



Earnings Presentation

Q3 2024
October 29, 2024

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Unless otherwise noted, historical numerical figures and related graphics used in this presentation are accurate as of September 30, 2024. Numerical figures in this presentation have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

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**Transforming lives
through learning**



Key takeaways

✓ Exceeded expectations for Q3 2024 Revenue and Adjusted EBITDA

✓ Delivered stronger-than-expected profitability driven by disciplined approach to operational efficiency

✓ Surpassed \$500 million in Udemy Business Annual Recurring Revenue

✓ Launched new AI-enabled capabilities on Udemy's Intelligent Skills Platform, including AI Assistant and Skills Mapping

✓ Repurchased \$51 million of Udemy stock or 6.3 million shares

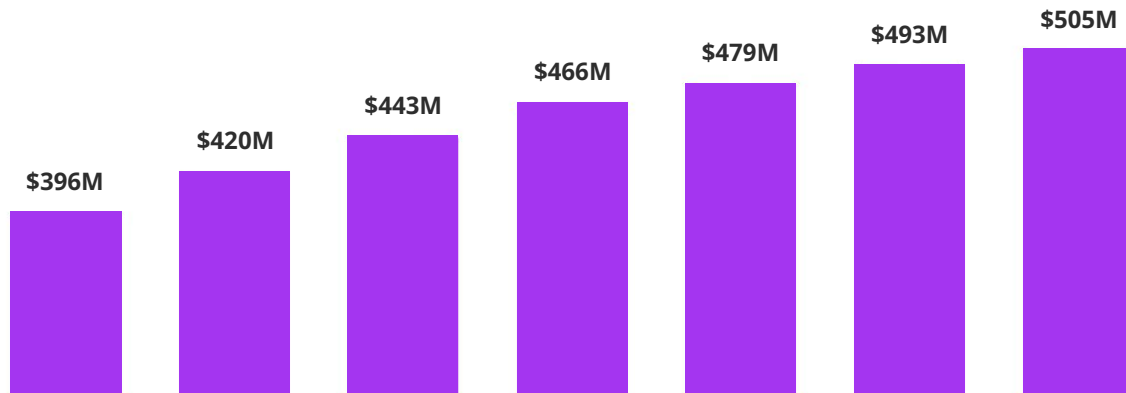
Q3 2024 financial results and highlights

	Q3 2024	% Change YoY	FX Impact	Q3 2024 Guidance
Revenue	\$195.4M	6%	(2) pts	\$191M to \$194M
Gross Margin	63%	500 bps		
Non-GAAP Gross Margin¹	64%	400 bps		
Net Loss	\$(25.3)M	(51)%		
Non-GAAP Net Income¹	\$10.1M	31%		
Adjusted EBITDA¹	\$11.6M	41%		
Adjusted EBITDA Margin¹	6%	200 bps		2% to 3%

- Exceeded Revenue and Adjusted EBITDA guidance ranges
- Total revenue of \$195.4M increased 6% YoY, including a negative impact of 2 percentage points from changes in FX rates.
- Delivered stronger-than-expected profitability driven by disciplined approach to operational efficiency
- Surpassed \$500 million in Udemy Business Annual Recurring Revenue
- Repurchased 6.3M UDMY shares for approximately \$51M during the quarter

Category leading enterprise software performance

Annual Recurring Revenue (\$M)



	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Net Dollar Retention Rate (NDRR)¹	112%	108%	106%	106%	104%	101%	99%
Large Customer NDRR²	120%	115%	114%	113%	111%	108%	104%
Udemey Business Revenue	\$95M	\$102M	\$109M	\$115M	\$118M	\$121M	\$126M
% YoY Growth	47%	36%	30%	27%	24%	19%	16%
FX Impact on % YoY Growth	(3pts)	(3pts)	(2pts)	(2pts)	(2pts)	(2pts)	(2pts)
Udemey Business Customers	14,359	14,946	15,378	15,726	16,070	16,595	16,848
Udemey Business Gross Margin	65%	67%	68%	69%	72%	72%	74%

1. NDRR is calculated 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.

2. Large Customer NDRR is calculated 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

Large and growing enterprise global customer base

16,848

Udemy Business customers

50%

Fortune 500

72%

Nikkei 225

Note: Data as of September 30, 2024

Key Q3 2024 Wins and Expansions

Infosys

 ERICSSON

 PRIMERICA®

 JR
JR-WEST

 CA
Crédito Agrícola

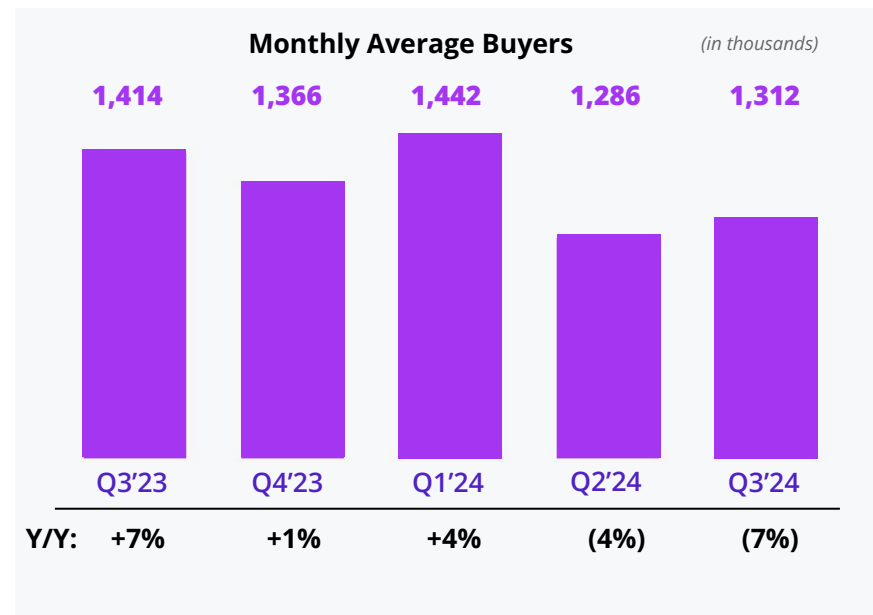
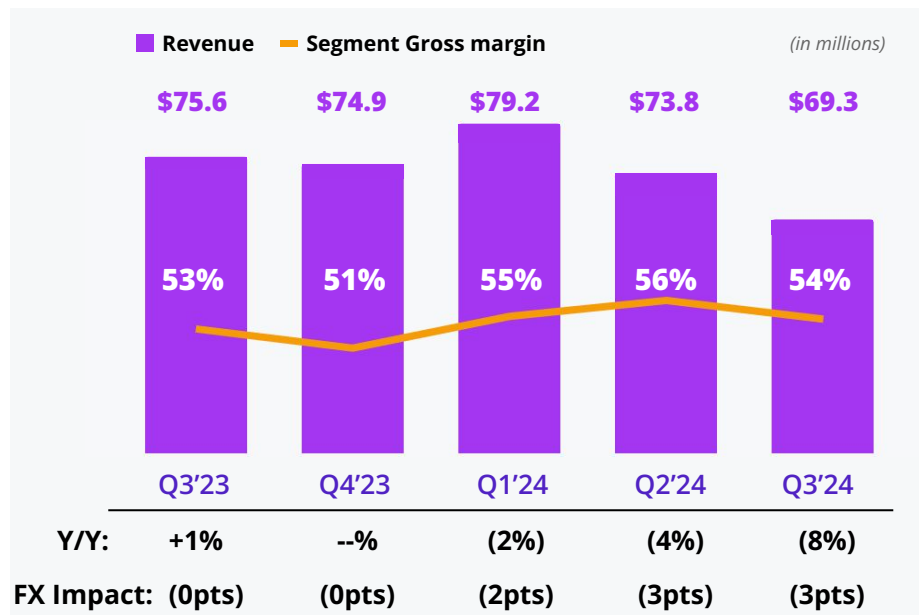
 Nationwide
Building Society

 UnionDigital
BANK

 ABB

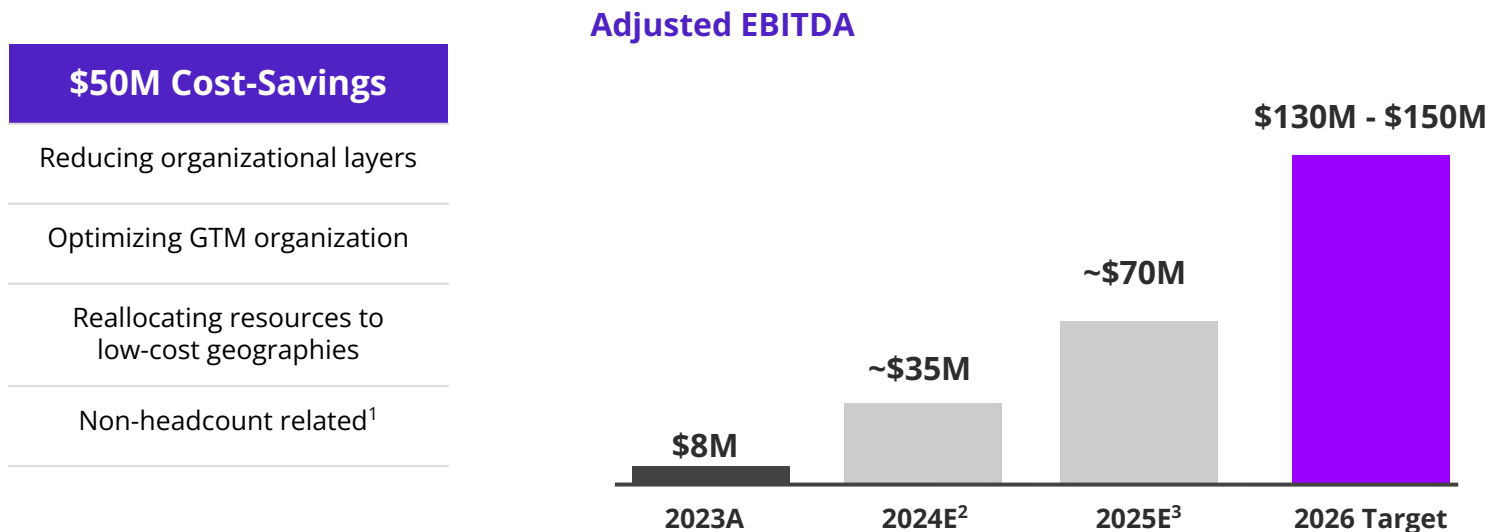
Vibrant consumer marketplace supports enterprise growth

Learners **75M** Average Monthly Visitors **39M** Total Courses **250k** Courses added per month **5k+** Instructors **75k** Languages **75**



Action plan to prioritize operational efficiency

Udemy is continuing to execute on its operational efficiency initiatives and expects to achieve **\$130 to \$150 million** of Adjusted EBITDA by 2026, and to deliver **20%** Adjusted EBITDA margin in 2027. Collectively, efficiency actions announced through October 2024 will generate **\$50 million** in annualized structural cost savings.



1. Includes marketing spend, professional services, software, and T&E.

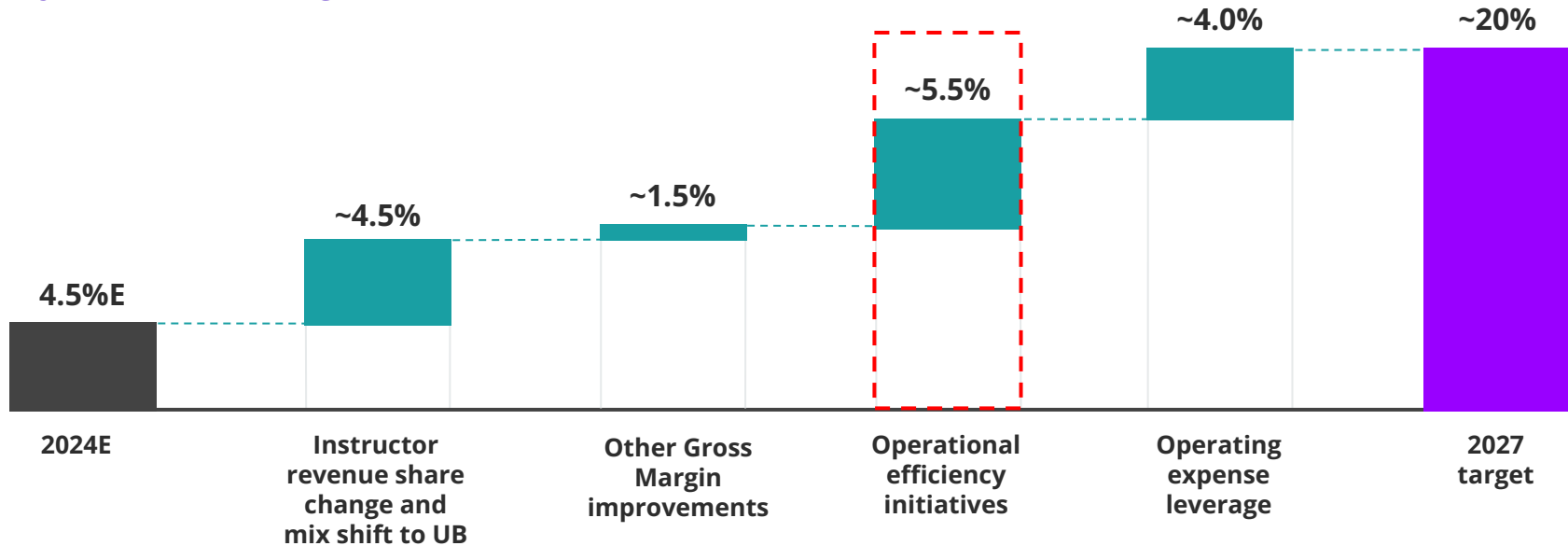
2. Represents midpoint of Adjusted EBITDA margin guidance range / midpoint of total revenue guidance range

3. Represents preliminary outlook for 2025 Adjusted EBITDA.

Accelerating path toward high end of Adjusted EBITDA target

Achievement of **\$50 million** of cost savings from operational efficiency initiatives relative to initial target of \$25 million, provides greater confidence and visibility in achieving the **20%** Adjusted EBITDA margin target in 2027

Adjusted EBITDA margin



Key initiatives to drive revenue growth



Reallocating resources upmarket toward large enterprise companies

- >5k Udemy Business Large Enterprise Customers
- 130k total large enterprise companies worldwide¹



Expanding penetration within existing customer base of large enterprise customers

- <10% penetration of existing Udemy Business Large Customer base
- \$1.5B revenue opportunity at 50% penetration of installed Large Customer base



Supporting growth through strategic partnerships

- Strengthens global distribution capabilities
- Opens up new routes to market
- Provides additional ways to access the Udemy platform

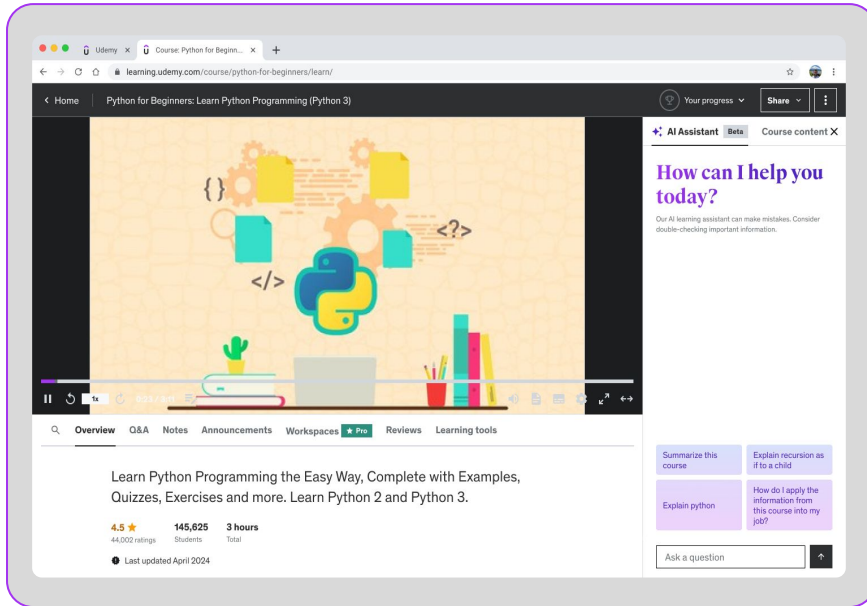
Strategic focus shift to faster growth large enterprises

\$781M

	Revenue Model	Customers*	3Q24 Net Dollar Retention	2024 Revenue Growth Estimate	Unit Economics
Udemy Business >60% of total	~90% transactional ~10% subscription	1.3M Monthly Average Buyers >140K subscribers	N/A	(6)% midpoint of guidance	Subscription LTV >5x transactional LTV
	~100% subscription	~12,000	83%	Below segment midpoint of 17%	
	~100% subscription ~55% multi-year contracts	~5k (1k+ employees)	104%	Above segment midpoint of 17%	LTV >3x SMB

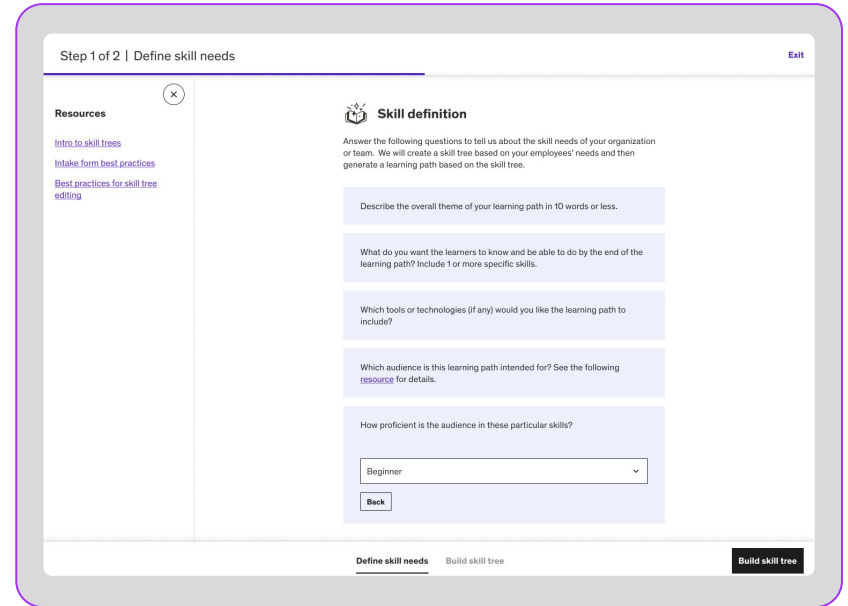
FY24 Revenue Guidance Midpoint

Innovative new capabilities: AI Assistant & Skills Mapping



AI Assistant

Keeps learners continuously engaged, recommending relevant content and providing in-course support



Skills Mapping and AI-powered learning paths

Helps admins turn skill requirements into a curated learning path mapped to UB course content.



Q4 and full year 2024 outlook

	Q4 2024	Full Year 2024
Revenue	\$193 to \$196 million	\$780 to \$783 million
Udemy Business Revenue YoY Growth	9% to 11%	16% to 18%
Consumer Revenue YoY Growth	(10)% to (8)%	(7)% to (5)%
Adj. EBITDA Margin*	Approximately 6%	Approximately 4.5%

The revenue guidance range above assumes historical changes in FX rates will have a negative 2 percentage point impact on fourth quarter year-over-year revenue growth and a negative 2 point impact on full year 2024 revenue growth. Udemy's revenue guidance assumes FX rates will remain unchanged from the end of the third quarter of 2024.

Key takeaways

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Appendix

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.
Udemy Business Large Customer Net Dollar Retention Rate	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. 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 land-and-expand opportunities.
Segment revenue and segment gross profit	Segment revenue represents the revenue recognized from our two segments, Enterprise (or Udemy Business), and Consumer. Segment gross profit is defined as segment revenue less segment cost of revenue, which include content costs, hosting and platform costs, customer support services, and payment processing fees that are allocable to each segment. Segment gross profit excludes amortization of capitalized software, amortization of intangible assets, depreciation, and stock-based compensation allocated to cost of revenue as our chief operating decision maker does not include the information in his measurement of the performance of the operating segments.

GAAP to Non-GAAP Gross Margin

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Gross profit	\$ 123,055	107,458	\$ 364,735	309,489
Stock-based compensation expense	1,807	1,788	5,277	5,130
Intangible asset amortization	430	725	1,880	2,175
Non-GAAP gross profit	\$ 125,292	\$ 109,971	\$ 371,892	\$ 316,794
Gross margin ¹	63%	58%	62%	57%
Non-GAAP gross margin ²	64%	60%	63%	59%

¹ We calculate gross margin as gross profit divided by revenue for the same period

² We calculate non-GAAP gross margin as non-GAAP gross profit divided by revenue for the same period

GAAP to Non-GAAP Net Loss

(\$ in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net loss	\$ (25,271)	\$ (16,767)	\$ (75,424)	\$ (87,046)
Stock-based compensation expense	23,402	23,484	70,424	71,720
Intangible asset amortization	658	1,021	2,568	3,154
Restructuring charges	11,275	-	11,275	10,263
Non-GAAP net loss	\$ 10,064	\$ 7,738	\$ 8,843	\$ (1,909)
Weighted-average shares used in computing net income (loss) per share, basic	149,179,826	151,307,963	152,867,160	148,392,636
Effect of dilutive securities ¹	1,453,697	6,095,804	3,562,339	-
Weighted-average shares used in computing non-GAAP net income (loss) per share, diluted	150,633,523	157,403,767	156,429,499	148,392,636
Net loss per share, basic and diluted	\$ (0.17)	\$ (0.11)	\$ (0.49)	\$ (0.59)
Non-GAAP net income (loss) per share, basic	\$ 0.07	\$ 0.05	\$ 0.06	\$ (0.01)
Non-GAAP net income (loss) per share, diluted	\$ 0.07	\$ 0.05	\$ 0.06	\$ (0.01)

Adjusted EBITDA Reconciliation

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net loss	\$ (25,271)	\$ (16,767)	\$ (75,424)	\$ (87,046)
Adjusted to exclude the following:				
Interest income	(4,732)	(5,542)	(15,655)	(14,758)
Interest expense	(504)	124	(424)	464
Income tax provision	863	811	2,692	2,924
Depreciation and amortization	6,340	6,183	19,515	18,069
Stock-based compensation expense	23,402	23,484	70,424	71,720
Other income (expense), net	185	(122)	11,077	2,181
Restructuring charges	11,275	-	11,275	10,263
Adjusted EBITDA	\$ 11,558	\$ 8,171	\$ 23,480	\$ 3,817
Net loss margin ¹	(13%)	(9%)	(13%)	(16%)
Adjusted EBITDA margin ²	6%	4%	4%	1%