

2U, Inc.
Form 424B5
September 07, 2017

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**Filed Pursuant to Rule 424(b)(5)
Registration No. 333-207088**

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Title of Each Class of Securities to be Registered	Amount to be Registered ⁽¹⁾	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee ⁽²⁾
Common Stock, par value \$0.001 per share	4,197,500	\$49.00	\$205,677,500	\$23,838.02

(1) Includes 547,500 shares of Common Stock, par value \$0.001 per share, that may be purchased by the underwriters upon exercise of the underwriters' option to purchase additional shares.

(2) Calculated in accordance with Rule 456(b) and 457(r) of the Securities Act of 1933.

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PROSPECTUS SUPPLEMENT
(To Prospectus dated September 23, 2015)

3,650,000 Shares

2U, Inc.

We are selling 3,500,000 shares of our common stock. The selling stockholders identified in this prospectus supplement are offering an additional 150,000 shares of our common stock. We will not receive any proceeds from the sale of our shares by the selling stockholders.

Our common stock is listed on the NASDAQ Global Select Market under the symbol "TWOU." The last reported trading price of our common stock on September 6, 2017 was \$49.43.

Investing in our common stock involves risks. See "Risk Factors" beginning on page S-13 of this prospectus supplement and in our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017, which are incorporated herein by reference.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Price to the public	\$49.00	\$178,850,000
Underwriting discount ⁽¹⁾	\$2.205	\$8,048,250
Proceeds, before expenses, to 2U, Inc.	\$46.795	\$163,782,500
Proceeds, before expenses, to the selling stockholders	\$46.795	\$7,019,250

- (1) The underwriters will receive compensation in addition to the underwriting discount. See "Underwriting" beginning on page S-35 of this prospectus supplement for a description of the compensation paid to the underwriters.

To the extent that the underwriters sell more than 3,650,000 shares of common stock, we have granted the underwriters an option to purchase up to an additional 547,500 shares at the price to the public less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on September 11, 2017.

Goldman Sachs & Co. LLC

Credit Suisse

**Needham & Company
Compass Point**

**Oppenheimer & Co.
First Analysis Securities Corp.**

**Baird
KeyBanc Capital Markets**

Prospectus Supplement dated September 6, 2017.

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PROSPECTUS

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We and the selling stockholders have not, and the underwriters have not, authorized any dealer, salesperson or other person to give any information or to make any representation other than those contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any free writing prospectus that may be provided to you by us or on our behalf. You must not rely upon any information or representation not contained in or incorporated by reference into this prospectus supplement, the accompanying

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prospectus or any free writing prospectus that may be provided to you. This prospectus supplement, the accompanying prospectus and any such free writing prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate. Nor do this prospectus supplement, the accompanying prospectus or any such free writing prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus, the documents incorporated herein and therein by reference and any such free writing prospectus is correct on any date after their respective dates, even though this prospectus supplement, the accompanying prospectus and any such free writing prospectus are delivered or securities are sold on a later date. Our business, financial condition, results of operations and cash flows may have changed since those dates.

For investors outside the United States: We have not, the selling stockholders have not and the underwriters have not done anything that would permit this offering or possession or distribution of this prospectus supplement, the accompanying prospectus or any applicable free writing prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons who come into possession of this prospectus supplement, the accompanying prospectus and any applicable free writing prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus supplement, the accompanying prospectus and any such free writing prospectus applicable to that jurisdiction.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of our shares and also adds to and updates information contained in the accompanying prospectus as well as the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, dated September 23, 2015, which we refer to as the "accompanying prospectus," which gives more general information about our shares that we and/or certain selling stockholders may offer from time to time. Generally, when we refer to "this prospectus" in this prospectus supplement we are referring to both this prospectus supplement and the accompanying prospectus combined. This prospectus incorporates by reference important business and financial information about us that is not included in or delivered with this prospectus. You should read both this prospectus supplement and the accompanying prospectus together with the additional information we have referred you to in the sections of this prospectus supplement and the accompanying prospectus entitled "Where You Can Find More Information."

You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any free writing prospectus provided by us or on our behalf. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document that has previously been filed with the Securities and Exchange Commission, or the SEC, and is incorporated into this prospectus supplement by reference, on the other hand, the information in this prospectus supplement shall control. We and the selling stockholders have not, and the underwriters have not, authorized any other person to provide you with different information or representations.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference herein were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

INDUSTRY AND MARKET DATA

In this prospectus supplement and the accompanying prospectus, we rely on and refer to information and statistics regarding market data and the industries of our businesses and investments obtained from market research, independent industry publications and other publicly available information. We believe this information is reliable but we have not independently verified it. In addition, we have made statements in this prospectus supplement regarding our industry and our position in the industry based on our experience in the industry and our own evaluation of market conditions.

FORWARD-LOOKING STATEMENTS

This prospectus supplement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and which are subject to substantial risks and uncertainties. In some cases, you can identify forward-looking statements by the words "may," "might," "will," "could," "would," "should," "expect," "intend," "plan," "objective," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue" and "ongoing," or the negative of these terms, or other comparable terminology intended to identify statements about the future.

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These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained in this prospectus supplement, we caution you that these statements are based on a combination of facts and factors currently known by us and our expectations of the future, about which we cannot be certain. Forward-looking statements include statements about:

trends in the higher education market and the market for online education, and expectations for growth in those markets;

the acceptance, adoption and growth of online learning by colleges and universities, faculty, students, employers, accreditors and state and federal licensing bodies;

the potential benefits of our cloud-based software-as-a-service ("SaaS") technology and technology-enabled services to clients and students;

anticipated launch dates of new client programs;

the predictability, visibility and recurring nature of our business model;

our ability to acquire new clients and expand programs with existing clients;

our ability to successfully integrate the operations of Get Educated International Proprietary Limited, or GetSmarter, achieve the expected benefits of the acquisition and manage, expand and grow the combined company;

our ability to execute our growth strategy in the international, undergraduate and non-degree alternative markets;

our ability to continue to acquire prospective students for our clients' programs;

our ability to affect or increase student retention in our clients' programs;

our growth strategy;

the scalability of our cloud-based SaaS technology;

our expected expenses in future periods and their relationship to revenue;

potential changes in regulations applicable to us or our clients; and

the amount of time that we expect our cash balances and other available financial resources to be sufficient to fund our operations.

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You should refer to the risks described in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017 for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this prospectus supplement will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified timeframe, or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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You should read this prospectus supplement completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

NON-GAAP FINANCIAL MEASURES

To supplement the Company's consolidated financial statements, which are prepared and presented in accordance with U.S. generally accepted accounting principles ("GAAP"), we use adjusted EBITDA, adjusted EBITDA margin, adjusted net income (loss) and adjusted net income (loss) per share, which are non-GAAP financial measures.

We define adjusted EBITDA as net income or net loss, as applicable, before net interest income (expense), taxes, depreciation and amortization, foreign currency gains or losses, acquisition-related gains or losses and stock-based compensation expense. Some or all of these items may not be applicable in any given reporting period. Adjusted EBITDA margin represents adjusted EBITDA as a percentage of revenue.

We define adjusted net income (loss) as net income or net loss, as applicable, before foreign currency gains or losses, acquisition-related gains or losses and stock-based compensation expense. Adjusted net income (loss) per share is calculated as adjusted net income (loss) divided by diluted weighted-average shares of common stock outstanding for periods which result in adjusted net income, and basic weighted-average shares outstanding for periods which result in an adjusted net loss. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses that are required by GAAP to be recorded in the Company's financial statements. These non-GAAP measures are key metrics Company management uses to compare the Company's performance to that of prior periods for trend analyses and for budgeting and planning purposes. These measures also provide useful information to investors and analysts relating to our financial condition and results of operations. These financial measures are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. In addition, these financial measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes.

For more information on our non-GAAP financial measures and reconciliations of such measures to the nearest GAAP measures, see footnote 1 to each of the sections entitled "Summary Consolidated Financial Data of 2U," "Summary Consolidated Financial Data of GetSmarter" and "Summary Unaudited Pro Forma Combined Financial Information." We urge investors to review these reconciliations and not to rely on any single financial measure to evaluate the Company's business.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information incorporated by reference into or contained elsewhere in this prospectus supplement and the accompanying prospectus. This summary may not contain all of the information that may be important to you. You should read carefully all of the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus, including the information set forth under the caption "Risk Factors" beginning on page S-13 of this prospectus supplement and page 2 of the accompanying prospectus, and our consolidated financial statements and the related notes thereto incorporated by reference herein before making a decision to invest in our shares.

2U, Inc., a Delaware corporation, was formed in April 2008, as 2Tor Inc., and changed its name to 2U, Inc. in October 2012. Except as otherwise specified, "2U," "the Company," "we," "us," and "our" refer to 2U, Inc.

Company Mission

2U partners with great colleges and universities to build what we believe is the world's best online education. Our platform provides a comprehensive fusion of technology, services and data architecture to transform our clients, historically campus-based universities of high quality and rigor, into digital versions of themselves. Why should a student need to pick up their life, quit their job and move to attend a graduate program at a great university? With 2U's solutions, they don't have to anymore.

Company Overview

We are a leading provider of cloud-based SaaS technology and technology-enabled services that enable leading nonprofit colleges and universities to deliver their degree programs at scale to students anywhere. Our SaaS technology consists of an innovative online learning environment, where our clients deliver their high-quality educational content to students in a live, intimate and engaging setting. We also provide a comprehensive suite of integrated applications, including a content management system and a customer relationship management system, that serve as the back-end infrastructure of the programs we enable. This technology is fused with technology-enabled services, including student acquisition services, content development services, student and faculty support, clinical placement services, and admissions applications advising services. This suite of technology tightly integrated with technology-enabled services, optimized with data analysis and machine learning techniques, provides a comprehensive set of capabilities that would otherwise require the purchase of multiple, disparate point solutions, and allows our clients' programs to expand and operate at scale, providing the comprehensive infrastructure colleges and universities need to attract, enroll, educate, support and graduate their students.

We provide the significant domain expertise and operating capacity our clients require to scale and operate successfully in the online environment. Utilizing data analysis and machine learning techniques, the technology-enabled services we provide are designed to improve enrollment and retention of our clients' students as well as to provide those students with a complete, high-quality educational experience. We have primary responsibility for identifying qualified students for our clients' programs, generating potential student interest in the programs and driving applications to the programs. We deploy sophisticated digital program marketing and student acquisition capabilities, and we work closely with our clients to help them create highly engaging multimedia instructional content for delivery through our innovative learning environment, Online Campus. We also provide the services that support the complete lifecycle of a higher education program, including advising prospective students through the admissions application process, providing technical, success coaching and other support, facilitating accessibility to individuals with

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disabilities, facilitating in-program field placements, conducting faculty recruiting, immersion support, and obtaining state regulatory approvals.

Through our experience launching and operating programs with leading nonprofit colleges and universities, we have developed a proprietary program-selection algorithm, which enables us to systematically identify degrees at colleges and universities that we believe have the highest probability of success for us, our clients, and their students. The algorithm not only enables us to deploy capital with greater confidence, but it also provides our clients with greater assurance of, and visibility into, program success.

We believe that by delivering high-quality degree programs online using our solutions, our clients can improve educational outcomes and career opportunities for a larger number of students and, by doing so, broaden the global reach of their brands while maintaining their academic rigor and admissions standards. By deploying our solutions, clients give their students, who receive the same degree or credit as their on-campus counterparts and generally pay equivalent tuition, the option of pursuing their educations without potentially incurring the burden of moving, leaving existing employment or giving up family and community support networks. This can substantially reduce the total cost of obtaining a degree and lower a student's total debt burden. It can also allow students for whom relocating is not an option to obtain a higher quality education than they might be able to access in their local communities.

Our compensation from our clients consists primarily of a specified share of the tuition and fees paid to our clients by students in the programs we enable, which we believe aligns our interests with those of our clients. This revenue model, combined with long contractual terms typically between 10 and 15 years, enables us to make the investment in technology, integration, content production, program marketing, student and faculty support and other services necessary to create large, successful programs. In addition, a significant percentage of our annual revenue is related to students returning to our clients' programs after their first semester. In the six months ended June 30, 2017, 76% of our revenue was related to students who had enrolled and completed their first semester prior to the start of the year. In the twelve months ended December 31, 2016, 62% of our revenue was related to students who had enrolled and completed their first semester prior to the start of the year. We believe this high percentage of revenue attributable to returning students contributes to the predictability and recurring nature of our business.

We have achieved significant growth in a relatively short period of time. For the six months ended June 30, 2017 and 2016, our revenue was \$129.8 million and \$96.5 million, respectively. For the six months ended June 30, 2017 and 2016, our net losses were \$15.2 million and \$11.7 million, respectively, and our adjusted EBITDA, a non-GAAP measure, was \$2.4 million and \$0.2 million, respectively. For a reconciliation of net loss to adjusted EBITDA, see footnote 1 to "Summary Consolidated Financial Data of 2U." From our inception through June 30, 2017, 28,865 unique individuals have enrolled as students in our clients' programs, and 82% of students who have entered these programs have either graduated or remain enrolled. By the time the last of these individuals graduate or leave our clients' programs, we estimate that they will have generated more than \$1.7 billion in total program tuition and fees for our clients. We see opportunity for continual future growth as well. We estimate, based on data from GSV, that approximately \$1.9 trillion was spent on global higher education in 2016.

The GetSmarter Acquisition

On May 1, 2017, we entered into a share sale agreement to purchase all the outstanding equity interests of GetSmarter, a private company duly incorporated in South Africa. On July 1, 2017, we completed the GetSmarter acquisition for a purchase price of approximately \$103 million in cash. The purchase price is subject to post-closing adjustments pursuant to the terms of the

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share sale agreement. In addition, we agreed to pay a potential earn out payment of up to \$20 million, subject to the achievement of certain financial milestones in calendar years 2017 and 2018. We also issued, and agreed to issue in the future, restricted stock unit awards over the shares of our common stock, par value \$0.001 per share, to certain employees and officers of GetSmarter. Such awards are subject to the 2014 2U, Inc. Equity Incentive Plan and will vest over either a two or four year period. Upon completing the GetSmarter acquisition, GetSmarter became our indirect wholly-owned subsidiary.

GetSmarter powers engaging online short courses in partnership with some of the world's most renowned higher education institutions, including three of the top universities in the United Kingdom – University of Cambridge, University of Oxford and London School of Economics, three of the top universities in the United States – Harvard University's strategic online learning initiative, HarvardX, Massachusetts Institute of Technology and University of Chicago, and three of Africa's top universities – University of Cape Town, University of the Witwatersrand and University of Stellenbosch Business School. GetSmarter's portfolio currently includes over 70 short courses and, since inception, GetSmarter has served more than 50,000 students from more than 140 countries with course completion rates that average 88%.

We believe that the GetSmarter acquisition will have the following strategic benefits:

Expand our Total Addressable Market Opportunity.

Short Course Certificates. We now offer high-quality short courses to students not seeking a full graduate degree.

Global Presence. We provide a better product-market fit for international audiences and immediately add to our client base universities from three continents as well as a global base of students from more than 140 countries.

Accelerate Our Growth. As a result of GetSmarter's increased new client acquisition activities during 2016 and early 2017, we expect a substantial increase in the number of courses offered and the number of students taking courses, which in turn will result in an acceleration of our growth.

Leverage Data Analytics. We believe that deploying our marketing optimization and data analytics techniques to GetSmarter's short course business will, over time, bring down the cost of acquiring students for short course certificates.

Leverage Marketing Opportunities.

Students. We believe that a percentage of the existing marketing funnel from our graduate program business of prospective students across our client programs will convert into students in the short course business.

Clients. We believe that over time we will have opportunities to sell short courses to our graduate program clients and full graduate programs to short course clients.

Build on 2U's Mission. With student course completion rates averaging 88%, GetSmarter mirrors our high standards for student outcomes and retention, and therefore we believe that the GetSmarter acquisition strengthens our position as a leader in helping universities cross the bridge to digital education.

For the year ended December 31, 2016 and the six months ended June 30, 2017, our combined company pro forma revenue was \$223.5 million and \$137.5 million, respectively, and pro forma adjusted EBITDA was \$5.4 million and \$1.3 million, respectively. See "Unaudited Pro Forma Combined Financial Information."

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Corporate Information

Our principal executive offices are located at 7900 Harkins Road, Lanham, Maryland 20706. Our telephone number is (301) 892-4350. Our website address is *www.2u.com*. The information contained on, or that can be accessed through our website is not incorporated by reference into this prospectus supplement, and you should not consider any information contained on, or that can be accessed through, our website as part of this prospectus supplement or in deciding whether to purchase our common stock.

"2U", the 2U logo, and other trademarks or service marks of 2U, Inc. appearing in this prospectus are the property of 2U, Inc. This prospectus contains additional trade names, trademarks and service marks of others, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this prospectus may appear without the ® or TM symbols.

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THE OFFERING

Common stock offered by 2U, Inc.	3,500,000 shares.
Common stock offered by the selling stockholders	150,000 shares.
Total common stock offered	3,650,000 shares.
Option to purchase additional shares of common stock	The underwriters have an option to purchase a maximum of 547,500 additional shares from us. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.
Shares outstanding after this offering	51,433,494 shares, or 51,980,994 shares if the underwriters exercise in full their option to purchase additional shares.
Use of proceeds	We intend to use the net proceeds to us from this offering for general corporate purposes, including expenditures for program and short course marketing, technology, and content development, in connection with new program and short course launches and growing existing program and short courses. We will not receive any of the proceeds from the sale of shares to be offered by the selling stockholders. See the "Use of Proceeds" section of this prospectus supplement for additional information.
Risk factors	An investment in our shares is subject to risks. Please refer to "Risk Factors," "Forward-Looking Statements" and other information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before investing in our shares.
NASDAQ Global Select Market symbol	Our common stock is listed on the NASDAQ Global Select Market under the symbol "TWOU."
Transfer agent and registrar	American Stock Transfer & Trust Company, LLC.
Settlement date	Delivery of the shares will be made against payment therefor on or about September 11, 2017.

Except as otherwise noted, all information in this prospectus supplement assumes that the underwriters' option to purchase additional shares is not exercised.

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In the tables below, we provide you with summary consolidated financial data of 2U, Inc. for the periods indicated. We have derived the following summary consolidated statement of operations data for the six months ended June 30, 2017 and the summary consolidated balance sheet data as of June 30, 2017 from our unaudited consolidated financial statements incorporated by reference herein, which have been prepared on the same basis as our audited consolidated financial statements and include all adjustments necessary to present fairly the information set forth therein. The below summary consolidated financial data does not include the financial data of GetSmarter.

We have derived the following summary consolidated statement of operations data for the year ended December 31, 2016 and the summary consolidated balance sheet data as of December 31, 2016 from our audited consolidated financial statements incorporated by reference herein. Our audited consolidated financial statements have been audited by KPMG LLP, an independent registered public accounting firm. Our historical results are not necessarily indicative of the results to be expected in the future and the results for any interim period are not necessarily indicative of the results to be expected in the full year.

This information is only a summary and should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" incorporated by reference into this prospectus supplement and the accompanying prospectus and the historical consolidated financial statements and the notes thereto referred to above. See "Where You Can Find More Information" in this prospectus supplement and the accompanying prospectus.

Consolidated Statement of Operations Data

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
(in thousands, except share and per share amounts)	(unaudited)	
Revenue	\$ 129,824	\$ 205,864
Costs and expenses:		
Servicing and support	24,383	40,982
Technology and content development	20,345	33,283
Program marketing and sales	71,912	106,610
General and administrative	27,594	46,021
Total costs and expenses	144,234	226,896
Loss from operations	(14,410)	(21,032)
Interest income	249	383
Interest expense	(1)	(35)
Foreign currency loss	(1,031)	
Loss before income taxes	(15,193)	(20,684)
Income tax provision		
Net loss	\$ (15,193)	\$ (20,684)
Net loss per share, basic and diluted	\$ (0.32)	\$ (0.44)
Weighted-average shares of common stock outstanding, basic and diluted	47,454,059	46,609,751
Other Financial Data (unaudited):		

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<u>Adjusted EBITDA</u> ⁽¹⁾	\$	2,411	\$	4,541
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(1) Adjusted EBITDA is a financial measure not in accordance with GAAP. See "Non-GAAP Financial Measures."

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Consolidated Balance Sheet Data

As of June 30, 2017	As of December 31, 2016
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