UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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: 001-40275

COURSERA, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**45-3560292**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
381 E. Evelyn Ave. Mountain View, California	**94041**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (650) 963-9884

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 per share	COUR	The New York Stock Exchange

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.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

As of July 25, 2024, the registrant had 156,916,076 shares of common stock, $0.00001 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

COURSERA, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)
(Unaudited)

	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 708,761	$ 656,321
Marketable securities	—	65,746
Accounts receivable, net of allowance for credit losses of $580 and $133 as of June 30, 2024 and December 31, 2023	57,734	67,418
Deferred costs, net	25,679	26,387
Prepaid expenses and other current assets	28,515	16,614
Total current assets	820,689	832,486
Property, equipment, and software, net	33,068	30,408
Operating lease right-of-use assets	1,992	4,739
Intangible assets, net	14,953	11,720
Other assets	33,662	41,180
Total assets	$ 904,364	$ 920,533
Liabilities and Stockholders' Equity		
Current liabilities:		
Educator partners payable	$ 100,919	$ 101,041
Other accounts payable and accrued expenses	20,992	23,456
Accrued compensation and benefits	22,638	22,281
Operating lease liabilities, current	2,426	6,557
Deferred revenue, current	156,692	137,229
Other current liabilities	12,237	7,696
Total current liabilities	315,904	298,260
Operating lease liabilities, non-current	—	39
Deferred revenue, non-current	1,759	2,861
Other liabilities	1,527	3,179
Total liabilities	319,190	304,339
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $0.00001 par value—10,000,000 shares authorized and no shares issued and outstanding as of June 30, 2024 and December 31, 2023	—	—
Common stock, $0.00001 par value—300,000,000 shares authorized as of June 30, 2024 and December 31, 2023; 165,312,016 shares issued and 156,792,969 shares outstanding as of June 30, 2024, and 162,898,279 shares issued and 155,320,538 shares outstanding as of December 31, 2023	2	2
Additional paid-in capital	1,489,751	1,459,964
Treasury stock, at cost— 8,519,047 and 7,577,741 shares as of June 30, 2024 and December 31, 2023	(79,672)	(63,154)
Accumulated other comprehensive income	—	59
Accumulated deficit	(824,907)	(780,677)
Total stockholders' equity	585,174	616,194
Total liabilities and stockholders' equity	$ 904,364	$ 920,533

See notes to Condensed Consolidated Financial Statements (Unaudited).

COURSERA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	$ 170,337	$ 153,702	$ 339,405	$ 301,344
Cost of revenue	80,162	74,001	159,733	144,175
Gross profit	90,175	79,701	179,672	157,169
Operating expenses:				
Research and development	33,701	41,286	68,311	85,095
Sales and marketing	58,069	52,001	115,654	104,873
General and administrative	29,570	24,937	54,513	50,460
Restructuring related charges	44	(147)	2,145	(5,806)
Total operating expenses	121,384	118,077	240,623	234,622
Loss from operations	(31,209)	(38,376)	(60,951)	(77,453)
Interest income, net	9,286	8,240	18,869	16,277
Other (expense) income, net	(21)	(8)	(306)	94
Loss before income taxes	(21,944)	(30,144)	(42,388)	(61,082)
Income tax expense	1,030	1,599	1,842	3,025
Net loss	$ (22,974)	$ (31,743)	$ (44,230)	$ (64,107)
Net loss per share—basic and diluted	$ (0.15)	$ (0.21)	$ (0.28)	$ (0.43)
Weighted average shares used in computing net loss per share—basic and diluted	156,292,508	150,262,064	156,335,959	149,621,816

See notes to Condensed Consolidated Financial Statements (Unaudited).

COURSERA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Loss
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	$ (22,974)	$ (31,743)	$ (44,230)	$ (64,107)
Change in unrealized (loss) gain on marketable securities, net of tax	—	(335)	(59)	98
Comprehensive loss	$ (22,974)	$ (32,078)	$ (44,289)	$ (64,009)

See notes to Condensed Consolidated Financial Statements (Unaudited).

COURSERA, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(In thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares [1]	Amount		Shares [1]	Amount			
Balance—March 31, 2024	157,158,478	$ 2	$ 1,480,238	8,009,524	$ (69,193)	$ —	$ (801,933)	$ 609,114
Exercise of stock options	484,746	—	(1,776)	(340,732)	3,187	—	—	1,411
Vesting of restricted stock units, net of tax withholdings	1,309,296	—	(20,044)	(1,309,296)	12,245	—	—	(7,799)
Repurchases of common stock	(2,668,017)	—	—	2,668,017	(30,666)	—	—	(30,666)
Issuance of common stock related to employee stock purchase plan	508,466	—	(939)	(508,466)	4,755	—	—	3,816
Stock-based compensation	—	—	32,272	—	—	—	—	32,272
Net loss	—	—	—	—	—	—	(22,974)	(22,974)
Balance—June 30, 2024	156,792,969	$ 2	$ 1,489,751	8,519,047	$ (79,672)	$ —	$ (824,907)	$ 585,174
Balance—December 31, 2023	155,320,538	$ 2	$ 1,459,964	7,577,741	$ (63,154)	$ 59	$ (780,677)	$ 616,194
Exercise of stock options	1,686,789	—	2,321	(340,732)	3,187	—	—	5,508
Vesting of restricted stock units, net of tax withholdings	2,372,611	—	(33,558)	(1,309,296)	12,245	—	—	(21,313)
Repurchases of common stock	(3,099,800)	—	—	3,099,800	(36,705)	—	—	(36,705)
Issuance of restricted stock awards	4,365	—	—	—	—	—	—	—
Issuance of common stock related to employee stock purchase plan	508,466	—	(939)	(508,466)	4,755	—	—	3,816
Stock-based compensation	—	—	61,963	—	—	—	—	61,963
Other comprehensive loss	—	—	—	—	—	(59)	—	(59)
Net loss	—	—	—	—	—	—	(44,230)	(44,230)
Balance—June 30, 2024	156,792,969	$ 2	$ 1,489,751	8,519,047	$ (79,672)	$ —	$ (824,907)	$ 585,174
Balance—March 31, 2023	150,184,198	$ 1	$ 1,382,487	2,747,938	$ (4,701)	$ (285)	$ (696,487)	$ 681,015
Exercise of stock options	2,161,345	1	8,759	—	—	—	—	8,760
Vesting of restricted stock units, net of tax withholdings	1,458,672	—	(11,819)	—	—	—	—	(11,819)
Repurchases of common stock	(4,520,293)	—	—	4,520,293	(54,529)	—	—	(54,529)
Issuance of common stock related to employee stock purchase plan	351,939	—	3,530	—	—	—	—	3,530
Stock-based compensation	—	—	31,602	—	—	—	—	31,602
Change in unrealized gain on marketable securities	—	—	—	—	—	(335)	—	(335)
Net loss	—	—	—	—	—	—	(31,743)	(31,743)
Balance—June 30, 2023	149,635,861	$ 2	$ 1,414,559	7,268,231	$ (59,230)	$ (620)	$ (728,230)	$ 626,481
Balance—December 31, 2022	147,935,669	$ 1	$ 1,364,116	2,747,938	$ (4,701)	$ (718)	$ (664,123)	$ 694,575
Exercise of stock options	3,259,812	1	14,113	—	—	—	—	14,114
Vesting of restricted stock units, net of tax withholdings	2,601,929	—	(24,855)	—	—	—	—	(24,855)
Repurchases of common stock	(4,520,293)	—	—	4,520,293	(54,529)	—	—	(54,529)
Issuance of restricted stock awards	6,805	—	—	—	—	—	—	—
Issuance of common stock related to employee stock purchase plan	351,939	—	3,530	—	—	—	—	3,530
Stock-based compensation	—	—	57,655	—	—	—	—	57,655
Other comprehensive income	—	—	—	—	—	98	—	98
Net loss	—	—	—	—	—	—	(64,107)	(64,107)
Balance—June 30, 2023	149,635,861	$ 2	$ 1,414,559	7,268,231	$ (59,230)	$ (620)	$ (728,230)	$ 626,481

(1) During the three months ended June 30, 2024, we began settling equity awards with shares of our treasury stock. To enhance the presentation of these transactions in the Condensed Consolidated Statements of Stockholders' Equity, we revised shares of common stock to present the amounts issued and outstanding for all periods presented.

See notes to Condensed Consolidated Financial Statements (Unaudited).

COURSERA, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2024	**2023**
Cash flows from operating activities:		
Net loss	$ (44,230)	$ (64,107)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,625	10,842
Stock-based compensation expense	57,873	54,050
Accretion of marketable securities	(235)	(9,413)
Impairment of long-lived assets	—	1,275
Other	876	202
Changes in operating assets and liabilities:		
Accounts receivable, net	8,730	(19,686)
Prepaid expenses and other assets	(3,678)	(14,269)
Operating lease right-of-use assets	2,747	2,407
Accounts payable and accrued expenses	(3,848)	15,863
Accrued compensation and other liabilities	3,250	2,259
Operating lease liabilities	(4,170)	(4,139)
Deferred revenue	18,361	23,037
Net cash provided by (used in) operating activities	48,301	(1,679)
Cash flows from investing activities:		
Purchases of marketable securities	—	(121,756)
Proceeds from maturities of marketable securities	66,000	235,000
Purchases of property, equipment, and software	(310)	(721)
Capitalized internal-use software costs	(8,668)	(7,604)
Purchases of content assets	(4,187)	(1,300)
Net cash provided by investing activities	52,835	103,619
Cash flows from financing activities:		
Proceeds from exercise of stock options	5,508	14,114
Proceeds from employee stock purchase plan	3,816	3,530
Payments for repurchases of common stock	(36,705)	(53,066)
Payments for tax withholding on vesting of restricted stock units	(21,313)	(24,855)
Net cash used in financing activities	(48,694)	(60,277)
Net increase in cash, cash equivalents, and restricted cash	52,442	41,663
Cash, cash equivalents, and restricted cash—Beginning of period	658,086	322,878
Cash, cash equivalents, and restricted cash—End of period	$ 710,528	$ 364,541
Supplemental disclosure of cash flow information:		
Cash paid for income taxes, net of refunds	$ 2,022	$ 2,284
Supplemental disclosure of noncash investing and financing activities:		
Stock-based compensation capitalized as internal-use software costs	$ 4,090	$ 3,605
Unpaid purchases of content assets	$ 2,553	$ 1,193
Unsettled repurchases of common stock	$ —	$ 1,463

See notes to Condensed Consolidated Financial Statements (Unaudited).

COURSERA, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(In thousands, except share and per share data)

1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements (Unaudited) of Coursera, Inc., a Delaware public benefit corporation, and its subsidiaries ("Coursera," the "Company," "we," "us," or "our") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and following the requirements of the Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP can be condensed or omitted. These Condensed Consolidated Financial Statements (Unaudited) have been prepared on the same basis as our annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair statement of our financial information. The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results to be expected for the year ending December 31, 2024 or for any other interim period or for any other future year.

These Condensed Consolidated Financial Statements (Unaudited) should be read in conjunction with the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 22, 2024 ("Form 10-K").

Description of Business

Coursera is an online learning platform that connects learners, educators, and institutions with the goal of providing world-class educational content that is affordable, accessible, and relevant. We combine content, data, and technology into a platform that is customizable and extensible to both individual learners and institutions. We partner with university and industry partners (collectively, "educator partners") to bring quality higher education to a broad range of individuals, businesses, organizations, and governments. We also sell directly to institutions, including employers, colleges and universities, organizations, and governments, to enable their employees, students, and citizens to gain critical skills aligned to job markets. Our corporate headquarters is located in Mountain View, California.

Reporting Segments

We conduct our operations through three reporting segments: Consumer, Enterprise, and Degrees. Refer to Note 13 for additional information.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Condensed Consolidated Financial Statements (Unaudited) include the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Summary of Significant Accounting Policies

There have been no significant changes to our significant accounting policies, other than the updates described below, as of and for the three and six months ended June 30, 2024 as compared to the significant accounting policies described in our Form 10-K.

Concentrations of Risk

Financial instruments that potentially subject us to concentration of credit risk consist of cash, cash equivalents, and marketable securities. We only invest in high-credit-quality instruments and maintain our cash equivalents and marketable securities in fixed-income securities. We place our cash primarily with domestic financial institutions that are federally insured within statutory limits.

For the purpose of assessing the concentration of credit risk with respect to accounts receivable and significant customers, we treat a group of customers under common control or customers that are affiliates of each other as a single customer. For the three and six months ended June 30, 2024 and 2023, we did not have any customers that accounted for more than 10% of our revenue. As of June 30, 2024, we did not have any customers that accounted for more than 10% of our net accounts receivable balance.

Our business model relies on educational content and credentialing programs from educator partners. Our largest educator partner has global brand recognition and supplies a variety of in-demand content across multiple domains. The loss of or significant reduction in this partnership or one of our other large partners could have a material adverse effect on our financial position, results of operations, and cash flows.

Treasury Stock

We record repurchases of our common stock as treasury stock, at cost. Incremental direct costs to repurchase our shares of common stock, including excise tax, are included in the cost of the shares acquired. We use the average cost method to account for reissuances of our treasury stock. For shares of treasury stock reissued at a price higher than its cost, the gain is recorded to additional paid-in capital. For shares of treasury stock issued at a price lower than its cost, the loss is recorded to additional paid-in capital to the extent there are previous net gains included in the account. Only once there is no additional paid-in capital will losses in excess of previous net gains be recorded to accumulated deficit.

Loss Contingencies

Legal fees related to potential loss contingencies are expensed as incurred. Insurance recoveries associated with loss contingencies are recognized when realization becomes probable and estimable, the associated costs have been recognized in the financial statements, and the losses are clearly attributable to the insured event.

Use of Estimates

The preparation of the Condensed Consolidated Financial Statements (Unaudited) in conformity with GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and related disclosures as of the date of the Condensed Consolidated Financial Statements (Unaudited), as well as the reported amounts of revenue and expenses during the reporting period. We base our estimates on historical experience, current conditions, and various other factors that we believe to be reasonable under the circumstances. Significant items subject to such estimates, judgments, and assumptions include, but are not limited to, those related to the determination of principal versus agent and variable consideration in our revenue contracts; stock-based compensation expense; period of benefit for capitalized commissions; internal-use software costs; useful lives of long-lived assets; the carrying value of operating lease right-of-use assets; the valuation of intangible assets; loss contingencies and potential recoveries; and income tax expense, including the valuation of deferred tax assets and liabilities, among others. Actual results could differ from those estimates, and any such differences could be material to our Condensed Consolidated Financial Statements (Unaudited).

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires public entities to disclose information about their reportable segments' significant expenses and certain other segment items on an interim and annual basis if they are regularly provided to the chief operating decision maker ("CODM"). This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively to all prior periods presented. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. We expect that the adoption of ASU 2023-07 will not have a material impact on our Condensed Consolidated Financial Statements (Unaudited) and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* , which requires public entities on an annual basis to disclose (1) specific categories in the tax rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. This ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied on a prospective basis, though retrospective application is permitted. We are currently evaluating whether the adoption of ASU 2023-09 will have a material impact on our Condensed Consolidated Financial Statements (Unaudited) and related disclosures.

In March 2024, the SEC adopted final rules under SEC Release No. 33-11275, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, which requires public entities to provide certain climate-related information in their annual reports and registration statements. The rules will require disclosure of material climate-related risks, how the board of directors and management oversee and manage such risks, and the actual and potential impact of such risks on the company. It will also require disclosure about material climate-related targets and goals, and the financial impact of severe weather events and other natural conditions. The rules require disclosures beginning with annual reports for the year ending December 31, 2025. In April 2024, the SEC voluntarily stayed the final rules pending the completion of a judicial review. We are currently evaluating the impact on our disclosures.

3. REVENUE RECOGNITION

Contract Balances

Contract assets and liabilities were as follows:

	June 30, 2024	December 31, 2023	January 1, 2023
Contract assets:			
Billed accounts receivable, net of allowance for credit losses	$ 50,781	$ 62,407	$ 45,337
Unbilled accounts receivable	6,953	5,011	8,397
Total contract assets	$ 57,734	$ 67,418	$ 53,734
Contract liabilities:			
Deferred revenue	$ 158,451	$ 140,089	$ 118,777
Total contract liabilities	$ 158,451	$ 140,089	$ 118,777

Revenue recognized during the six months ended June 30, 2024 and 2023 that was included in the corresponding deferred revenue balance at the beginning of each year was $108,535 and $89,329.

Remaining Performance Obligations

Remaining performance obligations represent contracted revenue that has not yet been recognized, which includes deferred revenue in the Condensed Consolidated Balance Sheets (Unaudited) and unbilled amounts that will be recognized as revenue in future periods. As of June 30, 2024, we had remaining performance obligations of $323,372 and expect to recognize approximately 69% as revenue over the next 12 months and the remainder thereafter.

Costs to Obtain and Fulfill Contracts

The following table presents our capitalization and amortization of commissions and related payroll tax expenditures recorded within sales and marketing in the Condensed Consolidated Financial Statements (Unaudited):

	Three Months Ended June 30,		Six Months Ended June 30,	
Commissions and related payroll tax expenditures:	2024	2023	2024	2023
Capitalization	$ 3,823	$ 4,726	$ 5,096	$ 7,698
Amortization	$ 3,753	$ 2,933	$ 7,402	$ 5,614

Deferred commissions and related payroll tax expenditures included in deferred costs and in other assets were as follows:

	June 30, 2024	December 31, 2023
Deferred costs, net	$ 12,875	$ 13,168
Other assets	$ 13,348	$ 15,361

No impairment losses were recognized during the three and six months ended June 30, 2024 and 2023.

4. INVESTMENTS

Investments Measured at Fair Value on a Recurring Basis

The following table summarizes our investments measured at fair value on a recurring basis by balance sheet classification and investment type:

	June 30, 2024		December 31, 2023	
	Amortized Cost	Fair Value - Level 1	Amortized Cost	Fair Value - Level 1
Cash equivalents—money market funds	$ 197,581	$ 197,581	$ 186,396	$ 186,396
Cash equivalents—U.S. Treasury securities	491,561	491,561	448,447	448,525
Total cash equivalents	689,142	689,142	634,843	634,921
Marketable securities—U.S. Treasury securities	—	—	65,765	65,746
Total	$ 689,142	$ 689,142	$ 700,608	$ 700,667

Gross unrealized and realized gains and losses related to our cash equivalents and marketable securities were not material for the three and six months ended June 30, 2024 and 2023.

As of December 31, 2023, our available-for-sale marketable securities were comprised of U.S. Treasury securities, with a contractual maturity less than one year, which are backed by the full faith and credit of the U.S. government. There were no credit or non-credit impairment losses recorded during the three and six months ended June 30, 2024 and 2023.

Investments Measured at Fair Value on a Nonrecurring Basis

Our existing equity investments are remeasured at fair value on a nonrecurring basis when an identifiable event or change in circumstance may have a significant adverse impact on its fair value. No such events or changes occurred during the three and six months ended June 30, 2024 and 2023.

5. CONSOLIDATED BALANCE SHEET COMPONENTS

Restricted Cash

The reconciliation of cash, cash equivalents, and restricted cash was as follows:

	June 30, 2024	December 31, 2023
Cash and cash equivalents	$ 708,761	$ 656,321
Restricted cash, current	1,574	—
Restricted cash, non-current	193	1,765
Total cash, cash equivalents, and restricted cash	$ 710,528	$ 658,086

Property, Equipment, and Software, Net

Property, equipment, and software, net consisted of the following:

	June 30, 2024	December 31, 2023
Internal-use software and website development	$ 86,544	$ 73,881
Computer equipment and purchased software	4,732	4,405
Leasehold improvements	6,923	6,923
Furniture and fixtures	2,757	2,757
Total property, equipment, and software	100,956	87,966
Less accumulated depreciation and amortization	(67,888)	(57,558)
Property, equipment, and software, net	$ 33,068	$ 30,408

The following table presents depreciation and amortization expense related to property, equipment, and software as well as the portion of amortization expense related to internal-use software and website development that is recorded within cost of revenue in the Condensed Consolidated Statements of Operations (Unaudited):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Depreciation and amortization expense	$ 5,101	$ 4,650	$ 10,427	$ 9,472
Amortization expense for internal-use software and website development	4,593	4,043	9,379	8,264

Intangible Assets, Net

Intangible assets, net consisted of the following:

	June 30, 2024			December 31, 2023		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Content assets	$ 18,413	$ (5,055)	$ 13,358	$ 12,982	$ (3,558)	$ 9,424
Developed technology	8,446	(6,851)	1,595	8,446	(6,150)	2,296
Intangible assets	$ 26,859	$ (11,906)	$ 14,953	$ 21,428	$ (9,708)	$ 11,720

Capitalization of content assets and amortization expense for intangible assets was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Capitalization of content assets	$ 3,511	$ 1,390	$ 5,431	$ 1,996
Amortization expense for intangible assets	$ 1,168	$ 681	$ 2,198	$ 1,370

As of June 30, 2024, future expected amortization expense for intangible assets was as follows:

Remainder of 2024	$	2,802
2025		5,321
2026		2,726
2027		1,929
2028		1,633
Thereafter		542
Total	$	14,953

6. LEASES

We have entered into various non-cancelable office space operating leases with lease periods expiring through April 2025. These leases do not contain residual value guarantees, covenants, or other restrictions.

In May 2022, we entered into an agreement to sublease a portion of our existing office space in Mountain View, California. The sublease is classified as an operating lease. The term commenced on June 1, 2022 and terminates on October 31, 2024. Sublease income from this agreement was $680 and $1,360 for the three and six months ended June 30, 2024 and 2023.

7. INCOME TAXES

Income tax expense or benefit for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter, we update the estimate of the annual effective tax rate, and if the estimated tax rate changes, we record a cumulative adjustment.

Our effective tax rate for the three months ended June 30, 2024 and 2023 was (4.7%) and (5.3%). For the six months ended June 30, 2024 and 2023, our effective tax rate was (4.3%) and (5.0%). The difference between the effective tax rate and the U.S. federal statutory rate is primarily due to a valuation allowance for our federal and state net deferred tax assets, income taxes on foreign operations, U.S. state income taxes, and stock-based compensation expense.

As of June 30, 2024, we continued to have a full valuation allowance against our U.S. federal and state deferred tax assets. Management regularly evaluates the realizability of our deferred tax assets. Adjustments are recorded to income during the period in which management makes the determination a deferred tax asset is more likely than not to be realized.

8. NET LOSS PER SHARE

The following table presents the calculation of basic and diluted net loss per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net loss	$ (22,974)	$ (31,743)	$ (44,230)	$ (64,107)
Denominator:				
Weighted-average shares used in computing net loss per share—basic and diluted	156,292,508	150,262,064	156,335,959	149,621,816
Net loss per share—basic and diluted	$ (0.15)	$ (0.21)	$ (0.28)	$ (0.43)

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

	Three and Six Months Ended June 30,	
	2024	2023
Restricted stock units ("RSUs")	19,121,334	22,358,430
Common stock options	9,393,006	14,874,208
Performance stock units ("PSUs")	300,416	—
ESPP stock purchase rights ("ESPP Rights")	199,814	122,467
Total	29,014,570	37,355,105

9. COMMITMENTS AND CONTINGENCIES

Purchase Obligations

Our purchase obligations primarily relate to a third-party cloud infrastructure agreement, subscription arrangements, and service agreements used to facilitate our operations. As of June 30, 2024, we had approximately $15,160 of future minimum payments under our non-cancelable purchase obligations with a remaining term in excess of one year, which are expected to be paid through 2026.

Legal Proceedings

From time to time, we may be subject to legal proceedings, as well as demands, claims, and threatened litigation. The outcomes of legal proceedings and other contingencies are inherently unpredictable, subject to significant uncertainties, and could be material to our operating results and cash flows for a particular period. Regardless of the outcome, litigation can have an adverse impact on our business because of defense and settlement costs, diversion of management resources, and other factors. Other than the matters described below, we are not currently party to any legal proceeding that we believe, as of the filing of this Quarterly Report on Form 10-Q, could have a material adverse effect on our business, operating results, cash flows, or financial condition should such litigation or claim be resolved unfavorably.

We regularly review the status of each significant matter and assess its potential likelihood of loss or exposure. We record an accrual for loss contingencies for legal proceedings when we believe that an unfavorable outcome is both (i) probable and (ii) the amount or range of any possible loss is reasonably estimable. The actual liability in any such matters may be materially different from the Company's estimates, if any, which could result in the need to adjust the liability and record additional expenses.

Privacy Class Action Lawsuit and Arbitration Matters

In November 2023, a putative class action lawsuit, captioned *Iman Ghazizadeh, et al v. Coursera, Inc.*, was filed against Coursera, Inc. in the United States District Court for the Northern District of California (the "Court"). The complaint asserts claims for alleged violations of the Video Privacy Protection Act ("VPPA"), and alleges, among other things, that without consent or knowledge of the plaintiff, Coursera disclosed the video viewing history and certain other information of the plaintiff to a third-party company and made similar disclosures without the knowledge or consent of other unidentified users. The plaintiff seeks monetary damages for certain violations under the VPPA, including interest and reasonable attorneys' fees. We filed a motion to dismiss in January 2024 and a motion to compel arbitration in April 2024. The Court granted the motion to compel arbitration in June 2024, and the litigation is now stayed pending arbitration of the individual plaintiffs' claims. Given the procedural posture and the nature of such litigation matter, it is not possible to reasonably estimate the probability that we will ultimately prevail or be held liable for the violations alleged in this complaint, nor is it possible to reasonably estimate the loss, if any, or range of loss that could result from this matter. We dispute the claims and intend to vigorously defend against them.

In addition, law firms representing approximately 30,000 claimants have threatened to file or filed individual arbitration demands that allege claims similar to those in the VPPA class action lawsuit described above, with certain firms also claiming violations of the Electronic Communications Privacy Act, the California Invasion of Privacy Act, and/or various state wiretapping and unfair or deceptive practices laws. Under the VPPA, each claimant may be entitled to recover damages in the maximum amount of $2,500 for each alleged violation of the VPPA, as well as punitive damages, attorneys' fees and costs, and equitable relief. In June 2024, without admitting any liability or wrongdoing, we reached an agreement in principle to resolve the claims threatened on behalf of approximately 7,300 claimants. During the three months ended June 30, 2024, we recorded an accrual with respect to these claimants, and the corresponding net loss recognized in our Condensed Consolidated Statements of Operations (Unaudited) is not material. With respect to the remaining claimants, it is not possible to reasonably estimate the probability that we will ultimately prevail or be held liable for the alleged violations, nor is it possible to reasonably estimate the loss, if any, or range of loss that could result from these matters, given the procedural posture and the nature of such matters. We dispute the claims and intend to vigorously defend against them.

During the three and six months ended June 30, 2024, we recognized $1,259 in legal fees related to these matters.

Indemnifications

In the normal course of business, we enter into contracts and agreements that contain a variety of representations and warranties and provide for the potential of general indemnification obligations. Our exposure under these agreements is unknown because it involves future claims that may be made against us but have not yet been made. To date, we have not paid any material claims and have not been required to defend any actions related to our indemnification obligations; however, we may record charges in the future as a result of these indemnification obligations. In addition, we have indemnification agreements with certain of our directors, executive officers, and other employees that require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service with Coursera. The terms of such obligations may vary.

10. STOCKHOLDERS' EQUITY

Share Repurchase Program

On April 26, 2023, our board of directors approved a share repurchase program with authorization to purchase up to $95 million of our common stock, excluding commissions and fees (the "Repurchase Program"). During the three and six months ended June 30, 2024, we repurchased an aggregate of 2,668,017 shares and 3,099,800 shares of our common stock for $30.7 million and $36.7 million, and during the three and six months ended June 30, 2023, we repurchased an aggregate of 4,520,293 shares of our common stock for $54.5 million. We funded these share repurchases with our existing cash and cash equivalents. As of May 7, 2024, we completed the purchase authorization under the Repurchase Program.

11. EMPLOYEE BENEFIT PLANS

Stock Incentive Plans

Our 2021 Stock Incentive Plan (the "2021 Plan") provides for the granting of incentive and non-statutory stock options, RSUs, PSUs, and other equity-based awards. Pursuant to our 2021 Employee Stock Purchase Plan (the "ESPP"), eligible employees may purchase shares of our common stock through payroll deductions at 85% percent of the lower of the market price of our common stock on the date of commencement of the applicable offering period or on the last day of each six-month purchase period.

As of June 30, 2024, 17,018,890 shares and 5,352,623 shares of our common stock were reserved for future issuance under the 2021 Plan and ESPP. During the three months ended June 30, 2024, we began reissuing shares of our common stock from treasury stock to settle stock option exercises, vesting of RSUs, and ESPP purchases.

Stock Options

We grant stock options at prices equal to the grant date fair value. Typically, these stock options expire ten years from the grant date and vest ratably over a four-year service period.

Stock option activity for the six months ended June 30, 2024 was as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Balance—December 31, 2023	11,165,138	$ 7.03	5.22	$ 142,444
Exercised	(1,686,789)	3.27		
Canceled	(85,343)	14.25		
Balance—June 30, 2024	9,393,006	$ 7.64	5.12	$ 18,655
Options vested	8,390,995	$ 6.57	4.79	$ 18,655

RSUs and PSUs

RSU grants have a service-based vesting condition, which is satisfied generally either (i) over four years with a 25% cliff vesting period after one year and 6.25% vesting each quarter thereafter for new hires, or (ii) over four years with 6.25% vesting each quarter for new grants to existing employees. The related stock-based compensation expense is recognized on a straight-line basis over the requisite service period.

In March 2024, we granted PSUs to certain executives under the 2021 Plan. PSU grants have both performance and service-based vesting conditions. The ultimate number of units that will vest is determined based on the achievement of annual revenue against a pre-established target (with defined threshold and maximum amounts ranging from 50% to 150% of target). If annual revenue is below the threshold amount, none of the PSUs will vest. If annual revenue is equal to or exceeds the threshold amount, 25% of the PSUs ultimately granted will vest after one year, and the remaining PSUs will vest quarterly (6.25%) over the subsequent three years. The fair value of each unit is determined on the grant date, and the related stock-based compensation expense is recognized using the accelerated attribution method. We evaluate the vesting conditions on a quarterly basis and recognize stock-based compensation expense if the achievement of the performance condition is probable.

RSU and PSU activity for the six months ended June 30, 2024 was as follows:

	RSUs			PSUs		
	Number of Units	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value	Number of Units	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
Unvested balance—December 31, 2023	18,361,046	$ 15.24	$ 355,653	—	$ —	$ —
Granted[(1)]	6,351,515	13.35		300,416	14.36	
Vested	(4,036,128)	16.06		—		
Forfeited	(1,555,099)	14.82		—		
Unvested balance—June 30, 2024	19,121,334	$ 14.47	$ 136,909	300,416	$ 14.36	$ 2,151

(1) For PSUs, the amount presented as the number of units granted is based on the performance condition being achieved at the target level. Once the performance period is complete, the number of units that will vest may range from 0% to 150% of the target amount based on actual performance.

Stock-Based Compensation Expense

Stock-based compensation expense is classified in the Condensed Consolidated Statements of Operations (Unaudited) as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cost of revenue	$ 710	$ 914	$ 1,369	$ 1,791
Research and development	10,873	13,303	21,874	26,768
Sales and marketing	8,520	7,499	16,442	15,856
General and administrative	9,913	7,609	18,188	15,240
Restructuring related charges	—	(17)	—	(5,605)
Total	$ 30,016	$ 29,308	$ 57,873	$ 54,050

We capitalized $2,256 and $2,294 of stock-based compensation related to our internal-use software during the three months ended June 30, 2024 and 2023 and $4,090 and $3,605 during the six months ended June 30, 2024 and 2023.

The table below presents unrecognized employee compensation cost related to unvested shares and the weighted-average period over which it is expected to be recognized as of June 30, 2024:

	June 30, 2024	
	Unrecognized employee compensation cost related to unvested shares	Weighted-average period over which the compensation is expected to be recognized (in years)
RSUs	$ 239,047	2.6
Common stock options	9,496	2.0
ESPP Rights	8,141	1.1
PSUs	3,134	1.9

Common Stock Reserved for Issuance

The following table presents total shares of our common stock reserved for future issuance:

	June 30, 2024	December 31, 2023
RSUs outstanding	19,121,334	18,361,046
Stock options outstanding	9,393,006	11,165,138
PSUs outstanding	300,416	—
Shares available for future grants	22,371,513	16,913,085
Total shares of common stock reserved	51,186,269	46,439,269

401(k) Plan

We have a 401(k) savings plan that provides for a discretionary employer-matching contribution. We made matching contributions of $ 530 and $604 to the plan for the three months ended June 30, 2024 and 2023 and $1,384 and $1,460 for the six months ended June 30, 2024 and 2023.

12. RELATED-PARTY TRANSACTIONS

We have a content sourcing agreement with DeepLearning.AI Corp ("DeepLearning.AI"), which was entered into in the normal course of business and under standard terms. Dr. Andrew Ng, one of our co-founders and Chairman of our board of directors, owns DeepLearning.AI. Content fees earned by DeepLearning.AI during the three months ended June 30, 2024 and 2023 were $2,131 and $1,812. Content fees earned by DeepLearning.AI during the six months ended June 30, 2024 and 2023 were $4,440 and $3,505. Content fees earned by DeepLearning.AI were recorded within cost of revenue in the Condensed Consolidated Statements of Operations (Unaudited). As of June 30, 2024 and December 31, 2023, outstanding educator partner payables related to this content sourcing agreement were $2,131 and $3,895.

13. SEGMENT AND GEOGRAPHIC INFORMATION

Segment Information

Our chief operating decision maker ("CODM") is our Chief Executive Officer. For the purposes of allocating resources and assessing performance, the CODM examines three segments, which relate to our three revenue sources: Consumer, Enterprise, and Degrees. This is also consistent with how we disaggregate revenue.

Financial information for each reportable segment was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Revenue	**2024**	**2023**	**2024**	**2023**
Consumer	$ 97,312	$ 86,999	$ 194,055	$ 169,028
Enterprise	58,727	54,180	116,221	106,353
Degrees	14,298	12,523	29,129	25,963
Total revenue	$ 170,337	$ 153,702	$ 339,405	$ 301,344
Segment gross profit				
Consumer	$ 52,350	$ 45,117	$ 104,124	$ 89,734
Enterprise	39,864	38,676	78,994	73,646
Degrees	14,298	12,523	29,129	25,963
Total segment gross profit	$ 106,512	$ 96,316	$ 212,247	$ 189,343
Reconciliation of segment gross profit to gross profit				
Platform and support costs	$ 9,866	$ 10,977	$ 19,629	$ 20,749
Stock-based compensation expense	710	914	1,369	1,791
Amortization of internal-use software	4,593	4,043	9,379	8,264
Amortization of intangible assets	1,168	681	2,198	1,370
Total reconciling items	16,337	16,615	32,575	32,174
Gross profit	$ 90,175	$ 79,701	$ 179,672	$ 157,169

Geographic Information

Revenue

The following table summarizes the revenue by region based on the billing address of our customers:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
United States	$ 91,157	$ 81,713	$ 183,576	$ 160,222
Europe, Middle East, and Africa	40,172	37,658	79,321	74,665
Asia Pacific	21,421	19,741	42,501	38,339
Other	17,587	14,590	34,007	28,118
Total	$ 170,337	$ 153,702	$ 339,405	$ 301,344

No single country other than the United States represented 10% or more of our total revenue during the three and six months ended June 30, 2024 and 2023.

Long-lived assets

The following table presents our long-lived assets, consisting of property, equipment, and software, net of depreciation and amortization, and operating lease right-of-use assets, by geographic region:

	June 30, 2024	December 31, 2023
United States	$ 34,279	$ 34,047
Rest of World	781	1,100
Total	$ 35,060	$ 35,147

14. RESTRUCTURING RELATED CHARGES

We have been reducing our expenses, focusing our efforts, and prioritizing investments in key initiatives that are expected to drive long-term, sustainable growth.

During the six months ended June 30, 2023 we recognized a reversal of stock-based compensation expense of approximately $5.6 million, resulting from the forfeiture of RSUs and stock options associated with our November 2022 global workforce reduction.

In January 2024, we implemented a plan to restructure our Enterprise segment sales force and recognized an immaterial amount of restructuring related charges during the three months ended June 30, 2024 and $2.1 million during the six months ended June 30, 2024. Related cash payments were approximately the same for each period and are reflected as cash used in operating activities within our Condensed Consolidated Statements of Cash Flows (Unaudited). Remaining unpaid expenses relating to this restructuring are not material as of June 30, 2024.

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

The following section discusses financial condition and results of operations of Coursera, Inc. and its subsidiaries ("Coursera," the "Company," "we," "us," or "our") and should be read in conjunction with our Condensed Consolidated Financial Statements (Unaudited) and the related notes included in Item 1 of Part I of this report and together with our Consolidated Financial Statements and the related notes and the discussions under the heading "Management's Discussions and Analysis of Financial Condition and Results of Operations" for the year ended December 31, 2023 included in our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 22, 2024 ("Form 10-K").

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this report other than statements of historical fact, including statements identified by words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," or the negative of these terms, or similar expressions, are forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- trends and expectations for growth in the higher education and online education markets;
- the acceptance, adoption, and growth of online learning and credentialing;
- market acceptance and demand for our platform;
- the potential benefits of our solutions to learners and educator partners;
- anticipated launch dates of new educator partner programs;
- our business model;
- our expectations of our future financial performance, including revenue, expenses, and profitability;
- our ability to successfully develop, launch, maintain, and scale new programs, offerings, and features, including artificial intelligence ("AI");
- our ability to expand our platform's content and credentialing programs;
- our ability to manage or sustain our growth and to effectively expand our global customer base and operations;
- our ability to acquire new educator partners and expand program offerings with existing educator partners;
- our ability to acquire prospective learners and to affect or increase learner enrollment, revenue, and retention;
- our growth strategies, plans, objectives, and goals;
- our ability to compete and expectations about the future competitive landscape;
- our ability to attract and retain key employees;
- the scalability of our platform and operations;
- our ability to develop and protect our brand;
- the size of our addressable markets, market share, and market trends;
- the affordability and convenience of our platform;
- our ability to obtain, maintain, protect, and enforce our intellectual property ("IP") and proprietary rights and successfully defend against claims of infringement, misappropriation, or other violations of third-party IP;
- our anticipated future capital requirements, including the availability of capital to grow our business;
- our ability to successfully defend any current or future legal proceedings brought against us;
- our ability to implement and maintain effective policies, procedures, and internal controls;
- our ability to comply with potential changes in laws and regulations applicable to us or our educator partners;
- our share repurchase program;
- the amount of time for which we expect our cash balances and other available financial resources to be sufficient to fund our operations;

- our contractual obligations and commitments;
- the anticipated utility of our non-GAAP financial measures and key business metrics; and
- our expectations as to interest rate and foreign currency risks.

In addition, any statements contained herein that are not statements of historical facts are deemed to be forward-looking statements. These forward-looking statements reflect our management's beliefs and views with respect to future events, are based on estimates and assumptions as of the date of this report, and are subject to a number of risks and uncertainties that could cause our actual results to differ materially from those expressed or implied by our forward-looking statements. These risks and uncertainties include, but are not limited to, those risks discussed in Part II, Item 1A "Risk Factors" of this report. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We qualify all of the forward-looking statements in this report with these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance, events, or circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations, except as required by law.

Overview

Coursera is one of the largest online learning destinations in the world, connecting an ecosystem of learners, educators, organizations, and institutions with a platform of high-quality content and credentials, data, and technology.

As shifts in the digital economy are increasing the need for new skills, Coursera's online learning offerings can meet this global demand and provide access to world-class education to learners, organizations, and institutions worldwide. We partner with over 325 leading global university and industry partners to create and distribute high-quality content that is modular, flexible, and affordable. As of June 30, 2024, approximately 155 million learners are registered on our platform to engage with a wide range of offerings from industry microcredentials, including entry-level Professional Certificates, to bachelor's and master's degree programs.

Coursera serves learners where and how they want to learn—in their homes, through their employers, through their colleges and universities, and through government-sponsored programs. We provide a broad range of learning content and credentials, including Clips, Guided Projects, Specializations, courses, and certificates that can build towards a broader course of study such as a degree or postgraduate diploma. Our go-to-market strategy centers on efficiently attracting learners to our platform through content and credentials from world-class brands, while promoting personalized pathways to jobs and degree programs. Additionally, our data-driven learner experience identifies potential Enterprise prospects, complemented by our direct sales team, which finds and engages with potential business, academic, government, and other institutional customers.

For the three months ended June 30, 2024 and 2023, we generated a net loss of $23.0 million and $31.7 million, which included stock-based compensation expense of $30.0 million and $29.3 million, and a net loss margin as a percentage of revenue of 13% and 21%.

For the six months ended June 30, 2024 and 2023, we generated a net loss of $44.2 million and $64.1 million, which included stock-based compensation expense of $57.9 million and $54.1 million, and a net loss margin as a percentage of revenue of 13% and 21%.

Factors Affecting Our Performance

We believe that the growth of our business and our future success are dependent upon many factors. While each of these factors present 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, engage, and retain new learners, Enterprise customers, and Degrees students. In order to grow our business, we must attract new learners, Enterprise customers, and Degrees students efficiently and increase engagement on our platform over time. Our Consumer learners are the most important source of our overall learner base, as they contribute to both our Enterprise and Degrees revenue in addition to the Consumer revenue they may provide, and increase engagement and retention on our platform over time. We continue to refine our Degrees business model and may need to adjust it as laws, regulations, and market demands change. As a result, we have experienced and may continue to experience shifts in our related customer base, including university partners and Degrees students.

Ability to source in-demand content from our educator partners. We believe that learners and enterprises are attracted to Coursera largely because of the high quality and wide selection of content provided by our educator partners. Continuing to source in-demand content and credentials from our educator partners—from courses to degrees—is important to attract learners and increase our revenue over time.

We believe that our reach, scale, and reputation provide an attractive value proposition for leading organizations and institutions to partner with Coursera to develop and distribute content and credentials. To be the platform of choice for educator partners, we continue to invest in increasing the size and engagement of our learner base, developing a suite of academic integrity features (e.g., identity verification and anti-plagiarism detection), improving recommendation and personalization features, developing marketing capabilities that drive higher conversion into paid offerings, and improving the analytics tools available for learners, educators, organizations, and institutions.

Impact of mix shift over time. The mix of our business amongst our Consumer, Enterprise, and Degrees segments shifts from time to time, and these shifts have and will continue to affect our financial performance. We typically incur content costs in the form of a fee paid to our educator partners, determined as a percentage of total revenue generated from their content. We do not incur any content costs for our Degrees offerings, since our university partners compensate us with a percentage of learner tuition.

Ability to convert free learners to paid learners. New learners typically begin to engage with our free courses on our platform, which serves as a funnel to grow our total learner base and drive referrals to our other offerings, including our paid offerings. Through both our on-platform and off-platform marketing efforts, we engage our free learners by highlighting key features that encourage conversion to our paid offerings, including paid subscriptions. These efforts include campaigns targeting existing learners, personalized recommendations, and performance marketing on the internet.

Ability to expand our international footprint. We see a significant opportunity to expand our offerings into other regions, particularly in regions with large, underserved adult learning populations. We have invested, and plan to continue to invest, in personnel and marketing efforts to support our international growth as part of our strategy to grow our customer and learner base.

Ability to retain and expand our Enterprise customer relationships. Our efforts to grow our Enterprise segment are focused primarily on business, academic, government, and other institutional customers. We believe a significant opportunity exists to expand our customers' use of our platform by identifying new use cases that increase the size of deployments. Our business and results of operations will depend in part on our ability to retain and expand usage of our platform within our existing customer base.

Our measured investment in growth. We are actively managing our investments to support the future growth of our business using a measured approach. We focus our investments in select markets, offerings, and technologies that we believe will provide the best opportunity to grow our revenue and improve our operating results in the long term.

Results of Operations

The following table summarizes our results of operations, which are not necessarily indicative of results to be expected for future periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Revenue	$ 170,337	$ 153,702	$ 339,405	$ 301,344
Cost of revenue[1]	80,162	74,001	159,733	144,175
Gross profit	90,175	79,701	179,672	157,169
Operating expenses:				
Research and development[1]	33,701	41,286	68,311	85,095
Sales and marketing[1]	58,069	52,001	115,654	104,873
General and administrative[1]	29,570	24,937	54,513	50,460
Restructuring related charges[1]	44	(147)	2,145	(5,806)
Total operating expenses	121,384	118,077	240,623	234,622
Loss from operations	(31,209)	(38,376)	(60,951)	(77,453)
Other income, net:				
Interest income, net	9,286	8,240	18,869	16,277
Other (expense) income, net	(21)	(8)	(306)	94
Loss before income taxes	(21,944)	(30,144)	(42,388)	(61,082)
Income tax expense	1,030	1,599	1,842	3,025
Net loss	$ (22,974)	$ (31,743)	$ (44,230)	$ (64,107)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Cost of revenue	$ 710	$ 914	$ 1,369	$ 1,791
Research and development	10,873	13,303	21,874	26,768
Sales and marketing	8,520	7,499	16,442	15,856
General and administrative	9,913	7,609	18,188	15,240
Restructuring related charges	—	(17)	—	(5,605)
Total stock-based compensation expense	$ 30,016	$ 29,308	$ 57,873	$ 54,050

The following table summarizes our results of operations as a percentage of revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	47	48	47	48
Gross profit	53	52	53	52
Operating expenses:				
Research and development	20	27	20	28
Sales and marketing	34	34	34	35
General and administrative	17	16	16	17
Restructuring related charges	—	—	1	(2)
Total operating expenses	71	77	71	78
Loss from operations	(18)	(25)	(18)	(26)
Other income, net:				
Interest income, net	5	5	6	6
Other (expense) income, net	—	—	—	—
Loss before income taxes	(13)	(20)	(12)	(20)
Income tax expense	—	1	1	1
Net loss	(13)%	(21)%	(13)%	(21)%

Comparison of the Three and Six Months Ended June 30, 2024 and 2023

Revenue

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
	(in thousands, except percentages)							
Revenue:								
Consumer	$ 97,312	$ 86,999	$ 10,313	12 %	$ 194,055	$ 169,028	$ 25,027	15 %
Enterprise	58,727	54,180	4,547	8 %	116,221	106,353	9,868	9 %
Degrees	14,298	12,523	1,775	14 %	29,129	25,963	3,166	12 %
Total revenue	$ 170,337	$ 153,702	$ 16,635	11 %	$ 339,405	$ 301,344	$ 38,061	13 %

Revenue for the three months ended June 30, 2024 was $170.3 million compared to $153.7 million for the three months ended June 30, 2023. Revenue increased by $16.6 million, or 11%, compared to the three months ended June 30, 2023. The increase was primarily driven by a 20% increase in the average total number of registered learners resulting in more paid learners, a 17% increase in the average total number of Paid Enterprise Customers, and a 19% increase in the number of Degrees students.

For the three months ended June 30, 2024, Consumer revenue increased by $10.3 million, or 12%, compared to the three months ended June 30, 2023. New learners that registered after June 30, 2023 contributed $40.0 million to Consumer revenue of $97.3 million for the three months ended June 30, 2024. The remaining $57.3 million of Consumer revenue was attributable to learners that were registered on our platform as of June 30, 2023, thus retaining 66% of the revenue from those registered learners.

For the three months ended June 30, 2024, Enterprise revenue increased by $4.5 million, or 8%, compared to the three months ended June 30, 2023 attributable to an increase in new customers. Acquisitions of new customers drove an increase of $10.7 million, offset by a $6.2 million decrease attributable to contraction of existing customer spend.

For the three months ended June 30, 2024, Degrees revenue increased by $1.8 million, or 14%, compared to the three months ended June 30, 2023. The $1.8 million increase in revenue was primarily attributable to $3.2 million in revenue from an increase in the number of Degrees students, partially offset by a decrease of $1.4 million due to lower revenue per student resulting from student growth in lower-priced regions.

Revenue for the six months ended June 30, 2024 was $339.4 million compared to $301.3 million for the six months ended June 30, 2023. Revenue increased by $38.1 million, or 13%, compared to the six months ended June 30, 2023. The increase was primarily driven by a 20% increase in the average total number of registered learners resulting in more paid learners, a 17% increase in the average total number of Paid Enterprise Customers, and a 19% increase in the number of Degrees students.

For the six months ended June 30, 2024, Consumer revenue increased by $25.0 million, or 15%, compared to the six months ended June 30, 2023. New learners that registered after June 30, 2023 contributed $74.1 million to Consumer revenue of $194.1 million for the six months ended June 30, 2024. The remaining $120.0 million of Consumer revenue was attributable to learners that were registered on our platform as of June 30, 2023, thus retaining 71% of the revenue from those registered learners.

For the six months ended June 30, 2024, Enterprise revenue increased by $9.9 million, or 9%, compared to the six months ended June 30, 2023 attributable to an increase in new customers. Acquisitions of new customers drove an increase of $18.4 million, offset by an $8.5 million decrease attributable to contraction of existing customer spend.

For the six months ended June 30, 2024, Degrees revenue increased by $3.2 million, or 12%, compared to the six months ended June 30, 2023. The $3.2 million increase in revenue was primarily attributable to $5.4 million in revenue from an increase in the number of Degrees students, partially offset by a decrease of $2.2 million due to lower revenue per student resulting from student growth in lower-priced regions.

Cost of Revenue, Gross Profit, and Gross Margin

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
	(in thousands, except percentages)							
Cost of revenue	$ 80,162	$ 74,001	$ 6,161	8 %	$ 159,733	$ 144,175	$ 15,558	11 %
Gross profit	$ 90,175	$ 79,701	$ 10,474	13 %	$ 179,672	$ 157,169	$ 22,503	14 %
Gross margin	53 %	52 %			53 %	52 %		

Cost of revenue for the three months ended June 30, 2024 was $80.2 million compared to $74.0 million for the three months ended June 30, 2023. The primary driver for the increase was revenue growth that resulted in an increase of $6.4 million in educator partner fees and an increase of $1.0 million in amortization expense, partially offset by a decrease of $1.3 million in language translation expenses.

Content costs for the Consumer segment were $45.0 million and $41.9 million for the three months ended June 30, 2024 and 2023, with content costs as a percentage of revenue of 46% and 48% for the same periods, due to a shift in mix to lower-cost content. Content costs for the Enterprise segment were $18.9 million and $15.5 million for the three months ended June 30, 2024 and 2023, with content costs as a percentage of revenue of 32% and 29% for the same periods, with the increase due to a one-time benefit associated with a contract amendment with one of our educator partners in the prior period.

Gross margin was 53% for the three months ended June 30, 2024, compared to 52% for the three months ended June 30, 2023. The increase in gross margin was driven by a lower revenue content cost rate in our Consumer segment.

Cost of revenue for the six months ended June 30, 2024 was $159.7 million compared to $144.2 million for the six months ended June 30, 2023. The primary driver for the increase was revenue growth that resulted in an increase of $15.2 million in educator partner fees and an increase of $1.9 million in amortization expense, partially offset by a decrease of $1.8 million in language translation expenses.

Content costs for the Consumer segment were $89.9 million and $79.3 million for the six months ended June 30, 2024 and 2023, with content costs as a percentage of revenue of 46% and 47% for the same periods, due to a shift in mix to lower-cost content. Content costs for the Enterprise segment were $37.2 million and $32.7 million for the six months ended June 30, 2024 and 2023, with content costs as a percentage of revenue of 32% and 31% for the same periods, with the increase due to a one-time benefit associated with a contract amendment with one of our educator partners in the prior period.

Gross margin was 53% for the six months ended June 30, 2024, compared to 52% for the six months ended June 30, 2023. The increase in gross margin was driven by a lower revenue content cost rate in our Consumer segment.

Operating Expenses

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
	(in thousands, except percentages)							
Operating expenses:								
Research and development	$ 33,701	$ 41,286	$ (7,585)	(18)%	$ 68,311	$ 85,095	$ (16,784)	(20)%
Sales and marketing	58,069	52,001	6,068	12 %	115,654	104,873	10,781	10 %
General and administrative	29,570	24,937	4,633	19 %	54,513	50,460	4,053	8 %
Restructuring related charges	44	(147)	191	nm	2,145	(5,806)	7,951	nm
Total operating expenses	$ 121,384	$ 118,077	$ 3,307	3 %	$ 240,623	$ 234,622	$ 6,001	3 %

Total operating expenses for the three and six months ended June 30, 2024 were $121.4 million and $240.6 million compared to $118.1 million and $234.6 million for the three and six months ended June 30, 2023.

Research and development expenses for the three months ended June 30, 2024 were $33.7 million compared to $41.3 million for the three months ended June 30, 2023. The decrease was primarily due to lower personnel-related expenses of $5.5 million, including stock-based compensation expense of $2.6 million, and lower content creation costs of $1.1 million.

Research and development expenses for the six months ended June 30, 2024 were $68.3 million compared to $85.1 million for the six months ended June 30, 2023. The decrease was primarily due to lower personnel-related expenses of $11.5 million, including stock-based compensation expense of $5.0 million, and lower content creation costs of $3.7 million.

Sales and marketing expenses for the three months ended June 30, 2024 were $58.1 million compared to $52.0 million for the three months ended June 30, 2023. The increase was primarily due to an increase in marketing and advertising expenses of $3.7 million and an increase in personnel-related expenses of $2.4 million.

Sales and marketing expenses for the six months ended June 30, 2024 were $115.7 million compared to $104.9 million for the six months ended June 30, 2023. The increase was primarily due to an increase in marketing and advertising expenses of $7.7 million, and an increase in personnel-related expenses of $3.8 million.

General and administrative expenses for the three months ended June 30, 2024 were $29.6 million compared to $24.9 million for the three months ended June 30, 2023. The increase was primarily driven by $3.4 million in costs related to third party advisory, legal, and other professional fees associated with evaluating a merger and acquisition ("M&A") transaction, $1.3 million in legal fees associated with significant and non-recurring legal matters, and an increase in personnel-related expenses of $2.9 million, including stock-based compensation expenses of $2.2 million. This increase was partially offset by a reduction of value-added tax expense of $2.4 million. Prior to November 2023, such taxes, as applicable to our Consumer revenue, were paid by Coursera to the taxing authorities. These taxes are now included in the fees charged to and paid by learners.

General and administrative expenses for the six months ended June 30, 2024 were $54.5 million compared to $50.5 million for the six months ended June 30, 2023. The increase was primarily driven by $3.4 million related to third party advisory, legal, and other professional fees associated with evaluating an M&A transaction, $1.3 million in legal fees associated with significant and non-recurring legal matters, and an increase in personnel-related expenses of $4.0 million, including stock-based compensation expenses of $3.0 million. This increase was partially offset by a reduction of value-added tax expense of $5.1 million. Prior to November 2023, such taxes, as applicable to our Consumer revenue, were paid by Coursera to the taxing authorities. These taxes are now included in the fees charged to and paid by learners.

Restructuring related charges for the three months ended June 30, 2024 and 2023 were immaterial.

Restructuring related charges for the six months ended June 30, 2024 and 2023 were $2.1 million related to a plan implemented in January 2024 to restructure our Enterprise segment sales force compared to $(5.8) million for the six months ended June 30, 2023 primarily relating to the reversal of stock-based compensation expense for the forfeitures of restricted stock units ("RSUs") and stock options resulting from our global workforce reduction initiated in November 2022. Refer to Note 14, "Restructuring Related Charges," in the notes to our Condensed Consolidated Financial Statements (Unaudited) included in Part I, Item 1 of this Form 10-Q for further information.

Other Income (Expense)

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
	(in thousands, except percentages)							
Interest income, net	$ 9,286	$ 8,240	$ 1,046	13 %	$ 18,869	$ 16,277	$ 2,592	16 %
Other (expense) income, net	(21)	(8)	(13)	nm	(306)	94	(400)	nm
Total other income, net	$ 9,265	$ 8,232	$ 1,033	13 %	$ 18,563	$ 16,371	$ 2,192	13 %

Total other income, net for the three and six months ended June 30, 2024 primarily reflected interest income earned on cash and cash equivalents. Interest income was higher during the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023 due to a rise in interest rates and our average rate of return on investments in U.S. Treasury securities.

Income Tax Expense

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
	(in thousands, except percentages)							
Income tax expense	$ 1,030	$ 1,599	$ (569)	(36)%	$ 1,842	$ 3,025	$ (1,183)	(39)%

Income tax expense for the three and six months ended June 30, 2024 and 2023 was primarily related to our foreign operations.

Liquidity and Capital Resources

Overview

As of June 30, 2024, our principal source of liquidity was cash and cash equivalents totaling $708.8 million.

Since our inception, we have financed our operations primarily through proceeds from issuance of redeemable convertible preferred stock, our initial public offering completed in April 2021 (the "IPO"), and cash generated from our business operations. Our principal uses of cash in recent periods include the funding of our business operations, investments in our internal-use software, purchases of content assets, and repurchases of our common stock, as discussed below.

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. Over the longer term, our future capital requirements will depend on many factors, including our growth rate, the timing and extent of our expenditures to support sales and marketing as well as research and development efforts, the continuing market acceptance of our offerings, and any investments or acquisitions we may choose to pursue in the future. In the event that we need to borrow funds or issue additional equity, we cannot assure you that any such additional financing will be available on terms acceptable to us, if at all. In addition, any future borrowings may result in additional restrictions on our business, and any issuance of additional equity would result in dilution to investors. If we are unable to raise additional capital when desired and on terms acceptable to us, our business, results of operations, and financial condition could be materially and adversely affected.

Contractual Obligations and Commitments

Except as discussed in Note 6, *Leases*, and Note 9, *Commitments and Contingencies*, in the notes to our Condensed Consolidated Financial Statements (Unaudited) included in Part I, Item 1 of this Form 10-Q, there were no material changes outside of the ordinary course of business in our commitments and contractual obligations for the three and six months ended June 30, 2024 as compared to those in "Management's Discussion and Analysis of Financial Condition and Results of Operations", set forth in our Form 10-K.

Share Repurchase Program

On April 26, 2023, our board of directors approved a share repurchase program with authorization to purchase up to $95 million of our common stock, excluding commissions and fees (the "Repurchase Program"). In May 2024, we completed the purchase authorization under the Repurchase Program, which was funded with our existing cash and cash equivalents.

During the three and six months ended June 30, 2024, we repurchased an aggregate of 2,668,017 shares and 3,099,800 shares of our common stock for $30.7 million and $36.7 million. During the three and six months ended June 30, 2023, we repurchased an aggregate of 4,520,293 shares of our common stock for $54.5 million.

Cash Flows

The following table summarizes our cash flows:

	Six Months Ended June 30,	
	2024	2023
	(in thousands)	
Net cash provided by (used in) operating activities	$ 48,301	$ (1,679)
Net cash provided by investing activities	52,835	103,619
Net cash used in financing activities	(48,694)	(60,277)
Net increase in cash, cash equivalents, and restricted cash	$ 52,442	$ 41,663

Operating Activities

Cash provided by operating activities mainly consists of our net loss adjusted for certain non-cash items, including stock-based compensation expense and depreciation and amortization, as well as the effect of changes in operating assets and liabilities during each period. Operating cash is primarily sourced by customer payments and is primarily used to pay for personnel-related expenses, educator partner fees, marketing and advertising expenses, third-party cloud infrastructure expenses, and indirect taxes.

For the six months ended June 30, 2024, net cash provided by operating activities was $48.3 million, primarily resulting from improved operating leverage and working capital driven by (i) an increase in accounts receivable collections and (ii) deferred revenue growth.

For the six months ended June 30, 2023, net cash used in operating activities was $1.7 million, primarily resulting from our net loss and (i) an increase in accounts receivables caused by invoice timing and collections, (ii) an increase in educator partner grant payments, and (iii) an increase in deferred commissions, offset by (iv) deferred revenue growth and (v) an increase in content fees payable to our largest educator partner resulting from the extension of our multi-year agreement with them.

Cash provided by operating activities increased by $50.0 million during the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily resulting from (i) improved operating leverage and (ii) an increase in accounts receivables collections, partially offset by (iii) an increase in content fees payable to our largest educator partner resulting from the extension of our multi-year agreement with them.

Investing Activities

For the six months ended June 30, 2024, net cash provided by investing activities was $52.8 million, primarily as a result of (i) proceeds from maturities of marketable securities, partially offset by (ii) capitalized internal-use software costs, (iii) purchases of content assets, and (iv) capital expenditures for property, equipment, and software.

For the six months ended June 30, 2023, net cash provided by investing activities was $103.6 million, primarily as a result of (i) proceeds from maturities of marketable securities, partially offset by (ii) purchases of marketable securities, (iii) capitalized internal-use software costs, (iv) capital expenditures of property, equipment, and software, and (v) purchases of content assets.

Financing Activities

For the six months ended June 30, 2024 and 2023, net cash used in financing activities was $48.7 million and $60.3 million, primarily as a result of (i) payments related to repurchases of common stock under the Repurchase Program and (ii) payments for tax withholdings on vesting of RSUs, partially offset by (iii) proceeds from the issuance of common stock from employee stock option exercises and (iv) proceeds from the employee stock purchase plan.

Key Business Metrics and Non-GAAP Financial Measures

We monitor the key business metrics and non-GAAP financial measures set forth below to help us evaluate our business and growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts, and assess operational efficiencies. These key business metrics and non-GAAP financial measures are presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may differ from similarly titled metrics or measures presented by other companies. A reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure is provided in "Non-GAAP Financial Measures" below.

Key Business Metrics

Registered Learners

We count the total number of registered learners at the end of each period. For purposes of determining our registered learner count, we treat each customer account that registers with a unique email as a registered learner and adjust for any spam, test accounts, and cancellations. Our registered learner count is not intended as a measure of active engagement. New registered learners are individuals that register in a particular period. We believe that the number of registered learners is an important indicator of the growth of our business and future revenue trends.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in millions)			
New Registered Learners	6.6	5.7	13.2	11.2

	June 30,	
	2024	2023
	(in millions, except percentages)	
Total Registered Learners	155.1	129.4
Total Registered Learners year-over-year ("YoY") growth	20 %	

Number of Degrees Students

We count the total number of Degrees students for each period. For purposes of determining our Degrees student count, we include all the students that are matriculated in a degree program and who are enrolled in one or more courses in such a degree program during the period, including students enrolled within any wind-down or teach-out periods of any existing programs. If a degree term spans across multiple quarters, the student is counted as active in all quarters of the degree term. For purposes of determining our Degrees student count, we do not include students who are matriculated in the degree but are not enrolled in a course in that period. We believe that the number of Degrees students is an important indicator of the growth of our Degrees business and future Degrees segment revenue trends.

The Degrees student count is affected by the seasonality of the school class cycles, combined with the underlying growth interacting with those trends. For quarter-over-quarter fluctuations, the number of Degrees students fluctuates in part because the academic terms for each degree program often begin and/or end within different calendar quarters, and the frequency with which each degree program is offered within a given year varies. This metric is also subject to variation resulting from the addition or removal of degree programs over time.

	June 30,	
	2024	2023
	(in thousands)	
Number of Degrees Students	22.6	19.1
YoY growth	19 %	

Paid Enterprise Customers

We count the total number of Paid Enterprise Customers that are active on our platform at the end of each period. For purposes of determining our customer count, we treat each customer account that has a corresponding contract as a unique customer, and a single organization with multiple divisions, segments, or subsidiaries may be counted as multiple customers. We define a "Paid Enterprise Customer" as a customer who purchases Coursera via our direct sales force. For purposes of determining our Paid Enterprise Customer count, we exclude our Enterprise customers who do not purchase Coursera via our direct sales force, including organizations engaging on our platform through our Coursera for Teams offering or through our channel partners. For the six months ended June 30, 2024, approximately 94% of Enterprise revenue was generated from our Paid Enterprise Customers. We believe that the number of Paid Enterprise Customers and our ability to increase this number is an important indicator of the growth of our Enterprise business and future Enterprise segment revenue trends.

	June 30,	
	2024	2023
Paid Enterprise Customers	1,511	1,291
YoY growth	17 %	

Net Retention Rate for Paid Enterprise Customers

We disclose Net Retention Rate for Paid Enterprise Customers as a supplemental measure of our Enterprise revenue growth. We believe Net Retention Rate for Paid Enterprise Customers is an important metric that provides insight into the long-term value of our subscription agreements and our ability to retain and grow revenue from our Paid Enterprise Customers.

We calculate annual recurring revenue ("ARR") by annualizing each customer's monthly recurring revenue ("MRR") for the most recent month at period end. We calculate "Net Retention Rate" for a period by starting with the ARR from all Paid Enterprise Customers as of the 12 months prior to such period end, or "Prior Period ARR". We then calculate the ARR from these same Paid Enterprise Customers as of the current period end, or "Current Period ARR". Current Period ARR includes expansion within Paid Enterprise Customers and is net of contraction or attrition over the trailing 12 months but excludes revenue from new Paid Enterprise Customers in the current period. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at our Net Retention Rate for Paid Enterprise Customers. Our Net Retention Rate for Paid Enterprise Customers decreased to 93% as of June 30, 2024 from 97% as of June 30, 2023, mainly due to a reduction in the value of renewal and expansion contracts. Our Net Retention Rate for Paid Enterprise Customers is expected to fluctuate in future periods due to a number of factors, including the growth of our revenue base, the penetration within our Paid Enterprise Customer base, expansion of products and features, and our ability to retain and expand our Paid Enterprise Customers.

	Three Months Ended June 30,	
	2024	2023
Net Retention Rate for Paid Enterprise Customers	93 %	97 %
YoY change	(4)%	

Segment Revenue

We generate revenue from three reportable segments: Consumer, Enterprise, and Degrees.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands, except percentages)			
Consumer revenue	$ 97,312	$ 86,999	$ 194,055	$ 169,028
YoY growth	12 %		15 %	
Enterprise revenue	$ 58,727	$ 54,180	$ 116,221	$ 106,353
YoY growth	8 %		9 %	
Degrees revenue	$ 14,298	$ 12,523	$ 29,129	$ 25,963
YoY growth	14 %		12 %	
Total revenue	$ 170,337	$ 153,702	$ 339,405	$ 301,344
YoY growth	11 %		13 %	

Segment Gross Profit

We monitor segment gross profit as a key metric to help us evaluate the financial performance of our individual segments. Segment gross profit represents segment revenue less content costs paid to educator partners; segment gross margin is the quotient of segment gross profit and segment revenue. Content costs only apply to the Consumer and Enterprise segments as there is no content cost attributable to the Degrees segment. Instead, in the Degrees segment, we earn a Degrees service fee based on a percentage of the total online student tuition collected by the university partner. Given that content costs are the largest individual cost of our revenue, and that these costs contractually vary as a percentage of revenue between our Consumer and Enterprise offerings while there are no content costs attributable to our Degrees offering, mix shifts between our three segments is expected to be a significant driver of our overall gross margin, financial performance, and profitability.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands, except percentages)			
Consumer gross profit	$ 52,350	$ 45,117	$ 104,124	$ 89,734
Consumer segment gross margin %	54 %	52 %	54 %	53 %
Enterprise gross profit	$ 39,864	$ 38,676	$ 78,994	$ 73,646
Enterprise segment gross margin %	68 %	71 %	68 %	69 %
Degrees gross profit	$ 14,298	$ 12,523	$ 29,129	$ 25,963
Degrees segment gross margin %	100 %	100 %	100 %	100 %

Consumer segment gross margin increased to 54% in both the three and six months ended June 30, 2024 from 52% and 53% in the three and six months ended June 30, 2023. Enterprise segment gross margin decreased to 68% from 71% and 69% when comparing those same periods driven by a one-time benefit associated with a contract amendment with one of our educator partners in the prior period.

Non-GAAP Financial Measures

Non-GAAP Gross Profit, Non-GAAP Net Income (Loss), and Non-GAAP Net Income (Loss) Per Share

We define non-GAAP gross profit and non-GAAP net income (loss) as GAAP gross profit and GAAP net loss excluding: (i) stock-based compensation expense; (ii) amortization of stock-based compensation expense capitalized as internal-use software costs; (iii) payroll tax expense related to stock-based compensation; (iv) M&A related transaction costs; (v) costs and settlement (gains) losses related to significant and non-recurring legal matters, net of insurance recoveries; and (vi) restructuring related charges. Non-GAAP net income (loss) per share is calculated by dividing non-GAAP net income (loss) by the diluted weighted average shares of common stock outstanding. We believe the presentation of these adjusted operating results provides useful supplemental information to investors and facilitates the analysis and comparison of our operating results across reporting periods.

The following tables provide a reconciliation of GAAP gross profit and GAAP net loss, the most directly comparable GAAP financial measure, to non-GAAP gross profit and non-GAAP net income (loss):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Gross profit	$ 90,175	$ 79,701	$ 179,672	$ 157,169
Stock-based compensation expense	710	914	1,369	1,791
Amortization of stock-based compensation capitalized as internal-use software costs	1,424	1,217	2,901	2,386
Payroll tax expense related to stock-based compensation	22	26	68	76
Non-GAAP gross profit	$ 92,331	$ 81,858	$ 184,010	$ 161,422

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Net loss	$ (22,974)	$ (31,743)	$ (44,230)	$ (64,107)
Stock-based compensation expense	30,016	29,325	57,873	59,655
Amortization of stock-based compensation capitalized as internal-use software costs	1,424	1,217	2,901	2,386
Payroll tax expense related to stock-based compensation	640	1,014	2,381	2,377
M&A related transaction costs	3,369	—	3,369	—
Significant and non-recurring legal matters	1,259	—	1,259	—
Restructuring related charges	44	(147)	2,145	(5,806)
Non-GAAP net income (loss)	$ 13,778	$ (334)	$ 25,698	$ (5,495)
Weighted-average shares used in computing net loss per share—basic	156,292,508	150,262,064	156,335,959	149,621,816
Effect of dilutive securities[1]	4,674,908	—	9,044,276	—
Weighted-average shares used in computing non-GAAP net income (loss) per share—diluted	160,967,416	150,262,064	165,380,235	149,621,816
Net loss per share—basic and diluted	$ (0.15)	$ (0.21)	$ (0.28)	$ (0.43)
Non-GAAP net income (loss) per share—diluted	$ 0.09	$ —	$ 0.16	$ (0.04)

(1) For periods presented with a non-GAAP net loss, we have excluded the effect of potentially dilutive securities as their inclusion would be anti-dilutive.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and Adjusted EBITDA Margin are key measures used by our management to help us analyze our financial results, establish budgets and operational goals for managing our business, evaluate our performance, and make strategic decisions.

We define Adjusted EBITDA as our GAAP net loss excluding: (i) depreciation and amortization; (ii) interest income, net; (iii) income tax expense; (iv) other expense (income), net; (v) stock-based compensation expense; (vi) payroll tax expense related to stock-based compensation; (vii) M&A related transaction costs; (viii) costs and settlement (gains) losses related to significant and non-recurring legal matters, net of insurance recoveries; and (ix) restructuring related charges. We define Adjusted EBITDA Margin as Adjusted EBITDA divided by revenue.

The following table provides a reconciliation of net loss, the most directly comparable GAAP financial measure, to Adjusted EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands, except percentages)			
Net loss	$ (22,974)	$ (31,743)	$ (44,230)	$ (64,107)
Depreciation and amortization	6,269	5,331	12,625	10,842
Interest income, net	(9,286)	(8,240)	(18,869)	(16,277)
Income tax expense	1,030	1,599	1,842	3,025
Other expense (income), net	21	8	306	(94)
Stock-based compensation expense	30,016	29,325	57,873	59,655
Payroll tax expense related to stock-based compensation	640	1,014	2,381	2,377
M&A related transaction costs	3,369	—	3,369	—
Significant and non-recurring legal matters	1,259	—	1,259	—
Restructuring related charges	44	(147)	2,145	(5,806)
Adjusted EBITDA	$ 10,388	$ (2,853)	$ 18,701	$ (10,385)
Net loss margin	(13)%	(21)%	(13)%	(21)%
Adjusted EBITDA Margin	6 %	(2)%	6 %	(3)%

Free Cash Flow

We define Free Cash Flow as net cash provided by (used in) operating activities, less purchases of property, equipment, and software, capitalized internal-use software costs, and purchases of content assets as we consider these capital expenditures necessary to support our ongoing operations. Current and prior period Free Cash Flow amounts reported herein reflect the change to our definition of Free Cash Flow to include purchases of content assets.

We consider Free Cash Flow to be a liquidity measure that provides useful information to management and investors in understanding and evaluating our liquidity and future ability to generate cash that can be used for strategic opportunities, including investing in our business and strengthening our balance sheet, but it is not intended to represent the residual cash flow available for discretionary expenditures.

The following table provides a reconciliation of net cash provided by operating activities, the most directly comparable GAAP financial measure, to Free Cash Flow:

	Six Months Ended June 30,	
	2024	2023
	(in thousands)	
Net cash provided by operating activities	$ 48,301	$ (1,679)
Less: purchases of property, equipment, and software	(310)	(721)
Less: capitalized internal-use software costs	(8,668)	(7,604)
Less: purchases of content assets	(4,187)	(1,300)
Free Cash Flow	$ 35,136	$ (11,304)

Critical Accounting Estimates

Our Condensed Consolidated Financial Statements (Unaudited) and the related notes thereto included elsewhere in this Form 10-Q have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The preparation of these Condensed Consolidated Financial Statements (Unaudited) requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

There have been no material changes to our critical accounting estimates as compared to those described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in our Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have operations both within the U.S. and internationally, and we are exposed to market risks in the ordinary course of our business, including the effects of interest rate changes and foreign currency fluctuations. Information relating to quantitative and qualitative disclosures about these market risks is described below.

Interest Rate Risk

Our exposure to interest rate changes relates primarily to our investment portfolio. Although we are exposed to global interest rate fluctuations, U.S. interest rate fluctuations tend to have the greatest affect on our interest income, impacting the interest earned on our cash, cash equivalents, and marketable securities as well as the fair value of those securities.

Our investment policy and strategy are focused on preserving capital and supporting our liquidity requirements. We use a combination of internal and external management to execute our investment strategy and achieve our investment objectives. We invest in highly-rated securities, such as U.S. Treasury securities and U.S. government-backed money market funds, with maturities of one year or less.

Based on our investment positions as of June 30, 2024 and 2023, a hypothetical 100 basis point increase in interest rates across all maturities would have resulted in a $0.5 million and $1.3 million incremental decline in the fair value of our portfolio. Such hypothetical losses would only be realized if we sold the investments prior to their maturities.

Based on the balance of our cash, cash equivalents, and marketable securities as of June 30, 2024 and 2023, a hypothetical 100 basis point increase or decrease in interest rates would have resulted in a $7.1 million and $7.2 million increase or decrease in our interest income on an annualized basis.

Foreign Currency Risk

Our reporting currency and the functional currency of our wholly owned foreign subsidiaries is the U.S. dollar. As the majority of our sales are denominated in U.S. dollars, our revenue is not typically exposed to significant foreign currency risk. Conversely, our operating expenses are typically denominated in the local currencies of the countries in which our operations are located. These can be subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the British pound sterling, Canadian dollar, and Indian rupee.

We also maintain foreign-currency denominated cash and cash equivalents in our foreign entities to support their ongoing operations. Fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our Condensed Consolidated Statements of Operations (Unaudited). 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. A 10% increase or decrease in current exchange rates would have resulted in an impact of $0.3 million and $1.0 million on our Condensed Consolidated Financial Statements (Unaudited) for the three months ended June 30, 2024 and 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, that are designed to ensure information required to be disclosed in our reports that we file or furnish pursuant to the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by 13a-15(b) under the Exchange Act, we carried out an evaluation, under the supervision and the participation of our management, including our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q ("Form 10-Q"). Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Form 10-Q, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

See discussion of legal proceedings in Note 9, "Commitments and Contingencies," in Item 1 of Part I of this Quarterly Report on Form 10-Q ("Form 10-Q"), which is incorporated by reference into this Item 1 of Part II.

Item 1A. Risk Factors

Our business is subject to numerous risks, as more fully described in the section entitled "Risk Factors" below and elsewhere in this Form 10-Q. In particular, risks associated with our business include, among others, the following, any of which could have an adverse effect on our business, financial condition, results of operations, or prospects:

- Our historical growth may not be indicative of our current or future growth;
- Fluctuations in our quarterly and annual revenue and operating results could cause our stock price to fluctuate and the value of your investment to decline;
- Our limited operating history makes it difficult to predict our future financial and operating results;
- The nascency and market adoption of online learning solutions and generative AI, which may not grow or evolve as we expect or lead to increased demand for our offerings;
- Changes in contractual terms with our educational partners, including with respect to pricing or contract length, could materially and adversely affect our business, financial condition, and results of operations;
- Our ability to maintain and expand our partnerships with our university and industry partners;
- Our ability to attract and retain learners;
- Our ability to manage the growth of our business both in terms of scale and complexity;
- Changes in our contract terms, including our pricing models, for our offerings, which in turn could impact our operating results;
- Our learners' expansion beyond our freemium offerings and free trials available on our platform;
- Our ability to successfully expand our international operations, including growing our worldwide educator partner and learner base, and to manage the risks presented by such operations;
- Our ability to launch new offerings and services to learners to grow our business;
- We have incurred significant net losses since inception, and we may not achieve or maintain profitability in the future;
- Our ability to generate sufficient revenue from a new offering to offset our costs of the offering;
- Our ability to compete effectively;
- Our and our educator partners' ability to comply with international, federal, and state education laws and regulations, including applicable state authorizations for their programs;
- Our educator partners' ability to obtain timely approval from applicable regulatory agencies to offer new programs, make substantive changes to existing programs, or expand programs into or within certain jurisdictions;
- Any changes to the validation or applicability of the United States ("U.S.") Department of Education "Dear Colleague" Letter ("DCL"), on which our business model relies;
- Our educator partners' ability to maintain institutional or programmatic accreditation for their programs;
- Changes in laws, regulations, accounting principles, or government spending policies or budget priorities that impact our business;
- Any disclosure of sensitive information about our partners, their employees, or our learners, whether due to cyberattack or otherwise;

- Any failure to obtain, maintain, protect, and enforce our intellectual property ("IP") and proprietary rights and successfully defend against claims of infringement, misappropriation, or other violations of third-party IP;
- Any disruption or failure of our platform or operations, including as a result of geopolitical crises, natural disasters, public health crises, or other catastrophic events;
- Litigation or regulatory proceedings could adversely impact our business and financial condition, including exposing us to significant monetary damages or limiting our ability to operate our business; and
- Risks related to our status as a Delaware public benefit corporation ("PBC") or Certified B Corporation that may negatively impact our financial performance or reputation.

Risks Related to Our Business and Industry

Our historical growth may not be indicative of our future growth, and our revenue growth rate may decline compared to prior years.

Our historical growth may not be indicative of our future growth, and our revenue growth rate may decline compared to prior years. Accordingly, you should not rely on our revenue for any previous annual or quarterly period as any indication of our revenue or revenue growth in future periods. As we grow our business, we expect our revenue growth rates may decline compared to prior years for a number of reasons, which may include more challenging comparisons to prior periods as our revenue grows, slowing demand for our platform or offerings, slowing growth of our sales, increasing competition, increasing regulation, a decrease in the growth of our overall market or market saturation, and our failure to capitalize on growth opportunities. In addition, our growth rates are likely to experience increased volatility, and may decline, due to inflation and currency and interest rate fluctuations, and related shifts in societal and economic circumstances.

Our quarterly and annual revenue and operating results have fluctuated from period to period and may do so in the future, which could cause our stock price to fluctuate and the value of your investment to decline.

Our quarterly and annual revenue and operating results have historically fluctuated from period to period, and our future operating results may vary significantly from quarter to quarter due to a variety of factors, many of which are beyond our control. You should not rely on period-to-period comparisons of our operating results as an indication of our future performance. Factors that may cause fluctuations in our quarterly operating results include, but are not limited to, the following:

- our ability to maintain existing customers and attract new customers, including businesses, government organizations, academic institutions, and other organizations that subscribe to our Enterprise platform, as well as learners who access the content and credentialing programs available on our platform;
- our ability to continue to offer compelling content and degrees or other credentialing programs created by our industry and university partners;
- changes in, or trends affecting, subscriptions to our Enterprise platform from businesses, government organizations, academic institutions, and other organizations;
- changes in, or trends affecting, learner enrollment and retention levels, including with respect to learners electing to access our paid offerings;
- our ability to increase and manage the growth of our international operations, including our international customer base, and our ability to manage the risks associated therewith;
- the timing of our costs incurred in connection with the launch of new course content and offerings and new certification, degree, or other credentialing programs, and the timing and amount of revenue we generate from new offerings and programs or as a result of the pricing models and payment terms, or changes to the pricing models or payment terms, associated with our offerings and programs;
- trends and factors impacting the demand for, and acceptance of, online learning and credentialing programs and the prices consumers and businesses are willing to pay for such programs;
- changes in, or trends affecting, the mix of partners, including academic institutions, offering open online courses only and those offering certification, degree, or other credentialing programs;

- changes in the rate, volume, and demand for new content and credentialing programs created and offered by our partners on our platform;
- changes in the terms of our existing partnership agreements;
- the timing and terms of any new partnership agreements;
- the timing and amount of our sales and marketing expenses;
- costs necessary to improve and maintain our platform and compete on the basis of newly emerging technologies and functionality;
- changes in our key metrics or the methods used to calculate our key metrics;
- revenue mix shifts between our segments and seasonality, including seasonal engagement patterns of learners and Enterprise customers, which may vary from quarter to quarter or year to year, and seasonal operating practices or engagement patterns of partners resulting from academic calendars or fiscal years that may differ from our own;
- changes in laws, regulations, or accounting principles that impact our business; and
- general political, economic, or market conditions and events affecting any of the above, including the impact of inflation, currency and interest rate fluctuations, labor strikes or other widespread work stoppages, the political environment, the impact of the election season, the outcome of political elections, geopolitical tensions or hostilities, such as the conflicts in Ukraine and the Middle East, supply chain disruptions, natural disasters, public health crises, or other catastrophic events.

These and other factors may cause our revenue and operating results to fall below our expectations or the expectations of market analysts and investors in future periods, which could cause the market price of our common stock to decline substantially. Any decline in the market price of our common stock would cause the value of your investment to decline.

We have a limited operating history, and our offerings continue to evolve, which makes it difficult to predict our future financial and operating results.

As a result of our limited operating history and the evolving scope of our offerings, our forecast of future operating results may be less accurate than if we had a longer operating history, and such forecasts are subject to a number of uncertainties, including those discussed in this "Risk Factors" section and elsewhere in this Form 10-Q. If we do not manage these risks successfully, our operating and financial results may differ materially from our expectations and our business and stock price may suffer.

Market adoption of online learning solutions and generative AI are relatively new and may not grow or evolve as we expect or lead to increased demand for our offerings, which may harm our business and results of operations.

Our future success will depend in part on the growth, if any, in the demand for online learning solutions. While the COVID-19 pandemic caused an acceleration of the market for online learning solutions, it is still less mature than the market for in-person learning and training, which many businesses currently utilize, and these businesses may be slow or unwilling to migrate from these legacy approaches. As such, it is difficult to predict learner or partner demand for our platform, learner or partner adoption and renewal, the rate at which existing learners and partners 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. Additionally, while we believe that generative AI technology will lead to increased demand for online learning solutions given the technology's potentially disruptive impact on society, governments, businesses, and academic institutions contending with the need for their workforces and learners to reskill and improve productivity and agility, these expected societal changes and resulting increased demand for our online learning offerings may not materialize in the manner expected or may take longer than anticipated. In fact, there can be no assurance that generative AI technology will not displace or otherwise adversely impact demand for online learning solutions including our offerings.

Furthermore, even if educators and enterprises want to adopt an online learning solution, it may take them a substantial amount of time and resources to fully transition to this type of learning solution or they could be delayed due to budget constraints, weakening economic conditions, or other factors. Even if market demand for online learning solutions generally increases, we cannot ensure 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 customer spending, learner and partner attrition, and decreased revenue, any of which would adversely affect our business and results of operations.

If we change the contract terms with our educator partners, including with respect to pricing or contract length, it could materially and adversely affect our business, financial condition, and results of operations.

We work with our educator partners to deliver a broad portfolio of educational content and credentials on our platform. For our Consumer and Enterprise offerings, we incur content costs in the form of fees paid to educator partners. In addition, our Degrees revenue is based on a percentage of the total tuition paid by Degrees students. As a result, our revenue, gross profit, and operating results generally could be significantly and negatively impacted if the university partner raises or lowers tuition, if a partner increases content costs, or if we renegotiate or change the terms of our agreements with our educator partners. For example, if a significant number of university partners, or university partners whose courses or credentialing programs account for a significant volume of learner enrollment on our platform, were to seek to renegotiate the content fees payable by us or the percentage of tuition payable to us, it could have a material impact on our business, financial condition, and operating results. We have experienced opposition to our content fee terms, and we anticipate similar challenges in the future. Further, we may change the terms of these agreements, including the pricing terms or contract length, due to competitive, regulatory, or other reasons. Any significant change in our pricing, content costs, or other contract terms with these educator partners could materially and adversely affect our business, financial condition, and results of operations.

If we fail to maintain and expand our partnerships with university and industry partners, our ability to grow our business and revenue will suffer.

The success of our business depends in large part on the continued and increased development and volume of compelling educational content and credentialing programs by our university and industry partners, which we refer to collectively as our educator partners, as well as maintaining existing educational content and credentialing programs. We have faced, and may continue to face challenges in establishing, maintaining, and expanding these relationships. For instance, our educator partners who use our platform are required to invest significant time and resources to adjust the manner in which they develop educational content and credentialing programs for an online learning environment. The delivery of degree programs online at academic institutions has not yet achieved widespread acceptance, and administrators and faculty members may have concerns regarding the perceived loss of control over the educational process that might result from offering courses and degrees online, the effectiveness of asynchronous learning, the heightened potential for learners to use generative AI tools to generate their online coursework, as well as concerns regarding the ability to provide high-quality education online that maintains the standards they set for their on-campus programs. There can be no assurance that online programs, such as those offered on our platform, will ever achieve significant market acceptance, and universities and organizations may therefore decline to engage with our platform. Further, if we were to lose a significant number of educator partners, including those who provide a significant portion of the educational content and credentialing programs available on our platform, or are no longer able to offer certain educational content or credentialing programs on our platform, particularly those in high demand, our reputation, growth, and revenue would be materially and adversely impacted. For the six months ended June 30, 2024, we generated approximately 30% of our total revenue from the content and credentialing programs of five partners. Total revenue includes both revenue directly attributable to a particular partner and revenue that we do not consider directly attributable, such as revenue from site-wide subscriptions or our Coursera for Teams offering. The loss of or reduction in educational content and credentialing programs from such partners could negatively affect our ability to sustain or generate revenue or reach future profitability, and would materially and adversely affect our business, financial condition, or results of operation if we are unable to timely secure comparable educational content and credentialing programs at a favorable cost from other partners.

Our financial performance depends heavily on our ability to attract and retain learners, and if we fail to do so, our business and operating results will suffer.

Building awareness and acceptance among learners of the online educational course content and credentialing programs offered on our platform is critical to our ability to attract prospective learners and generate revenue. We must also continue to successfully work with our educator partners to maintain and develop new and compelling credentialing programs and content to maintain the relevancy of our platform and keep learners interested and engaged. A significant portion of our expenses is attributable to marketing efforts dedicated to attracting potential learners to our platform. Because we generate revenue based on fees from, or as a result of, learners subscribed to our content or enrolled in online programs offered on our platform, we must attract learners in a cost-effective manner and increase the rate at which learners enroll in and complete the programs offered by our educator partners. We also must retain learners and convert learners from our freemium model to paying customers, which depends in part on our ability to offer engaging and frequently updated content as well as quality customer support and service. The following factors, many of which are largely outside of our control, may prevent us from increasing and maintaining learner subscriptions and enrollment in a cost-effective manner or at all:

- *Negative perceptions about online learning.* Online education programs may not be successful or operate efficiently, which in turn could create the perception that online education in general is not effective. Learners may also be reluctant to enroll in online programs due to concerns that the learning experience may be substandard, that employers may be hesitant to hire learners who received their education or credentials online, or that organizations granting professional licenses or certifications may be reluctant to grant them based on credentials, including degrees, earned through online education or training. Further, concerns about the potential for learners to use generative AI tools to generate their coursework may be heightened with respect to online programs.
- *Reduced support from educator partners.* If educator partners cease to maintain, or offer new and compelling, credentialing programs or content or limit our ability to promote their content or programs, learners may reduce or terminate their use of our platform.
- *Harm to educator partner reputation.* Many factors affecting our educator partners' reputations are beyond our control and can change over time, including their academic performance and ranking among academic institutions, including with respect to a specific degree, certification, or other credentialing program.
- *Lack of interest in the offerings, features, services, certifications, degrees, or other credentials offered on our platform.* We may encounter difficulties attracting learners to use our offerings, features, and services, or enroll in credentialing programs that are not in demand due to shifting employer or societal preferences and priorities or that are in emerging or unproven fields.
- *Learner dissatisfact*ion. Learner dissatisfaction with the quality of the offerings, features, services, course content, and presentation, changes to the availability or sequencing of course content, or the course presenters, changing views of the value of our educator partners' credentialing programs and content offered, and perceptions of employment prospects following completion of a program on our platform may negatively impact learner retention. In addition, learner dissatisfaction that is shared via word of mouth or online platforms may also negatively affect the perceptions of potential new learners and negatively impact our learner acquisition efforts.
- *Ineffective marketing efforts.* Our marketing efforts use various channels (e.g., search engine optimization, television, affiliates, paid search, and custom website development and deployment), publication of content related to higher education, career paths, our platform, and our offerings, and we rely on advertising through a limited number of third-party internet advertising platforms to direct traffic to, and recruit new learners for, our offerings. Changes in the way these platforms operate, whether due to changes in law, the practices of mobile operating system providers, or otherwise, or their advertising prices, data use practices, or other terms, have impacted the cost and efficiency of our learner acquisition efforts in the past and could in the future make marketing our offerings more expensive, less effective, or more difficult. In addition, the elimination of a particular medium or platform on which we advertise or changes in advertising practices or advertising spending fluctuations by our largest content partners have had, and may in the future have, an adverse impact on directing traffic to our offerings and recruiting new learners on a cost-effective basis. Any of the foregoing risks could have a material adverse effect on our business, results of operations, and financial condition.

- *Changes in search engine methodologies.* We depend in part on various search engines to direct a significant amount of traffic to our website. Our ability to influence the number of learners directed to our website is not entirely within our control. Our website has experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Our competitors' search engine optimization efforts may result in their websites receiving a higher search result page ranking than ours, or search engines could revise their methodologies to refine their search results or incorporate AI in ways that we cannot predict, which could adversely affect the placement of our search result page ranking, each of which could reduce the number of learners who visit these websites. 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.
- *Lack of financial resources for learners.* Any developments that reduce the availability of financial aid for higher education generally or that reduce the disposable income available to potential learners (including macro-economic developments such as inflation, currency and interest rate fluctuations, recessions, unemployment, or pandemics) could impair learners' abilities to meet their financial obligations, which in turn could result in reduced enrollment and harm our ability to generate revenue.
- *General economic conditions.* Enrollment in the courses and credentialing programs offered on our platform may be affected by changes in the U.S. economy and by global economic conditions. For example, an improvement in economic conditions may reduce demand for higher educational services as potential learners may find adequate employment without additional education. Conversely, a decline in employment opportunities or economic conditions may reduce employers' willingness to sponsor higher educational opportunities for employees given a lack of employer need for enhanced skill sets or an inability to fund such programs and could discourage learners from pursuing higher education due to an inability to afford our programs or a perception that the financial investment may not result in increased earning potential or improved employment opportunities. In addition, if current macroeconomic conditions persist or deteriorate, our ability to attract and retain paid subscribers in our Consumer segment, as well as current and prospective customers in our Enterprise segment, could be adversely affected by reductions or delays in their spending decisions.

Any of these factors could reduce enrollment and retention and could cause our costs associated with attracting and retaining learners to increase, which could materially harm our ability to increase our revenue or achieve profitability. These developments could also harm our reputation and make it more difficult for us to maintain our current content and credentialing programs and engage our partners for new course content or other offerings, which in turn may negatively impact our ability to expand our business and improve our financial performance.

If we fail to manage the growth of our business both in terms of scale and complexity, our financial results, including profit margins, and financial condition could be adversely affected.

We have experienced rapid growth and demand for our product offerings amongst both individuals and institutions, including registered learners on our platform and Paid Enterprise Customers serving the needs of businesses, government organizations, academic institutions, and other organizations. The expansion of our business, ecosystem, and offerings places a significant strain on our administrative and operational infrastructure, facilities, and other resources. Managing the future growth of our business will require us to effectively scale our operations, allocate resources, and control costs. This includes continuing to improve our sales and marketing efficiency, content development time and costs, and technology, finance, and administration teams support globally, as well as our infrastructure and platform capabilities to serve our growing learner base. We will also be required to refine our operational, financial, and management controls and reporting systems and procedures. We will need to continue to expand our partnerships with businesses, government organizations, academic institutions, and other organizations, enhance our platform and technology-enabled services, increase the volume of new educational content and credentialing programs developed by our educator partners, attract learners in a cost-effective manner, deploy preferred local payment methods and pricing models, satisfy our existing educator partners' requirements, increase the volume of Consumer subscriptions and Enterprise licenses, respond to competitive challenges, and otherwise execute our business plan. Although our business has experienced significant growth in past years, we cannot provide any assurance that our business or revenue will continue to grow at the same rate or at all in the future.

The scalability and flexibility of our platforms depend on the functionality of our technology and network infrastructure and our ability to handle increased traffic and demand for bandwidth. The growth in registered learners and Enterprise customers using our platform and the amount of educational content available through our platform has increased the amount of data and requests that we process.

Our ability to effectively manage the growth of our business will depend on a number of factors, including our ability to:

- effectively recruit, integrate, train, and motivate new employees while retaining existing employees that help us effectively execute our business plan;
- continue to improve our operational, financial, and management controls;
- protect and further develop our strategic assets, including our IP rights; and
- make sound business decisions in light of the scrutiny associated with operating as a public company.

These activities will require significant capital expenditures and allocation of valuable management and employee resources. We may be unable to effectively manage any future growth in an efficient, cost-effective, or timely manner, or at all, which could negatively affect our financial results and profit margins. Any failure to successfully implement systems enhancements and improvements will likely negatively impact our ability to manage our expected growth, ensure uninterrupted operation of key business systems, and comply with the rules and regulations that are applicable to public reporting companies. Moreover, if we do not effectively manage the growth of our business and operations globally, the quality of our platform could suffer, which would negatively affect our reputation, results of operations, and overall business.

We may change the contract terms, including our pricing models, for our offerings, which in turn could impact our operating results.

We have limited experience with respect to determining the optimal prices and contract length for our offerings, and as a result, we have in the past, and expect that we may in the future, change our pricing models or target contract length from time to time, which could impact our operating and financial results. For example, in February 2020, we launched Coursera Plus, an annual subscription plan with unlimited access to a variety of our courses, Specializations, and professional certificates, at a fixed annual cost, and in the second quarter of 2020, we augmented our Coursera Plus pricing model to include a monthly subscription option. We are continuing to adjust our pricing models and conduct pricing experiments as we gain experience with our offerings. For instance, from time-to-time, we test pricing localization to account for market segmentation and conduct other pricing experiments. As the market for our learning platform grows (if ever), as new competitors introduce competitive applications or services, or as we enter into new international markets, we may be unable to attract new 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 develop and roll out new offerings, or expand existing offerings, we will need to develop pricing and contract models for these offerings that appeal to customers and learners over time, and we may not be successful in doing so. Pricing and contract length decisions may also impact the mix of adoption and retention among our offerings and negatively impact our overall revenue. Competition may require us to make substantial price concessions or accept shorter contract durations, or other unfavorable contract terms. Our revenue and financial position may be adversely affected by any of the foregoing, and we may have increased difficulty achieving profitability.

If our learners do not expand beyond our freemium offerings and free trials available on our platform, our ability to improve our financial condition and results of operations may be adversely affected.

Many of our learners initially use the freemium version of our platform or free trials available on our platform, and many of our Enterprise customers engage with our platform only for a specific use case. For instance, we offer Coursera for Campus Basic, which allows universities and students access to certain Guided Project enrollments. Our ability to grow our business depends in part on our ability to persuade learners and other customers to expand their use of our platform to address additional use cases and to convert free subscriptions to paid subscriptions over time. We also provide certain of our paid offerings, including certificates, at no cost to learners who submit a fee waiver application indicating that they are not able to afford the enrollment fee, although applicants are not required to submit supporting documentation. This practice may reduce the number of learners using our paid offerings, and our operating results, revenue, and growth could be harmed.

Further, to continue growing our business, it is important that our customers renew their subscriptions when existing contracts expire and that we expand our relationships with our existing customers. Our customers have no obligation to renew their subscriptions, and our 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 learners, in the case of our Enterprise customers, or at all.

Our current operations are international in scope, and we plan to expand our international operations, which exposes us to related inherent risks.

Operating in international markets requires significant resources and management attention and subjects us to regulatory, economic, contractual, reputational, and political risks that are different from those in the U.S. In addition to our employee base in the U.S., including Puerto Rico, we have employees in various countries, including Australia, Bulgaria, Canada, France, Germany, India, Saudi Arabia, Singapore, the United Arab Emirates, and the United Kingdom in several functional areas, including product and software development, sales and marketing, talent recruitment, and general facilities management, and we have retained professional employer organizations and staffing agencies to engage personnel in certain international locations. Our international operations subject us to the compensation and benefits regulations of those jurisdictions, as well as other employer duties and obligations, that differ from the U.S. Further, enrollments of learners from other countries require us to comply with international data privacy regulations of those countries. Failure to comply with international regulations or to adequately adapt to international markets could harm our ability to successfully operate our business and pursue our business goals.

We intend to expand our international operations and continue to establish a worldwide educator partner and learner base. Our expansion efforts into international markets may not be successful. In addition, we face risks in doing business internationally, including risks associated with sales to international governments and entities, that could constrain our operations, increase our cost structure, compromise our growth prospects, and damage our reputation, including:

- the need to localize and adapt online credentialing programs for specific countries, including language translations and ensuring that these programs enable our educator partners to comply with local education laws and regulations;
- local laws restricting learners from pursuing certifications, degrees, or other credentials through online education platforms such as ours or limiting the availability of financial aid to finance online education;
- different data privacy and protection laws, see “Risk Factors—Risks Related to Privacy, Cybersecurity, and Infrastructure”;
- difficulties in staffing and managing employees and contractors in foreign countries, including in countries in which workers based outside of the U.S. may become part of labor unions, employee representative bodies, workers’ councils, or collective bargaining agreements, and challenges relating to labor shortages, government shutdowns, work stoppages, such as labor strikes or lockouts, or slowdowns;
- risks related to employee travel, including illness or accident, detention by foreign authorities, poor transportation infrastructure or services, kidnapping, natural or manmade disasters, or the outbreak of hostilities or war;
- different pricing environments, longer sales cycles, longer accounts receivable payment cycles, restrictions on remitting payments to the U.S. or converting local currency into U.S. dollars, difficulties in adopting and supporting new and different payment preferences, and increased credit risk, levels of payment fraud, and non-payment from customers;
- new and different sources of competition and practices, which may favor local competitors;
- weaker protection for IP and other legal and contractual rights than in the U.S., and practical difficulties in enforcing IP and other rights, including legal and contractual rights, and differing expectations regarding ongoing contractual obligations in the face of changed circumstances, outside of the U.S.;
- compliance and operational challenges related to the complexity of multiple, conflicting, and changing laws and regulations addressing, but not limited to, employment, tax, privacy, data protection, consumer protection, foreign investment restrictions or requirements, economic sanctions, export controls, advertising, boycotting, money laundering, supply chain transparency, modern slavery, bribery, and corruption, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act;
- increased financial accounting and reporting burdens and complexities;
- risks associated with foreign tax regimes, trade tariffs, foreign investment restrictions or requirements, or similar issues, which could negatively impact international adoption of our offerings;
- adverse tax consequences, including corporate tax consequences, such as double taxation, transfer pricing burdens, taxation of dividends, and the potential for required withholding taxes for our overseas employees;

- difficulties in managing foreign business operations, including the potential need to localize our business infrastructure, translating our policies and information technology systems into the local language, and local challenges related to technology as well as internet speed and availability, among other challenges; and
- regional, global, economic, and political conditions, including geopolitical tensions or hostilities within or beyond areas where we currently have, or may in the future have, international operations, such as the ongoing conflicts in Ukraine and the Middle East, including the Israel-Hamas war.

Further, as we continue to expand internationally, we may become more exposed to fluctuations in currency exchange rates. Future agreements with international educator partners may provide for payments to us to be denominated in local currencies, and in such cases, fluctuations in the value of the U.S. dollar and foreign currencies could impact our operating results when translated into U.S. dollars. Further, the strengthening of the U.S. dollar relative to foreign currencies could increase the real cost of our platform and offerings for our learners and educator partners outside of the U.S., which could lead to the lengthening of our sales cycle or reduced demand for our platform and offerings. If we are not able to successfully hedge against the risks associated with currency fluctuations, our financial condition and results of operations would be adversely affected. To date, our foreign currency exchange risk exposure has not been material, and as such, we have not entered into any hedging transactions in an effort to reduce this risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited, the results may not be as intended, and we may not be able to successfully hedge our exposure, which could adversely affect our financial condition and results of operations.

We intend to launch new offerings and services to learners to grow our business. If our efforts are not successful, our business, results of operations, and financial condition could be adversely affected.

Our ability to attract and retain learners and increase their engagement with our platform depends on our ability to connect them with appropriate offerings and services. Part of our strategy is to offer learners new offerings and services in an increasingly relevant and personalized way. We may develop such offerings and services independently, by acquisition, or in conjunction with third parties, but there is no guarantee these approaches will be successful. The markets for new offerings and services may be unproven, and these offerings may include technologies and business models with which we have little or no prior experience or may significantly change our existing offerings and services. If we are not able to create an experience that allows learners to easily and effectively identify the offerings and services, including certifications, degrees, or other credentials, that meet their needs, we may not grow our learner base or generate sufficient revenue, operating margin, or other value to justify our investments, and our business could be adversely affected.

We have incurred significant net losses since inception, and we may or may not achieve or maintain profitability in the future.

We incurred net losses of $23.0 million and $31.7 million in the three months ended June 30, 2024 and 2023, and we had an accumulated deficit of $824.9 million as of June 30, 2024. We may not achieve profitability in the future, and even if we do, we may not be able to maintain or increase our level of profitability.

We will need to generate and sustain increased revenue levels in future periods to achieve profitability, and even if we achieve profitability, we may not be able to maintain or increase our level of profitability. We anticipate that our operating expenses will increase substantially for the foreseeable future as we continue to, among other things:

- expand our course offerings and the robustness of our platform;
- expand our learner base and our sales and marketing efforts;
- improve and scale our technology;
- enter and expand into additional international markets;
- address increased competition; and
- incur significant accounting, legal, and other expenses as a public company.

Certain expenditures, including those to expand our course offerings and the robustness of our platform, expand our learner base and our sales and marketing efforts, and improve and scale our technology, will make it more difficult for us to achieve and maintain profitability. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue enough to offset our higher operating expenses. If we are forced to or elect to reduce our expenses, including through cost control measures or a reduction in headcount, it could negatively impact our growth and growth strategy. 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 may not generate sufficient revenue from a new offering to offset our costs.

Our platform enables our educator partners to offer learners the opportunity to enroll in live, or synchronous, courses and programs and pre-produced, or asynchronous, educational content that can be accessed at any time. To launch new educational content or a new credentialing program, whether synchronous or asynchronous, we must integrate our platform with the various learner information and other operating systems our educator partners use to manage functions within their institutions. In addition, our content development team must work closely with that partner's faculty members or staff to produce engaging online course content, and we must commence learner acquisition activities. During the term of our agreement with the partner, we are responsible for the costs associated with maintaining our technology platform and providing non-academic and other support for learners enrolled in the program. We invest significant resources in these new programs from the beginning of our relationship with an educator partner, including marketing and other learner acquisition costs to attract and fill enrollment cohorts for a program, and in some cases, content development grants to assist our partners as they invest resources preparing content for an online medium. There is no guarantee that we will ever recoup these costs. In addition, delays in implementing a new program, including Specialization, certification, or Degrees programs, could negatively impact our revenue and operating results.

Because we receive fees from learners enrolling in, and, in some cases, completing courses and credentialing programs on our platform, we only begin to recover these costs once learners enroll and begin paying fees. In addition, in some cases, learners may audit a course or courses toward a certification free of charge and elect not to pay for the certification itself. Further, our Degrees revenue is determined based on a percentage of the total tuition collected from Degrees students by the university partner. As a result, our Degrees revenue is dependent on the number of learners enrolled in the Degrees program and the tuition charged by the university partner. The time that it takes for us to recover our investment in a new course or program depends on a variety of factors, primarily our learner acquisition costs, learner retention rate, and the growth rate of learner enrollment in and, in some cases, completion of, the course or program. Because of the lengthy period required to recoup our investment in a program, unexpected developments beyond our control could occur that result in the educator partner ceasing or significantly curtailing a course offering or credentialing program before we generate any revenue therefrom. In addition, educator partners generally do not grant us exclusive rights to their content, and any such arrangements are of limited duration. As such, educator partners may choose to offer the same content on one of our competitors' platforms or their own platform, which could limit the number of learners enrolled in such partner's courses or programs on our platform. In addition, if an educator partner were to terminate an existing program, learners enrolled in that program may stop using our platform, which in turn would negatively impact our learner enrollment generally. As a result of any of the foregoing, we may ultimately be unable to recover the full investment that we make in a new offering or achieve any level of profitability from such offering.

If we pursue unsuccessful educator partner opportunities, we may forego more profitable opportunities, and our operating results and growth could be harmed.

The process of identifying educational content and credentialing programs that we believe will be a good fit for our platform and negotiating agreements with potential educator partners is complex and time-consuming. Because of the initial reluctance on the part of some businesses, government organizations, academic institutions, and other organizations to embrace online delivery of education, training, and credentialing programs and the complicated approval process within some of these entities, our process to attract and engage a new educator partner can be lengthy.

We, our partners, and production providers may devote a significant number of hours, and up to a year or more, to develop and launch new content or a new credentialing program. We have spent, and may continue to spend, substantial effort and management resources on securing a new partnership and working with our existing partners to maintain as well as develop and launch new credentialing programs and content without any assurance that our efforts will result in a successful launch or revenue generation. If we invest substantial resources pursuing opportunities that do not attract sufficient interest from learners, we may forgo other more successful content and program development efforts, and our operating results, revenue, and growth could be harmed.

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

Our ability to broaden our customer base, particularly our Enterprise customer base, and achieve broader market acceptance of our platform, will depend to a significant extent on the ability of our sales and marketing organizations to work together to increase our sales pipeline and cultivate customer and educator partner relationships to drive revenue growth. Our marketing efforts include the use of search engine optimization, paid search, and custom website development and deployment.

We have invested in and plan to continue expanding our sales and marketing organizations, both domestically and internationally. Identifying, recruiting, and training sales personnel requires significant time, expense, and attention. If we are unable to hire, develop, and retain talented sales or marketing personnel, if our new sales or marketing personnel are unable to achieve desired productivity levels in a reasonable period of time (including as a result of working remotely), or if our sales and marketing programs are not effective, or if expected sales and marketing programs by our educator partners do not materialize or 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 organization 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 fail to quickly and efficiently scale our operations and platform capabilities to support the needs of new and existing partners, our reputation and our revenue will suffer.

Our continued growth and potential profitability depend on our ability to successfully scale our operations and platform capabilities to support newly launched educational content and credentialing programs with our educator partners. If we cannot quickly and efficiently scale our sales and marketing teams and technology teams, which includes the hiring and training of new employees, we may not be successful in attracting potential learners to our platform, which would negatively impact our ability to generate revenue, and our educator partners and learners could lose confidence in our platform. If we cannot quickly and efficiently scale our technology and operations to handle increases in the volume and rate of learner enrollment and of new credentialing programs or content, our educator partners' and learners' experiences with our platform may suffer, which in turn could damage our reputation. Our ability to effectively manage any significant increase in the volume of new content or programs or in the rate or volume of learner enrollment and retention will depend on a number of factors, including our ability to:

- assist our educator partners in maintaining as well as developing and producing an increased volume of engaging educational content that is accessible to a wide variety of learners;
- successfully introduce new features and enhancements on our platform;
- maintain a high level of functionality and cross-functionality, and technological robustness of our platform; and
- deliver high-quality professional services and support (including training, implementation, and consulting services) to our educator partners, their faculty and employees, and learners on our platform.

Establishing new credentialing programs and content or expanding existing ones will require us to make investments in management and key staff, increase capital expenditures, incur additional marketing expenses, and potentially reallocate other resources. If we are unable to scale our platform, maintain and increase its interoperability, develop an increasingly robust mix of engaging content, or otherwise manage new offerings effectively, our ability to grow our business and achieve profitability would be impaired, and the quality of our solutions, access to learner information and progress, and the satisfaction of our educator partners and learners could suffer, or our educator partners could transition content hosted on our platform to other providers, while we continue to provide certain services.

Disruptions to the operations of one or more of our third-party service providers may adversely affect our business operations and financial condition.

We and our educator partners rely on a variety of third-party service providers to support our operations by providing customer support, mobile network, internet, content production, platform integration, and other services. We and our educator partners may not have the resources or technical sophistication to anticipate disruptions to the operations of our third-party service providers, which could arise from any of a number of different reasons, including financial instability, work stoppages or slowdowns, staffing difficulties, war, or the outbreak of hostilities, staff illness, inclement weather, or natural disasters. Disruptions to the operations of our third-party service providers could result in communication, content production, platform performance, or platform availability problems for us and our educator partners, which could adversely affect our business operations and financial condition.

If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, and changing customer needs or requirements, our platform may become less competitive.

Our future success depends on our ability to adapt and enhance our platform. To attract new learners and educator partners and increase revenue from existing learners and partners, we will need to continuously enhance and improve our offerings to meet learner and educator partner needs at prices that our customers are willing to pay. Such efforts will require adding new functionality and responding to technological advancements, which will increase our research and development costs. If we are unable to develop educational content that addresses learners' and partners' needs, or enhance and improve our platform in a timely manner, or if we fail to provide adequate safeguards and quality assurance related to the use of new technological advancements, we may not be able to maintain or increase market acceptance and use of our platform. Further, some of our competitors expend a considerably greater amount of funds on their research and development programs, and their sales and marketing practices, and those that do not may be acquired by larger companies that could allocate greater resources to our competitors' research and development programs. If we fail to maintain adequate research and development resources or compete effectively with the research and development programs of our competitors, our business could be harmed. Our ability to grow is also subject to the risk of future disruptive technologies. Access to and use of our platform is provided via the internet, which, itself, was disruptive to the previous enterprise software model. If new technologies emerge that can deliver online learning programs at lower prices, more efficiently, more conveniently, more securely, with stronger or more cost-effective mechanisms to detect and prevent plagiarism or validate the learner's identity, or with more preferred or up-to-date content, and if we or our educator partners fail to adopt such technologies or fail to do so in a timely manner, our ability to compete would be adversely affected. For example, the emergence of enhanced generative AI capabilities could provide such advantages to online learning providers able to deploy the technology effectively.

Our introduction and use of AI may not be successful and may present business, compliance, and reputational challenges which could lead to operational or reputational damage, competitive harm, legal and regulatory risk, and additional costs, any of which could materially and adversely affect our business, financial condition, and results of operations.

We have incorporated, and expect to continue to incorporate, AI in the content and credentials offerings from our industry and university partners, as well as in our AI-powered platform innovations and features, and this incorporation of AI in our business and operations may become more significant over time. The use of generative AI technology, which is considered to be a relatively new and emerging technology in the early stages of commercial use, exposes us to additional risks, which could result in damage to our reputation, competitive position, and business, and expose us to legal and regulatory risks and additional costs. For example, AI algorithms are based on machine learning and predictive analytics, which can create inaccurate or misleading content, unintended biases, and other discriminatory or unexpected results. Accordingly, while AI-powered applications may help provide more tailored or personalized learner experiences, if the content, analyses, or recommendations that AI applications assist in producing on our platform are, or are perceived to be, deficient, inaccurate, or biased, our reputation, competitive position, and business may be materially and adversely affected. Further, the use of AI technology is subject to ongoing debate in the education industry, including with respect to issues such as plagiarism, cheating, academic integrity, and the scope of appropriate or permissible use of generative AI in the context of both learning and teaching. For example, there is a risk that AI-generated information may be inaccurate or misleading, or not appropriately attribute authors or creators for their work (including if used in the context of course content creation), or that students may use generative AI to draft written assignments or for other projects, any of which, absent sufficient and cost-effective methods to detect and prevent such risks, may devalue or undervalue the certificates and other credentials offered through our platform due to the actual or perceived threat of increased plagiarism or cheating, concerns of academic integrity, or appropriate and permissible use of AI. Any of the foregoing or similar issues, whether actual or perceived, could negatively impact the learner experience and diminish the perceived quality and value of the content and certifications provided through our platform to learners, employers, or organizations granting professional licenses or certifications. This in turn could damage our brand, reputation, competitive position, and business. In addition, the use of AI technology has resulted in, and may in the future result in, cybersecurity incidents that implicate the personal data of end users of AI applications. To the extent we experience cybersecurity incidents in connection with our use of AI technology, it could similarly adversely affect our reputation and expose us to legal liability or regulatory risk. Further, our competitors or other third parties may incorporate AI into their products more quickly or more successfully than us, which could impair our ability to compete effectively.

As the utilization of AI becomes more prevalent, we anticipate that it will continue to present new or unanticipated ethical, technical, legal, competitive, and regulatory issues, among others. We expect that our incorporation of AI in our business will require additional resources, including the incurrence of additional costs, to develop and maintain our platform offerings, services, and features to minimize potentially harmful or unintended consequences, to comply with applicable laws and regulations, to maintain or extend our competitive position, and to address any reputational, technical, or operational issues which may arise as a result of the foregoing. As a result, the challenges presented with our use of AI could materially and adversely affect our business, financial condition, and results of operations.

If we fail to increase sales of our Enterprise offerings, or if we need to change the contract terms associated therewith, including with respect to pricing or contract length, it could negatively affect our business, financial condition, and results of operations.

In addition to our offerings for individuals, we sell our Enterprise offerings to businesses, government organizations, academic institutions, and other organizations. These customers utilize our platform to provide relevant training, skills, and credentialing programs to current and potential employees and citizens through our online platform. To maintain and expand our relationships with these entities, we must demonstrate the value, benefits, and return on investment of providing education, training, skills, and credentialing through our online platform and achieve acceptance from both employees and these entities of the merits and legitimacy of our offerings.

Our growth strategy is dependent upon increasing sales of our Enterprise offerings to these entities, which we offer on a subscription basis. We have a limited history with our subscription and pricing models and changes in our models could adversely affect our revenue and financial condition. In addition, as the market for our learning platform grows (if ever), as new competitors introduce competitive applications or services, or as we enter into new international markets, we may be unable to attract new 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. For example, we often enter into subscription arrangements with businesses, government organizations, academic institutions, and other organizations in which we offer more favorable pricing terms in exchange for larger total contract values or longer contract terms. Changes to our pricing models or contract lengths could negatively impact our revenue and financial position, and we may have increased difficulty achieving growth or profitability. As we drive a greater portion of our revenue through subscriptions to our Enterprise platform, this may also result in reduced margins in the future.

We recognize revenue from Enterprise customer subscriptions ratably over the subscription term of the underlying contract, which generally ranges from one to three years. Consequently, a decline in new or renewed subscriptions in any quarter or year will not be fully reflected in revenue or other results of operations in that quarter or year but will negatively affect our revenue and other results of operations across future periods. Further, any increases in the average term of subscriptions would result in revenue for those contracts being recognized over longer periods of time with less positive impact on our results of operations in the near term. Accordingly, such changes could adversely affect our financial performance.

As we seek to increase sales of our Enterprise offerings, we face upfront sales costs, higher customer acquisition costs, more complex customer requirements, and discount requirements. In addition, entities that subscribe to our Enterprise platform may elect to begin to use our platform on a limited basis, but nevertheless require education and interactions with our sales team, which increases our upfront investment in the sales effort with no guarantee that our platform will be used widely enough across their organization to justify our upfront investment. Similarly, we may also incur significant upfront and servicing costs for contracts that are not renewed, or which the customer seeks to terminate early, even in the absence of a breach on our part or contractual terms permitting an early termination. For example, from time to time, customers notify us that they wish to terminate, either seeking a refund of their prior payments or conveying an intention to stop or reduce any further payments due, or both. Even if we believe we are entitled to these payments, it may not be feasible to retain prior payments or collect future payments due to us, and our financial condition and results of operations could be adversely impacted. If we are unable to maintain or increase the number of subscriptions to our Enterprise platform while mitigating the risks associated with serving subscribers, our business, financial condition, and results of operations will suffer.

If we fail to maintain sufficient high-quality content from our educator partners, we will be unable to attract and retain customers.

Our success depends on our ability to provide learners with the information, outcomes, academic credit, and certifications they seek, which in turn depends on the quantity, quality, and format of the educational content provided by our partners. We may be unable to provide learners with the information and outcomes they seek if our educator partners do not contribute content that is helpful and reliable, if they remove content they previously submitted, or if supplemental or derivative materials are not reliable. If content on our platform attracts unfavorable media coverage or other commentary, our reputation and prospects could be harmed. We believe that certain learners value courses for which they can earn academic credit toward a degree or other credential. We may be unable to provide learners with such courses if our educator partners do not obtain or maintain the certification or quality necessary for such eligibility, and our business would be adversely affected. Further, if such certifications are obtained and maintained, but do not, or cease to, signal to learners and employers the high quality or reliability we or our educator partners intend to signal through such certifications, our business would be adversely affected. Any of the foregoing could materially and adversely affect our results of operations, competitive position, and growth prospects.

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 and partners are dissatisfied with their experience on our platform, they may stop accessing our content and may stop referring others to us. The impact of learner dissatisfaction could be compounded if existing learners share negative experiences with potential new learners, via online platforms or otherwise. Likewise, if existing learners do not find our educational content appealing, because of declining interest in or relevancy of the content, they may stop referring others to us. In turn, if educator partners perceive that our platform lacks an adequate learner audience, they may be less willing to provide content to offer on our platform, and the experience of learners could be further negatively impacted. If we are unable to retain existing and attract new learners and educator partners who contribute to an active community, our growth prospects would be harmed, and our business could be adversely affected.

We face competition from established companies as well as other emerging companies, which could divert educator partners to our competitors, result in pricing pressure, impact our market share, and significantly reduce our revenue.

The market for global adult online learning is highly fragmented and rapidly evolving. We expect alternative modes of learning to continue to accelerate as players in this industry introduce new and more competitive products, enhancements, and bundles.

Participants in the global adult online learning ecosystem include: 2U, Inc. including through its subsidiary edX Inc., Alison (Capernaum Limited), DataCamp, Inc., Degreed, Inc., Eruditus Learning Solutions Pte. Ltd., FutureLearn Limited, Go1 Pty Limited, Google LLC through its YouTube services; Khan Academy, Inc., LinkedIn Corporation through its LinkedIn Learning services, MasterClass, Noodle Partners, Inc., OpenSesame Inc., Pluralsight, Inc., Simplilearn, Skillshare, Inc., Skillsoft Corp, Think & Learn Private Limited (BYJU's) through its subsidiary Great Learning PTE Ltd, Udacity, Inc., Udemy, Inc., upGrad Education Private Limited; The Wikimedia Foundation, Inc., and internal online degree platforms developed in-house by universities.

We expect these and other existing competitors and new entrants to the online learning market to continually revise 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. Several new and existing companies in the online education industry provide or may provide offerings similar to what we offer on our platform, and these companies may pursue relationships with our educator partners that may reduce the educational content our partners produce for our platform. In addition, academic institutions, as well as businesses, government, and other organizations, may choose to continue using or develop their own online learning or training solutions in-house, which may become more prevalent as emerging technologies such as generative AI provide additional means of developing educational programs, rather than pay for our solutions.

Some of our competitors and potential competitors have significantly greater resources than we do. Increased competition may result in pricing pressure for us in terms of the percentage of tuition we are able to negotiate to receive from a university partner or the prices consumers and businesses are willing to pay for our content. The competitive landscape may also result in a longer and more complex process of recruiting and maintaining current and prospective educator partners or a decrease in our market share, any of which could negatively affect our revenue and future operating results and our ability to grow our business.

A number of factors could impact our ability to compete, including:

- the availability or development of alternative online education services that are, or are perceived to be, more compelling than ours;
- changes in pricing policies and terms offered by our competitors or by us;
- the ability to adapt to new technologies and changes in requirements of our educator partners and learners;
- learner acquisition and retention costs;
- the ability of our current and future competitors to establish relationships with businesses, government organizations, academic institutions, and other organizations to enhance their services and expand their markets; and
- industry consolidation (such as the acquisition of edX Inc. by 2U, Inc. in 2021) and the number and rate of new entrants.

We may not be able to compete successfully against current and future competitors. In addition, competition may intensify as our competitors raise additional capital and as established companies in other market segments or geographic markets expand into our market segments or geographic markets. If we cannot compete successfully against our competitors, our ability to grow our business and achieve profitability could be impaired.

If for-profit postsecondary institutions, which offer online education alternatives different from ours, or other for-profit higher education service providers, perform poorly, it could nonetheless tarnish the reputation of online education as a whole, which could impair our ability to grow our business.

For-profit postsecondary institutions, many of which provide course offerings predominantly online, are under intense regulatory and other scrutiny, which has led to media attention that has sometimes portrayed that sector in an unflattering light. Some for-profit online school operators have been subject to government investigations alleging the misuse of public funds, financial irregularities, and failure to achieve positive outcomes for learners, including the inability to obtain employment in their fields, or to earn sufficient income to repay debt incurred for their education. These allegations have attracted significant adverse media coverage and have prompted legislative hearings and regulatory responses. These investigations have focused on specific companies and individuals, as well as entire industries in the case of recruiting practices by for-profit higher education companies. Even though we do not enter into university partnerships with these institutions, this negative media attention and regulatory scrutiny may nevertheless add to the skepticism about online higher education generally, including our solutions. Certain service providers assisting higher education institutions with online program development and management, typically referred to as online program managers or OPMs, are also under intense media and other scrutiny, which has led to calls for reform and enforcement by policymakers and members of Congress. Even though we do not have the kinds of affiliations or business models that have been the focus of this scrutiny, this negative media attention and regulatory scrutiny may lead to additional limitations or restrictions on our business, and our ability to grow our business and achieve profitability could be harmed.

The impact of these negative public perceptions on our current and future business is difficult to predict. If these few situations, or any additional misconduct, cause all online learning programs to be viewed unfavorably by the public or policymakers, we may find it difficult to enter into or renew agreements with our educator partners or attract additional learners for their programs. In addition, this perception or any further government investigation could serve as the impetus for more restrictive legislation or regulation, which could limit our future business opportunities. Moreover, allegations of abuse of federal financial aid funds and other statutory violations against for-profit higher education companies could negatively impact our ability to succeed due to increased regulation and decreased demand. Any of these factors could negatively impact our ability to increase our educator partner base and grow their programs, which would make it difficult to continue growing our business and could negatively affect our stock price.

Our growth strategy may contemplate acquisitions, and we may be unsuccessful in executing, implementing, integrating, or leveraging such acquisitions.

We may choose to expand our business by making acquisitions that could be material. To date, we have only completed one acquisition, and our ability as an organization to successfully identify, evaluate, acquire, and integrate technologies or businesses is unproven and limited. Acquisitions involve many risks, including the following:

- an acquisition may negatively affect our results of operations and financial condition because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose us to claims and disputes by third parties, including IP claims and disputes, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- we may encounter difficulties or unforeseen expenditures in integrating the business, technologies, products, personnel, or operations of any entity or business that we acquire, particularly if key personnel of the acquired entity or business decide not to work for us;
- an acquisition may disrupt our ongoing business and distract our management;
- an acquisition may result in a delay or reduction of customer purchases for both us and the entity or business we acquired due to customer uncertainty about continuity and effectiveness of service;
- an acquisition may involve entry into geographic or business markets in which we have little or no prior experience or where competitors have stronger market positions;
- we may face challenges inherent in effectively managing an increased number of employees in diverse locations;
- we may experience strain on our financial and managerial controls and reporting systems and procedures;
- our use of cash to pay for acquisitions would limit other potential uses for our cash;
- if we incur debt to fund such acquisitions, such debt may subject us to material restrictions on our ability to conduct our business;

- we may incur impairment charges related to potential write-downs of acquired assets or goodwill; and
- to the extent that we issue a significant amount of equity or equity-based securities in connection with an acquisition, existing stockholders may be diluted.

We may not succeed in addressing these or other risks, which could harm our business and operating results.

We may invest in private companies, and if the value of any such equity investments were to decline, it could adversely affect our results of operations and financial condition.

We may from time to time make equity investments in private companies where we do not have the ability to exercise significant influence over results. Investments in private companies are inherently risky. The companies in which we may invest include early-stage companies that may still be developing products and services with limited cash to support the development, marketing, and sales of their products, and whose financial statements are often unaudited. Further, our ability to liquidate such investments will typically be dependent on a liquidity event, such as a public offering or acquisition, as no public market currently exists for the securities held in the investees. Valuations of privately held companies are inherently complex and uncertain due to the lack of a liquid market for the securities of such companies and the potential lack of comparable acquisitions in the market as a comparison for such valuations, among other factors. If we determine that any of our investments in such companies have experienced a decline in value, we will recognize an expense to adjust the carrying value to its estimated fair value. Negative changes in the estimated fair value of private companies in which we invest could have a material adverse effect on our results of operations and financial condition.

Our directors may encounter conflicts of interest involving us and other organizations with which they may be affiliated, including matters that involve corporate opportunities.

Most of our directors are, and any future directors may be, affiliated with other entities, including venture capital or private equity funds or businesses that may be complementary, competitive, or potentially competitive to our Company. They may also in the future become affiliated with entities that are engaged in business or other activities similar to our business. Additionally, all of our officers and directors, in the course of their other business activities, may become aware of investments, business opportunities, or information that may be appropriate for presentation to us as well as to other entities to which they owe a fiduciary duty. As a result, directors and officers may encounter perceived or actual conflicts of interest involving us and other entities with which they are or become affiliated, including matters that involve corporate opportunities. For example, a portfolio company of a director-affiliated venture fund may become a competitor of ours or a potential strategic partner. In addition, as our growth strategy includes considering potential acquisitions, it is possible an entity affiliated with one of our directors could be an acquisition target or a competitive acquirer. Further, to the extent we engage in transactions with any director-affiliated entity, it could create actual, or the perception of, additional conflicts of interest, including with respect to our ability to negotiate terms equivalent to those that could be obtained in an arms'-length negotiation with an unaffiliated third party. For instance, Dr. Ng, one of our co-founders and Chairman of our board of directors, owns DeepLearning.AI Corp., a developer of educational content relating to AI that offers courses through our platform. Although we view DeepLearning.AI Corp. as a valued business partner and believe our agreement is on commercially reasonable terms, there may nonetheless be a perception of a conflict of interest. As a result of the foregoing, our directors and officers may have conflicts of interest in determining to which entity particular opportunities or information should be presented. If, as a result of such potential conflicts, we are deprived of investment, business, or information, the execution of our business plan and our ability to effectively compete may be adversely affected. Our directors are also not obligated to commit their time and attention exclusively to our business, and accordingly, they may encounter conflicts of interest in allocating their time and resources between us and other entities with which they are affiliated.

If we do not retain our senior management team and key employees, we may not be able to sustain our growth or achieve our business objectives.

Our future success is substantially dependent on the continued service of our senior management team, and in particular of our chief executive officer. The expertise of our senior management team in negotiating with businesses, government organizations, academic institutions, and other organizations is critical in navigating the complex approval processes of these entities. We do not maintain key-person insurance on any of our employees, including our senior management team, and our management and other U.S. employees are generally employed on an at-will basis. The loss of the services of any individual on our senior management team would make it more difficult to successfully operate our business and pursue our business goals.

Our future success also depends heavily on the retention of our highly-qualified employees to continue to attract and retain qualified learners in our educator partners' programs, thereby generating revenue for us. In particular, our technology and content development employees provide the technical expertise underlying our technology-enabled services that support our online educational offerings and the credentialing programs offered on our platform, as well as the learners enrolled in these programs. Competition for these employees is intense. We may be unable to attract or retain these key personnel that are critical to our success, resulting in harm to our relationships with educator partners, loss of expertise or know-how, and unanticipated recruitment and training costs. In addition, any changes to our organizational or compensation structure may be negatively perceived by current or prospective employees and may result in attrition or cause difficulty in the recruiting process.

We may need additional capital in the future to pursue our business objectives. Additional capital may not be available on favorable terms, or at all, which could compromise our ability to grow our business.

We believe that our existing cash and cash equivalents are sufficient to meet our minimum anticipated cash requirements for at least the next 12 months. We may, however, need to raise additional funds to respond to business challenges or opportunities, expand our business through acquisitions, accelerate our growth, develop new offerings, or enhance our platform. If we seek to raise additional capital, it may not be available on favorable terms or may not be available at all. In addition, if we seek debt financing, we may be subject to onerous terms and restrictive covenants. Lack of sufficient capital resources could significantly limit our ability to manage our business and to take advantage of business and strategic opportunities. Further, any additional capital raised through the sale of equity or issuance of debt securities with an equity component would dilute our existing stockholders. If adequate additional funds are not available if and when needed, we may be required to delay, reduce the scope of, or eliminate material parts of our business strategy.

We believe our long-term value as a company will be greater if we invest in growth, which may negatively impact our results of operations in the near term.

We believe our long-term value as a company will be greater if we balance our longer-term growth and short-term results. As a result, our results of operations may be negatively impacted in the near term relative to a strategy solely focused on maximizing short-term profitability. Significant expenditures on sales and marketing efforts, developing and enhancing our platform, and expanding our research and development efforts may not ultimately grow our business or lead to expected long-term results. If our strategy does not lead to expected growth or if we are ultimately unable to achieve results of operations at the levels expected by securities analysts and investors, the market price of our common stock could decline.

Our results of operations could be adversely affected by natural disasters, public health crises, political crises, geopolitical crises, or other catastrophic events.

Our business and operations could be materially and adversely affected in the event of earthquakes, floods, fires, telecommunications failures, blackouts or other power losses, break-ins, acts of terrorism, an outbreak of hostilities, political or geopolitical crises, such as the conflicts in Ukraine and the Middle East, inclement weather, public health crises, pandemics or epidemics, or other catastrophic events.

For example, the uncertain nature, magnitude, and duration of hostilities stemming from Russia's military invasion of Ukraine or conflicts in the Middle East, such as the Israel-Hamas war, including the potential effects of sanctions and retaliatory cyberattacks on the world economy and markets, have contributed to increased market volatility and uncertainty, and may impact our customers' intent or ability to pay for services, which could negatively impact our results of operations. The Israel-Hamas war has resulted in significant military activity in the Middle East, which may further escalate regional instability and could disrupt our operations and the business of our significant customers, educator partners, and learners in the Middle East and North Africa region, which could negatively impact our results of operations. The continued turmoil in Ukraine and the Middle East could have a depressing effect on the global economy, which could dampen our business activity and reduce the demand for our online learning solutions.

In addition, although the COVID-19 pandemic has subsided, pandemics or other public health crises could impact our business, key metrics, and results of operations. For example, a resurgence of the COVID-19 pandemic or the emergence of another widespread health crisis could adversely impact our business if our employees or our partners' or third-party service providers' employees become ill and are unable to perform their duties, and our operations, internet, or mobile networks, or the operations of one or more of our third-party service providers, is impacted. Although we believe our business was positively impacted to some extent by several trends related to the height of the COVID-19 pandemic, including the increased need or willingness of businesses, government organizations, academic institutions, other organizations, and learners to adopt remote, online, and asynchronous learning and training, we cannot be certain that these trends will continue given that the risk and barriers associated with in-person learning and training have significantly decreased. In addition, in the event of another widespread public health crisis, we may experience an adverse impact to our business and the value of our common stock as a result of the crisis' impact on the global economy and financial markets, including inflation or recession. More generally, a public health crisis or other catastrophic event could adversely affect economies and financial markets and lead to an economic downturn, which could harm our business, financial condition, and operating results.

Further, our executive offices are located in the San Francisco Bay Area, an earthquake-sensitive area and one that has been increasingly vulnerable to wildfires and floods, 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 floods, fire, inclement weather including extreme rain, wind, heat, or cold, or accidents due to human error were to occur and cause damage to our properties or other locations from which our employees are working, or if our operations or the operations of our service providers were interrupted by telecommunications failures, blackouts, acts of terrorism or outbreak of hostilities, political or geopolitical crises, or public health crises, our results of operations would suffer, especially if such events were to occur during peak periods. We may not be able to effectively shift our operations due to disruptions arising from the occurrence of such events, and our business could be affected adversely as a result.

To the extent that any catastrophic event adversely affects our business, results of operations, financial condition, and cash flows, it may also heighten many of the other risks described in this "Risk Factors" section.

Our metrics and market estimates used to evaluate our performance are subject to inherent challenges in measurement, and real or perceived inaccuracies in those estimates may harm our reputation and negatively affect our business.

The metrics we use to evaluate our growth, measure our performance, and make strategic decisions are calculated using internal company data and have not been validated by a third party. Our metrics and market estimates may differ from estimates published by third parties or from similarly titled metrics of our competitors or peers due to differences in methodology or the assumptions on which we rely. Additionally, metrics and forecasts relating to the size and expected growth of our addressable market may prove to be inaccurate. Even if the markets in which we compete meet the size estimates and growth we have forecasted, our business could fail to grow at similar rates, if at all. If securities analysts or investors do not consider our or market metrics to be accurate representations of our business, or if we discover material inaccuracies in such estimates, then the market price of our common stock could decline, our reputation and brand could be harmed, and our business, financial condition, and results of operations could be adversely affected.

Increasing scrutiny and evolving expectations from customers, educator partners, regulators, investors, and other stakeholders with respect to our environmental, social, and governance ("ESG") practices may impose additional costs on us, expose us to new or additional risks, or harm our reputation.

Companies are facing increasing scrutiny from customers, partners, regulators, investors, and other stakeholders related to their ESG practices and disclosures. Investor advocacy groups, investment funds, and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions, and human rights. Increased ESG related compliance costs could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor, employee or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain educator partners, and the price of our common stock. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure. Collecting, measuring, and reporting ESG information and metrics can be costly, difficult and time consuming, and can present numerous operational, reputational, financial, legal and other risks, any of which could have a material impact on us, including on our reputation and stock price. Inadequate processes to collect and review this information prior to disclosure could subject us to potential liability related to such information. Furthermore, several U.S. states have enacted or proposed "anti-ESG" policies or legislation. While these policies and related legislation are generally targeted to investment advisory firms and mutual funds, if these investors viewed our ESG practices as contradicting such "anti-ESG" policies, such investors may not invest in the Company, and it could negatively affect the price of our common stock.

Our current ESG disclosures, including the metrics we set as a PBC and other any standards we may set for ourselves, or a failure to meet these metrics or standards, may influence our reputation and the value of our brand. For example, we have elected to share publicly certain information about our ESG initiatives and information, and our commitment to the recruitment, engagement, and retention of a diverse workforce. Our business may face increased scrutiny related to these activities, including from the investment community, and our failure to achieve progress in these areas on a timely basis, or at all, could impact our ability to hire and retain employees, increase our educator partner base, reelect our board of directors, or attract and retain certain types of investors, which could adversely affect our reputation, business, and financial performance.

Climate change may have an adverse impact on our business.

Risks related to rapid climate change may have an increasingly adverse impact on our business and those of our customers, educator partners, and learners in the longer term. Any of our primary locations and the locations of our customers, educator partners, and learners may be vulnerable to the adverse effects of climate change. For example, our California headquarters has historically experienced, and is projected to continue to experience, climate-related events at an increasing frequency, including drought, water scarcity, floods, heat waves, wildfires and resultant air quality impacts, and power shut-offs associated with wildfire prevention. Furthermore, it is more difficult to mitigate the impact of these events on our employees while they work from home. Changing market dynamics, global policy developments, and the increasing frequency and impact of extreme weather events on critical infrastructure in the U.S. and elsewhere have the potential to disrupt our business and the business of our customers, educator partners, and learners, and may cause us to experience higher attrition, losses, and additional costs to maintain our operations. Further, the effects of climate change may negatively impact regional and local economic activity, which could lead to an adverse effect on our customers, educator partners, and learners and impact the communities in which we operate. Overall, climate change, its effects, and the resulting, unknown impact could have a material adverse effect on our financial condition and results of operations.

We are a remote-first company, which could have a negative impact on the execution of our business plans and operations and create productivity, connectivity, and oversight challenges.

We are a remote-first company, allowing for almost all roles to be open to remote employees on an ongoing basis. Our remote-first employment policy could have a negative impact on the execution of our business plans and operations and create productivity, connectivity, and oversight challenges. For example, if a natural disaster, power outage, connectivity issue, or other event occurred that impacted our employees' ability to work remotely, it may be difficult for us to continue our business for a period of time. The shift to remote working may also result in consumer privacy, IT security, and fraud vulnerabilities, which, if exploited, could result in significant recovery costs and harm to our reputation. Operating in a predominantly remote work environment and providing and maintaining the operational infrastructure necessary to support a remote work environment also present significant challenges of managing, integrating, developing, training, and motivating our global employee base, transitioning knowledge, maintaining our company culture, and employee engagement and productivity. As a result, our culture, information technology requirements, cybersecurity risk, and business operations could be adversely affected.

Risks Related to Regulatory Matters and Litigation

If our educator partners fail to comply with international, federal, and state education laws and regulations, including any applicable state authorizations for their programs, it could harm our business and reputation.

Higher education is heavily regulated in the U.S. and most international jurisdictions. Numerous U.S. states require education providers to be licensed or authorized in such state(s) simply to enroll persons located in that state into an online education program or to conduct related activities such as marketing. If any of our educator partners were found to be in non-compliance with any of the laws, regulations, standards, or policies related to state authorization, the educator partner could lose its ability to operate in certain states, and if such non-compliance extended to a material contingent of our educator partners and they lost the ability to operate in certain states, our revenue could decline.

Additionally, the vast majority of our U.S.-based college and university partners participate in the federal student financial assistance programs under Title IV of the Higher Education Act of 1965, as amended (respectively, "Title IV" and "HEA"), and are subject to extensive regulation by the U.S. Department of Education ("DOE"), as well as various state agencies, licensing boards, and accrediting agencies. To participate in the Title IV programs, an institution must receive and maintain authorization by the appropriate state education agencies, be accredited by an accrediting agency recognized by the DOE, and be certified by the DOE as an eligible institution.

The regulations, standards, and policies of our university partners' regulators are complex, change frequently, and are often subject to differing interpretations. Changes in, or new interpretations of, applicable laws, regulations, or standards could compromise our university partners' accreditation, authorization to offer online learning in various states or countries, permissible activities, or access to federal funds under the Title IV programs. We cannot predict with certainty how the requirements applicable to our university partners will be interpreted, including in the case of new laws or regulations for which no, or insufficient, interpretative guidance exists, or whether our university partners will be able to comply with these requirements in the future. Some regulations were designed to regulate in-person, correspondence or other types of learning experiences not offered online and may be difficult to interpret or apply to the types of programs offered by our university partners on our platform. In addition, there is no assurance that degrees or certifications earned through an institution in one jurisdiction will be recognized as valid or sufficient in other jurisdictions, including internationally, for employment, to satisfy prerequisites for advanced degrees, or other opportunities. Our international university partners are subject to similarly extensive legislation, regulation, and oversight.

Our future growth could be impaired if we or our educator partners fail to obtain timely approval from applicable regulatory agencies to offer new programs, make substantive changes to existing programs, or expand their programs into or within certain jurisdictions.

Our U.S.-based university partners are required to obtain the appropriate approvals from the DOE and applicable state and accrediting regulatory agencies for new programs, which may be conditioned, delayed, or denied in a manner that could impair our future growth. Similar approvals and reviews may be required for programs from our educator partners based outside of the U.S., and for them to offer programs in other countries. Education regulatory agencies may experience increases in the volume of requests for approvals as a result of new distance learning programs and adjustments to new regulations. Any such increases in volume could result in delays to various approvals our educator partners request, and any such delays could in turn delay the timing of our ability to generate revenue from their programs.

Our educator partners, both U.S. and international, may be required to be authorized in certain states to offer online programs, engage in advertising or recruiting and operate externships, internships, technical training, or other forms of field experience, depending on state and international laws. Although many of our programs are offered by U.S.-based higher education institutions that hold such authorizations or participate in an appropriate state reciprocity agreement, such as the State Authorization Reciprocity Agreement ("SARA"), other educator partners are not traditional education institutions or operate outside of the U.S. and do not hold such state authorizations. Further, even U.S.-based higher education institutions could lose a necessary authorization either because it lapses or is revoked by a state agency. Such partners could also lack, or lose, the ability to participate in a reciprocity agreement that provides the basis for their authorization in multiple states. For example, California higher education institutions currently do not participate in SARA. Unless we choose to seek authorization in our own name, which we have not done to date, the loss of or failure by an educator partner to obtain a necessary state authorization would, among other things, limit our ability to deliver content to learners in that state, either for degree or non-degree programs, render the partner and its learners in that state ineligible to participate in Title IV or other financial aid programs, diminish the attractiveness of the educator partner's programs, and ultimately compromise our ability to generate revenue. The DOE is currently considering changes to its state authorization regulation, which would require substantial revision of SARA to meet Title IV requirements. Adoption of these changes could result in our educator partners not being authorized in SARA states pending such revisions, or could result in some states ending their participation in SARA. In addition, if we or any of our educator partners fail to comply with any state agency's rules, regulations, or standards beyond authorizations, the state agency could limit the ability of the educator partner to offer programs in that state or limit our ability to perform our contractual obligations to our educator partner in that state.

We or our educator partners may also be required to obtain appropriate approvals under international education laws and regulations. For example, a recent Indian regulation relating to online higher education requires, among other things, that learning platforms utilized by Indian universities to offer online degrees be approved by a technical committee of the Indian regulator. Seeking such approval could be a complex and time-consuming process, since the requirement is new, and as such there is no certainty as to the timing and standard of review for international platforms, or even whether international platforms are permitted to apply for approval. In addition, we may lack the knowledge and resources to successfully pursue an application without the support of one or more of our Indian university partners. International education laws and regulations may prohibit or restrict the delivery of online education by extraterritorial entities, or local policies or practice may favor local providers. India's Ministry of Education recently announced its intent to launch its first digital university in 2023, the National Digital University, which would allow students to accumulate and combine credits from different higher education institutions. Such a program may negatively impact our ability to effectively expand our Degrees business in India.

If we or our educator partners fail to obtain or maintain necessary authorizations, or we or our educator partners violate applicable laws and regulations, learners in relevant programs could be adversely affected, we could lose our ability to operate in that state or international market, and our ability to generate revenue would be adversely affected.

If our educator partners fail to maintain institutional or programmatic accreditation for their programs, our revenue could be materially adversely affected.

The loss or suspension of an educator partner's accreditation or other adverse action by their institutional accreditor would render the institution or its program ineligible to participate in Title IV programs or similar government funding programs that may be in place and available to students enrolled at our Degrees partners based in and outside of the U.S. This loss, suspension or other adverse action could prevent the educator partner from offering certain educational programs, could prevent students enrolled at our Degrees partners from accessing such funding programs, and could make it impossible for the graduates of the educator partner's program to practice the profession for which they trained. If any of these results occur, it could hurt our ability to generate revenue from that program.

Our activities are subject to international, federal, and state education accessibility, consumer protection laws and regulations, and other requirements.

As a service provider to higher education institutions both in the U.S. and internationally, either directly or indirectly through our arrangements with educator partners, we are required to comply with certain education laws and regulations.

Our platform is also subject to various requirements relating to accessibility for learners with disabilities. Certain requirements of Title II and Title III of the Americans with Disabilities Act apply to us and to our public and private university partners, Section 504 of the Rehabilitation Act of 1974 (the "Rehabilitation Act") applies to our educator partners that receive federal funding, and Section 508 of the Rehabilitation Act, which sets accessibility standards for websites of federal departments and agencies, applies to certain of our government customers. Further, in the absence of definitive federal rulemaking, the Web Content Accessibility Guidelines 2.2, a set of recommendations and technical standards for making websites accessible to individuals with disabilities published by the World Wide Web Consortium, have become the effective standard for learner-facing aspects of our platform. We may not be successful in ensuring that our offerings and services meet these changing statutory and regulatory requirements, which could make our solutions less attractive to our educator partners and customers and which could subject us to third-party lawsuits, regulatory fines, or other action or liability, and we expect to incur ongoing costs of compliance.

Our subscription plans charge learners on a recurring basis, and as a result we must comply with complex international, federal, and state laws and regulations related to automatic renewal, unfair competition, and false advertising. These laws, among other things, require us to make specific disclosures in clear and conspicuous ways at the time a learner purchases a subscription, and obtain the learner's affirmative, express consent to the recurring charges, as well as provide learners with refunds easily and promptly. The penalties for failing to comply with these requirements can be severe, including rendering the subscription contract null and void, and allowing the consumer to treat any services provided under such a contract as a gift, and any failure to comply with these requirements may constitute violations of more general consumer protection laws, which could subject us to third-party lawsuits, regulatory fines, or other action or liability, and we expect to incur ongoing costs of compliance.

In addition to the above, we have made, and will continue to make, certain contractual commitments to our educator partners regarding compliance with laws and regulations, and failure to comply could result in breach of contract and indemnification claims and could cause damage to our reputation and impair our ability to grow our business and achieve profitability.

Activities of the U.S. Congress or the DOE, such as changes in spending policies or budget priorities for government funding of colleges, universities, schools, and other education providers, could result in adverse legislation or regulatory action.

Our educator partners include colleges, universities, and other education providers, many of which depend substantially on government funding. Any general decrease, delay, or change in federal, state, or local funding for colleges, universities, and other education providers could cause our current and potential partners to reduce their use of our platform, or delay development of content for our platform, any of which could cause us to lose learners and revenue. For example, a government shutdown as a result of failure to enact funding legislation for the government's next fiscal year, which in turn could negatively impact our business, financial condition, and results of operations.

In addition, the increased scrutiny and results-based accountability initiatives in the education sector, as well as ongoing policy differences in Congress regarding spending levels, could lead to significant changes in connection with the pending reauthorization of the HEA and the associated negotiated rulemaking or otherwise. These changes may place additional regulatory burdens on postsecondary schools participating in the Title IV programs generally, and specific changes may be targeted at companies like us that serve higher education within the U.S. The adoption of any laws or regulations that limit our ability to provide our bundled services to our educator partners could compromise our ability to offer their programs or make our solutions less attractive to them. Congress could also enact laws or regulations that require us to modify our practices in ways that could increase our costs or otherwise adversely impact our business.

Regulatory activities and initiatives of the DOE may have similar consequences for our business even in the absence of Congressional action. According to its regulatory agenda, the DOE intends to issue proposed regulations related to distance education as early as July 2024 and related to state authorization and accreditation, among others, as early as November 2024. No assurances can be given as to how any new rules may affect our business. In addition, the U.S. Supreme Court's decision in Loper Bright Enterprises v. Raimondo (Loper Bright) in June 2024, overturning the "Chevron doctrine" that provided for judicial deference to federal agency interpretations of statutes, has resulted in regulatory uncertainty and may cause industry uncertainty, increasing the risk of legal challenges to current DOE rules, policies, and guidance, and the potential for future enactment of Congressional legislation.

Federal funding and Congressional and DOE rule-making and priorities with respect to educational programs are subject to change, including as a result of U.S. presidential and congressional elections and political appointments, and such changes may have a material adverse impact on our business, financial condition, and results of operations.

While our Degrees business model is designed to align with guidance from a DOE "Dear Colleague" Letter, such guidance is not codified by statute or regulation and may be subject to change.

Each institution that participates in Title IV programs agrees, as a condition of its eligibility to participate in those programs, that it will not "provide any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid, to any person or entity who is engaged in any student recruitment or admission activity, or in making decisions regarding the award of Title IV program funds." The vast majority of our U.S.-based university partners, and some of our non-U.S. university partners, participate in the Title IV programs. Although this rule, referred to as the incentive compensation rule, generally prohibits entities or individuals from receiving incentive-based compensation payments for the successful recruitment, admission, or enrollment of learners, the DOE provided clarifying guidance in March 2011 interpreting the incentive compensation rule as permitting tuition revenue-sharing arrangements known as the "bundled services exception." Our current business model relies heavily on the bundled services exception to enter into tuition revenue-sharing agreements with our Title IV participating university partners.

The DCL issued by the DOE on March 17, 2011, sets forth the guidance of the DOE regarding various regulations that were implemented around that time. The DCL affirms that "[t]he Department generally views payment based on the amount of tuition generated as an indirect payment of incentive compensation based on success in recruitment and therefore a prohibited basis upon which to measure the value of the services provided." The DCL, however, in Example 2-B, clarified an important exception to this prohibition for a business model that complies with the bundled services exception: "A third party that is not affiliated with the institution it serves and is not affiliated with any other institution that provides educational services, which third party provides bundled services to the institution including marketing, enrollment application assistance, recruitment services, course support for online delivery of courses, the provision of technology, placement services for internships, or student career counseling, may receive from an institution an amount based on tuition generated for the institution by the third-party's activities for all bundled services that are offered and provided collectively, as long as the third party does not make prohibited compensation payments to its employees, and the institution does not pay the third party separately for student recruitment services provided by the entity."

The DCL guidance indicates that an arrangement that complies with Example 2-B will be deemed to be in compliance with the incentive compensation provisions of the HEA and the DOE's regulations. Our business model and contractual arrangements with our U.S.-based university partners are designed to follow Example 2-B in the DCL. However, the inherent ambiguity in the DCL and the incentive compensation rule creates the risk that DOE or a court, including, notably, in the context of a "whistleblower" claim under the federal False Claims Act, could disagree with that interpretation. If the DOE or a court determined that our business model or even the practices of a subcontractor did not meet the bundled services exception, we could have contractual obligations to our Title IV participating university partners, such as indemnifying a partner from private claims or government investigations or demands for repayment of Title IV program funds. Even if such claims are without merit, they could cause reputational harm, cause us to incur significant defense costs, result in the termination of our Title IV participating partner agreements, and negatively impact our ability to enter into new agreements.

Further, because the bundled services exception was promulgated by agency guidance through the DCL and is not codified by statute or regulation, there is risk that the exception could be altered or removed without prior notice, public comment period, or other administrative procedural requirements that accompany formal agency rulemaking. The U.S. Supreme Court's decision in the Loper Bright case may also result in legal challenges to the DCL or otherwise result in future changes to the bundled services exception. The DCL has been criticized by commentators and lawmakers, including in a June 2022 report by the U.S. House Committee on Appropriations, which urged the DOE to rescind the guidance. On February 15, 2023, the DOE announced that it is reviewing its DCL guidance on incentive compensation compliance. As a result, if the guidance is rescinded or amended, such changes may materially and adversely impact our business and operations as we may need to alter or replace the current tuition revenue-sharing models in our agreements with Title IV participating university partners.

In addition, the legal weight the DCL would carry in litigation over the propriety of any specific compensation arrangements under the HEA or the incentive compensation rule is uncertain.

We can offer no assurances as to whether the exception in the DCL would be upheld by a court or how it would be interpreted. The revision, removal, or invalidation of the bundled services exception by Congress, the DOE, or a court, whether in an action involving our Company or our university partners, or in action that does not involve us, could require us to change our business model and renegotiate the terms of our university partner agreements and could compromise our ability to generate revenue, thereby potentially materially and adversely impacting our business and operations.

State legislation could negatively affect our Degrees business model.

Effective July 1, 2024, a newly enacted Minnesota law prohibits their public universities from entering into revenue share arrangements to procure marketing and recruiting services in support of their online programs. The Minnesota law also mandates institutional approval for OPM contracts, sets strict reporting and marketing guidelines, and includes a temporary exemption for certain contracts modified before July 1, 2023. In the past, other states, such as California, Florida, and New Jersey, have considered similar legislation to Minnesota, but none have been enacted to date. Our current Degrees business model may be negatively affected by such state legislation, and we may be required to make changes to our model and renegotiate the terms of our university partner agreements with public universities located in such states. If we are unable to comply with the terms of such state legislation or negotiate terms with public universities acceptable under such state legislation, we may have to terminate our Degrees business model in those states, and our ability to generate revenue may be adversely affected.

If we were to become classified as a third-party service ("TPS") under the HEA, we and our Title IV participating university partners would be subject to new compliance requirements, which could adversely impact our business and operations.

On February 15, 2023, the DOE issued "Requirements and Responsibilities for Third-Party Servicers and Institutions" ("GEN-23-03"). Prior to GEN-23-03 and based on longstanding DOE policy, only companies that assisted in financial aid administration functions were classified as a TPS. GEN-23-03 expanded the scope of TPS status to include companies that provide (among other things) recruiting services to Title IV participating universities. A Title IV participating university that engages a TPS must include specific provisions in the TPS contract and must report each TPS contract to the DOE. A company classified as a TPS falls under direct DOE oversight, is jointly and severally liable with the university for any HEA violations, and must undergo an annual audit. Subsequent to the receipt of numerous comments related to GEN-23-03 and a legal challenge, the DOE has delayed implementation of GEN-23-03 and communicated its intention to issue updated guidance on Third Party Servicers. The DOE has not provided any estimate of the timing for re-issuance of TPS-related guidance. However, according to the DOE's regulatory agenda, the DOE intends to issue a TPS proposed regulation as early as June 2025. If in the future we are considered a TPS to those Title IV participating university partners who receive recruiting services from us, those university partners could hesitate to engage us for recruiting services to avoid compliance obligations, and we would incur additional expense in complying with TPS requirements, which could materially and adversely impact our business and operations.

If we violate the misrepresentation rule, or similar federal and state regulatory requirements, we could face fines, sanctions, and other liabilities.

Under our contracts with U.S.-based college and university partners, we are required to comply with other regulations promulgated by the DOE and comparable state laws that affect our marketing activities, including the misrepresentation rule. The misrepresentation rule is broad in scope and applies to statements our employees or agents may make about the nature of an educator partner's program, their financial charges, or the employability of their program graduates. A violation of this rule or other federal or state regulations applicable to our marketing activities by an employee or agent performing services for educator partners could damage our reputation, result in the termination of educator partner agreements, require us to pay fines or other monetary penalties, injunctions or other remedies and require us to pay the fees associated with indemnifying an educator partner from private claims or government investigations. Any such outcomes could have a material adverse effect on our business, financial condition, and results of operations.

We are required to comply with the Family Educational Rights and Privacy Act ("FERPA") for certain of our offerings, and failure to do so could harm our reputation and negatively affect our business.

FERPA generally prohibits an institution of higher education from disclosing personally identifiable information from a learner's education records without the learner's consent. Certain U.S.-based university degree and certificate partners and Coursera for Campus customers and their learners disclose to us certain information that originates from or composes a learner education record under FERPA. Through our contracts to provide services to these institutions, we are indirectly subject to FERPA. If we violate FERPA, it could result in a material breach of agreement with one or more of our educator partners and Coursera for Campus customers could harm our reputation. Further, in the event that we disclose learner information in violation of FERPA, the DOE could require an educator partner to suspend our access to their learner information for at least five years.

We could face liability, or our reputation might be harmed, as a result of the activities of our customers and educators for content on or accessible through our platform.

In some instances, various articles or other third-party content may be posted to our platform by customers and educators for use in class discussions or within asynchronous lessons. The laws governing the fair use of these third-party materials are imprecise and adjudicated on a case-by-case basis, which makes it challenging to adopt and implement appropriately balanced institutional policies governing these practices. As a result, we could incur liability to third parties for the unauthorized duplication, distribution, or other use of this material. In addition, third parties may allege misappropriation, plagiarism, or similar claims related to content appearing on our platform. Any such claims, including claims of defamation, disparagement, negligence, breach of warranty, misappropriation, or personal harm, could subject us to costly litigation and impose a significant strain on our financial resources and management personnel, regardless of whether the claims have merit. Our various liability insurance coverages may not cover potential claims of this type adequately or at all, and we may be required to, or may choose to, alter or cease our uses of such material, which may include changing or removing courses or content from courses or altering the functionality of our platform, or be required to pay monetary damages.

While we rely on a variety of statutory and common-law frameworks and defenses, including those provided by the Digital Millennium Copyright Act of 1998 ("DMCA"), the Communications Decency Act of 1996 ("CDA"), the fair-use doctrine in the U.S., as well as the Digital Services Act ("DSA"), the Digital Markets Act ("DMA") and the e-Commerce Directive in the European Union ("EU"), differences between statutes, limitations on immunity, requirements to maintain immunity, and moderation efforts 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 information or content uploaded by educator partners or learners or otherwise contributed by third-parties to our platform. For example, while Section 230 of the CDA provides certain legal protections to online platforms from litigation related to content posted by users of their platforms, Section 230 has faced increasing litigation challenges and legislative proposals regarding the scope of its protection. These actions may increase the uncertainty of litigation risk for online platforms such as ours. Furthermore, Article 17 of the EU Directive on Copyright in the Digital Single Market affords copyright owners some enforcement rights that may conflict with U.S. safe harbor protections afforded to us under the DMCA. The DSA and DMA have gone into effect in the EU, updating the rules surrounding illegal content and requiring reports on the moderation of content. Moreover, regulators in the U.S. and in other countries in which we operate may introduce new regulatory regimes that increase potential liability for information or content available on our platform, or which impose additional obligations to monitor such information or content, which could increase our costs.

We are subject to government export and import controls and anti-corruption laws 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 import and similar laws and regulations, including the U.S. Department of Commerce's Export Administration Regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. The U.S. export control laws and U.S. economic sanctions laws include restrictions or prohibitions on the purchase or sale of certain technology, goods, and services to U.S. embargoed or sanctioned countries, governments, persons, and entities. 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, our platform could be provided inadvertently in violation of such laws, despite the precautions we take. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to civil or criminal penalties, including the possible loss of export privileges and fines. We may also 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 changes in export and import regulations, such as the increase of sanctions on Russian parties, and discretionary decisions to suspend activities in Russia, may prevent our international learners from utilizing 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 by, or in our decreased ability to export or sell subscriptions to our platform to, existing or potential learners internationally, or could restrict our ability to acquire technology, services, or content. Any decreased use of our platform or limitation on our ability to export or sell our platform would adversely affect our business, results of operations, and financial results.

We are also subject to various domestic and international anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, as well as other similar anti-bribery, anti-kickback laws, and anti-money laundering regulations. These laws and regulations generally prohibit companies and their employees and intermediaries from authorizing, offering, providing, and accepting improper payments or benefits for improper purposes. These laws also require that we keep accurate books and records and maintain compliance procedures designed to prevent any such actions. Although we take precautions to prevent violations of these laws, our exposure for violating these laws increases as our international presence expands and as we increase sales and operations in foreign jurisdictions.

We may become involved in claims, lawsuits, government investigations, and other proceedings that could adversely affect our business, financial condition, and results of operations.

From time to time, we may be subject to claims, lawsuits, government investigations, arbitrations, and other proceedings including IP, privacy, commercial, employment, class action, securities, whistleblower, accessibility, advertising and marketing, consumer protection, and other litigation and claims, and government and other regulatory investigations and proceedings. For example, we are currently party to a class action lawsuit alleging certain violations of the VPPA (as defined below) and face arbitration demands for alleged breach of the VPPA and other privacy laws. Additional allegations or litigation may arise against us in the future, including related to the VPPA and other privacy and consumer protection laws.

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. Refer to Note 9, "Commitments and Contingencies", in the Notes to Condensed Consolidated Financial Statements (Unaudited) included in Part I, Item 1 of this Form 10-Q.

Risks Related to Privacy, Cybersecurity, and Infrastructure

If sensitive information about our educator partners, their employees, or our learners is disclosed, or if we or our third-party providers are subject to cyberattacks, use of our platform could be curtailed, we may be exposed to liability, and our reputation would suffer.

Although we do not directly collect, transmit, and store financial information, such as credit cards and other payment information, except in very limited circumstances related to Enterprise customers, we utilize third-party payment processors who provide these services on our behalf. We also collect and store certain personal data provided by our educator partners, learners, and potential learners, such as names, email addresses, and other data pertaining to their activity on our platform. The collection, transmission, and storage of such information is subject to stringent legal and regulatory obligations. Some of our third-party service providers, such as identity verification and payment processing providers, also regularly have access to personal data. In an effort to protect sensitive information, we rely on a variety of security measures, including encryption and authentication technology licensed from third parties. However, advances in computer capabilities, increasingly sophisticated tools and methods used by hackers and cyberterrorists, new discoveries in the field of cryptography, or other developments may result in our failure or inability to adequately protect sensitive information. In addition, there may be scamming or phishing attempts, such as impersonating our personnel or our educator partners' personnel, in an effort to obtain personal information from our learners or otherwise make inappropriate use of our platform, which could expose us to liability, reduce learner and educator partner satisfaction with our platform, or damage our reputation. For example, we have had several instances of users impersonating professors and inviting learners to off-platform forums in an effort to entice the learners to buy unrelated educational content.

Our platform is vulnerable to power outages, telecommunications failures, and catastrophic events, as well as computer viruses, worms, malicious code, break-ins, phishing attacks, denial-of-service attacks, ransomware, and other cyberattacks. Any of these incidents could lead to interruptions or shutdowns of our platform, loss of data, or unauthorized disclosure of personal data or other sensitive information. Cyberattacks could also result in the theft of our IP. As we gain greater global visibility, we may face a higher risk of being targeted by cyberattacks. Advances in computer capabilities, new technological discoveries, or other developments may result in cyberattacks becoming more sophisticated and more difficult to detect.

Any failure or perceived failure by us to comply with our privacy policies, our privacy or data protection obligations to learners or other third parties, or our privacy or data protection legal obligations, or any compromise of security that results in the unauthorized access, release, use, or transfer of sensitive information, which may include personal data or other data, may result in government enforcement actions, litigation, or public statements against us by consumer advocacy groups or others and could cause learners to lose trust in us, which could have an adverse effect on our business. Furthermore, under the terms of our agreements with degree partners and customers, and our primary legal obligations, we are responsible for the costs of investigating and disclosing data breaches. In addition to costs associated with investigating and fully disclosing a data breach in such instances, we could be subject to substantial costs to remedy the data breach, substantial monetary fines, or private claims by affected parties, and our reputation would likely be harmed.

Further, if we or our third-party service providers experience security breaches that result in platform performance or availability problems or the loss or unauthorized disclosure of sensitive information, our reputation and ability to maintain existing, or attract new, educator partners and learners could be materially adversely affected, and our existing educator partners could scale back their programs or elect to not renew their agreements, prospective learners could decline to enroll or stay enrolled in our educator partners' programs, and we could be subject to third-party lawsuits, regulatory fines, or other action or liability. Further, any reputational damage resulting from breach of our security measures could create distrust of our Company by prospective educator partners or learners.

We and our third-party service providers may not have the resources or technical sophistication to anticipate or prevent all such cyberattacks. Moreover, techniques used to obtain unauthorized access to systems change frequently and may not be known until launched against us or our third-party service providers. Security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by our employees or employees of our third-party service providers or theft or loss of devices.

We expect to incur ongoing costs associated with the detection and prevention of data security breaches and other security-related incidents. We may incur additional costs in the event of a data security breach or other security-related incident. Any actual or perceived compromise of our systems or data security measures or those of third parties with whom we do business, or any failure to prevent or mitigate the loss of personal or other confidential information and delays in detecting or providing notice of any such compromise or loss could disrupt our operations, harm the perception of our security measures, damage our reputation, cause some learners or educator partners to decrease or stop their use of our platform or relationships with us, and could subject us to litigation, government action, increased transaction fees, regulatory fines or penalties, or other additional costs and liabilities that could harm our business, financial condition, and operating results.

We cannot be certain that our insurance coverage will cover or be adequate for data handling or data security liabilities or loss of revenue if our platform is unavailable for any reason, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny 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 coinsurance requirements, could have a material and adverse effect on our business, including our financial condition, operating results, and reputation.

Disruption to or failures of our platform could result in our educator partners and learners becoming unsatisfied with our platform and could harm our reputation.

The performance and reliability of our platform and the underlying technology are critical to our operations, reputation, and ability to attract and retain educator partners and learners. Our educator partners rely on our platform to offer their courses and programs online, and learners must access our platform on a frequent and reliable basis. Our platform is complex and relies on infrastructure provided by third parties, and may contain defects, errors, or vulnerabilities, or may not perform as contemplated. These errors, defects, disruptions, breaches, or other performance problems with our platform could damage our or our educator partners' reputations, decrease educator partner and learner satisfaction and retention, negatively impact our ability to attract new learners and educator partners, and could result in large indemnity payments to learners and educator partners for losses suffered or incurred in connection with any such defects or errors on our platform, or other liabilities relating to or arising from our platform. In addition, sustained or recurring disruptions in our platform or its underlying technology could adversely affect our and our educator partners' compliance with applicable regulations and accrediting body standards.

Further, if we fail to accurately predict the rate or timing of the growth of our platform, we may be required to incur significant additional costs to maintain reliability. We also depend on the development and maintenance of the internet infrastructure, including maintenance of reliable internet networks with the necessary speed, data capacity, and security. If we experience failures in our technology infrastructure or do not expand our technology infrastructure successfully, then our ability to attract and retain partners and learners, our growth prospects, and our business would suffer.

We have experienced, and expect that in the future, we will experience, interruptions, delays, and outages in service and availability from time to time due to a variety of factors, including infrastructure changes, human or software errors, website hosting disruptions, capacity constraints, and lack of network connectivity in one or more regions, which could affect the availability of services on our platform and prevent or inhibit the ability of learners to access or complete courses and programs on our platform. Our technology infrastructure is currently hosted in third-party data centers operated by Amazon Web Services ("AWS"), and our platform and underlying technology is supported by multiple third-party providers. Any disruption in its services, or any failure of AWS or any other third-party provider to handle the demands of our platform, could significantly harm our business and damage our reputation. We do not have control over the operations of the facilities of the third-party providers that we use, and these facilities may be vulnerable to damage or interruption from natural disasters, cybersecurity attacks, terrorist attacks, power outages, and similar events or acts of misconduct.

If we do not maintain the compatibility of our learning management platform with third-party applications that our customers use, our revenue will decline.

A number of our customers integrate our learning management platform with certain learning management systems or learning experience platforms using application programming interfaces for user management, usage reporting, and content listings, and we expect this number of customers to grow. The functionality and popularity of our platform depends, in part, on our ability to integrate our platform with third-party applications and software. Third-party providers of applications may change the features of their applications and software, restrict our access to their applications and software or alter the terms governing use of their applications and access to those applications and software in an adverse manner. Such changes could functionally limit or terminate our ability to use these third-party applications and software in conjunction with our platform, which could negatively impact our offerings and harm our business. If we fail to integrate our platform with new third-party applications and software that our learners and educator partners can utilize, we may not be able to offer the functionality that they need, which would negatively impact our ability to generate revenue and adversely impact our business.

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 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 they terminate their relationships with us or refuse to renew their agreements with us on commercially reasonable terms, 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 timeframe. 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, or such processors may impose additional authentication, validation, or other requirements. Any of these risks could cause us to lose our ability to accept online payments, conduct other payment transactions, or make it difficult for our customers to make payments to us, any of which could make our platform less convenient and attractive and harm our ability to attract and retain educator partners and learners. 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 U.S. 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, could result in liabilities, or could force us to stop offering certain third-party payment services. For example, in late 2021, the Reserve Bank of India imposed additional requirements for recurring credit card payments, and until financial institutions satisfied the new requirements, learners were unable to use credit cards from such institutions to purchase subscriptions. In 2022, Nigerian banks imposed limits on foreign currency spending, and later announced plans to suspend international card transactions completely. 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, process electronic funds transfers, or facilitate other types of online payments, and our business and operating results could be adversely affected.

Our business depends to a significant degree on continued access to the internet and mobile networks.

Our educator partners and learners rely on access to the internet and mobile networks to access our platform. Internet service providers may choose to disrupt or degrade our access to our platform or increase the cost of such access. Internet service providers or mobile network operators could also attempt to charge us for providing access to our platform. In January 2018, the Federal Communications Commission (the "FCC") released an order reclassifying broadband internet access as an information service, subject to certain provisions of Title I of the Communications Act. Among other things, the order eliminates rules adopted in 2015 that prohibited broadband providers from blocking, impairing, or degrading access to legal content, applications, services, or non-harmful devices, or engaging in the practice of paid prioritization (e.g., the favoring of some lawful internet traffic over other traffic in exchange for higher payments). The order was contested and affirmed in federal court, and the parties declined to appeal the decision to the Supreme Court. A number of states have also enacted or are considering legislation or executive actions that would regulate the conduct of broadband providers. While President Biden signed Executive Order 14036 on July 9, 2021, which, among other things, instructed the FCC to restore the net neutrality rules, we cannot predict whether the FCC will restore such rules, and if they do, whether the order or state initiatives will be modified, overturned, or vacated by legal action of the court, federal or state legislation, or the FCC. If net neutrality rules are not implemented, our business could be subject to increased costs and a loss of existing learners, impair our ability to attract new learners, and materially and adversely impact our business and opportunities for growth. Outside of the U.S., government regulation of the internet, including the idea of net neutrality, may be developing or non-existent. As a result, we could face discriminatory or anti-competitive practices that could impede our growth prospects, increase our costs, and harm our business.

If the mobile solutions available to our learners and partners are not effective, the use of our platform could decline.

Learners have been increasingly accessing our platform on mobile devices through our app in recent years. The smaller screen size and reduced functionality associated with some mobile devices may make the use of our platform more difficult or our educator partners may believe that online learning through such mobile devices is not effective. Learners accessing our network primarily on mobile devices may not enroll in the courses or the credentialing programs 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 our educator partners with the functionality to deliver a rewarding experience on mobile devices, their ability to attract learners to their programs may be harmed 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, such as:

- actions taken by mobile app distributors;
- 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 educator partners or customers, including learners, encounter difficulty accessing or using, or if they choose not to use, our mobile platform, our growth prospects and our business may be adversely affected.

Our use and processing of personal information and other data is subject to laws and obligations relating to privacy and data protection, and our failure to comply with such laws and obligations could harm our business.

In the ordinary course of our business, and in particular in connection with merchandising our services to our learners, we collect, process, store, and use personal information and data supplied by learners. Numerous federal, state, and foreign laws, rules, and regulations govern privacy, data protection, and the collection, use, and protection of personal information and other types of data we collect, use, disclose, and otherwise process. These laws, rules, and regulations are constantly evolving, and we expect that there will continue to be new proposed laws, regulations, and industry standards concerning privacy, data protection, and information security in the U.S., the EU, and globally.

In the U.S., a significant example of this is the California Consumer Privacy Act (the "CCPA"), which provides data privacy rights for California consumers and new operational requirements for covered companies. The CCPA provides that covered companies must provide disclosures to California consumers and afford such consumers new data privacy rights that include the right to request a copy from a covered company of the personal information collected about them, the right to request deletion of such personal information, and the right to request to opt-out of certain sales of such personal information. The California Privacy Rights Act (the "CPRA"), effective as of January 1, 2023, significantly modifies the CCPA, including by imposing additional obligations on covered companies and expanding consumers' rights with respect to certain sensitive personal information and rights to object to sharing information for behavioral advertising purposes, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. The CPRA also creates a new state agency that will be vested with authority to implement and enforce the CCPA and the CPRA. Additionally, Virginia, Colorado, Connecticut, and Utah passed privacy laws that went into effect in 2023. New privacy laws have also recently been passed in Indiana, Iowa, Montana and Tennessee, which will become effective between 2024 and 2026. There are a number of additional proposals for U.S. federal and state privacy laws that, if passed, could increase our potential liability, add layers of complexity to compliance in the U.S. market, increase our compliance costs, and adversely affect our business. In addition, all 50 states have laws, including obligations to provide notification of security breaches of computer databases that contain personal information to affected individuals, state officers, and others. Aspects of these U.S. state privacy laws and other laws and regulations relating to data protection, privacy, and information security, as well as their enforcement, remain unclear, and we may be required to modify our practices in an effort to comply with them.

The EU General Data Protection Regulation and UK General Data Protection Regulation (together, "GDPR") impose stringent data protection requirements on businesses processing personal data of EU and UK data subjects, respectively. The GDPR is wide-ranging in scope and imposes numerous additional requirements on companies that process personal data, including requiring that lawful bases exist for all processing of personal data, requiring disclosures to individuals regarding data processing activities, requiring that safeguards are implemented to protect the security of personal data, creating mandatory data breach notification requirements in certain circumstances, and requiring that certain measures (including contractual obligations) are taken when engaging third-party processors or transferring data overseas. The GDPR also provides individuals with various rights in respect of their personal data, including rights of access, erasure, portability, rectification, restriction, and objection. Complying with the GDPR remains an onerous and potentially costly obligation as interpretations of the specific requirements emerge through the courts, enforcement decisions and regulatory guidance. The European Commission issued an adequacy decision in respect of the EU-U.S. Data Privacy Framework on July 10, 2023, permitting transfers of personal data from the EU to U.S. organizations certified under the Framework, without additional transfer mechanisms. The Framework also applies to transfers from the UK to the U.S. as of October 12, 2023. However, legal challenges to the validity of this adequacy decision have already been lodged in the EU, with further challenges expected.

Similar data privacy laws, rules, and regulations in other countries may also impact our business, such as laws in the People's Republic of China, Singapore, Brazil, and India.

Furthermore, the future approach of legislators and regulators with respect to AI may have a significant impact on our business. On October 30, 2023, President Biden signed Executive Order 14110, "Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence (AI)", for which the impact to private businesses is not clear. In March 2024, the European Commission adopted the Artificial Intelligence Act ("AI Act"), which is expected to take full effect in 2026. The AI Act will introduce significant compliance obligations and regulatory fines for breaches on all operators of AI systems. A particular risk of the AI Act is the potential classification of certain uses of AI systems in an educational context as high risk, significantly increasing the compliance burden associated with running such AI systems and which may bring into question the feasibility of operating AI systems for certain use cases. The full extent and applicability of these requirements to our use cases will not be certain unless and until the proposal becomes law.

We cannot yet fully determine the impact that these or future laws, rules, and regulations may have on our business or operations. These laws, rules, and regulations may be inconsistent from one jurisdiction to another, subject to differing interpretations, and may be interpreted to conflict with our practices.

Additionally, we may be bound by contractual requirements applicable to our collection, use, processing, and disclosure of various types of data, including personal information, and may be bound by, or voluntarily comply with, self-regulatory or other industry standards relating to these matters. Any failure or perceived failure by us or any third parties with which we do business to comply with these laws, rules, and regulations, or with other obligations to which we or such third parties are or may become subject, may result in actions against us by government entities or private claims and litigation. For example, we are currently party to a class action lawsuit alleging certain violations of the VPPA. Any such action would be expensive to defend, may require the expenditure of substantial legal and other costs and substantial time and resources, may result in fines, penalties, or other liabilities, and likely would damage our reputation and adversely affect our business and operating results. In many jurisdictions, enforcement actions and consequences for non-compliance with protection, privacy, and information security laws and regulations are rising. In the U.S., possible consequences for non-compliance include enforcement actions in response to rules and regulations promulgated under the authority of federal agencies and state attorneys general and legislatures and consumer protection agencies. In the EU, data protection authorities may impose large penalties for violations of the data protection laws, including potential fines of up to €20 million or 4% of annual global revenue, whichever is greater. The authorities have shown a willingness to impose significant fines and issue orders preventing the processing of personal data on non-compliant businesses. Data subjects also have a private right of action, as do consumer associations, to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of applicable data protection laws. In addition, privacy advocates and industry groups have regularly proposed, and may propose in the future, self-regulatory standards that may legally or contractually apply to us. If we fail to follow these standards, even if no customer information is compromised, we may incur significant fines or experience a significant increase in costs.

Further, in view of new or modified federal, state, or foreign laws and regulations, industry standards, contractual obligations, and other legal obligations, or any changes in their interpretation, we may find it necessary or desirable to fundamentally change our business activities and practices or to expend significant resources to modify our services, and otherwise adapt to these changes. We may be unable to make such changes and modifications in a commercially reasonable manner or at all, and our ability to develop new features could be limited. Privacy, data protection, and information security concerns, whether valid or invalid, may inhibit the use and growth of our platform, particularly in certain foreign countries.

Use of social media, emails, push notifications, and text messages in ways that do not comply with applicable laws and regulations, lead to the loss or infringement of IP, or result in unintended disclosure may harm our reputation or subject us to fines or other penalties.

We use social media, emails, push notifications, and text messages as part of our omni-channel approach to marketing. As laws and regulations evolve to govern the use of these channels, the failure by us, our employees, our partners, or third parties acting at our direction to comply with applicable laws and regulations in the use of these channels could adversely affect our reputation or subject us to fines or other penalties. In addition, our employees, our educator partners, or third parties acting at our direction may knowingly or inadvertently make use of social media in ways that could lead to the loss or infringement of IP, as well as the public disclosure of proprietary, confidential, or sensitive personal information of our business, employees, learners, educator partners, or others. Information concerning us, our educator partners, or learners, whether accurate or not, may be posted on social media platforms at any time and may have an adverse impact on our brand, reputation, or business. The harm may be immediate without affording us an opportunity for redress or correction and could have a material adverse effect on our reputation, business, operating results, financial condition, and prospects.

Risks Related to Intellectual Property

Any failure to obtain, maintain, protect, or enforce our IP and proprietary rights could impair our ability to protect our proprietary technology and our brand and could materially harm our business.

We rely on a combination of IP rights, contractual protections, and other practices to protect our brand, proprietary information, technologies, and processes. We primarily rely on copyright, trade secret and patent laws to protect our proprietary technologies and processes, including the algorithms we use throughout our business. Others may independently develop the same or similar technologies and processes, or may improperly acquire and use information about our technologies and processes, which may allow them to provide a service similar to ours, which could harm our competitive position. Our principal trademark assets include the registered trademark "Coursera" and our logos and taglines. We also hold the rights to the "Coursera.org" internet domain name and various related domain names, which are subject to internet regulatory bodies and trademark and other related laws of each applicable jurisdiction. If we are unable to protect our trademarks or domain names, our brand recognition and reputation would suffer, we would incur significant expense establishing new brands, and our operating results would be adversely impacted. As of June 30, 2024, we had 21 issued patents relating to technology features of our platform, including identity verification, content delivery and navigation, and automation, which patents expire between 2034 and 2040, and a number of U.S. pending patent applications also relating to certain technology features of our platform. We cannot predict whether any pending patent application will result in an issued patent that will effectively protect and enforce our IP. Even if a patent issues, the patent may be circumvented or its validity may be challenged in proceedings before the U.S. Patent and Trademark Office. In addition, we cannot assure you that every significant feature of technology and services will be protected by any patent or patent application. Further, to the extent we pursue patent protection for our innovations, patents we may apply for may not issue, and patents that do issue or that we acquire may not provide us with any competitive advantages or may be challenged by third parties. There can be no assurance that any patents we obtain will adequately protect our inventions or survive a legal challenge, as the legal standards relating to the validity, enforceability, and scope of protection of patent and other IP rights are uncertain.

Third parties may challenge any patents, copyrights, trademarks, and other IP and proprietary rights owned or held by us or may knowingly or unknowingly infringe, misappropriate, or otherwise violate our patents, copyrights, trademarks, and other proprietary rights. We may be required to spend significant resources to monitor and protect our IP rights, and the efforts we take to protect and enforce our proprietary rights may not be sufficient. Even if we do detect violations, we may need to engage in litigation to enforce our IP rights. Any enforcement efforts we undertake, including litigation, could be time-consuming and expensive and could divert our management's attention. In addition, our efforts may be met with defenses and counterclaims challenging the validity and enforceability of our IP rights or may result in a court determining that our IP rights are unenforceable. If we are unable to cost-effectively protect or enforce our IP rights, then our business could be harmed. An adverse decision in any of these legal actions could limit our ability to assert our IP or proprietary rights, limit the value of our IP or proprietary rights, or otherwise negatively impact our business, financial condition, and results of operations. If the protection of our IP and proprietary rights is inadequate to enforce and prevent use or misappropriation by third parties, the value of our brand and other intangible assets may be diminished, competitors may be able to more effectively mimic our service and methods of operations, the perception of our business and service to customers and potential customers may become confused in the marketplace, and our ability to attract customers may be adversely affected.

We may be subject to IP claims, which are extremely costly to defend, could require us to pay significant damages, and could limit our ability to use certain technologies in the future.

Companies in the technology industry are frequently subject to litigation based on allegations of infringement or other violations of IP rights. We periodically receive notices that claim we have infringed, misappropriated, or misused other parties' IP rights. To the extent we gain greater public recognition, we may face a higher risk of being the subject of IP claims. Any IP 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. Litigation regarding IP rights is inherently uncertain due to the complex issues involved, and we may not be successful in defending ourselves in such matters.

In addition, 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 IP rights. 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 IP alleged to be in violation of a third party's rights. We also might be required to seek a license for third-party IP. 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.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and proprietary information.

We have devoted substantial resources to the development of our IP and proprietary rights. In order to protect our IP and proprietary rights, we rely in part on confidentiality agreements with our employees, licensees, independent contractors, and other advisors. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Our use of open source software ("OSS") could negatively affect our ability to offer our solutions and subject us to possible litigation.

A substantial portion of our platform and our solutions incorporate OSS, and we may incorporate additional OSS in the future. OSS is generally freely accessible, usable, and modifiable. Certain OSS licenses may, in certain circumstances, require us: (i) to offer our solutions that incorporate OSS for no cost; (ii) to make available source code for modifications or derivative works we create based upon incorporating or using OSS; and (iii) to license such modifications or derivative works under the terms of the particular OSS license. If an author or other third party that distributes OSS we use were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations, could be required to disclose our proprietary code, and could be subject to significant damages, including being enjoined from the offering of our solutions that contained the OSS and being required to comply with one or more of the foregoing conditions, which could disrupt our ability to offer the affected solutions. We could also be subject to suits by parties claiming ownership of what we believe to be OSS. Litigation could consume management's time and attention, could be costly for us to defend, and could have a negative effect on our operating results and financial condition.

Individuals that appear in content hosted on our platform may claim violation of their rights.

Faculty and learners that appear in video segments hosted on our platform may claim that proper assignments, licenses, consents, and releases were not obtained for use of their likenesses, images, or other contributed content. Our educator partners are contractually required to ensure that proper assignments, licenses, consents, and releases are obtained for their course material, but we do not know with certainty that they have obtained all necessary rights. Moreover, the laws governing rights of publicity and privacy, and the laws governing faculty ownership of educational content, are imprecise and adjudicated on a case-by-case basis, such that the enforcement of agreements to transfer the necessary rights is unclear. As a result, we could incur liability to third parties for the unauthorized duplication, display, distribution, or other use of this material. Any such claims could subject us to costly litigation and impose a significant strain on our financial resources and management personnel, regardless of whether the claims have merit. 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 use of such material, which may include changing or removing content from courses, or to pay monetary damages. Moreover, claims by faculty and learners could damage our reputation, regardless of whether such claims have merit.

Risks Related to Tax, Accounting, and Operations

Our business is subject to indirect taxes.

The application of indirect taxes, such as sales and use taxes, value-added taxes, provincial taxes, goods and services taxes, business taxes, digital service taxes, and gross receipt taxes to businesses like ours is a complex and evolving issue. Significant judgment is required to evaluate applicable tax obligations, and we record estimates that could change. In many cases, the ultimate tax determination is uncertain because it is not clear how existing statutes apply to our business. Federal, state, local, or foreign jurisdictions may seek to impose additional reporting, recordkeeping, or indirect tax collection obligations on businesses like ours that facilitate e-commerce. For example, in 2018, the U.S. Supreme Court ruled that, in certain situations, states can require online merchants to collect and remit sales taxes on transactions in the state despite not having a physical presence in the state. Indirect tax law changes could require us to incur substantial costs to collect and remit taxes and respond to audits, which could affect our operating results or harm our business in the event that we change our pricing to account for the increased obligations.

Amendments to existing tax laws, rules, or regulations or enactment of new unfavorable tax laws, rules, or regulations could have an adverse effect on our business and operating results.

Many of the underlying laws, rules, and regulations imposing taxes and other obligations were established before the growth of the internet and e-commerce. U.S. federal, state, local, and foreign taxing authorities are currently reviewing the appropriate treatment of companies engaged in e-commerce and considering changes to existing tax or other laws that could levy sales, income, consumption, use, or other taxes relating to our activities, and/or impose obligations on us to collect such taxes. If such tax or other laws, rules, or regulations are amended, or if new laws, rules, or regulations are enacted, the results could increase our tax payments or other obligations, prospectively or retrospectively, subject us to interest and penalties, decrease the demand for our services if we pass on such costs to our educator partners or learners, result in increased costs to update or expand our technological or administrative infrastructure, or effectively limit the scope of our business activities if we decided not to conduct business in particular jurisdictions. As a result, these changes may have a material adverse effect on our business, results of operations, financial condition, and prospects.

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

We have incurred substantial federal NOLs during prior periods. NOLs may carry forward to offset future taxable income; however, they could expire unused and be unavailable to offset future income tax liabilities. Specifically, the Tax Cuts and Jobs Act imposes certain limitations on the deduction of NOLs generated in tax years that began on or after January 1, 2018, including a limitation on use of NOLs to offset only 80% of taxable income and the disallowance of NOL carrybacks. Although NOLs generated in tax years before 2018 may still be used to offset future income without limitation, the recent legislation, among other regulatory and economic changes, may limit our ability to use our NOLs to offset any future taxable income. Our NOLs may similarly expire under state laws. In addition, under the rules of Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change", generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation's ability to use its NOLs and other pre-change tax attributes to offset its post-change taxable income or taxes may be limited. The applicable rules generally operate by focusing on changes in ownership among stockholders considered by the rules as owning, directly or indirectly, 5% or more of the stock of a company, as well as changes in ownership arising from new issuances of stock by the company. As a result of these rules, in the event that we experience one or more ownership changes as a result of future transactions in our stock, we may be limited in our ability to use our NOL carryforwards to offset our future taxable income, if any.

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

Generally accepted accounting principles in the U.S. are subject to interpretation by the Financial Accounting Standards Board, the U.S. Securities and Exchange Commission ("SEC"), and various bodies formed to promulgate and interpret 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.

If our internal control over financial reporting ("ICOFR") or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results, prevent fraud, or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and may lead to a decline in our stock price.

We are required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act ("SOX"). In addition, our independent registered public accounting firm is required to annually attest to the effectiveness of our ICOFR. SOX requires that we maintain effective ICOFR and disclosure controls and procedures. In particular, on an ongoing basis, we must perform system and process evaluations, document our controls, and perform testing of our key controls over financial reporting to allow management and our independent public accounting firm to report on the effectiveness of our ICOFR. If we are not able to comply with SOX requirements, or if we or our independent public accounting firm identify deficiencies in our ICOFR that are deemed to be material weaknesses, the market price of our stock would likely decline, and we could be subject to lawsuits, sanctions, or investigations by regulatory authorities, which would require additional financial and management resources.

We may encounter difficulties in the timely and accurate reporting of our financial results, which would impact our ability to provide our investors with information in a timely manner. As a result, our investors could lose confidence in our reported financial information, and our stock price could decline.

Our operations as a public company require substantial costs and substantial management attention, and we may not be able to manage our operations as a public company effectively or efficiently.

As a public company, we incur significant legal, accounting, and other expenses. Our management team and other personnel devote a substantial amount of time to, and we may not effectively, or efficiently manage our operations as a public company. For example, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the applicable requirements of SOX and the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the rules and regulations of the SEC and the New York Stock Exchange. If, notwithstanding our efforts to comply with these laws, regulations, and standards, we fail to comply, regulatory authorities may initiate legal proceedings against us, and our business may be harmed. Further, failure to comply with these rules might make it more difficult for us to obtain some types of insurance, including director and officer liability insurance, and we might be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on committees of our board of directors, or as members of senior management. As such, we invest resources to comply with evolving laws, regulations, and standards. This investment results in increased general and administrative expenses.

If we are unable to recruit and retain skilled accounting and finance personnel, the quality and timeliness of our financial reporting may suffer, which could result in the identification of material weaknesses in our internal controls. Any consequences resulting from inaccuracies or delays in our reported Consolidated Financial Statements could cause our stock price to decline and could harm our business, financial condition, and results of operations.

Risks Related to Our Common Stock

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

Our stock price may be volatile and may decline, and you may not be able to resell your shares at or above the price at which your shares were acquired. The trading price and volume of our common stock could fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- variations in our operating results and other financial and operational metrics, including the key financial and operating metrics disclosed in this Form 10-Q, as well as how those results and metrics compare to analyst and investor expectations;
- speculation in the market about our operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates or ratings by any securities analysts who follow us, or our failure to meet these estimates or the expectations of investors;

- events or factors resulting from global health crises such as the COVID-19 pandemic, war or other outbreak of hostilities, geopolitical tensions, acts of terrorism, responses to these events, or the perception that any such factors or events may occur;
- announcements of new services or enhancements, strategic alliances or significant agreements, or other developments by us or our competitors;
- announcements by us or our competitors of mergers or acquisitions or rumors of such transactions involving us or our competitors;
- changes in management, other key personnel, or our board of directors;
- disruptions in our platform due to hardware, software, or network problems, security breaches, or other issues;
- the strength of the global economy or the economy in the jurisdictions in which we operate, and market conditions in our industry and those affecting our educator partners and learners;
- trading activity by our principal stockholders, and other market participants, in whom ownership of our common stock may be concentrated;
- market perception of, or reaction to, our share repurchase program;
- price and volume fluctuations, and general volatility, in the overall stock market;
- the performance of the equity markets in general and in our industry;
- the operating performance of other similar companies;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- new laws or regulations, new interpretations of existing laws, or regulations applicable to our business;
- litigation or other claims against us;
- the number of shares of our common stock that are available for public trading; and
- any other factors discussed in this Form 10-Q.

In addition, if the market for technology stocks, education stocks, or the stock market in general experiences a loss of investor confidence, whether due to any of the foregoing factors or otherwise, the price of our common stock could decline for reasons unrelated to our business, results of operations, or financial condition. The price of our common stock might also decline in reaction to events that affect other companies, even if those events do not directly affect us. These broad market fluctuations, as well as general economic, political, and market conditions, such as recessions or inflation, may cause declines in the market price of our common stock, and you may not realize any return on your investment in us and may lose some or all of your investment.

Some companies that have experienced volatility in the trading price of their stock have been the subject of securities class action litigation. If we are the subject of such litigation, it could result in substantial costs and could divert our management's attention and resources, which could adversely affect our business.

In addition, as of June 30, 2024, we had 28,814,756 shares that were issuable upon exercise of outstanding stock options or the vesting of outstanding restricted and performance stock units. Sales of stock by these equity holders or the perception that such sales could occur could adversely affect the trading price of our common stock.

We may issue additional common stock, convertible securities, or other equity in the future. 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.

Our actual operating results may not meet our guidance or analyst or investor expectations, which would likely cause our stock price to decline.

From time to time, we have released and may continue to release guidance in our earnings releases, earnings conference calls, or otherwise, regarding our future performance that represent our management's estimates as of the date of release. If given, this guidance, which will include forward-looking statements, will be based on projections prepared by our management. Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control. The principal reason that we expect to continue to release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. With or without our guidance, analysts and investors may publish or otherwise have expectations regarding our business, financial condition, and results of operations, for which we do not accept any responsibility. Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us or analysts will not materialize or will vary significantly from actual results. If our actual performance does not meet or exceed our guidance or analyst or investor expectations, the trading price of our common stock is likely to decline.

We do not intend to pay dividends on our common stock for the foreseeable future, so any returns on your investment will be limited to changes in the value of our common stock.

We have never declared or paid any dividends on our common stock. We currently anticipate that we will retain future earnings for the development, operation, and expansion of our business and do not anticipate declaring or paying any dividends for the foreseeable future. In addition, if we were to enter into loan or similar agreements in the future, these agreements may contain restrictions on our ability to pay dividends or make distributions. Any return to stockholders will therefore be limited to the increase, if any, in our stock price, which may never occur.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our Company more difficult, limit attempts by our stockholders to replace or remove our current management, and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and bylaws, may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights, and preferences determined by our board of directors that may be senior to our common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the Chairman of our board of directors, our President, or our Chief Executive Officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed only for cause;
- provide that vacancies on our board of directors may be filled by a majority of directors then in office, even if less than a quorum; and
- require the approval of our board of directors or the holders of at least 66 2/3% of our outstanding shares of capital stock to amend our bylaws and certain provisions of our certificate of incorporation.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in a broad range of business combinations with any interested stockholder for a period of three years following the date on which such stockholder became an interested stockholder. Further, as a PBC, we may be less attractive as a takeover target than a traditional company and, therefore, your ability to realize your investment through an acquisition may be limited. Any delay or prevention of a change of control transaction or changes in our management could cause our stock price to decline or could prevent or deter a transaction that you might support.

The exclusive forum provision in our organizational documents may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims.

Our amended and restated certificate of incorporation and bylaws provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the Court of Chancery of the State of Delaware (or, if that court lacks subject matter jurisdiction, another federal or state court situated in the State of Delaware) shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) 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, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our bylaws, or (iv) any action asserting a claim against us governed by the internal affairs doctrine. Our amended and restated charter and bylaws further provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts are the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

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 U.S. will be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. 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 U.S. have exclusive jurisdiction.

Any person or entity purchasing or otherwise acquiring any interest in our capital stock shall be deemed to have notice of and consented to the provisions of our amended and restated certificate of incorporation and bylaws described above. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers, or other employees. Alternatively, if a court were to find these provisions of our bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition, and results of operations and result in a diversion of the time and resources of our management and board of directors.

Risks Relating to Our Existence as a Public Benefit Corporation

Although we operate as a Delaware PBC, we cannot provide any assurance that we will achieve our public benefit purpose.

As a Delaware PBC, we are required to produce a public benefit and to operate in a responsible and sustainable manner, balancing our stockholders' pecuniary interests, the interests of those materially affected by our conduct, and the public benefit identified by our certificate of incorporation. There is no assurance that we will achieve our public benefit purpose or that the expected positive impact from being a PBC will be realized, which could have a material adverse effect on our reputation, which in turn may have a material adverse effect on our business, results of operations, and financial condition.

As a PBC, we are required to publicly report at least biennially on our overall public benefit performance and on our assessment of our success in achieving our specific public benefit purpose. If we are not timely, are unable to provide this report, or if the report is not viewed favorably by parties doing business with us or by regulators or others reviewing our credentials, our reputation and status as a PBC may be harmed.

If our publicly reported Certified B Corporation™ ("B Corp") score declines, or if we lose our certified B Corp status, our reputation could be harmed and our business could suffer.

We have been certified as a B Corp through B Lab. B Corp certification requires us to meet rigorous standards of social and environmental performance, accountability, and transparency. We believe that our B Corp status enables us to strengthen our credibility and trust among our customers and educator partners. Our business model and brand could be harmed if we are unable to maintain certification as a B Corp. In 2022, we completed our reassessment following our initial public offering, and to maintain certification, we must undergo a reassessment every three years. B Lab's certification requirements are subject to periodic changes and updates, including a recently-released proposed new framework, which if adopted in its present form, could make it more difficult to achieve certification. Whether due to our choice or our failure to meet B Lab's certification requirements, a loss of our certification could create a perception that we are more focused on financial performance and no longer as committed to the values expected of a B Corp. Likewise, our reputation could be harmed if our publicly reported B Corp score declines or if we take actions that are perceived to be misaligned with B Corp values.

As a PBC, our focus on a specific public benefit purpose and producing a positive effect for society may negatively impact our financial performance.

Unlike traditional Delaware corporations, whose directors have a fiduciary duty to focus exclusively on maximizing stockholder value, our directors have a fiduciary duty to consider not only stockholders' interests, but also the Company's specific public benefit and the interests of other stakeholders affected by our actions. Therefore, we may take actions that we believe will be in the best interests of those stakeholders materially affected by our specific benefit purpose, even if those actions do not maximize our financial results. While we intend for this public benefit designation and obligation to provide an overall net benefit to us, our educator partners, and learners, it could instead cause us to make decisions and take actions without seeking to maximize the income generated from our business, and hence available for distribution to our stockholders. Our pursuit of longer-term or non-pecuniary benefits may not materialize within the timeframe we expect or at all and may have a negative effect on any amounts available for distribution to our stockholders. Accordingly, being a PBC and complying with our related obligations could harm our business, results of operations, and financial condition, which in turn could cause our stock price to decline.

Additionally, as a PBC, we may be less attractive as a takeover target than a traditional company and, therefore, your ability to realize your investment through an acquisition may be limited. PBCs may also not be attractive targets for activists or hedge fund investors because new directors would still have to consider and give appropriate weight to the public benefit along with stockholder value, and stockholders can enforce this through derivative suits. Further, by requiring the boards of directors of PBCs to consider additional constituencies other than maximizing stockholder value, Delaware PBC law could potentially make it easier for a board to reject a hostile bid, even where the takeover would provide the greatest short-term financial yield to investors.

Our directors have a fiduciary duty to consider not only our stockholders' interests, but also our specific public benefit and the interests of other stakeholders affected by our actions. If a conflict between such interests arises, there is no guarantee such a conflict would be resolved in favor of our stockholders.

While directors of traditional Delaware corporations are required to make decisions they believe to be in the best interests of their stockholders, directors of a PBC have a fiduciary duty to consider not only the stockholders' interests, but also the company's specific public benefit and the interests of other stakeholders affected by the company's actions. Under Delaware law, directors are shielded from liability for breach of these obligations if they make informed and disinterested decisions that serve a rational purpose. Thus, unlike traditional Delaware corporations that must focus exclusively on stockholder value, our directors are not merely permitted, but obligated, to consider our specific public benefit and the interests of other stakeholders. In the event of a conflict between the interests of our stockholders and the interests of our specific public benefit or our other stakeholders, our directors must only make informed and disinterested decisions that serve a rational purpose; thus, there is no guarantee such a conflict would be resolved in favor of our stockholders, which could harm our business, results of operations, and financial condition, which in turn could cause our stock price to decline.

Our focus on the long-term best interests of our Company as a PBC and our consideration of all of our stakeholders, including our stockholders, learners, educator partners, employees, the communities in which we operate, and other stakeholders that we may identify from time to time, may conflict with short- or medium-term financial interests and business performance, which may negatively impact the value of our common stock.

We believe that focusing on the long-term best interests of our Company as a PBC and our consideration of all of our stakeholders, including our stockholders, learners, educator partners, employees, the communities in which we operate, and other stakeholders we may identify from time to time, is essential to the long-term success of our Company and to long-term stockholder value. Therefore, we have made, and may in the future, make decisions that we believe are in the long-term best interests of our Company and our stockholders, even if such decisions may negatively impact the short- or medium-term performance of our business, results of operations, and financial condition or the short- or medium-term performance of our common stock. Our commitment to pursuing long-term value for the Company and its stockholders, potentially at the expense of short- or medium-term performance, may have a material adverse effect on the trading price of our common stock, including making ownership of our common stock less appealing to investors who are focused on returns over a shorter time horizon. Our decisions and actions in pursuit of long-term success and long-term stockholder value, which may include changes to our platform to enhance the experience of our learners, educator partners, and the communities in which we operate, including by improving the trust and safety of our platform, changes in the manner in which we deliver community support, investing in our relationships with our learners, educator partners, and employees, investing in and introducing new offerings and services, investing in social impact initiatives consistent with our public benefit objectives, or changes in our approach to working with local or national jurisdictions on laws and regulations governing our business, may not result in the long-term benefits that we expect, in which case our business, results of operations, and financial condition, as well as the trading price of our common stock, could be materially adversely affected.

As a PBC, we may be subject to increased derivative litigation concerning our duty to balance stockholder and public benefit interests, the occurrence of which may have an adverse impact on our financial condition and results of operations.

Stockholders of a PBC (if they, individually or collectively, own the lesser of (i) two percent of the company's outstanding shares, or (ii) shares with a market value of $2 million or more on the date the lawsuit is instituted) are entitled to file a derivative lawsuit claiming the directors failed to balance stockholder and public benefit interests. Such derivative suits would be subject to the exclusive forum provision in our amended and restated certificate of incorporation, requiring them to be heard in the Delaware Chancery Court (or, if that court lacks subject matter jurisdiction, another federal or state court situated in the State of Delaware). This potential liability does not exist for traditional corporations. Therefore, we may be subject to the possibility of increased derivative litigation, which would require the attention of our management, and, as a result, may adversely impact our management's ability to effectively execute our strategy. Additionally, any such derivative litigation may be costly, which may harm our financial condition and results of operations.

If we cannot maintain our company culture and public benefit commitment, our business could be harmed.

We believe that our company culture has been critical to our success. In addition, we believe that our status as a PBC and our commitment to providing global access to flexible and affordable world-class learning that supports personal development, career advancement, and economic opportunity distinguish us from our competitors and promote a relationship among our educator partners, learners, and employees founded on trust. However, we face a number of challenges that may affect our ability to sustain our company culture, including:

- a need to identify, attract, reward, and retain people in leadership positions in our organization who share and further our culture, values, mission, and public benefit objectives;
- the increasing size and geographic diversity of our workforce, and our ability to promote an inclusive and consistent culture across all our offices and employees, including those in a remote work environment;
- the market perception about our public benefit objectives;
- competitive pressures that may divert us from our mission, vision, and values;
- the continued challenges of a rapidly evolving industry; and
- the increasing need to develop expertise in new areas of business that affect us.

If we are unable to maintain our company culture and demonstrate our commitment to our mission as a PBC, it could harm our business and reputation.

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

Issuer Purchases of Equity Securities

On April 26, 2023, our board of directors approved a share repurchase program with authorization to purchase up to $95 million of our common stock with no expiration date (the "Repurchase Program"). In May 2024, we completed the purchase authorization under the Repurchase Program, which was funded with our existing cash and cash equivalents.

The following table presents details of our monthly share repurchases for the three months ended June 30, 2024:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Approximate dollar value of shares that may yet be repurchased under the program
				(in thousands)
April 2024	1,135,280	$ 13.87	1,135,280	$ 14,892
May 2024	1,532,737	$ 9.74	1,532,737	$ —
June 2024	—	$ —	—	$ —
Total	2,668,017	$ 11.49	2,668,017	$ —

Item 5. Other Information

Rule 10b5-1 Trading Arrangements

During the three months ended June 30, 2024, the following directors each adopted a Rule 10b5-1 trading arrangement, as defined in Item 408 of Regulation S-K, for the sale of our common stock. Shares in each Rule 10b5-1 trading arrangement that are subject to restricted stock units ("RSUs") and stock options may only be traded following satisfaction of applicable vesting requirements. In addition, because of pricing (such as future share price targets) and timing conditions in each Rule 10b5-1 trading arrangement, it is not yet determinable how many shares actually will be sold under each plan prior to its expiration date. The maximum number of shares to be sold under each Rule 10b5-1 trading arrangement is determined as of the date the respective arrangement was adopted.

On June 12, 2024, Amanda Clark entered into a Rule 10b5-1 trading arrangement that provides for the sale of up to (i) 10,896 shares subject to the vesting of RSUs. This trading arrangement expires on May 23, 2025, or upon the earlier completion of all authorized sales.

On June 13, 2024, Andrew Ng entered into a Rule 10b5-1 trading arrangement that provides for the sale of up to 455,000 shares of our common stock. This trading arrangement expires on March 19, 2025, or upon the earlier completion of all authorized sales.

These Rule 10b5-1 trading arrangements were entered into in writing during an open trading window and are intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended, and our policies regarding transactions in our securities.

During the three months ended June 30, 2024, no other directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Coursera, Inc. (incorporated by reference from Exhibit 3.1 filed with the registrant's Current Report on Form 10-Q filed August 13, 2021).
3.2	Amended and Restated Bylaws of Coursera, Inc. (incorporated by reference from Exhibit 3.2 filed with the registrant's Current Report on Form 10-Q filed August 13, 2021).
10.1+	Amended and Restated Non-Employee Director Compensation Policy of the Board of Directors of Coursera, Inc.
10.2+	Separation Agreement and General Release between Coursera, Inc. and Leah Belsky dated May 3, 2024.
10.3+	Offer Letter between Coursera, Inc. and Leah Belsky dated April 26, 2024.
10.4+	Separation Agreement and General Release between Coursera, Inc. and Shravan Goli dated May 3, 2024.
10.5+	Offer Letter between Coursera, Inc. and Shravan Goli dated April 26, 2024.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1#	Certification of Principal Executive 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 Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act or deemed to be incorporated by reference into any filing under the Exchange Act or the Securities Act of 1933 except to the extent that the Company specifically incorporates it by reference.

+ Indicates management contract or compensatory plan or arrangement.

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.

COURSERA, INC.

Date: August 1, 2024	By:	/s/ Jeffrey N. Maggioncalda
		Jeffrey N. Maggioncalda
		President, Chief Executive Officer, and Director
		(Principal Executive Officer)
Date: August 1, 2024	By:	/s/ Kenneth R. Hahn
		Kenneth R. Hahn
		Senior Vice President, Chief Financial Officer, and Treasurer
		(Principal Financial Officer)
Date: August 1, 2024	By:	/s/ Michele M. Meyers
		Michele M. Meyers
		Vice President, Accounting and Chief Accounting Officer
		(Principal Accounting Officer)