

Udemy Investor Presentation

Q3 2021

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Knowledge for the real world

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

Udemy at a glance

Reach

46M+

learners globally

Scale

\$490M

LTM revenue —
24% YOY

Content

175K+

courses from
60K+ instructors

Usage

201M+

2020 enrollments

9.5K+

Udemy Business
customers

\$207M

Q3 2021 UB ARR —
80% YOY

\$161M

2020 instructor
payments

2.8B

Q3 2021 minutes
watched

Synergy at scale

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

Three pillars power the business

Organizations

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

Learners

Individuals looking to advance their careers and pursue personal passions

Instructors

Real-world industry experts looking to share and monetize their knowledge

The future of work & learning

Accelerating change in the workplace

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

\$200B

addressable online learning
market opportunity

97M

new roles may
emerge by 2025

94%

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

84%

of employers surveyed
report COVID has
increased the need
to digitize



What today's learners and organizations want



Quality

Ease discovering
high-quality
content



Freshness

Course content
that adapts to
swift market
changes



Relevance & Breadth

Broad and diverse
content for
multifaceted,
modern learners



Access & Reach

Affordability to facilitate
skills advancement

Pricing adjusted to local
markets

Training that can scale
across large
organizations

Why most learning models fail to deliver

Modern learning needs

Quality

Freshness

Relevance & Breadth

Access & Reach

Publisher model challenges

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

The marketplace solution

Modern learning needs

Quality

Freshness

Relevance & Breadth

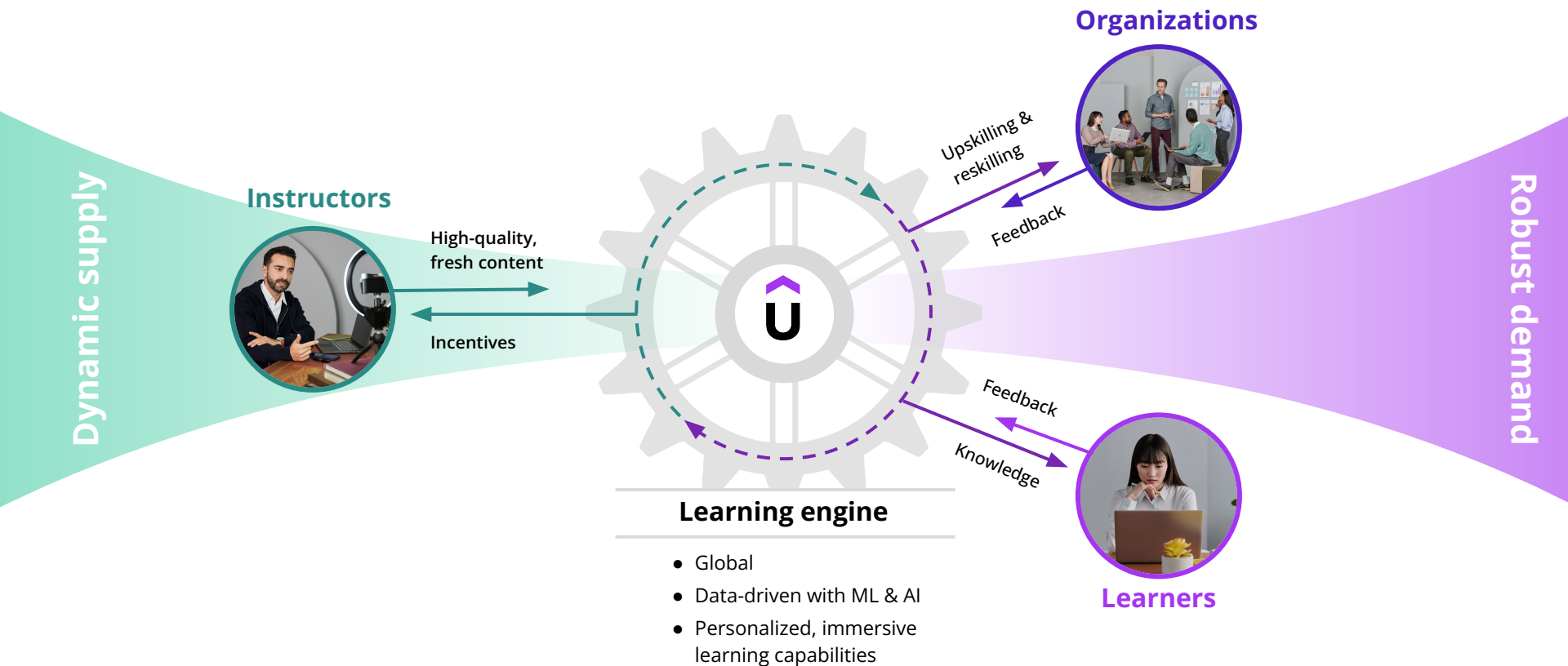
Access & Reach

Marketplace model

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

A platform built for the future

Our robust content-generation engine



Organizations

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

Leaders and admins

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

Employees

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



Learners

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

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



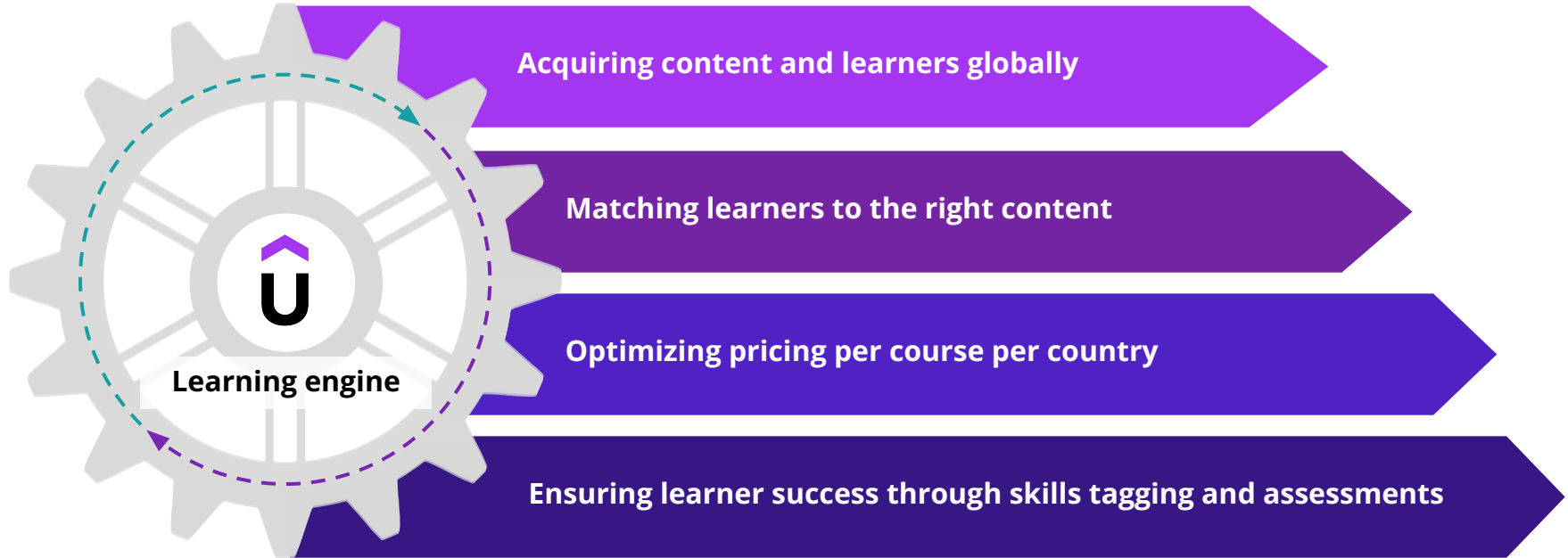
Instructors

A wealth of data and insights difficult to replicate elsewhere

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



Advanced technology infrastructure



Instructor partnership drives engaged innovation

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

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



What's in it for instructors?

\$161M+

instructor payments
during 2020

\$1M+

annual
earnings for
top instructors

201M+

2020 enrollments

**5,000
Courses**
added per month

A quality-first approach to online learning

Udemy attracts world-class experts to our platform

Angela Yu

Founder of the London App Brewery, a programming bootcamp.

Provides mobile development training to Oracle, Salesforce, and Ford.



Total enrollments
1.2M

Average rating
4.7

Jose Portilla

Head of Data Science of Pierian Data Inc.

Provides data science programming to General Electric, Cigna, The New York Times, and Credit Suisse.



Total enrollments
3.5M

Average rating
4.5

Our instructors update courses at the speed of change

60%

of top 1,700 Udemy courses were updated in the last 90 days

Global reach propels Udemy forward

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

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

175K+

courses in over
75 different
languages

30M+

unique global
visitors per month

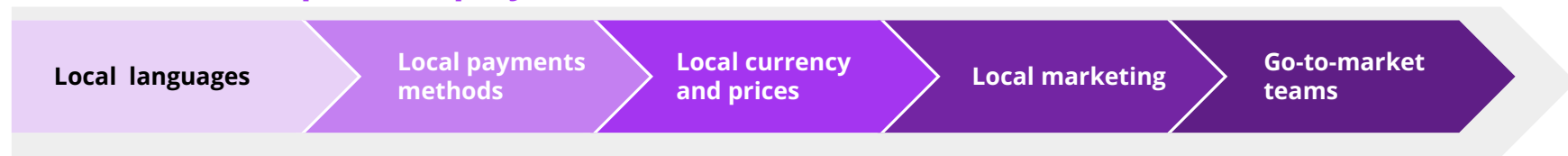
~60%

of Udemy Business
leads generated from
consumer marketplace

>60%

of revenue outside
North America

International expansion playbook

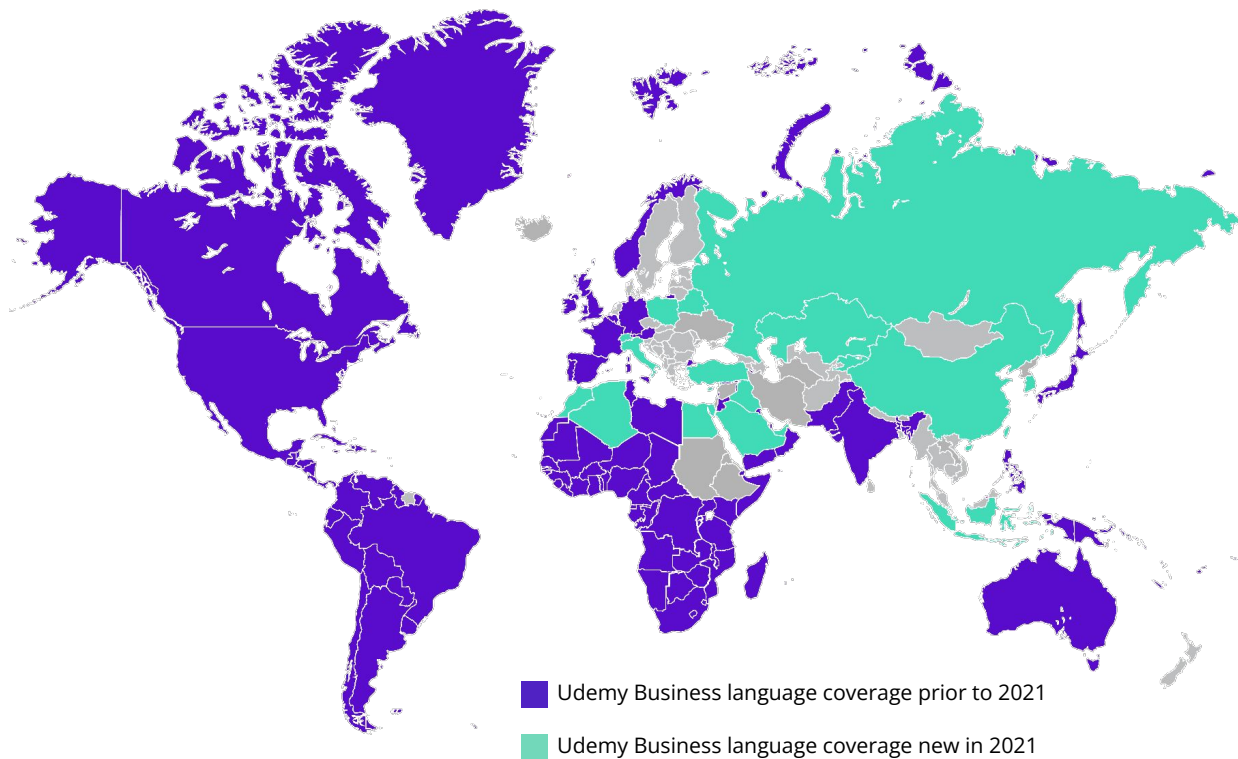


Competitive advantage with local language coverage

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

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

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



Strong customer benefits

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

869%

three-year ROI

29%

less productive time lost
during employee onboarding

2

months to payback

6%

higher developer and designer
team productivity

>3x

more employees on
learning platform

5%

higher IT team
productivity



10% higher employee satisfaction

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

Constantly innovating the platform

Enhanced Learning



D2C subscriptions

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



Cohort-based learning

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



Immersive learning

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

Data-Driven Platform

Personalization

Recommendations

Pricing

Retention

Content Expansion

Breadth

Depth

Languages

Geographic Expansion

Learners

Instructors

Enterprises

Committed to ESG

1st

ESG Risk Rating¹

percentile in the
Internet Software
and Services
assessed by
Sustainalytics



Environmental

100%

targeted renewable-
energy-powered
cloud resources
by 2025

Governance

Data Privacy

is a priority in our
governance programs

Social

18K+

free courses
currently offered

Financial Highlights

Revenue and Gross Margin

Q3'21 Revenue

\$129.6M

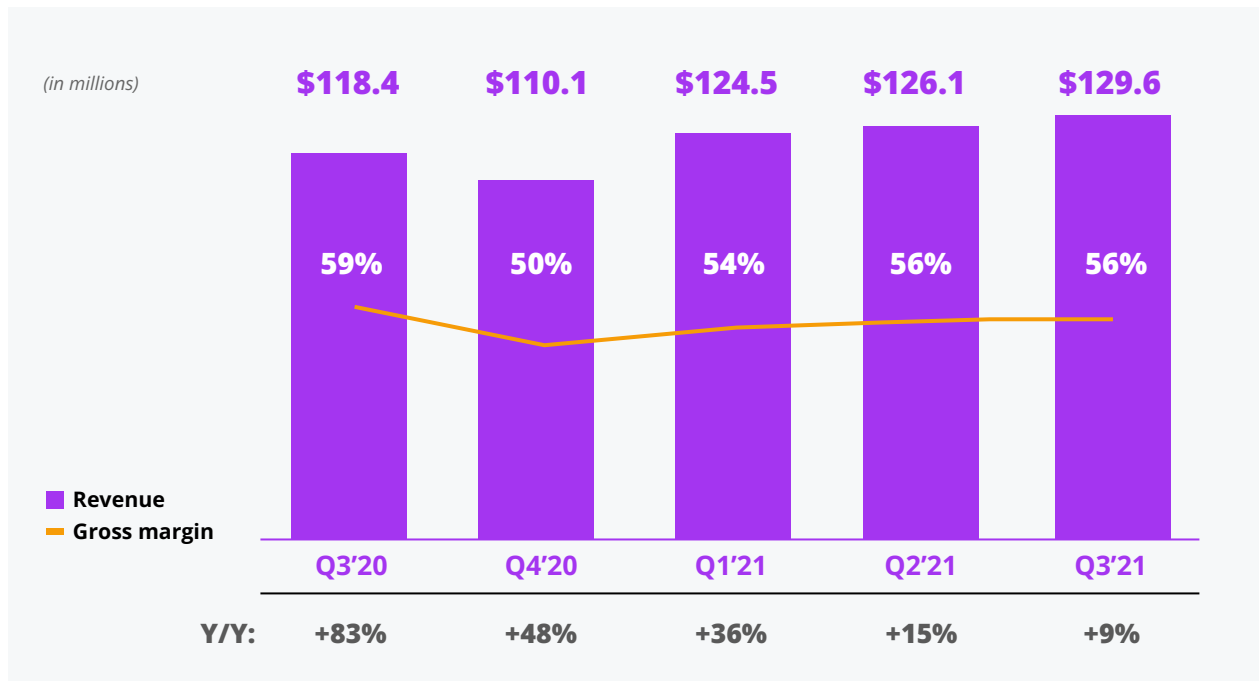
+9% y/y

Strong Udemy Business growth;
tough y/y Consumer comp due to
COVID

Q3'21 Gross Margin

56%

Gross margin expected to
increase over time as Udemy
Business continues to become a
larger portion of overall revenue

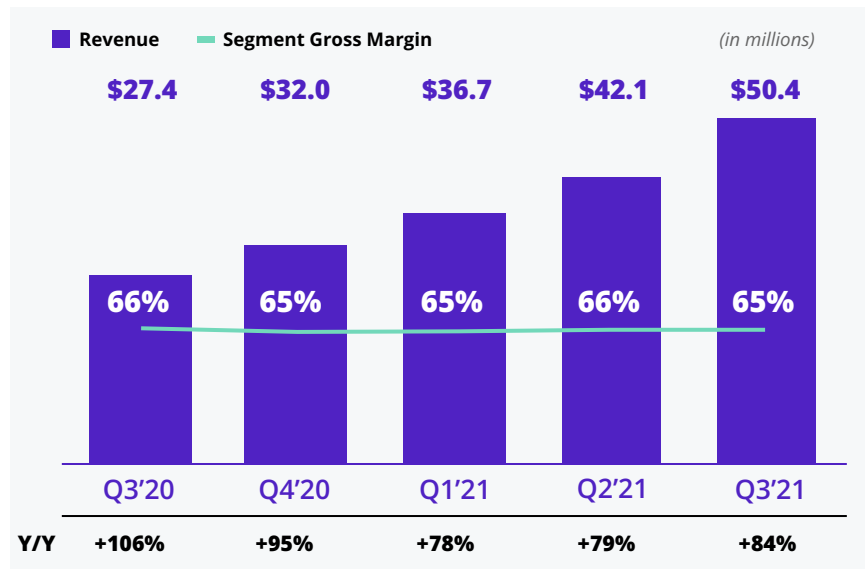


Udemy Business

Q3'21 Revenue

\$50.4M
+84% y/y

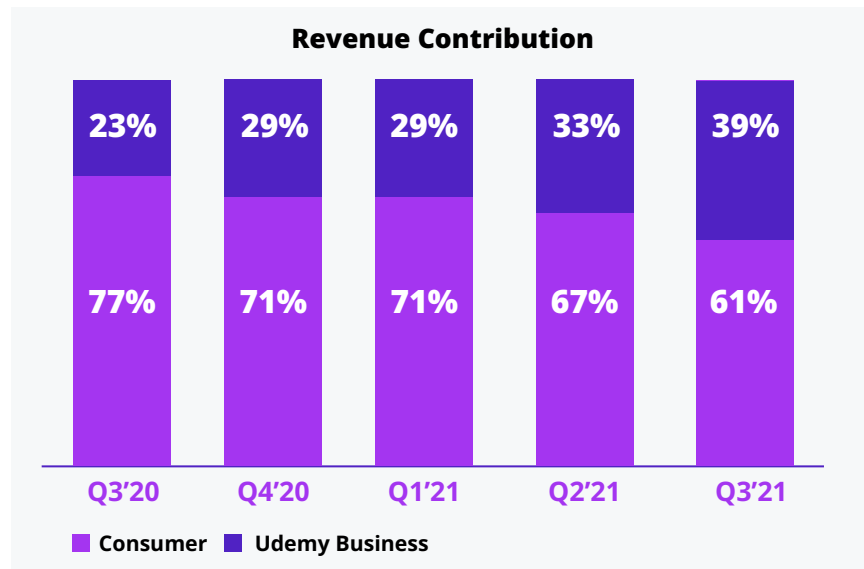
Strength in new logos and expansion within existing customers drove exceptional revenue growth



Q3'21 Revenue Contribution

39%
+16pp y/y

Continued revenue mix shift to Udemy Business



Udemy Business

Q3'21 ARR¹

\$207.4M

+80% y/y

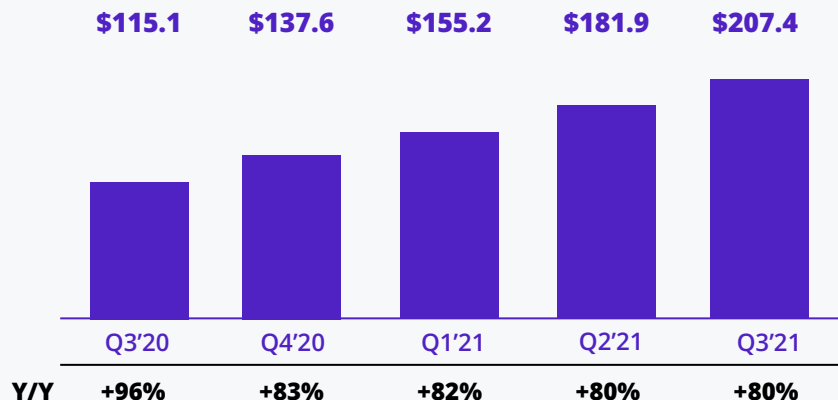
Customers

9.6K

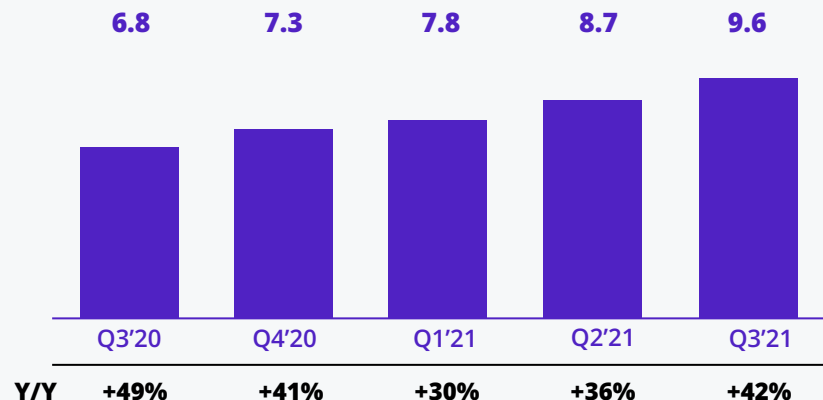
+42% y/y

- Continued strength in new customer acquisition, with new logos acquired across a diverse range of verticals
- 118% Net Dollar Retention Rate

Annual Recurring Revenue (in millions)



Customers (in thousands)



Consumer

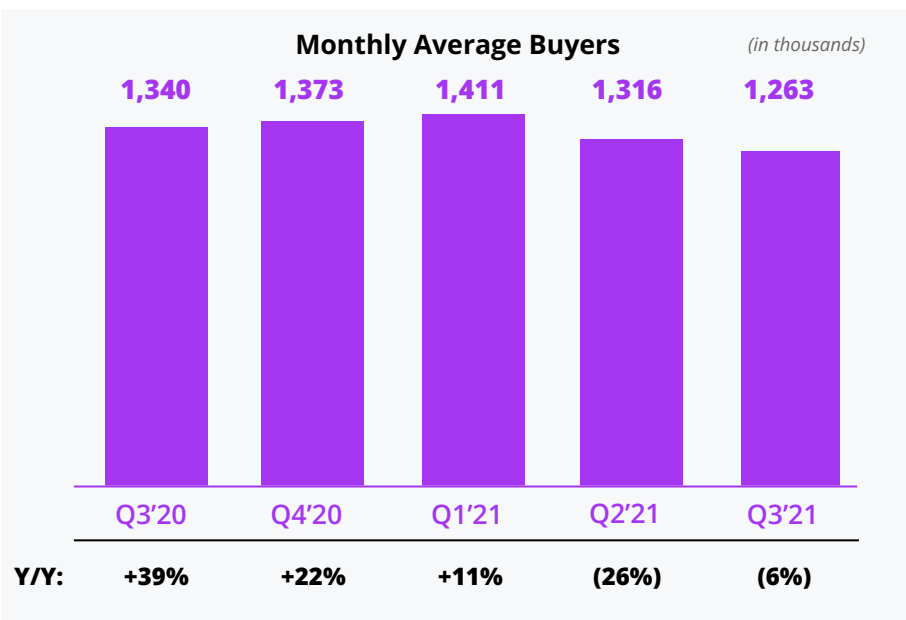
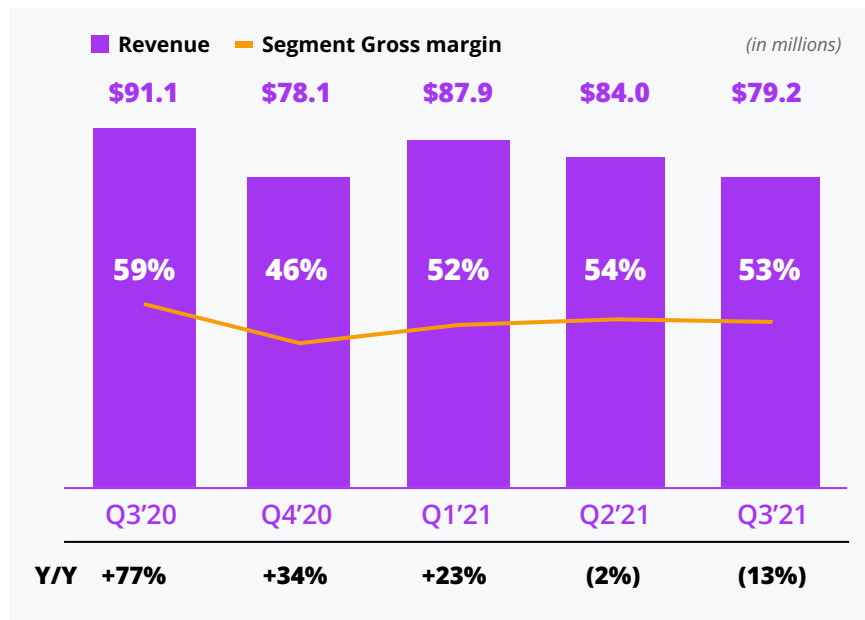
Q3'21 Revenue

\$79.2M

Monthly Average Buyers

1.3M

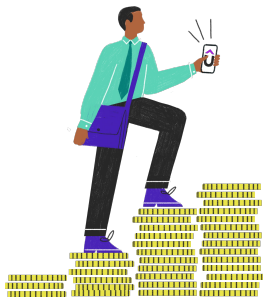
- COVID-related buying in FY20 created a challenging comp
- Traffic continues to be robust with >30M unique visitors per month, over 1.5x pre-pandemic levels¹



Guidance

| | Q4'21 | FY21 |
|-------------------------------------|---------------------------|---------------------------|
| Revenue | \$130.0 - 134.0 million | \$510.2 - 514.2 million |
| Adjusted EBITDA | \$(28.5) - (24.5) million | \$(31.4) - (27.3) million |
| Weighted Average Share Count | 108 million | 55 million |

Positioned for enduring growth



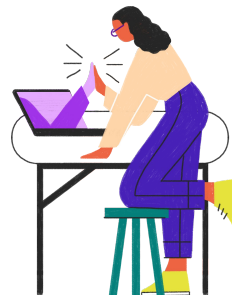
Rapid Enterprise Growth

Consumer business adds tailwinds to Udemy Business, achieving **\$207M in ARR¹ at 80% y/y growth**, to evolve revenue composition for increased growth durability and margins



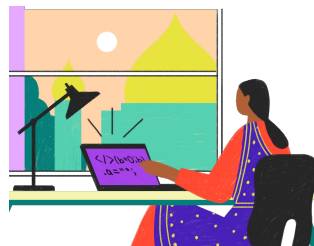
Strong Learner Demand & Engagement

High-quality content attracts **46M+ learners** to our platform for continual monetization, engagement, and feedback



Compelling Two-Sided Marketplace

Aligned incentives have attracted **60K+ instructors** who create content at a high velocity for **175K+ courses**



Global Platform with Localized Content

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

Key Business Metrics Definitions

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

Appendix

GAAP to Non-GAAP Reconciliation

Three Months Ended September 30, 2021

(\$ in thousands, except per share amounts)

| | GAAP | Stock-Based Compensation | Amortization of Intangible Assets | Non-GAAP |
|---|------------|--------------------------|-----------------------------------|------------|
| Revenue | \$ 129,563 | \$ - | \$ - | \$ 129,563 |
| Cost of revenue | 57,986 | (350) | (293) | 57,343 |
| Gross profit | 71,577 | 350 | 293 | 72,220 |
| Operating expenses: | | | | |
| Sales and marketing | 52,258 | (2,149) | (97) | 50,012 |
| Research and development | 16,703 | (1,304) | - | 15,399 |
| General and administrative | 12,166 | (3,417) | - | 8,749 |
| Total operating expenses | 81,127 | (6,870) | (97) | 74,160 |
| Income (loss) from operations | (9,550) | 7,220 | 390 | (1,940) |
| Other income (expense) | | | | |
| Interest income (expense), net | (61) | - | - | (61) |
| Other income (expense), net | (196) | - | - | (196) |
| Total other income (expense), net | (257) | - | - | (257) |
| Net income (loss) before taxes | (9,807) | 7,220 | 390 | (2,197) |
| Income tax (provision) benefit | 545 | - | - | 545 |
| Net income (loss) attributable to common stockholders | (9,262) | 7,220 | 390 | (1,652) |
| Net income (loss) per share attributable to common stockholders | | | | |
| Basic | \$ (0.25) | | | \$ (0.04) |
| Diluted | \$ (0.25) | | | \$ (0.04) |
| Weighted-average shares used in computing net income (loss) per share attributable to common stockholders | | | | |
| Basic | 37,740,586 | | | 37,740,586 |
| Diluted | 37,740,586 | | | 37,740,586 |

GAAP to Non-GAAP Reconciliation

Three Months Ended September 30, 2020

(\$ in thousands, except per share amounts)

| | GAAP | Stock-Based Compensation | Amortization of Intangible Assets | Non-GAAP |
|---|-------------|--------------------------|-----------------------------------|-------------|
| Revenue | \$ 118,436 | \$ - | \$ - | \$ 118,436 |
| Cost of revenue | 48,926 | (62) | - | 48,864 |
| Gross profit | 69,510 | 62 | - | 69,572 |
| Operating expenses: | | | | |
| Sales and marketing | 46,045 | (509) | - | 45,536 |
| Research and development | 11,945 | (733) | - | 11,212 |
| General and administrative | 8,996 | (1,545) | - | 7,451 |
| Total operating expenses | 66,986 | (2,787) | - | 64,199 |
| Income (loss) from operations | 2,524 | 2,849 | - | 5,373 |
| Other income (expense) | | | | |
| Interest income (expense), net | (64) | - | - | (64) |
| Other income (expense), net | (100) | - | - | (100) |
| Total other income (expense), net | (164) | - | - | (164) |
| Net income (loss) before taxes | 2,360 | 2,849 | - | 5,209 |
| Income tax (provision) benefit | (495) | - | - | (495) |
| Net income (loss) attributable to common stockholders | 1,865 | 2,849 | - | 4,714 |
| Net income (loss) per share attributable to common stockholders | | | | |
| Basic | \$ 0.05 | | | \$ 0.14 |
| Diluted | \$ 0.02 | | | \$ 0.04 |
| Weighted-average shares used in computing net income (loss) per share attributable to common stockholders | | | | |
| Basic | 34,016,248 | | | 34,016,248 |
| Diluted | 123,842,757 | | | 123,842,757 |

GAAP to Non-GAAP Reconciliation

Gross Profit

| | Three Months Ended September 30, | |
|--|----------------------------------|-----------|
| | 2020 | 2021 |
| <i>(\$ in thousands)</i> | | |
| Revenue: | | |
| Consumer | \$ 91,078 | \$ 79,198 |
| Enterprise | 27,359 | 50,365 |
| Total Revenue | 118,437 | 129,563 |
| | - | - |
| Gross Profit: | | |
| Consumer | 53,299 | 41,955 |
| Enterprise | 18,160 | 32,936 |
| Total Segment Gross Profit | 71,459 | 74,891 |
| Less: Amortization of Capitalized Software | (1,741) | (2,501) |
| Less: Depreciation | (145) | (170) |
| Non-GAAP Total Gross Profit | 69,573 | 72,220 |
| Less: Stock-Based Compensation | (62) | (350) |
| Less: Amortization of Intangible Assets | - | (293) |
| GAAP Total Gross Profit | 69,511 | 71,577 |
| Gross Margin: | | |
| Consumer | 58.5% | 53.0% |
| Enterprise | 66.4% | 65.4% |
| Total Segment | 60.3% | 57.8% |
| Non-GAAP | 58.7% | 55.7% |
| GAAP | 58.7% | 55.2% |

GAAP to Non-GAAP Reconciliation

Adjusted EBITDA

(\$ in thousands)

| | Three Months Ended September 30, | |
|------------------------------------|----------------------------------|------------|
| | 2020 | 2021 |
| Net income (loss) | \$ 1,865 | \$ (9,262) |
| Adjusted to exclude the following: | | |
| Interest expense, net | 64 | 61 |
| Income tax provision (benefit) | 495 | (545) |
| Depreciation and amortization | 2,741 | 3,943 |
| Stock-based compensation expense | 2,849 | 7,220 |
| Other expense, net | 100 | 196 |
| Adjusted EBITDA | 8,114 | 1,613 |