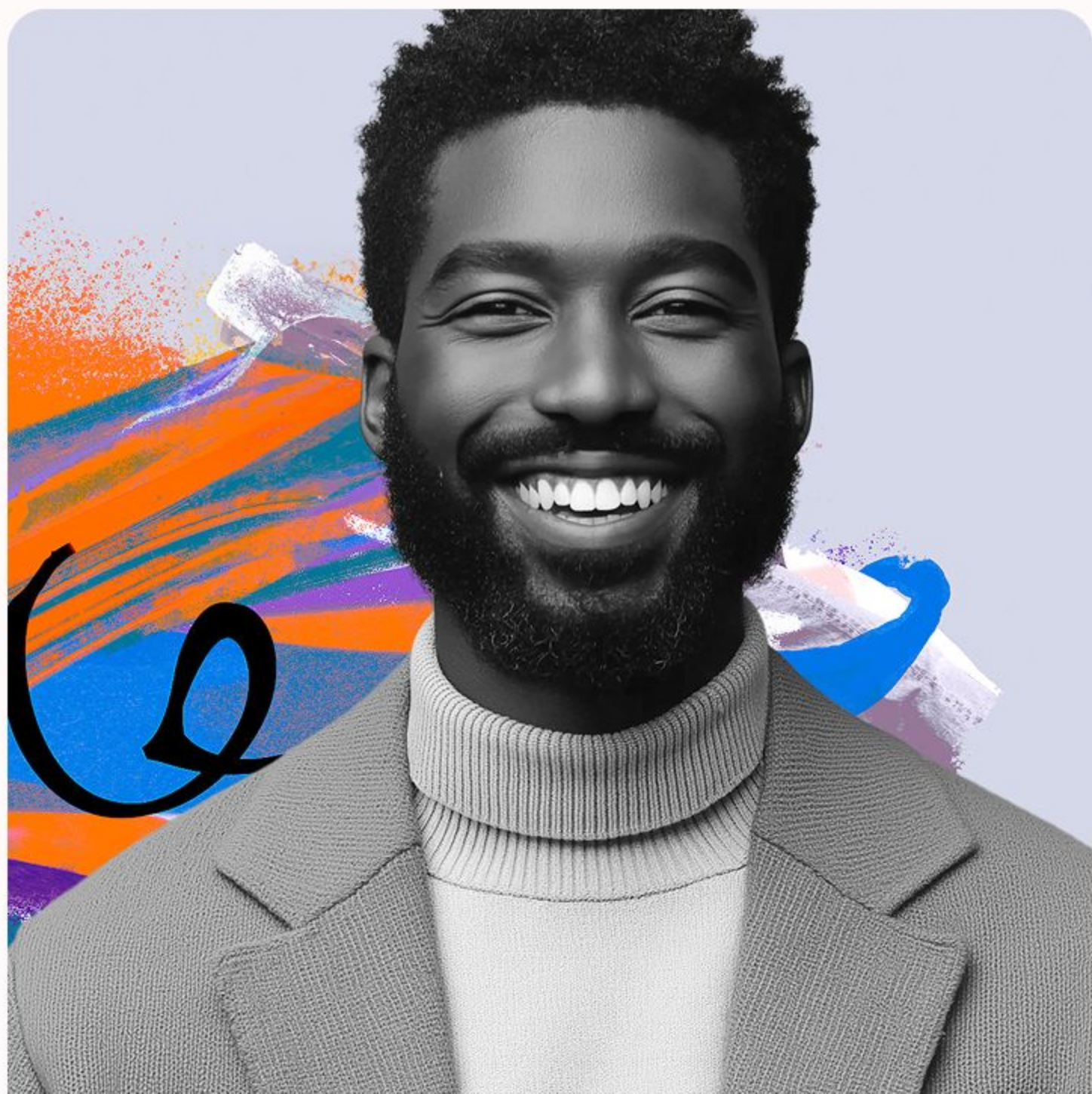




2024 Annual Report



**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2024

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

(State or Other Jurisdiction of
Incorporation or Organization)

27-1779864

(I.R.S. Employer Identification No.)

**600 Harrison Street, 3rd Floor
San Francisco, California**

(Address of Principal Executive Offices)

94107

(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

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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, 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.

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Large accelerated filer ☒

Non-accelerated filer ☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

Based on the closing price of the Registrant's Common Stock on the last business day of the Registrant's most recently completed second fiscal quarter, which was June 28, 2024, the aggregate market value of its shares held by non-affiliates was approximately \$947.1 million.

As of February 13, 2025, 147,744,470 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement relating to the registrant's 2025 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2024.

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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:

- We have a history of losses, and we may not be able to generate sufficient revenue to achieve or maintain 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.
- 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 Annual Report on Form 10-K ("Form 10-K") 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-K, 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-K include, but are not limited to, statements about:

- our expectations regarding our financial and operating performance, including our expectations regarding our revenue, costs, monthly average buyers, 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, and adjusted EBITDA margin;
- 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 operate, 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 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-K 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-K. 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-K. 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-K. 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-K 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-K to reflect events or circumstances after the date of this Form 10-K 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, 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-K 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-K in the section titled "Special Note Regarding Forward-Looking Statements" and in Part I, Item 1A, "Risk Factors."

PART I.

Item 1. Business

Our mission

Udemy's mission is to transform lives through learning.

About Udemy

Udemy is a global learning company whose online platform empowers organizations and individuals with flexible and effective professional skill acquisition, development and validation. Udemy's learning marketplace enables tens of thousands of instructors to develop, distribute and enhance content that reaches Udemy's broad global audience of nearly 77 million learners. Udemy leverages technology, including artificial intelligence ("AI"), as well as data and insights, to deliver personalized, immersive and effective learning experiences. We curate our highest-quality content from our marketplace for Udemy's enterprise SaaS platform, Udemy Business, which enables companies around the world to offer engaging and effective on-demand learning for all employees, immersive laboratory-style learning for tech teams and cohort-based learning focused on leadership development.

In today's rapidly evolving labor environment, there are two key trends currently reshaping the future of work: the rise of the skills-based organization and the application of generative AI. By leveraging our comprehensive learning solutions and strategic customer success approach, we believe we are uniquely positioned to empower organizations with the tools to build a future-ready workforce, increase employee engagement and retention, and achieve critical business outcomes, while also helping individuals to achieve career goals. We believe that our dual focus on organizational and individual skills development places us at the forefront of addressing the evolving needs of the modern workplace.

As automation and technological innovation accelerates changes in the workforce, there is a growing need to offer more flexible training to continuously re-skill and upskill workforces to keep up with the pace of change. Skills are becoming increasingly important for the way organizations are defining work, deploying talent, managing careers, and valuing employees. As skills required for most professional roles evolve or become obsolete overtime, developing a culture of continuous learning and improvement has never been more critical. A recent study by the World Economic Forum found that approximately 80% employers plan to reskill and upskill their existing workers over the next five years to work better alongside AI, while workers can expect that approximately 40% of their existing skill sets will be transformed or become outdated over the same period. Therefore, organizations that embed a skills-based approach are more likely to achieve results than those that have not, including, among others:

- meeting or exceeding financial targets;
- anticipating and responding effectively and efficiently to change;
- innovating; and
- achieving high levels of customer satisfaction, increasing productivity and retaining high performers.

We believe many of today's learning platforms have a number of shortcomings, including relevance, quality, breadth, scalability, and affordability of content. Udemy's platform is designed to address these shortcomings by effectively connecting global learners with up-to-date knowledge from experts and practitioners around the world.

Our global platform supports learners, instructors and enterprise customers. Udemy enables learners to gain the knowledge and skills they need to attain in-demand jobs, further their career, and improve their well-being. Our library of more than 250,000 free and paid courses is created by over 80,000 instructors and covers a wide range of topics, including technology, business and soft skills, and personal development. Our marketplace encourages engagement between learners and instructors, including course enrollment, consumption and Q&As. The volume and frequency of this engagement allows us to generate meaningful insights and provide real-time feedback and analytics for our instructors and enterprise customers.

Udemy leverages AI and machine learning throughout its platform. For example, we are incorporating generative AI-powered features that enhance the learner experience, support content creation and drive course consumption for instructors, increase personalization for learners and optimize productivity for our enterprise customers.

Udemy's marketplace addresses the evolving needs of learners across the globe by providing access to a wide range of high-quality and relevant content in local languages. Instructors around the world have created courses in 75 languages, resulting in over 115,000 courses on our platform in non-English languages, as of December 31, 2024. Our learners benefit from the local context provided by native language instructors, further enhancing the learner experience.

Udemy's differentiated feedback loops enable instructors to gain insights directly from learners that help to improve the quality and relevance of content, and our platform is designed to facilitate instructors making frequent, real-time updates to their courses. On average, top courses were updated five times by top instructors on Udemy in 2024.

Udemy is powered by a flywheel effect where instructors are encouraged to create relevant, high-quality content that attracts more learners and Udemy Business customers to the platform. More learners on our platform results in a larger audience, compelling data and insights, and greater potential earnings for instructors, which in turn incentivizes more course creation and also attracts additional instructors to the platform. This flywheel resulted in an average of over 5,000 new courses added to our platform monthly during 2024. In 2024, instructors earned \$190.6 million. Udemy's top 13 instructors each earned more than \$1 million and nearly 1,700 instructors earned more than the average annual income in their home country.

Udemy Business offers organizations access to over 29,000 of the highest rated on-demand courses from our marketplace across 16 languages. The range and volume of our course catalog enables employees to support their career growth with the most relevant and effective courses and real-world skills development, and organizations across the globe to reskill and upskill their workforce.

By offering Udemy's enterprise customers access to innovative learning tools on its Intelligent Skills Platform, such as the AI Assistant, Skills Mapping and AI-powered learning paths, Udemy is helping organizations build a workforce that is ready for today's challenges and capable of adapting to change in the future to remain competitive.

Global learners are increasingly looking online to acquire new skills, while organizations are shifting much of their traditional offline in-person training of their workforce to more efficient online solutions for reskilling and upskilling. The increase in work-from-home flexibility has accelerated a corporate shift to digital training solutions worldwide. Udemy's highly-effective and cost-efficient method of online learning across a variety of disciplines is designed to meet the corporate learning needs within today's hybrid and remote work cultures.

Our business model

Udemy has two symbiotic operating and reportable segments: Enterprise, or Udemy Business (63% of 2024 revenue), and Consumer, or our direct-to-consumer marketplace (37% of 2024 revenue). Udemy's differentiated business model, compelling revenue share incentive and access to nearly 77 million learners attracts instructors from around the world. The Udemy Consumer marketplace consists of more than 250,000 courses in 75 languages. Millions of people learn on the Udemy platform from real-world experts in topics ranging from technology, business and soft skills, to personal development. Learners can purchase lifetime access to individual courses or subscribe through monthly and annual plans, which offer unlimited access to more than 13,000 of Udemy's top-rated courses. Udemy's marketplace also offers 27,000 free courses, which are an important source of conversion to paid enrollments.

Udemy's global content engine powers Udemy Business with the highest-rated content from our marketplace, proven new product capabilities and organic new business leads. Udemy Business enables organizations around the world to offer on-demand learning for all employees, immersive learning for technology teams, and cohort learning for business leaders. Built for businesses striving to be at the forefront of innovation and those utilizing the latest technologies, Udemy Business offers fresh, relevant learning that can be accessed around the world at any time. By leveraging Udemy's integrated learning solutions and strategic customer success support, businesses are equipped with the tools to reskill and upskill their workforce, increase employee engagement, and achieve critical business outcomes in an efficient and cost-effective manner. As of December 31, 2024, Udemy Business offers global companies annual or multi-year subscription access on a per-seat basis to a catalog of more than 29,000 courses in 15 local languages, in addition to English. Udemy Business provides access to its platform through Team and Enterprise subscription plans and offers the ability to add on Udemy Business Pro services. Organizations looking to build leadership capabilities can separately purchase a subscription to our cohort learning development platform.

Our platform and product offerings

Udemy's platform provides individual learners and organizations all over the world with access to high-quality and relevant content created by instructors across technology, business and soft skills, and personal development topics. Our platform is purpose-built to empower instructors with data insights and innovative technology to meet the specific needs of learners and organizations in order to help them achieve their career goals and desired business outcomes, respectively. Our products are designed to deliver measurable incremental value, which ultimately creates upselling or expansion opportunities. Udemy generates revenue through the following product offerings:

- *Per Course.* Individual learners can purchase one of the more than 250,000 courses available on the Udemy marketplace to obtain lifetime access to that digital course content after enrollment. Individual course purchases also include access to interactive learning tools such as quizzes, exercises, and the ability to ask questions and engage with the instructor directly. Pricing is optimized for each individual course and by region.
- *Subscriptions.* Udemy Business offers seat-based subscription plans, including Team Plan, Enterprise Plan, and Leadership Academy, as well as the Udemy Business Pro add-on service. Udemy Business subscription plans are offered as annual and multi-year subscriptions with pricing based on volume and functionality. Individual learners can purchase a monthly or annual Personal Plan subscription with access to more than 13,000 courses across hundreds of professional and personal skills. Monthly and annual Personal Plan subscription pricing vary by region.
- *Professional Services.* Udemy Business customers may elect to engage us to provide professional services that support the cohort learning experience, as well as learning architecture development and skills mapping.

Consumer

Udemy's direct-to-consumer business is built on our global marketplace, which is a destination for on-demand courses taught by expert instructors in their respective fields. Our platform is designed to meet the needs of our audience of nearly 77 million learners and over 80,000 instructors that come to us for professional and personal skills development. Our global marketplace serves as a testing ground for content before the best - as determined by learner ratings and reviews - are selected for inclusion in the Udemy Business portfolio. It also serves as an organic lead generation channel.

Udemy analyzes platform data to better understand learners' needs and deliver personalized recommendations for the best courses and learning paths. Learners can access content from numerous local experts from around the world and in their preferred language. Udemy provides a comprehensive and immersive learning experience through tests, Q&As, and other interactive activities.

When subscribed to a Personal Plan, an individual learner will have unlimited access to the curated subscription catalog during the subscription term, including immersive learning experiences such as practice tests and coding exercises.

Udemy Business

Global organizations recognize the need for upskilling and reskilling capabilities to ensure their workforce is agile, resilient and competitive in a rapidly changing environment. Many business leaders around the world believe the need for new skills is their largest business challenge and, for employees, opportunities for development have become an important factor that determines workplace satisfaction. Hybrid work, distributed teams and the rapid pace of change mean organizations can no longer rely on in-person training alone. As a result, organizations must leverage digital and hybrid learning experiences to scale skills acquisition. Our go-to-market approach is focused on understanding our customers' business needs and developing learning strategies so they can achieve organizational goals. We build deep, trusted customer relationships at all levels with a specific focus on the C-suite, and our engagements support upskilling and reskilling across hybrid and remote workplaces. With our dynamic product portfolio from on-demand and immersive learning to a tailored cohort experience for leadership development, Udemy Business supports skill development at all levels of the organization. We continue to make investments in our global partner ecosystem to support direct and indirect revenue channels that help enable us to scale with agility across the global marketplace.

Udemy has curated more than 29,000 of the most highly-rated and relevant courses for in-demand skills from its extensive content catalog on its marketplace to meet the needs of its Udemy Business customers in over 150 countries. Udemy Business features collections in 15 local languages, in addition to English. Non-English content accounts for more than 50% of the Udemy Business course collection. Local language courses are taught by native speakers with local context, making the content and learning experience more relevant and effective. These collections are a key competitive differentiator which we believe position us well as a premier learning and development provider for many global organizations that are looking to standardize on one platform.

Udemy uses a rigorous content curation process that considers enterprise customer demand, learner feedback and ratings, topic relevance, course quality, and instructor engagement on our platform, including frequency of updates and interaction with learner questions. We regularly review courses in the Udemy Business catalog to ensure ratings consistently stay above a certain threshold and the topics are still relevant. Content that does not meet strict quality requirements will be removed from the Udemy Business catalog.

When an instructor's course is added to the Udemy Business catalog, instructors are required to agree, subject to limited exceptions, to exclusivity, which prevents them from offering any on-demand content, such as pre-recorded courses, on any competing platform in a way that directly competes with or impairs the sales of such content on our platform. This exclusivity clause remains in effect for so long as an instructor's content is included in the Udemy Business catalog, and we may continue to include content in the Udemy Business catalog for up to 12 months after an instructor elects to opt out. We believe these exclusivity arrangements increase the value of our offerings by increasing the amount of unique content on Udemy and helping maintain our robust roster of expert instructors.

Udemy Business subscription plans include on-demand access to the curated course library, analytics, and learning path management. Contracts are licensed on an annual or multi-year basis, and pricing is determined on a per seat basis, with volume discounts. Udemy Business offers subscription plans, including Team Plan, Enterprise Plan, and Leadership Academy, as well as the Udemy Business Pro add-on service.

- *Team Plan.* Teams of up to 20 people can purchase Team Plan, which is a self-serve, subscription service. Team Plan is designed for teams or organizations who are in need of on-demand learning and development at work to reskill and upskill. With a subscription to Team Plan, subscribers get access to a selection of courses included in the Udemy Business catalog, certification prep for more than 200 exams, practice tests, AI-powered coding exercises, goal-focused recommendations and analytics.
- *Enterprise Plan.* Organizations can purchase Enterprise Plan, which offers a vast catalog of more than 29,000 high-quality courses. Enterprise plan includes the same features as Team Plan, but also includes additional features such as a dedicated customer success team, 15 non-English course collections, customizable content, and advanced analytics. Using the product's reporting and analytics tools, organizations can easily view engagement, user activity, identify skills gaps and skill insights, including industry benchmarking, to assess Return on Investment, or ROI. Enterprise plans are offered as annual and multi-year subscriptions with pricing based on volume, contract length and functionality.
- *Udemy Business Pro.* Available as an add-on to any Udemy Business enterprise license, Udemy Business Pro provides a deeper, immersive learning experience with assessments, labs and workspaces and pre-built learning paths that accelerate skill development across key roles in information technology, software engineering, and data & analytics. Pricing is based on volume and contract length.
- *Leadership Academy.* Organizations looking to build leadership capabilities can purchase our cohort-based leadership development platform, which enables teams to learn together through an instructor-led learning experience in a hybrid, scalable experience that can be tailored for each customer's organizational needs. Subscription pricing for this offering is based on cohort volume and functionality.

Udemy generates Udemy Business customer leads through its go-to-market sales team, lead generation marketing, reselling and co-selling partnerships and from the direct-to-consumer marketplace. We have a proven land-and-expand strategy. Once Udemy has landed a customer, we work closely with the organization to understand their desired business outcomes and help them to achieve their goals. Over time, we have been successful in retaining and expanding our customer relationships.

Customer success and expansion

The success and satisfaction of our customers is our North Star for Udemy. Today, most global companies are experiencing massive organizational change and are looking for a strong partner to help them navigate that change and achieve their desired business outcomes. Companies around the world are in the midst of a talent and workforce transformation, which is the process of developing the employees' skill set to keep up with the ever-changing needs of the business, accelerated by generative AI. Our customer success teams partner with leaders of organizations to develop learning strategies to achieve their corporate objectives and to give learners guidance to help them develop and foster a culture of continuous learning.

With under 10% penetration of total available seats for Udemy Business' customers, our opportunity within our existing customer base is significant. Our land-and-expand strategy is an investment in building long-term, high ROI relationships with our customers. Our teams work closely with customers during onboarding to understand the company's business objectives and partner with the leaders in the organization to develop programs tied to driving outcomes. We ensure that all of those programs support the right learning outcomes and then we focus on driving seat expansion.

Our Customer Success organization is structured to support our customers based on their specific needs as determined by their organizational size and complexity:

- *Self-serve.* A fully digital success experience for organizations utilizing our Team Plan product. This model delivers support and guidance through digital channels, customer marketing, the product and technology such as generative AI.
- *Tech First.* A digital first success experience for customers with smaller licensing requirements and less complex structures. Support and guidance are proactively delivered via digital channels throughout the customer journey, and direct reactive support is available from the customer success team at the customer's request.
- *Mid Touch.* A blended success experience where a combination of digital and human success models are deployed to deliver outcomes for customers. This model involves a combination of data driven journey automation and success management where a dedicated customer success manager will proactively engage based on the customer's needs.
- *High Touch Managed Service.* A full service dedicated customer success management for customers who have more complex requirements. A dedicated customer success manager will proactively work with the customer over the lifetime of the relationship. The customer success manager will be deeply engaged with the customer on an ongoing basis.

In addition to each customer being assigned a Customer Success representative, we also provide specialized support for key customer needs.

- *Renewals.* Manage the customer renewal journey, making sure we optimize the renewal event for both Udemy and the customer.
- *Professional Services.* Multiple centers of excellence with services that support the delivery of our cohort learning experience as well as high-touch engagements such as learning architecture and content mapping.
- *Customer Support.* Self-service and global agents to assist with inquiries from all Udemy Business seat holders.

Our ability to attract, retain and expand revenue from our Udemy Business customers is demonstrated by our Net Dollar Retention Rate ("NDRR"). As of December 31, 2024, Udemy Business NDRR was 98%, and NDRR for Udemy Business customers with at least 1,000 employees, or Udemy Business Large Customer NDRR, was 103%. This level of retention demonstrates the potential for consistent expanded growth within the existing Udemy Business customer base. To date, customer expansion has been primarily driven by seat expansion, although new product adoption is becoming a more meaningful driver.

Partnerships

Partnerships are a key element of Udemy's long-term growth strategy. Udemy's partnerships aim to drive growth across both our consumer and Udemy Business offerings, and we center our efforts on three key pillars: global expansion, extending reach and meeting our business customers in their flow of work.

Udemy has a global focus in all partnerships. We have a differentiated localized content catalog across a wide set of regions. Combined with our go-to-market and Customer Success approach, we increase our speed to market and local penetration by partnering with regional resell and co-sell partners to connect customers with Udemy Business in their local language. In some cases where we do not have localized content, we implement our high-touch partnership model to leverage a key local brand to help develop our content catalog and to establish a local language version of Udemy Business once the catalog meets our high-quality criteria. In 2024, 65% of Udemy Business revenue in the Asia Pacific region was driven by partnerships with Benesse in Japan, Woongjin ThinkBig in South Korea, Sanjieke in China and FUNiX in Vietnam.

In addition to our global focus, Udemy seeks to forge relationships that either extend our marketing reach or the capabilities and reach of our sales go-to-market. Through relationships with key brands and regional leaders that have reach and scale in their own right, we are able to increase the awareness and adoption of our offerings.

Additionally, customers need data integrations in order to assess ROI, adoption and other key metrics. Udemy's open nature, platform services focus and APIs, enable us to build a robust integration ecosystem that supports our customers' ability to get the most out of their software investments and investments in learning.

Finally, a critical part of Udemy's success requires that we work with partners to enable our users to access Udemy Business content in their flow of work. To support this, Udemy Business can be integrated into various Learning Management Systems ("LMS") and Learning Experience Platforms ("LXP"), such as Cornerstone OnDemand, Degreed, ServiceNow and Workday.

Our growth strategies

We are pursuing the following strategies to generate long-term sustainable growth for our business:

Accelerate growth by focusing upmarket and on key verticals. Enterprise customers represents the greatest growth potential for Udemy given the wider range of use cases and land-and-expand opportunities. Large enterprise customers, defined as those with at least 1,000 employees, currently represent approximately 75% of Udemy Business revenue, and the cohort is growing at a significantly faster rate than the SMB cohort. Historically, Udemy has executed successfully in this cohort, with stronger pipeline build, larger deal sizes, higher retention, more upsell opportunities, and better unit economics. With just over 5,000 enterprise customers in this cohort, Udemy has barely penetrated the global addressable market opportunity of more than 130,000 enterprises worldwide.

Increase Udemy Business penetration through a land-and-expand strategy. Our strategy focuses on acquiring new customers and efficiently growing our relationships with existing customers. Historically, we have expanded from individual to team to multi-department and company-wide sales as Udemy Business's value is proven and customers identify additional use cases. With under 10% of total available seats contracted in our existing Udemy Business customer base worldwide as of the end of 2024, we see a large opportunity for growth. We have developed a strong outbound lead-generation process with effective account-based marketing operations, allowing us to target, develop and nurture key accounts in large organizations.

Continue international expansion and localization. Udemy is accessible in more than 180 countries with courses in 75 languages. As the content catalog expands in each country, we typically invest in additional growth levers such as local payment methods, local currency pricing and local marketing. These investments drive higher traffic, enrollments and revenue for our direct-to-consumer business, as well as leads for Udemy Business. Once we reach a steady volume of leads to Udemy Business, we build local go-to-market sales teams to help grow and expand our customer base. We also may partner with local companies. We believe this international playbook will continue to allow us to build a targeted list of countries in which we anticipate we will expand with a high likelihood of success.

Launch innovative products that drive measurable learning outcomes and increased retention. We are investing in the platform and leveraging technology such as generative AI to:

- drive measurable learner outcomes;
- deliver more personalized learning experiences;
- improve our instructors' ability to create content more efficiently;
- improve our ability to support learners through career-oriented learning journeys; and

- improve our ability to support organizations and their need to upskill and reskill their workforces efficiently, including leadership needs and cohort-based offerings.

Increase overall Udemy brand awareness. We are continuing to invest in growing brand awareness globally. Udemy's brand awareness is relatively low, representing a significant opportunity, and this is consistent with the category as a whole. Our brand marketing is designed to increase awareness of Udemy through online and offline campaigns that drive media coverage, social sharing and more word-of-mouth virality. Investments in our brand enable us to drive long-term growth by attracting new learners to our platform and keeping existing learners engaged.

Optimize business model and pricing. Our pricing optimization approach is designed to make it easy and accessible for learners to purchase courses, which drives instructor earnings, thereby increasing incentives for instructors to supply more courses. We are continuing to invest in our machine-learning pricing algorithms to determine the optimal price we charge for our courses in our marketplace on a per-country basis, taking into account dozens of course characteristics, including category of content, hours of content, course rating and enrollments.

Pursue strategic acquisitions. We will consider acquisitions that expand our international footprint and/or to acquire innovative technology that expands the immersive learning experiences we offer, with the goal of improving the learner experience and customer outcomes and ultimately increasing new customer acquisition and retention.

Competition

The market for developing skills is rapidly growing and highly fragmented, but is not well-suited to address the growing need for people to reskill and upskill since the landscape is continuously evolving. Participants in this market can include corporate training offerings, direct-to-consumer training offerings, specialized content training offerings, and providers of online free resources. We compete for individual learners, Udemy Business customers and instructors on the following basis:

Learners: We compete for learners based on our course catalog, instructors, learning tools and localization. We believe that we are positioned favorably because of our ability to attract instructors and support them with data and insights to create new, and regularly refreshed high-quality content.

Udemy Business customers: We compete for customers based on our high-quality, engaging and relevant content, the breadth and depth of that content across the full range of core business functions and advanced product features that optimize self-paced learning and enable organizations to effectively drive programmatic learning. We believe that we are positioned favorably because of the strategic relationships we form with our enterprise customers that help them drive engagement in their learning programs and, in turn, business outcomes like employee retention, acquisition of certifications and increased productivity.

Instructors: We compete for instructors based on our ability to provide monetization opportunities and tools to enable instructors to create differentiated content to meet the needs of global learners. We believe that we are positioned favorably because of our ability to attract learners across the globe, provide data and insights to help instructors enhance content to retain learners, and offer an attractive shared revenue model.

Our competitive advantages

The traditional publisher model used by some competitors can be slow moving and reactive. Other niche marketplace models cannot effectively serve the enterprise learner who needs to develop both technical and professional skills. Udemy's platform, in contrast, offers a comprehensive suite of skills development tools required to support learners and organizations in achieving their career goals and business outcomes, respectively. We believe our operating model benefits from several competitive advantages:

Comprehensive global course catalog. We provide access to over 250,000 courses, including over 115,000 non-English language courses. This extensive library covers a broad range of topics, including technical skills, business and soft skills, and personal development. Many of our competitors specialize in a specific category, which is not effective for companies and their employees that require a blend of technical, business and soft skills. We have effectively built a creator platform that allows instructors to develop content on virtually any topic, while having the flexibility to update courses to keep up with the pace of change and based on feedback from millions of learners around the world. On average, our instructors publish more than 5,000 courses a month on our platform.

High-quality, relevant and up-to-date content. Udemy's differentiated feedback loop between learners and instructors ensures that we are able to maintain the high-quality courses on in-demand topics to meet the needs of learners. Our marketplace model motivates instructors to provide high-quality content to learners quickly, whether by being first to address in-demand topics, refreshing existing topics, or finding new and better ways to serve the learner community on existing topics. We believe this incentive model helps drive our instructors to update their courses at a much higher rate than courses offered via a traditional publisher model. Rather than being subject to the "top down" review cycle of multiple editors inherent to traditional publishing, our model removes these publisher barriers to enable a flywheel of instructor content creation, engagement, and continuous content optimization. This regularly updated content, along with personalized recommendations and advanced search capabilities, presents a better value proposition for learners who benefit from accessing the most up-to-date, high-quality content that is relevant to their individual needs. Our marketplace model allows us to provide the freshest technical content that is able to keep up with the pace of innovation, providing the content needed to support organizations undergoing digital transformation efforts. We also regularly remove courses that fall below our ratings guidelines or are receiving limited engagement from learners.

Global instructor network. Udemy has a network of more than 80,000 global instructors. Instructors come to Udemy because of our scale and attractive revenue share model. Our massive audience provides us with a significant amount of learner data and incentive for instructors to come to our platform. Udemy offers a clear advantage to instructors who want to ensure they offer the freshest, most relevant tech skills content. The ability to quickly create and post fresh content helps instructors attract more learners and generate more earnings. On average, courses are updated five times per year by top instructors on Udemy. In 2024, our instructors earned \$190.6 million and published an average of more than 5,000 courses per month.

Global distribution and reach. Our platform connects individual learners and enterprise customers with instructors across the world. In 2024, 60% of our revenue was generated outside of North America, and 85% of marketplace traffic originated from outside of the United States. We have courses in 75 languages on our marketplace. For Udemy Business, we have courses in English and 15 other local languages and customers in more than 150 countries. Having local language experts creating locally relevant content is a key differentiator for Udemy. As learners and organizations in a new geography begin to engage with us, we then have the opportunity to quickly and efficiently expand our global footprint by focusing our marketing, advertising, pricing, and language customization resources and expanding our payment options, which allows us to grow our base of individual learners and enterprises and attract new instructors who create native language courses.

Powerful network effects. Udemy is one symbiotic, data-centric platform. The growing number of individual learners and enterprises on our platform attracts more instructors with diverse experiences and backgrounds to create content for in-demand topics and update existing courses. The increasing number of relevant, high-quality and up-to-date courses attracts more individual learners and enterprises. The volume and frequency of these interactions allow us to generate meaningful insights and provide real-time feedback and data and analytics for our enterprise customers and instructors. These data insights improve content quality, enhance course personalization, and optimize productivity and satisfaction for our learners.

Powerful data insights and analytics. During 2024, we had an average of 38 million monthly unique visitors, and, through the end of 2024, we've had over 1 billion cumulative course enrollments since inception. We believe that the volume of the data our platform collects provides meaningful insights into the behaviors and evolving needs of organizations, learners and instructors. We leverage that data to provide personalized course recommendations and learning paths. We also analyze enrollment data, market insights and feedback from learners to identify needed skills or new topics of focus within our content catalog and share this information with our instructors so they can continuously improve their course offerings in real time.

Flexible technology platform. We have built our technology to be flexible to enable us to continuously test and add new features, such as interactive exercises and immersive learning experiences. Our technology platform is modern, agile, and accessible from a variety of online and mobile channels. Collecting and analyzing billions of data points helps our data scientists recommend better and more relevant content. We use advanced technology applications, such as personalized promotions, lifecycle marketing and content personalization, to help tailor our platform for our learners.

Our technology and research and development

Udemy's technology features a modern architecture designed to support our continued growth at scale. We leverage AI and machine learning to enhance learner personalization, increase conversion and support customer retention. Our global distribution platform enables learners, instructors and organizations around the world to achieve their goals and desired outcomes. We aim to provide world-class experiences for all learners by focusing on the following pillars:

Scaled integrated platform. Our massive and growing network of instructors, learners and organizations enables us to create significant value for all customers. Our instructors create fresh, relevant content for our learners and organizations, including immersive learning experiences. Instructors are able to monetize their knowledge and receive learner feedback on their content. That data and insights allow us to experiment and iterate on our product. Organizations are empowered to upskill and reskill employees with our learning content. Udemy leverages generative AI to enable more personalized learning experiences and provides valuable data and strategic insights related to employee's learning trends, skills acquisition and progress toward goals.

Comprehensive learning. Udemy's platform is designed to support learners throughout their journey as they develop skills needed to achieve their professional goals and receive validation of skills proficiency through badges and certification. We provide personalized and guided skill-based learning experiences, including on-demand videos, hands-on practice and assessments. Learners can focus on career and occupational areas of their choice. Udemy produces curated learning paths focused on key domains and skill sets. We also allow organizations to author their own custom learning paths.

Extensive integrations. We are evolving our comprehensive learning platform using an API-first approach. This starts by looking at our business as a set of key entities and capabilities, and we define modular, interoperable APIs to represent them. This foundation fosters innovation across the customer experience and opens the door to faster, more efficient timelines to scale our offerings. It powers our first-party applications that include our customer-facing Udemy.com website, our Udemy Business web experience, our native mobile applications and new experiences. This approach also supports an expanding set of third-party ecosystem integrations, through industry standard interoperability with learning management systems and learning experience platforms, as well as other key business systems and tools.

Powerful data. We leverage a wealth of data to drive customer outcomes. Our differentiated learner feedback loops help improve instructor outcomes by sharing insights on where the market opportunities are and how they can enhance their teaching capabilities. For learners, our marketplace unlocks valuable data for personalized recommendations. This helps learners know the skills needed to achieve their goals, including demonstration of skills proficiency through validation and certification. And for organizations, we are able to share powerful insights to help them achieve their goals and assess ROI. Our platform's ability to provide a personalized experience is further enhanced by the machine learning methodologies used to develop the algorithms included in our technology, which allow us to personalize each learner's experience.

Pricing optimization. Our machine-learning pricing optimization approach is designed to make it easy and accessible for learners to purchase courses, which drives instructor earnings, thereby increasing incentives for instructors to supply more courses and update existing content. We have built a global pricing engine that allows anyone to have access to our products at prices adjusted to the local purchase power parity in the local currency and using payment methods they are familiar with. This powers the global dynamics of our marketplace, promoting strong learner conversion that fuels Udemy's global pipeline. We routinely adjust our algorithm to attain prices based on a variety of factors, with an ultimate goal of increasing conversion to paid enrollment. These algorithms use dozens of course characteristics, such as content category, length of course, average course rating, and topic popularity to determine the most effective price for each course on a per country basis.

We have a cross-functional, agile team of data scientists, machine-learning engineers, software engineers, and product managers focused on continuously improving our platform to address evolving customer needs. Thus far, the team has built algorithmic and model-driven solutions at scale to provide the following capabilities: personalized and differentiated experiences for all learners, comprehensive instructor tools for content delivery and student engagement, and insights dashboards for enterprises to track employee progress.

Our market opportunity

Before 2020, the majority of corporate training occurred offline. With the increase of internet connectivity, technological advances, work-from-home flexibility and interactive tools at a low cost, we expect to see a continued acceleration of the shift from offline to online. We believe that online education is well-positioned to address the scalability and affordability limitations that offline education presents.

Based on data from Arizton, the market opportunity in online learning was estimated to be \$197 billion in 2023. We calculate this estimate by aggregating the global corporate opportunity of \$83 billion and the global e-learning opportunity of \$114 billion, including government, vocation and higher-education. We believe that market opportunity could grow to \$435 billion by 2029. Within that, the global corporate opportunity is expected to grow to \$204 billion by 2029, or at a 15% compound annual growth rate, or CAGR.

There are several macro trends that are driving this growth, specifically the increasing shift of organizations around the world to skills-based talent management practices and the rapid development of digital transformation as more professional jobs are impacted by generative AI, automation and technology. In addition, there is a growing need to offer cost-effective, flexible and personalized training to allow employees to learn at their own pace as more companies offer remote and hybrid positions and strive to create a culture of continuous learning.

Our sales and marketing approach

We have built a data and technology-driven marketing engine that allows us to acquire learners across the globe efficiently. We have integrated our data flows with key marketing platforms to make near real-time decisions on bidding and targeting. We have also developed predictive lifetime value models that allow us to identify and acquire the most valuable learners. This engine allows us to be in control of our cost of acquisition, to grow customer lifetime values and manage our budgets to hit our ROI goals, while being flexible to adapt in real time to external trends and factors.

Our marketing strategy focuses on brand, account based and performance marketing, strategic partnerships and lifecycle monetization. In 2024, we entered into a multi-year partnership with McLaren Racing to become their Official Learning and Skills Partner and to build brand awareness among McLaren's global fan base while showing the power of bringing a skills focus to the workplace.

The strength of our community and brand drives significant organic acquisition, with the majority of our customers coming from unpaid channels. Finally, lifecycle marketing and monetization focuses on building personalization at scale, increasing learner retention and long-term value, optimizing prices and promotions, and testing new monetization models. Global instructors learn about Udemy in a variety of ways including awareness campaigns and by coming to the platform as learners.

We have 27,000 free courses available on our consumer marketplace. These free courses represent an important entry point for learners to experience our platform, driving cost-effective top of the funnel engagement for both consumer and Udemy Business leads. Once learners interact with our platform, our machine-learning algorithms recommend courses for learners to purchase based on topic, quality, instructor rating, number of enrollments, learner's country of origin and more. The algorithms help us drive customer conversion, maximizing revenue while offering the best experience and value to learners.

With only 15% of Udemy's traffic coming from the U.S., we are focused on ensuring that our marketing speaks to local audiences around the world. Our design communications and production capabilities allow us to produce creatives that, while anchored on our global brand, also adapt to the cultural norms of the countries we advertise in. We leverage our global infrastructure to produce assets at scale and work with local language experts and native marketers to make the necessary adaptations for each country.

Go-to-market strategy

We sell to our Udemy Business customers both directly, through our sales teams, and indirectly, through third-party channels. Our Customer Success team engages pre-sale, ensuring that we understand the business objectives of that potential customer. Once an organization signs on, our Customer Success team partners closely with that organization to track progress toward business outcomes and determine opportunities for increasing adoption and usage, which can ultimately lead to customer expansions and upsells.

Seasonality

Historically, we have received a higher volume of orders from new and existing Udemy Business customers in the fourth quarter of each year as a result of industry buying patterns. We recognize revenue from Udemy Business subscription bookings over the life of the contract. We also have traditionally seen increased bookings in the Consumer segment as the result of various holiday promotions offered in the fourth quarter. We recognize revenue for consumer individual course purchases over an estimated service period of four months, while revenue for consumer subscriptions is recognized over the corresponding subscription term. As a result of these recognition practices, the quarter in which we generate the highest bookings may be different from the quarter in which we recognize the highest amount of net revenue, and our sequential growth in remaining performance obligations has historically been highest in the fourth quarter of each year. For more information, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Intellectual property

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.

As of December 31, 2024, we held 16 registered trademarks in the United States and 44 registered trademarks in foreign jurisdictions, which have various expiration dates between 2025 and 2034, and we also held 3 registered patents in the United States, with various expiration dates between 2037 and 2038. 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.

Although we rely on intellectual property rights, including patents, copyrights, trademarks and trade secrets, as well as contractual protections to establish and protect our proprietary rights, we believe that factors such as the technological and creative skills of our personnel, creation of new services, features and functionality, and frequent enhancements to our platform are more essential to establishing and maintaining our technology leadership position.

Human capital resources

Our employees are our greatest asset. We believe we have a world-class culture with employees committed to redefining the future of work through a skills based approach and continuous learning. In addition, we invest in areas to help us attract and retain top talent that support our core values. On top of competitive health and retirement benefits, we offer WholeU benefits, a comprehensive suite to care for employees’ emotional, physical, and financial well-being.

We are proud of our internal focus on learning and development and leverage the Udemy Business platform to drive upskilling and career growth within our organization. Due to these efforts, 95% of employees spent time learning on our platform during the fiscal year ended December 31, 2024. Employees from around the globe participated in our Leader Development programs, including MentorU, Udemy Manager, Invested Leader and Leadership Coaching.

As of December 31, 2024, we had 1,246 full-time employees. In September 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. The 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. None of our employees are represented by unions. We consider the relationship with our employees to be strong and have not experienced interruptions of operations due to labor disagreements.

Environmental, social, and governance (ESG)

At Udemy, we are committed to operating responsibly and sustainably to create long-term value for all stakeholders. Our ESG efforts reflect our dedication to addressing the evolving needs of our customers, employees, shareholders, and the communities in which we operate.

Our ESG priorities are informed by feedback from stakeholders, alignment with recognized frameworks and standards, and an ongoing assessment of the risks and opportunities most relevant to our business. We remain committed to continuous improvement and transparent reporting as we work toward achieving our sustainability goals.

Additional information

We make available free of charge through our investor relations website, investors.udemy.com, our annual reports, quarterly reports, current reports, proxy statements and all amendments to those reports as soon as reasonably practicable after such material is electronically filed or furnished with the SEC. These reports may also be obtained without charge by contacting Investor Relations, Udemy, Inc., 600 Harrison Street, 3rd Floor, San Francisco, California 94107, e-mail: ir@udemy.com. Our Internet website and the information contained therein or incorporated therein are not intended to be incorporated into this Annual Report on Form 10-K. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding reports that we file or furnish electronically with them at www.sec.gov.

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-K, 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-K. 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 business and operations

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

We incurred net losses of \$85.3 million, \$107.3 million, and \$153.9 million during the fiscal years ended December 31, 2024, 2023, and 2022, respectively, and, as of December 31, 2024, we had an accumulated deficit of \$805.0 million. We expect our losses to continue 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 or when we will achieve profitability. If we are not able to achieve and maintain profitability, 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:

- 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;
- 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 December 31, 2024, we had relationships with over 80,000 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 became effective at the beginning of 2024; 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 63%, 58%, and 50%, of total revenue during the fiscal years ended December 31, 2024, 2023, and 2022, 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 catalog, instructors, and learning tools.
- *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 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.

We expect our 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 artificial intelligence capabilities could provide competitors with an advantage. 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 the 2024 change 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, artificial intelligence 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 artificial intelligence, 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. 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.

We may need to change our pricing model 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 our pricing model or target contract length 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 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 and contract models for these products. Pricing and contract length decisions may also impact the mix of adoption among our offerings and negatively impact our overall revenue. 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 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. 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.

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 and the restructuring plan announced in September 2024) 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 may in the future pursue, acquisitions of, or strategic investments in, businesses, technologies, services and other assets that complement our business. For example, in 2021 we acquired CUX, Inc. (d/b/a CorpU) ("CorpU"), an online leadership development platform that we have rebranded as our UB Leadership Academy. 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 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 60%, 60%, and 59% of our total revenue outside of North America during the fiscal years ended December 31, 2024, 2023, and 2022, 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;
- 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 and reporting burdens and complexities and difficulties in implementing and maintaining adequate internal controls;
- 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.

Increased scrutiny and changing expectations from regulators, investors, customers, employees, and others regarding our environmental, social and governance practices and reporting could cause us to incur additional costs, devote additional resources and expose us to additional risks, which could adversely impact our reputation, customer acquisition and retention, access to capital and employee retention.

Companies across all industries are facing increasing scrutiny related to their environmental, social and governance, or ESG, practices and reporting. Regulators, investors, customers, employees and other stakeholders have focused increasingly on ESG practices and placed increasing importance on the implications and social cost of their investments, purchases and other interactions with companies. If our ESG practices and reporting do not meet investor, customer, or employee expectations, which continue to evolve, our brand, reputation, and learner, instructor, and UB customer retention may be negatively impacted. We also expect to incur additional costs and devote additional resources to monitor, report and implement various ESG practices, including as a result of regulatory developments.

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

Beginning in 2023, we became self-insured 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. 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 must, however, be renewed after four years and is subject to modification or revocation. The United Kingdom has introduced data protection legislation that, if adopted, would cause its data protection regime to deviate more significantly from the GDPR. We cannot fully predict how United Kingdom data protection laws or regulations may develop nor the effects of divergent laws and guidance. Changes with respect to any of these 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 already 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. Several states in the U.S. have proposed or enacted their own privacy laws, many of which contain obligations similar to the CCPA and CPRA. Many of these similar state privacy laws have taken effect or will take effect in coming years, creating the potential for a patchwork of overlapping but different state laws and for 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.

Aspects of the interpretation and enforcement of the CCPA, as amended by CPRA, and other evolving 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 are subject to varying enforcement and new and changing interpretations by courts, and may impose 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. 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 been subject to, and we, our service providers and our platform may in the future be subject to, cybersecurity attacks or other security breaches or incidents. Cybersecurity attacks may take the form of denial of service attacks, attacks using ransomware or other malware, or other attacks, and can come from insider threats as well as individual hackers, criminal groups, and state-sponsored organizations. These sources have used artificial intelligence 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 artificial intelligence 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 and our platform otherwise may be subject to security breaches and 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 in an effort 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 artificial intelligence, machine learning, and other evolving technologies.

We leverage generative artificial intelligence (“AI”), machine learning (“ML”), 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 artificial intelligence 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 AI legislation has also been introduced in the Senate. 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, and in 2024, the FCC voted to reinstate, with certain modifications, its open internet rules. We cannot predict the outcome of any litigation or whether the FCC order or state initiatives regulating providers will be modified, overturned, or vacated by legal action, federal legislation, or the degree to which this repeal 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 of 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 recent 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, the United States enacted the Inflation Reduction Act, which imposes a 15% alternative minimum tax on adjusted financial statement income. The Organization for Economic Cooperation and Development proposed a 15% global minimum tax, which has been adopted by the European Union effective from January 1, 2024. Several other jurisdictions have adopted or are in the process of adopting laws to implement this initiative. Increases in our effective tax rate would reduce profitability or increase losses. In addition, we are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. 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.

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”) since our inception, and we expect to continue to incur net losses in the near future. As such, there is a risk that our existing NOLs could expire unused and be unavailable to offset future income tax liabilities if we do not achieve profitability. This may require us to pay federal income taxes in future years even if our NOLs were otherwise sufficient to offset our federal taxable income in such years. There is also a risk that due to regulatory and economic changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. Similar or different limitations may apply under state laws. We have recorded a full valuation allowance related to our NOLs and other deferred tax assets due to the uncertainty of the realization of the future benefits of these assets. If our NOLs and other tax attributes expire before utilization or are subject to limitations, our business and financial results could be harmed.

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, California has recently enacted a temporary suspension on the use of state NOLs in the taxable years beginning in 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 across more than 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 fiscal year ended December 31, 2024, 27% 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:

- 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;
- 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. 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 December 31, 2024, 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 54% 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 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 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity

Risk Management and Strategy

We have established policies and processes for assessing, identifying, and managing risk from cybersecurity threats, and have integrated these processes into our overall risk management systems and processes. We routinely assess risks from cybersecurity threats, including any potential unauthorized occurrence on or conducted through our information systems that may result in adverse effects on the confidentiality, integrity, or availability of our information systems or any information residing therein.

We conduct periodic risk assessments to identify cybersecurity threats, as well as assessments in the event of a material change in our business practices that may affect information systems that are subject to such cybersecurity threats. These risk assessments include identification of reasonably foreseeable internal and external risks, the likelihood and potential damage that could result from such risks, and the sufficiency of existing policies, procedures, systems, and safeguards in place to manage such risks.

Following these risk assessments, we work to design, implement, and maintain reasonable safeguards to mitigate identified risks; work to reasonably address any identified gaps in existing safeguards; and regularly monitor the effectiveness of our safeguards. We devote significant resources and designate high-level personnel, including our Chief Information Security Officer and Head of Information Technology (“CISO”), who reports to our Chief Financial Officer and Chief Technology Officer, to manage the risk assessment and mitigation process. Our CISO has over 25 years of industry experience, including serving in similar roles overseeing cybersecurity programs at other companies. In addition, our CISO has held Certified Information Systems Security Professional (CISSP), Information Systems Security Management Professional (ISSMP) and Certified Information Security Auditor (CISA) credentials for over a decade. Our CISO also currently holds the National Association of Corporate Directors (NACD) CERT Certificate in Cybersecurity Oversight from Carnegie Mellon University.

As part of our overall risk management system, we monitor and test our safeguards and train our employees on these safeguards, in collaboration with our Legal, Information Security, and Information Technology Departments and management. Personnel at all levels and departments are made aware of our cybersecurity policies through required trainings.

From time to time, we engage outside consultants in connection with our risk assessment processes. These service providers assist us with evaluating, designing and implementing our cybersecurity policies and procedures, as well as monitoring and testing our safeguards. In addition to an ongoing “bug bounty” program, we engage with independent third parties to perform external testing of our security controls on an annual basis.

We require third-party service providers to implement and maintain appropriate security measures, consistent with all applicable laws, to implement and maintain reasonable security measures in connection with their work with us, and to promptly report any suspected breach of its security measures that may affect our company.

For additional information regarding whether any risks from cybersecurity threats are reasonably likely to materially affect our company, including our business strategy, results of operations, or financial condition, please refer to Item 1A, “Risk Factors,” including “—Risks related to technology, privacy, and cybersecurity—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” in this Annual Report on Form 10-K.

Governance

Our Board of Directors is responsible for overseeing our enterprise risk management activities in general, and each of our Board committees assists the Board in risk oversight. The Audit Committee directly assists the Board in its oversight of cybersecurity risk. The Audit Committee receives updates at least twice a year from management, including our CISO, on cybersecurity risk resulting from risk assessments, progress of risk reduction initiatives, control maturity assessments, and relevant internal and industry cybersecurity incidents.

Our CISO and our management Risk Committee, consisting of our executive leadership team, are responsible for overseeing our cybersecurity risk management processes. The processes by which our CISO and our Risk Committee are informed about and monitor the prevention, detection, mitigation, and remediation of cybersecurity incidents includes direct engagement with the security team by our CISO, as well as our incident reporting process. Under our incident reporting process, cybersecurity incidents are reported, and then reviewed by senior members of our information security, internal audit and legal department, who then evaluate and, if appropriate, escalate any incidents immediately to our Audit Committee.

Item 2. Properties

Our corporate headquarters, consisting of approximately 59,000 square feet of office space in San Francisco, California, is leased through June 2029. We also lease additional office space in locations around the world, including Denver, Colorado; Dublin, Ireland; and Melbourne, Australia. We maintain co-working or other short-term office spaces in Austin, Texas; Gurugram, Chennai and Mumbai, India; Istanbul and Ankara, Turkey; and Mexico City, Mexico, through co-working leases or similar arrangements. We believe that our facilities are suitable to meet our current needs. We anticipate that suitable additional or alternative space would be available at commercially reasonable terms for future expansion, as needed.

Item 3. 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.

Video Privacy Protection Act class action complaint and threatened arbitration demands

On December 12, 2022, a putative class action complaint captioned Mohamed Saleh v. Udemy, Inc., was filed against us, alleging violations of the Video Privacy Protection Act (the “VPPA”) and claiming that Udemy violated the VPPA by knowingly sharing personally identifiable information about the viewing history of Udemy courses with an advertiser. The complaint is currently pending in the United States District Court for the District of New Jersey, Case No. 2:23-cv-02207.

The complaint seeks declaratory relief, injunctive relief, statutory, liquidated, and punitive damages, as well as reasonable attorney fees and costs. On August 30, 2023, we filed a motion to compel arbitration and on March 21, 2024, the motion was granted and the matter stayed pending individual arbitration.

In addition, several law firms have threatened to file individual arbitration demands against us on behalf of approximately 20,000 purported Udemy learners. The firms threaten claims similar to those in the class action complaint described above arising under the VPPA and/or California state privacy laws. Udemy has resolved the claims of approximately 6,000 of these purported learners for an immaterial amount. We intend to vigorously defend ourselves in these matters.

Other legal proceedings

We are subject to other legal proceedings and claims that arise in the ordinary course of business from time to time, as well as governmental and other regulatory investigations and proceedings. In addition, third parties may from time to time assert claims against us in the form of letters and other communications. We are not currently a party to any legal proceedings that, if determined adversely to us, would, in our opinion, have a material adverse effect on our business, financial condition, results of operations, or cash flows. Future litigation may be necessary to defend ourselves and our business partners and to determine the scope, enforceability, and validity of third-party proprietary rights, or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and 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 4. Mine Safety Disclosures

Not applicable.

PART II.

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market information for common stock

Our common stock is traded on the Nasdaq Stock Exchange under the symbol “UDMY”. Trading of our common stock commenced on October 29, 2021 in connection with our initial public offering.

Use of proceeds

Our initial public offering of our common stock was affected pursuant to a registration statement on Form S-1 (File No. 333-260042), which was declared effective by the SEC on October 28, 2021.

There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus dated as of October 28, 2021 and filed with the SEC pursuant to Rule 424(b)(4) on October 29, 2021.

Dividend policy

We have never paid any cash dividends on our common stock. Our board of directors currently intends to retain any future earnings to support operations and to finance the growth and development of our business and does not intend to pay cash dividends on our common stock for the foreseeable future. Any future determination related to our dividend policy will be made at the discretion of our board of directors.

Stockholders

As of December 31, 2024, there were 35 registered stockholders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees.

Recent sales of unregistered equity securities

None.

Issuer Purchases of Equity Securities

In 2024, our Board of Directors approved a share repurchase program, which authorized the purchase of up to \$150 million of Udemy common stock from time to time through open market purchases, in privately negotiated transactions, or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, in accordance with applicable securities laws and other restrictions. The share repurchase program was completed in November 2024.

The following table summarizes share repurchase activity during the fourth quarter of 2024:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be repurchased under the program (in thousands)
October 1, 2024 - October 31, 2024	1,091,031	\$ 7.68	1,091,031	\$ 334
November 1, 2024 - November 30, 2024	41,811	8.00	41,811	—
December 1, 2024 - December 31, 2024	—	—	—	—
Total	<u>1,132,842</u>	<u>\$ 7.70</u>	<u>1,132,842</u>	<u>\$ —</u>

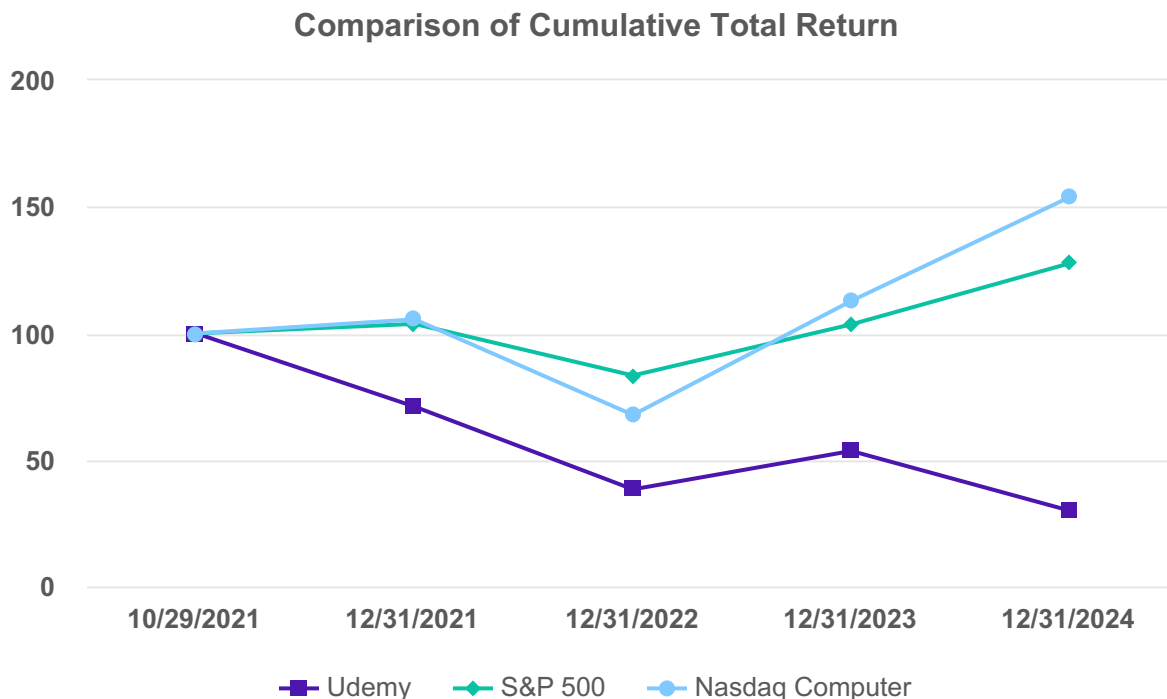
Securities authorized for issuance under equity compensation plans

Refer to Item 8, Note 11 – Stockholders' equity for information on securities authorized for issuance.

Stock performance graph

The following shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference into any of our other filings under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The graph below compares the cumulative total stockholder return on our common stock with the cumulative total return on the Standard & Poor’s 500 Index (“S&P 500 Index”) and the Nasdaq Computer Index (“Nasdaq Computer Index”) since our IPO on October 29, 2021 through December 31, 2024, assuming an initial investment of \$100. Data for the S&P 500 Index and Nasdaq Computer Index assumes reinvestment of any dividends.



	October 29, 2021	December 31, 2021	December 31, 2022	December 31, 2023	December 31, 2024
Udemy	\$ 100.00	\$ 71.05	\$ 38.36	\$ 53.53	\$ 29.93
S&P 500 Index	\$ 100.00	\$ 103.76	\$ 83.37	\$ 103.57	\$ 127.71
Nasdaq Computer	\$ 100.00	\$ 105.56	\$ 67.79	\$ 112.86	\$ 153.89

Item 6. [Reserved]

Item 7. 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 consolidated financial statements and related notes included elsewhere in this Form 10-K. In addition to historical 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 I, 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-K.

A discussion regarding our financial condition and results of operations for the fiscal year ended December 31, 2024 compared to the fiscal year ended December 31, 2023 is presented below. A discussion regarding our financial condition and results of operations for the fiscal year ended December 31, 2023 compared to the fiscal year ended December 31, 2022 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our prior year Form 10-K, which was filed with the SEC on February 26, 2024.

Overview

Our mission is to transform lives through learning.

We believe traditional skills development and validation methods are fast becoming outdated. Technological advancements and novel industries have significantly altered the types of skills required of workers, and lifelong training and continuous skills acquisition are becoming the norm. There is a clear need to expand access to learning across traditional barriers such as geography and social demographics. Our online platform empowers organizations and individuals with flexible and effective skill acquisition and development, connecting global learners with relevant and up-to-date knowledge from experts and practitioners around the world.

Udemy's consumer marketplace has attracted nearly 77 million learners in over 180 countries who are looking for the knowledge and skills they need to attain in-demand jobs, further their career, and improve their well-being. We curate the highest-quality content from our marketplace for Udemy's enterprise SaaS platform, Udemy Business (UB), which enables companies around the world to offer effective on-demand learning for employees, immersive laboratory-style learning for tech teams, and cohort-based learning focused on leadership development. Our network of over 80,000 instructors have created over 250,000 courses in 75 languages that cover a wide range of topics, including technology, business, soft skills, and personal development.

Strategic restructuring

In September 2024, we committed to a restructuring plan impacting approximately 280 of the Company's global employees as a part of our pursuit of operational efficiencies through the reduction of organizational layers, optimization of our go-to-market organization and relocation of certain roles to lower-cost locations. Since the implementation of the plan in September 2024, we have recognized restructuring charges of \$16.7 million, primarily consisting of one-time severance payments, salary and wages earned over required retention periods, and other benefits. We expect the restructuring plan to be complete by March 31, 2025. See Note 14 – Restructuring charges in Part II, Item 8 of this Annual Report on Form 10-K for further information.

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 onto our platform, we work to create a best-in-class experience to encourage engagement and drive learning and career outcomes.

Ability to retain and expand our existing learner and customer relationships

Our business and results of operations will depend on our ability to continue to drive higher usage of our platform within our existing customer base and our ability to add new customers.

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 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 and referrals to our paid offerings.

Our efforts to grow our UB offering are focused primarily on corporate and government customers. Historically, we have expanded from individual to 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' use of our platform 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 land-and-expand 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. As we drive a greater portion of our revenue through our deployments with UB customers, we expect that our revenue will continue to grow significantly, but the price we charge UB customers per seat may decline, which could reduce margins in the future.

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 and credentials 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 instructor base and the content they create as one of our competitive advantages. Our ability to expand the instructor payment pool over time 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 fiscal year ended December 31, 2024.

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. As we continue to build our sales and marketing efforts, expand our course catalog, develop our immersive learning capabilities, execute on our operational efficiency initiatives, and invest in our technology development, including investments in generative artificial intelligence, 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 online learning 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 course 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 course 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 are reducing the instructor revenue share for our subscription offerings, which are derived as a percentage of total UB and consumer subscription revenue, from a historical rate of 25% to 15% by 2026. The first rate adjustment to 20% was effective on January 1, 2024, and the second rate adjustment to 17.5% was effective as of January 1, 2025.

For consumer single course purchases, content costs are incurred at the time of purchase. As consumer course content 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 UB offering and decrease 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 land-and-expand strategy.

Research and development

Our research and development expenses consist primarily of personnel-related costs, including stock-based compensation, and costs related to the ongoing management, maintenance, and expansion of features and services offered on our platform. 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, 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 and the first quarter of 2023.

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 certain indirect tax reserves.

Other 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 overall loss position, and we will not be able to utilize any of these favorable tax attributes until we are 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, except share and per share amounts):

	Fiscal Year Ended December 31,		
	2024	2023	2022
Revenue	\$ 786,565	\$ 728,937	\$ 629,097
Cost of revenue (1)(2)	294,625	309,598	275,320
Gross profit	491,940	419,339	353,777
Operating expenses (1)(2)			
Sales and marketing	342,946	316,738	301,347
Research and development	125,438	120,335	104,556
General and administrative	96,199	93,898	99,064
Restructuring charges	16,685	10,263	—
Total operating expenses	581,268	541,234	504,967
Loss from operations	(89,328)	(121,895)	(151,190)
Other income (expense), net			
Interest income	19,666	20,670	5,548
Interest expense	379	(518)	(1,251)
Other expense, net	(11,655)	(1,898)	(4,696)
Total other income (expense), net	8,390	18,254	(399)
Net loss before taxes	(80,938)	(103,641)	(151,589)
Income tax provision	(4,350)	(3,653)	(2,286)
Net loss	\$ (85,288)	\$ (107,294)	\$ (153,875)
Net loss per share			
Basic and diluted	\$ (0.56)	\$ (0.71)	\$ (1.09)
Weighted-average shares used in computing net loss per share			
Basic and diluted	151,320,497	150,098,776	140,873,504

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

	Fiscal Year Ended December 31,		
	2024	2023	2022
Cost of revenue	\$ 6,887	\$ 7,006	\$ 5,360
Sales and marketing	28,665	30,859	29,054
Research and development	27,046	26,301	20,850
General and administrative	27,584	30,672	26,029
Restructuring charges	(160)	1,208	—
Total stock-based compensation expense	\$ 90,022	\$ 96,046	\$ 81,293

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

	Fiscal Year Ended December 31,		
	2024	2023	2022
Cost of revenue	\$ 1,880	\$ 2,900	\$ 2,900
Sales and marketing	915	1,208	1,366
Total amortization of intangible assets	\$ 2,795	\$ 4,108	\$ 4,266

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

	Fiscal Year Ended December 31,		
	2024	2023	2022
Revenue	100 %	100 %	100 %
Cost of revenue	37	42	44
Gross profit	63	58	56
Operating expenses			
Sales and marketing	44	43	48
Research and development	16	17	17
General and administrative	12	13	15
Restructuring charges	2	1	—
Total operating expenses	74	74	80
Loss from operations	(11)	(16)	(24)
Other income (expense), net			
Interest income	3	3	1
Interest expense	—	—	—
Other expense, net	(2)	—	(1)
Total other income (expense), net	1	3	—
Net loss before taxes	(10)	(13)	(24)
Income tax provision	(1)	(1)	—
Net loss	(11)%	(14)%	(24)%

Comparison of the fiscal years ended December 31, 2024 and 2023

Revenue

	Fiscal Year Ended December 31,		Change	
	2024	2023	\$	%
Revenue	(in thousands, except percentages)			
Enterprise	\$ 494,458	\$ 420,646	\$ 73,812	18 %
Consumer	292,107	308,291	(16,184)	(5)%
Total revenue	\$ 786,565	\$ 728,937	\$ 57,628	8 %

Revenue for the fiscal year ended December 31, 2024, was \$786.6 million, compared to \$728.9 million for the same period in the prior year, which represents an increase of \$57.6 million, or 8%. The increase in revenue for the fiscal year ended December 31, 2024 was primarily driven by an increase in revenue from our Enterprise segment while being partially offset by a decrease in revenue from our Consumer segment.

For the fiscal year ended December 31, 2024, Enterprise revenue was \$494.5 million, or 63% of total revenue, compared to \$420.6 million, or 58% of total revenue, for the same period in the prior year. The \$73.8 million, or 18%, increase in Enterprise revenue was primarily driven by an increase in the number of UB customers, as well as net expansions in our existing UB customer base. These changes were partially offset by a negative impact from foreign currency exchange rates.

For the fiscal year ended December 31, 2024, Consumer revenue was \$292.1 million, or 37% of total revenue, compared to \$308.3 million, or 42% of total revenue, for the same period in the prior year. The \$16.2 million, or 5%, decrease in Consumer revenue was primarily due to a decrease in revenue recognized from single course purchases. Monthly average buyers purchasing single courses, as well as the amount of revenue recognized in the current period that was deferred from course purchases in the prior period, each decreased across the comparative periods. Foreign currency exchange rates also contributed to the decrease. These factors were partially offset by an increase in revenue recognized from consumer subscriptions as we continued to expand the offering into new markets.

Cost of revenue, gross profit and gross margin

	Fiscal Year Ended December 31,		Change	
	2024	2023	\$	%
	(in thousands, except percentages)			
Cost of revenue	294,625	309,598	\$ (14,973)	(5)%
Gross profit	491,940	419,339	\$ 72,601	17 %
Gross margin	63 %	58 %		

Cost of revenue for the fiscal year ended December 31, 2024, was \$294.6 million, compared to \$309.6 million for the same period in the prior year. The decrease of \$15.0 million, or 5%, across the comparative periods was driven by a \$17.2 million decrease in content costs and was partially offset by a \$2.4 million increase in amortization of capitalized software.

Content costs for the Enterprise and Consumer segments were \$89.6 million and \$102.7 million for the fiscal year ended December 31, 2024, respectively, compared to \$95.8 million and \$113.7 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 18% and 35% for fiscal year ended December 31, 2024, compared to 23% and 37% 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 25% to 20% for all subscription offerings, which became effective on January 1, 2024.

In our Enterprise segment, customer support costs increased by \$0.6 million, and other segment items, comprised of payment processing fees and hosting costs, increased by \$1.1 million, as compared to the same period in the prior year. In our Consumer segment, customer support costs and other segment items were all consistent with those costs incurred the same period in the prior year.

Gross margin was 63% for the fiscal year ended December 31, 2024, compared to 58% 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, the continued shift in mix of revenue toward our Enterprise segment, and the decrease in customer support costs as a percentage of revenue.

Operating expenses

	Fiscal Year Ended December 31,		Change	
	2024	2023	\$	%
Operating expenses	(in thousands, except percentages)			
Sales and marketing	\$ 342,946	\$ 316,738	\$ 26,208	8 %
Research and development	125,438	120,335	5,103	4 %
General and administrative	96,199	93,898	2,301	2 %
Restructuring charges	16,685	10,263	6,422	63 %
Total operating expenses	\$ 581,268	\$ 541,234	\$ 40,034	7 %

Sales and marketing. Sales and marketing expenses for the fiscal year ended December 31, 2024 were \$342.9 million, compared to \$316.7 million for the same period in the prior year. The \$26.2 million increase in sales and marketing expense was primarily due to a \$11.5 million increase in amortization of deferred contract costs, a \$5.9 million increase in sponsorship costs, a \$4.9 million increase in other direct marketing costs, a \$1.9 million increase in travel and employee activities, a \$1.5 million increase in professional services, and a \$1.1 million increase in personnel-related expenses. These increases were partially offset by a \$2.2 million decrease in stock-based compensation expense.

Research and development. Research and development expenses for the fiscal year ended December 31, 2024 were \$125.4 million, compared to \$120.3 million for the same period in the prior year. The \$5.1 million increase was primarily due to a \$3.0 million increase in software subscriptions and allocated costs and a \$2.0 million increase in personnel-related expenses.

General and administrative. General and administrative expenses for the fiscal year ended December 31, 2024 were \$96.2 million, compared to \$93.9 million for the same period in the prior year. The \$2.3 million increase in general and administrative expense was primarily due to \$4.5 million of professional services costs that are not part of our ongoing operations, a \$1.2 million increase in professional services in support of ongoing operations, and a \$0.7 million increase in travel and employee activities. These changes were partially offset by a \$3.1 million decrease in stock-based compensation expense, a \$1.2 million decrease in personnel-related expense, and a \$0.8 million decrease in business related insurance.

Restructuring charges. As a result of the strategic restructuring activities announced in September 2024, we recognized \$16.7 million of restructuring charges during the third and fourth quarter of 2024. The majority of the charges recognized were made up of \$15.5 million in personnel-related costs, consisting of one-time severance payments, salary and wages earned over required retention periods, and other benefits.

In comparison, as a result of the restructuring activities announced in February 2023, we recognized restructuring charges of \$10.3 million during the fiscal year ended December 31, 2023. The restructuring charges consisted of \$8.9 million of personnel and other expenses, such as employee severance and benefits costs, as well as \$1.2 million of stock-based compensation expense.

Total other income (expense), net

	Fiscal Year Ended December 31,		Change	
	2024	2023	\$	%
(in thousands, except percentages)				
Other income (expense), net				
Interest income	\$ 19,666	\$ 20,670	\$ (1,004)	(5)%
Interest expense	379	(518)	897	(173)%
Other expense, net	(11,655)	(1,898)	(9,757)	514 %
Total other income (expense), net	\$ 8,390	\$ 18,254	\$ (9,864)	(54)%

We recorded total other income, net of \$8.4 million for the fiscal year ended December 31, 2024, compared to \$18.3 million for the same period in the prior year. The \$9.9 million decrease in total other income, net was primarily driven by an increase of \$8.5 million of impairment charges related to our strategic investments when compared to the prior year, and a \$1.0 million decrease in interest and accretion income on our existing cash, cash equivalents, and marketable securities portfolio.

Income tax provision

	Fiscal Year Ended December 31,		Change	
	2024	2023	\$	%
(in thousands, except percentages)				
Income tax provision	\$ (4,350)	\$ (3,653)	\$ (697)	19 %

For the fiscal year ended December 31, 2024, we recognized income tax expense of \$4.4 million, compared to \$3.7 million for the same period in the prior year. Income tax expense for the fiscal years ended December 31, 2024 and 2023, 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 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 increase in UB customers is primarily attributable to the continued pursuit of our global land-and-expand strategy.

	December 31,		
	2024	2023	2022
Udemy Business customers	17,096	15,726	13,920

Udemy Business Annual Recurring Revenue

We disclose our UB Annual Recurring Revenue (“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. The increase in UB ARR was primarily driven by an increase in the number of UB customers.

	December 31,		
	2024	2023	2022
	(in thousands)		
Udemy Business annual recurring revenue	\$ 516,945	\$ 465,997	\$ 371,727

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 land-and-expand 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, which are taking longer than historical norms.

	December 31,		
	2024	2023	2022
Udemy Business net dollar retention rate	98 %	106 %	115 %
Udemy Business Large Customer net dollar retention rate	103 %	113 %	123 %

Monthly average buyers

A buyer is a consumer who purchases a course or subscription through our direct-to-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.

	Fiscal Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
Monthly average buyers	1,340	1,378	1,336

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.

	Fiscal Year Ended December 31,		
	2024	2023	2022
	(in thousands, except percentages)		
Enterprise segment revenue	\$ 494,458	\$ 420,646	\$ 314,038
Enterprise segment adjusted gross profit	\$ 361,673	\$ 283,419	\$ 209,461
Enterprise segment adjusted gross margin	73 %	67 %	67 %
Consumer segment revenue	\$ 292,107	\$ 308,291	\$ 315,059
Consumer segment adjusted gross profit	\$ 159,357	\$ 163,766	\$ 165,805
Consumer segment adjusted gross margin	55 %	53 %	53 %

For the fiscal year ended December 31, 2024, the improvement in Enterprise segment adjusted gross margin was primarily due to the reduction in instructor revenue share from 25% to 20% for all subscription offerings, which was effective on January 1, 2024. Other than content costs, the mix of costs allocable to the Enterprise segment as a percentage of Enterprise revenue were generally consistent when compared to the same period in the prior year.

For the fiscal year ended December 31, 2024 Consumer segment adjusted gross margin slightly increased in comparison to the same period in the prior year, due to the relative increase in consumer subscriptions as a percentage of total Consumer revenue and the reduction in instructor revenue share from 25% to 20% for consumer subscriptions.

Non-GAAP financial metrics

In addition to the measures presented in our 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 loss, adjusted to exclude:

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

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):

	Fiscal Year Ended December 31,		
	2024	2023	2022
Net loss	\$ (85,288)	\$ (107,294)	\$ (153,875)
Adjusted to exclude the following:			
Interest income	(19,666)	(20,670)	(5,548)
Interest expense	(379)	518	1,251
Income tax provision	4,350	3,653	2,286
Depreciation and amortization	25,421	24,588	21,216
Stock-based compensation expense	90,182	94,838	81,293
Other expense, net	11,655	1,898	4,696
Restructuring charges	16,685	10,263	—
Adjusted EBITDA	\$ 42,960	\$ 7,794	\$ (48,681)

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):

	Fiscal Year Ended December 31,		
	2024	2023	2022
Revenue	\$ 786,565	\$ 728,937	\$ 629,097
Net loss	\$ (85,288)	\$ (107,294)	\$ (153,875)
Net loss margin	(11)%	(15)%	(24)%
Revenue	\$ 786,565	\$ 728,937	\$ 629,097
Adjusted EBITDA	\$ 42,960	\$ 7,794	\$ (48,681)
Adjusted EBITDA margin	5 %	1 %	(8)%

Net loss decreased by \$22.0 million in the fiscal year ended December 31, 2024, compared to the same period in the prior year. The improvement in net loss was primarily driven by the reduction in the instructor revenue share for all subscription offerings. Adjusted EBITDA improved by \$35.2 million in the fiscal year ended December 31, 2024, compared to the same period in the prior year. The improvement in adjusted EBITDA was largely driven by the reduction in the instructor revenue share for all subscription offerings.

Liquidity and capital resources

As of December 31, 2024, our principal sources of liquidity were cash, cash equivalents and restricted cash of \$191.8 million and marketable securities of \$163.8 million. 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 \$1.2 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.

As discussed above, we committed to a restructuring plan in September 2024. As a result, we have incurred cash-based restructuring charges, primarily consisting of one-time severance payments, salary and wages earned over required retention periods, and other benefits. We expect to complete the restructuring by March 31, 2025. We expect to incur restructuring charges until the plan has been completed, and we expect to make cash payments related to the plan through the second quarter of 2025. These charges may impact our operating cash flows until then. We plan to pay these amounts using our existing cash and cash equivalents.

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. 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 \$805.0 million as of December 31, 2024. We have generally 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):

	Fiscal Year Ended December 31,		
	2024	2023	2022
Net cash provided by (used in):			
Operating activities	\$ 53,043	\$ (2,005)	\$ (60,957)
Investing activities	1,077	(24,972)	(173,227)
Financing activities	(171,749)	19,195	14,755
Effect of foreign exchange rates on cash flows	(116)	20	(25)
Net decrease in cash, cash equivalents and restricted cash	<u>\$ (117,745)</u>	<u>\$ (7,762)</u>	<u>\$ (219,454)</u>

Operating activities

Cash used in 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 fiscal year ended December 31, 2024, cash provided by operating activities was \$53.0 million, primarily consisting of our net loss of \$85.3 million, adjusted for non-cash charges of \$185.7 million and net cash outflows of \$47.4 million provided by changes in our operating assets and liabilities. The main drivers of the changes in operating assets and liabilities were a \$11.1 million increase in deferred revenue, resulting primarily from our Enterprise business growth, and a \$10.1 million increase in accounts payable, accrued expenses and other liabilities. These changes were offset by a \$58.3 million increase in deferred contract costs, due to continued expansion in our Enterprise business, \$5.8 million in outflows due to changes in our operating lease liabilities, and a \$4.6 million increase in prepaid and other assets.

For the fiscal year ended December 31, 2023, cash used in operating activities was \$2.0 million, primarily consisting of our net loss of \$107.3 million, adjusted for non-cash charges of \$171.8 million and net cash outflows of \$66.5 million provided by changes in our operating assets and liabilities. The main drivers of the changes in operating assets and liabilities were a \$10.3 million decrease in accounts receivable, as cash collections from customers outpaced new billings, and a \$4.1 million increase in deferred revenue. These changes were offset by a \$56.9 million increase in deferred contract costs, due to continued expansion in our Enterprise business, a \$14.4 million decrease in accounts payable, accrued expenses and other current liabilities, and a \$6.8 million decrease in operating lease liabilities.

Net cash provided by operating activities increased by \$55.0 million for the fiscal year ended December 31, 2024, compared to fiscal year ended December 31, 2023, primarily due to lower net loss after adjusting for non-cash charges, and the timing of certain accounts payable, accrued expenses and other liabilities activities, including restructuring costs accrued in the current period and payments made on certain tax and other reserves in the prior period.

Investing activities

For the fiscal year ended December 31, 2024, net cash provided by investing activities was \$1.1 million, primarily as a result of \$352.8 million of proceeds received from the maturity of marketable securities, which was partially offset by \$336.9 million in purchases of marketable securities and \$12.5 million related to capitalized internal-use software costs.

For the fiscal year ended December 31, 2023, net cash used in investing activities was \$25.0 million, primarily as a result of \$307.7 million in purchases of marketable securities and \$12.4 million related to capitalized internal-use software costs, which were partially offset by \$295.8 million of proceeds received from the maturity of marketable securities.

Financing activities

For the fiscal year ended December 31, 2024, net cash used in financing activities was \$171.7 million, driven by repurchases of common stock of \$150.3 million and \$30.8 million in taxes paid related to net share settlement of employee equity awards. This was partially offset by proceeds from issuances of common stock under our employee stock purchase plan of \$7.1 million and proceeds from issuance of common stock via stock option exercises of \$2.3 million.

For the fiscal year ended December 31, 2023, net cash provided by financing activities was \$19.2 million, primarily driven by proceeds from issuance of common stock via stock option exercises of \$17.9 million and proceeds from issuances of common stock under our employee stock purchase plan of \$8.0 million. This was offset by \$6.8 million in taxes paid related to net share settlement of employee equity awards. During the fiscal year ended December 31, 2023, we began funding withholding taxes due upon the vesting of employee equity awards in certain jurisdictions by net share settlement, rather than our previous approach of selling shares of our common stock to cover taxes upon vesting of such 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.

Contractual obligations and commitments

Our estimated future obligations as of December 31, 2024, include both current and long term obligations. Under our operating leases, as noted in the consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data", Note 6 – Leases, we have a current obligation of \$2.5 million and a long-term obligation of \$8.3 million.

Other contractual obligations primarily consisted of commitments related to our third-party cloud infrastructure provider, paid advertising and sponsorship vendors, and software subscriptions to support operations in the ordinary course of business. As of December 31, 2024, we had \$19.9 million of other purchase obligations with remaining terms in excess of one year. Additionally, we had \$12.0 million of non-cancelable contractual commitments with our third-party cloud infrastructure agreement for fiscal year 2025. Refer to Note 7 – Commitments and contingencies, to the consolidated financials included in Part II, Item 8, "Financial Statements and Supplementary Data", for more information.

Critical accounting policies and estimates

Our consolidated financial statements have been prepared in accordance with GAAP. The preparation of these 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.

The critical accounting policies requiring estimates, assumptions, and judgments that we believe have the most significant impact on our consolidated financial statements are described below. See Note 2 to our consolidated financial statements for a description of our other significant accounting policies.

Revenue recognition

We recognize revenue using the five steps outlined in Accounting Standards Codification ("ASC") Topic 606. We derive revenue from contracts with consumer and UB customers for access to our online learning platform and related services. For our single course and subscription product offerings, we offer a single, combined performance obligation, which is the customer's access to the online content on the Udemy platform, representing a series of distinct services as we continually fulfill our stand-ready obligation to provide the customer access to the online licensed content with the functionality of the Udemy platform. As such, we recognize revenue on a straight-line basis using an estimated service period for consumer single course purchases and the contractual subscription term for UB and consumer subscription customers. Our professional services arrangements are generally offered as fixed price contracts. The revenue associated with these contracts is recognized on a proportional performance basis.

We believe the following are the significant estimates and judgments impacting our revenue recognition, and any changes to these estimates and judgments could impact the timing and amount of revenue recognized.

Estimated service period for consumer single course purchases— Consumers who purchase an individual course receive a non-exclusive lifetime license to the digital course content in addition to stand-ready access to the Udemy platform hosting services needed to access the content. Because consumers who purchase an individual course receive lifetime access to their purchased content, we believe an estimated service period best represents the time period during which learners access the online course content on the platform. Determining the estimated service period requires us to make certain judgments about the expected period over which a consumer benefits from their purchase. We consider quantitative and qualitative data in determining our estimate, including, but not limited to, the average time period between a learner's purchase date and the last date the learner accesses the purchased content, the average total hours consumed for a given purchase, the time period over which learner activity stabilizes, known online trends, and, to the extent publicly available, service periods for competitors with similar online content. The estimated service period for single course purchases is four months from the date of enrollment.

Principal versus agent— In order to determine whether revenue should be reported as gross or net of either payments to third-party instructors or amounts retained by reseller partners who sell access to Enterprise subscription offerings, we evaluated whether we are the principal for sales of our consumer and UB offerings.

Determining whether we are the principal involves making key judgments about whether Udemy controls the contracted services before being transferred to the end customer. We have determined that we are the principal to customers who purchase access to online individual course content or through our subscription offerings, as we control the promised goods or services (i.e., access to course content via the Udemy platform) before it is transferred to the customer and are primarily responsible for fulfillment with respect to delivering access to course content. We also have substantial discretion to determine the pricing of our offerings. We therefore report revenue related to these arrangements based on the gross purchase price paid by customers.

Stock-based compensation

We account for stock-based compensation from stock-based awards using the estimated fair value of the awards on the date of grant. Stock-based awards that may be granted to employees, directors, and non-employees include restricted stock units ("RSUs"), performance-based restricted stock units ("PSUs"), stock options, stock appreciation rights ("SARs"), restricted stock, and stock purchase rights granted to employees under the Employee Stock Purchase Plan ("ESPP Rights"). No stock options or SARs have been granted since the Company's initial public offering in 2021.

We estimate the fair value of RSUs, PSUs, and restricted stock based on our common stock price on the date of grant or modification. We estimate the fair value of stock options, SARs, and ESPP Rights using the Black-Scholes option-pricing model, which requires the use of the following subjective and complex assumptions:

Expected Term— For stock options and SARs, we use the midpoint of the vesting term and contractual expiration period to compute the expected term, as we do not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. For ESPP Rights, the expected term is equal to the purchase periods in a given offering period.

Risk-Free Interest Rate— The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the award's expected term.

Expected Volatility— We estimate future expected volatility by considering both the average volatility of a peer group of representative public companies with sufficient trading history and, to the extent available, our historical volatility over the expected term.

Dividend Yield— The expected dividend was assumed to be zero as we have never paid dividends and have no current plans to do so.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. Future grants or modifications of stock-based awards that require the use of complex valuation models may cause us to alter or refine the estimates and assumptions described above, which could impact future stock-based compensation expense.

Income taxes

We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining our income tax expense and deferred tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws.

We utilize the asset and liability method under which deferred tax assets and liabilities arise from the temporary differences between the tax basis of an asset or liability and our reported amount in the consolidated financial statements, as well as from net operating loss and tax credit carryforwards. Deferred tax amounts are determined by using the tax rates expected to be in effect when the taxes will actually be paid or refunds received, as provided for under currently enacted tax law. A valuation allowance is established if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We consider all available evidence, both positive and negative, including historical levels of income, expectations, and risks associated with estimates of future taxable income in assessing the need for a valuation allowance.

Goodwill and intangible assets

We evaluate and test the recoverability of goodwill for impairment annually, during the fourth quarter, or more often if and when circumstances indicate that goodwill may not be recoverable. We also evaluate the estimated remaining useful life of intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. In order to identify potential impairment, we consider a variety of judgmental qualitative factors, which may include financial performance; legal, regulatory, contractual, political, or business factors; entity specific events; industry and market considerations; and macroeconomic conditions. To the extent we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying value, a quantitative test would be performed.

Recent accounting pronouncements

See Note 2 to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for information regarding recently issued accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest rate sensitivity

As of December 31, 2024 we had \$190.6 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 \$163.8 million of marketable securities, consisting of investments in various U.S. government securities. In addition, we had \$1.2 million of restricted cash, primarily consisting of cash deposited with financial institutions held as collateral for our obligations under various facility leases. We did not hold any long-term debt during the fiscal years ended December 31, 2024, 2023, or 2022.

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 December 31, 2024, or interest income earned from our portfolio during the fiscal year ended December 31, 2024.

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 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 fiscal years ended December 31, 2024 or 2023.

Item 8. Financial Statements and Supplementary Data

The following financial statements are filed as part of this Annual Report on Form 10-K:

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Udemy, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Udemy, Inc. and subsidiaries (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive loss, stockholders’ equity, and cash flows, for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2025, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue - Estimated service period for consumer single course purchases— Refer to Notes 2 and 3 to the financial statements.

Critical Audit Matter Description

Consumer customers purchasing a single course receive a lifetime license to the digital course content in addition to stand-ready access to the Udemy platform needed to access the course content. The Company recognizes revenue from consumer single course purchases over an estimated service period (“estimated service period”). The determination of the estimated service period involves management’s judgement in evaluating the average time period between a learner’s purchase date and the last date the learner accesses the purchased content (the “consumption data”), among other factors.

We identified the estimated service period as a critical audit matter because the judgements made by management in determining the estimated service period rely on consumption data captured by automated and internally developed systems. This required a high degree of auditor judgement and increased extent of effort, including the need for us to involve professionals with expertise in information technology (IT), when performing audit procedures to test and evaluate the Company's systems, software applications, and automated controls that relate to the consumption data.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the estimated service period for consumer single course purchases included the following, among others:

- With the assistance of our IT specialists, we:
 - Identified the relevant systems used to record consumer revenue transactions and capture consumption data and tested the effectiveness of the general IT controls over each of these systems, including testing of user access controls, change management controls, and IT operations controls.
 - Performed testing of automated controls related to the capturing of consumption data.
- We tested the effectiveness of internal controls related to management's review of factors used in determining the estimated service period for consumer single course purchases, including review of the consumption data.
- We evaluated the reasonableness of the methodology used by management to determine the estimated service period and tested the mathematical accuracy of the calculations involved.
- We evaluated the reasonableness of management's estimated service period by comparing the estimate to the consumption data and other internal and external information.
- We tested the completeness and accuracy of the consumption data used to determine the estimated service period by independently purchasing and consuming courses and tracing the transaction and consumption data through the Company's IT systems and to its inclusion in the underlying course consumption data.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California

February 19, 2025

We have served as the Company's auditor since 2019.

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

	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 190,592	\$ 305,564
Restricted cash, current	100	3,329
Marketable securities	163,844	171,372
Accounts receivable, net	88,216	92,555
Prepaid expenses and other current assets	22,735	20,924
Deferred contract costs, current	40,841	38,584
Total current assets	506,328	632,328
Property and equipment, net	4,534	4,439
Capitalized software, net	31,548	31,388
Operating lease right-of-use assets	10,950	5,691
Restricted cash, non-current	1,115	659
Deferred contract costs, non-current	32,212	35,790
Strategic investments	—	10,311
Intangible assets, net	2,428	5,223
Goodwill	12,646	12,646
Other assets	3,867	2,721
Total assets	\$ 605,628	\$ 741,196
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 6,311	\$ 2,506
Accrued expenses and other current liabilities	31,156	27,778
Content costs payable	37,607	40,277
Accrued compensation and benefits	28,793	24,332
Operating lease liabilities, current	2,502	5,825
Deferred revenue, current	291,106	279,414
Total current liabilities	397,475	380,132
Operating lease liabilities, non-current	8,315	1,124
Deferred revenue, non-current	2,438	3,000
Other liabilities, non-current	6	48
Total liabilities	408,234	384,304
Note 7 – Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.00001 par value - 950,000,000 shares authorized; 147,484,280 and 157,166,360 shares issued and outstanding as of December 31, 2024, and December 31, 2023, respectively.	1	2
Additional paid-in capital	1,002,390	1,076,508
Accumulated other comprehensive income (loss)	(11)	80
Accumulated deficit	(804,986)	(719,698)
Total stockholders' equity	197,394	356,892
Total liabilities and stockholders' equity	\$ 605,628	\$ 741,196

See accompanying notes to consolidated financial statements.

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

	Fiscal Year Ended December 31,		
	2024	2023	2022
Revenue	\$ 786,565	\$ 728,937	\$ 629,097
Cost of revenue	294,625	309,598	275,320
Gross profit	491,940	419,339	353,777
Operating expenses			
Sales and marketing	342,946	316,738	301,347
Research and development	125,438	120,335	104,556
General and administrative	96,199	93,898	99,064
Restructuring charges	16,685	10,263	—
Total operating expenses	581,268	541,234	504,967
Loss from operations	(89,328)	(121,895)	(151,190)
Other income (expense), net			
Interest income	19,666	20,670	5,548
Interest expense	379	(518)	(1,251)
Other expense, net	(11,655)	(1,898)	(4,696)
Total other income (expense), net	8,390	18,254	(399)
Net loss before taxes	(80,938)	(103,641)	(151,589)
Income tax provision	(4,350)	(3,653)	(2,286)
Net loss	\$ (85,288)	\$ (107,294)	\$ (153,875)
Net loss per share			
Basic and diluted	\$ (0.56)	\$ (0.71)	\$ (1.09)
Weighted-average shares used in computing net loss per share			
Basic and diluted	151,320,497	150,098,776	140,873,504

See accompanying notes to consolidated financial statements.

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

	Fiscal Year Ended December 31,		
	2024	2023	2022
Net loss	\$ (85,288)	\$ (107,294)	\$ (153,875)
Other comprehensive income (loss):			
Foreign currency translation gain (loss), net of tax	22	25	(20)
Change in unrealized gain (loss) on marketable securities, net of tax	(113)	288	(212)
Total other comprehensive income (loss)	(91)	313	(232)
Comprehensive loss	<u>\$ (85,379)</u>	<u>\$ (106,981)</u>	<u>\$ (154,107)</u>

See accompanying notes to consolidated financial statements.

Udemy, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance—December 31, 2021	139,164,693	\$ 1	\$ 848,229	\$ (1)	\$ (458,529)	\$ 389,700
Stock-based compensation	—	—	87,152	—	—	87,152
Exercise of stock options	1,569,999	—	7,004	—	—	7,004
Vesting of restricted stock units	3,408,672	—	307	—	—	307
Reclassification of stock appreciation rights	—	—	62	—	—	62
Issuance of common stock under employee stock purchase plan	870,422	—	9,192	—	—	9,192
Other comprehensive loss	—	—	—	(232)	—	(232)
Net loss	—	—	—	—	(153,875)	(153,875)
Balance—December 31, 2022	145,013,786	\$ 1	\$ 951,946	\$ (233)	\$ (612,404)	\$ 339,310
Stock-based compensation	—	—	104,772	—	—	104,772
Exercise of stock options	5,477,153	—	17,996	—	—	17,996
Vesting of restricted stock units	6,134,641	1	511	—	—	512
Issuance of common stock under employee stock purchase plan	1,029,344	—	8,043	—	—	8,043
Shares withheld related to net share settlement of equity awards	(488,564)	—	(6,760)	—	—	(6,760)
Other comprehensive income	—	—	—	313	—	313
Net loss	—	—	—	—	(107,294)	(107,294)
Balance—December 31, 2023	157,166,360	\$ 2	\$ 1,076,508	\$ 80	\$ (719,698)	\$ 356,892
Stock-based compensation	—	—	98,408	—	—	98,408
Exercise of stock options	3,141,652	—	2,255	—	—	2,255
Vesting of restricted stock units	6,839,969	—	202	—	—	202
Issuance of common stock under employee stock purchase plan	946,694	—	7,054	—	—	7,054
Shares withheld related to net share settlement of equity awards	(4,405,276)	—	(30,837)	—	—	(30,837)
Repurchases of common stock	(16,205,119)	(1)	(151,200)	—	—	(151,201)
Other comprehensive loss	—	—	—	(91)	—	(91)
Net loss	—	—	—	—	(85,288)	(85,288)
Balance—December 31, 2024	147,484,280	\$ 1	\$ 1,002,390	\$ (11)	\$ (804,986)	\$ 197,394

See accompanying notes to consolidated financial statements.

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

	Fiscal Year Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net loss	\$ (85,288)	\$ (107,294)	\$ (153,875)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	25,421	24,588	21,216
Amortization of deferred contract costs	59,654	48,161	32,279
Stock-based compensation	90,022	96,046	81,293
Allowance for credit losses	1,549	1,662	960
Net (accretion) amortization of marketable securities	(8,301)	(7,492)	(896)
Non-cash operating lease expense	4,524	5,856	6,205
Unrealized loss on strategic investments	10,311	1,793	2,896
Other	2,551	1,178	690
Changes in operating assets and liabilities:			
Accounts receivable	2,789	10,313	(32,309)
Prepaid expenses and other assets	(4,588)	(5,831)	(4)
Deferred contract costs	(58,333)	(56,890)	(53,379)
Accounts payable, accrued expenses and other liabilities	10,050	(14,429)	(28,620)
Content costs payable	(2,671)	2,967	1,349
Operating lease liabilities	(5,777)	(6,768)	(6,487)
Deferred revenue	11,130	4,135	67,725
Net cash provided by (used in) operating activities	53,043	(2,005)	(60,957)
Cash flows from investing activities:			
Purchases of marketable securities	(336,898)	(307,706)	(158,503)
Proceeds from maturities of marketable securities	352,750	295,800	7,500
Purchases of property and equipment	(2,300)	(632)	(1,564)
Capitalized software costs	(12,475)	(12,434)	(14,160)
Purchases of strategic investments	—	—	(5,000)
Payments related to business combinations	—	—	(1,500)
Net cash provided by (used in) investing activities	1,077	(24,972)	(173,227)
Cash flows from financing activities:			
Net proceeds from exercise of stock options	2,345	17,911	7,149
Taxes paid related to net share settlement of equity awards	(30,824)	(6,760)	—
Proceeds from share purchases under employee stock purchase plan	7,054	8,044	9,192
Repurchases of common stock	(150,324)	—	—
Payment of deferred offering costs	—	—	(1,586)
Net cash provided by (used in) financing activities	(171,749)	19,195	14,755
Effect of foreign exchange rates on cash flows	(116)	20	(25)
Net decrease in cash, cash equivalents and restricted cash	(117,745)	(7,762)	(219,454)
Cash, cash equivalents and restricted cash—Beginning of period	309,552	317,314	536,768
Cash, cash equivalents and restricted cash—End of period	\$ 191,807	\$ 309,552	\$ 317,314

	Fiscal Year Ended December 31,		
	2024	2023	2022
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents	\$ 190,592	\$ 305,564	\$ 313,685
Restricted cash, current	100	3,329	—
Restricted cash, non-current	1,115	659	3,629
Total cash, cash equivalents and restricted cash	\$ 191,807	\$ 309,552	\$ 317,314
Supplemental disclosures of cash flow information:			
Interest paid	\$ —	\$ 3,188	\$ 23
Income taxes paid	\$ 1,281	\$ 1,418	\$ 678
Supplemental disclosure of non-cash investing and financing activities:			
Stock-based compensation in capitalized costs	\$ 8,504	\$ 9,175	\$ 5,911
Net change in unrealized gain (loss) on marketable securities	\$ 21	\$ 289	\$ (213)
Operating lease right-of-use assets exchanged for operating lease liabilities	\$ 9,779	\$ —	\$ —
Accrued excise tax on share repurchases	\$ 876	\$ —	\$ —
Increase (decrease) in purchases of property and equipment included in liabilities	\$ 630	\$ (56)	\$ 22

See accompanying notes to consolidated financial statements.

Udemy, Inc.

Notes to Consolidated Financial Statements

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 learning company whose online platform empowers organizations and individuals with flexible and effective skill acquisition and development. The Company’s learning marketplace platform enables tens of thousands of subject matter experts to develop, distribute and enhance content that reaches Udemy’s broad global audience of learners. Udemy leverages technology, data and insights to deliver personalized and effective learning experiences. The Company further curates its highest-quality content from the marketplace for Udemy Business, which enables companies around the world to offer engaging, effective, on-demand learning for all employees, immersive laboratory-style learning for tech teams, and cohort-based learning focused on leadership development.

2. Summary of significant accounting policies

Basis of consolidation and presentation— The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The 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.

Segment information— The Company defines its segments as those operations the chief operating decision maker (“CODM”) regularly reviews to allocate resources and assess performance. For the fiscal years ended December 31, 2024, 2023, and 2022, 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 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 consolidated financial statements and the results of operations during the reporting periods.

Significant estimates and assumptions reflected in the consolidated financial statements include, but are not limited to, allowance for credit losses, capitalization of internally developed software and 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, the period of benefit for deferred commissions, the fair value and associated useful lives of intangible assets and goodwill acquired via business combinations, 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.

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 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 accounts receivable as of December 31, 2024, or December 31, 2023. No customer accounted for more than 10% of total revenue during the fiscal years ended December 31, 2024, 2023, or 2022.

Summary of significant accounting policies

Revenue recognition— The Company accounts for revenue under ASC Topic 606, Revenue from Contracts with Customers. The Company's two sources of revenue are its Enterprise and Consumer business channels.

Enterprise revenue— The Company primarily generates revenue by selling subscription licenses to a variety of enterprise and government customers.

The Company's subscription contracts with enterprise customers generally have annual or multi-year contractual terms and consist of a fixed quantity of seat licenses, which allows each seat to access an unlimited number of course enrollments during the contract term. Enterprise license subscriptions include Team Plan, Enterprise Plan, Udemy Business Pro, and Leadership Academy. Subscribers retain access to the courses in which they enroll for the duration of their subscriptions (including any renewal period), even if the instructor subsequently elects to remove the course from the Company's subscription programs. Enterprise contracts are typically evidenced by a fully executed Master Services Agreement with an accompanying executed Order Form specifying the contractual subscription term and pricing. Revenue is recognized ratably over the respective contractual subscription term beginning on the date that the platform is made available to the customer. While a limited number of contracts with enterprise customers contain multiple performance obligations, Enterprise revenue recognized from professional services was immaterial during the fiscal years ended December 31, 2024, 2023, and 2022.

Standard subscription agreements have auto-renewal clauses, which allow the agreement to continue after the expiration of the initial term. The Company's standard billing terms are to invoice upfront annually for contracts with terms of one year or longer. For contracts that are less than one year, the Company generally bills in advance on a quarterly or semi-annual basis. The Company recognizes unbilled receivables that relate to consideration for services completed but not billed as of period end. Unbilled receivables are recorded in accounts receivable, net, and were not material for any period presented.

Consumer revenue— The Company generates revenue by selling access to course content on the Udemy platform directly to individual learners. Consumer revenue consists of (i) single course purchases and (ii) consumer subscriptions. All contracts with consumer customers are billed in advance and require payment via credit card by the customer prior to accessing any course content, or in the case for new consumer subscription customers, upon expiration of a 7-day free trial available to new customers in certain jurisdictions.

After checkout, consumer customers purchasing a single course receive a lifetime access license to the digital course content in addition to stand-ready access to the Udemy platform online services needed to access the content. Consumer subscription plans offer on-demand access to a library of courses over a subscription term, as well as additional features and functionalities.

Consumer revenue transactions are governed by Udemy's standard terms of use. The time between a customer's payment and the receipt of funds is not significant. Payment terms are generally fixed and do not include variable consideration. Consumer revenue is recorded net of actual and estimated refunds and exclude any taxes that are collected from learners and remitted to governmental authorities. Consumer revenue arrangements do not include significant obligations associated with warranties.

Consumer subscriptions are either one-month or one-year in duration and paid in advance, with new customers in certain jurisdictions able to sign up for a 7-day free trial period. Once the free trial period lapses and advance payment is made, there is no right to a refund (unless otherwise required by applicable law). Subscribers have continuous access to enroll in and consume an unlimited number of curated courses included in the subscription catalog on the platform during the subscription term. Subscribers retain access to the courses in which they enroll for the duration of their subscriptions (including any renewal period), even if the instructor subsequently elects to remove the course from the Company's subscription programs. The continual access to the platform represents a series of distinct services, as the Company continually provides access to, and fulfills its obligation to, the customer over the contract term. Consumer subscriptions automatically renew at the end of the subscription term. Customers may cancel renewal of their subscription at any point but will retain their access to the platform until the end of the current subscription term.

Revenue from contracts with customers is recognized when control of promised services is transferred. The amount of revenue recognized reflects the consideration the Company expects to be entitled to receive in exchange for these services. The Company accounts for revenue contracts with customers using the five-step model under ASC Topic 606:

1) Identify the contract with a customer

Udemy determines a contract with a customer to exist when the contract is approved, each party's rights regarding the services to be transferred can be identified, the payment terms for the services can be identified, the customer has the ability and intent to pay, and the contract has commercial substance. At contract inception, the Company evaluates whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. The Company applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience if available.

2) Identify the performance obligations in the contract

Performance obligations committed in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from Udemy, and are distinct in the context of the contract, whereby the transfer of the services and the products is separately identifiable from other promises in the contract. Customers do not have the ability to take possession of the software supporting the platform and, as a result, contracts are accounted for as service arrangements.

The non-exclusive lifetime access license associated with single course purchases and the licensed content associated with subscriptions are not considered distinct from the Udemy platform, because the course content is significantly integrated with and highly dependent on the platform. Specifically, the learner does not obtain control of the course content's intellectual property and functionality without the Udemy platform. Accordingly, for single course and subscription product offerings, management concluded there is a single, combined performance obligation, which is the customer's access to the online content on the Udemy platform, representing a series of distinct services as the Company continually provides access to and fulfills its obligation to allow access to licensed content and platform functionality to the learner.

3) Determine the transaction price

The transaction price is determined based on the consideration to which Udemy expects to be entitled in exchange for transferring services to the customer. The prices for Consumer and Enterprise, or Udemy Business ("UB"), contracts are fixed at contract inception and do not contain significant estimates related to variable consideration. With respect to single course purchases, consumers may request a full refund within 30 days after the initial purchase transaction. The Company estimates and establishes a refund reserve based on historical refund rates, which has historically been immaterial. The Company's contracts do not contain significant financing components. Revenue excludes taxes collected from customers, which are subsequently remitted to governmental entities (e.g., sales and other indirect taxes).

4) Allocate the transaction price to performance obligations in the contract

Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on each performance obligation's relative standalone selling price.

As access to content is not considered distinct from the Udemy platform hosting services for single course purchases and subscription offerings, the transaction price is allocated to a single performance obligation.

5) Recognize revenue when or as performance obligations are satisfied

Revenue is recognized at the time the related performance obligation is satisfied by transferring the control of the promised service to a customer. Revenue is recognized in an amount that reflects the consideration that Udemy expects to receive in exchange for those services. Udemy has a stand ready obligation to deliver its services continually throughout the requisite contract period, which is either lifetime access for consumer single course purchases or the contractual subscription term for UB and consumer subscription customers. As such, the Company recognizes revenue on a straight-line basis as it satisfies the performance obligation, using an estimated service period for consumer single course purchases and the contractual subscription term for UB and consumer subscription customers. The Company's professional services arrangements are generally offered as fixed price contracts. The revenue associated with these contracts is recognized on a proportional performance basis.

The Company records contract liabilities to deferred revenue for amounts billed to Enterprise and Consumer customers in advance of satisfaction of the performance obligations. Unearned revenue also includes unbilled amounts related to noncancellable contracts to deliver services to Enterprise customers in the future. The amount of revenue recognized in the periods presented from performance obligations satisfied (or partially satisfied) in prior periods was not material.

Other than the circumstances noted below, no significant judgment has historically been required in determining the amount and timing of revenue from the Company's contracts with customers.

Principal vs. agent—In order to determine if revenue should be reported gross or net of either payments to third-party instructors or amounts retained by reseller partners who sell access to Enterprise subscription offerings, the Company evaluated whether Udemy acts as the principal in sales of its online course offerings. An entity is the principal if it controls a good or service before it is transferred to the end customer. Key indicators that management evaluated in determining gross versus net treatment included but are not limited to:

- the nature of the Company's promise to the customer, as well as the distinct performance obligation identified;
- the underlying contract terms and conditions between the parties to the transaction;
- which party is primarily responsible for fulfilling the promise to provide the specified good or service to the end customer;
- which party has inventory risk before the specified good or service has been transferred to the end customer; and
- which party has discretion in establishing the price for the specified good or service.

Based on an evaluation of the above indicators, management determined that the Company is the principal to learners who purchase access to online course content via direct or reseller sales of its enterprise and consumer offerings. The Company controls the promised goods or services (i.e., access to course content via the Udemy platform) before it is transferred to the customer and is primarily responsible for fulfillment with respect to delivering access to course content. The Company is the entity which licenses content to learners as the agreements with instructors grant the Company the right to sub-license content to its learners at its discretion. The Company also has substantial discretion to determine the pricing of its offerings. Therefore, the Company records the gross purchase price paid by the customer related to these arrangements within revenue on the consolidated statements of operations. The Company records payments to instructors as content costs within cost of revenue, while amounts retained by reseller partners for Enterprise sales are recognized as customer support costs within cost of revenue and deferred sales commissions within sales and marketing, based on the nature of the reseller partnership transaction.

Estimated service period for consumer single course purchases—The Company considers a variety of data points when determining the estimated service period for a consumer single course purchase over which revenue is recognized. Quantitative data points considered include, but are not limited to, the average time period between a learner's purchase date and the last date the learner accesses the purchased content, the average total hours consumed for a given purchase, and the time period over which learner activity stabilizes. Management also considers certain qualitative factors such as the nature of the Company's consumer offerings, known online trends, and, to the extent publicly available, service periods of competitors' online content that is similar in nature to those offered by the Company. The Company believes consideration of all of these factors enables the Company to determine the best representation of the time period during which consumer learners access the online course content on the Company's platform and therefore the service period over which the Company provides services to learners. Determining the estimated service period is subjective and requires management's judgment. Future usage patterns may differ from historical usage patterns, and the estimated service period may change in the future. The estimated service period for consumer single course purchase transactions is four months from the date of enrollment.

Cost of revenue— Cost of revenue consists of content costs, which are payments to instructors, employee-related expenses for the customer support and professional services organization, including salaries, benefits, stock-based compensation, facilities and other expenses, the portion of fees paid to certain reseller partners attributable to their providing customer support services to UB customers, payment and mobile processing fees, costs associated with the hosting of digital content, amortization of capitalized software, amortization of vendor relationship and developed technology intangible assets acquired through business combinations, and depreciation of network equipment.

Advertising and sponsorship costs— Advertising costs are expensed as incurred. In general, sponsorship costs are expensed on a straight-line basis over the contractual sponsorship term. Prepayments made under sponsorship contracts are included in the prepaid expenses and other current assets caption of the consolidated balance sheets. Advertising and sponsorship costs are recorded in sales and marketing expenses in the consolidated statements of operations and totaled \$94.9 million, \$82.5 million and \$97.0 million for the fiscal years ended December 31, 2024, 2023 and 2022, respectively.

Research and development— Research and development costs are expensed as incurred. Research and development expenses include salaries, benefits, stock-based compensation, costs related to the ongoing management, maintenance, and expansion of features and services offered on the Company's platform. Research and development costs also include contracted services, supplies, and other miscellaneous expenses.

Stock-based compensation— The Company accounts for its stock-based compensation pursuant to ASC Topic 718, Compensation-Stock Compensation, which requires the measurement and recognition of stock-based awards using the estimated fair value of the awards on the date of grant. Stock-based awards include stock options, restricted stock units ("RSUs"), performance-based restricted stock units ("PSUs"), stock appreciation rights ("SARs"), and restricted stock granted to employees, directors, and non-employees, and stock purchase rights granted to employees under the Employee Stock Purchase Plan ("ESPP Rights"). No stock options or SARs have been granted since the Company's initial public offering ("IPO") in 2021.

The Company estimates the fair value of RSUs, PSUs, and restricted stock based on the fair value of the Company's common stock on the date of grant. The Company estimates the fair value of stock options, SARs, and ESPP Rights using the Black-Scholes option-pricing model, which requires the use of the following subjective and complex assumptions:

Expected term— For stock options and SARs, the Company has elected to use the midpoint of the vesting term and contractual expiration period to compute the expected term, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. For ESPP Rights, the expected term is equal to the purchase periods in a given offering period.

Risk-free interest rate— The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the award's expected term.

Expected volatility— The Company estimates future expected volatility by considering both the average volatility of a peer group of representative public companies with sufficient trading history and, to the extent available, its historical volatility over the expected term.

Dividend yield— The expected dividend was assumed to be zero as the Company has never paid dividends and has no current plans to do so.

Stock appreciation rights granted to employees are settled in cash upon exercise. The Company accounts for SARs in the other liabilities, non-current caption in the accompanying consolidated balance sheets. Vested and outstanding SARs are subject to remeasurement at each balance sheet date using the Black-Scholes option-pricing model and the assumptions described above, and any change in fair value is recognized as a component of expense. The Company adjusts the fair value of the liability for vested and outstanding SARs until the earlier of the exercise or expiration of the SARs.

For awards with only service-based vesting conditions, the Company recognizes the resulting stock-based compensation on a straight-line basis over the requisite service period of the awards. For awards that are subject to both performance and service-based vesting conditions, the Company separately attributes stock-based compensation expense for each vesting tranche of the award over their requisite service periods. The Company accounts for forfeitures in the period they occur.

Management estimates the number of PSUs that are expected to vest based on the anticipated achievement of the specified performance metrics. 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.

During the fourth quarter of 2023, the Company's began funding withholding taxes due upon the vesting of employee RSUs, the exercise of stock options, and the exercise of ESPP purchase rights in certain jurisdictions by net share settlement, rather than its previous approach of selling shares of the Company's common stock. The amount of withholding taxes related to net share settlement is reflected as (i) a reduction to additional paid-in-capital and (ii) cash outflows for financing activities when the payments are made. The shares withheld by the Company as a result of net share settlement are returned to the pool of shares available for future issuance. Therefore, they are not considered issued and outstanding and do not impact the calculation of net loss per share, basic and diluted.

Income taxes— The Company accounts for income taxes in accordance with ASC 740, Income Taxes ("ASC 740"), which requires an asset and liability approach in accounting for income taxes. Under this method, the tax provision includes taxes currently due plus the net change in deferred tax assets and liabilities. Deferred tax assets and liabilities arise from the temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements, as well as from net operating loss and tax credit carryforwards. Deferred tax amounts are determined by using the tax rates expected to be in effect when the taxes will actually be paid or refund received, as provided for under currently enacted tax law. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, is not expected to be realized.

ASC 740 prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under this guidance, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The Company recognizes interest accrued related to uncertain tax positions as a component of the provision for income taxes. There was no accrued interest or penalties associated with any uncertain tax positions, nor was any interest expense recognized during the fiscal years ended December 31, 2024, 2023, or 2022. The Company does not currently anticipate that any significant increase or decrease to uncertain tax positions will be recorded during the next twelve months.

Translation of foreign currency— The Company's reporting currency is the U.S. dollar. The Company determines the functional currency for each of its foreign subsidiaries by reviewing their operations and currencies used in their primary economic environments. Assets and liabilities for foreign subsidiaries with functional currency other than U.S. dollar are translated into U.S. dollars at the rate of exchange existing at the balance sheet date. Statements of operations amounts are translated at average exchange rates for the period. Translation gains and losses are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. Remeasurement gains and losses are included in other income (expense), net in the consolidated statements of operations. Monetary assets and liabilities are remeasured at the exchange rate on the balance sheet date and nonmonetary assets and liabilities are measured at historical exchange rates.

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 common stock equivalents to the extent they are dilutive. For purposes of this calculation, common stock options, RSUs, PSUs, restricted stock, and contingently issuable shares under the Company's ESPP plan are considered to be common stock equivalents but have been excluded from the calculation of diluted net loss per share as their effect is anti-dilutive for the periods presented.

Comprehensive loss— Comprehensive loss consists of two components, net loss and other comprehensive income (loss), net of tax. Other comprehensive income (loss), net of tax, refers to revenue, expenses, gains, and losses that under GAAP are recorded as an element of stockholders' equity but are excluded from net loss. The Company's other comprehensive income (loss) for the fiscal years ended December 31, 2024, 2023, and 2022 consisted of changes in unrealized holding gains and losses on available-for-sale securities and foreign currency translation gains and losses.

Fair value of financial instruments— The Company considers fair value as the exchange price that would be received for an asset or paid to transfer a liability, an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value are either observable or unobservable. Observable inputs reflect assumptions that market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based on their own market assumptions.

The Company utilizes the following three-level fair value hierarchy to establish the priorities of the inputs used to measure fair value:

Level 1— Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2— Inputs are observable, unadjusted quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data; and

Level 3— Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The carrying amounts of cash, cash equivalents, restricted cash, accounts receivable, and accounts payable approximate fair value due to the relatively short-term maturities and are classified as current assets and liabilities, as appropriate, in the accompanying consolidated balance sheets.

The Company's money market funds, time deposits, and sweep account 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 investment and cash settled stock appreciation rights 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.

Cash and cash equivalents— Cash and cash equivalents include on demand deposits, money market funds, time deposits, and other highly liquid investments with original or remaining maturities of less than 90 days when purchased. Cash equivalents also include amounts in transit from certain payment processors for credit and debit card transactions, which typically settle within five business days.

Restricted cash— Restricted cash primarily consists of cash restricted in connection with lease agreements for the Company's facilities. Restricted cash is included in current assets when the corresponding restrictions, which are generally tied to the accompanying lease term, lapse within one year from the balance sheet date and in non-current assets when restrictions lapse more than one year from the balance sheet date.

Marketable securities— Marketable securities consist of obligations issued by the U.S. Treasury and other U.S. federal agencies, corporate debt, and commercial paper securities, with an original maturity greater than 90 days at the date of purchase and are classified as available-for-sale securities. As the Company views these securities as available to support current operations, it has classified all available-for-sale securities as current assets. Available-for-sale securities are initially recorded at cost and periodically adjusted to fair value with unrealized gains and losses reported as a component of accumulated other comprehensive income (loss) in stockholders' equity, while realized gains and losses are reported within other income (expense), net as a component of net loss.

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 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 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)				
Fiscal Year Ended December 31, 2024	\$ 1,270	\$ 1,549	\$ (1,723)	\$ 1,096
Fiscal Year Ended December 31, 2023	\$ 1,528	\$ 1,662	\$ (1,920)	\$ 1,270
Fiscal Year Ended December 31, 2022	\$ 678	\$ 960	\$ (110)	\$ 1,528

Deferred contract costs— Sales commissions earned by the Company's sales force on both new and renewal business are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized on a straight-line basis over an estimated period of benefit of four years, as commissions paid for initial and renewal contracts are generally not considered commensurate. The Company determined the period of benefit by taking into consideration the length of terms in its Enterprise customer contracts, changes and enhancements in course offerings, and other factors.

In addition, a portion of the revenue share retained by enterprise reseller partners from sales to UB customers is considered an incremental and recoverable cost of obtaining a contract with a customer. This cost is deferred and amortized on a straight-line basis over the service term of the corresponding contractual subscription term, as commissions paid to resellers on initial and renewal contracts are generally commensurate.

Amounts expected to be recognized within one year of the consolidated balance sheet dates are recorded as deferred contract costs, current, while the remaining portion is recorded as deferred contract costs, non-current in the consolidated balance sheets. Deferred contract costs are periodically analyzed for impairment. Amortization expense is included in sales and marketing expenses in the accompanying consolidated statements of operations.

Property and equipment, net— Property, equipment, and purchased software are stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which are generally three years for computers, purchased software, and equipment, and five years for furniture and fixtures. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the term of the related lease. Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition or retirement, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected as operating expenses in the consolidated statements of operations.

Capitalized software, net— The Company capitalizes costs to develop software for internal use incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Once an application has reached the development stage, qualifying internal and external costs are capitalized until the software feature is substantially complete and ready for its intended use. Capitalized qualifying costs are amortized on a straight-line basis when the software is ready for its intended use over an estimated useful life, which is generally three years. The Company evaluates the useful lives of these assets and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Operating leases— The Company accounts for non-cancelable operating leases of real estate facilities under ASC Topic 842. The Company determines if an arrangement contains a lease at inception based on whether there is an identified tangible asset and whether the Company controls the use of the identified asset throughout the period of use.

Operating leases are included in operating lease ROU assets and in operating lease liabilities in the accompanying consolidated balance sheet. Operating lease ROU assets represent the Company's right to use an underlying asset for the lease term, and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease.

The Company measures its operating lease liabilities at lease commencement date based on the present value of total lease payments over the lease term. Total lease payments are discounted to present value using the more readily determinable of (i) the rate implicit in the lease or (ii) the Company's incremental borrowing rate (which is the estimated rate the Company would be required to pay for a collateralized borrowing equal to the total lease payments over the term of the lease). Because the Company's operating leases generally do not provide an implicit rate, the Company estimates its incremental borrowing rate using information available at the lease commencement date, including but not limited to credit rating, lease term, and the currency in which the arrangement is denominated. The Company's operating lease ROU assets are equal to the corresponding operating lease liability, adjusted for payments made to the lessor at or before the commencement date, initial direct costs incurred, and tenant incentives under the lease.

The Company does not assume renewals or early terminations unless it is reasonably certain to exercise these options at commencement. The Company does not allocate consideration between lease and non-lease components. Variable lease payments, such as those for common area maintenance or property taxes, are not included in the measurement of operating lease liabilities and are expensed as incurred. In addition, the Company does not recognize operating ROU assets or operating lease liabilities for leases with a term of 12 months or less for all asset classes. Operating lease expense is recognized on a straight-line basis over the lease term.

Strategic investments— The Company holds an investment in equity securities of a privately held company without a readily determinable fair value and in which the Company does not have a controlling interest. Investments in equity securities without readily determinable fair values are initially recorded at cost and are subsequently adjusted to fair value only in the event of either price changes from observable transactions in the same or a similar security from the same issuer or impairment, as discussed below. This practice is referred to as the measurement alternative.

Privately held equity securities are valued using significant unobservable inputs or data in inactive markets. This valuation requires judgment due to the absence of market prices and inherent lack of liquidity and are classified as Level 3 in the fair value hierarchy. In determining the estimated fair value of investments in privately held companies, the Company utilizes the most recent data available including observed transactions, such as equity financing transactions of the investees and sales of the existing shares of the investees' securities. In addition, the determination of whether an observed transaction is similar to the equity securities held by the Company requires significant management judgment based on the rights and preferences of the securities.

The Company evaluates its strategic investment for impairment at each reporting period. This evaluation consists of 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.

Goodwill and intangible assets— Intangible assets are amortized over their estimated useful lives. Each period, the Company evaluates the estimated remaining useful life of its intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. Management tests for

impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. No such triggering events were noted for the fiscal years ended December 31, 2024, 2023, or 2022.

Goodwill represents the excess purchase price over net assets acquired in the Company's business combinations. The Company evaluates and tests the recoverability of its goodwill for impairment at least annually, during the fourth quarter of each fiscal year, or more often if and when circumstances indicate that goodwill may not be recoverable. No such triggering events were noted for the fiscal years ended December 31, 2024, 2023, or 2022.

Impairment of long-lived assets— The Company evaluates the carrying value of long-lived assets, such as property and equipment, whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from the use of the asset, including disposition, are less than the carrying value of the asset. The impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. The Company did not identify any impairment losses on long-lived assets for the fiscal years ended December 31, 2024, 2023, or 2022.

Self-insurance— The Company is self-insured for medical benefits offered to certain employees, up to certain stop-loss limits. Such costs are accrued based on known claims and estimates of incurred but not reported ("IBNR") claims. IBNR claims are estimated using historical claim information and actuarial estimates. As of December 31, 2024 and December 31, 2023, the accrued liability for self-insurance totaled \$1.1 million and \$1.3 million, respectively, and is included in accrued compensation and benefits on the consolidated balance sheets.

Recently Adopted Accounting Pronouncements Adopted in 2024

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which aims to improve reportable segment disclosure requirements, primarily through additional disclosures about significant segment expenses and how the chief operating decision maker uses segment information to make resource allocation decisions. The Company adopted ASU 2023-07 as of January 1, 2024, and applied the amendments retrospectively to all prior periods in the consolidated financial statements. The standard did not affect recognition or measurement in the consolidated financial statements. See Note 13 — Segment and geographic information.

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation, and modifies other income tax-related disclosures. The standard will become effective for the Company's fiscal year ended December 31, 2025, with early adoption permitted. The Company is currently assessing the potential impact of the new standard on the Company's consolidated financial statements.

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 consolidated financial statements.

3. Revenue recognition

Deferred revenue—Revenue recognized for the fiscal year ended December 31, 2024, from amounts included in deferred revenue as of December 31, 2023 was \$270.7 million. Revenue recognized for the fiscal year ended December 31, 2023, from amounts included in deferred revenue as of December 31, 2022 was \$268.3 million. Revenue recognized for the fiscal year ended December 31, 2022, from amounts included in deferred revenue as of December 31, 2021 was \$204.4 million.

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

	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021
Deferred revenue:				
Enterprise	\$ 233,466	\$ 220,127	\$ 219,030	\$ 148,966
Consumer	60,078	62,287	59,249	61,588
Total deferred revenue	<u>\$ 293,544</u>	<u>\$ 282,414</u>	<u>\$ 278,279</u>	<u>\$ 210,554</u>

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 as well as unbilled revenue from 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 December 31, 2024, the aggregate transaction price for remaining performance obligations was \$548.6 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
Fiscal Year Ended December 31, 2024	\$ 74,374	\$ 58,333	\$ (59,654)	\$ 73,053
Fiscal Year Ended December 31, 2023	\$ 65,645	\$ 56,890	\$ (48,161)	\$ 74,374
Fiscal Year Ended December 31, 2022	\$ 44,545	\$ 53,379	\$ (32,279)	\$ 65,645

4. Investments and fair value measurements

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

As of December 31, 2024	Level 1	Level 2	Level 3
Assets			
Cash equivalents ⁽¹⁾ :			
Money market funds	\$ 136,771	\$ —	\$ —
Time deposits	9,809	—	—
U.S. government securities	—	1,686	—
Marketable securities:			
U.S. government securities	—	163,844	—
Strategic investments	—	—	—
Total assets	<u>\$ 146,580</u>	<u>\$ 165,530</u>	<u>\$ —</u>
Liabilities			
Accrued expenses and other current liabilities:			
Cash settled SARs	\$ —	\$ —	\$ 1
Other liabilities, non-current:			
Cash settled SARs	—	—	6
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7</u>

As of December 31, 2023	Level 1	Level 2	Level 3
Assets			
Cash equivalents ⁽¹⁾ :			
Money market funds	\$ 266,692	\$ —	\$ —
Marketable securities:			
U.S. government securities	—	171,372	—
Strategic investments	—	—	10,311
Total assets	\$ 266,692	\$ 171,372	\$ 10,311
Other liabilities, non-current:			
Cash settled SARs	\$ —	\$ —	\$ 48

(1) Included in cash and cash equivalents in the accompanying consolidated balance sheets, in addition to \$42.3 million and \$38.9 million of cash, as of December 31, 2024 and 2023, respectively.

A summary of the changes in the fair value of Level 3 financial instruments, of which vesting and remeasurement of SARs and impairment of strategic investments are recognized in the consolidated statements of operations, is as follows (in thousands):

	Stock Appreciation Rights	Strategic Investments
Balance— December 31, 2021	\$ 818	\$ 10,000
Vesting and remeasurement of SARs, net of exercises	(294)	—
Purchase of strategic investments	—	5,000
Amount reclassified from liability to equity upon exchange	(62)	—
Unrealized loss on strategic investments	—	(2,896)
Balance— December 31, 2022	462	12,104
Vesting and remeasurement of SARs	(161)	—
Exercises of SARs	(253)	—
Unrealized loss on strategic investments	—	(1,793)
Balance— December 31, 2023	48	10,311
Vesting and remeasurement of SARs	(34)	—
Exercises of SARs	(7)	—
Unrealized loss on strategic investments	—	(10,311)
Balance— December 31, 2024	\$ 7	\$ —

The Company evaluates its strategic investments 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 Company determined that qualitative indicators of impairment existed during the quarter ended June 30, 2024, and therefore performed an assessment of the fair value of its investment.

The fair value analysis involved the use of significant observable and unobservable assumptions, including the investee's forecasted financial condition in relation to its outstanding obligations, ability to secure additional funds through various alternative scenarios, and a dual market and income approach involving revenue multiples of publicly traded peer companies and financial forecasts provided by the investee. Based on the assessment performed as of June 30, 2024, the Company recognized an impairment loss of \$10.3 million during the second quarter of 2024, such that the carrying value of its strategic investments was reduced to zero.

The cost basis of the strategic investments is \$15.0 million. In addition to the \$10.3 million impairment charge recognized during the second quarter of 2024, the Company previously recognized impairment charges of \$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.

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 December 31, 2024	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash	\$ 42,326	\$ —	\$ —	\$ 42,326
Money market funds	136,771	—	—	136,771
Time deposits	9,809	—	—	9,809
U.S. government securities	1,686	—	—	1,686
Total cash and cash equivalents	190,592	—	—	190,592
Marketable securities:				
U.S. government securities	163,747	97	—	163,844
Total cash, cash equivalents, and marketable securities	\$ 354,339	\$ 97	\$ —	\$ 354,436

As of December 31, 2023	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash	\$ 38,872	\$ —	\$ —	\$ 38,872
Money market funds	266,692	—	—	266,692
Total cash and cash equivalents	305,564	—	—	305,564
Marketable securities:				
U.S. government securities	171,296	76	—	171,372
Total cash, cash equivalents, and marketable securities	\$ 476,860	\$ 76	\$ —	\$ 476,936

Realized gains and losses reclassified from accumulated other comprehensive loss to other expense, net were zero for the fiscal years ended December 31, 2024, 2023, and 2022.

The Company had \$4.9 million of U.S. government securities in an unrealized loss position as of December 31, 2024, with unrealized losses totaling less than one thousand dollars. No securities were in an unrealized loss position as of December 31, 2023. No securities had been in a continuous unrealized loss position for twelve months or longer as of December 31, 2024 or December 31, 2023. 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 December 31, 2024 and December 31, 2023, 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.

As of December 31, 2024, the entirety of the Company's marketable securities portfolio had remaining contractual maturities of one year or less.

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

	December 31, 2024	December 31, 2023
Leasehold improvements	\$ 19,064	\$ 19,064
Computers and equipment	8,317	7,770
Furniture and fixtures	4,737	4,705
Purchased software	383	383
Construction in progress	1,757	—
Total property and equipment	34,258	31,922
Less accumulated depreciation and amortization	(29,724)	(27,483)
Property and equipment, net	\$ 4,534	\$ 4,439

Depreciation expense was \$2.7 million, \$3.0 million, and \$4.3 million for the fiscal years ended December 31, 2024, 2023, and 2022 respectively.

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

	December 31, 2024	December 31, 2023
Capitalized software	\$ 105,162	\$ 85,160
Less accumulated amortization	(73,614)	(53,772)
Capitalized software, net	\$ 31,548	\$ 31,388

Amortization expense of capitalized software was \$19.9 million, \$17.5 million, and \$12.6 million for the fiscal years ended December 31, 2024, 2023, and 2022 respectively.

As of December 31, 2024, expected amortization expense for capitalized software over the remaining asset lives was as follows (in thousands):

2025	\$ 17,572
2026	10,514
2027	3,462
Total expected amortization	\$ 31,548

Intangible assets, net and goodwill— As of December 31, 2024, intangible assets, net acquired as part of the CorpU business combination were as follows (in thousands):

	Estimated Useful Lives	Intangible Assets, Gross	Accumulated Amortization	Intangible Assets, Net
Customer relationships	6 years	\$ 5,500	\$ (3,072)	\$ 2,428
Vendor relationships	3 years	4,500	(4,500)	—
Developed technology	3 years	4,200	(4,200)	—
Tradename	2 years	900	(900)	—
Total		\$ 15,100	\$ (12,672)	\$ 2,428

As of December 31, 2023, intangible assets, net acquired as part of the CorpU business combination were as follows (in thousands):

	Estimated Useful Lives	Intangible Assets, Gross	Accumulated Amortization	Intangible Assets, Net
Customer relationships	6 years	\$ 5,500	\$ (2,156)	\$ 3,344
Vendor relationships	3 years	4,500	(3,528)	972
Developed technology	3 years	4,200	(3,293)	907
Tradenname	2 years	900	(900)	—
Total		<u>\$ 15,100</u>	<u>\$ (9,877)</u>	<u>\$ 5,223</u>

Amortization expense of intangible assets was \$2.8 million, \$4.1 million, and \$4.3 million the fiscal years ended December 31, 2024, 2023, and 2022 respectively.

The expected future amortization expense for intangible assets as of December 31, 2024 was as follows (in thousands):

2025	\$ 917
2026	917
2027	594
Total expected amortization	<u>\$ 2,428</u>

Goodwill in the amount of \$12.6 million was established as part of the CorpU acquisition 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 December 31, 2024.

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

	December 31, 2024	December 31, 2023
Accrued expenses	\$ 14,518	\$ 13,773
Indirect tax reserves	2,225	1,432
Indirect tax payables	8,952	8,758
Other current liabilities	5,461	3,815
Accrued expenses and other current liabilities	<u>\$ 31,156</u>	<u>\$ 27,778</u>

6. Leases

The Company applies the guidance under Topic 842 for leases of real estate facilities under non-cancelable operating leases.

During the second quarter of 2024, new leasing activities resulted in additional operating lease right-of-use assets of \$9.8 million. These activities primarily consisted of extensions to lease terms for real estate facilities through fiscal year 2029. The longest remaining lease term, relating to the Company's San Francisco headquarters, also has a five-year renewal option not included in the lease term as it was not reasonably certain of being exercised at the time of renewal.

As part of these activities, the Company is entitled to receive \$2.1 million in tenant incentives for future leasehold improvements to be constructed by the Company. The total amount of tenant incentives was still outstanding as of December 31, 2024, and is expected to be received in 2025. The amount of cash restricted in connection with certain new and renewed lease agreements was also reduced by \$2.5 million.

The components of lease costs, supplemental cash flow information, lease term, and discount rate for operating leases are as follows (in thousands, except for percentages and years):

	Fiscal Year Ended December 31,		
	2024	2023	2022
Operating lease costs	\$ 5,027	\$ 6,335	\$ 6,794
Variable lease costs	\$ 979	\$ 1,068	\$ 810
Short-term lease costs	\$ 561	\$ 372	\$ 114
Cash paid for amounts included in the measurement of operating lease liabilities, net of lease incentives	\$ 6,259	\$ 7,303	\$ 6,740

	December 31,	December 31,
	2024	2023
Weighted average remaining term (years)	3.4	1.3
Weighted average discount rate	5.8 %	3.9 %

During the fiscal years ended December 31, 2024, 2023 and 2022, the Company recognized no sublease income.

Future minimum lease payments (net of expected tenant incentives) under noncancellable operating leases with initial lease terms in excess of one year as of December 31, 2024, were as follows (in thousands):

2025	\$ 2,640
2026	3,966
2027	2,231
2028	2,298
2029	1,166
Gross lease payments	12,301
Less imputed interest	(1,484)
Present value of operating lease liabilities	\$ 10,817

7. 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 December 31, 2024, future noncancellable commitments with remaining terms in excess of one year under these arrangements were as follows:

2025	\$	12,701
2026		6,943
2027		258
Total purchase commitments ⁽¹⁾	\$	<u>19,902</u>

⁽¹⁾ Does not include \$12.0 million of non-cancelable contractual commitments as of December 31, 2024, related to the Company's third-party cloud infrastructure agreement, as the remaining term of the agreement was not in excess of one year. Under the agreement, the Company committed to spend an aggregate of at least \$45.0 million between January 2023 and December 2025, with a \$12.0 million minimum purchase commitment each year.

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 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 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 consolidated balance sheets as of December 31, 2024, and December 31, 2023.

8. Income taxes

The domestic and foreign components of income (loss) before provision for income taxes consisted of the following (in thousands):

	Fiscal Year Ended December 31,		
	2024	2023	2022
Domestic	\$ (88,789)	\$ (110,640)	\$ (155,528)
Foreign	7,851	6,999	3,939
Total net loss before taxes	<u>\$ (80,938)</u>	<u>\$ (103,641)</u>	<u>\$ (151,589)</u>

The provision for income taxes consisted of the following (in thousands):

	Fiscal Year Ended December 31,		
	2024	2023	2022
Current			
Federal	\$ —	\$ —	\$ —
State	512	324	45
Foreign	3,912	3,494	2,241
Total current income tax expense	<u>4,424</u>	<u>3,818</u>	<u>2,286</u>
Deferred:			
Federal	—	—	—
State	—	—	—
Foreign	(74)	(165)	—
Total deferred income tax benefit	<u>(74)</u>	<u>(165)</u>	<u>—</u>
Total provision for income taxes	<u>\$ 4,350</u>	<u>\$ 3,653</u>	<u>\$ 2,286</u>

The Company had an effective tax rate of (5.37)%, (3.52)%, and (1.51)% for the fiscal years ended December 31, 2024, 2023, and 2022, respectively. The difference between the 21% statutory federal tax rate and the effective tax rate was primarily a result of increases in total valuation allowance, stock-based compensation, and non-deductible compensation, which were partially offset by an increase in tax credit creation.

The reconciliation between the statutory federal income tax rate and the Company's effective tax rate as a percentage of loss before income taxes is as follows:

	Fiscal Year Ended December 31,		
	2024	2023	2022
Federal tax expense	21.00 %	21.00 %	21.00 %
State taxes, net of federal benefit	0.49 %	0.50 %	1.24 %
Foreign rate differential	(0.28)%	(1.40)%	(0.33)%
Withholding taxes	(2.43)%	(1.77)%	(0.60)%
Nondeductible compensation	(6.18)%	(10.20)%	(2.52)%
Stock-based compensation	(9.48)%	(1.84)%	(3.18)%
Change in valuation allowance	(16.40)%	(18.33)%	(21.41)%
Research and development credits	7.57 %	7.94 %	4.69 %
Nontaxable dividends	— %	1.31 %	— %
Other	0.34 %	(0.73)%	(0.40)%
Effective tax rate	(5.37)%	(3.52)%	(1.51)%

Significant components of the net deferred tax assets (liabilities) for the fiscal years ended December 31, 2024 and 2023, consisted of the following (in thousands):

	December 31,	
	2024	2023
Deferred tax assets:		
Accruals and reserves	\$ 3,852	\$ 4,409
Deferred revenue	64,179	62,000
Net operating loss	21,983	36,508
Research and development tax credits	34,772	28,645
Stock-based compensation expense	4,005	6,242
Indirect tax reserves	377	240
Property and equipment, net	2,088	2,000
Capitalized research and development costs	48,726	35,505
Operating lease liabilities	2,152	1,460
Other deferred tax assets	3,052	564
Gross deferred tax assets	185,186	177,573
Valuation allowance	(165,488)	(150,915)
Total deferred tax assets	19,698	26,658
Deferred tax liabilities:		
Deferred contract costs	(9,329)	(16,791)
Operating lease right-of-use-assets	(2,064)	(1,129)
Other deferred tax liabilities	(8,067)	(8,573)
Total deferred tax liabilities	(19,460)	(26,493)
Net deferred tax assets	\$ 238	\$ 165

A valuation allowance is provided for deferred tax assets where the recoverability of the assets is uncertain. The determination to provide a valuation allowance is dependent upon the assessment of whether it is more likely than not that sufficient future taxable income will be generated to utilize the deferred tax assets.

As of December 31, 2024 and December 31, 2023, the Company has established a valuation allowance of \$165.5 million and \$150.9 million, respectively, against its gross deferred tax assets due to the uncertainty surrounding the realization of such assets. The change in total valuation allowance from 2023 to 2024 was an increase of \$14.6 million.

As of December 31, 2024, the Company had \$93.5 million of federal net operating loss ("NOL") carryforwards. \$5.3 million of federal NOL carryforwards generated in taxable years beginning prior to January 1, 2018, begin expiring in 2037, if not utilized. \$88.2 million of federal NOL carryforwards generated in taxable years beginning after December 31, 2017 have an indefinite carryforward period, but are subject to the 80% deduction limitation based upon pre-NOL deduction taxable income.

As of December 31, 2024, the Company had \$35.0 million of state NOL carryforwards. The state NOL carryforwards begin expiring in 2030, if not utilized.

As of December 31, 2024, the Company had U.S. federal and state research and development tax credit carryforwards of \$28.7 million and \$18.2 million, respectively. The federal research and development tax credit carryforwards will expire in various amounts beginning in 2035 while the state research and development tax credit carryforwards can be carried forward indefinitely.

The United States enacted the Tax Cuts and Jobs Act in December 2017, which requires companies to capitalize all their research and development costs for U.S. tax purposes, including software development costs, incurred in tax years beginning after December 31, 2021. Beginning in 2022, the Company began capitalizing and amortizing research and development costs over a five-year period for domestic research and a fifteen-year period for international research rather than expensing these costs.

The utilization of the Company's net operating losses may be subject to a limitation due to the "ownership change" provisions under Section 382 of the Internal Revenue Code and similar state and foreign provisions. Such limitation may result in the expiration of the net operating loss carryforwards generated before 2018 prior to their utilization.

Uncertain tax positions— As of December 31, 2024 and 2023, the Company had gross unrecognized tax benefits of \$9.0 million and \$7.2 million, respectively, related to federal and state research and development tax credits. The Company has performed a R&D tax credit study and has reserved against a portion of its federal and state R&D tax credit carryforwards. The Company's tax position of such credits is not more likely than not to be sustained upon examination. The Company has recorded an uncertain tax position related to the deferred tax asset recognized for these credits.

A reconciliation of the beginning and ending balance of unrecognized tax benefit is as follows (in thousands):

	Fiscal Year Ended December 31,		
	2024	2023	2022
Gross unrecognized tax benefits at the beginning of the year	\$ 7,232	\$ 5,310	\$ 3,608
Increases related to prior year tax positions	133	58	224
Increases related to current year tax positions	1,667	1,864	1,478
Statutes of limitations expirations	—	—	—
Gross unrecognized tax benefits at the end of the year	<u>\$ 9,032</u>	<u>\$ 7,232</u>	<u>\$ 5,310</u>

The Company is currently unaware of uncertain tax positions that could result in significant additional payments, accruals, or other material deviations in the next 12 months. The Company currently does not record interest and penalties, if any, related to unrecognized tax benefits. None of the unrecognized tax benefits as of December 31, 2024, if recognized in a future period, would affect the Company's effective tax rate.

The Company intends to indefinitely reinvest any future undistributed foreign earnings outside the United States and therefore such earnings will not be subject to U.S. federal or state, or foreign withholding tax. The Company has prepared an analysis of the repatriation of earnings outside of the U.S. and has determined that the potential tax in connection with such repatriation is approximately \$0.5 million.

The Organization for Economic Cooperation and Development ("OECD") introduced a framework under Pillar 2 including a 15% global minimum tax rate. Some jurisdictions in which the Company does business have started to enact laws implementing a minimum tax under Pillar Two. The Company is monitoring these developments and currently does not believe the rules have a material impact on its effective tax rate.

The Company files income tax returns in U.S. federal, and certain state and foreign jurisdictions with varying statutes of limitations. Due to NOL carryforwards and tax credit carryforwards, the statutes of limitations remain open for tax years from inception of the Company through the fiscal year ended December 31, 2024. There are currently no income tax audits underway by U.S. federal or state tax authorities.

The Company's subsidiary, Udemy India LLP, has received tax assessments from the India Income Tax Department. These assessments have challenged the transfer pricing methodology used by Udemy India LLP for the fiscal years ended March 31, 2022 and 2021. The Company believes the proposed adjustments are without merit and will vigorously defend its position; however, it could take a number of years to reach resolution of this matter.

9. Employee retirement plan

The Company maintains a 401(k) retirement savings plan covering eligible employees. Employee contributions to the plan consist of a percentage based on eligible employee compensation. In 2024, the Company matched 50% of an employee's contribution up to 6% of eligible compensation, with no vesting requirements. In 2023, the Company matched 50% of an employee's contribution up to 4% of eligible compensation, with no vesting requirements. In 2022, the Company matched 25% of an employee's contribution up to 6% of eligible compensation, with a cap of \$500 annually, subject to a two-year graded vesting schedule that vested 50% after one year of employment and 100% after two years of employment.

Under these plans, the Company contributed \$4.2 million, \$3.0 million, and \$0.5 million for the fiscal years ended December 31, 2024, 2023, and 2022, respectively.

10. Related party transactions

Naspers Ltd. ("Naspers"), through an investment entity controlled by Prosus N.V. ("Prosus"), beneficially owns 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. A former member of the Company's Board of Directors, who resigned in September 2022, was an executive officer of Prosus. Naspers and certain entities directly and indirectly controlled by Naspers are customers of the Company's Enterprise subscription offering.

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 serve as executive officers for customers of the Company's Enterprise subscription offering.

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

	Fiscal Year Ended December 31,		
	2024	2023	2022
Revenue recognized from services provided to customers			
Naspers and affiliates	\$ 1.8	\$ 1.9	\$ 1.5
Insight and affiliates	0.6	0.7	—
Companies affiliated with Board members	0.4	0.4	0.5
Expense recognized from services provided by vendors			
Insight and affiliates	0.8	0.8	0.9

	December 31,	December 31,
	2024	2023
Amounts in accounts receivable		
Naspers and affiliates	\$ —	<i>immaterial</i>
Insight and affiliates	0.1	\$ 0.2
Companies affiliated with Board members	0.1	0.4
Amounts in accounts payable and accrued expenses and other current liabilities		
Insight and affiliates	—	—

11. Stockholders' equity

Preferred stock— In connection with the IPO, the Company's amended and restated certificate of incorporation became effective, which authorized the issuance of 50,000,000 shares of undesignated preferred stock with a par value of \$0.00001 per share with rights and preferences, including voting rights, designated from time to time by the board of directors. As of December 31, 2024 and 2023, 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:

	December 31,	December 31,
	2024	2023
2010 Equity Incentive Plan:		
Stock options outstanding	1,401,086	4,621,021
2021 Equity Incentive Plan:		
RSUs outstanding and PSUs ⁽¹⁾	15,809,202	16,738,309
Shares available for future issuance under:		
2021 Equity Incentive Plan	10,514,374	4,093,695
2021 Employee Stock Purchase Plan	2,986,132	2,350,803
Total shares of common stock reserved	30,710,794	27,803,828
(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		

Share repurchase program— During the fiscal year ended December 31, 2024, the Board of Directors approved a share repurchase program, which authorized the purchase of up to \$150 million of Udemy common stock from time to time through open market purchases, in privately negotiated transactions, or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, in accordance with applicable securities laws and other restrictions. The share repurchase program was completed in November 2024.

Shares repurchased by the Company are accounted for on the settlement date. Upon settlement, repurchased shares are immediately retired and no longer considered issued or outstanding. The total cost to repurchase shares includes any direct costs incurred, including broker commissions and excise taxes, and is recorded as a reduction to additional paid in capital in the consolidated balance sheets. During the fiscal year ended December 31, 2024, the Company repurchased 16,205,119 shares for an aggregate total of \$151.2 million, inclusive of direct costs incurred.

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"), 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, 2024, the shares available for future grants under the 2021 Plan automatically increased by 7,858,318 pursuant to the above evergreen provision of the 2021 Plan.

Equity Exchange— On July 11, 2022, the Company launched an equity exchange program (the "Equity Exchange") in which eligible employees and executives were able to exchange certain outstanding stock options and SARs, whether vested or unvested, with a per share exercise price equal to or greater than \$11.13, for RSUs on a one-for-one basis. Upon expiration of the offer to exchange on August 6, 2022, 6,958,544 stock options and SARs (collectively, the "Exchanged Awards") were canceled and immediately exchanged for an equivalent number of new RSUs, representing a participation rate by eligible awards of approximately 97%.

The incremental stock-based compensation expense associated with the Equity Exchange was calculated as the excess of the fair value of each new RSU awarded, as measured on the date exchanged, over the fair value of the corresponding Exchanged Awards, as measured immediately prior to the exchange closing on August 6, 2022. The fair value of the new RSUs was estimated using the fair value of the Company's common stock on the exchange date. The following table summarizes the weighted-average assumptions used in the Black-Scholes option-pricing model to estimate the fair value of the Exchanged Awards as of August 6, 2022:

Risk-free interest rate	3.0%
Expected volatility	68.6%
Expected life (in years)	4.9
Expected dividend yield	—%

As a result of the Equity Exchange, there was \$45.7 million in incremental stock-based compensation expense from the modification accounting. That amount, as well as the remaining unrecognized expense associated with the Exchanged Awards at the time of the exchange, began to be recognized on a straight-line basis over the requisite service period for the new RSUs, adjusted as needed for those new RSUs issued for certain Exchanged Awards whose per share exercise prices were lower than the Company's stock price at the exchange date. The requisite service periods for the new RSUs was determined by the per share exercise price of the corresponding Exchanged Awards, ranging from two to three years.

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 first quarter of 2024, the Company granted 553,568 PSUs at target to certain executives, with payout achievement ranging from 0% to 150% of target. One quarter of the eligible PSUs vest upon certification of the corporate performance metrics by the Board of Directors' compensation committee in the first quarter of 2025, and the remaining 75% will vest equally over the following 12 quarters, subject to continual service by the grantee. Achievement has been considered probable since the grant date, and, as of December 31, 2024, management calculated a payout rate equal to 45% of the number of target shares granted based on actual attainment of the metrics.

During the first quarter of 2023, the Company granted 645,833 PSUs at target to certain executives, with payout achievement ranging from 0% to 150% of target. In February 2024, the Board of Directors' compensation committee certified actual achievement against target of 70%. As a result, 450,170 shares were awarded to the grantees, of which one quarter vested in the quarter of certification, while the remaining 75% will vest equally over the following 12 quarters, subject to continual service by the grantee. The difference in the 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, 2023	15,769,577	\$ 14.07	645,833	\$ 8.89
Granted	10,138,238	\$ 9.25	553,568	\$ 10.98
Released	(6,650,270)	\$ 14.74	(189,699)	\$ 8.89
Canceled	(4,364,777)	\$ 13.24	(336,124)	\$ 9.31
Balance - December 31, 2024	14,892,768	\$ 10.74	673,578	\$ 10.40
Unvested - December 31, 2024	14,873,773	\$ 10.74	673,578	\$ 10.40
Awards vested, not yet released - December 31, 2024	18,995	\$ 8.62	—	\$ —

(1) Canceled PSU shares consist of awards forfeited as well as the difference in the number of shares granted at target in 2023 and the shares certified by the Board based on actual achievement.

The weighted-average grant date fair value of RSUs that were granted during the fiscal years ended December 31, 2023 and 2022, was \$9.86 and \$13.79, respectively. The aggregate fair value of RSUs that vested during the fiscal years ended December 31, 2024, 2023, and 2022 was \$61.2 million, \$68.4 million and \$50.7 million, respectively. As of December 31, 2024, total unrecognized stock-based compensation expense related to unvested RSUs was \$138.8 million, which will be recognized over a weighted average period of 2.5 years.

The weighted-average grant date fair value of PSUs that were granted during the fiscal year ended December 31, 2023 was \$8.89. No PSUs were granted prior to the fiscal year ended December 31, 2023. The aggregate fair value of PSUs that vested during the fiscal year ended December 31, 2024 was \$1.9 million. No PSUs vested prior to the fiscal year ended December 31, 2024. As of December 31, 2024, total unrecognized stock-based compensation expense related to unvested PSUs was \$1.8 million, which will be recognized over a weighted average period of 1.4 years.

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, 2023	4,571,021	\$ 5.08	3.23	\$ 44,309
Granted	—	—		
Exercised	(3,141,652)	4.92		
Canceled	(78,283)	8.22		
Balance - December 31, 2024	1,351,086	\$ 5.28	4.05	\$ 4,666
Vested & expected to vest as of December 31, 2024	1,351,086	\$ 5.28	4.05	\$ 4,666
Exercisable as of December 31, 2024	1,349,515	\$ 5.26	4.05	\$ 4,666

There were no stock options granted during the fiscal years ended December 31, 2024, 2023, or 2022.

Total aggregate intrinsic value of options exercised during the fiscal years ended December 31, 2024, 2023, and 2022 was \$15.9 million, \$45.6 million, \$13.7 million, respectively.

As of December 31, 2024, total unrecognized stock-based compensation expense related to unvested stock options was immaterial.

Stock appreciation rights— The Company may grant SARs at exercise prices not less than the fair market value at the date of grant. The SARs are liability-classified awards that 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. Refer to Note 2 “Summary of Significant Accounting Policies—Stock-Based Compensation” for more information.

The following is a summary of activity for SARs under the Equity Incentive Plans:

	SARs Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In Thousands)
Balance - December 31, 2023	4,700	\$ 5.11	5.98	\$ 45
Granted	—	—		
Exercised	(1,558)	6.58		
Canceled	(1,142)	3.55		
Balance - December 31, 2024	2,000	\$ 4.85	2.32	\$ 7
Vested & expected to vest as of December 31, 2024	2,000	\$ 4.85	2.32	\$ 7
Exercisable as of December 31, 2024	2,000	\$ 4.85	2.32	\$ 7

There were no SARs granted during the fiscal years ended December 31, 2024, 2023 or 2022.

Total aggregate intrinsic value of SARs exercised was not significant during each of the fiscal years ended December 31, 2024, 2023, and 2022.

Because all outstanding SARs were fully vested as of December 31, 2024, future stock-based compensation expense will be comprised of changes in estimated payout value until the earlier of exercise, forfeiture or expiration.

Performance-based stock options— Under the Equity Incentive Plans, the Company may grant share-based awards whose vesting is contingent on meeting various departmental or company-wide performance goals, such as the achievement of certain sales targets or an IPO event, in lieu of or in addition to a service-based vesting condition (“Performance-Based Options”). Such awards are generally granted with an exercise price equal to the fair market value of the underlying common stock share on the date of grant and have a contractual term of 10 years. If vesting is dependent on satisfying a performance condition that is probable of being achieved, the Company estimates the expected term as the midpoint between the time at which the performance conditions are probable of being satisfied and the contractual term of the award. If vesting is dependent on satisfying a performance condition that is not probable of being achieved and the service period is not explicitly stated, the Company estimates the expected term as the contractual term. The remaining inputs to the Black-Scholes option pricing model used to determine grant date fair value, including risk-free interest,

expected volatility, and expected dividend yield, are calculated using the same method as that used for stock options with service-based vesting conditions. Grants for Performance-Based Options are made out of the same pool of stock options available for future issuance under the Equity Incentive Plans.

Compensation expense for Performance-Based Options is based on the grant date fair market value. The Company recognizes expense for Performance-Based Options having either (a) multiple performance-based vesting conditions, or (b) performance and graded service-based vesting conditions, by separately attributing each vesting tranche of the award over the requisite service period applicable to each vesting condition. Management's estimate of the number of shares expected to vest is based on the anticipated achievement of the specified performance goals. If the performance-based vesting condition is considered probable of being achieved, the Company recognizes expense over the remaining service period based on the probable outcome of achievement. If the performance goals are not met, no compensation cost is recognized, and any previously recognized compensation cost is reversed. For awards with both performance and service-based vesting conditions where the performance condition is considered improbable of being achieved, the Company does not recognize expense until the performance condition is satisfied, after which time expense is recognized over the requisite service period.

The Company had one Performance-Based Option outstanding as of December 31, 2024. The following table summarizes the activities of Performance-Based Options under the Equity Incentive Plans:

	Performance-Based Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In Thousands)
Balance - December 31, 2023	50,000	\$ 3.06	4.58	\$ 584
Granted	—	—		
Exercised	—	—		
Canceled	—	—		
Balance - December 31, 2024	50,000	\$ 3.06	3.58	\$ 259
Vested & expected to vest as of December 31, 2024	50,000	\$ 3.06	3.58	\$ 259
Exercisable as of December 31, 2024	38,541	\$ 3.06	3.58	\$ 199

As of December 31, 2024, total unrecognized stock-based compensation expense related to unvested Performance-Based Options was immaterial.

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, 2024, the shares available for future grants under the ESPP automatically increased by 1,571,663 pursuant to the above evergreen provision of the 2021 ESPP.

The ESPP allows eligible employees to purchase shares of the Company's common stock at a discount of 15% during an offering period. Offering periods are 24-month periods beginning on the first trading day on or after May 20 or November 20 (defined as the enrollment date). Each offering period has four purchase periods which last approximately 6 months, or the length of time between exercise dates (defined as the first trading day on or after May 20 and November 20 of each purchase period), except that the first purchase period of any offering period is the time between the enrollment date and first exercise date. At the start of an offering period, eligible employees may elect to contribute up to 15% of their eligible compensation each payroll period during that offering period to purchase shares of common stock in accordance with the ESPP.

On each exercise date, eligible employees will purchase the Company's common stock at a price per share equal to 85% of the lesser of the fair market value of the Company's common stock on (i) the enrollment date or (ii) the exercise date. During the fiscal year ended December 31, 2024, 946,694 shares of common stock were issued under the ESPP.

In the event that the fair market value per share of the Company's common stock at the end of a six-month purchase period is lower than the fair market value per share at the first day of the related offering period, the plan's reset provision cancels the current offering period immediately after the purchase date and automatically re-enrolls participants in a new offering period. During the fiscal years ended December 31, 2024, 2023, and 2022, ESPP resets resulted in total modification charges of \$3.6 million, \$5.9 million, \$3.4 million, respectively, to be recognized on a straight-line basis over the new, respective offering periods.

The following table summarizes the weighted-average assumptions used in the Black-Scholes option-pricing model to estimate the grant date fair value of employee stock purchase rights granted under new ESPP offering periods in each year:

	Fiscal Year Ended December 31,		
	2024	2023	2022
Risk-free interest rate	4.6%	4.6%	3.5%
Expected volatility	50.6%	68.6%	68.5%
Expected life (in years)	1.3	1.6	1.2
Expected dividend yield	—%	—%	—%

As of December 31, 2024, total unrecognized compensation cost for the ESPP was \$5.1 million, which will be recognized over a weighted average period of 1.9 years.

Other equity transactions— During the fiscal year ended December 31, 2021, the Company issued 61,300 shares of Udemy restricted common stock to a former executive of CorpU at a grant date fair value per share of \$34.14. As a result, the Company recognized \$2.1 million in total stock-based compensation expense on a straight line basis from August 2021 through August 2024.

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

	Fiscal Year Ended December 31,		
	2024	2023	2022
Cost of revenue	\$ 6,887	\$ 7,006	\$ 5,360
Sales and marketing	28,665	30,859	29,054
Research and development	27,046	26,301	20,850
General and administrative	27,584	30,672	26,029
Restructuring charges	(160)	1,208	—
Total stock-based compensation expense	\$ 90,022	\$ 96,046	\$ 81,293

The Company capitalized \$8.4 million, \$9.0 million and \$5.8 million worth of stock-based compensation expense as capitalized software during the fiscal years ended December 31, 2024, 2023, and 2022, 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):

	Fiscal Year Ended December 31,		
	2024	2023	2022
Numerator:			
Net loss	\$ (85,288)	\$ (107,294)	\$ (153,875)
Denominator:			
Weighted-average shares used in computing net loss per share			
Basic and diluted	151,320,497	150,098,776	140,873,504
Net loss per share			
Basic and diluted	\$ (0.56)	\$ (0.71)	\$ (1.09)

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:

	Fiscal Year Ended December 31,		
	2024	2023	2022
RSUs, PSUs, and restricted stock	15,295,173	16,240,802	16,218,968
Stock options	1,401,086	4,621,021	10,333,771
Contingently issuable shares under ESPP	56,462	105,280	116,601
Total potentially dilutive securities	16,752,721	20,967,103	26,669,340

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):

	Fiscal Year Ended December 31, 2024		
	Enterprise	Consumer	Total
Revenue	\$ 494,458	\$ 292,107	\$ 786,565
Content costs	(89,584)	(102,690)	(192,274)
Customer support	(37,956)	(7,034)	(44,990)
Other segment items ⁽¹⁾	(5,245)	(23,026)	(28,271)
Segment adjusted gross profit	\$ 361,673	\$ 159,357	\$ 521,030

	Fiscal Year Ended December 31, 2023		
	Enterprise	Consumer	Total
Revenue	\$ 420,646	\$ 308,291	\$ 728,937
Content costs	(95,773)	(113,676)	(209,449)
Customer support	(37,320)	(7,029)	(44,349)
Other segment items ⁽¹⁾	(4,134)	(23,820)	(27,954)
Segment adjusted gross profit	\$ 283,419	\$ 163,766	\$ 447,185

	Fiscal Year Ended December 31, 2022		
	Enterprise	Consumer	Total
Revenue	\$ 314,038	\$ 315,059	\$ 629,097
Content costs	(73,659)	(118,762)	(192,421)
Customer support	(28,946)	(7,041)	(35,987)
Other segment items ⁽¹⁾	(1,972)	(23,451)	(25,423)
Segment adjusted gross profit	\$ 209,461	\$ 165,805	\$ 375,266

(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 loss before taxes (in thousands):

	Fiscal Year Ended December 31,		
	2024	2023	2022
Segment adjusted gross profit	\$ 521,030	\$ 447,185	\$ 375,266
Other costs of revenue ⁽¹⁾	(29,090)	(27,846)	(21,489)
Sales and marketing	(342,946)	(316,738)	(301,347)
Research and development	(125,438)	(120,335)	(104,556)
General and administrative	(96,199)	(93,898)	(99,064)
Restructuring charges	(16,685)	(10,263)	—
Total other income (expense), net	8,390	18,254	(399)
Net loss before taxes	\$ (80,938)	\$ (103,641)	\$ (151,589)

(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):

	Fiscal Year Ended December 31,		
	2024	2023	2022
North America	\$ 310,797	\$ 291,655	\$ 256,547
Europe, Middle East, Africa	237,692	221,699	189,618
Asia Pacific	183,273	163,747	137,829
Latin America	54,803	51,836	45,103
Total revenue	\$ 786,565	\$ 728,937	\$ 629,097

During the fiscal year ended December 31, 2024, the United States and Japan were the only countries that individually accounted for at least 10% of total revenue, representing 36% and 11% of total revenue, respectively. During the fiscal years ended December 31, 2023 and 2022, the United States was the only country that individually accounted for at least 10% of total revenue, representing 37% of total revenue for both periods.

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):

	December 31,	December 31,
	2024	2023
United States	\$ 9,166	\$ 7,007
Rest of world	6,320	3,109
Total long-lived assets	\$ 15,486	\$ 10,116

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 will continue to provide services as employees during a retention period to assist with transition and training through no later than March 31, 2025.

As a result, the Company expects to recognize total restructuring charges of approximately \$17.9 million, of which \$16.7 million was recognized into expense during the fiscal year ended December 31, 2024. The majority of the charges recognized were made up of \$15.5 million in personnel-related costs, consisting of one-time severance payments, salary and wages earned over required retention periods, and other benefits.

For impacted employees with no future substantive service requirement, restructuring costs were recognized in-full as of the communication date. For employees rendering services through a retention period, one-time severance costs settled at the end of the retention period are recognized as restructuring costs on a straight-line basis from the communication date to the end of the required retention period. Other direct and incremental costs are recognized as incurred.

2023 Restructuring—On February 13, 2023, the Company communicated to its employees that in response to current macroeconomic conditions and to further streamline its operations and cost structure, it would reduce its global workforce by approximately 10% (collectively, the "2023 Restructuring"). As a result, the Company recognized restructuring charges of \$10.1 million in the first quarter of 2023, primarily consisting of \$8.9 million of personnel expenses such as salaries and wages, one-time severance payments, and other benefits. The Company also recognized \$1.2 million of stock-based compensation expense on the communication date, resulting from impacted employees having no future substantive service requirement but continuing to vest into their equity awards during legally required retention periods as well as certain modifications to enable additional

vesting after impacted employees' termination dates. The restructuring plan was completed in the third quarter of 2023.

Restructuring charges are presented as separate operating expenses within the Company's consolidated statements of operations. The following table summarizes the activity related to the restructuring liability recorded in accrued compensation and benefits in the accompanying consolidated balance sheets (in thousands):

	Fiscal Year Ended December 31,		
	2024	2023	2022
Beginning balance	\$ —	\$ —	\$ —
Restructuring charges	16,331	9,055	—
Settlements	(9,842)	(9,055)	—
Ending balance	<u>\$ 6,489</u>	<u>\$ —</u>	<u>\$ —</u>

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. 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 Annual Report on Form 10-K. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report on Form 10-K, 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.

Management’s report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our management conducted an assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2024 based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, our management has concluded that our internal control over financial reporting was effective as of December 31, 2024. The effectiveness of our internal control over financial reporting as of December 31, 2024 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included in Item 9A of this Annual Report on Form 10-K.

Changes in internal control over financial reporting

There were no changes to our internal control over financial reporting that occurred during the fiscal year ended December 31, 2024 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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Udemy, Inc.:

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Udemy, Inc. and subsidiaries (the “Company”) as of December 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2024, of the Company and our report dated February 19, 2025, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s report on internal control over financial reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California

February 19, 2025

Item 9B. 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,” each as defined in Item 408 of Regulation S-K, except as follows:

Name and Title	Character of Trading Arrangement ⁽¹⁾	Date Adopted	Date Terminated	Duration ⁽²⁾	Aggregate Number of Shares of Common Stock to be Purchased or Sold Pursuant to Trading Arrangement
Eren Bali Chief Technology Officer	Rule 10b5-1 Trading Arrangement	December 13, 2024	—	March 14, 2026	Up to 430,000

- (1) Except as indicated by footnote, each trading arrangement marked as a “Rule 10b5-1 Trading Arrangement” is intended to satisfy the affirmative defense of Rule 10b5-1(c), as amended.
- (2) Except as indicated by footnote, each trading arrangement permits transactions through and including the earlier of (a) the execution or expiration of all trades specified under the trading arrangement or (b) the date listed in the table. Each trading arrangement marked as a “Rule 10b5-1 Trading Arrangement” only permits transactions upon expiration of the applicable mandatory cooling-off periods under Rule 10b5-1(c), as amended, and our insider trading policy.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2025 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2024. Our board of directors has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including our chief executive officer, chief financial officer and other executive and senior financial officers. The full text of our corporate governance guidelines and code of business conduct and ethics are available on our website at <https://investors.udemy.com/corporate-governance/governance-documents>. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendments and waivers of our Code of Conduct that apply to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions by posting that information on our website address specified above.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2025 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2024.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2025 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2024.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2025 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2024.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2025 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2024.

PART IV.

Item 15. Exhibit and Financial Statement Schedules

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

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference			
		Form	File Number	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant	8-K	001-40956	3.1	November 2, 2021
3.2	Amended and Restated Bylaws of the Registrant	10-K	001-40956	3.2	February 27, 2023
4.1	Fifth Amended and Restated Investor Rights Agreement by and among the Registrant and certain of its stockholders, dated November 13, 2020	S-1	333-260042	4.1	October 5, 2021
4.2	Form of Common Stock Certificate of the Registrant	S-1	333-260042	4.2	October 5, 2021
4.3*	Description of Common Stock of the Registrant				
10.1+	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers	S-1	333-260042	10.1	October 5, 2021
10.2+	2010 Equity Incentive Plan, as amended, and forms of agreement thereunder	S-1	333-260042	10.2	October 5, 2021
10.3+	2021 Equity Incentive Plan, as amended and restated	10-Q	001-40956	10.1	May 3, 2023
10.4+	Form of Performance-Based Restricted Stock Unit Award Agreement under 2021 Equity Incentive Plan	10-Q	001-40956	10.2	May 3, 2023
10.5+	2021 Employee Stock Purchase Plan, as amended and restated, and forms of agreements thereunder	S-1/A	333-260042	10.4	October 25, 2021

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10.6+	Employee Incentive Compensation Plan	S-1	333-260042	10.5	October 5, 2021
10.7+	Outside Director Compensation Policy	10-Q	001-40956	10.1	October 31, 2024
10.8+	Confirmatory Employment Letter by and between the Registrant and Greg Brown	8-K	001-40956	10.2	January 9, 2023
10.9+	Confirmatory Employment Letter by and between the Registrant and Sarah Blanchard	S-1	333-260042	10.8	October 5, 2021
10.10+	Confirmatory Employment Letter by and between the Registrant and Venu Venugopal	S-1	333-260042	10.9	October 5, 2021
10.11+	Confirmatory Employment Letter by and between the Registrant and Prasad Raje	10-Q	001-40956	10.1	November 2, 2023
10.12+	Employment Letter by and between the Registrant and Rob Rosenthal	10-Q	001-40956	10.1	August 1, 2024
10.13*+	Employment Letter by and between the Registrant and Eren Bali				
10.14*+	Form of Change in Control and Severance Agreement by and between the Registrant and its executive officers				
10.15*+	Change in Control and Severance Agreement by and between the Registrant and Venu Venugopal				
19.1*	Insider Trading Policy of the Registrant				
21.1*	List of subsidiaries				

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23.1*	Consent of Deloitte & Touche LLP, independent registered public accounting firm				
24.1	Powers of Attorney (contained on signature page)				
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				
97.1	Amended and Restated Clawback Policy	10-K	001-40956	97.1	February 26, 2024
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				

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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.

+ Indicates management contract or compensatory plan.

** The certifications attached as Exhibits 32.1 and 32.2 that accompany this Form 10-K 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-K, irrespective of any general incorporation language contained in such filing.

Item 16. Form 10–K Summary

None.

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: February 19, 2025

By: /s/ Greg Brown

Greg Brown

President and Chief Executive Officer

Date: February 19, 2025

By: /s/ Sarah Blanchard

Sarah Blanchard

Chief Financial Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Greg Brown and Sarah Blanchard, and each one of them, as his, her, or their true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in their name, place, and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Greg Brown</u> Greg Brown	President, Chief Executive Officer and Director (<i>Principal Executive Officer</i>)	February 19, 2025
<u>/s/ Sarah Blanchard</u> Sarah Blanchard	Chief Financial Officer (<i>Principal Financial and Accounting Officer</i>)	February 19, 2025
<u>/s/ Sohaib Abbasi</u> Sohaib Abbasi	Director, Chairperson of the Board of Directors	February 19, 2025
<u>/s/ Debra Chrapaty</u> Debra Chrapaty	Director	February 19, 2025
<u>/s/ Heather Hiles</u> Heather Hiles	Director	February 19, 2025
<u>/s/ Jeffrey Lieberman</u> Jeffrey Lieberman	Director	February 19, 2025
<u>/s/ Marylou Maco</u> Marylou Maco	Director	February 19, 2025
<u>/s/ Lydia Paterson</u> Lydia Paterson	Director	February 19, 2025
<u>/s/ Natalie Rothman</u> Natalie Rothman	Director	February 19, 2025

**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, Greg Brown, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: February 19, 2025

By:

/s/ Greg Brown
Greg Brown
President and
Chief Executive Officer
(Principal Executive Officer)

**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 Annual Report on Form 10-K 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: February 19, 2025

By:

/s/ Sarah Blanchard
Sarah Blanchard
Chief Financial Officer
(Principal Financial Officer)

**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 Annual Report on Form 10-K of Udemy, Inc. (the "Company") for the period ended December 31, 2023 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.

By:

Date: February 19, 2025

/s/ Greg Brown
Greg Brown
President and
Chief Executive Officer
(Principal Executive Officer)

**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 Annual Report on Form 10-K 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: February 19, 2025

By:

/s/ Sarah Blanchard
Sarah Blanchard
Chief Financial Officer
(Principal Financial Officer)

General Information

Transfer Agent & Registrar

Equiniti Trust Company, LLC
48 Wall Street, Floor 23
New York, New York 10005

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
555 Mission Street, Suite 1400
San Francisco, CA 94105

Common Stock

Symbol: UDMY
Listed: The Nasdaq Global Select Market

Members of the Board

Sohaib Abbasi, Chair
Former CEO, Informatica

Greg Brown
Former CEO, Udemy

Debra Chrapaty
Chief Technology Officer, Toast

Heather Hiles
Former Managing Partner, Black Ops Ventures

Jeffrey Lieberman
Managing Director, Insight Partners

Marylou Maco
Chief Revenue & CX Officer, Avaya

Lydia Paterson
Former CEO & CFO, OLX Group

Natalie Rothman
Chief People Officer, Inspire Brands

Executive Officers

Hugo Sarrazin
President, Chief Executive Officer & Director

Sarah Blanchard
Chief Financial Officer

Eren Bali
Chief Technology Officer

Rob Rosenthal
Chief Revenue Officer

For additional biographical information on our directors and executive officers, see the sections of our proxy statement captioned “Directors” and “Executive Compensation,” respectively. A copy of our proxy statement is included with this Annual Report.

2024 Form 10-K

Our 2024 Form 10-K is included in this Annual Report in its entirety with the exception of certain exhibits. All of the exhibits may be obtained on our Investor Relations homepage at investors.udemy.com or by accessing our filings with the U.S. Securities & Exchange Commission.



600 Harrison Street, Third Floor
San Francisco, California 94107