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, 2026

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 001-40956

Udemy, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**27-1779864**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
600 Harrison Street, 3rd Floor San Francisco, California	**94107**
(Address of Principal Executive Offices)	(Zip Code)

(415) 813-1710
(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, $0.00001 par value	UDMY	The Nasdaq Stock 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 ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

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

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

As of May 4, 2026, 146,281,495 shares of the registrant's common stock were outstanding.

Table of Contents

	Page
Summary of Risk Factors	i
Special Note Regarding Forward-Looking Statements	ii
Part I. Financial Information	
Item 1. Financial Statements (Unaudited)	1
Condensed Consolidated Balance Sheets	1
Condensed Consolidated Statements of Operations	2
Condensed Consolidated Statements of Comprehensive Loss	3
Condensed Consolidated Statements of Stockholders' Equity	4
Condensed Consolidated Statements of Cash Flows	5
Notes to Condensed Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3. Quantitative and Qualitative Disclosures about Market Risk	43
Item 4. Controls and Procedures	45
Part II. Other Information	
Item 1. Legal Proceedings	46
Item 1A. Risk Factors	47
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	81
Item 3. Defaults Upon Senior Securities	82
Item 4. Mine Safety Disclosures	83
Item 5. Other Information	84
Item 6. Exhibits	85
Signatures	87

Summary of risk factors

Our business is subject to numerous risks and uncertainties, including those highlighted in the section of this report titled “Risk Factors.” The following is a summary of the principal risks we face, any of which could adversely affect our business, operating results, financial condition, or prospects:

- The pendency of our Merger (as defined below) with Coursera, Inc., or the failure to complete the Merger in a timely manner or at all, could adversely affect our business, financial condition, results of operations and stock price.
- While the Merger is pending, we are subject to business uncertainties and contractual restrictions that could harm our business relationships, financial condition and results of operations.
- Litigation relating to the pending Merger, if any, could result in an injunction preventing the completion of the Merger and/or substantial costs.
- As a result of the pending Merger, our current and prospective employees could experience uncertainty about their future with us or the combined company following the Merger, and as a result, key employees may depart.
- As a result of the pending Merger, certain learners, instructors, UB customers and other business partners may decide not to do business with us or change their relationship with us.
- We have a history of losses, and we may not be able to generate sufficient revenue to increase or sustain profitability in the future.
- We operate in an emerging and dynamic market, which makes it difficult to evaluate our future results of operations.
- Our results of operations may fluctuate significantly from period to period due to a wide range of factors, which makes our future results difficult to predict.
- Our growth may not be sustainable and depends on our ability to attract new learners, instructors, and organizations and retain existing ones.
- Our platform relies on a limited number of instructors who create a significant portion of the most popular content on our platform, and the loss of these instructor relationships could adversely affect our business, financial condition, and results of operations.
- If we fail to maintain and expand our relationships with Udemy Business (“UB” or “Enterprise”) customers, our ability to grow our business and revenue will suffer.
- We operate in a highly competitive market, and we may not be able to compete successfully against current and future competitors.
- Our revolving credit facility contains customary affirmative and negative covenants, including financial covenants, that may limit our operating flexibility.
- The market for online learning solutions is relatively new and may not grow as we expect, which may harm our business, financial condition, and results of operations.
- Adherence to our values and our focus on long-term sustainability may negatively impact our short- or medium-term financial performance.
- Failure to effectively leverage our strategic partnerships to market and sell our products could impact our ability to increase brand awareness and grow our revenue.
- We operate internationally and we plan to continue expanding our international operations, which exposes us to risks inherent in international operations.
- Changes in laws or regulations relating to privacy, data protection, or cybersecurity, including those relating to the protection or transfer of data relating to individuals, or any actual or perceived failure by us to comply with such laws and regulations or any other obligations, could adversely affect our business.
- We may be unable to adequately obtain, maintain, protect, and enforce our intellectual property and proprietary information, which could adversely affect our business, financial condition, and results of operations.
- We could face liability, or our reputation might be harmed, as a result of courses posted to our platform.
- Intellectual property litigation, including litigation related to content available on our platform, could result in significant costs and adversely affect our business, financial condition, results of operations, and reputation.
- The trading price of our common stock may be volatile, and you could lose all or part of your investment.

Special note regarding forward-looking statements

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this Form 10-Q, including statements regarding our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "would," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential," or "continue," or the negative of these terms or other similar expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Form 10-Q include, but are not limited to, statements about:

- our proposed Merger with Coursera, Inc. ("Coursera"), and the expected timing and benefits of the proposed Merger, including our results of operations and financial condition during the pendency of the Merger and following the Merger (including relating to potential synergies);
- expenses, costs and fees relating to both our proposed Merger with Coursera and the potential termination of the Merger, including in connection with regulatory approvals, the impact of litigation, stockholder approvals and other requisite approvals to complete the Merger, the impact of the Merger on our management, employees and business relationships and potential termination fees under certain circumstances if the merger is not completed;
- our expectations regarding our financial and operating performance, including our expectations regarding our revenue, costs, monthly average buyers, paid Consumer subscribers, number of Udemy Business ("UB") customers, UB Annual Recurring Revenue, UB Net Dollar Retention Rate, UB Large Customer Net Dollar Retention Rate, segment revenue, segment adjusted gross profit, adjusted EBITDA, adjusted EBITDA margin, and free cash flow;
- our ability to successfully execute our business, growth and operational strategies, including our operational efficiency initiatives;
- our ability to attract and retain learners, instructors, and enterprise customers;
- the timing, impact, and success of new features, integrations, capabilities, and other platform enhancements by us, or by our competitors to their offerings, or any other changes in the competitive landscape of our markets and industry;
- anticipated trends, developments, and challenges in our industry, business, the markets in which we compete, and broader macroeconomic environment;
- the size of our addressable markets, market share, and market trends, including our ability to grow our business internationally;
- the sufficiency of our cash, cash equivalents, and investments, together with the availability under our revolving credit facility, to meet our liquidity needs;
- our ability to develop and protect our brand and reputation;
- our expectations and management of future growth;
- our expectations concerning relationships with third parties;
- our ability to attract, retain, and motivate our skilled personnel, including members of our senior management team;
- our expectations regarding the effects of existing and developing laws and regulations, including with respect to taxation and privacy, data protection, and cybersecurity;
- our ability to maintain the security and availability of our platform;
- our ability to successfully defend litigation brought against us;
- our ability to successfully identify, execute, and integrate any potential acquisitions or strategic investments;
- our expectations regarding our income and other tax liabilities;
- our ability to effectively manage our exposure to fluctuations in foreign currency exchange rates; and
- our ability to obtain, maintain, protect, and enforce our intellectual property and proprietary information.

Actual events or results may differ from those expressed in forward-looking statements. As such, you should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, operating results, prospects, strategy, and financial needs. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, assumptions, and other factors described in the section titled "Risk Factors" and elsewhere in this Form 10-Q. Moreover, we operate in a highly competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Form 10-Q. While we believe that such information provides a reasonable basis for these statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Form 10-Q to reflect events or circumstances after the date of this Form 10-Q or to reflect new information, actual results, revised expectations, or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements.

Investors and others should note that we may announce material information to the public through filings with the Securities and Exchange Commission (“SEC”), our website (udemy.com), press releases, public conference calls, public webcasts, and social media, including our corporate and our Chief Executive Officer’s social media accounts on LinkedIn and X. We encourage our investors and others to review the information disclosed through such channels as such information could be deemed to be material information. Please note that this list may be updated from time to time.

Market and industry data

Certain market and industry data included in this Form 10-Q has been obtained from third party sources that we believe to be reliable. Market estimates are calculated by using independent industry publications, government publications, and third-party forecasts in conjunction with our assumptions about our markets. We have not independently verified such third-party information. While we are not aware of any misstatements regarding any market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed in this Form 10-Q in the section titled “Special Note Regarding Forward-Looking Statements” and in Part II, Item 1A, “Risk Factors.”

PART I.
Item 1. Condensed Consolidated Financial Statements (Unaudited)

Udemy, Inc.
Condensed Consolidated Balance Sheets
(*in thousands, except share and per share amounts*)
(unaudited)

	March 31, 2026	December 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 252,563	$ 231,485
Restricted cash, current	101	201
Marketable securities	105,256	127,259
Accounts receivable, net	97,139	95,891
Prepaid expenses and other current assets	30,527	25,469
Deferred contract costs, current	48,046	43,908
Total current assets	533,632	524,213
Property and equipment, net	6,395	6,694
Capitalized software, net	28,773	28,964
Operating lease right-of-use assets	8,697	9,040
Restricted cash, non-current	904	183
Deferred contract costs, non-current	27,089	28,010
Intangible assets, net	2,031	2,448
Goodwill	12,646	12,646
Strategic investments	8,500	—
Other assets	5,920	5,500
Total assets	$ 634,587	$ 617,698
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 12,887	$ 8,198
Accrued expenses and other current liabilities	49,344	32,126
Content costs payable	28,214	33,175
Accrued compensation and benefits	20,982	27,958
Operating lease liabilities, current	4,870	4,541
Deferred revenue, current	299,857	294,071
Total current liabilities	416,154	400,069
Operating lease liabilities, non-current	4,851	5,686
Deferred revenue, non-current	1,136	1,248
Other liabilities, non-current	268	234
Total liabilities	422,409	407,237
Note 8 – Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.00001 par value - 950,000,000 shares authorized; 145,937,121 and 145,050,642 shares issued and outstanding as of March 31, 2026, and December 31, 2025, respectively.	1	1
Additional paid-in capital	1,025,943	1,011,477
Accumulated other comprehensive income	27	162
Accumulated deficit	(813,793)	(801,179)
Total stockholders' equity	212,178	210,461
Total liabilities and stockholders' equity	$ 634,587	$ 617,698

See accompanying notes to condensed consolidated financial statements.

Udemy, Inc.
Condensed Consolidated Statements of Operations
(*in thousands, except share and per share amounts*)
(unaudited)

	Three Months Ended March 31,	
	2026	**2025**
Revenue	$ 191,407	$ 200,300
Cost of revenue	62,140	70,857
Gross profit	129,267	129,443
Operating expenses		
Sales and marketing	89,606	82,500
Research and development	26,793	24,958
General and administrative	25,394	25,008
Restructuring charges	—	1,469
Total operating expenses	141,793	133,935
Loss from operations	(12,526)	(4,492)
Other income, net		
Interest income	2,827	3,575
Interest expense	(240)	(15)
Other income (expense), net	(622)	98
Total other income, net	1,965	3,658
Net loss before taxes	(10,561)	(834)
Income tax provision	2,053	937
Net loss	$ (12,614)	$ (1,771)
Net loss per share		
Basic and diluted	$ (0.09)	$ (0.01)
Weighted-average shares used in computing net loss per share		
Basic and diluted	145,236,191	148,027,183

See accompanying notes to condensed consolidated financial statements.

Udemy, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(*in thousands*)
(unaudited)

	Three Months Ended March 31,	
	2026	2025
Net loss	$ (12,614)	$ (1,771)
Other comprehensive loss:		
Foreign currency translation gain (loss), net of tax	98	23
Change in unrealized gain (loss) on marketable securities, net of tax	(233)	(27)
Total other comprehensive loss	(135)	(4)
Comprehensive loss	$ (12,749)	$ (1,775)

See accompanying notes to condensed consolidated financial statements.

Udemy, Inc.
Condensed Consolidated Statements of Stockholders’ Equity
(*in thousands, except share amounts*)
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders’ Equity
	Shares	Amount				
Balance—December 31, 2025	145,050,642	$ 1	$ 1,011,477	$ 162	$ (801,179)	$ 210,461
Stock-based compensation	—	—	17,269	—	—	17,269
Exercise of stock options	3,750	—	—	—	—	—
Vesting of restricted stock units	1,453,518	—	—	—	—	—
Shares withheld related to net share settlement of equity awards	(570,789)	—	(2,803)	—	—	(2,803)
Other comprehensive loss	—	—	—	(135)	—	(135)
Net loss	—	—	—	—	(12,614)	(12,614)
Balance—March 31, 2026	145,937,121	$ 1	$ 1,025,943	$ 27	$ (813,793)	$ 212,178
Balance—December 31, 2024	147,484,280	$ 1	$ 1,002,390	$ (11)	$ (804,986)	$ 197,394
Stock-based compensation	—	—	19,661	—	—	19,661
Exercise of stock options	148,557	—	36	—	—	36
Vesting of restricted stock units	1,554,329	—	—	—	—	—
Shares withheld related to net share settlement of equity awards	(702,060)	—	(5,957)	—	—	(5,957)
Other comprehensive loss	—	—	—	(4)	—	(4)
Net loss	—	—	—	—	(1,771)	(1,771)
Balance—March 31, 2025	148,485,106	$ 1	$ 1,016,130	$ (15)	$ (806,757)	$ 209,359

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2026	2025
Cash flows from operating activities:		
Net loss	$ (12,614)	$ (1,771)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,364	6,205
Amortization of deferred contract costs	17,375	15,620
Stock-based compensation	16,368	17,967
Allowance for credit losses	475	2,101
Net (accretion) amortization of marketable securities	83	(1,287)
Non-cash operating lease expense	1,138	915
Unrealized gain on strategic investments	(500)	—
Other	552	350
Changes in operating assets and liabilities:		
Accounts receivable	(1,702)	(25,057)
Prepaid expenses and other assets	(5,094)	(4,106)
Deferred contract costs	(20,592)	(19,495)
Accounts payable, accrued expenses and other liabilities	14,197	(9,975)
Content costs payable	(4,961)	(3,121)
Operating lease liabilities	(1,305)	(949)
Deferred revenue	5,656	34,813
Net cash provided by operating activities	15,440	12,210
Cash flows from investing activities:		
Purchases of marketable securities	(21,863)	(78,644)
Proceeds from maturities of marketable securities	43,550	76,350
Purchases of property and equipment	(548)	(2,381)
Capitalized software costs	(4,058)	(2,739)
Purchases of strategic investments	(8,000)	—
Net cash provided by (used in) investing activities	9,081	(7,414)
Cash flows from financing activities:		
Net proceeds from exercise of stock options	—	41
Taxes paid related to net share settlement of equity awards	(2,802)	(5,948)
Repurchases of common stock and excise taxes paid	(117)	—
Net cash used in financing activities	(2,919)	(5,907)
Effect of foreign exchange rates on cash flows	97	36
Net increase (decrease) in cash, cash equivalents and restricted cash	21,699	(1,075)
Cash, cash equivalents and restricted cash—Beginning of period	231,869	191,807
Cash, cash equivalents and restricted cash—End of period	$ 253,568	$ 190,732

	Three Months Ended March 31,	
	2026	2025
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 252,563	$ 189,617
Restricted cash, current	101	—
Restricted cash, non-current	904	1,115
Total cash, cash equivalents and restricted cash	$ 253,568	$ 190,732
Supplemental disclosures of cash flow information:		
Income taxes paid	$ 1,936	$ 813
Supplemental disclosure of non-cash investing and financing activities:		
Stock-based compensation in capitalized costs	$ 905	$ 1,657
Net change in unrealized gain (loss) on marketable securities	$ (233)	$ (27)
Increase (decrease) in purchases of property and equipment included in liabilities	$ (76)	$ 584
Operating lease right-of-use assets exchanged for operating lease liabilities	$ 795	$ —

See accompanying notes to condensed consolidated financial statements.

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

1. Organization and description of business

Description of business

Udemy, Inc. (“Udemy” or the “Company”) was incorporated in January 2010 under the laws of the state of Delaware. The Company is headquartered in San Francisco, California.

Udemy is a global technology company enabling organizations and individuals to develop in-demand skills and capabilities needed to thrive in a rapidly evolving world of work. The Company’s AI-powered platform offers consumers the option to purchase either subscription-based plans or a non-exclusive lifetime license to a single course on the Udemy marketplace. The Company also curates its highest-quality content for its enterprise platform, Udemy Business (“UB”), which enables companies around the world to offer on-demand learning across their organizations through various modalities.

Proposed merger with Coursera

On December 17, 2025, the Company entered into an Agreement and Plan of Merger (as it may be amended, modified, supplemented or waived from time to time, the “Merger Agreement”) with Coursera, under which Coursera will combine with Udemy in an all-stock transaction (the “Merger”). Under the terms of the Merger Agreement, Udemy stockholders will receive 0.800 shares of common stock, par value $0.00001 per share, of Coursera (“Coursera Common Stock”) for each share of our common stock. Upon the closing of the Merger, existing Coursera stockholders are expected to own approximately 59% and existing Udemy stockholders are expected to own approximately 41% of the combined company, on a fully diluted basis.

The completion of the Merger is subject to the satisfaction of certain customary conditions set forth in the Merger Agreement, including, but not limited to: (i) adoption of the Merger Agreement by the Company’s stockholders (on April 9, 2026, the Company’s stockholders approved the adoption of the Merger Agreement), (ii) approval of the issuance of the shares of Coursera Common Stock and an amendment of Coursera’s amended and restated certificate of incorporation to increase the number of authorized shares of Coursera Common Stock thereunder by Coursera’s stockholders (on April 9, 2026, Coursera’s stockholders approved such issuance and such amendment); (iii) authorization for listing of the shares of Coursera Common Stock to be issued in the Merger on NYSE, subject to official notice of issuance; (iv) the expiration or termination of any waiting period applicable to the Merger under the HSR Act (on February 9, 2026, the Federal Trade Commission granted early termination of the waiting period under the HSR Act), and the receipt of certain other required regulatory approvals; and (v) effectiveness of the registration statement on Form S-4 for the Coursera Common Stock to be issued in the Merger (on March 10, 2026, such Form S-4 became effective). In addition, the Company’s obligation to complete the Merger is also subject to the receipt by the Company of an opinion from its counsel to the effect that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

The foregoing description of the Merger Agreement and the Merger does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, filed as Exhibit 2.1 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2025, which was filed with the SEC on February 19, 2026.

During the three months ended March 31, 2026, the Company recognized $2.3 million worth of acquisition-related expenses associated with the proposed merger in general and administrative expense in the accompanying condensed consolidated statements of operations. Aside from these amounts, the Merger did not impact the Company’s condensed consolidated financial statements.

2. Summary of significant accounting policies

Basis of consolidation and presentation— The accompanying interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation, and all other normal and recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results of the periods presented have been made. The Company does not consolidate certain variable interest entities related to its strategic investments because it does not control and is not considered the primary beneficiary of these entities.

Segment information— On March 12, 2025, Hugo Sarrazin became the Company's new Chief Executive Officer and chief operating decision maker ("CODM"). The Company defines its segments as those operations the CODM regularly reviews to allocate resources and assess performance. For the three months ended March 31, 2026 and 2025, the Company had two operating and reportable segments: Enterprise and Consumer. The Company continually monitors and reviews its segment reporting structure in accordance with Accounting Standards Codification ("ASC") Topic 280, Segment Reporting, to determine whether any changes have occurred that would impact its reportable segments. For further information on the Company's segment reporting, see Note 13 – Segment and geographic information.

Use of estimates— The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the results of operations during the reporting periods.

Significant estimates and assumptions reflected in the condensed consolidated financial statements include, but are not limited to, allowance for credit losses, capitalization of internally developed software and content assets and their associated useful lives, stock-based compensation, determination of the income tax valuation allowance and the potential outcome of uncertain tax positions, estimated service period for consumer single course purchases, recognition pattern of breakage revenue on Udemy credits, the period of benefit for deferred commissions, the fair value and associated useful lives of acquired intangible assets and goodwill, the valuation of marketable securities and privately-held strategic investments, including impairments, and the carrying value of our operating lease right-of-use ("ROU") assets. Management periodically evaluates such estimates and assumptions for continued reasonableness.

Actual results may ultimately differ from management's estimates and such differences could be material to the Company's financial position and results of operations.

Summary of significant accounting policies— There have been no significant changes to the policies as disclosed in Note 2 – Summary of significant accounting policies of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025, which was filed with the SEC on February 19, 2026 (the "Annual Report"), other than those discussed below.

Concentration of credit risk— Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities, restricted cash, and accounts receivable. For cash and restricted cash, the Company is exposed to credit risk in the event of default by the financial institutions to the extent the amounts recorded on the accompanying condensed consolidated balance sheets are in excess of federal insurance limits. The Company's investments that are classified as cash equivalents and marketable securities consist of high-credit-quality instruments and fixed-income securities.

The Company generally does not require collateral or other security in support of accounts receivable. To reduce credit risk, management performs ongoing evaluations of its customers' financial condition and maintains an allowance based upon expected credit losses of outstanding receivables. The Company had no customers who accounted for more than 10% of total accounts receivable as of March 31, 2026 and December 31, 2025. The Company had one customer, Benesse Corporation ("Benesse"), a reseller partner for the Enterprise segment, who accounted for more than 10% of total revenue during the three months ended March 31, 2026. No customers accounted for more than 10% of total revenue during the three months ended March 31, 2025.

Net loss per share— Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potentially dilutive securities outstanding for the period using the treasury stock method. For periods in which the Company reports net losses, diluted net loss per share is the same as basic net loss per share, because potentially dilutive common shares are anti-dilutive.

Accounts receivable, net— Accounts receivable primarily represent amounts owed to the Company for Enterprise subscriptions. Also included in accounts receivable are amounts due from payment processors or mobile application store partners that settle over a period longer than five business days. Accounts receivable balances are recorded at the invoiced amount and are non-interest-bearing. Accounts receivable is presented net of allowance for credit losses in the accompanying condensed consolidated balance sheets.

The Company maintains an allowance based upon expected credit losses of outstanding receivables. Management derives its estimate using a variety of factors, including historical collection and loss patterns; the current aging of receivables; geographic and other customer-specific credit risk factors; and reasonable and supportable forecasts of future economic conditions which inform adjustments to historical loss patterns. The provision for expected credit losses is recorded in general and administrative expenses in the accompanying condensed consolidated statements of operations. Accounts receivable deemed to be uncollectible are written off, net of expected or actual recoveries.

	Balance at Beginning of Period	Charged to Expenses	Charges Utilized/Written-off, Net of Recoveries	Balance at End of Period
Allowance for credit losses (in thousands)				
Three Months Ended March 31, 2026	$ 2,174	$ 475	$ (426)	$ 2,223
Three Months Ended March 31, 2025	$ 1,096	$ 2,101	$ (477)	$ 2,720

Recently Adopted Accounting Pronouncements

In July 2025, the FASB issued ASU 2025-05 “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets for Private Companies and Certain Not-for-Profit Entities,” which amends ASC 326-20 to provide a practical expedient and an accounting policy election related to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under ASC 606. The Company adopted ASU 2025-05, effective January 1, 2026, using the prospective transition approach, which did not have a material impact on the condensed consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, Income Statement Reporting-Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, which requires more detailed information about the types of expenses (including employee compensation and depreciation and amortization) included within income statement expense captions. The guidance will be effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The amendments should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date or (2) retrospectively to any or all periods presented in the financial statements. The Company is currently assessing the potential impact of the new standard on the Company’s condensed consolidated financial statements.

In September 2025, the FASB issued ASU 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. ASU 2025-06 provides updated guidance on the capitalization and subsequent measurement of costs incurred in connection with the implementation of internal-use software, including cloud computing arrangements. The amendment replaces former stage-based rules with a principles-based framework. Entities will now capitalize costs associated with internal-use software only when management has authorized and committed funding and it is probable that the project will be completed and the software will be used to perform the intended function. This ASU is effective for interim and annual reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of this new standard on its condensed consolidated financial statements.

In December 2025, the FASB issued ASU 2025-10, Government Grants (Topic 832), to provide guidance on how business entities should recognize, measure, and present government grants received. The effective date for this standard is for fiscal years beginning after December 15, 2028, and interim periods within those fiscal years. Early adoption is permitted. The amendments in this ASU may be applied using a modified prospective, modified retrospective, or retrospective approach. The Company is currently evaluating the impact of this new standard on its condensed consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270) Improvements to Interim Disclosure Requirements, to provide clarifications intended to improve the consistency and usability of interim disclosure requirements, including a comprehensive listing of required interim disclosures and a new disclosure principle for reporting material events occurring after the most recent annual period. The amendments do not change the underlying objectives of interim reporting but are designed to enhance clarity in application. The guidance is effective for fiscal years beginning after December 15, 2027, including interim periods within those fiscal years. The Company is currently evaluating the impact of this new standard on its condensed consolidated financial statements.

3. Revenue recognition

Disaggregation of Revenue—The following table presents revenue disaggregated by product offering for each segment (in thousands):

	Three Months Ended March 31,	
	2026	**2025**
Enterprise:		
Subscription	$ 132,123	$ 127,002
Other	766	746
Enterprise revenue	$ 132,889	$ 127,748
Consumer:		
Subscription	$ 14,402	$ 9,281
Transactional and other	44,116	63,271
Consumer revenue	$ 58,518	$ 72,552
Total revenue	$ 191,407	$ 200,300

Enterprise subscription revenue is recognized ratably over the respective contractual subscription term beginning on the date that the platform is made available to the customer. Other Enterprise revenue is primarily comprised of professional services arrangements, which are generally offered as fixed price contracts and recognized on a proportional performance basis.

Consumer subscription revenue is recognized ratably over the respective contractual subscription term beginning on the date that the platform is made available to the customer. Transactional and other revenue is primarily comprised of sales of single courses, which are recognized ratably over the estimated service period of four months, as well as other products sold on the consumer marketplace on a non-recurring basis, which were not material for the periods presented.

Deferred revenue— Revenue recognized for the three months ended March 31, 2026, from amounts included in deferred revenue as of December 31, 2025 was $145.4 million. Revenue recognized for the three months ended March 31, 2025, from amounts included in deferred revenue as of December 31, 2024 was $150.9 million.

The below table presents a summary of deferred revenue balances by reportable segment (in thousands):

	March 31,	December 31,	December 31,
	2026	**2025**	**2024**
Deferred revenue:			
Enterprise	$ 250,769	$ 243,771	$ 233,466
Consumer	50,224	51,548	60,078
Total deferred revenue	$ 300,993	$ 295,319	$ 293,544

Remaining performance obligations— Remaining performance obligations represent the aggregate amount of the transaction price in contracts for performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligations primarily relate to deferred revenue and unbilled revenue related to multi-year Enterprise subscription contracts with future installment billings, as well as unearned revenue from consumer single course purchases and subscriptions at the end of any given period. As of March 31, 2026, the aggregate transaction price for remaining performance obligations was $579.7 million, of which 72% is expected to be recognized over the next twelve months and the remainder thereafter.

Deferred contract costs— The following table represents a roll forward of the Company's deferred contract costs (in thousands):

	Balance at Beginning of Period	Additions	Amortization Expense	Balance at End of Period
Three Months Ended March 31, 2026	$ 71,918	$ 20,592	$ (17,375)	$ 75,135
Three Months Ended March 31, 2025	$ 73,053	$ 19,495	$ (15,620)	$ 76,928

4. Investments and fair value measurements

The following tables present the Company's assets that are measured at fair value on a recurring basis within the fair value hierarchy (in thousands):

As of March 31, 2026	Level 1	Level 2	Level 3
Assets			
Cash equivalents[(1)]:			
Money market funds	$ 142,402	$ —	$ —
Time deposits	5,745	—	—
Marketable securities:			
U.S. government securities	—	105,256	—
Strategic investments:			
Convertible note investment	—	—	8,500
Total assets	$ 148,147	$ 105,256	$ 8,500

As of December 31, 2025	Level 1	Level 2	Level 3
Assets			
Cash equivalents[(1)]:			
Money market funds	$ 123,314	$ —	$ —
Time deposits	4,005	—	—
Marketable securities:			
U.S. government securities	—	127,259	—
Total assets	$ 127,319	$ 127,259	$ —

1) Included in cash and cash equivalents in the accompanying condensed consolidated balance sheets, in addition to $104.4 million and $104.2 million of cash as of March 31, 2026 and December 31, 2025, respectively.

The Company did not have a material amount of liabilities measured at fair value on a recurring basis as of March 31, 2026 or December 31, 2025.

The Company's money market funds and time deposits are classified within Level 1 of the fair value hierarchy because they are valued using quoted prices in active markets. The Company's investments in U.S. government securities are classified within Level 2 of the fair value hierarchy because they have been valued using inputs other than quoted prices in active markets that are directly or indirectly observable. The Company's strategic investments are classified within Level 3 of the fair value hierarchy because they have been valued using significant unobservable inputs for which the Company has been required to develop its own assumptions.

A summary of the changes in the fair value of Level 3 financial instruments, of which unrealized gain on strategic investments is recognized in the condensed consolidated statements of operations, is as follows (in thousands):

		Strategic Investments
Balance— December 31, 2025	$	—
Purchases of strategic investments		8,000
Unrealized gain on strategic investments		500
Balance— March 31, 2026	$	8,500

There were no material changes in the fair value of other Level 3 financial instruments during the three months ended March 31, 2025.

Strategic investments— On January 9, 2026, the Company invested $8.0 million in a convertible note (“Note Investment”) with a private company (the “Note Issuer”). The Note Investment accrues interest at 7.0% per annum, payable at maturity of the note or upon conversion, and matures on December 31, 2028, unless earlier converted into shares of the Note Issuer’s preferred stock in accordance with the terms of the Note Investment. The Company elected to measure the Note Investment using the fair value option and records changes in fair value, including accrued interest, in other income (expense), net on the condensed consolidated statements of operations. The Note Investment is included in strategic investments on the condensed consolidated balance sheets. The Company determined the fair value of the Note Investment by considering the terms of the convertible note as well as other key assumptions including the estimated time until conversion, volatility data, financial forecasts, and the value of underlying equity into which the note could be converted.

The Company evaluates its 2021 investment in equity securities of a privately held company without a readily determinable fair value (“2021 Equity Investment”), to which the measurement alternative is applied, for impairment at each reporting period. This evaluation considers several potential qualitative and quantitative impairment indicators including, but not limited to, the investee's financial metrics, whether there were any significant adverse changes in the economic environment or general market conditions of the geographies and industries in which the investee operates, and any other publicly available information that may affect the value of the investment.

The cost basis of the Company’s 2021 Equity Investment is $15.0 million. The Company previously recorded impairment charges of $10.3 million during the second quarter of 2024, $1.8 million during the second quarter of 2023 and $2.9 million during the third quarter of 2022. There have been no observable price changes in orderly transactions for identical or similar investments of the same issuer during the periods presented. As such, the Company’s carrying amount of the 2021 Equity Investment was zero as of March 31, 2026 and December 31, 2025.

5. Consolidated balance sheet components

Cash, cash equivalents, and marketable securities— The amortized cost, unrealized gains and losses, and estimated fair value of cash, cash equivalents, and marketable securities consisted of the following (in thousands):

As of March 31, 2026	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash	$ 104,416	$ —	$ —	$ 104,416
Money market funds	142,402	—	—	142,402
Time deposits	5,745	—	—	5,745
Total cash and cash equivalents	252,563	—	—	252,563
Marketable securities:				
U.S. government securities	105,352	13	(109)	105,256
Total cash, cash equivalents, and marketable securities	$ 357,915	$ 13	$ (109)	$ 357,819

As of December 31, 2025	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash	$ 104,166	$ —	$ —	$ 104,166
Money market funds	123,314	—	—	123,314
Time deposits	4,005	—	—	4,005
Total cash and cash equivalents	231,485	—	—	231,485
Marketable securities:				
U.S. government securities	127,122	137	—	127,259
Total cash, cash equivalents, and marketable securities	$ 358,607	$ 137	$ —	$ 358,744

Cash equivalents and marketable securities in an unrealized loss position consisted of the following (in thousands):

	March 31, 2026		December 31, 2025	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses(1)
Marketable securities:				
U.S. government securities	$ 59,137	$ 109	$ 108	$ —
Total securities in an unrealized loss position	$ 59,137	$ 109	$ 108	$ —

(1) Gross unrealized losses as of December 31, 2025 were less than one thousand dollars and rounded to zero.

Realized gains and losses reclassified from accumulated other comprehensive loss to other expense, net were zero for the three months ended March 31, 2026 and 2025.

No securities had been in a continuous unrealized loss position for twelve months or longer as of March 31, 2026 or December 31, 2025. The Company does not intend to sell available-for-sale marketable debt securities in unrealized loss positions, and it is more likely than not that the Company will hold these securities until maturity or recovery of the cost basis. As of March 31, 2026 and December 31, 2025, the Company did not have an allowance for credit losses related to its available-for-sale debt securities due to a zero loss expectation for the portfolio which consists solely of U.S. government securities.

Contractual maturities of investments classified as marketable securities are as follows (in thousands):

	March 31, 2026
Due within one year	$ 86,611
Due in one to two years	18,645
Total	$ 105,256

Property and equipment, net— Property and equipment, net consisted of the following (in thousands):

	March 31, 2026	December 31, 2025
Leasehold improvements	$ 22,887	$ 22,828
Computers and equipment	9,782	9,530
Furniture and fixtures	6,036	6,013
Purchased software	383	383
Construction in progress	—	5
Total property and equipment	39,088	38,759
Less accumulated depreciation and amortization	(32,693)	(32,065)
Property and equipment, net	$ 6,395	$ 6,694

Depreciation expense was $0.8 million and $0.7 million for the three months ended March 31, 2026 and 2025, respectively.

Capitalized software, net— Capitalized software, net consisted of the following (in thousands):

	March 31, 2026	December 31, 2025
Internal use software	$ 128,070	$ 123,089
Content assets	253	253
Total capitalized software	128,323	123,342
Less accumulated amortization	(99,550)	(94,378)
Capitalized software, net	$ 28,773	$ 28,964

Amortization expense of capitalized software was $5.1 million and $5.3 million for the three months ended March 31, 2026 and 2025, respectively.

As of March 31, 2026, expected amortization expense for capitalized software over the remaining asset lives was as follows (in thousands):

Remainder of 2026	$ 12,565
2027	10,962
2028	4,968
2029	278
Total expected amortization	$ 28,773

Intangible assets, net and goodwill— As of March 31, 2026, intangible assets, net were as follows (in thousands):

	Estimated Useful Lives	Intangible Assets, Gross	Accumulated Amortization	Intangible Assets, Net
Customer relationships	6 years	$ 5,500	$ (4,219)	$ 1,281
Assembled workforce	2 years	1,500	(750)	750
Vendor relationships	3 years	4,500	(4,500)	—
Developed technology	3 years	4,200	(4,200)	—
Tradename	2 years	900	(900)	—
Total		$ 16,600	$ (14,569)	$ 2,031

As of December 31, 2025, intangible assets, net were as follows (in thousands):

	Estimated Useful Lives	Intangible Assets, Gross	Accumulated Amortization	Intangible Assets, Net
Customer relationships	6 years	$ 5,500	$ (3,989)	$ 1,511
Assembled workforce	2 years	1,500	(563)	937
Vendor relationships	3 years	4,500	(4,500)	—
Developed technology	3 years	4,200	(4,200)	—
Tradename	2 years	900	(900)	—
Total		$ 16,600	$ (14,152)	$ 2,448

Amortization expense of intangible assets was $0.4 million and $0.2 million for the three months ended March 31, 2026 and 2025, respectively.

The expected future amortization expense for intangible assets as of March 31, 2026 was as follows (in thousands):

Remainder of 2026	$ 1,250
2027	781
Total expected amortization	$ 2,031

Goodwill in the amount of $12.6 million was established as part of the acquisition of CUX, Inc. (d/b/a CorpU) on August 24, 2021, and allocated to the Enterprise segment. This amount represents the excess of the purchase price over the fair value of net assets acquired. There have been no adjustments to the carrying amount of goodwill as of March 31, 2026.

The Company tests for impairment at least annually, or whenever events or changes in circumstances occur that could impact the recoverability of these assets. No such triggering events were identified during the three month periods ended March 31, 2026 and 2025.

Accrued expenses and other current liabilities— Accrued expenses and other current liabilities consisted of the following (in thousands):

	March 31, 2026	December 31, 2025
Accrued expenses	$ 33,814	$ 17,314
Indirect tax reserves	6,219	4,279
Indirect tax payables	6,487	7,806
Other current liabilities	2,824	2,727
Accrued expenses and other current liabilities	$ 49,344	$ 32,126

6. Debt

In May 2025, the Company, as borrower, entered into a Credit Agreement with Citibank, as administrative agent, collateral agent and a lender, and certain other financial institutions, as lenders (the facility established thereby, the “Revolving Credit Facility”). The Revolving Credit Facility, which matures in May 2030, provides the Company with revolving commitments in an aggregate principal amount of $200.0 million, with a $10.0 million sublimit for the issuance of letters of credit and a $10.0 million sublimit for swingline borrowings. The Company, subject to the satisfaction of certain conditions, including obtaining commitments from new or existing lenders, may increase the commitments under the Revolving Credit Facility by an aggregate principal amount of up to the greater of $100.0 million or 100% of trailing twelve months adjusted EBITDA (calculated in accordance with the terms of the Revolving Credit Facility). The obligations of the Company under the Revolving Credit Facility are secured on a first priority basis by a lien on substantially all of the assets of the Company.

Borrowings under the Revolving Credit Facility bear interest through maturity and, at the Company’s election, at a variable rate based upon either (i) an adjusted term SOFR rate (based on one-, three- or six-month interest periods), plus an applicable margin (“SOFR Borrowings”) or (ii) an alternative base rate, plus an applicable margin (“ABR Borrowings”). The applicable margin for SOFR Borrowings is between 2.0% and 2.5%, and the applicable margin for ABR Borrowings is between 1.0% to 1.5%, in each case depending on the Company’s consolidated net leverage ratio calculated in accordance with the terms of the Revolving Credit Facility. The Revolving Credit Facility bears a commitment fee on the daily undrawn amount of revolving commitments ranging from 0.25% to 0.35% per annum payable quarterly in arrears, depending on the Company’s consolidated total net leverage ratio.

The Revolving Credit Facility contains customary affirmative and negative covenants, including negative covenants imposing limitations on, among others, incurring additional indebtedness, granting liens, making certain restricted payments (including stock repurchases or the payment of cash dividends), making investments and entering into certain transactions with affiliates. The Company is also subject to financial covenants to maintain a minimum consolidated interest coverage ratio of 3.0 to 1.0 and a maximum consolidated net leverage ratio of 3.5 to 1.0, in each case calculated in accordance with the terms of the Revolving Credit Facility. Noncompliance with these covenants, or the occurrence of certain other events specified in the Revolving Credit Facility, could result in an event of default under the Revolving Credit Facility. Upon the occurrence and during the continuance of an event of default, any outstanding principal, interest, and fees could become immediately due and payable. As of March 31, 2026, the Company was in compliance with all covenants under the Revolving Credit Facility.

As of March 31, 2026, the Company had no outstanding borrowings under the Revolving Credit Facility.

The Company incurred $1.4 million worth of debt issuance costs in connection with the Revolving Credit Facility. The Company recorded interest expense of $0.2 million during the three months ended March 31, 2026, of which $0.1 million was related to the amortization of capitalized debt issuance costs.

7. Leases

The Company applies the guidance under Topic 842 for leases of real estate facilities under non-cancelable operating leases with various expiration dates through fiscal year 2029.

The Company recognized the following amounts related to operating leases in its condensed consolidated statements of operations and cash flows (in thousands):

	Three Months Ended March 31,	
	2026	2025
Operating lease costs	$ 1,356	$ 1,098
Variable lease costs	261	299
Short-term lease costs	126	255
Cash paid for amounts included in the measurement of operating lease liabilities	1,462	1,225

Future minimum lease payments under noncancellable operating leases with initial lease terms in excess of one year as of March 31, 2026, were as follows (in thousands):

Remainder of 2026	$	3,697
2027		3,559
2028		2,298
2029		1,166
Gross lease payments		10,720
Less imputed interest		(999)
Present value of operating lease liabilities	$	9,721

8. Commitments and contingencies

Noncancellable purchase commitments— The Company has noncancellable contractual commitments with its cloud infrastructure provider, paid advertising and sponsorship vendors, and software subscriptions to support operations in the ordinary course of business. As of March 31, 2026, the Company had $22.2 million of future minimum payments under noncancellable purchase commitments with remaining terms in excess of one year, which are expected to be paid through 2028.

Indemnification— The Company enters into indemnification provisions under agreements with other parties in the ordinary course of business, including certain business partners, investors, contractors, and the Company's officers, directors, and certain employees. The Company has agreed to indemnify and defend the indemnified party's claims and related losses suffered or incurred by the indemnified party resulting from actual or threatened third-party claims because of the Company's activities or, in some cases, non-compliance with certain representations and warranties made by the Company. In general, the Company does not record any liability for these indemnities in the accompanying condensed consolidated balance sheets as the amounts cannot be reasonably estimated and are not considered probable. The Company does, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable. To date, losses recorded in the Company's condensed consolidated statements of operations in connection with the indemnification provisions have not been material.

Litigation— From time to time, in the ordinary course of business, the Company is subject to legal proceedings, claims, investigations, and other proceedings, including claims of alleged infringement of third-party patents and other intellectual property rights, and commercial, employment, and other matters. In accordance with generally accepted accounting principles, the Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least annually and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. The outcome of such litigation is not expected to have a material effect on the financial position, results of operation and cash flows of the Company. The Company has recorded an immaterial amount related to all outstanding litigation matters in the accrued expenses and other current liabilities caption of the accompanying condensed consolidated balance sheets as of March 31, 2026, and December 31, 2025.

9. Income taxes

The provision for income taxes for interim periods is determined using an estimate of the Company's annual effective tax rate, adjusted for discrete items, if any, that are taken into consideration in the relevant period. Each quarter, the Company updates the estimate of the annual effective tax rate, and if the estimated tax rate changes, the Company records a cumulative adjustment to the provision.

The Company had an effective tax rate of (19.44)% and (112.35)% for the three months ended March 31, 2026 and 2025, respectively. The difference between the 21% statutory federal tax rate and the effective tax rate was primarily a result of income earned in jurisdictions with higher statutory tax rates, foreign withholding taxes, and tax credits offset by change in valuation allowance.

As of March 31, 2026 and December 31, 2025, the Company has provided a valuation allowance against U.S. federal and state deferred tax assets. Management continues to evaluate the realizability of deferred tax assets and the related valuation allowance. If management's assessment of the deferred tax assets or the corresponding valuation allowance were to change, the Company would record the related adjustment to income during the period in which management makes the determination.

The Company recognizes interest and penalties associated with uncertain tax positions as part of the income tax provision. To date, the Company has not recognized any interest and penalties in its condensed consolidated statements of operations, nor has it accrued for or made payments for interest and penalties.

The Company is subject to taxation in the U.S. and various foreign jurisdictions. Due to NOL carryforwards and tax credit carryforwards, the statutes of limitations remain open for tax years from inception of the Company through 2025. There are currently no income tax audits underway by U.S. federal or state tax authorities. In October 2023, the Company's subsidiary, Udemy India LLP received a tax assessment from the India Income Tax Department, for the fiscal year ended March 31, 2022 and 2021. The assessment challenged the transfer pricing methodology used by Udemy India LLP. The Company believes the proposed adjustment is without merit and will vigorously defend its position; however, it could take a number of years to reach resolution of this matter.

10. Related party transactions

Through 2025, Naspers Ltd. ("Naspers"), through an investment entity controlled by Prosus N.V. ("Prosus"), beneficially owned more than 5% of the Company's outstanding capital stock. During the year ended December 31, 2024, a current member of the Company's board of directors was employed by Prosus as an operating partner and by OLX Group B.V., a Prosus operating subsidiary, as Chief Executive Officer; these affiliations ceased as of December 31, 2024. Naspers and certain entities directly and indirectly controlled by Naspers are customers of the Company's Enterprise subscription offering. Amounts presented below for Naspers and affiliates are related to contracts that were entered into when Naspers was still considered a related party of the Company.

Insight Partners ("Insight"), where a member of the Company's board of directors is a Managing Director, has certain affiliates who are customers of the Company's Enterprise subscription offering. Insight Partners is also affiliated with certain vendors that the Company has contracted to provide technology and software solutions.

Certain members of the Company's board of directors also served as executive officers for customers of the Company's Enterprise subscription offering.

The following tables summarize the Company's related party transactions (in millions):

	Three Months Ended March 31,	
	2026	2025
Revenue recognized from services provided to customers		
Naspers and affiliates	$ 0.4	$ 0.4
Insight and affiliates	0.1	0.1
Companies affiliated with Board members	—	—
Expense recognized from services provided by vendors		
Insight and affiliates	0.2	0.2

	March 31, 2026	December 31, 2025
Amounts in accounts receivable		
Naspers and affiliates	$ 0.2	$ —
Insight and affiliates	—	0.1
Companies affiliated with Board members	0.1	0.1
Amounts in accounts payable and accrued expenses and other current liabilities		
Insight and affiliates	0.3	—

11. Stockholders' equity

Preferred stock— Under its amended and restated certificate of incorporation, the Company is authorized to issue 50,000,000 shares of undesignated preferred stock with a par value of $0.00001 per share with rights and preferences, including voting rights, as designated from time to time by the Company's board of directors. As of March 31, 2026 and December 31, 2025, there were zero shares of preferred stock issued and outstanding.

Common stock— Common stockholders are entitled to one vote per share. Shares of common stock reserved for future issuance consisted of the following:

	March 31, 2026	December 31, 2025
2010 Equity Incentive Plan:		
Stock options outstanding	926,557	940,908
2021 Equity Incentive Plan:		
RSUs outstanding and PSUs[1]	21,747,985	15,485,131
Shares available for future issuance under:		
2021 Equity Incentive Plan	14,060,735	13,943,187
2021 Employee Stock Purchase Plan	5,670,306	4,219,800
Total shares of common stock reserved	42,405,583	34,589,026

(1) For those PSUs in their respective performance periods, the number of shares reserved for issuance is based on the maximum achievement of the corporate performance metrics.

Equity incentive plans— In 2010, the Company adopted the 2010 Equity Incentive Plan (the "2010 Plan"). The 2010 Plan provided for incentive stock options ("ISOs"), non-statutory stock options ("NSOs", collectively with ISOs, "stock options"), stock appreciation rights ("SARs"), restricted stock, and restricted stock units ("RSUs") to be granted to eligible employees, directors, and consultants. The 2010 Plan was terminated in October 2021 in connection with the IPO but continues to govern the terms and conditions of the outstanding awards granted pursuant to the 2010 Plan. No further equity awards will be granted under the 2010 Plan.

The Company adopted the 2021 Equity Incentive Plan (the "2021 Plan") in September 2021, which became effective on October 28, 2021 (collectively with the 2010 Plan, the "Equity Incentive Plans") and was approved by the Company's stockholders. The 2021 Plan provides for the granting of ISOs, NSOs, SARs, restricted stock, RSUs, and performance awards to eligible employees, directors, and consultants.

The Company initially reserved 13,800,000 shares for issuance under the 2021 Plan. The amount available for issuance is subject to an annual increase on the first day of each calendar year, beginning on January 1, 2023, in an amount equal to 5% of the outstanding shares of the Company's common stock on the last day of the immediately preceding calendar year or a lesser amount determined by the Company's board of directors or compensation committee. The amount available for issuance shall also include Returning Shares, which are any shares subject to awards granted under the 2010 Plan that, on or after October 29, 2021, expire or otherwise terminate without having been exercised in full, are tendered to or withheld by the Company for payment of an exercise price or for tax withholding obligations, or are forfeited to or repurchased by the Company due to failure to vest. Additionally, any difference in (i) the number of PSUs reserved for future issuance based on maximum achievement of the corporate performance metric and (ii) the number of PSUs issued based on actual attainment are returned to the 2021 Plan.

On January 1, 2026, the shares available for future grants under the 2021 Plan automatically increased by 7,252,532 pursuant to the above evergreen provision of the 2021 Plan.

Restricted stock units and performance-based restricted stock units— The fair value of RSUs and PSUs are determined using the fair value of the Company's common stock on the date of grant. The Company recognizes stock-based compensation expense for RSUs with service-based vesting conditions on a straight-line basis over the requisite service period for each award, which is typically between two to four years.

Each PSU conveys a right to receive one share of the Company's common stock on the date it vests, provided that the number of PSUs that will ultimately vest may vary based upon achievement of the corporate performance metrics at the end of the performance period. During the performance period, Management estimates the number of PSUs that are expected to vest based on the anticipated achievement. If the performance-based vesting condition is considered probable of being achieved, the Company recognizes expense over the requisite service period based on the probable outcome of achievement. If the performance goals are not met, or are considered improbable, no compensation cost is recognized, and any previously recognized compensation cost is reversed. Total stock-based compensation expense to be recognized may fluctuate during the performance period due to changes in forecasted achievement.

During the third quarter of 2025, the Company granted 553,125 PSUs at target to certain executives, with payout achievement ranging from 0% to 150% of target. One third of the eligible PSUs vest upon certification of the corporate performance metrics by the board of directors' compensation committee in the third quarter of 2026, and the remaining two thirds will vest equally over the following 6 quarters, subject to continual service by the grantee. Achievement has been considered probable since the grant date, and, as of March 31, 2026, the Company estimated a payout rate of 75% of target based on forecasted achievement.

During the first quarter of 2025, the Company granted 372,044 PSUs at target to certain executives, with payout achievement ranging from 0% to 150% of target. In February 2026, the Board of Directors' compensation committee certified actual achievement against target of 66%. As a result, 198,897 shares were awarded to the grantees, of which one third vested in the quarter of certification, while the remaining two thirds will vest equally over the following 8 quarters, subject to continual service by the grantee. The difference in number of shares granted at target and the shares certified by the Board based on actual achievement were canceled and returned to the pool of available for future issuance under the 2021 Plan.

A summary of RSU and PSU activity under the 2021 Plan is as follows:

	RSUs Outstanding	Weighted Average Grant Date Fair Value	PSUs Outstanding (1)	Weighted Average Grant Date Fair Value
Balance - December 31, 2025	14,159,159	$ 8.06	911,001	$ 7.55
Granted	8,735,886	5.01	—	—
Released	(1,374,581)	9.41	(78,937)	8.46
Canceled	(765,598)	8.16	(103,037)	8.24
Balance - March 31, 2026	20,754,866	$ 6.68	729,027	$ 7.35
Unvested - March 31, 2026	20,656,876	$ 6.68	729,027	$ 7.35
Awards vested, not yet released - March 31, 2026	97,990	$ 8.06	—	$ —

(1) Canceled PSU shares reflect the difference in the number of shares granted at target and the shares certified by the Board based on actual achievement.

As of March 31, 2026, total unrecognized stock-based compensation expense related to unvested RSUs was $126.8 million, which will be recognized over a weighted average period of 2.3 years.

As of March 31, 2026, total unrecognized stock-based compensation expense related to unvested PSUs was $2.2 million, which will be recognized over a weighted average period of 1.0 year.

Stock options— The Company may grant stock options at exercise prices not less than the fair market value at the date of grant. These options generally expire 10 years from the date of grant. The Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period for each award, which is generally even over four years.

The following is a summary of activity for stock options having only service-based vesting conditions under the Equity Incentive Plans:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In Thousands)
Balance - December 31, 2025	890,908	$ 5.84	3.61	$ 1,174
Granted	—	—		
Exercised	(3,750)	3.12		
Canceled	(10,601)	8.29		
Balance - March 31, 2026	876,557	$ 5.82	3.27	$ 644
Vested & exercisable as of March 31, 2026	876,557	$ 5.82	3.27	$ 644

As of March 31, 2026, there was no unrecognized stock-based compensation for stock options with service-based vesting conditions, as all such awards were fully vested.

Performance-based stock options— There have been no substantive changes to the 50,000 vested and exercisable performance-based stock options that were outstanding as of March 31, 2026, compared to the information described as of December 31, 2025, in Note 11—Stockholders' equity, included in Part II, Item 8 of the Company's Annual Report.

Employee stock purchase plan— The 2021 Employee Stock Purchase Plan (the "ESPP") became effective on October 29, 2021. The Company initially reserved 2,800,000 shares of the Company's common stock under the ESPP. Shares reserved for issuance shall increase on the first day of the fiscal year, beginning in fiscal 2023, in an amount equal to the least of 1% of the outstanding shares of common stock on the last day of the immediately preceding fiscal year, three times the initial number of shares reserved under the ESPP, or a lesser amount determined by the Company's board of directors or compensation committee. On January 1, 2026, the shares available for future grants under the ESPP automatically increased by 1,450,506 pursuant to the above evergreen provision of the 2021 ESPP.

As of March 31, 2026, total unrecognized compensation cost for the ESPP was $3.1 million, which will be recognized over a weighted average period of 1.6 years.

Total stock-based compensation expense included in the condensed consolidated statements of operations was as follows (in thousands):

	Three Months Ended March 31,	
	2026	2025
Cost of revenue	$ 1,661	$ 1,572
Sales and marketing	4,794	5,407
Research and development	4,864	4,708
General and administrative	5,049	6,280
Total stock-based compensation expense	$ 16,368	$ 17,967

The Company capitalized $0.9 million and $1.6 million of stock-based compensation expense as capitalized software during the three months ended March 31, 2026 and 2025, respectively.

12. Net loss per share

The following table presents the calculation of basic and diluted net loss per share (in thousands, except share and per share amounts):

	Three Months Ended March 31,	
	2026	2025
Numerator:		
Net loss	$ (12,614)	$ (1,771)
Denominator:		
Weighted-average shares used in computing net loss per share		
Basic and diluted	145,236,191	148,027,183
Net loss per share:		
Basic and diluted	$ (0.09)	$ (0.01)

The following potentially dilutive securities were excluded from the computation of diluted net loss per share because the impact of including them would have been anti-dilutive:

	Three Months Ended March 31,	
	2026	2025
RSUs, PSUs, and restricted stock	21,252,436	15,066,580
Stock options	926,557	1,178,205
Contingently issuable shares under ESPP	415,193	307,250
Total potentially dilutive securities	22,594,186	16,552,035

13. Segment and geographic information

The Company’s Chief Executive Officer is its CODM. The CODM reviews separate financial information for the Company’s two operating and reportable segments, Enterprise and Consumer, in order to allocate resources and evaluate the Company’s financial performance.

The Enterprise segment primarily generates revenue by selling subscription licenses to a variety of enterprise and government customers. The Consumer segment primarily generates revenue by selling access to course content directly to individual learners. The CODM assesses each segment's performance based on segment adjusted gross profit. The CODM uses segment adjusted gross profit during the annual budgeting process and considers budget to actual variances on a monthly basis when making decisions about the allocation of resources to each segment.

Segment adjusted gross profit, as presented below, is defined as segment revenue less segment adjusted cost of revenue. Segment adjusted cost of revenue includes content costs, customer support services, hosting and platform costs, and payment processing fees that are allocable to each segment. Segment adjusted gross profit excludes amortization of capitalized software, depreciation, stock-based compensation, and amortization of intangible assets included in cost of revenue, as the CODM does not include the information in his measurement of the performance of the operating segments. Additionally, the Company does not allocate sales and marketing expenses, research and development expenses, and general and administrative expenses because the CODM does not include the information in his measurement of the performance of the operating segments. The Udemy platform supports the operations of each segment.

The CODM does not use asset information by segments to assess performance and make decisions regarding allocation of resources, and the Company does not track its long-lived assets by segment. The geographic identification of these assets is set forth below.

Financial information for each reportable segment was as follows (in thousands):

	Three Months Ended March 31, 2026		
	Enterprise	**Consumer**	**Total**
Revenue	$ 132,889	$ 58,518	$ 191,407
Content costs	(18,004)	(16,603)	(34,607)
Customer support	(11,501)	(1,828)	(13,329)
Other segment items [(1)]	(1,927)	(5,320)	(7,247)
Segment adjusted gross profit	$ 101,457	$ 34,767	$ 136,224

	Three Months Ended March 31, 2025		
	Enterprise	**Consumer**	**Total**
Revenue	$ 127,748	$ 72,552	$ 200,300
Content costs	(20,371)	(24,806)	(45,177)
Customer support	(9,885)	(1,676)	(11,561)
Other segment items [(1)]	(1,508)	(5,669)	(7,177)
Segment adjusted gross profit	$ 95,984	$ 40,401	$ 136,385

(1) Other segment items for each segment across all periods presented consisted of payment and mobile processing fees and costs associated with hosting digital content.

The following table provides a reconciliation from segment adjusted gross profit to net income (loss) before taxes (in thousands):

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Segment adjusted gross profit	$ 136,224	$ 136,385
Other costs of revenue [(1)]	(6,957)	(6,942)
Sales and marketing	(89,606)	(82,500)
Research and development	(26,793)	(24,958)
General and administrative	(25,394)	(25,008)
Restructuring charges	—	(1,469)
Total other income, net	1,965	3,658
Net loss before taxes	$ (10,561)	$ (834)

(1) Consists of amortization of capitalized software, depreciation, stock-based compensation, and amortization of intangible assets that are included in cost of revenue but excluded from segment adjusted gross profit.

Geographic information

Revenue: The following table summarizes the revenue by region based on the billing address of the Company's customers (in thousands):

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
North America	$ 74,870	$ 78,478
Europe, Middle East, Africa	55,654	60,261
Asia Pacific	48,421	47,894
Latin America	12,462	13,667
Total revenue	$ 191,407	$ 200,300

The following table presents the percentage of revenue recognized in countries that individually accounted for at least 10% of total revenue for the periods presented:

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
United States	36 %	36 %
Japan	14 %	12 %

Long-lived assets: The following table presents the Company's long-lived assets, which consist of tangible property and equipment, net of depreciation, and operating lease ROU assets, by geographic region (in thousands):

	March 31, 2026	December 31, 2025
United States	$ 9,928	$ 9,758
Rest of world	5,164	5,976
Total long-lived assets	$ 15,092	$ 15,734

14. Restructuring charges

2024 Restructuring— On September 11, 2024, the Company committed to a restructuring plan aimed at driving greater operational efficiencies through the reduction of organizational layers, optimization of the Company's go-to-market organization, and relocating certain roles to lower cost locations (collectively, the "2024 Restructuring"). The 2024 Restructuring impacted approximately 280 of the Company's global workforce, primarily those located in higher-cost regions, such as the United States, as well as those within the Company's sales and marketing and research and development functions. Of those impacted, approximately 57% had no future substantive service requirement as of the communication date, while the remaining population provided services as employees during retention periods to assist with transition and training that were substantially completed by March 31, 2025.

As a result, the Company recognized total restructuring charges of $18.3 million from the third quarter of 2024 through the second quarter of 2025. The majority of the charges recognized were personnel-related costs, consisting of one-time severance payments, salary and wages earned over required retention periods, and other benefits. Restructuring charges are presented as separate operating expenses within the Company's condensed consolidated statements of operations.

During the three months ended March 31, 2025, the Company recognized $1.5 million in restructuring charges and made $5.3 million in cash payments and other settlements. The 2024 Restructuring was completed during the third quarter of 2025. Therefore, there were no restructuring liabilities recorded in accrued compensation and benefits in the accompanying condensed consolidated balance sheets as of March 31, 2026 and December 31, 2025.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q. In addition to historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. You should review the sections titled "Special Note Regarding Forward-Looking Statements" for a discussion of forward-looking statements and in Part II, Item 1A, "Risk Factors" for a discussion of factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis and elsewhere in this Form 10-Q.

Overview

Our mission is to transform lives through learning.

We believe traditional skills development and validation methods are fast becoming outdated. Technological advancements, such as generative artificial intelligence ("AI"), have significantly altered the types of skills required of workers across nearly every industry and role, and lifelong training and continuous skills acquisition are becoming the norm. Udemy's AI-powered skills acceleration platform empowers organizations and individuals with effective skill acquisition and development through various modalities, connecting learners around the world with relevant and up-to-date content created by experts and practitioners.

Udemy's consumer marketplace has attracted over 85 million learners in over 180 countries who are looking to develop the skills they need to attain in-demand jobs and advance their career. Our expansive ecosystem comprises over 90,000 instructors who have developed and published over 300,000 courses across 75 languages, spanning critical skill domains including technology, business, leadership, and personal development. Based on ratings and reviews from enrolled learners on our marketplace, we curate our highest-quality content for Udemy's enterprise software-as-a-service (SaaS) platform, Udemy Business ("UB"), which enables companies around the world to offer effective on-demand skills development solutions for employees, immersive laboratory-style learning for technology teams, and cohort-based learning focused on leadership development.

Our dual-revenue model offers consumers flexible purchasing options: either subscription-based plans providing unlimited access to a curated selection of premium content for monthly or annual periods, or perpetual single-course purchases granting lifetime access to specific content. These offerings allow us to capitalize on both recurring revenue opportunities and individual transaction value, while simultaneously addressing varying consumer preferences for skill development across global markets and enhancing our ability to monetize effectively.

Advancements in AI are fundamentally transforming our learning platform capabilities beyond traditional linear video instruction, enabling Udemy to deliver more personalized, efficient, and measurable skill development experiences. Our AI investments power sophisticated skills assessment technology that evaluates a learner's existing competencies and automatically generates customized learning paths tailored to individual development needs. This has expanded our product offering to include high-engagement modalities, such as interactive simulations, AI-powered role-play exercises, microlearning content, and continuous knowledge reinforcement tools that verify skill mastery and retention. These capabilities represent substantial differentiation in the learning marketplace, can accelerate time-to-proficiency for learners, and help strengthen our value proposition for both enterprise customers and individual learners.

Recent developments

Proposed merger with Coursera

On December 17, 2025, we entered into an Agreement and Plan of Merger (as it may be amended, modified, supplemented or waived from time to time, the "Merger Agreement") with Coursera, under which Coursera will combine with Udemy in an all-stock transaction. Under the terms of the Merger Agreement, Udemy stockholders will receive 0.800 shares of Coursera Common Stock for each share of our common stock. Upon the closing of the Merger, existing Coursera stockholders are expected to own approximately 59% and existing Udemy stockholders are expected to own approximately 41% of the combined company, on a fully diluted basis.

The completion of the Merger is subject to the satisfaction of certain customary conditions set forth in the Merger Agreement, including, but not limited to: (i) adoption of the Merger Agreement by Udemy's stockholders (on April 9, 2026, Udemy's stockholders approved the adoption of the Merger Agreement), (ii) approval of the issuance of the shares of Coursera Common Stock and an amendment of Coursera's amended and restated certificate of incorporation to increase the number of authorized shares of Coursera Common Stock thereunder by Coursera's stockholders (on April 9, 2026, Coursera's stockholders approved such issuance and such amendment); (iii) authorization for listing of the shares of Coursera Common Stock to be issued in the Merger on NYSE, subject to official notice of issuance; (iv) the expiration or termination of any waiting period applicable to the Merger under the HSR Act (on February 9, 2026, the Federal Trade Commission granted early termination of the waiting period under the HSR Act), and the receipt of certain other required regulatory approvals; and (v) effectiveness of the registration statement on Form S-4 for the Coursera Common Stock to be issued in the Merger (on March 10, 2026, such Form S-4 became effective). In addition, Udemy's obligation to complete the Merger is also subject to the receipt by Udemy of an opinion from its counsel to the effect that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

The Merger Agreement includes certain customary termination rights for Udemy and Coursera. Upon termination of the Merger Agreement in certain circumstances, Udemy or Coursera may be required to pay the other party a termination fee of $40.5 million.

The Merger is expected to close by the second half of 2026, subject to the satisfaction of the closing conditions.

The foregoing description of the Merger Agreement and the Merger does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, filed as Exhibit 2.1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2025, which was filed with the SEC on February 19, 2026.

During the three months ended March 31, 2026, we recognized $2.3 million worth of acquisition-related expenses associated with the proposed merger in general and administrative expense in the accompanying condensed consolidated statements of operations. Aside from these amounts, the Merger did not impact our condensed consolidated financial statements.

Key factors impacting our performance

We believe that the growth of our business and our future success are dependent upon many factors. While each of these factors presents significant opportunities for us, these factors also pose challenges that we must successfully address in order to sustain the growth of our business and enhance our results of operations.

Ability to attract and engage new learners and Udemy Business customers

To grow our business, we must attract new learners and UB customers efficiently and increase engagement on our platform over time. We acquire a substantial portion of our learners via organic channels and also use paid marketing to further enhance the growth of our learner base. Our organic channels include those outside of our paid marketing efforts, such as a Udemy brand name internet search. Once we bring new learners and UB customers onto our platform, we work to create a best-in-class experience to encourage engagement to deliver measurable career and business outcomes.

Ability to retain and expand our existing learner and customer relationships

Our business and results of operations will depend on our ability to drive greater retention and expansion within our existing customer base and expand adoption of our subscription offerings within our existing learner base.

Our efforts to grow our UB offering are focused primarily on corporate and government customers. Historically, we have expanded from individual department to multi-department to enterprise-wide sales as our value is proven. Building upon this success, we believe a significant opportunity exists for us to acquire new UB customers and expand our existing UB customers' license count by identifying new use cases and increasing the size of existing deployments. In particular, we believe that our UB Large Customers, which we define as companies with at least 1,000 employees, present the most significant opportunities for us to retain and grow revenue over time, given the wider range of potential use cases and expansion opportunities.

We often enter into customized contractual arrangements with our UB customers in which we offer more favorable pricing terms in exchange for larger total contract values that accompany larger deployments and longer terms. Over the long term, as we drive a greater portion of our revenue through our deployments with UB customers, we expect that our revenue will continue to grow, but the price we charge UB customers per seat may decline, which could reduce margins in the future.

Our efforts to grow our existing relationships with our consumer learners are focused on increasing their engagement and converting free learners first into purchasers of individual courses, and then into monthly or annual subscribers. New learners to our platform may first engage with our free courses, which serve as a funnel to grow our total learner base and drive purchases of our paid offerings, including UB referrals and consumer subscription offerings.

During the three months ended March 31, 2026 and 2025, subscription offerings across both our Consumer and Enterprise segments accounted for 77% and 68%, respectively, of our consolidated revenue. We expect growth in our subscription offerings to improve the predictability of our revenue period-to-period; however, the impact of new or renewed subscriptions, or a decline in subscriptions, during any one period may not be fully or immediately reflected in our revenue for that period. Moreover, growth in our Consumer subscription offerings may negatively impact our transactional and other revenue as learners shift their spending from individual course purchases to subscription fees. Impacts to our transactional and other revenue during any one period may not be fully offset by subscription growth during the same period.

Ability to source in-demand content from our instructors

We believe that learners and UB customers are attracted to Udemy largely because of the high quality and wide selection of content our instructors offer. Continuing to source in-demand content across various modalities from our instructors will be an important factor in attracting learners and UB customers and growing our revenue over time. When we offer content as part of the UB and consumer subscription offerings, our instructors agree to distribute such content exclusively through our platform, which we believe demonstrates our ability to increase the value of our platform through unique content.

We view the breadth and diverse expertise of our instructors as one of our competitive advantages. Our ability to create attractive content creation incentive opportunities while optimizing the revenue share structure is a key element of supporting the long-term growth of our business. Furthermore, a significant portion of the most popular content on our platform, and as a result a significant portion of our revenue, is attributable to a limited number of our instructors. We experienced minimal turnover among top instructors during the three months ended March 31, 2026.

Impact of mix of Enterprise and Consumer segments

Our mix of revenue continues to shift toward our higher-margin Enterprise segment from our Consumer segment. Our Enterprise segment’s higher gross margins are primarily driven by comparably lower content costs, though partially offset by higher customer support costs. The mix of customer acquisition methods in our Consumer segment will substantially impact our financial performance. We presently expect that revenue from our Enterprise segment will continue to grow faster than our Consumer segment, which will be beneficial to our overall margins.

Ability to expand our international footprint

We currently generate a majority of our revenue outside North America. We see a significant opportunity to expand our offerings into regions with large underserved adult and corporate learning populations. We have invested, and plan to continue to invest, in personnel and marketing efforts to support our international growth and expand our international operations as part of our strategy to grow our customer and learner base, particularly among our UB customers. We also plan to continue investing in strategic partnerships that either extend our marketing reach or the capabilities and reach of our global go-to-market sales team. Our success in certain markets, such as Japan, depends on strategic partnerships with key resellers.

Our investment in growth

We are actively investing in our business as we believe that we are only just beginning to penetrate our market opportunity. We are prioritizing resources for high-growth opportunities through expanding and deepening our opportunities with larger enterprise customers, further penetrating our existing customer base, and pursuing strategic partnerships and acquisitions. As we continue to build our sales and marketing efforts, expand our content collection, develop our immersive learning capabilities, execute on our operational efficiency initiatives, and invest in our technology development, including investments in generative AI, we anticipate our operating expenses will generally decrease as a percentage of revenue over time. Any investments we make to facilitate our future growth, whether organically or through acquisitions or strategic partnerships, will occur in advance of the benefits from such investments.

Pace of adoption of cloud-based skill development solutions

Our ability to grow our learner base and drive market adoption of our platform is affected by the overall demand for cloud-based skill development solutions. The market for cloud-based skill development is less mature than the market for in-person, instructor-led-training, and potential customers may be slow or unwilling to migrate from these legacy approaches. We believe that as technology becomes increasingly critical to business operations, the need for cloud-based skill development solutions, particularly an integrated enterprise-grade platform such as ours, will increase, and our customer base and the breadth and deployment of usage in our customer base will also increase. However, it is difficult to predict customer adoption rates and demand, the future growth rate and size of the market for cloud-based skill development solutions, or the entry of competitive solutions.

Components of results of operations

Revenue

We recognize revenue from contracts with UB customers and paid consumer learners by delivering access to our skill development platform.

Enterprise revenue primarily relates to enterprise license subscription contracts with annual or multi-year subscription terms. Enterprise license subscriptions include Team Plan, Enterprise Plan, Udemy Business Pro, and Leadership Academy. Enterprise subscriptions are typically billed in advance on a quarterly or annual basis. Subscription revenue excludes any taxes to be remitted to governmental authorities. Access to the Udemy platform represents a series of distinct services as we continually provide access to skill development content and fulfill our obligation to the UB customer over the subscription term. Because the series of distinct services represents a single performance obligation that is satisfied over time, we recognize revenue ratably over the contractual subscription term. Enterprise revenue recognized from professional services, in which Udemy provides customers with effective support and strategic guidance to enable learners and align with business goals, was immaterial for the periods presented.

Consumer revenue consists of individual content purchases made by individual learners, as well as our consumer subscription offerings. Consumer revenue includes the gross transaction value paid by the learner at checkout, net of (a) actual and estimated refunds and (b) passthrough taxes collected from learners and remitted to governmental authorities. After a successful checkout, consumer learners receive a non-exclusive license to the digital course content in addition to stand-ready access to the Udemy platform hosting services needed to access the content. Access to the online content on the Udemy platform represents a series of distinct services as we continually provide access to and fulfill our hosting obligation to the learner. This series of distinct services represents a single performance obligation that is satisfied over time. Revenue from single course purchases is recognized ratably over the estimated service period, which is four months from the date of enrollment, while revenue from consumer subscriptions is recognized ratably over the contractual subscription term.

We are the principal with respect to revenue generated from sales to UB and consumer customers as we control the performance obligation and are the primary obligor with respect to delivering our customers access to the course content.

Cost of revenue

Cost of revenue primarily consists of content costs, which are the payments to our instructors. Content costs are driven by the means by which we acquired the learner consuming the content. For courses offered on Udemy's consumer marketplace, instructors earn a specific percentage of the net sale amount when a learner purchases the instructor's course. For courses offered through Udemy Business or a consumer subscription offering, instructors earn a pro-rata share of a monthly instructor payments pool for that subscription offering. Each month, Udemy calculates the revenue for each subscription offering, with a fixed percentage allocated as an instructor payments pool. Instructors whose content is included in the collection earn a prorated portion of this pool based on the number of minutes of consumption their courses achieved that month.

Content costs are recorded as cost of revenue in the period earned by our instructors. Content costs as a percentage of revenue for our UB and consumer subscription offerings are lower relative to individual course content purchases in our consumer offering. As a result, shifts in the mix between offerings and changes to the revenue share structure for UB and consumer subscriptions are expected to be a significant driver of future changes in gross margin. We have completed our planned reductions in the instructor revenue share for our subscription offerings, which are derived as a percentage of total UB and consumer subscription revenue, to 15% by 2026. The first rate adjustment to 20% was effective on January 1, 2024, the second rate adjustment to 17.5% was effective on January 1, 2025, and the final rate adjustment to 15% was effective on January 1, 2026.

For consumer single course purchases, content costs are incurred at the time of purchase. As consumer single course purchases revenue is recognized ratably over an estimated service period of four months, consumer gross margins are lower in the period of purchase, and higher in the remaining periods of the estimated service period over which revenue is recognized. For our UB and consumer subscription offerings, content costs are incurred based on monthly subscription fees, and margins are more stable from period to period.

Cost of revenue also includes payment and mobile processing fees, costs associated with hosting digital content, employee related expenses for our customer support organization, including salaries, benefits, stock-based compensation, facilities and other expenses, depreciation of network equipment, amortization of capitalized software, amortization of vendor relationship and developed technology intangible assets acquired through business combinations, and the portion of fees paid to certain reseller partners attributable to their providing customer support services to UB customers. We expect cost of revenue as a percentage of revenue to generally decrease, as we increase the percentage of revenue derived from our subscription offerings and completed our planned decreases in the instructor revenue share percentage.

Operating expenses

Operating expenses consist of sales and marketing, research and development, general and administrative expenses, and restructuring charges. Personnel costs are the most significant component of our operating expenses and consist of salaries, benefits, bonuses, stock-based compensation, and commissions. Our operating expenses also include allocated costs of facilities, information technology, depreciation, and amortization. We are focused on investing in initiatives which will drive operational efficiency while focusing resources on high-growth opportunities, and as a result we anticipate our operating expenses will generally decrease as a percentage of revenue over time.

Sales and marketing

Our sales and marketing expenses consist primarily of personnel-related costs, including stock-based compensation, marketing costs, sponsorship and brand costs, costs related to customer and instructor acquisition, amortization of deferred contract costs, and amortization of trade name and customer relationship intangible assets acquired through business combinations. Sales and marketing expenses also consist of costs incurred for hosting and customer support services related to providing our platform to free learners. While sales and marketing expenses as a percentage of revenue may vary from period to period, in part due to the extent and timing of sales and marketing initiatives, we generally expect this percentage to decrease over the long term given our focus on sales efficiency and our expansion strategy.

Research and development

Our research and development expenses consist primarily of personnel-related costs, including stock-based compensation, costs related to the ongoing management, maintenance, and expansion of features and services offered on our platform, and amortization of assembled workforce intangible assets acquired through asset acquisitions. Research and development costs also include contracted services, supplies, and other miscellaneous expenses. We believe that continued investment in our platform is important to our future growth and to maintain and attract learners and UB customers to our platform. While research and development expenses as a percentage of revenue may vary from period to period, in part due to the timing of investments in our platform, we generally expect this percentage to decrease over the long term given our focus on operational efficiency and high-growth opportunities.

General and administrative

Our general and administrative expenses consist primarily of personnel-related costs, including stock-based compensation, costs related to our executive, legal, finance, and human resources departments, as well as charges for indirect tax reserves, allowance for credit losses, professional fees, acquisition related costs, and other corporate expenses. We expect general and administrative expenses as a percentage of revenue to vary from period to period but generally decrease over the long term as we benefit from greater operational scale and efficiency.

Restructuring charges

Our restructuring charges consist primarily of personnel expenses, such as employee severance, benefits costs, and stock-based compensation, as well as other direct and incremental costs incurred as a result of non-recurring restructuring activities that we committed to during the third quarter of 2024.

Interest income

Interest income consists primarily of interest income earned on our cash equivalents and short-term investments, including amortization of premiums and accretion of discounts related to our available-for-sale marketable securities, net of associated fees.

Interest expense

Interest expense consists primarily of interest expense related to our revolving credit facility and certain indirect tax reserves.

Other income (expense), net

Other expense, net consists of foreign currency transaction gains and losses, as well as changes in the valuation of strategic investments, if any.

Income tax provision

Our income tax provision consists primarily of income taxes in certain foreign jurisdictions in which we conduct business. We have a full valuation allowance against our U.S. federal and state deferred tax assets as the realization of the full amount of these deferred tax assets is uncertain, including net operating loss carryforwards and tax credits related primarily to research and development. The valuation allowance is driven by our historical overall loss position, and we will not be able to utilize any of these favorable tax attributes until we are consistently in a taxable income position. When we begin to consistently operate in a taxable income position, we may release portions of the valuation allowance to recognize and use those tax attributes. Until then, we expect to maintain this full valuation allowance until it becomes more likely than not that the deferred tax assets will be realized.

Results of operations

The following table summarizes our results of operations for the periods presented. The results below are not necessarily indicative of results to be expected for future periods. Results are as follows (in thousands):

	Three Months Ended March 31,	
	2026	2025
Revenue	$ 191,407	$ 200,300
Cost of revenue (1)(2)	62,140	70,857
Gross profit	129,267	129,443
Operating expenses (1)(2)		
Sales and marketing	89,606	82,500
Research and development	26,793	24,958
General and administrative	25,394	25,008
Restructuring charges	—	1,469
Total operating expenses	141,793	133,935
Loss from operations	(12,526)	(4,492)
Other income, net		
Interest income	2,827	3,575
Interest expense	(240)	(15)
Other income (expense), net	(622)	98
Total other income, net	1,965	3,658
Net loss before taxes	(10,561)	(834)
Income tax provision	2,053	937
Net loss	$ (12,614)	$ (1,771)

(1) Includes stock-based compensation expense as follows (in thousands):

	Three Months Ended March 31,	
	2026	2025
Cost of revenue	$ 1,661	$ 1,572
Sales and marketing	4,794	5,407
Research and development	4,864	4,708
General and administrative	5,049	6,280
Total stock-based compensation expense	$ 16,368	$ 17,967

(2) Includes amortization of intangible assets as follows (in thousands):

	Three Months Ended March 31,	
	2026	2025
Sales and marketing	188	230
Research and development	229	—
Total amortization of intangible assets	$ 417	$ 230

The following table summarizes our results of operations as a percentage of revenue for each of the periods indicated:

	Three Months Ended March 31,	
	2026	2025
Revenue	100 %	100 %
Cost of revenue	32	35
Gross profit	68	65
Operating expenses		
Sales and marketing	47	41
Research and development	14	12
General and administrative	14	13
Restructuring charges	—	1
Total operating expenses	75	67
Loss from operations	(7)	(2)
Other income, net		
Interest income	1	2
Interest expense	—	—
Other income (expense), net	—	—
Total other income, net	1	2
Net loss before taxes	(6)	—
Income tax provision	1	1
Net loss	(7)%	(1)%

Comparison of the three months ended March 31, 2026 and 2025

Revenue

	Three Months Ended March 31,		Change	
	2026	2025	$	%
Revenue	(in thousands, except percentages)			
Enterprise	$ 132,889	$ 127,748	$ 5,141	4 %
Consumer	58,518	72,552	(14,034)	(19)%
Total revenue	$ 191,407	$ 200,300	$ (8,893)	(4)%

Revenue for the three months ended March 31, 2026, was $191.4 million, compared to $200.3 million for the same period in the prior year, which represents a decrease of $8.9 million, or 4%. The decrease in revenue for the three months ended March 31, 2026, was primarily driven by a decrease in revenue from our Consumer segment while being partially offset by an increase in revenue from our Enterprise segment.

For the three months ended March 31, 2026, Enterprise segment revenue was $132.9 million, or 69% of total revenue, compared to $127.7 million, or 64% of total revenue, for the same period in the prior year. The $5.1 million, or 4%, increase in Enterprise segment revenue was primarily driven by increases in UB subscription revenues of $5.1 million.

The increase in UB subscription revenue was due to increases in average deal sizes for new customers, and was partially offset by lower net retention rates. Although churn outpaced expansion, as reflected by our UB NDRR of 93% as of March 31, 2026, net retention among our UB Large Customers was higher, as reflected by our UB Large Customer NDRR of 97% as of March 31, 2026.

For the three months ended March 31, 2026, Consumer segment revenue was $58.5 million, or 31% of total revenue, compared to $72.6 million or 36% of total revenue, for the same period in the prior year. The $14.0 million, or 19%, decrease in Consumer segment revenue was primarily due to a $19.2 million decrease in revenue recognized from transactional and other purchases, offset by an increase in consumer subscription revenue of $5.1 million.

The decrease in transactional and other revenue is primarily attributable to a decrease in monthly average buyers purchasing single courses as well as a decrease in the amount of revenue recognized in the current period that was deferred from course purchases in the prior period. The increase in Consumer subscription revenue is primarily attributable to our growth in paid Consumer subscribers.

Cost of revenue, gross profit and gross margin

	Three Months Ended March 31,		Change	
	2026	2025	$	%
	(in thousands, except percentages)			
Cost of revenue	62,140	70,857	$ (8,717)	(12)%
Gross profit	129,267	129,443	$ (176)	— %
Gross margin	68 %	65 %		

Cost of revenue for the three months ended March 31, 2026, was $62.1 million, compared to $70.9 million for the same period in the prior year. The decrease of $8.7 million, or 12%, across the comparative periods was driven by a $10.6 million decrease in content costs, which were partially offset by a $1.8 million increase in customer support costs.

Content costs for the Enterprise and Consumer segments were $18.0 million and $16.6 million for the three months ended March 31, 2026, respectively, compared to $20.4 million and $24.8 million for the same period in the prior year, respectively. Segment content costs as a percentage of segment revenue for the Enterprise and Consumer segments were 14% and 28% for the three months ended March 31, 2026, respectively, compared to 16% and 34% for the same period in the prior year, respectively. The reduction in content costs as a percentage of revenue was primarily driven by the reduction in instructor revenue share from 17.5% to 15% for all subscription offerings, which became effective on January 1, 2026, as well as the continued mix shift from single course purchases to subscription purchases in our Consumer segment.

In our Enterprise segment, customer support costs increased $1.6 million compared to the same period in the prior year. Other segment items were generally consistent with those costs incurred for the same period in the prior year.

In our Consumer segment, customer support costs and other segment items were generally consistent with those costs incurred the same period in the prior year.

Gross margin was 68% for the three months ended March 31, 2026, compared to 65% for the same period in the prior year. The increase in gross margin was primarily due to the reduction in instructor revenue share for all subscription offerings and the continued shift in mix of revenue toward our Enterprise segment and subscription offerings.

	Three Months Ended March 31,		Change	
	2026	2025	$	%
Operating expenses	(in thousands, except percentages)			
Sales and marketing	$ 89,606	$ 82,500	$ 7,106	9 %
Research and development	26,793	24,958	1,835	7 %
General and administrative	25,394	25,008	386	2 %
Restructuring charges	—	1,469	(1,469)	n/m
Total operating expenses	$ 141,793	$ 133,935	$ 7,858	6 %

n/m - not meaningful

Sales and marketing. Sales and marketing expenses for the three months ended March 31, 2026, were $89.6 million, compared to $82.5 million for the same period in the prior year. The $7.1 million increase was primarily due to a $3.1 million increase in personnel-related expenses, a $2.2 million increase in direct marketing costs, and a $1.8 million increase in amortization of deferred contract costs.

Research and development. Research and development expenses for the three months ended March 31, 2026, were $26.8 million, compared to $25.0 million for the same period in the prior year. The $1.8 million increase was primarily due to a $1.2 million increase in software subscriptions and allocated costs.

General and administrative. General and administrative expenses for the three months ended March 31, 2026, were $25.4 million, compared to $25.0 million for the same period in the prior year. The $0.4 million increase was primarily due to $2.3 million of acquisition related costs and a $1.6 million increase in indirect tax reserves, which were partially offset by a $1.6 million decrease in charges to the credit losses reserve and a $1.2 million decrease in stock-based compensation expense.

Restructuring charges. As a result of the strategic restructuring activities announced in September 2024, we recognized $1.5 million in restructuring charges during the three months ended March 31, 2025, consisting of one-time severance payments, salary and wages earned over required retention periods, and other benefits.

Total other income, net

	Three Months Ended March 31,		Change	
	2026	2025	$	%
Other income, net	(in thousands, except percentages)			
Interest income	$ 2,827	$ 3,575	$ (748)	(21)%
Interest expense	(240)	(15)	(225)	n/m
Other income (expense), net	(622)	98	(720)	n/m
Total other income, net	$ 1,965	$ 3,658	$ (1,693)	(46)%
n/m - not meaningful				

We recorded total other income, net of $2.0 million for the three months ended March 31, 2026, compared to total other income, net of $3.7 million for the same period in the prior year, representing a $1.7 million decrease. The decrease was primarily attributable to changes in foreign currency rates, comparatively lower interest and accretion income earned on our cash, cash equivalents, and marketable securities portfolio, and an increase in interest expense related to the revolving credit facility that we entered into during the second fiscal quarter of 2025. These were partially offset by an unrealized gain on strategic investments during the three months ended March 31, 2026.

Income tax provision

	Three Months Ended March 31,		Change	
	2026	2025	$	%
	(in thousands, except percentages)			
Income tax provision	$ 2,053	$ 937	$ 1,116	119 %

For the three months ended March 31, 2026, we recognized income tax expense of $2.1 million compared to $0.9 million for the same period in the prior year. Income tax expense for the three months ended March 31, 2026 and 2025, was primarily comprised of foreign and state taxes.

Certain key business metrics and non-GAAP financial metrics

In addition to the measures presented in our condensed consolidated financial statements, we use the key business metrics and non-GAAP financial metrics identified below to help us assess the health of our community, evaluate our business, identify trends affecting our business, formulate business plans, and make strategic decisions.

Udemy Business customers

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 the existence of a domestic ultimate parent. This often occurs where the domestic ultimate parent is a financial owner, government entity, conglomerate, 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. We believe that the number of UB customers and our ability to increase this number is an important indicator of the growth of our UB and future revenue trends. The decrease in UB customers is primarily attributable to our strategy of focusing resources on the UB Large Customer cohort, which provide the most opportunities for us to grow revenue over time.

	March 31,		
	2026	2025	%
Udemy Business customers	16,822	17,216	(2)%

Udemy Business Annual Recurring Revenue

We disclose our UB Annual Recurring Revenue (“ARR”) as a measure of our Enterprise segment 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. The increase in UB ARR was primarily driven by an increase in the average deal size for new customers, and was partially offset by churn outpacing expansion across all existing customers. Our upmarket focus has resulted in increased customer count and comparatively better net retention within our UB Large Customer cohort.

	March 31,		
	2026	2025	%
	(in thousands, except percentages)		
Udemy Business annual recurring revenue	$ 539,706	$ 518,965	4%

Udemy Business Net Dollar Retention Rate and Udemy Business Large Customer Net Dollar Retention Rate

We disclose UB Net Dollar Retention Rate, or UB NDRR, as a measure of revenue growth for all UB customers within our Enterprise segment, including UB Large Customers, which we define as companies with at least 1,000 employees. We believe UB NDRR is an important metric that provides insight into the long-term value of our UB subscription agreements and our ability to retain and grow revenue from our UB customers. We believe UB Large Customer NDRR reflects our ability to retain and expand our footprint with larger organizations, who present greater opportunities for us to retain and grow revenue given the wider range of potential use cases and expansion opportunities.

We calculate UB NDRR as the total ARR at the end of a trailing twelve-month period divided by the total ARR at the beginning of a trailing twelve-month period for the cohort of all UB customers active at the beginning of the trailing twelve-month period. We calculate UB Large Customer NDRR as the total UB Large Customer ARR at the end of a trailing twelve-month period divided by the total Large Customer ARR at the beginning of a trailing twelve-month period for the cohort of UB customers with at least 1,000 employees active at the beginning of the trailing twelve-month period. Total ARR and Large Customer ARR at the end of a trailing twelve-month period are calculated as ARR and Large Customer ARR, respectively, at the beginning of a trailing twelve-month period that are then adjusted for upsells, downsells, and churns for the same cohort of customers during that period. Large Customer ARR represents the annualized value of contracts for UB customers with active seats and having at least 1,000 employees on the last day of a given period.

Our UB NDRR and UB Large Customer NDRR are expected to fluctuate in future periods due to a number of factors, including the growth of our revenue base, the penetration within our learner base, expansion of products and features, and our ability to retain our UB customers. The decreases in our NDRR metrics were driven by lower rates of upsells and expansions, largely as a result of budget scrutiny, although net retention among our UB Large Customers was higher.

	March 31,	
	2026	2025
Udemy Business net dollar retention rate	93 %	96 %
Udemy Business Large Customer net dollar retention rate	97 %	100 %

Paid Consumer subscribers

We count the total number of paid Consumer subscribers at the end of each period. Paid Consumer subscribers are defined as users who had an active paid subscription to any Consumer subscription offering at the end of the last day of a given period. The count of paid subscribers does not include users who are currently on a free trial.

We believe that the number of paid Consumer subscribers and our ability to increase this metric is an important indicator of the growth of our Consumer business and future revenue and profitability trends. The increase in paid Consumer subscribers is primarily attributable to our increased focus on global subscription expansion.

	March 31,		
	2026	2025	%
	(in thousands, except percentages)		
Paid Consumer subscribers	433	193	124%

Monthly average buyers

A buyer is a consumer who purchases a course or subscription through our Consumer offering. We first determine the number of monthly buyers by taking the total buyers of single courses during a given month plus the total active, paid Consumer subscribers at any point in that month, adjusting for duplicate buyers that may be present in both totals. We then calculate monthly average buyers by taking an average of the monthly buyer totals over a particular period, such as a fiscal year. Our monthly average buyer count is not intended as a measure of active engagement, as not all buyers are active at any given time or over any given period. We believe that the number of monthly average buyers in a given period is an important indicator of the growth of our business and potential future revenue trends. Our monthly average buyers count is expected to fluctuate in future periods due to a number of factors, including the growth of our customer base, expansion of products and features, and our ability to retain our Consumer customers.

	Three Months Ended March 31,		
	2026	2025	%
	(in thousands, except percentages)		
Monthly average buyers	1,238	1,412	(12)%

Segment revenue and segment adjusted gross profit

Our revenue is generated from our UB and Consumer offerings, which respectively correspond to our two operating and reportable segments, Enterprise and Consumer. Segment revenue represents the revenue recognized from each of these offerings and is a key measure of the performance of our platform, and in turn drives our financial performance.

We also monitor segment adjusted gross profit as a key metric to help evaluate the financial performance of our individual segments and our business as a whole. Segment adjusted gross profit is defined as segment revenue less segment adjusted cost of revenue. Segment adjusted cost of revenue includes content costs, customer support services, hosting and platform costs, and payment processing fees that are allocable to each segment. Segment adjusted gross profit excludes amortization of capitalized software, depreciation, stock-based compensation, and amortization of intangible assets included in cost of revenue as our chief operating decision maker does not include the information in his measurement of the performance of the operating segments. Content costs, which are payments made to our instructors, are the largest individual component of segment adjusted cost of revenue. We expect to increase the percentage of our revenue derived from our Enterprise segment over time, which we expect will improve our gross margins.

	Three Months Ended March 31,	
	2026	2025
	(in thousands, except percentages)	
Enterprise segment revenue	$ 132,889	$ 127,748
Enterprise segment adjusted gross profit	$ 101,457	$ 95,984
Enterprise segment adjusted gross margin	76 %	75 %
Consumer segment revenue	$ 58,518	$ 72,552
Consumer segment adjusted gross profit	$ 34,767	$ 40,401
Consumer segment adjusted gross margin	59 %	56 %

For the three months ended March 31, 2026, the increase in Enterprise segment adjusted gross margin was primarily due to the reduction in instructor revenue share from 17.5% to 15.0% for all subscription offerings, which was effective on January 1, 2026, which was partially offset by increases in customer support costs.

For the three months ended March 31, 2026, the increase in Consumer segment adjusted gross margin was primarily due to the reduction in instructor revenue share from 17.5% to 15.0% for consumer subscriptions and the relative increase in consumer subscriptions as a percentage of total Consumer revenue.

Non-GAAP financial metrics

In addition to the measures presented in our condensed consolidated financial statements, we use the following non-GAAP financial metrics identified below to help us evaluate our business, formulate business plans, and make strategic decisions.

Adjusted EBITDA and adjusted EBITDA margin

As adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we use this measure for business planning purposes. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team and board of directors. In addition, it provides a useful measure for period-to-period comparisons of our business, as it removes the effect of certain non-cash expenses and certain variable charges.

We define adjusted EBITDA as net income (loss), adjusted to exclude:

- interest income;
- interest expense;
- provision for income taxes;
- depreciation and amortization;
- stock-based compensation expense;
- other income (expense), net;
- restructuring charges; and
- acquisition related costs.

We define adjusted EBITDA margin as adjusted EBITDA divided by revenue for the same period.

The following table provides a reconciliation of net loss, the most directly comparable GAAP financial measure, to adjusted EBITDA (in thousands):

	Three Months Ended March 31,	
	2026	2025
Net loss	$ (12,614)	$ (1,771)
Adjusted to exclude the following:		
Interest income	(2,827)	(3,575)
Interest expense	240	15
Income tax provision	2,053	937
Depreciation and amortization	6,364	6,205
Stock-based compensation expense	16,368	17,967
Other income (expense), net	622	(98)
Acquisition related costs	2,342	—
Restructuring charges	—	1,469
Adjusted EBITDA	$ 12,548	$ 21,149

The following table provides a reconciliation of net loss margin, the most directly comparable GAAP financial measure, to adjusted EBITDA margin (in thousands, except percentages):

	Three Months Ended March 31,	
	2026	2025
Revenue	$ 191,407	$ 200,300
Net loss	$ (12,614)	$ (1,771)
Net loss margin	(7)%	(1)%
Revenue	$ 191,407	$ 200,300
Adjusted EBITDA	$ 12,548	$ 21,149
Adjusted EBITDA margin	7 %	11 %

Net loss increased by $10.8 million during three months ended March 31, 2026 compared to the same period in the prior year. The increase in net loss was driven by increases in personnel costs, amortization of deferred contract costs, direct marketing costs, and acquisition related costs. The impact of the decrease in revenue was offset by lower cost of revenue, primarily due to lower content costs driven by both the reduction in the instructor revenue share for all subscription offerings as well as the decrease in purchases of single courses.

Adjusted EBITDA decreased by $8.6 million during three months ended March 31, 2026 compared to the same period in the prior year. The decrease in adjusted EBITDA was primarily driven by increases in personnel costs, amortization of deferred contract costs, and direct marketing costs.

Free cash flow

We define free cash flow as net cash provided by operating activities, less purchases of property and equipment and capitalized software costs, as we consider these capital expenditures necessary to support our ongoing operations.

We consider free cash flow to be a liquidity measure that provides our management, board of directors, and investors with information about our ability to generate or use cash to enhance the strength of our balance sheet, further invest in our business, and pursue potential strategic initiatives.

We expect our free cash flow to generally increase in the near term due to our operational efficiency initiatives. We expect our purchases of property and equipment to vary based on the timing of leasing activities and renovations to our office real estate portfolio. We anticipate that our capitalized software costs may fluctuate in future periods based on the nature and timing of investments in our platform and new offerings. The timing of our operating expenses may cause free cash flow to vary from period to period as a percentage of revenue.

The following table provides a reconciliation of net cash provided by operating activities, the most directly comparable GAAP financial measure, to free cash flow (in thousands):

	Three Months Ended March 31,	
	2026	2025
Net cash provided by (used in) operating activities	$ 15,440	$ 12,210
Less: purchases of property and equipment	(548)	(2,381)
Less: capitalized software costs	(4,058)	(2,739)
Free cash flow	$ 10,834	$ 7,090

Our free cash flow increased for the three months ended March 31, 2026, compared to the same period in the prior year primarily due to increases in our cash provided by operating activities as well as lower purchases of property and equipment.

Liquidity and capital resources

As of March 31, 2026, our principal sources of liquidity were cash, cash equivalents and restricted cash of $253.6 million, marketable securities of $105.3 million, and $200.0 million of available capacity under a revolving credit facility. Cash and cash equivalents includes money market funds, certain U.S. government securities purchased with original maturities of less than 90 days, time and on demand deposits, and amounts in transit from certain payment processors for credit and debit card transactions. Restricted cash totaled $1.0 million and consists of cash deposited with financial institutions held as collateral for our obligations under various facility leases. Marketable securities are comprised of investments in U.S. government securities with an original maturity greater than 90 days at the date of purchase. Our non-U.S. cash and cash equivalents have been earmarked for indefinite investment in our operations outside the U.S., and consequently no U.S. current or deferred taxes have been accrued on such amounts. We believe that our existing cash and cash equivalents and our expected cash flows from operations will be sufficient to meet our cash needs for at least the next 12 months.

In May 2025, we entered into a credit agreement with Citibank and certain other financial institutions. The revolving credit facility established by this agreement provides us with revolving commitments in an aggregate principal amount of $200.0 million, all of which were undrawn as of March 31, 2026. The revolving credit facility matures in May 2030. Refer to Note 6 – Debt for additional details.

As of March 31, 2026, there have been no material changes to our commitments and contractual obligations, in comparison to those set forth in our Annual Report, that occurred outside the ordinary course of business. Refer to Note 7 – Leases and Note 8 – Commitments and contingencies in our condensed consolidated financial statements, included in Part I, Item 1 of this Form 10-Q, for our outstanding commitments and contractual obligations as of March 31, 2026.

Pursuant to the Merger Agreement with Coursera, we have agreed to various covenants and agreements, including, among others, agreements to conduct our business in the ordinary course during the period between the execution of the Merger Agreement and the effective date of the Merger. The Merger Agreement also restricts us from incurring new debt, issuing new shares and entering into certain material commercial contracts, in each case subject to customary exceptions (including certain preexisting arrangements and actions taken with Coursera’s prior consent).

We do not believe these restrictions will prevent us from meeting our ongoing costs of operations, working capital needs, or capital expenditure requirements.

Over the long term, we plan to continue investing in the growth and development of our platform. If our available funds are insufficient to fund these future activities or execute on our business strategies, we may raise additional capital through equity, equity-linked or debt financing, to the extent such funding sources are available. Alternatively, we may be required to reduce expenses to manage liquidity; however, any such reductions could adversely impact our business and competitive position.

Sources of funds

We have historically financed our operations primarily through revenue, as well as proceeds from issuances of our capital stock. As noted above, in May 2025, we entered into a revolving credit facility with Citibank and certain other financial institutions. From time to time, we may explore additional financing sources, which could include equity, equity-linked or debt financing. In addition, in connection with any future acquisitions or strategic investments, we may pursue additional funding, which could include debt, equity or equity-linked financings, or a combination of these methods. We can provide no assurance that any additional financing will be available to us on acceptable terms.

Use of funds

Our principal uses of cash are funding our operations, capital expenditures and working capital requirements. We have generated significant net losses from our operations as reflected in our accumulated deficit of $813.8 million as of March 31, 2026. We have historically incurred operating losses and generated negative cash flows from operations as we have invested in growing our business. Our operating cash requirements may increase in the future as we continue to invest in the development of our platform and the growth of our business. We cannot be certain our revenue will grow sufficiently to offset our operating expense increases. As a result, we may need to raise additional funds to support our operations, and such funding may not be available to us on acceptable terms, if at all.

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

	Three Months Ended March 31,	
	2026	**2025**
Net cash provided by (used in):		
Operating activities	$ 15,440	$ 12,210
Investing activities	9,081	(7,414)
Financing activities	(2,919)	(5,907)
Effect of foreign exchange rates on cash flows	97	36
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 21,699	$ (1,075)

Operating activities

Cash provided by operating activities mainly consists of our net loss adjusted for certain non-cash items, including stock-based compensation, depreciation and amortization, amortization of deferred sales commissions, as well as the effect of changes in operating assets and liabilities during each period.

Our main source of operating cash is payments received from our customers. Our primary use of cash from operating activities are for personnel-related expenses, instructor payments, advertising and marketing expenses, indirect taxes, and third-party cloud infrastructure expenses.

For the three months ended March 31, 2026, cash provided by operating activities was $15.4 million, primarily consisting of our net loss of $12.6 million, adjusted for non-cash charges of $41.9 million and net cash outflows of $13.8 million provided by changes in our operating assets and liabilities. The main drivers of the change in operating assets and liabilities were a $20.6 million increase from deferred contract costs, a $5.1 million increase from prepaid expenses and other assets, and a $5.0 million decrease from content costs payable. These changes were partially offset by a $14.2 million increase from accounts payable, accrued expenses and other liabilities, and a $5.7 million increase from deferred revenue.

For the three months ended March 31, 2025, cash provided by operating activities was $12.2 million, primarily consisting of our net loss of $1.8 million, adjusted for non-cash charges of $41.9 million and net cash outflows of $27.9 million provided by changes in our operating assets and liabilities. The main drivers of the changes in operating assets and liabilities were a $25.1 million increase in accounts receivable, a $19.5 million increase in deferred contract costs, a $10.0 million decrease in accounts payable, accrued expenses and other liabilities, and a $4.1 million increase in prepaid and other assets. These changes were offset by a $34.8 million increase in deferred revenue.

Net cash provided by operating activities increased by $3.2 million for the three months ended March 31, 2026, compared to the same period in the prior year, primarily due to the timing of accounts receivable billing and collection, as well as lower outflows from accounts payable, accrued expenses and other liabilities, which included restructuring costs that were paid out in the prior period. These were partially offset by a higher net loss in the current period as well as a decrease in inflows from deferred revenue, primarily as a result of billing timing.

Investing activities

For the three months ended March 31, 2026, net cash provided by investing activities was $9.1 million, primarily as a result of $43.6 million of proceeds received from the maturity of marketable securities, which was partially offset by $21.9 million in purchases of marketable securities, $8.0 million in purchases of strategic investments, $4.1 million in capitalized software costs, and $0.5 million in purchases of property and equipment.

For the three months ended March 31, 2025, net cash used in investing activities was $7.4 million, primarily as a result of $78.6 million in purchases of marketable securities, $2.4 million in purchases of property and equipment, and $2.7 million related to capitalized software costs. These changes were partially offset by $76.4 million of proceeds received from the maturity of marketable securities.

Financing activities

For the three months ended March 31, 2026, net cash used in financing activities was $2.9 million, primarily driven by taxes paid related to net share settlement of employee equity awards.

For the three months ended March 31, 2025, net cash used in financing activities was $5.9 million, primarily driven by taxes paid related to net share settlement of employee equity awards.

Off-balance sheet arrangements

During the periods presented, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical accounting policies and estimates

Our condensed consolidated financial statements have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

There have been no material changes to our critical accounting policies and estimates as compared to those described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part II, Item 7 of our Annual Report, except as disclosed in Note 2 in our condensed consolidated financial statements, included in Part I, Item 1 of this Form 10-Q.

Recent accounting pronouncements

See Note 2 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rate sensitivity

As of March 31, 2026 we had $252.6 million of cash and cash equivalents, which includes money market funds, certain U.S. government securities purchased with original maturities of less than 90 days, time and on demand deposits, and amounts in transit from certain payment processors for credit and debit card transactions. We also held $105.3 million of marketable securities, consisting of investments in various U.S. government securities. We had $1.0 million of restricted cash, primarily consisting of cash deposited with financial institutions held as collateral for our obligations under various facility leases.

Our cash and cash equivalents are held for working capital purposes. Given the above facts and circumstances, hypothetical changes in interest rates of 100 basis points would not result in a material increase or decrease of either the market value of our portfolio of cash equivalents and marketable securities as of March 31, 2026, or interest income earned from our portfolio during the three months ended March 31, 2026.

We are subject to market risk exposure related to changes in interest rates on borrowings under our revolving credit facility. Interest on borrowings under the revolving credit facility is based on Term SOFR or alternate base rate, in each case plus an applicable margin. At March 31, 2026, we had no borrowings outstanding under the revolving credit facility. We did not hold any debt during the three months ended March 31, 2026 or 2025.

Foreign currency risk

The Company's reporting currency is the U.S. dollar. We determine the functional currency for each of our foreign subsidiaries by reviewing their operations and currencies used in their primary economic environments. Fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our condensed consolidated statement of operations, or translation gains and losses in accumulated other comprehensive income (loss) as a component of stockholders' equity. Our marketable securities portfolio is also held in U.S. dollar investments, and to date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments, although we may choose to do so in the future. As such, a hypothetical 10% increase or decrease in current exchange rates would not have had a material impact on income or expense for the three months ended March 31, 2026 or 2025.

Strategic investments

The Company holds a convertible note investment with a private company, with an estimated fair market value of $8.5 million as of March 31, 2026. This investment is classified as a trading security, and we have elected to account for the investment under the fair value option. The determination of the fair market value of the investment is based on a variety of market-related risks, including but not limited to interest rates and volatility in equity markets, that could impact the carrying value of our investments.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance 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.

Changes in internal control over financial reporting

There were no changes to our internal control over financial reporting that occurred during the quarter ended March 31, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent limitations on the effectiveness of internal controls over financial reporting

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as specified above. However, our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected.

PART II.

Item 1. Legal Proceedings

From time to time, we are involved in legal proceedings and subject to claims that arise in the ordinary course of our business. Although the results of legal proceedings and claims cannot be predicted with certainty, we believe we are not currently party to any legal proceedings which, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results or financial condition. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

Certain factors may have a material adverse effect on our business, financial condition, and results of operations. You should carefully consider the following risks, together with all of the other information contained in this Form 10-Q, including the sections titled "Special Note Regarding Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this Form 10-Q. Any of the following risks could have an adverse effect on our business, financial condition, operating results, or prospects and could cause the trading price of our common stock to decline, which would cause you to lose all or part of your investment. Our business, financial condition, operating results, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. Our risk factors are not guarantees that no such conditions exist as of the date of this report and should not be interpreted as an affirmative statement that such risks or conditions have not materialized, in whole or in part.

Risks related to our proposed merger with Coursera

The pendency of the Merger, or the failure to complete the Merger in a timely manner or at all, could adversely affect our business, financial condition, results of operations and stock price.

On December 17, 2025, we entered into the Merger Agreement. The completion of the Merger is subject to the satisfaction of certain conditions set forth in the Merger Agreement, including, but not limited to: (i) adoption of the Merger Agreement by Udemy's stockholders (on April 9, 2026, Udemy's stockholders approved the adoption of the Merger Agreement), (ii) approval of the issuance of the shares of Coursera Common Stock and an amendment of Coursera's amended and restated certificate of incorporation to increase the number of authorized shares of Coursera Common Stock thereunder by Coursera's stockholders (on April 9, 2026, Coursera's stockholders approved such issuance and such amendment); (iii) authorization for listing of the shares of Coursera Common Stock to be issued in the Merger on NYSE, subject to official notice of issuance; (iv) the expiration or termination of any waiting period applicable to the Merger under the HSR Act (on February 9, 2026, the Federal Trade Commission granted early termination of the waiting period under the HSR Act), and the receipt of certain other required regulatory approvals; and (v) effectiveness of the registration statement on Form S-4 for the Coursera Common Stock to be issued in the Merger (on March 10, 2026, such Form S-4 became effective). In addition, Udemy's obligation to complete the Merger is also subject to the receipt by Udemy of an opinion from its counsel to the effect that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. There is no assurance that these conditions to closing the Merger will be satisfied before the Termination Date (as defined in the Merger Agreement) or at all, or that the Merger will be completed on the proposed terms, within the expected timeframe, or at all.

Additionally, the Merger may be delayed, and may ultimately not be completed, due to a number of factors, including failure to obtain any of the approvals, clearances or other conditions described in (iii)-(iv) above.

If the Merger does not close, we may suffer other consequences that could adversely affect our business, financial condition, results of operations and stock price, and our stockholders could be exposed to additional risks, including:

- to the extent the current market price of our common stock reflects the assumption that the Merger will be completed, the market price of our common stock could decrease if the Merger is not completed;
- investor confidence in us could decline, relationships with existing and prospective customers, investors, lenders and other business partners may be adversely impacted and we may be unable to retain key personnel if the Merger is not completed;
- the diversion of management time from ongoing business operations and opportunities as a result of the Merger; and
- the termination of the Merger under certain circumstances could require us to pay a termination fee of $40.5 million or an expense reimbursement payment of $8.0 million to Coursera.

Even if successfully completed, there are certain risks to our stockholders from the Merger, including:

- that, because the Exchange Ratio (as defined below) is fixed and because the market prices of Coursera Common Stock and our common stock will fluctuate, our stockholders cannot be certain of the market value of the consideration they will receive in the Merger or the difference between the market value of such consideration and the market value of our common stock immediately prior to the Merger;

- that if the Merger does not qualify as a “reorganization” within the meaning of Section 368(a) of the Code, our stockholders may be required to pay substantial U.S. federal income taxes in connection with the Merger;
- risks inherent to owning shares of Coursera Common Stock, including relating to Coursera’s status as a Delaware public benefit corporation; and
- if the Merger is completed, our stockholders will forego the opportunity to realize the potential long-term value of the successful execution of our strategy as an independent company before the Merger.

While the Merger is pending, we are subject to business uncertainties and contractual restrictions that could harm our business relationships, financial condition and results of operations.

During the period prior to the closing of the Merger and pursuant to the terms of the Merger Agreement, our business is exposed to certain inherent risks and contractual restrictions that could harm our business relationships, financial condition, results of operations, and business, including:

- our ability to continue to develop and protect our brand and reputation;
- our ability to successfully develop, launch, maintain, and scale new programs, offerings and features, including artificial intelligence;
- potential uncertainty in the market for our products and services, which could lead current and prospective customers to purchase products and services from other providers or delay purchasing from us;
- risks relating to our relationships with employees and business partners, as described below;
- our inability to freely issue securities, incur certain indebtedness, declare or authorize dividends or distributions or make certain material capital expenditures without Coursera’s approval;
- our inability to solicit other acquisition proposals during the pendency of the Merger under the terms of the Merger Agreement;
- the costs, fees, expenses and charges related to the Merger Agreement and the Merger, including but not limited to the cost of professional services, insurance, regulatory compliance and litigation; and
- other developments beyond our control, including, but not limited to, natural and man-made disasters; civil unrest, pandemics, and conditions that may result from legislative, regulatory, trade and policy changes.

If any of these effects were to occur, it could adversely impact our business, cash flow, results of operations or financial condition, as well as the market price of our common stock and our perceived value, regardless of whether the Merger is completed.

Litigation relating to the Merger, if any, could result in an injunction preventing the completion of the Merger and/or substantial costs

Securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into acquisition, merger or other business combination agreements like the Merger Agreement. Even if such a lawsuit is without merit, defending against these claims can result in substantial costs and divert management time and resources. An adverse judgment could result in monetary damages, which could have a negative impact on Coursera’s and our respective liquidity and financial condition. Lawsuits that may be brought against Coursera, Udemy or their respective directors could also seek, among other things, injunctive relief or other equitable relief, including a request to rescind parts of the Merger Agreement already implemented and to otherwise enjoin the parties from consummating the Merger. One of the conditions to the closing of the Merger is that no injunction issued by a governmental entity of competent jurisdiction shall be in effect and no law shall have been enacted by any governmental entity of competent jurisdiction which prohibits or makes illegal the consummation of the Merger. Consequently, if a plaintiff is successful in obtaining an injunction prohibiting completion of the Merger, that injunction may delay or prevent the Merger from being completed within the expected timeframe or at all, which may adversely affect Coursera’s and Udemy’s respective businesses, financial condition, cash flows and results of operations. In addition, either Coursera or Udemy may terminate the Merger Agreement if any governmental entity of competent jurisdiction has issued a final order permanently enjoining or preventing the Merger, so long as Coursera’s (in the case of a termination by Coursera) or Udemy’s (in the case of a termination by Udemy) failure to fulfill any obligation under the Merger Agreement has not been a principal cause of the order.

While no such lawsuits are currently pending, as of the date of this report, we have received demand letters from purported stockholders relating to the disclosures made in connection with the Merger, and additional demand letters may be received in the future. These demand letters could have the effect of increasing our costs, diverting our management’s attention and resources, delaying or adversely affecting the Merger or resulting in the payment of damages, which could result in a material adverse effect on our business, financial condition and results of operations.

As a result of the Merger, our current and prospective employees could experience uncertainty about their future with us or the combined company following the Merger, and as a result, key employees may depart.

As a result of the Merger, our current and prospective employees could experience uncertainty about their future with us or the combined company following the Merger, or decide that they do not want to continue their employment following the completion of the Merger. As a result, key employees may depart. Losses of officers or employees could materially harm our business, results of operations and financial condition. Such adverse effects could also be exacerbated by a delay in the completion of the Merger for any reason, including delays associated with obtaining requisite regulatory approvals. On the other hand, we may experience challenges in hiring and retaining new employees because of uncertainty or other conditions associated with the pendency or termination of the Merger, which could materially harm our business, results of operations and financial condition.

As a result of the pending Merger, certain learners, instructors, UB customers and other business partners may decide not to do business with us or change their relationship with us.

As a result of the pending Merger, certain of our learners and UB customers may decide to discontinue purchasing our products and services or reduce the amount they spend or commit to spend on our products and services due to uncertainties related to the Merger, such as unpredictability as to if and when the closing of the Merger will occur and perceived uncertainty as to the impact of the Merger on their relationship with us. Additionally, our relationships with instructors and business partners could be affected and such instructors and business partners could seek changes to their existing relationships with us. These decisions could materially harm our business, results of operations and financial condition.

For more information on risks relating to the proposed Merger, we encourage you to review the risk factors that were included in the joint proxy statement/prospectus we and Coursera filed with the SEC on March 10, 2026 in connection with each party’s stockholder approvals relating to the Merger.

Risks related to our business and operations

We have a history of losses, and we may not be able to generate sufficient revenue to increase or sustain profitability in the future.

We reported net loss of $12.6 million and $1.8 million during the three months ended March 31, 2026 and 2025, respectively, and, as of March 31, 2026, we had an accumulated deficit of $813.8 million. We may incur losses in the near-term as we continue to make targeted investments towards growing our business and operating as a public company. We have invested, and expect to continue to invest, substantial financial and other resources in developing our platform, including expanding our platform offerings, developing or acquiring new platform features and services, expanding into new markets and geographies, and increasing our sales and marketing efforts. These expenditures may make achieving and maintaining profitability more difficult, and these efforts may also be more costly than we expect and may not result in increased revenue or growth in our business.

We have undertaken, and are continuing to undertake, measures intended to accelerate our operational efficiency and position our company for long-term profitability. However, we cannot guarantee that these measures will be successful. We may experience delays or unanticipated costs in implementing these measures, which could prevent the timely or full realization of the anticipated benefits. Even if we successfully execute on our operational efficiency measures, these measures may not be sufficient to ensure our investments and other expenses keep pace with our revenue.

As a result, we can provide no assurance as to whether we can increase or sustain profitability in the future. If we are not able to do so, the value of our company and our common stock could decline significantly, and you could lose some or all of your investment.

We operate in an emerging and dynamic market, which makes it difficult to evaluate our prospects and future results of operations.

The market for online learning solutions is relatively new and continues to evolve rapidly. These factors may make it difficult to accurately assess our future prospects and the risks, challenges, and uncertainties that we may encounter. These uncertainties include:

- maintaining and increasing a base of learners, instructors, and UB customers using our platform;
- successfully competing with existing and future participants in the market for online learning solutions;
- successfully expanding our business in existing markets and entering new markets and geographies;
- anticipating and responding to market and broader economic conditions;
- avoiding interruptions or disruptions in the service of our platform;
- accurately forecasting our revenue and operating expenses on a quarterly and annual basis;
- maintaining and enhancing the value of our reputation and brand;
- attracting, hiring, and retaining qualified personnel to manage our operations and further develop our platform;
- effectively managing growth in our operations, including personnel; and
- successfully implementing and executing our business strategies.

Additionally, because we operate in a rapidly evolving market, any predictions about our future revenue and expenses may not be as accurate as they would be if we operated in a more established and predictable market. We have encountered in the past, and will encounter in the future, risks, challenges, and uncertainties frequently experienced by companies operating in emerging markets. If our assumptions regarding any of these risks, challenges, or uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address them successfully, our results of operations could differ materially from our expectations and our business, financial condition, and results of operations could be adversely affected.

Our results of operations may fluctuate significantly from period to period due to a wide range of factors, which makes our future results difficult to predict.

Our results of operations have historically varied from period to period, and we expect that our results of operations will continue to vary significantly from quarter to quarter and year to year because of a variety of factors, many of which are outside of our control. As a result, comparing our results of operations on a period-to-period basis may not be meaningful. Factors that may contribute to the variability of our quarterly and annual results include, but are not limited to:

- the Merger, the pendency of the Merger, or the failure to complete the Merger;
- our ability to attract and retain learners, instructors, and enterprises that use our platform in a cost-effective manner;
- our ability to accurately forecast revenue and operating expenses;
- the effects of increased competition on our business;
- the impact of worldwide economic conditions, including the resulting effect on consumer and business spending on online learning solutions;
- our ability to successfully expand in existing markets and successfully enter new markets and manage the risks associated with doing so;
- our ability to successfully leverage our resellers and other strategic relationships to market and sell our products;
- changes in learner or customer behavior with respect to online learning solutions;

- increases in marketing, sales, and other operating expenses that we may incur to grow and acquire new learners, instructors, and customers;
- the revenue mix between our consumer and UB offerings;
- our ability to maintain an adequate rate of growth and effectively manage that growth;
- the effects of changes in search engine placement and prominence;
- our ability to keep pace with technology changes in our industry;
- the success of our sales and marketing efforts;
- our ability to protect, maintain, and enforce our intellectual property rights;
- costs associated with defending claims, including intellectual property infringement claims, and related judgments or settlements;
- changes in governmental or other regulations affecting our business;
- actual or anticipated changes in international trade policies, including those resulting from tariffs, trade barriers and other trade regulations, as well as the actual or anticipated effect of such policies on us and our customers;
- interruptions in service and any related impact on our business, reputation, or brand;
- the attraction and engagement of qualified employees and key personnel;
- our ability to choose and effectively manage third-party service providers;
- the effects of natural or man-made catastrophic events, including wars and other armed conflicts, such as Russia's invasion of Ukraine and the ongoing conflicts in the Middle East;
- the impact of actual or anticipated public health emergencies, such as an outbreak of an epidemic or pandemic;
- potential volatility in our gross margins, including due to revenue mix shifts between our Enterprise and Consumer segments, changes in our pricing policies, increased use of subscriptions in our Consumer segment, and timing differences between recognition of revenue and related content costs for courses;
- the effectiveness of our internal controls over financial reporting;
- the impact of payment processor costs and procedures; and
- changes in our tax rates or exposure to additional tax liabilities.

The unpredictability of our results of operations could cause our results to vary from period to period or to fall below our public guidance or the expectations of analysts and investors for a given period, which will adversely affect our business, financial condition, and results of operations.

Our growth may not be sustainable and depends on our ability to attract new learners, instructors, and organizations and retain existing ones.

Our success depends, in part, on growing the number of learners and instructors engaging with our platform. We believe the increase in the number of instructors increases the quality and quantity of the content available on our platform, in turn making our platform more appealing and engaging to learners in both our Enterprise and Consumer segments. This increase in learners then attracts more instructors to our platform. This dynamic marketplace model takes time to build and may grow at a slower pace than we expect. In addition, although the number of individual and UB learners and instructors engaging with our platform has grown in recent years, there can be no assurance that this growth will continue. For example, there is significant uncertainty regarding the adoption and growth of remote, online and asynchronous learning and training, as well as skills-based learning, compared to the traditional models of education and training, which may adversely affect demand for our platform. We have also experienced elongated sales cycles for our UB offerings as a result of what we believe to be budget tightening as a result of economic uncertainty. Additionally, our average sales cycle may lengthen as we focus more on our UB Large Customers, which we define as companies with at least 1,000 employees, and which tend to have longer procurement processes than smaller customers. If we fail to grow or maintain the number of learners and instructors engaging with our platform, the value of our platform will diminish and our revenue will decline.

We believe that many of our new learners find us by word of mouth and other non-paid referrals from existing learners. If existing learners do not find our platform or its content appealing and engaging, whether because of a negative experience with, declining interest in or relevancy of the content, they may stop referring others to us. In turn, if instructors perceive that our platform lacks an adequate learner audience, instructors may be less willing to provide content for our platform, and the experience of learners could be further negatively impacted. The willingness or ability of instructors to provide content for our platform could also be negatively impacted by other factors, such as:

- complaints or negative publicity about us or our platform, even if factually incorrect or based on isolated incidents;
- changes to our terms and policies that our instructors find, or even perceive, to be unpopular or that are not clearly articulated to them; or
- our failure or perceived failure to enforce our policies fairly and transparently.

In addition, the costs associated with retaining learners and instructors are substantially lower than those associated with acquiring new learners and instructors. As a result, if we are unable to retain existing learners and instructors, even if such losses are offset by an increase in revenue resulting from new learners and instructors, it could harm our growth prospects and have a material adverse effect on our business, financial condition, and results of operations.

Our platform relies on a limited number of instructors who create a significant portion of the most popular content on our platform, and the loss of these instructor relationships could adversely affect our business, financial condition, and results of operations.

We strive to build meaningful connections with instructors, ranging from those that are well known and have created extensively to those that have just begun the process of creating courses. As of March 31, 2026, we had relationships with over 90,000 instructors. Although we view the breadth and diverse expertise of our instructor base and the content they create as one of our competitive advantages, a significant portion of the most popular content on our platform—and consequently a significant portion of our revenue—is attributable to a limited number of our instructors. Instructors may unpublish content or choose to leave the Udemy platform altogether, subject to certain contractual limitations, for a variety of reasons. For example, in November 2023 we announced changes to our instructor revenue share model, which changes became fully effective in January 2026; these changes, together with any future changes we may announce in the future, could result in instructor attrition. Although we do not believe the loss of any one instructor would materially impact our business, significant attrition by multiple instructors, as well as any failure to attract additional instructors or source replacement content as needed, could adversely affect our ability to provide high-quality, engaging, and relevant content for one or more subject matters, slow the pace at which we provide such content, and reduce the attractiveness of our platform to learners and customers, any of which could negatively impact our business, financial condition, and results of operations.

If we fail to maintain and expand our relationships with UB customers, our ability to grow our business and revenue will suffer.

Revenue from our Enterprise segment represented 69% and 64% of total revenue during the three months ended March 31, 2026 and 2025, respectively. We believe that our future success depends, in part, on our ability to grow this offering, both by retaining and expanding our relationship with existing customers and attracting new customers. Many customers initially use our platform within specific groups or departments within their organizations, or for specific use cases. Our ability to grow our UB business depends, in part, on our ability to persuade these customers to expand their use of our platform to address additional use cases. Further, the continued growth of our business requires that our customers renew their subscriptions with us and that we expand our relationships with our existing customers. Customers may decide not to renew their subscriptions with a similar contract period, at the same prices and terms, with the same or a greater number of users, or at all. It is difficult to accurately predict whether we will have future success in retaining customers or expanding our relationships with them. We have experienced significant growth in the number of customers subscribing to our UB offerings, but we do not know whether we will continue to achieve similar growth, or achieve any growth at all, in the future. Our ability to retain UB customers and expand our deployments with them may decline or fluctuate as a result of a number of factors, including customers' satisfaction with our platform, the quality and timeliness of our customer success and customer support services, our prices, the prices and features of competing solutions, customers' spending levels, sufficient adoption of our platform by our customers' constituents, and customers' satisfaction with new feature releases, any of which could cause our revenue to decline or grow less quickly than anticipated, which would harm our business, financial condition, and results of operations.

We operate in a highly competitive market, and we may not be able to compete successfully against current and future competitors.

We operate in a highly competitive environment, as the market for online learning is relatively new, fragmented, and rapidly evolving, with limited barriers to entry. We compete for learners, enterprise customers, and instructors:

- *Learners*: We compete for learners based on our course collection, instructors, and learning tools (including AI-powered features).
- *UB customers*: We compete for customers based on our up-to-date content, the breadth and depth of that content across the full range of core business functions, and advanced product features and integrations that optimize self-paced learning and enable organizations to effectively drive programmatic learning.
- *Instructors*: We compete for instructors based on our ability to promote monetization opportunities.

Our competition includes corporate training offerings, direct-to-consumer training offerings, specialized content training offerings, and free online resources used to gather and share knowledge and skills. Increasingly, we also face competition from large language models (“LLMs”) and other generative AI offerings that can provide on-demand, conversational responses to user queries, generate customized learning content, or aggregate and summarize educational materials. These LLM-based solutions, which may be offered by both established technology companies and new entrants, are emerging as an alternative to other online learning modalities.

We expect both existing competitors and new entrants to the online learning market to continually evolve and improve their business models. If these or other market participants introduce new or improved delivery of online education and technology-enabled services that are more compelling or widely accepted than ours, our ability to grow our revenue and achieve profitability could suffer. The emergence of enhanced generative AI capabilities could provide competitors with an advantage. For example, as LLMs and generative AI platforms become more capable, organizations and individuals may increasingly rely on these technologies to perform tasks directly, which could potentially reduce the need for human learning or training altogether. Several new and existing companies in the online education industry provide or may provide offerings similar to what we offer on our platform, and, despite any exclusivity arrangements we have with our instructors, these companies may nonetheless pursue relationships with our instructors that may reduce, or stop altogether, the content our instructors produce for our platform. In addition, enterprise customers may choose to continue using or develop their own online learning or training solutions in-house rather than pay for our platform.

We believe that our ability to successfully compete depends on a range of factors, both within and beyond our control, including:

- the availability or development of alternative online learning platforms that are more compelling to learners, instructors, or organizations than ours;
- changes in pricing policies and terms offered by our competitors or by us, including changes to our instructor revenue sharing model;
- the ability to adapt to or compete with new technologies and changes in requirements of our learners, instructors, and UB customers;
- the ability to adapt to disruptive innovation that may significantly alter or transform the competitive landscape, such as natural language processing, AI and machine learning;
- costs associated with acquiring and retaining learners, instructors, and UB customers;
- the ability of our current and future competitors to establish relationships with customers;
- industry consolidation and the number and rate of new entrants;
- difficulties with software development that could delay or prevent the development, introduction or implementation of platform modifications and enhancements; and
- costs associated with improving and maintaining our platform.

Current and potential competitors (including any new entrants into the market) may enjoy substantial competitive advantages over us, such as greater name recognition, longer operating histories, market- or industry-specific knowledge, more successful marketing capabilities, more successful adaptation to or integration of emerging technologies such as AI, and substantially greater financial, technical, and other resources than we have. Our current or new competitors may adopt certain aspects of our business model, which could reduce our ability to differentiate our services. Furthermore, online educational content is not typically marketed exclusively through any single channel and, accordingly, our competitors could aggregate a set of online learning courses similar to ours. Competition may intensify as our competitors raise additional capital or as new participants, including established companies, enter the markets in which we compete. Our ability to grow our business and achieve profitability could be impaired if we cannot compete successfully.

The market for online learning solutions may not grow as we expect, which may harm our business, financial condition, and results of operations.

Our future success depends in part on the future growth in the demand for online learning solutions. We expect that broader societal and macroeconomic conditions, including inflation, interest rates, general economic uncertainty, and the prevalence of remote or hybrid work, will influence the further development of the online learning market and the growth rate of remote, online and asynchronous learning and training solutions such as ours. The emergence and increasing adoption of LLMs and other generative AI technologies may also impact demand for online learning solutions, as these technologies could enable organizations and individuals to rely on AI systems to perform tasks directly, potentially reducing the need for human learning or training altogether. In addition, the rate at which online learning solutions are adopted by learners or UB customers may also depend on a variety of factors specific to individual learners or UB customers, such as budget constraints and training needs. Consequently, it is difficult to predict demand for and continued use of our platform by learners, instructors, and UB customers, the rate at which existing learners and instructors expand their engagement with our platform, the size and growth rate of the market for our platform, the entry of competitive offerings into the market, or the success of existing competitive offerings. Even if market demand for online learning solutions generally increases, we cannot assure you that adoption of our platform will also increase. If the market for online learning solutions does not grow as we expect or our platform does not achieve widespread adoption, it could result in reduced learner and customer spending, reduced engagement from instructors, attrition by learners, instructors, and UB customers, and decreased revenue, any of which would adversely affect our business, financial condition, and results of operations.

Our revolving credit facility contains customary affirmative and negative covenants, including financial covenants, that may limit our operating flexibility.

Our revolving credit facility contains customary affirmative and negative covenants that limit our ability to, among other things, transfer or dispose of assets, merge with other companies or consummate certain other changes of control, acquire other companies, pay dividends, incur additional indebtedness and liens, make certain investments and engage in new businesses unrelated to our current business. We therefore may not be able to engage in any of the foregoing transactions unless we obtain the consent of the lenders or terminate the credit facility, which may limit our operating flexibility. In addition, our credit facility is secured by substantially all of our assets, including our intellectual property, and requires us to satisfy certain financial covenants. If we do not meet the financial covenants as specified in the credit facility, we may require forbearance or relief from our financial covenant violations from the lenders or be required to arrange alternative financing.

There is no guarantee that we will be able to generate sufficient cash flow or sales to meet these financial covenants or pay the principal and interest on any such debt. Furthermore, there is no guarantee that future working capital, borrowings or equity financings will be available to repay or refinance any such debt. A breach of any of these covenants or the occurrence of certain other events specified in the credit agreement governing our revolving credit facility and/or the related collateral documents could result in an event of default under the credit agreement. If an event of default has occurred and is continuing, the lenders could elect to declare all amounts outstanding under the credit facility immediately due and payable. If we are unable to repay those amounts, the lenders could foreclose on the collateral granted to them to secure our obligations under our revolving credit facility. If the lenders accelerate the repayment of borrowings, if any, we may not have sufficient funds to repay our existing debt.

Our ability to meet the financial covenants could be affected by events beyond our control. Any inability to make scheduled payments or meet the financial covenants of our credit facility would adversely affect our business.

We may need to change our pricing, subscription, and contract models for our platform's offerings, which in turn could adversely impact our results of operations.

We have in the past, and expect that we may in the future, need to change the pricing, subscription, and contract models for our platform's offerings from time to time. As the market for our learning platform develops, as new competitors introduce competitive applications or services, or as we enter into new international markets, we may be unable to attract new learners or UB customers at the same price or based on the same pricing or subscription models we have historically used, or for contract lengths consistent with our historical averages. In addition, as we introduce new products, or improve existing ones, we may not be successful in developing appealing pricing, subscription and contract models for these products. Decisions we make may also impact the mix of adoption among our offerings, including the mix between subscription- and transaction-based offerings, and negatively impact our overall revenue and results. Changes to our pricing, subscription, or contract models may also result in increased customer churn, reduced customer lifetime value, or lower overall engagement with our platform. Competition may also require us to make substantial price concessions. Moreover, our consumer pricing model and methodology has been, and may in the future become, subject to legal challenge under applicable federal or state laws, regulations, and guidelines relating to promotional pricing practices. Our results of operations may be adversely affected by any of the foregoing, and consequently we may have increased difficulty achieving or maintaining profitability.

Failure to effectively leverage our strategic partnerships to market and sell our products could impact our ability to increase brand awareness and grow our revenue.

We rely on strategic partners, including resellers, for certain sales and marketing efforts. We plan to continue to establish and maintain similar strategic relationships as part of our growth strategy, and we expect these partners to become an increasingly important aspect of our business. Identifying partners and negotiating terms with them requires significant time and resources, and we are dependent on our ability to negotiate terms that are favorable to us and provide sufficient incentives for our partners to promote our products. If our partners do not effectively sell or market our products, choose to promote our competitors' products or otherwise choose not to devote sufficient efforts to our business, our ability to grow our revenue may be impaired, and our results of operations may suffer.

In addition, we have granted exclusivity to resellers in certain geographies for UB, and so we are dependent on the sales efforts of our resellers in those geographies. For example, we have partnered with Benesse as our exclusive reseller in Japan. If we fail to effectively manage our existing resellers, or if our reseller partners are unsuccessful in fulfilling the orders for our products, or if we are unable to enter into arrangements with, and retain a sufficient number of, high quality reseller partners in each of the regions in which they sell products and keep them motivated to sell our products, our ability to sell our products and operating results will be harmed. Any negative changes in our relationship with our reseller partners, including the loss of a reseller or a significant reduction in business with a reseller, could adversely impact our sales in particular geographies, which could, in turn, negatively impact our results of operations.

Failure to effectively expand our sales and marketing capabilities could harm our ability to increase our base of learners and UB customers and achieve broader market acceptance.

Our ability to broaden our base of both consumer learners and UB customers, and achieve broader market acceptance of our marketplace platform, will depend to a significant extent on the ability of our sales and marketing organizations to work together to drive our sales pipeline and cultivate customer relationships. Our marketing efforts include the use of search engine optimization, paid search, email marketing, and television.

We have invested in and plan to continue expanding our sales and marketing organizations, both domestically and internationally. Identifying, recruiting, training, and retaining talented sales and marketing personnel will require significant time, expense, and attention, and if we are unable to do so, or if the hired personnel are unable to achieve desired productivity levels in a reasonable period of time, or if our sales and marketing programs are not effective, our ability to broaden our customer base and achieve broader market acceptance of our platform could be harmed. In addition, the investments we make in our sales and marketing organizations will occur in advance of experiencing benefits from such investments, making it difficult to determine in a timely manner if we are efficiently allocating our resources in these areas.

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

We believe that maintaining and enhancing our reputation and brand recognition is critical to our ability to attract and retain learners, instructors, and UB customers, as well as commercial and strategic partners, and that the importance of our reputation and brand recognition will continue to increase as competition in the markets in which we operate continues to develop. Our success in this arena will depend on a range of factors, both within and beyond our control. Factors affecting our reputation and brand recognition that are within our control include our ability to:

- market our platform effectively and efficiently;
- maintain a useful, innovative, and reliable platform;
- maintain a high satisfaction among learners, instructors, and UB customers;
- provide a high quality and perceived value for our platform;
- successfully differentiate our platform from competing offerings;
- maintain a consistently high level of customer service; and
- prevent any actual or perceived data security breach or incident or data loss, or misuse or perceived misuse of our platform.

Additionally, our reputation and brand recognition may be affected by factors that are beyond our control, such as:

- the actions of competitors or other third parties;
- the quality and quantity of, as well as the nature and subject matter of, content available from instructors on our platform;
- positive or negative publicity, including with respect to events or activities attributed to us, our employees, instructors, or our commercial partners;
- interruptions, delays, or attacks on our platform; and
- litigation or legal developments.

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

We could face liability, or our reputation might be harmed, as a result of courses posted to our platform.

Instructors at times post courses and related materials to our platform that contain content owned by third parties, and we do not proactively review content for potential infringement of intellectual property rights. Although we maintain and enforce terms and policies requiring instructors to respect the intellectual property rights of others, they may not do so. As a result, we are subject to potential liability to third parties for the unauthorized duplication, distribution, or other use of this material. In addition, third parties have alleged, and in the future may allege, misappropriation, plagiarism, defamation, disparagement or similar claims related to content appearing on our platform. Any such claims could subject us to costly litigation, regardless of whether the claims have merit. Moreover, there can be no assurance that our responses to complaints by third-party content owners regarding intellectual property violations will be sufficient to protect us from adverse claims. Our various liability insurance coverages may not cover potential claims of this type adequately or at all, and we may be required to alter or cease our uses of such material, which may include removing course content or altering the functionality of our platform, or be required to pay monetary damages.

Where applicable, we rely on a variety of statutory and common law frameworks and defenses, including those provided by the Digital Millennium Copyright Act of 1998, the Communications Decency Act (the "CDA"), the fair-use doctrine in the United States and the E-Commerce Directive in the European Union (the "E.U."). However, the availability, scope, and application of such frameworks, defenses, and statutes varies across the many jurisdictions in which we operate, and the applicable limitations on immunity, requirements to maintain immunity, and moderation efforts required in the many jurisdictions in which we operate may affect our ability to rely on these frameworks and defenses, or create uncertainty regarding liability for content posted to our platform.

Moreover, regulators in the United States, the E.U., and in other jurisdictions in which we operate may introduce new regulatory regimes or modify existing regulatory regimes, including in ways that increase potential liability for information or content available on or through our platform or the content moderation decisions we make with respect to our platform, or which impose additional obligations to monitor such information or content, which could increase our costs. For example, the E.U.'s Digital Services Act (the "DSA"), which imposes new content moderation obligations, notice and transparency requirements, advertising limitations, and other consumer protection requirements, became fully applicable in February 2024. Non-compliance with the DSA could result in fines of up to 6% of global turnover, and could potentially subject us to litigation, enforcement actions, or other claims. Additionally, E.U. jurisdictions have imposed, and may in the future impose, additional content moderation requirements beyond those established by the DSA. For example, the Irish Online Safety Code, which became effective in October 2024, introduces additional obligations on video-sharing platforms to restrict the spread of harmful video and associated content. Non-compliance with the Online Safety Code could result in fines of up to the greater of €20 million or 10% of annual turnover.

Failure of our resellers or other commercial partners to use acceptable ethical business practices or comply with applicable laws could negatively impact our business.

In certain jurisdictions, such as Japan, we rely on third-party resellers and other commercial partners to distribute and market our offerings. We expect these resellers and partners to operate in compliance with applicable laws, rules, and regulations, but we cannot control their conduct. If any of our resellers or partners violates applicable laws or implements business practices that are regarded as unethical, the distribution of our platform in those jurisdictions could be interrupted, usage of our platform could decline, our reputation could be damaged and we may be subject to liability. Any of these events could have a negative impact on our business, financial condition, and results of operations.

Our revenue, results of operations, and financial condition could be negatively affected by general economic conditions.

Our business is sensitive to trends in the general economy, which is unpredictable. Therefore, our operating results, to the extent they reflect changes in the broader economy, may be subject to significant fluctuations. Since online learning is generally dependent on discretionary spending, negative general economic or financial conditions or uncertainty regarding future economic or financial conditions could significantly reduce the overall amount that learners and organizations spend on, and the frequency of, online learning or result in delays to planned spending on online learning. Any or all of these factors could reduce the demand for our services, reducing our revenue and potentially increasing our need to make significant expenditures to continue to attract learners and UB customers to our platform. Additionally, adverse developments affecting the banking or financial services industries or the financial and capital markets, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties, could negatively affect our revenue, results of operations and financial condition.

Our business and operations could be materially and adversely affected by natural disasters, public health emergencies, political crises, or other catastrophic events.

Our business and operations could be materially and adversely affected by catastrophic events, such as earthquakes, floods, fires, telecommunications failures, power losses, break-ins, acts of terrorism, wars and other armed conflicts, political or geopolitical crises, inclement weather and public health emergencies. In particular, our corporate headquarters are located in San Francisco, California, an earthquake-sensitive area and one that has been increasingly vulnerable to wildfires, and damage to or total destruction of our executive offices resulting from earthquakes may not be covered in whole or in part by any insurance we may have. If catastrophic events were to cause damage to our properties or interrupt our operations, our results of operations would suffer. Global climate change may result in natural disasters, such as drought, wildfires, severe storms, flooding, and heat waves, occurring more frequently or with greater intensity, which could result in greater physical risk to our business and operations as well as more significant indirect impacts to our business due to supply chain disruption and market volatility. We may not be able to effectively adapt our operations to avoid disruptions arising from the occurrence of such events, and our business could be affected adversely as a result.

Our business could be harmed if we fail to manage our growth effectively.

The growth we have experienced, and may continue to experience, in our business places significant demands on our operational infrastructure. The scalability and flexibility of our platform depends on the functionality of our technology and network infrastructure and our ability to handle increased traffic and demand for bandwidth. The growth in the number of learners and instructors using our platform and the amount of educational content available through our platform has increased the amount of data and requests that we process. Any problems with the transmission of increased data and requests could result in harm to our brand or reputation. Moreover, as our business grows, we will need to devote additional resources to improving our operational infrastructure and enhancing our scalability in order to maintain the performance of our platform.

Our growth has placed, and will likely continue to place, a significant strain on our managerial, administrative, operational, financial, and other resources. Future growth in our organization could place additional strain on our existing resources and processes, and we could experience systemic operating difficulties in managing our business, which may negatively impact our gross profit or operating expenses.

Our future success depends on our ability to retain our senior management team and other highly skilled employees and to attract, retain, and motivate our qualified personnel.

We depend on the continued services and performance of our senior management team, key technical employees, and other key personnel. Although we have entered into employment agreements with senior management team members, each of them may terminate their employment with us at any time or not be able to perform the services we require in the future. We do not maintain “key person” insurance for any of our executives or other employees. Similarly, third parties may attempt to encourage our senior management team or other key employees to leave for other employment. The loss of one or more of the members of our senior management team or other key personnel for any reason could disrupt our operations, create uncertainty among investors, adversely impact employee retention and morale and significantly harm our business. Some members of our senior leadership team, such as our Chief Executive Officer and Chief Technology Officer, have been with our company for a short period of time.

From time to time we have experienced, and may continue to experience, difficulty in hiring and retaining employees with the appropriate level of qualifications. The companies with which we compete for qualified employees may have greater resources than we have and may offer compensation packages that are perceived to be better than ours. We use restricted stock units and performance-based restricted stock units, among other things, to help attract and retain employees; however, if our stock price performs poorly, these equity incentives may not be sufficient to achieve these goals. Additionally, changes in our compensation structure, workforce reductions and other cost reduction efforts (including our ongoing operational efficiency initiatives) may be negatively received by employees and result in attrition or recruiting difficulties.

If we fail to attract new employees or fail to retain and motivate our current employees, our business and future growth prospects could be adversely affected.

Acquisitions and other strategic investments may expose us to significant risks, any of which could materially and adversely affect our business, financial condition, and results of operations.

We have in the past pursued, and subject to contractual restrictions set forth in the Merger Agreement, may in the future pursue, acquisitions of, or strategic investments in, businesses, technologies, services and other assets that complement our business. We have limited experience as an organization with successfully executing and managing acquisitions and strategic investments. These kinds of transactions involve numerous risks, including the following:

- difficulties in realizing the anticipated economic, operational and other benefits of the acquisition or strategic investment successfully or in a timely manner;
- failure of businesses we acquire or invest in to achieve anticipated revenue, earnings, or cash flow;
- diversion of management’s attention or other resources from our existing business;
- any inability to maintain the key customers, business relationships, suppliers, and brand potential of businesses we acquire or invest in;
- uncertainty of entry into businesses or geographies in which we have limited or no prior experience or in which competitors have stronger positions;
- unanticipated or greater costs than expected associated with pursuing acquisitions or investments;

- difficulties in, or costs associated with, any integration process, such as challenges associated with assigning or transferring acquired intellectual property or intellectual property licenses; integrating and auditing financial statements of acquired companies that have not historically prepared financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"); and integrating the workforce of acquired companies and the potential loss of key employees of the acquired companies;
- responsibility for the liabilities of acquired businesses, including those that were not disclosed to us or exceed our estimates, such as liabilities arising out of the failure to maintain effective privacy, data protection and cybersecurity controls, and liabilities arising out of the failure to comply with applicable laws and regulations, including tax laws;
- inability to maintain our culture and values, ethical standards, controls, procedures, and policies; and
- asset write-offs and impairments of goodwill and intangible assets in connection with any acquisition or strategic investment, as well as any inability to accurately forecast such impacts.

We may not succeed in addressing these or other risks in connection with any acquisitions or strategic investments we undertake, which could have a material adverse effect on our business, financial condition, and results of operations. Furthermore, we may have to pay cash, incur additional debt or issue equity or equity-linked securities to finance any acquisitions or investments, which could also adversely affect our financial condition or the trading price of our securities, and the sale of equity or equity-linked securities could result in dilution to our stockholders.

We may need to raise additional funds to pursue our growth strategy or continue operations, and we may be unable to raise capital when needed or on acceptable terms.

From time to time, we may seek additional equity or debt financing to fund our growth, enhance our platform, respond to competitive pressures, or make acquisitions or other investments. Our business plans may change, general economic, financial or political conditions in our markets may deteriorate or other circumstances may arise, in each case that have a material adverse effect on our cash flows and the anticipated cash needs of our business. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. We cannot predict the timing or amount of any such capital requirements at this time. If financing is not available on satisfactory terms, or at all, we may be unable to expand our business at the rate desired and our results of operations may suffer.

We operate internationally and we plan to continue expanding our international operations, which exposes us to risks inherent in international operations.

Managing a global organization requires significant resources and management attention. We currently maintain operations outside of the United States, including in Ireland, Turkey, India, Australia, and Mexico, and we plan to expand our international operations in the future.

We generated 61% and 61% of our total revenue outside of North America during the three months ended March 31, 2026 and 2025, respectively. Based on our instructor registration records, we estimate that a majority of our instructors are located outside the United States. Any further international expansion efforts that we may undertake may not be as successful as we expect or at all.

Additionally, conducting international operations subjects us to risks that we have not generally faced in the United States. These risks include:

- the cost and resources required to localize our services, which requires the translation of our websites into foreign languages and adaptation for local practices and regulatory requirements;
- competition with local market participants who understand the local market better than we do or who have pre-existing relationships with our potential learners and UB customers in those markets;
- greater reliance on third-party resellers and other commercial partners for the distribution and marketing of our offerings;
- legal uncertainty regarding the operations of our platform and our liability for the content and services provided by our instructors, including as a result of evolving local laws or a lack of clear precedent of applicable law;
- the burdens of complying with a wide variety of foreign laws and legal standards;

- lack of familiarity with and unexpected changes in foreign regulatory requirements;
- adapting to variations in methods of payment from learners and UB customers;
- difficulties in managing and staffing international operations;
- fluctuations in currency exchange rates;
- risks associated with foreign tax regimes, trade tariffs, foreign investment restrictions or requirements, or similar issues, which could negatively impact international adoption of our offerings;
- potentially adverse tax consequences, including the complexities of foreign value added tax systems, digital services tax and restrictions on the repatriation of earnings;
- increased financial accounting, reporting, and other regulatory burdens and complexities, as well as difficulties in implementing and maintaining adequate internal controls over the same;
- political, social, and economic instability abroad, wars and other armed conflicts, terrorist attacks, and security concerns in general, including Russia's invasion of Ukraine and the ongoing conflicts in the Middle East;
- reduced or varied protection for intellectual property rights in some countries; and
- higher telecommunications and internet service provider costs.

Operating in international markets also requires significant management attention and financial resources. The investment and additional resources required to establish operations and manage growth in other countries may not produce desired levels of revenue or profitability.

Our strategic and other relationships with partners overseas may also subject us to additional regulatory scrutiny in the United States and other jurisdictions. Operating in international markets could also increase our business exposure to the effects of trade and economic sanctions regulations. See "—We are subject to governmental export and import controls and regulations that could impair our ability to compete in international markets and subject us to liability if we are not in full compliance with applicable laws."

Further, as we continue to expand internationally, we could also become subject to increased difficulties in collecting accounts receivable (including as a result of international sanctions or other trade restrictions affecting the geographies in which we or our learners or customers are present), repatriating money without adverse tax consequences, and risks relating to foreign currency exchange rate fluctuations. We have not engaged in currency hedging activities to limit risk of exchange rate fluctuations, and while we may decide to do so in the future, the availability and effectiveness of these hedging transactions may be limited. Changes in exchange rates affect our costs and earnings, and may also affect the book value of our assets located outside the United States and the amount of our stockholders' equity.

We are subject to laws and regulations worldwide, and failure to comply with such laws and regulations could subject us to claims or otherwise adversely affect our business, financial condition and results of operations.

We are subject to a variety of laws in the U.S. and abroad that affect our business. As a global platform with learners and instructors in over 180 countries, we are subject to a wide range of laws and regulations regarding consumer protection, advertising, electronic marketing, privacy, data protection and cybersecurity, data localization requirements, online services, freedom of speech, labor, real estate, taxation, intellectual property ownership and infringement, export and national security, tariffs, anti-corruption and telecommunications, all of which are continuously evolving and developing.

The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, particularly laws outside the U.S., and compliance with laws, regulations and similar requirements may be burdensome and expensive. Because these laws and regulations are subject to change over time, we must continue to dedicate resources to monitoring developments in the law and ensuring compliance. Laws and regulations may be inconsistent from jurisdiction to jurisdiction, and certain jurisdictions may impose more stringent regulatory requirements than the U.S., which may increase the cost of compliance and doing business and expose us to possible litigation, penalties, or fines. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could make our platform less attractive to learners, instructors, or enterprise customers or cause us to change or limit our ability to make available our platform. We have policies and procedures designed to ensure compliance with applicable laws and regulations, but we cannot assure you that we will not experience violations of such laws and regulations or our policies and procedures. Any such violations could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, operating results, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business, operating results, and financial condition.

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

Our business activities are subject to various restrictions under U.S. export and similar laws and regulations, including trade and economic sanctions regulations. The U.S. export control and economic sanctions laws and regulations include restrictions or prohibitions on the sale of certain services to U.S. embargoed or sanctioned countries, governments, persons, and entities which in some cases might apply to our activities. In addition, various countries regulate the import of certain technology and have enacted or could enact laws that could limit our ability to provide learners access to our platform or could limit our learners' ability to access or use our services in those countries.

Although we take precautions to prevent our platform from being provided in violation of such laws and regulations, our platform could nevertheless be provided inadvertently in violation of such laws. Complying with these laws and regulations could be particularly difficult because our products are widely available worldwide, in some cases, by providing only minimal information at registration. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to civil or criminal penalties. We also may be adversely affected through penalties, reputational harm, loss of access to certain markets, or otherwise. In addition, various countries regulate the import and export of certain encryption and other technology, including import and export permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our platform or could limit our learners' ability to access our platform in those countries. Changes in our platform, or future changes in export and import regulations, may prevent our international learners or instructors from using our platform or, in some cases, prevent the export or import of our platform to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions, or related legislation or changes in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our platform.

Failure to comply with anti-bribery, anti-corruption, and anti-money laundering laws, and similar laws, could subject us to penalties and other adverse consequences.

We are subject to the anti-bribery and anti-money laundering laws in the U.S. and other applicable jurisdictions. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, agents, representatives, business partners, and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector.

We sometimes engage third parties to sell our products and conduct our business abroad. We and our employees, agents, representatives, business partners, or third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and may be held liable for the corrupt or other illegal activities of these employees, agents, representatives, business partners, or third-party intermediaries even if we do not explicitly authorize such activities. We cannot assure you that none of our employees and agents will take actions in violation of applicable law, for which we may be ultimately held responsible.

These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies and procedures to address compliance with such laws, we cannot assure you that none of our employees, agents, representatives, business partners, or third-party intermediaries will take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Any allegations or violations of applicable anti-bribery and anti-corruption laws and anti-money laundering laws could result in whistleblower complaints, sanctions, settlements, prosecution, enforcement actions, fines, damages, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from U.S. government contracts, all of which may have an adverse effect on our reputation, business, financial condition, results of operations, and prospects. Responding to any investigation or action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees.

We are from time to time involved in claims, lawsuits, government investigations, and other proceedings that could adversely affect our business, financial condition, and results of operations.

We are involved in litigation matters from time to time, such as matters incidental to the ordinary course of our business, including intellectual property, commercial, employment, class action, whistleblower, accessibility, and other litigation and claims, and governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources, cause us to incur significant expenses or liability, or require us to change our business practices. In addition, the expense of litigation and the timing of these expenses from period to period are difficult to estimate, subject to change, and could adversely affect our financial condition and results of operations. Because of the potential risks, expenses, and uncertainties of litigation, we may, from time to time, settle disputes, even where we have meritorious claims or defenses, by agreeing to settlement agreements. Any of the foregoing could adversely affect our business, financial condition, and results of operations.

Our sales to government clients expose us to additional risks.

We derive a portion of our revenue from sales to US federal, state and local governmental agencies, as well as foreign governments and agencies. Sales to government customers may be subject to lengthy and complex procurement processes, including technology and security assessments, budget approvals and competitive bidding requirements. Government demand for our offerings may be impacted by government shutdowns, public sector budgetary cycles, contracting requirements, and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products and subscriptions. Further, governmental entities may demand contract terms that differ from our standard arrangements and are less favorable than terms agreed with private sector customers, including terms that may allow a government to terminate without cause and provide for higher liability limits for certain losses.

In addition, as a government contractor, we must comply with laws, regulations, and contractual provisions relating to the formation, administration, and performance of government contracts, which affect how we do business with government agencies. Governmental entities may also be subject to a rapidly evolving regulatory framework that may impact their ability to use our platform and products. As a result of actual or perceived noncompliance with these laws, regulations, or contractual provisions, or applicable executive orders, we may be subject to non-ordinary course audits and internal investigations, which may prove costly to our business, divert management time, or limit our ability to continue selling our products and services to our government customers. Any violation of government contracting laws and regulations or contract terms could result in the imposition of various civil and criminal penalties, which may include termination of contracts, forfeiture of profits, suspension of payments and fines, treble damages, and suspension from future government contracting. Also, engaging in sales activities to foreign governments introduces additional compliance risks specific to the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other similar statutory requirements prohibiting bribery and corruption in the jurisdictions in which we operate. All these factors add further risk to business conducted with these customers.

Adherence to our values and our focus on long-term sustainability may negatively impact our short- or medium-term financial performance.

Our values motivate everything we do, and we accordingly intend to focus on the long-term sustainability of our business and platform. We may take actions that we believe will benefit our business and our ecosystem and, therefore, our stockholders over a period of time, even if those actions do not maximize short- or medium-term financial results. However, these longer-term benefits may not materialize within the timeframe we expect or at all. For example:

- we may choose to prohibit certain content from our platform that we believe is inconsistent with our values even though we could benefit financially from the sale of that content;
- we may choose to revise our policies in ways that we believe will be beneficial to our learners, instructors, and UB customers in the long term even though the changes may be perceived unfavorably among our existing learners, instructors, and customers; or
- we may take actions, such as locating our servers in low-impact data centers, that reduce our environmental footprint even though these actions may be more costly than other alternatives.

Inadequate self-insurance accruals or insurance coverage for employee healthcare benefits could have an adverse effect on our business, financial results or financial condition.

We self-insure for certain medical benefits, up to certain stop-loss limits. We accrue these costs based on known claims and estimates of incurred but not reported claims. Our actual liabilities may exceed our estimates of losses. We may also experience an unexpectedly large number of claims that result in costs or liabilities in excess of our projections, which could cause us to record additional expenses.

Risks related to technology, privacy, and cybersecurity

Changes in laws or regulations relating to privacy, data protection, or cybersecurity, including those relating to the protection or transfer of data relating to individuals, or any actual or perceived failure by us to comply with such laws and regulations or any other obligations, could adversely affect our business.

We receive, transmit, store, and otherwise process personal information and other data relating to our learners, instructors, and other individuals, such as our employees. Numerous local, municipal, state, federal, and international laws and regulations address privacy, data protection, cybersecurity, and the collection, storage, use, disclosure, protection, and other processing of certain types of data. These laws, rules, and regulations evolve frequently and their scope may continually change, through new legislation, amendments to existing legislation, and changes in enforcement, and may be inconsistent from one jurisdiction to another.

For example, the E.U. General Data Protection Regulation ("GDPR") has resulted and will continue to result in significantly greater compliance burdens and costs for companies like ours. The GDPR regulates our collection, control, sharing, use, disclosure, and other processing of personal data of individuals in the E.U. Actual or alleged failure to comply with the GDPR may result in fines of up to 20 million euros or up to 4% of the annual global revenue of the infringer, whichever is greater. It may also lead to civil litigation, with the risks of damages, injunctive relief, or regulatory orders adversely impacting our processing of personal data.

The United Kingdom maintains a United Kingdom version of the GDPR (combining the GDPR and the United Kingdom Data Protection Act of 2018), referred to as the U.K. GDPR, which provides for fines of up to 17.5 million British pounds sterling or 4% of global turnover, whichever is greater. In June 2025, the United Kingdom adopted the Data (Use and Access) Act 2025 (the "DUAA"), which amends and supplements the U.K. GDPR and is expected to become fully effective by June 2026. The relationship between the United Kingdom and the E.U. in relation to certain aspects of data protection law is subject to uncertainty. On June 28, 2021, the European Commission announced a decision of "adequacy" concluding that the United Kingdom ensures an equivalent level of data protection to the GDPR, generally permitting personal data transfers from the European Economic Area (the "EEA") to the United Kingdom. This adequacy determination was renewed in 2025, after assessment of DUAA, to extend through December 2031, but remains subject to modification or revocation. We cannot predict how the United Kingdom's data protection regime may continue to develop.
Changes with respect to the UK's data protection regime, its adequacy status, or related matters may lead to additional costs and increase our risk exposure.

Additionally, we are or may become subject to laws, rules, and regulations regarding cross-border transfers of personal data, including transfers of personal data outside the EEA, Switzerland and the United Kingdom. Recent developments have created complexity and uncertainty regarding transfers of personal data from the EEA to the U.S. and other jurisdictions. In 2020, the Court of Justice of the European Union (the "CJEU") invalidated the E.U.-U.S. Privacy Shield Framework (the "Privacy Shield"), under which personal data could be transferred from the EEA. The CJEU also noted that standard contractual clauses (approved by the European Commission as an adequate personal data transfer mechanism) may not necessarily be relied upon in all circumstances. In addition to other mechanisms, in limited circumstances we may rely on Privacy Shield certifications of third parties (for example, vendors and partners). The European Commission and the United Kingdom's Information Commissioner's Office have published new standard contractual clauses that are required to be implemented.

Following issuance of a U.S. Executive Order, a new framework, the EU-U.S. Data Privacy Framework ("EU-U.S. DPF") was created as a successor to the Privacy Shield. Following an adequacy decision issued by the European Commission on July 10, 2023, the DPF, along with a UK extension to the EU-U.S. DPF that allows the transfer of personal data from the UK to the U.S. (the "UK DPF Extension"), is available for companies as a lawful transfer mechanism for personal data transfers to the U.S. from the EEA and UK. The Swiss-U.S. Data Privacy Framework ("Swiss-U.S. DPF") also has been established to serve as a lawful transfer mechanism for personal data transfers to the U.S. from Switzerland. We have self-certified to the EU-U.S. DPF, the UK DPF Extension, and the Swiss-U.S. DPF. The EU-U.S. DPF has been the subject of legal challenge, however, and more generally, these frameworks may be subject to legal challenges from privacy advocacy groups or others. Additionally, the European Commission's adequacy decision regarding the DPF provides that the DPF will be subject to future reviews and may be subject to suspension, amendment, repeal, or limitations in scope by the European Commission. These developments regarding cross-border data transfers have created uncertainty and increased the risk around our international operations and may require us to review and amend the legal mechanisms by which we make or receive personal data transfers to the U.S. and other jurisdictions. We may, among other things, be required to implement additional contractual and technical safeguards for any personal data transferred out of the EEA, Switzerland, the United Kingdom or other regions which may increase compliance costs, lead to increased regulatory scrutiny or liability, may require additional contractual negotiations, and may adversely impact our business, financial condition and operating results.

The California Consumer Protection Act ("CCPA"), which went into effect on January 1, 2020, among other things, requires covered companies to provide specified disclosures to California consumers and affords such consumers the ability to opt out of certain types of data sharing and sales. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches. Additionally, in November 2020, California voters passed the California Privacy Rights and Enforcement Act of 2020 (the "CPRA"). As of January 1, 2023, the CPRA expanded the CCPA with additional requirements that may impact our business and establishes a regulatory agency dedicated to enforcing the law. More than a dozen U.S. states have enacted comprehensive privacy laws similar to the CCPA and CPRA, including Virginia, Colorado, Connecticut, Utah, Iowa, Indiana, Tennessee, Montana, Texas, Oregon, Delaware, New Jersey, New Hampshire, Minnesota, Nebraska, Florida, Kentucky, Maryland, and Rhode Island, with additional states continuing to consider similar legislation. Many of these state privacy laws have taken effect or will take effect in coming years, creating a patchwork of overlapping but different state laws and reflecting a trend of increasingly stringent privacy legislation in the U.S., which could increase our potential liability and adversely affect our business, financial condition, and results of operations.

Outside of Europe, many other countries, including countries where we have operations or otherwise do business, have adopted or are considering adopting data protection legislation, including, for example, regimes adopted in Australia, India, and Mexico. Many of these data protection regimes are based upon principles underlying the GDPR or its predecessor, the E.U. Data Protection Directive, and provide for substantial obligations and penalties for non-compliance. In addition, the Personal Information Protection Law (the "PIPL"), went into effect in the People's Republic of China (the "PRC") on November 1, 2021. The PIPL shares similarities with the GDPR, including extraterritorial application, data minimization, data localization, and purpose limitation requirements, and obligations to provide certain notices and rights to PRC citizens. The PIPL allows for fines of up to 50 million renminbi or 5% of a covered company's revenue in the prior year.

We may also become subject to new laws regulating non-personal information. For example, the European Union's Data Act (the "EDA") requires data and cloud service interoperability, mandates switching capabilities that allow users to change cloud service providers without undue delay or cost, and establishes requirements for cross-border transfers of and governmental access to non-personal information outside the EEA.

We may need to adjust our business practices, contractual arrangements, or services based on how the EDA and similar laws are implemented and interpreted, which may result in additional costs, contract renegotiations, and operational disruption. These changes could adversely affect our revenue and results of operations, especially if they result in impacts to customer subscription terms. Because the full scope and enforcement of these requirements remains uncertain, the potential impact on our business is difficult to predict.

Federal, state, and foreign laws and regulations relating to privacy and the collection, storing, sharing, use, disclosure, protection, and other processing of certain types of data continue to evolve. These laws and regulations are subject to varying enforcement as well as new and changing interpretations by courts, which may result in different or inconsistent obligations. These laws or regulations, particularly any new or modified laws or regulations, or changes to the interpretation or enforcement of laws or regulations, that require enhanced protection of certain data or new obligations, could greatly increase the cost of providing our platform, require significant changes to our data processing practices and other aspects of our operations, or prevent us from providing our platform in jurisdictions in which we currently operate and in which we may operate in the future.

Additionally, we have incurred, and may continue to incur, significant expenses in efforts to comply with privacy, data protection, and cybersecurity standards and protocols imposed by law, regulation, industry standards, or contractual obligations. We may be subject to investigation or enforcement actions by regulators if our statements, policies or practices relating to privacy, data protection, or cybersecurity are alleged to be deficient, lacking transparency, deceptive, unfair, or misrepresentative. We are also bound by contractual obligations related to our collection, use, disclosure, protection, and other processing of personal data and other types of data. Our efforts to comply with such obligations may not be successful or may have other negative consequences. With laws, regulations, and other actual and asserted obligations relating to privacy, data protection, and cybersecurity imposing new and relatively burdensome obligations and with uncertainty over their interpretation and application, we may face challenges in addressing their requirements and making necessary changes to our policies and practices and may incur significant costs and expenses in efforts to do so. Despite our efforts, our interpretations of the law or our practices, policies, or platform or other services or offerings could be inconsistent with, or fail or be alleged to fail to meet all requirements of, such laws, regulations, or obligations. Any actual or perceived failure, or consequences associated with our efforts, to comply with applicable laws or regulations or any other obligations relating to privacy, data protection, cybersecurity, or data processing, or any compromise of security that results in unauthorized access to, or use or release of data relating to learners, instructors, or other individuals could damage our reputation, discourage new and existing learners, instructors, and UB customers from using our platform, and could result in investigations, or other proceedings by governmental agencies, private claims and litigation, and fines, penalties, and other liabilities, any of which could adversely affect our business, financial condition and operating results. Even if not subject to legal challenge, concerns relating to privacy, data protection, or cybersecurity, whether or not valid, may harm our reputation and brand adversely affect our business, financial condition, and operating results.

A cybersecurity attack or other security breach or incident could delay or interrupt service to our learners, instructors, and UB customers, harm our reputation or subject us to significant liability.

Our platform involves the processing of significant amounts of data relating to learners, instructors, and UB customers interacting with our platform, including personal data and personal information. Additionally, we collect and store certain sensitive and proprietary information, and personal information, in the operation of our business, including trade secrets, intellectual property, employee data, and other confidential data.

We engage third-party service providers to store and otherwise process certain data, including sensitive and personal information. We and our service providers have been, and in the future may be, the targets of cyberattacks, malicious software, phishing schemes, fraud, intentional and unintentional insider threats, and other risks to the confidentiality, security, integrity, and availability of their systems and the data they process for us. Our ability to monitor our service providers' cybersecurity is limited, and third parties may be able to circumvent those security measures, resulting in the unauthorized access to, misuse, disclosure, loss, unavailability, destruction or other processing of data they process for us, including sensitive and personal information. There have been and may continue to be significant supply chain attacks, and we cannot guarantee that our or our third-party providers' systems and networks have not been breached or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our services.

While we have taken measures to protect our own proprietary and confidential information, as well as the personal data and confidential information that we otherwise process, and measures to protect our platform, we, our third-party service providers, other third parties on which we rely, and the networks and systems used in our business, including those of third-party service providers, have experienced, and we, our service providers and our platform may in the future experience, cybersecurity incidents or other security breaches or incidents. Cybersecurity incidents may take the form of denial of service attacks, attacks using ransomware or other malware, theft of proprietary information, or other attacks, and can come from insider threats as well as individual hackers, criminal groups, and state-sponsored organizations. These sources have used AI and machine learning to launch more automated, targeted and sophisticated attacks against targets. They can also implement social engineering techniques to induce our employees, contractors, or customers to disclose passwords or other sensitive information or take other actions to gain access to data, and these social engineering attacks have become more sophisticated as attackers leverage AI and “deepfake” technologies to craft increasingly convincing fraudulent communications and scenarios. Additionally, we and many other companies with whom we interact increasingly rely on automated systems and processes, which creates and heightens certain security threats. Further, we have experienced and may in the future experience cybersecurity incidents resulting from employee or contractor error or malfeasance, including as a result of intentional or accidental misuse of authorized access to our systems. These and other threats may be heightened by geopolitical tensions and conflicts. We also may be more susceptible to cyberattacks and other security breaches and other security incidents while many of our employees work remotely, because we have less ability to implement, monitor, and enforce our information security and data protection policies.

More generally, we cannot guarantee that applicable recovery systems, security and data encryption protocols, network protection mechanisms, and other procedures of ourselves or our third-party service providers, or other third parties on which we rely, are or will be adequate to prevent network and service interruption, system failure or loss, corruption, or unauthorized access to, or disclosure, acquisition, unavailability, destruction, or other processing of, data, including personal data and other sensitive information that we or they process or maintain. Moreover, our platform could be breached or disrupted if vulnerabilities in our platform are exploited by unauthorized third parties. Techniques used to obtain unauthorized access change frequently and the volumes of cybersecurity attacks and of security breaches and incidents generally are increasing. We and our third-party service providers, and other third parties on which we rely, may be unable to implement adequate preventative measures or stop any attacks while they are occurring. A cybersecurity attack or security breach or incident could delay, disrupt or interrupt our platform and services and may deter learners, instructors, or organizations from using our platform, and we and our service providers may face difficulties or delays in identifying, remediating, and otherwise responding to any cybersecurity attack or other security breach or incident. In addition, any actual or perceived cybersecurity attack or security breach or incident could damage our reputation and brand, expose us to a risk of claims, litigation, regulatory investigations or other proceedings and possible fines, penalties, or other liability and require us to expend significant capital and other resources.

We incur significant costs to detect and prevent security breaches and other security-related incidents, including costs associated with training our employees to identify and avoid potential security risks, and we expect our costs will increase as we make improvements to our systems and processes to prevent future breaches and incidents. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. Any disclosures relating to an actual or perceived cybersecurity attack or other security breach or incident suffered by us or any of our third-party service providers, or other third parties on which we rely, could lead to negative publicity and any such disclosures, or any belief that a cybersecurity attack, or a security breach or incident, has impacted us, our platform, or our service providers, or other third parties on which we rely, may cause our learners, instructors, or UB customers to lose confidence in the security of our platform and the effectiveness of the cybersecurity measures we and our service providers utilize.

Further, any limitations of liability provisions in our customer and user agreements, contracts with third-party service providers, or other contracts may not be enforceable or adequate or otherwise protect us from any liabilities or damages with respect to any particular claim relating to a security breach or incident or other security-related matter. While our insurance policies include liability coverage for certain of these matters, subject to applicable deductibles, any cybersecurity attack or other security breach or other incident, could subject us to claims or damages that exceed our insurance coverage. Our insurance coverage might not be adequate for liabilities actually incurred relating to any security breach or incident, such insurance may not continue to be available to us in the future on economically reasonable terms, or at all, and insurers may deny us coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

We may not be able to successfully deploy AI, machine learning, and other evolving technologies.

We leverage generative AI, machine learning, and other evolving technologies throughout our business, including to enhance our platform and offerings. For example, in October 2024, we announced the release of the Udemy AI Assistant, a natural-language chat interface designed to help learners better discover and engage with our content, as well as our AI Skills Mapping tool. We expect AI to become more important to our operations and future growth over time. However, we may not be able to realize the desired or anticipated benefits from our investments in, and use of, AI. We also may not be able to properly develop, implement, or market AI-related features. Our competitors or other third parties may also incorporate AI into their offerings more quickly or more successfully than us, which could impair our competitiveness and adversely affect our business, operating results, and growth prospects.

Additionally, our use of AI systems may subject us to legal liability, whether to private parties or regulatory authorities, as well as brand or reputational harm. If the outputs of our AI systems are, or are alleged to be, deficient, inaccurate, or biased, if such outputs or systems are, or are alleged to be, infringing or misappropriating others' intellectual property rights or otherwise violating applicable laws or regulations, or if any of these had occurred, or were alleged to have occurred, previously, then our business, operating results, financial condition, and growth prospects could be adversely affected. Further, if our employees, contractors or other agents input inappropriate or confidential information into an AI system, our business data and operations could be compromised or otherwise disrupted.

The legal and regulatory frameworks governing AI continue to evolve rapidly. For example, the E.U. Artificial Intelligence Act (the "E.U. AI Act") entered into force on August 1, 2024 and will mostly take full effect by 2026. The E.U. AI Act establishes a risk-based framework for the regulation of AI systems, and will require operators of AI systems to comply with various risk management, data governance, technical documentation, oversight, transparency, and other obligations, depending on the risk classification of the AI systems being used by such operator. Actual or alleged failures to comply with the E.U. AI Act may result in penalties of up to 35 million euros or up to 7% of an operator's total worldwide annual turnover, whichever is greater. Various U.S. states, including California and Colorado, have also recently adopted laws and regulations applicable to the development and use of AI systems and outputs, and U.S. federal legislation addressing AI has also been introduced. Such laws and regulations will have a material impact on the adoption and use of AI systems. Compliance with these laws and regulations may affect our ability to deploy AI systems in our business or integrate AI features into our platform, require changes to our operations and processes, result in heightened compliance burdens and costs, or expose us to additional legal liabilities, any of which could negatively impact our business, financial condition, or operating results.

Interruptions or performance problems associated with our technology and infrastructure could adversely affect our business and results of operations.

Our continued growth partially depends on the ability of learners and instructors to access our platform at any time. Our platform has encountered, and may in the future encounter, disruptions, outages, and other performance problems due to a variety of factors, including infrastructure changes, introductions of new capabilities, human or technology errors, distributed denial of service attacks, or other security related incidents. In some instances, we may not be able to identify the cause or causes of these performance problems in a timely manner. It may become increasingly difficult to maintain and improve the performance of our platform as it grows and becomes more complex, and in the future we may be required to allocate significant resources to augment and update our technology and network infrastructure. If learners or instructors are unable to access our platform within a reasonable amount of time, or at all, our business will be harmed.

Applicable regulations that permit ISPs to limit internet consumption could harm our business.

The current legislative and regulatory landscape regarding the regulation of the Internet and, in particular, Internet neutrality, in the United States is subject to uncertainty. In 2018, the Federal Communications Commission (the “FCC”) repealed its open internet rules, which prohibited internet service providers from charging content providers higher rates in order to deliver their content over certain “fast traffic” lanes. In response, California and several other U.S. states have implemented their own open internet or net neutrality rules. In 2024, the FCC voted to reinstate, with certain modifications, its open internet rules; however, in January 2025, the U.S. Court of Appeals for the Sixth Circuit struck down the FCC’s 2024 order, holding that the FCC lacks statutory authority to regulate broadband internet service as a telecommunications service. As a result, there are currently no federal net neutrality rules in effect, though state-level net neutrality laws, including California’s comprehensive net neutrality statute, remain in place. We cannot predict whether Congress will enact federal net neutrality legislation, or whether state initiatives regulating providers will be modified, overturned, or vacated by legal action, or the degree to which the current regulatory uncertainty would adversely affect our business, if at all.

Similarly, the EU requires equal access to internet content, but as part of its Digital Single Market initiative, the EU may impose network security and disability access requirements, which could increase our costs. Outside these jurisdictions, government regulation of the internet, including the idea of network neutrality, may be developing or non-existent. It is possible that governments of one or more foreign countries may seek to censor content available on our platform or may even attempt to block access to our platform. If we are restricted from operating in one or more countries, our ability to attract and retain learners, instructors, and customers may be adversely affected and we may not be able to grow our business as we anticipate.

We rely on Amazon Web Services for a substantial portion of our platform services. Any disruption of, or interference with, our use of Amazon Web Services could negatively impact our business and operations.

Amazon Web Services provides distributed computing infrastructure platforms for business operations, commonly referred to as “cloud” computing services. We currently run a significant portion of our platform’s computing on Amazon Web Services, and any significant disruption of, or interference with, our use of Amazon Web Services would negatively impact our operations and our business would be seriously harmed. If learners or instructors are unable to access our platform through Amazon Web Services or encounter difficulties in doing so, we may lose learners, instructors, and UB customers. The level of service provided by Amazon Web Services may also impact the adoption and perception of our platform. If Amazon Web Services experiences interruptions in service regularly or for a prolonged basis, or other similar issues, our business would be seriously harmed. Hosting costs will also increase if and as our base of learners, instructors, and UB customers grows, and our business, financial condition, and results of operations may be adversely affected if we are unable to grow our revenue faster than the cost of using Amazon Web Services or similar providers increases.

Amazon Web Services may take actions beyond our control that could seriously harm our business, including discontinuing or limiting access to Amazon Web Services, increasing pricing terms, terminating our contract, establishing more favorable terms with one or more of our competitors, and modifying or interpreting its terms of service or other policies in a manner that impacts our ability to administer our business and operations.

Our payments system depends on third-party providers and is subject to evolving laws and regulations.

We rely on third-party payment processors to process payments made by learners and customers, and to instructors, on our platform. We have engaged third-party service providers to perform underlying card processing, currency exchange, identity verification, and fraud analysis services. If these service providers do not perform adequately or if our relationships with these service providers end for any reason, we will need to find an alternate payment processor and may not be able to secure similar terms or replace such payment processors in an acceptable time frame. Further, the software and services provided by our third-party payment processors may not meet our expectations, contain errors or vulnerabilities, be compromised, or experience outages. Any of these risks could cause us to lose our ability to accept online payments, make payments to our instructors or conduct other payment transactions, any of which could make our platform less convenient and attractive and harm our ability to attract and retain learners, instructors, and customers. In addition, if these providers increase the fees they charge us, our operating expenses could increase.

The laws and regulations related to payments are complex and vary across different jurisdictions in the United States and globally. As a result, we are required to spend significant time and effort to comply with those laws and regulations. Any failure or claim of our failure to comply, or any failure by our third-party service providers to comply, could cost us substantial resources, result in liabilities, or force us to stop offering certain third-party payment services. In addition, as we expand our international operations, we will need to accommodate international payment method alternatives. As we expand the availability of new payment methods in the future, including internationally, we may become subject to additional regulations and compliance requirements.

Further, through our agreement with our third-party credit card processors, we are indirectly subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard. We are also subject to rules governing electronic funds transfers. Any change in these rules and requirements could make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to additional fines and higher transaction fees and lose our ability to accept credit and debit card payments from our learners and UB customers, process electronic funds transfers or facilitate other types of online payments, and our business and operating results could be adversely affected.

The use of our platform could be adversely affected if our mobile apps are not effective.

Learners have been increasingly accessing our platform on mobile devices through our Udemy and UB apps in recent years. The smaller screen size and reduced functionality associated with some mobile devices may make the use of our platform more difficult. Those accessing our platform primarily on mobile devices may not enroll in the courses offered on our platform as often as those accessing our platform through personal computers, which could result in less revenue for us. If we are not able to provide a rewarding experience on mobile devices, our ability to attract learners to our platform could be impaired, and consequently our business may suffer.

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

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

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

If our learners encounter difficulty accessing or using, or if they choose not to use, our mobile platform, our business and results of operations may be adversely affected.

Internet search engines drive traffic to our platform and, if we fail to appear prominently in search results, our growth rate could decline and our business, financial condition and results of operations could be adversely affected.

Many learners find our website through internet search engines, like Google. A critical factor in attracting learners to our website is how prominently we are displayed in response to search queries. Search engine companies typically provide two types of search results: algorithmic listings and paid advertisements. We rely on both types of search results to attract visitors to our website. Algorithmic search result listings are determined and displayed in accordance with a set of proprietary formulas or algorithms developed by particular search engine companies. From time to time, these companies revise their algorithms without notice. In some instances, these modifications have caused our website to be listed less prominently in search results. In addition, search engine companies retain broad discretion to remove from search results any company whose marketing practices are deemed to be inconsistent with the search engine companies' guidelines. If our marketing practices violate or appear to violate search engine company guidelines, we may, without warning, not appear in search result listings at all. If we are listed less prominently or fail to appear in search result listings for any reason, visits by prospective learners to our website would likely decline. We may not be able to replace this traffic and any attempt to do so may require us to increase our sales and marketing expenditures, which may not be offset by additional revenue and could adversely affect our operating results.

Risks related to our intellectual property

We may be unable to adequately obtain, maintain, protect, and enforce our intellectual property and proprietary information, which could adversely affect our business, financial condition, and results of operations.

Our business depends on our intellectual property, the protection of which is critical to our success. We rely on a combination of intellectual property rights, including patents, trade secrets, trade dress, domain names, copyrights, and trademarks to protect our competitive advantage, all of which offer only limited protection. The steps we take to protect our intellectual property, including physical, operational, and managerial protections of our confidential information, contractual obligations of confidentiality, assignment agreements with our employees and contractors, license agreements, and the prosecution and maintenance of registrations and applications for registration of intellectual property rights, require significant resources and may be inadequate. We will not be able to protect our competitive advantage if we are unable to establish, protect, maintain, or enforce our rights or if we do not detect or are unable to address unauthorized use of our intellectual property. Some license provisions protecting against unauthorized use, copying, transfer, and disclosure of our proprietary information may be unenforceable under the laws of certain jurisdictions.

We hold various registered trademarks in the United States and in foreign jurisdictions. We also have common law rights in some trademarks and pending trademark applications in the United States and foreign jurisdictions. In addition, we have registered domain names for websites that we use in our business, such as www.udemy.com and some other variations. Competitors may adopt service names or domain names similar to ours, thereby harming our ability to build brand identity and possibly leading to user confusion. In addition, our registered or unregistered trademarks or trade names could be declared generic, and there could be potential trade name or trademark infringement claims brought by owners of other trademarks that are similar to our trademarks. If our trademarks and trade names are not adequately protected, we may not be able to build and maintain name recognition in our markets of interest and our business may be adversely affected. Effective trademark protection may not be available or may not be sought in every country in which our products are made available, in every class of goods and services in which we operate, and contractual disputes may affect the use of marks governed by private contract. Additionally, we may from time to time be subject to opposition or similar proceedings with respect to applications for registrations of our intellectual property, including trademarks. While we aim to acquire adequate protection of our brand through trademark registrations in key markets, occasionally third parties may have already registered or otherwise acquired rights to identical or similar marks for services that also address our market. We rely on our brand and trademarks to identify our platform and to differentiate our platform and services from those of our competitors, and if we are unable to adequately protect our trademarks, third parties may use our brand names or trademarks similar to ours in a manner that may cause confusion in the market, which could decrease the value of our brand and adversely affect our business and competitive advantages.

We hold a small number of issued patents and thus have a limited ability to exclude or prevent our competitors from implementing technology, methods, and processes similar to our own. Further, we may not timely or successfully apply for a patent or register its trademarks or otherwise secure rights in our intellectual property. We expect to continue to expand internationally and, in some foreign countries, the mechanisms to establish and enforce intellectual property rights may be inadequate to protect our technology, which could harm our business.

It is our policy to enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships. The confidentiality agreements on which we rely to protect certain technologies may be breached, may not be adequate to protect our confidential information, trade secrets, and proprietary technologies, and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, trade secrets, or proprietary technology. Further, these agreements do not prevent our competitors or others from independently developing products that are substantially equivalent or superior to ours.

Our intellectual property rights and the enforcement or defense of such rights may be affected by developments or uncertainty in laws and regulations relating to intellectual property rights. Moreover, many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets, and other intellectual property protection, which could make it difficult for us to stop the infringement, misappropriation, or other violation of our intellectual property or marketing of competing products in violation of our intellectual property rights generally.

Policing unauthorized use of our intellectual property and misappropriation of our technology and trade secrets is difficult and we may not always be aware of such unauthorized use or misappropriation. Despite our efforts to protect our intellectual property rights, unauthorized third parties may attempt to use, copy, or otherwise obtain and market or distribute our technology or otherwise develop services with the same or similar functionality as our platform. If our competitors infringe, misappropriate, or otherwise violate our intellectual property rights and we are not able to enforce our rights, or if our competitors are able to develop a platform with the same or similar functionality as ours without infringing our intellectual property, our competitive advantage and results of operations could be harmed. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. As a result, we may be aware of infringement by our competitors but may choose not to bring litigation to protect our intellectual property rights due to the cost, time, and distraction of bringing such litigation. Furthermore, if we do decide to bring litigation, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits challenging or opposing our right to use and otherwise exploit particular intellectual property, services, and technology or the enforceability of our intellectual property rights. Any failure to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our products, impair the functionality of our platform, prevent or delay introductions of new or enhanced products or features, result in us substituting inferior or more costly technologies into our platform, or injure our reputation. Furthermore, many of our current and potential competitors may have the ability to dedicate substantially greater resources to developing and protecting their technology or intellectual property rights than we do.

Intellectual property litigation, including litigation related to content available on our platform, could result in significant costs and adversely affect our business, financial condition, results of operations, and reputation.

Companies in the technology industry are frequently subject to litigation based on allegations of infringement or other violations of intellectual property rights. We periodically receive notices that claim we have infringed, misappropriated, or misused other parties' intellectual property rights, including with respect to content made available on our platform by instructors and other third parties. As we gain greater public recognition, we may face a higher risk of being the subject of intellectual property claims. Any intellectual property claims against us, with or without merit, could be time consuming and expensive to settle or litigate and could divert the attention of our management. Some of our competitors have extensive portfolios of issued patents. Many potential litigants, including some of our competitors and patent holding companies, have the ability to dedicate substantial resources to enforcing their intellectual property rights. Litigation regarding intellectual property rights is inherently uncertain due to the complex issues involved, and we may not be successful in defending ourselves in such matters. Furthermore, we may not qualify for the safe harbors established by laws in the United States and other countries protecting online service providers from claims related to content posted by users, or those laws could change in a manner making it difficult or impossible to qualify for such protection, increasing our exposure. While our terms and policies require instructors to respect the intellectual property rights of others, we have limited ability to influence the behavior of third parties, and there can be no assurance that these terms and policies will be sufficient to dissuade or prevent infringing activity by third parties on our platform. For more information, see "—Risks related to our business and operations—We could face liability, or our reputation might be harmed, as a result of courses posted to our platform."

Any claims successfully brought against us could subject us to significant liability for damages and we may be required to stop using technology or other intellectual property alleged to be in violation of a third party's rights. We also might be required to seek a license for third-party intellectual property. Even if a license is available, we could be required to pay significant royalties or submit to unreasonable terms, which would increase our operating expenses. We may also be required to develop alternative non-infringing technology, which could require significant time and expense. If we cannot license or develop technology for any allegedly infringing aspect of our business, we would be forced to limit our service and may be unable to compete effectively. Any of these results could harm our business.

Our platform contains third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict our ability to provide our platform.

We use open source software in our platform and expect to continue to use open source software in the future. In addition, we contribute software source code to open source projects under open source licenses or release internal software projects under open source licenses and anticipate continuing to do so in the future. Additionally, under some open source licenses, if we combine our proprietary software with certain open source software in a certain manner, certain proprietary software (including our own software) or other intellectual property rights could become subject to obligations to be disclosed in source code form and licensed, including for the purpose of enabling further modification and distribution, and at no charge or for only a nominal fee. Third parties may also seek to enforce the terms of the applicable open source license through litigation which, if successful, could subject us to liability and require us to make our proprietary software source code available under an open source license, seek to purchase a license (which, if available, could be costly), and cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. Many of the terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. While we try to insulate our proprietary code from the effects of such open source license provisions, we cannot guarantee that we will be successful, that all open source software is reviewed prior to use in our products, that our developers have not incorporated open source software into our products in potentially disruptive ways, or that they will not do so in the future. In addition to risks related to open source license requirements, use of certain open source software may pose greater risks than use of third-party commercial software, since open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could adversely affect our business, financial condition, and results of operations.

Risks related to financial reporting, taxation, and operations as a public company

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired, which may adversely affect investor confidence in us and, as a result, lead to a decline in the market price of our common stock.

As a public company, we are required to comply with the requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), and the rules and regulations of Nasdaq. The Sarbanes-Oxley Act, among other things, requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers.

Under the Sarbanes-Oxley Act, we are required to make a formal assessment of the effectiveness of our internal control over financial reporting. The cost of our compliance with Section 404 will continue to divert resources and take significant time and effort. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on Nasdaq. Our current controls and any new controls that we develop may become inadequate for a variety of reasons, including changes in conditions in our business. Moreover, our testing, or the subsequent testing by our independent registered public accounting firm, may reveal additional deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. Our disclosure controls and procedures or our internal control over financial reporting are not expected to prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Any failure to implement and maintain effective disclosure controls and procedures and internal control over financial reporting, including the identification of one or more material weaknesses, could cause investors to lose confidence in the accuracy and completeness of our financial statements and reports, which would likely adversely affect the market price of our common stock. In addition, we could be subject to sanctions or investigations by Nasdaq, the SEC, and other regulatory authorities.

Operating as a public company requires us to incur substantial costs and administrative burdens, which could have an adverse effect on our business, financial condition and results of operations.

As a public company, we are subject to additional reporting and other obligations, such as the reporting requirements of the Exchange Act, the applicable requirements of the Sarbanes-Oxley Act, and the applicable listing standards of Nasdaq. Compliance with these rules and regulations results in legal and financial compliance costs and places demands on our systems. Our loss of “emerging growth company” status has required additional attention from management and will result in increased costs to us, which could include higher legal fees, accounting fees and fees associated with investor relations activities, among others. As a public company, we may also be subject to stockholder activism, which can lead to additional substantial costs, distract management, and impact the manner in which we operate our business in ways we cannot currently anticipate. Our business and financial condition will become more visible as a result of our reporting obligations as a public company, which may result in threatened or actual litigation, including by competitors.

Many members of our management team have limited experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, financial condition, and results of operations.

Unanticipated changes in our effective tax rate and additional tax liabilities, including as a result of our international operations or implementation of new tax rules, could harm our future results of operations.

We are subject to income taxes in the United States and certain foreign jurisdictions. Our effective tax rate could be subject to volatility or adversely affected by several factors, many of which are outside of our control, including changes in the mix of earnings and losses in countries with differing statutory tax rates, changes in tax laws, rates, treaties, and regulations or the interpretation of the same, changes to the financial accounting rules for income taxes, the outcome of current and future tax audits, examinations or administrative appeals, certain non-deductible expenses and the valuation of deferred tax assets and liabilities. For example, in July 2025, the United States enacted tax legislation commonly referred to as the One Big Beautiful Bill Act (the “OBBB Act”). We do not believe the provisions under the OBBB Act had a material effect on our condensed consolidated financial statements for the three months ended March 31, 2026, and we are continuously assessing the potential impact the OBBB Act will have on our consolidated financial statements. Additionally, the Organization for Economic Cooperation and Development (the “OECD”) proposed a 15% global minimum tax framework (known as “Pillar Two”), which has been adopted or is being considered by several jurisdictions. The OECD and participating jurisdictions have recently agreed to a “side-by-side” solution that would exempt U.S.-parented multinational businesses, like us, from certain provisions of Pillar Two for fiscal years beginning on or after January 1, 2026. Increases in our effective tax rate would reduce profitability or increase losses. Changes in tax and trade laws, treaties, or regulations, or their interpretation or enforcement, have become more unpredictable and may become more stringent, which could have a material adverse effect on our tax position. We made significant judgments and assumptions in the interpretation of new laws and in our calculations reflected in our financial statements.

In addition, we are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. We believe that we operate in compliance with applicable transfer pricing laws, but our transfer pricing procedures are not binding on applicable tax authorities. If such tax authorities were to successfully challenge our transfer pricing procedures, they could require us to adjust our transfer prices, which could result in a higher overall tax liability to us and possibly interest and penalties.

Further, we are subject to examination by tax authorities on income, employment, sales, and other tax matters. While we regularly assess the likelihood of adverse outcomes from such examinations and the adequacy of our provision for taxes, there can be no assurance that such provision is sufficient and that a determination by a tax authority would not have an adverse effect on our business, financial condition, and results of operations. We believe our income, employment, and transactional tax liabilities are reasonably estimated and accounted for in accordance with applicable laws and principles, but an adverse resolution of one or more uncertain tax positions in any period could have a material impact on the results of operations for that period.

Taxing authorities may successfully assert that we have not properly collected or remitted, or in the future should collect or remit, sales and use, gross receipts, value added, or similar taxes, or employment, payroll, or withholding taxes, and may successfully impose additional obligations on us, and any such assessments, obligations, or inaccuracies could adversely affect our business, financial condition, and results of operations.

The application of non-income, or indirect, taxes, such as sales and use tax, value-added tax, goods and services tax, business tax, and gross receipt tax, to businesses like ours is a complex and evolving issue. Significant judgment is required on an ongoing basis to evaluate applicable tax obligations, and as a result, amounts recorded are estimates and are subject to adjustments. In many cases, the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business. In addition, we do not collect and remit indirect taxes in all jurisdictions in which we operate on the basis that such indirect taxes are not applicable to us. Certain jurisdictions in which we do not collect and remit such taxes may assert that such taxes are applicable, which could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest, could discourage learners, instructors, or organizations from using our platform, could increase the cost for consumers using our platform, or could otherwise harm our business, financial condition, and results of operations.

Additionally, one or more states, localities, or other taxing jurisdictions may seek to impose additional reporting, record-keeping, or indirect tax collection obligations on businesses like ours. Requiring tax reporting or collection could decrease learner or instructor activity, which would harm our business, and could require us to incur substantial costs in order to comply, including costs associated with tax calculation, collection, and remittance and audit requirements, which could make our offerings less attractive and could adversely affect our business, financial condition, and results of operations.

Also, tax rules of certain countries, including the United States, generally require payors to report payments to unrelated parties to the applicable taxing authority and to withhold a percentage of certain amounts and remit such amounts to the applicable taxing authority. Failure to comply with such reporting and withholding obligations with respect to payments we make to our instructors could result in the imposition of liabilities for the under withheld amounts, fines, and penalties. In addition, a tax authority could assert that we should be withholding employment or other taxes from payments to instructors. Due to our large number of instructors and the amounts paid to each, process failures with respect to these reporting obligations could result in financial liability and other consequences to us if we were unable to remedy such failures in a timely manner.

As a result of these and other factors, the ultimate amount of tax obligations owed may differ from the amounts recorded in our financial statements and any such difference may adversely affect our results of operations in future periods in which we change our estimates of our tax obligations or in which the ultimate tax outcome is determined.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

We have incurred net operating losses (“NOLs”) during prior periods. As such, there is a risk that our existing NOLs could expire unused and be unavailable to offset future income tax liabilities. Specifically, the Tax Cuts and Jobs Act of 2017 imposes certain limitations on the deduction of NOLs generated in tax years that began on or after January 1, 2018, including a limitation on use of NOLs to offset only 80% of taxable income and the disallowance of NOL carrybacks. Although NOLs generated in tax years before 2018 may still be used to offset future income without limitation, the recent legislation, among other regulatory and economic changes, may limit our ability to use our NOLs to offset any future taxable income. Our NOLs may similarly expire under state laws.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change NOLs and federal tax credit carryforwards to offset its post-change taxable income, or reduce its federal income tax liability, may be limited. In general, an “ownership change” occurs when there is a cumulative change in our equity ownership by “5 percent shareholders” that exceeds 50 percentage points over a rolling three-year period. Certain of our gross U.S. federal NOLs are subject to this limitation as a result of these ownership changes, and if it is determined that we have experienced additional ownership changes, our ability to use our NOLs and federal tax credit carryforwards to reduce future taxable income and tax liabilities may be further limited. Similar limitations may apply under state tax laws. In addition, in June 2024, California enacted a temporary suspension on the use of state NOLs in the taxable years 2024, 2025 and 2026, which would adversely affect us if we earn taxable income in the impacted taxable years. Other state tax limitations may also apply.

Our results of operations, which we report in U.S. dollars, could be adversely affected if currency exchange rates fluctuate substantially in the future.

We conduct our business in over 180 countries around the world. As we continue to expand our international operations, we will become more exposed to the effects of fluctuations in currency exchange rates. This exposure is the result of selling in multiple currencies and operating in foreign countries where the functional currency is the local currency. During the three months ended March 31, 2026, 24% of our sales were denominated in currencies other than U.S. dollars, including euros, Indian rupees, British pounds sterling, Brazilian reais, and Japanese yen. Similarly, we incur expenses in multiple currencies. As a result, fluctuations in the value of the U.S. dollar against these foreign currencies may result in negative impacts to our revenue, costs and profit margins. Because we conduct business in currencies other than U.S. dollars, but report our results of operations in U.S. dollars, we also face remeasurement exposure to fluctuations in currency exchange rates, which could hinder our ability to predict our future results and earnings and could materially impact our results of operations. We do not currently maintain a program to hedge exposures to non-U.S. dollar currencies.

We could be adversely impacted by the effects of inflation.

Certain of our key markets, including the United States, are experiencing historically high rates of inflation, resulting from several macroeconomic and geopolitical factors, including supply chain constraints and rising oil and natural gas prices. Our operating costs have increased and may continue to increase due to rising inflation and as a result we may be required to take measures to respond to the impact of inflation. Among other things, we could be required to change our pricing model to offset inflationary pressures on our operating costs, but doing so could adversely affect customer acquisition and retention, negatively impacting our long-term growth, and could impair our competitive position if our competitors choose to absorb the cost of inflation. Alternatively, if we choose to absorb the cost of inflation to prioritize growth, our financial condition and results of operations may be negatively impacted. Moreover, our instructors may independently make pricing decisions with respect to the courses they offer on our platform as a result of inflationary pressures, and any price increase could negatively impact the attractiveness of our marketplace to learners. Inflation has also contributed to higher interest rates, which may make it more difficult for us to raise capital on acceptable terms, should we choose to pursue additional financing in the future.

In any case, there can be no assurance that any measures we take to mitigate or address the impact of inflation will be effective. Even if such mitigatory measures are effective, there could be a difference between the timing of when these beneficial actions impact our results of operations and when the cost of inflation is incurred.

Any failure to successfully manage the impact of inflation on our business in a timely manner could materially and adversely affect our business, financial condition, and results of operations.

Our reported financial results may be adversely affected by changes in generally accepted accounting principles.

Generally accepted accounting principles are subject to interpretation by the Financial Accounting Standards Board, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported results of operations and could affect the reporting of transactions completed before the announcement of a change. It is difficult to predict the impact of future changes to accounting principles or our accounting policies, any of which could negatively affect our reported results of operations.

Risks related to ownership of our common stock

The trading price of our common stock may be volatile, and you could lose all or part of your investment.

The market price of our common stock has, and may continue to, fluctuate substantially depending on a number of factors, including those described in this “Risk Factors” section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include the following:

- the Merger, the pendency of the Merger, or the failure to complete the Merger;
- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our common stock by us or our stockholders;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections, or our failure to meet those projections;
- announcements by us or our competitors of new services or platform features;
- the public’s reaction to our press releases, other public announcements, and filings with the SEC;

- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations;
- actual or anticipated developments in our business, our competitors' businesses, or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- actual or perceived privacy or security breaches or other incidents;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses, services, or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- any significant change in our management;
- actual or anticipated changes in international trade policies, including those resulting from tariffs, trade barriers and other trade regulations, as well as the actual or anticipated effect of such policies on us and our customers;
- general economic conditions and slow or negative growth of our markets; and
- other events or factors, including those resulting from wars and other armed conflicts, such as Russia's invasion of Ukraine and the ongoing conflicts in the Middle East, incidents of terrorism, natural disasters, public health emergencies, or natural disasters, as well as responses to any of these events.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Future sales of our common stock could depress the market price of our common stock.

The market price of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers, and significant stockholders, a large number of shares of our common stock becoming available for sale, or the perception in the market that such sales could occur.

Certain holders of our common stock are entitled to rights with respect to the registration of their shares under the Securities Act under our investors' rights agreement. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares held by our affiliates (as defined in Rule 144 under the Securities Act), which shares would be subject to the limitations of Rule 144. Sales of our securities or the perception that such sales could occur pursuant to these registration rights may make it more difficult for us to issue and sell securities in the future at a time and at a price that we deem appropriate. These sales could also adversely affect the trading price of our common stock and make it more difficult for you to sell shares of our common stock.

Future issuances of our common stock or rights to purchase common stock could result in additional dilution to our stockholders and cause the price of our common stock to decline.

We may issue additional common stock, convertible securities, or other equity from time to time. We also expect to issue common stock to our employees, directors, and other service providers pursuant to our equity incentive plans. Such issuances will be dilutive to investors and could cause the price of our common stock to decline. New investors in such issuances could also receive rights senior to those of holders of our common stock.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us, our business or our industry, or if they change their recommendation regarding our common stock adversely, the market price and trading volume of our common stock could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us, our business, our market, or our competitors. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If any of the analysts who cover us change their recommendation regarding our common stock adversely, provide more favorable relative recommendations about our competitors, or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If any analyst who may cover us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets and demand for our securities could decrease, which could cause the price and trading volume of our common stock to decline.

We do not expect to pay dividends in the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not anticipate declaring or paying any dividends to holders of our capital stock in the foreseeable future. Further, our ability to pay dividends on our capital stock in the future is limited by contractual restrictions under the terms of the Merger Agreement. Consequently, stockholders must rely on sales of their shares of our common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

Our directors, executive officers, and principal stockholders beneficially own a substantial percentage of our common stock and are able to exert significant control over matters subject to stockholder approval.

As of March 31, 2026, our directors, executive officers, and holders of more than 5% of our outstanding common stock, together with their respective affiliates, beneficially owned shares representing approximately 37% of our outstanding common stock. As a result, these stockholders, if they act together, will be able to influence our management and affairs and all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control of our company and might affect the market price of our common stock.

Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws might delay, discourage or prevent a merger, tender offer or proxy contest, thereby depressing the market price of our common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law (the "DGCL"), may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make any acquisition of our company more difficult or delay or prevent changes in control of our management. Among other things, these provisions:

- provide that our board of directors is expressly authorized to make, alter or repeal our bylaws;
- authorize our board of directors to issue shares of preferred stock and determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval;
- provide that the authorized number of directors may be changed only by resolution of the board of directors;
- provide that all vacancies on our board of directors and all newly created directorships may only be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum, or by a sole remaining director, except as otherwise required by law, our governing documents or resolution of our board of directors, and subject to the rights of the holders of our preferred stock;
- establish that our board of directors is divided into three classes, with each class serving staggered three-year terms;

- provide that a director may only be removed from the board of directors by the stockholders for cause and only by the affirmative vote of the holders of at least a majority of the voting power of the issued and outstanding capital stock entitled to vote in the election of directors;
- prohibit cumulative voting (therefore allowing the holders of a plurality of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose);
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- require that stockholders give advance notice to nominate directors or submit proposals for consideration at stockholder meetings;
- provide that special meetings of our stockholders may be called only by the board of directors acting pursuant to a resolution adopted by the majority of the entire board of directors, the Chairperson of the board of directors, our Chief Executive Officer or our President;
- provide that, unless we otherwise consent in writing, a state or federal court located within the State of Delaware shall be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim against us arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation, and our amended and restated bylaws, or (4) any action asserting a claim against us governed by the internal affairs doctrine;
- provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act; and
- require a super-majority vote of stockholders to amend some of the provisions described above.

These provisions, alone or together, could delay, discourage, or prevent a transaction, including the proposed Merger with Coursera, involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

Our amended and restated bylaws provide, to the fullest extent permitted by law, that the Court of Chancery of the State of Delaware and the federal district courts of the United States are the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, stockholders, or employees and, in turn, discourage lawsuits against our directors, officers, or employees.

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

Our amended and restated bylaws also provide that, to the fullest extent permitted by applicable law and unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act against any person in connection with any offering of our securities. The enforceability of similar exclusive federal forum provisions in other companies' organizational documents has been challenged in legal proceedings, and while the Delaware Supreme Court and certain other state courts have ruled that this type of exclusive federal forum provision is facially valid under Delaware law, there is uncertainty as to whether other courts would enforce such provisions and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. This exclusive federal forum provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction.

These exclusive forum provisions may discourage lawsuits against us and our current and former directors, officers, stockholders, and other employees. Alternatively, if a court were to find either exclusive forum provision in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving such action in other jurisdictions, all of which could have a material adverse effect on our business, financial condition, and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Working Capital Restrictions and Other Limitations on the Payment of Dividends

Our revolving credit facility includes certain limitations on our ability to pay cash dividends. For additional details, refer to Note 6 – Debt in our condensed consolidated financial statements, included in Part I, Item 1 of this Form 10-Q.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

During the last fiscal quarter, no director or officer, as defined in Rule 16a-1(f) of the Exchange Act, adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement.”

Item 6. Exhibits

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are herein incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

EXHIBIT INDEX

		Incorporated by Reference			
Exhibit No.	Exhibit Description	Form	File Number	Exhibit	Filing Date
3.1(a)	Amended and Restated Certificate of Incorporation of the Registrant	8-K	001-40956	3.1	November 2, 2021
3.1(b)	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant, as filed with the Secretary of State of the State of Delaware on June 16, 2025	8-K	001-40956	3.1	June 18, 2025
3.2	Amended and Restated Bylaws of the Registrant	10-K	001-40956	3.2	February 27, 2023
31.1*	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2*	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1**	Certifications of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2**	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				

101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

** The certifications attached as Exhibits 32.1 and 32.2 that accompany this Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Udemy, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

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.

		Udemy, Inc.
Date: May 8, 2026	By:	/s/ Hugo Sarrazin
		Hugo Sarrazin President and Chief Executive Officer
Date: May 8, 2026	By:	/s/ Sarah Blanchard
		Sarah Blanchard Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Hugo Sarrazin, certify that:

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

Date: May 8, 2026

By: /s/ *Hugo Sarrazin*

Hugo Sarrazin

President and
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sarah Blanchard, certify that:

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

Date: May 8, 2026

By: /s/ *Sarah Blanchard*

Sarah Blanchard
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION 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 Udemy, Inc. (the “Company”) for the period ended September 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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.

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Udemy, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

Date: May 8, 2026	By:	/s/ Hugo Sarrazin
		Hugo Sarrazin **President and** **Chief Executive Officer** ***(Principal Executive Officer)***

Exhibit 32.2

CERTIFICATION 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 Udemy, Inc. (the “Company”) for the period ended September 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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.

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Udemy, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

Date: May 8, 2026	By:	/s/ *Sarah Blanchard*
		Sarah Blanchard
		Chief Financial Officer
		(Principal Financial Officer)