

Udemy

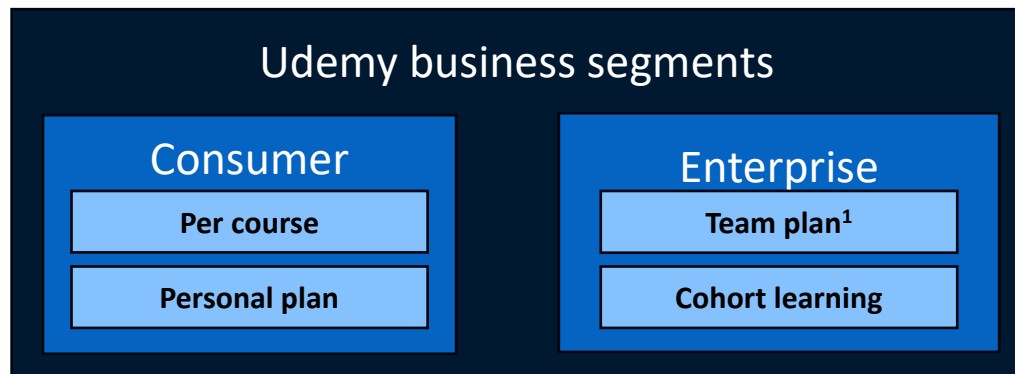
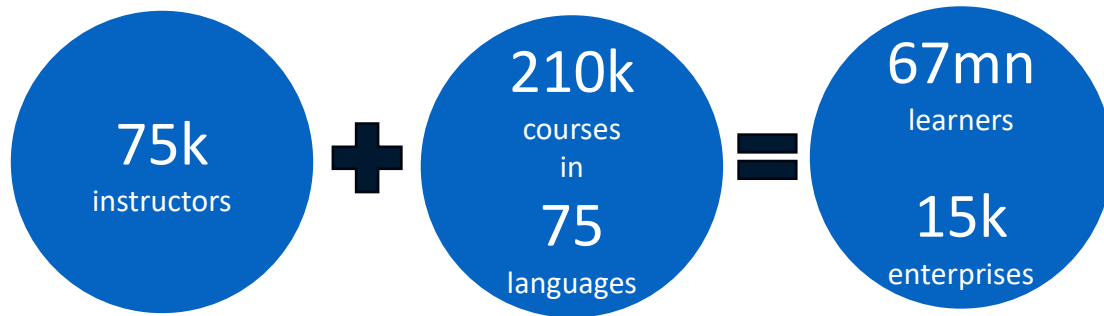
Business overview and outlook

Date: 04th Jan 2024

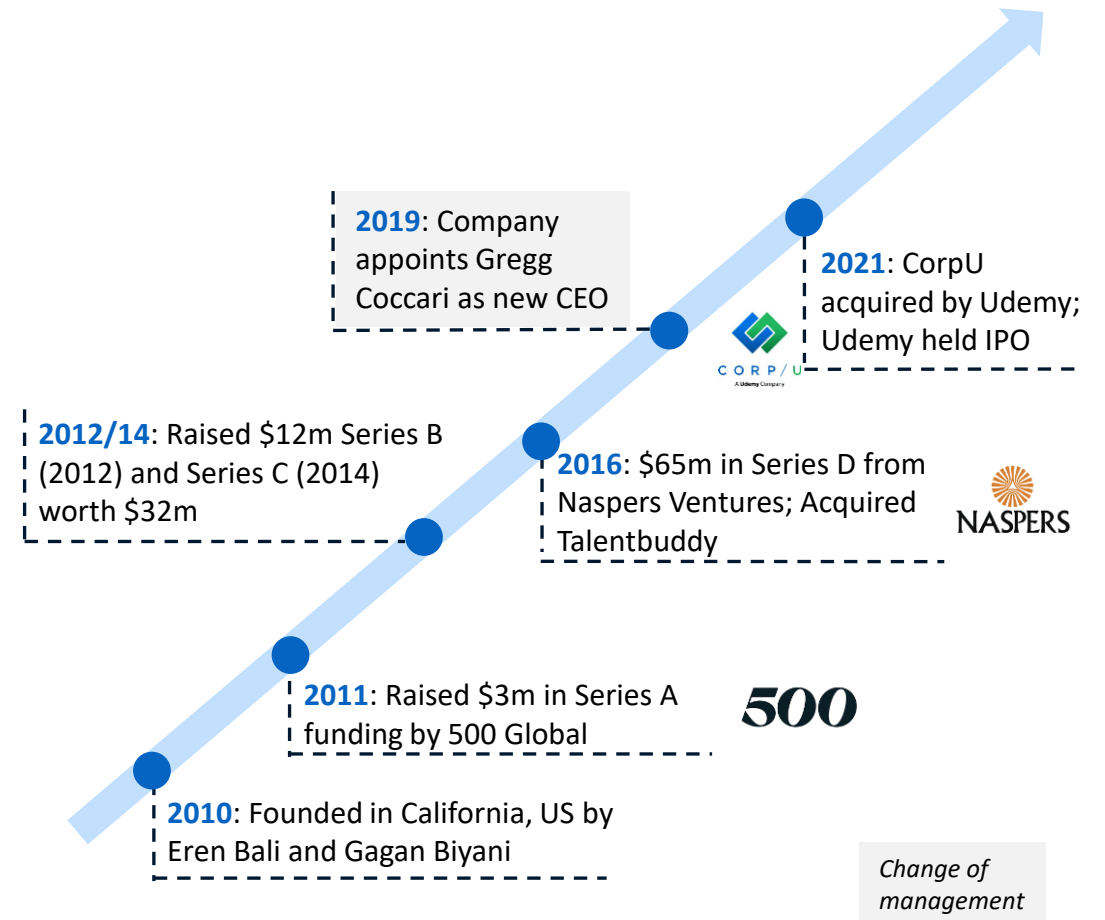


Udemy is a leading online education business that caters to over 67m retail customers and 15k enterprises

Udemy - Business overview



Udemy timeline of fund raises and acquisitions



1. There are three plans for teams – a fixed price per seat offering, customised Enterprise plan for larger organisations with APIs and learning administration system, and Business Pro with assessments, labs and workspaces used typically for technical courses Source: Udemy Annual Report, Perspective research & analysis

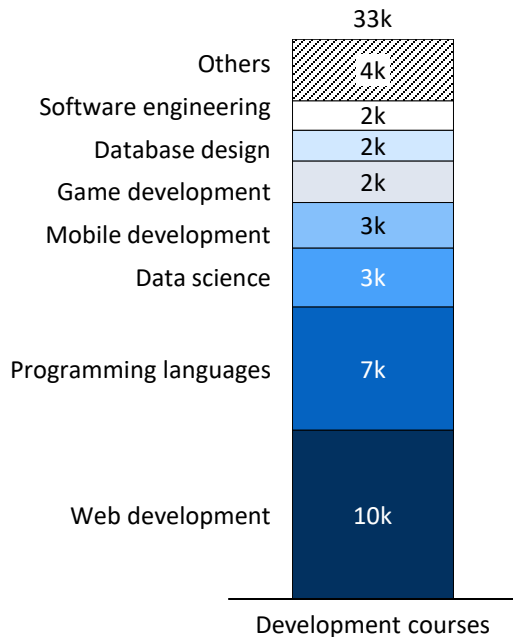
Udemy's consumer segment offers a variety of courses to individual learners while the enterprise segment is geared to fulfil training requirements of businesses of different sizes

Consumer segment

Target customers: Adult learners

Offering

- Over **200k courses in 75 languages** on the platform curated by **13 topic areas** including (software) Development, Business, and Design



Growth strategy for the retail segment

- Land-and-expand:** Udemy's marketplace has over **20,000 free courses** which serve as an important source of conversion to paid enrollments
- International expansion and localization:** Udemy has learners from **190 countries** which explains Udemy's multi-lingual offering. Further accessibility is enhanced through local payment methods and local marketing

Enterprise segment

Target customers: Organisations (businesses and governments)

Offering

- Udemy business operates through annual or multi-year subscription licenses
- Udemy's value proposition revolves around being an all-encompassing learning platform with plans developed around the scale and varying needs of organisations

Team plan

- 20k+ courses
- Basic learner management

Enterprise plan

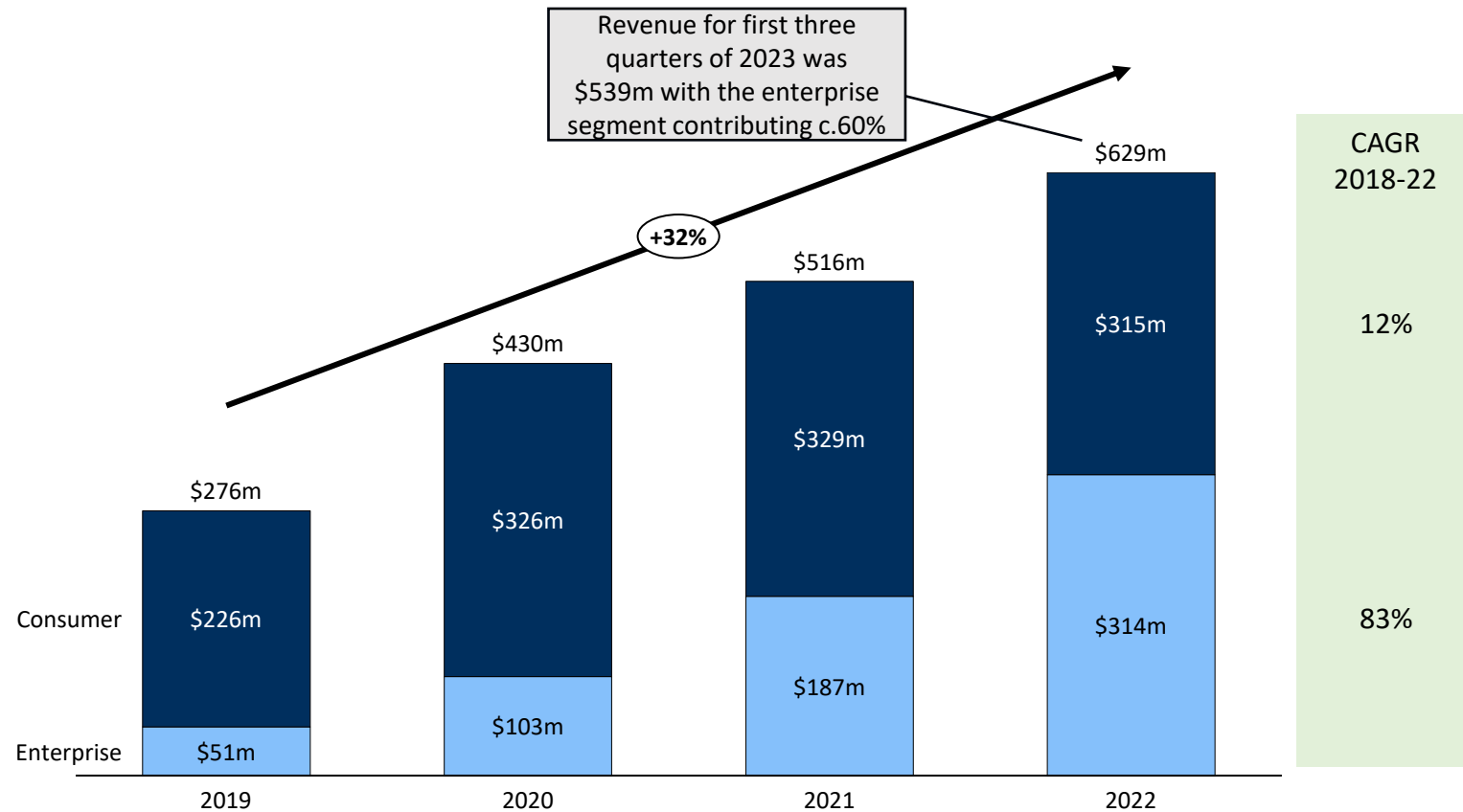
- Team plan +
- API integrations, advanced learner management

Enterprise Pro plan

- Enterprise plan +
- Immersive learning with workspaces and labs

The enterprise segment is Udemy's growth engine growing at CAGR 83% between 2019-22

Financials



Commentary

- The Enterprise segment is leading the growth in the business with about 50% of the revenue contribution in 2022
- 15k companies including Fortune 500 companies such as Cisco, P&G, Citi, and Samsung among others
- Partnerships play a huge role in the growth of this segment. Udemy recently announced multi-year partnership with McLaren Racing to become the official learning and skills partner. Udemy's branding will be featured on NEOM McLaren Formula Team's race cars

"When I started three and a half years ago, we had maybe 2,000 courses on our B2B side. Now we have 13,400 enterprise customers and 213,000 courses in 75 languages and 57 million learners. The numbers have grown astronomically"
 - Director of Corporate Sales Annette Kasper

ACQUISITIONS

Udemy selectively engages in M&A activities. The only two acquisitions made by the company were strategic in enhancing its capabilities in programming and cohort based learning

Talentbuddy

Year acquired: 2016

HQ: Vancouver, Canada

Acquisition amount: *Undisclosed*



Business summary: Platform for interactive coding with a 45k developer userbase. Their web applications include Sunnytrial and Talentguide

Rationale for acquisition:

- The acquisition led to integration of coding exercises into the Udemy experience and strengthening experiential learning capabilities for programming
- The tools enable instructors to get creative with their course material and offer engaging content. Students find the right blend of hands-on experience and video content which leads to better learning outcomes

CorpU

Year acquired: 2021

HQ: Philadelphia, US

Acquisition amount: \$24.5m



Business summary: Online leadership development platform that delivers cohort-based immersive learning

Rationale for acquisition:

- The acquisition fuels Udemy's enterprise segment with Fortune 500 companies and marks the expansion into corporate L&D market
- CorpU also adds capabilities such as personalized coaching, collaboration tools, and leadership development programs to Udemy's portfolio

Udemy positions itself as a quintessential learning and teaching marketplace with a massive course catalogue that attracts a wide variety of learners

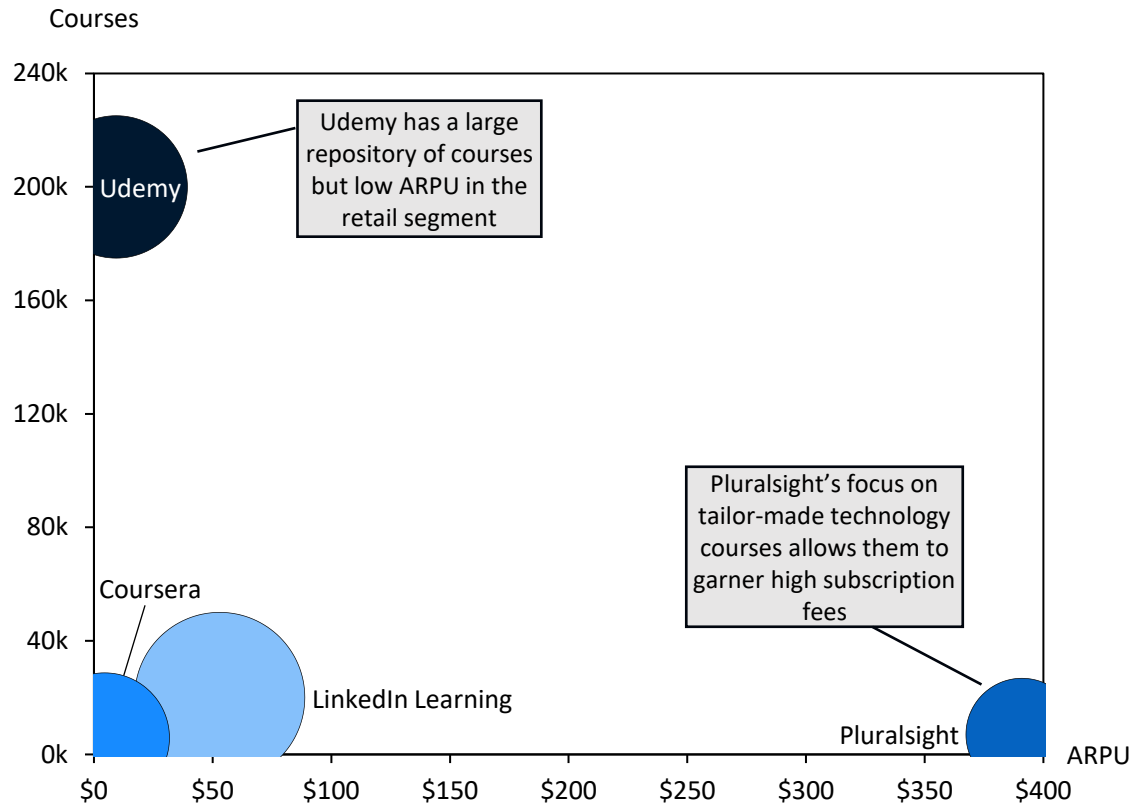
Coursera offers courses from over 300 universities

	Udemy	Coursera	LinkedIn Learning	Pluralsight	Skill Share
Business model	Market place model; Revenue share with instructors based on course sales	University/industry educator partners branded programs (certification and degree)	Upfront payment for approved instructors	Focussed on Tech courses; Upfront payment for approved instructors	Revenue share with instructors based on watch time
Courses	200k (in 75 languages)	5.8k	20k	7k	29k
Customer segment	D2C and B2B	D2C and B2B	D2C and B2B	D2C and B2B	D2C
Users	67m	118m	17m	1m	12m
Pricing	\$30/mo	\$59/mo	\$19.9/mo	\$29/mo	\$14/mo
Revenue	\$629m	\$524m	c.\$900m ¹	\$544m	-
Revenue arrangement (% retained by platform)	Udemy platform - 63% Instructor promotions - 3%	Between 25% to 40%	N/A	N/A	Referral – 40%

1. LinkedIn Learning financials estimated using total revenue of 2023; c.6% of LinkedIn's revenue in 2015 was from Learning & Development Source: Udemy, LinkedIn, Coursereviewers, Dealroom, Inside HigherEd Perspective research & analysis

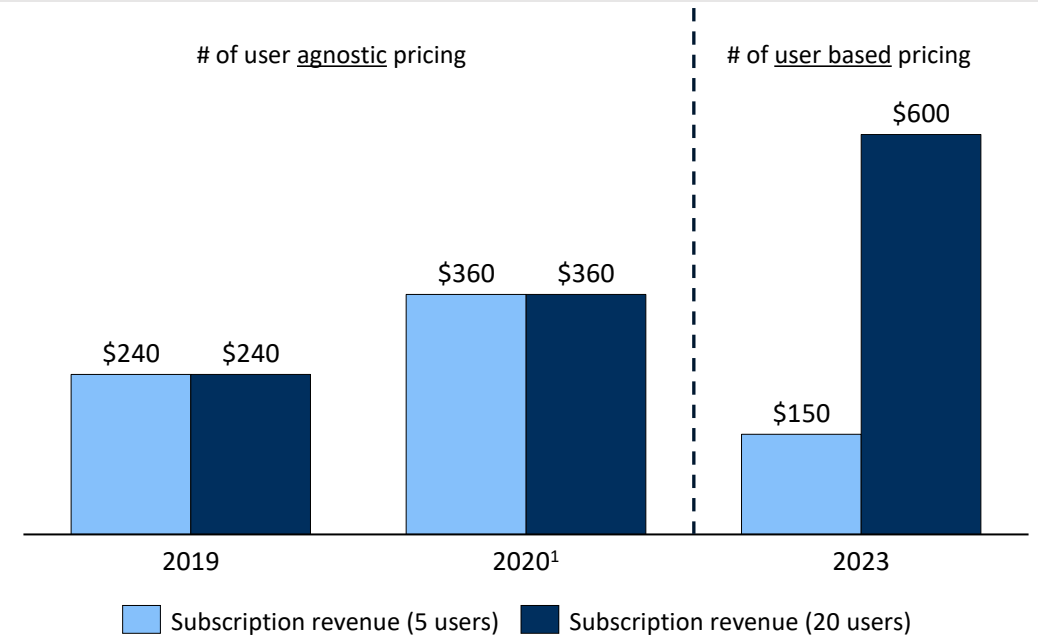
Udemy has a relatively lower ARPU in the retail segment; in the business segment, it has changed its pricing strategy to realise higher revenue potential

ARPU Vs. Total course offering for Udemy retail segment



Revenue potential in different Udemy Business pricing plans

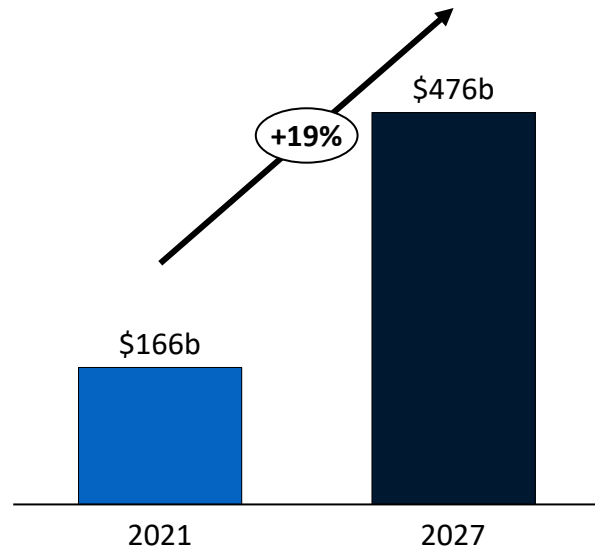
- The enterprise segment started out with a member agnostic plan for small businesses (5-20 members)
- Udemy increased the price from \$240 to \$360 in 2020 and anchored customers at this price point for three years
- In 2023, they changed the price structure based on the number of users



1. The pricing remained the same between 2020 and 2022
 Source: Udemy, Perspective research & analysis

Udemy will face tailwinds from the growing demand for corporate learning. The business can accelerate its growth by offering additional services and acquiring complementary businesses

Online learning market estimate¹



- The online learning market is expected to grow at 19% CAGR between 2021-27
- Significant growth in the online corporate training environment which shifted online in the aftermath of COVID-19
- These tailwinds play in favor of Udemy which is heavily invested in the enterprise learning segment

Udemy business outlook and recommendations for growth

Rollout of individual subscription plan: Subscriptions have so far been introduced only in 14 markets; rapid rollout of the subscription plan will boost sales in the consumer segment

Rationale: *Subscriptions are sticky and will boost ARR. However, the risk with subscriptions is that of pilferage as it happened with Netflix's password sharing*

University partnerships: Udemy could look into the space of University partnerships as they build out cohort based learning programs with the acquisition of CorpU

Rationale: *The university branded programs offer a certain legitimacy/recognition to the learning experience and thus can be priced higher*

Placement support service for the consumer segment: Udemy could garner additional revenue streams from a placement support service through which skills learnt on the platform could be used to scout for employment opportunities

Rationale: *Upgrad, an Indian edtech company, has a job placement support which makes for a stronger value proposition*

Acquisitions: Udemy has largely grown through organic channels, acquisitions will accelerate the pace of growth

Rationale: *Pluralsight, a competitor, for instance, has been growing through a spree of acquisitions. Their most recent acquisitions include DevelopIntelligence (2020), A Cloud Guru (2021) and Next Tech (2021)*

1. Includes K-12

Source: Tracxn, Arizton, Gartner, Perspective research & analysis