and insights difficult to replicate elsewhere

- **Growth:** Large global audience
- **Guidance:** Marketplace data and insights
- **Improvement:** Ratings, reviews, and learner Q&A provide valuable feedback for improving quality
- **Clarity:** Advanced learner engagement analytics
- **Enablement:** Dashboards to manage business



# Advanced technology infrastructure





# Instructor partnership drives engaged innovation

Udemy invests heavily in instructors by offering compelling incentives and powerful tools that deliver insights.

This fuels a steady supply of quality content that evolves with the market.



## What's in it for instructors?

**\$177M**

instructor payments  
during 2021

**\$1M+**

annual  
earnings for  
top instructors

**5,000+**  
**Courses**  
added per month

# A quality-first approach to online learning

Udemy attracts world-class experts to our platform

## Chris Haroun

Award-winning MBA professor, venture capitalist, and author

Chris is the founder & CEO of Haroun Education Ventures and a former Goldman Sachs employee.



Total learners  
**1.1M**

Average rating  
**4.6**

## Alan Rodrigues

Software technology evangelist with over 15 years in the Industry

Alan teaches over 20 courses on the Udemy platform, on topics including Microsoft Azure and AWS Cloud Computing.



Total learners  
**363K**

Average rating  
**4.5**

Our instructors update courses at the speed of change

# 63%

of top 1,800 Udemy courses were updated in the last 90 days

# Global reach propels Udemy forward

Each language acts as a mini marketplace, allowing Udemy to easily grow and expand into new markets.

The learner side of the marketplace surfaces the best courses through reviews and ratings and creates an environment for Udemy Business to build upon.

**185K**

courses in over  
75 different  
languages

**32M+**

unique global  
visitors per month

**>60%**

of revenue outside  
North America

**28**

currencies  
supported

## International expansion playbook

Local languages

Local payments  
methods

Local currency  
and prices

Local marketing

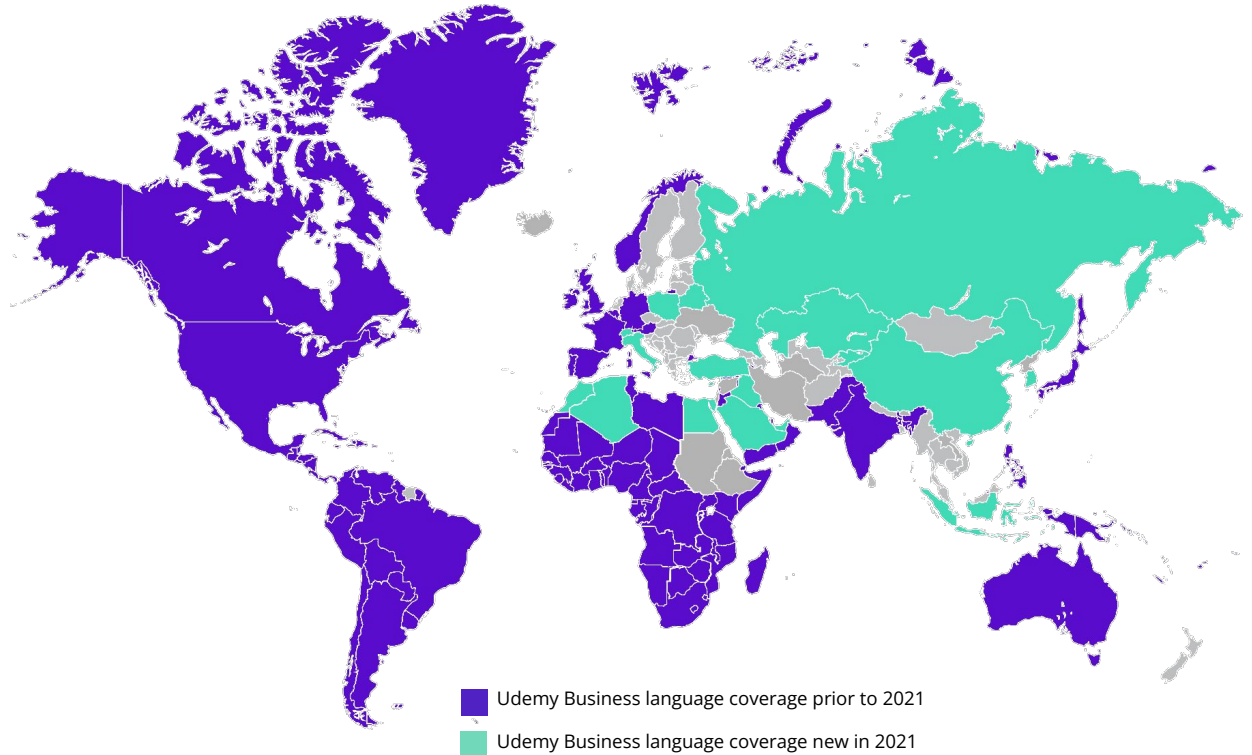
Go-to-market  
teams

# Competitive advantage with local language coverage

Udemy offers a broad collection of courses in over **75** different languages.

The Udemy Business collection includes courses in Spanish, German, French, Portuguese, and Japanese.

In 2021 alone, we added Mandarin, Turkish, Arabic, Italian, Indonesian, Korean, Polish, and Russian to Udemy Business.



# Strong customer benefits

Udemy Business enables companies to keep pace with the need to continuously upskill and reskill employees in a changing workplace.

**869%**

three-year ROI

**29%**

less productive time lost  
during employee onboarding

**2**

months to payback

**6%**

higher developer and designer  
team productivity

**>3x**

more employees on  
learning platform

**5%**

higher IT team  
productivity



**10% higher employee satisfaction**

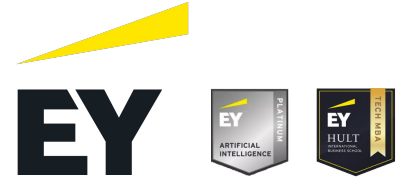
Source: IDC interviewed eight organizations about their experiences with the Udemy Business corporate learning platform. These organizations varied in size, ranging from large multinational enterprises to service providers. Average employee size was almost 12,000 (median of 6,425) and annual revenue of \$11.26 billion (median of \$1.4 billion). Organizations were located in North America and EMEA and from a number of industries.

# Udemy Business and EY

EY, one of the largest professional services networks in the world, has a goal to enable its employees to learn in a virtual world, and using the Udemy Business platform, they're experiencing great success.

Udemy Business is also collaborating with EY on their Badges program as a key content provider. This program enables employees to hone their digital and leadership capabilities and earn badges for future-focused skills.

Udemy Business is also providing content for three EY Masters programs, which are offered in association with Hult International Business School.



## 200K

employees are currently using Udemy Business as they prioritize learning

## 84%

employee learning satisfaction rate

# Rapidly innovating the platform

## Enhanced Learning



### D2C subscriptions

- Drive higher LTV by serving continuous and intensive learners
- Platform investments for different user needs, geos, and price points



### Cohort-based learning

- Online, cohort-based programs for collaborative learning
- Partner with top universities



### Immersive learning

- Empower adaptation to rapidly evolving technical roles
- Learning paths combine Udey's best courses with assessments and labs

## Data-Driven Platform

Personalization

Recommendations

Pricing

Retention

## Content Expansion

Breadth

Depth

Languages

## Geographic Expansion

Learners

Instructors

Enterprises

# Committed to ESG

**1<sup>st</sup>** percentile in the Internet Software and Services assessed by Sustainalytics

ESG Risk Rating<sup>1</sup>



In January, Udemy was recognized by Sustainalytics as an ESG Industry Top Rated Company.

## Environmental

**100%**

targeted renewable-energy-powered cloud resources by 2025

## Governance

**Data Privacy**

is a priority in our governance programs

## Social

**19K+**

free courses currently offered

Note: Data as of December 31, 2021, unless otherwise noted

1. ESG risk rating as of July 2021.

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# Our Social Impact Partners



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The Last Mile (TLM) provides Udeemy courses to incarcerated and formerly incarcerated people to help them thrive in a rapidly evolving job market.



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Udeemy and The Sentinels of Freedom partner to help severely wounded post-9/11 veterans identify and achieve the skills they need to build long-lasting and successful careers in their chosen disciplines.



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AnnieCannons partners with Udeemy to help survivors of human trafficking and gender-based violence learn skills to become software engineers and entrepreneurs.



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Udeemy supports Upwardly Global, a nonprofit that aims to eliminate the employment barriers that skilled immigrants and refugees encounter when entering the U.S. workforce.



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Udeemy and SV Academy with Gainsight support over one million underrepresented job-seekers with access to the skills and resources necessary to begin careers in the tech industry.

# Financial Highlights

# Revenue and Gross Margin

## Q4'21 Revenue

**\$138.0M**

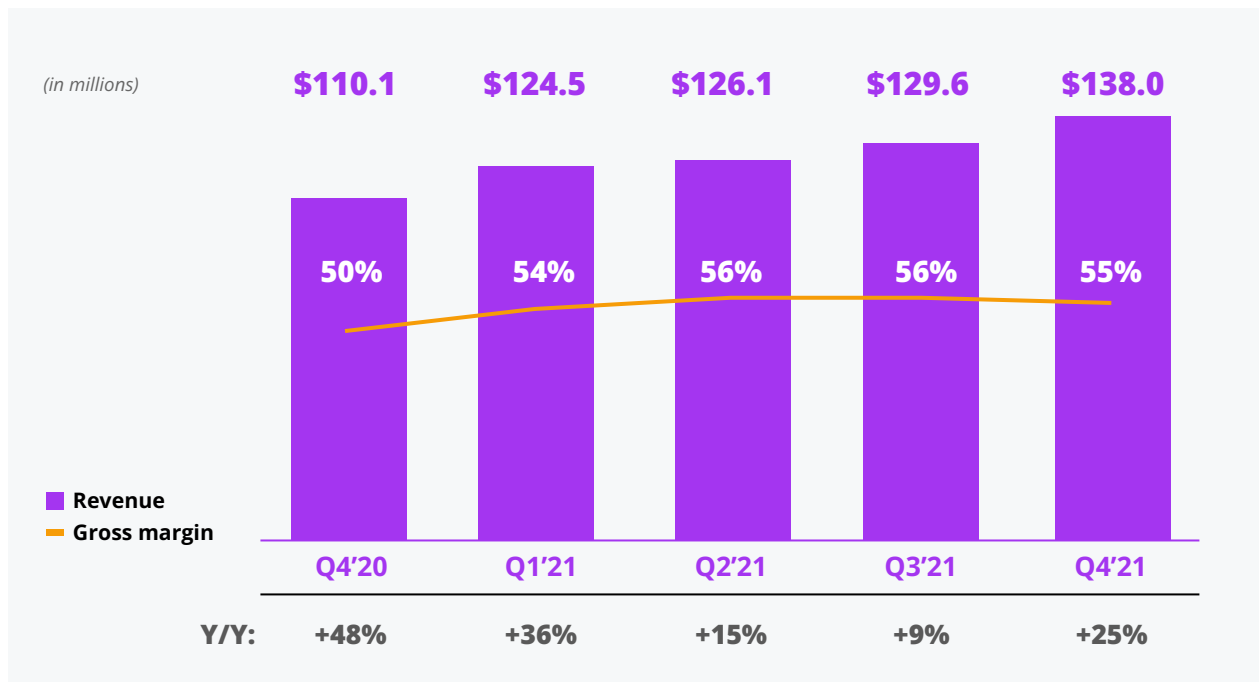
**+25% y/y**

Strong Udemy Business growth;  
Consumer stabilizing

## Q4'21 Gross Margin

**55%**

Gross margin expected to increase over time based on anticipated growth of Udemy Business as a portion of our overall revenue



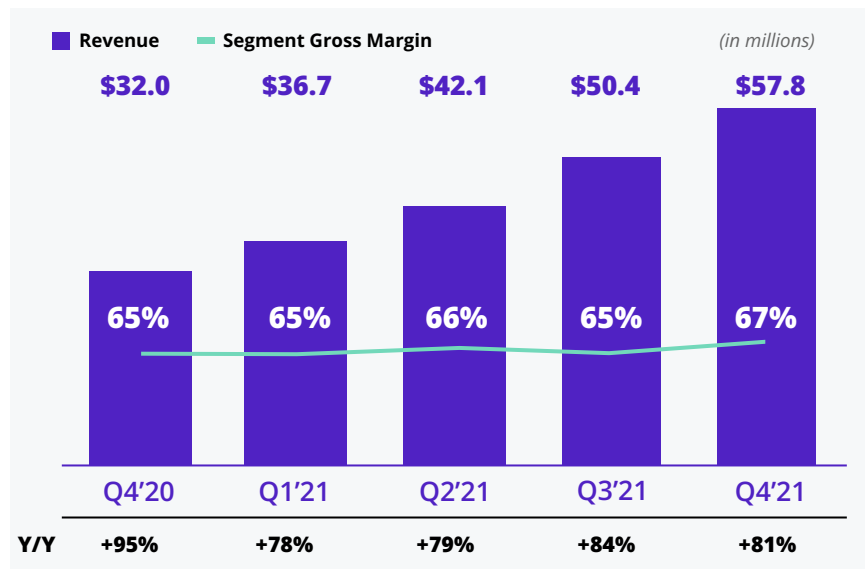
# Udemy Business

## Q4'21 Revenue

**\$57.8M**

**+81% y/y**

Strong revenue growth driven by both new logo acquisition and expansion within existing customers

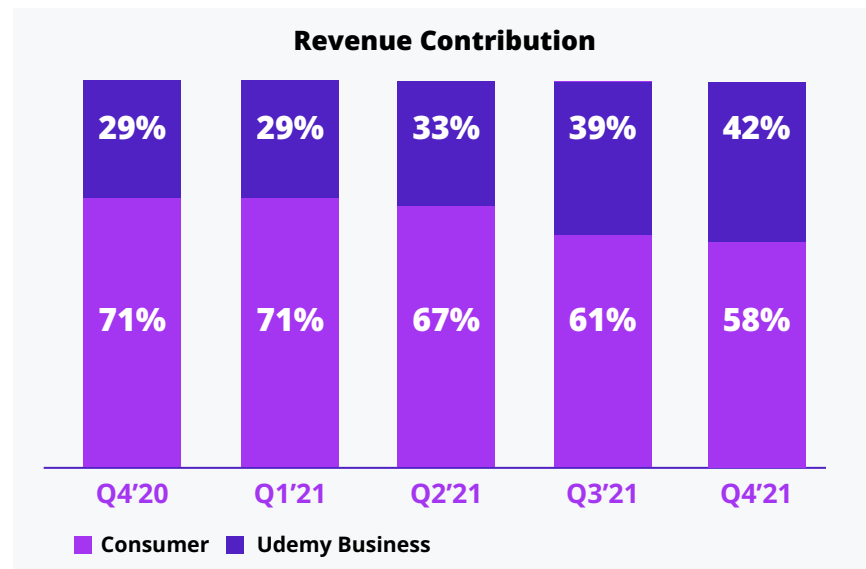


## Q4'21 Revenue Contribution

**42%**

**+13pp y/y**

Continued revenue mix shift to Udemy Business



# Udemy Business

Q4'21 ARR<sup>1</sup>

**\$239.3M**

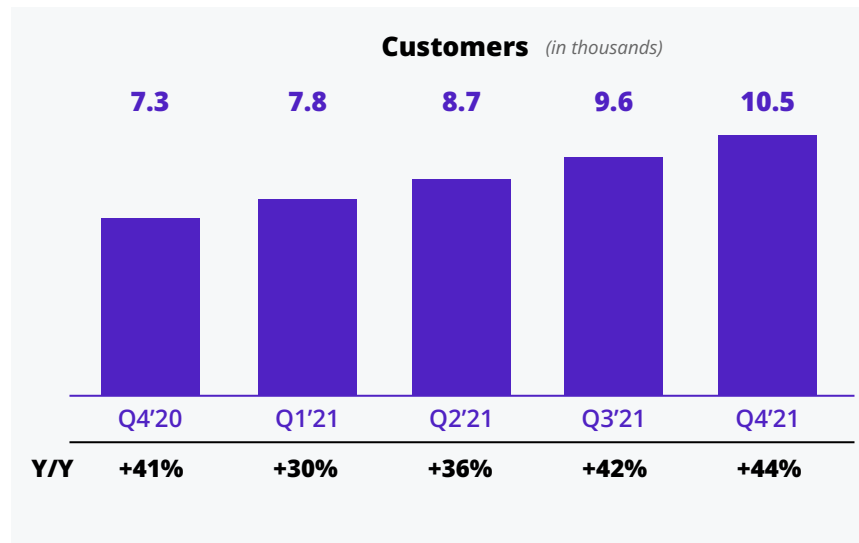
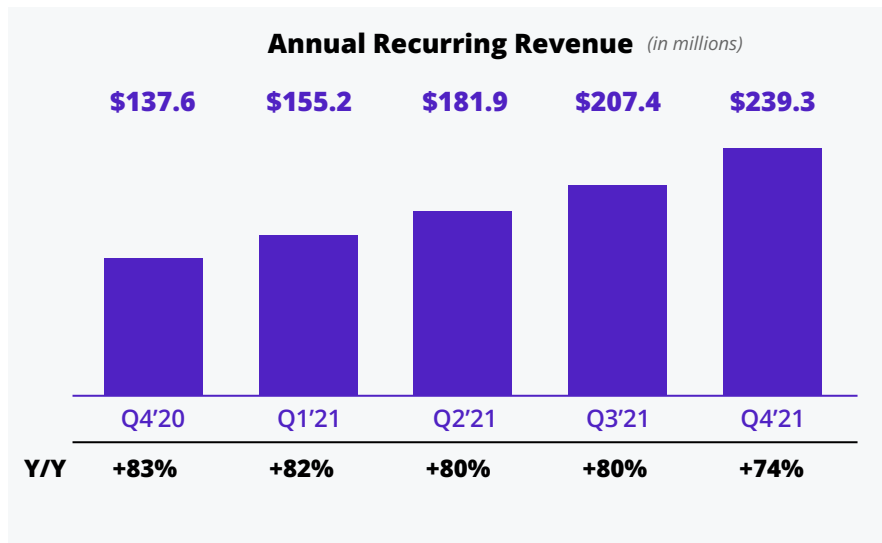
**+74% y/y**

Customers

**10.5K**

**+44% y/y**

- Accelerating growth in customers for the 3<sup>rd</sup> straight quarter
- 118% Net Dollar Retention Rate



# Consumer

## Q4'21 Revenue

**\$80.2M**

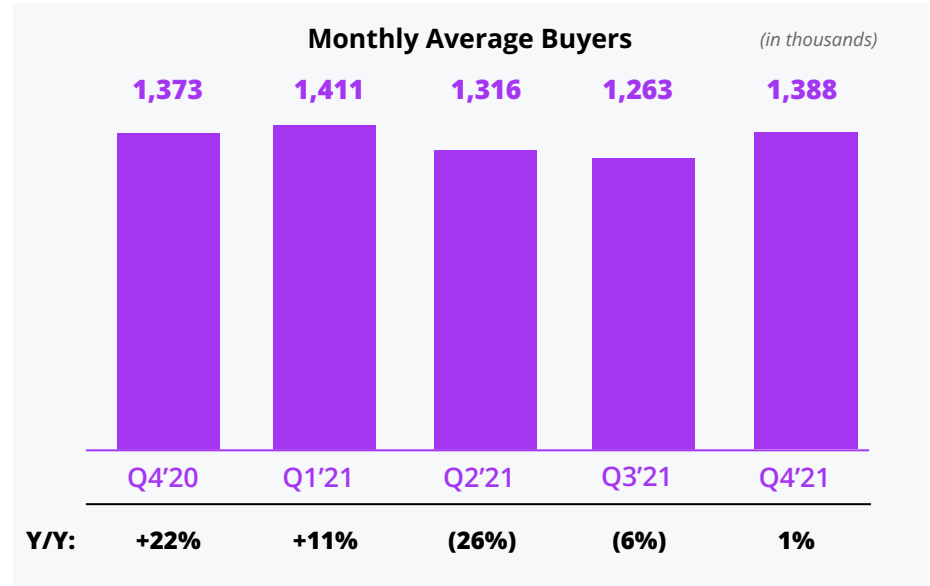
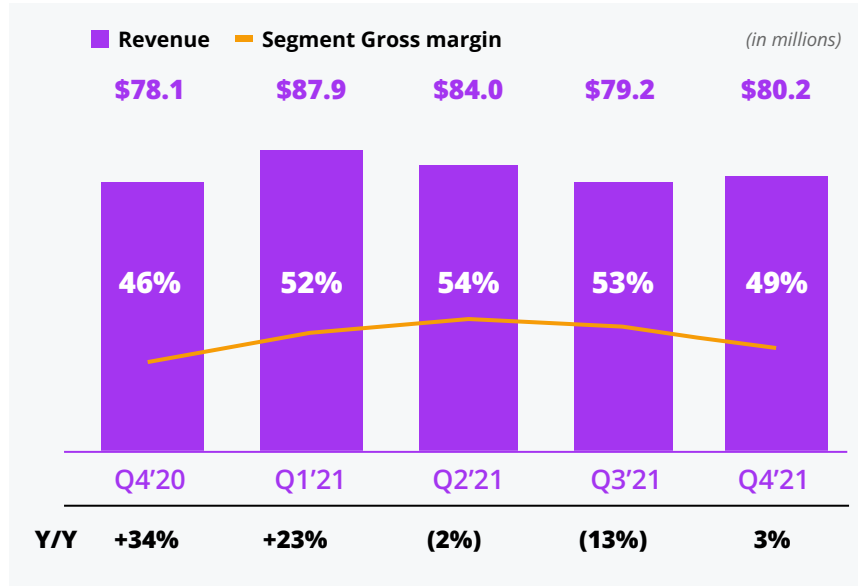
**+3% y/y**

## Monthly Average Buyers

**1.4M**

**+1% y/y**

- Return to positive growth in Q4'21
- Robust traffic with >32M unique visitors per month, over 1.3x pre-pandemic levels<sup>1</sup>



# Guidance

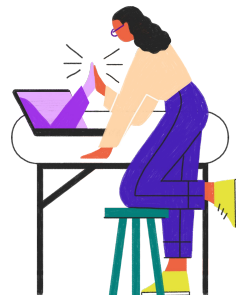
	Q1'22	FY22
<b>Revenue</b> <i>Udemy Business Revenue</i> <i>Consumer Revenue</i>	\$144.0 - 148.0 million <i>70%+ y/y</i> <i>(6%) - 0% y/y</i>	\$610.0 - 640.0 million <i>\$300.0 - 310.0 million</i> <i>\$310.0 - 330.0 million</i>
<b>Adjusted EBITDA Margin</b>	(11%) - (9%)	(12%) - (10%)
<b>Weighted Average Share Count</b>	139 million	142 million

# Positioned for enduring growth



## Rapid Enterprise Growth

Consumer business adds tailwinds to UdeMy Business, achieving **\$239M in ARR<sup>1</sup> at 74% y/y growth**, to evolve revenue composition for increased growth durability and margins



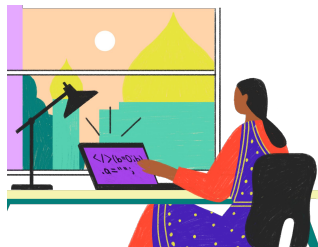
## Compelling Two-Sided Marketplace

Aligned incentives have attracted **64K+ instructors** who create content at a high velocity for **185K courses**



## Strong Learner Demand & Engagement

High-quality content attracts **49M+ learners** to our platform for a virtuous cycle of monetization, engagement, and feedback



## Global Platform with Localized Content

International expansion is integrated across local content and platform yielding **>60%+ of revenue generated outside North America**



# Key Business Metrics Definitions

<b>Monthly Average Buyers</b>	A buyer is a consumer who purchases a course or subscription through our direct-to-consumer offering. Monthly average buyers is calculated as the average of monthly buyers during a particular period, such as a fiscal year.
<b>Udemy Business Customers</b>	We count the total number of UB customers at the end of each period. To do so, we generally count unique customers using the concept of a domestic ultimate parent, defined as the highest business in the family tree that is in the same country as the contracted entity. In some cases, we deviate from this methodology, defining the contracted entity as a unique customer despite existence of a domestic ultimate parent. This often occurs where the domestic ultimate parent is a financial owner, government entity, or acquisition target where we have contracted directly with the subsidiary. We define a UB customer as a customer who purchases Udemy via our direct sales force, reseller partnerships, or through our self-service platform.
<b>Udemy Business Annual Recurring Revenue</b>	We disclose our UB Annual Recurring Revenue, or ARR, as a measure of our enterprise revenue growth. ARR represents the annualized value of our UB customer contracts on the last day of a given period. Only revenue from closed UB contracts with active seats as of the last day of the period are included.
<b>Udemy Business Net Dollar Retention Rate</b>	We disclose our UB Net Dollar Retention Rate, or NDRR, as a measure of our enterprise revenue growth. We believe NDRR is an important metric that provides insight into the long-term value of our subscription agreements and our ability to retain, and grow revenue from, our UB customers. To calculate NDRR, we begin with UB customers who are active at the beginning of a twelve-month period. Then, we divide the ending annualized recurring revenue, or ARR, for those same UB customers at the end of the twelve-month period by the total ARR for those UB customers at the beginning of that twelve-month period. We calculate ARR as the total annualized run-rate revenue of all UB customers with active licenses on the last day of a given period.

# Appendix

# GAAP to Non-GAAP Reconciliation

	Three Months Ended December 31, 2021			
	GAAP	Stock-based Compensation	Amortization of Intangible Assets	Non-GAAP
	(in thousands, except per share amounts)			
Revenue	\$ 137,951	-	-	\$ 137,951
Cost of revenue	64,122	(736)	(729)	62,657
Gross profit	73,829	736	729	75,294
Operating expenses	-	-	-	-
Sales and marketing	70,624	(2,852)	(384)	67,388
Research and development	19,208	(2,370)	-	16,838
General and administrative	22,442	(5,018)	-	17,424
Total operating expenses	112,274	(10,240)	(384)	101,650
Loss from operations	(38,445)	10,976	1,113	(26,356)
Other income (expense)	-	-	-	-
Interest income, net	436	-	-	436
Other expense, net	(206)	-	-	(206)
Total other income, net	230	-	-	230
Net loss before taxes	(38,215)	10,976	1,113	(26,126)
Income tax provision	(669)	-	-	(669)
Net loss attributable to common stockholders	(38,884)	10,976	1,113	(26,795)
Net loss per share attributable to common stockholders				
Basic and diluted	\$ (0.36)			\$ (0.25)
Weighted-average shares used in computing net loss per share attributable to common stockholders	108,168,420			108,168,420

# GAAP to Non-GAAP Reconciliation

	Fiscal Year Ended December 31, 2021			
	GAAP	Stock-based Compensation	Amortization of Intangible Assets	Non-GAAP
	(in thousands, except per share amounts)			
Revenue	\$ 518,157	-	-	\$ 518,157
Cost of revenue	236,024	(1,623)	(1,022)	233,379
Gross profit	282,133	1,623	1,022	284,778
Operating expenses	-	-	-	-
Sales and marketing	227,023	(8,637)	(481)	217,905
Research and development	66,107	(6,816)	-	59,291
General and administrative	64,410	(17,604)	-	46,806
Total operating expenses	357,540	(33,057)	(481)	324,002
Loss from operations	(75,407)	34,680	1,503	(39,224)
Other expense	-	-	-	-
Interest expense, net	(16)	-	-	(16)
Other expense, net	(920)	-	-	(920)
Total other expense, net	(936)	-	-	(936)
Net loss before taxes	(76,343)	34,680	1,503	(40,160)
Income tax provision	(1,183)	-	-	(1,183)
Net loss attributable to common stockholders	(77,526)	34,680	1,503	(41,343)
Net loss per share attributable to common stockholders				
Basic and diluted	\$ (1.41)			\$ (0.75)
Weighted-average shares used in computing net loss per share attributable to common stockholders	54,972,827			54,972,827

# GAAP to Non-GAAP Reconciliation

	Three Months Ended December 31, 2020		
	GAAP	Stock-based Compensation	Non-GAAP
	(in thousands, except per share amounts)		
Revenue	\$ 110,095	-	\$ 110,095
Cost of revenue	55,657	(165)	55,492
Gross profit	54,438	165	54,603
Operating expenses	-	-	-
Sales and marketing	50,379	(1,587)	48,792
Research and development	14,403	(1,315)	13,088
General and administrative	15,752	(5,099)	10,653
Total operating expenses	80,534	(8,001)	72,533
Loss from operations	(26,096)	8,166	(17,930)
Other income (expense)	-	-	-
Interest expense, net	(68)	-	(68)
Other income, net	17	-	17
Total other expense, net	(51)	-	(51)
Net loss before taxes	(26,147)	8,166	(17,981)
Income tax provision	(888)	-	(888)
Net loss attributable to common stockholders	(27,035)	8,166	(18,869)
Net loss per share attributable to common stockholders			
Basic and diluted	\$ (0.77)		\$ (0.53)
Weighted-average shares used in computing net loss per share attributable to common stockholders	35,284,409		35,284,409

# GAAP to Non-GAAP Reconciliation

	Fiscal Year Ended December 31, 2020		
	GAAP	Stock-based Compensation	Non-GAAP
	<b>(in thousands, except per share amounts)</b>		
Revenue	\$ 429,899	-	\$ 429,899
Cost of revenue	209,253	(418)	208,835
Gross profit	220,646	418	221,064
Operating expenses	-	-	-
Sales and marketing	192,600	(7,518)	185,082
Research and development	50,643	(5,232)	45,411
General and administrative	50,783	(18,450)	32,333
Total operating expenses	294,026	(31,200)	262,826
Loss from operations	(73,380)	31,618	(41,762)
Other income (expense)	-	-	-
Interest expense, net	(1,146)	-	(1,146)
Other income, net	55	-	55
Total other expense, net	(1,091)	-	(1,091)
Net loss before taxes	(74,471)	31,618	(42,853)
Income tax provision	(3,149)	-	(3,149)
Net loss attributable to common stockholders	(77,620)	31,618	(46,002)
Net loss per share attributable to common stockholders			
Basic and diluted	\$ (2.33)		\$ (1.38)
Weighted-average shares used in computing net loss per share attributable to common stockholders	33,384,438		33,384,438

# GAAP to Non-GAAP Reconciliation

Adjusted EBITDA

(\$ in thousands)	Three Months Ended December 31,		Fiscal Year Ended December 31,	
	2020	2021	2020	2021
Net loss	\$ (27,035)	\$ (38,884)	\$ (77,620)	\$ (77,526)
Adjusted to exclude the following:				
Interest (income) expense, net	68	(436)	1,146	16
Provision for income taxes	888	669	3,149	1,183
Depreciation and amortization	3,243	4,897	11,055	15,297
Stock-based compensation expense	8,166	10,976	31,618	34,680
Other expense (income), net	(17)	206	(55)	920
Adjusted EBITDA	\$ (14,687)	\$ (22,572)	\$ (30,707)	\$ (25,430)

# GAAP to Non-GAAP Reconciliation

## Gross Profit

(\$ in thousands)	Three Months Ended December 31,		Fiscal Year Ended December 31,	
	2020	2021	2020	2021
Revenue:				
Consumer	\$ 78,120	\$ 80,168	\$ 326,454	\$ 331,203
Enterprise	31,974	57,783	103,445	186,954
<b>Total Revenue</b>	<b>110,094</b>	<b>137,951</b>	<b>429,899</b>	<b>518,157</b>
Gross Profit				
Consumer	35,957	39,432	160,650	171,862
Enterprise	20,696	38,641	67,926	122,970
<b>Total Segment Gross Profit</b>	<b>56,653</b>	<b>78,073</b>	<b>228,576</b>	<b>294,832</b>
Less: Amortization of Capitalized Software	(1,917)	(2,604)	(6,894)	(9,292)
Less: Depreciation	(133)	(175)	(618)	(762)
<b>Non-GAAP Total Gross Profit</b>	<b>54,603</b>	<b>75,294</b>	<b>221,064</b>	<b>284,778</b>
Less: Stock-Based Compensation	(165)	(736)	(418)	(1,623)
Less: Amortization of Intangible Assets	-	(729)	-	(1,022)
<b>GAAP Total Gross Profit</b>	<b>54,438</b>	<b>73,829</b>	<b>220,646</b>	<b>282,133</b>
Gross Margin:				
Consumer	46.0%	49.2%	49.2%	51.9%
Enterprise	64.7%	66.9%	65.7%	65.8%
<b>Total Segment</b>	<b>51.5%</b>	<b>56.6%</b>	<b>53.2%</b>	<b>56.9%</b>
<b>Non-GAAP</b>	<b>49.6%</b>	<b>54.6%</b>	<b>51.4%</b>	<b>55.0%</b>
<b>GAAP</b>	<b>49.4%</b>	<b>53.5%</b>	<b>51.3%</b>	<b>54.4%</b>