



Coursera

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Coursera's Fourth Quarter and Full Year 2021 Earnings Call.

At this time, participants are in a listen-only mode. Please be advised that this call is being recorded. After the speakers' prepared remarks, there will be a question-and-answer session. Thank you.

I'd like to turn the call over to Cam Carey, Head of Investor Relations. Mr. Carey, you may begin.

Cam Carey

Hi, everyone, and thank you for joining our Q4 earnings conference call. With me today is Jeff Maggioncalda, Coursera's Chief Executive Officer; and Ken Hahn, our Chief Financial Officer. Following their prepared remarks, we will open the call for your questions.

Our press release, including financial tables, was issued after market close and is posted on our Investor Relations website, where this call is being simultaneously webcast. Additionally, downloadable versions of our prepared remarks and supplemental slides have also been made available.

During this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of non-GAAP measures to the most directly comparable GAAP measure can be found in today's press release and supplemental presentation, which are distributed and available to the public through our Investor Relations website located at investor.coursera.com. Please note that all growth percentages refer to year-over-year change unless otherwise specified.

Additionally, I'd like to remind you that all statements made during this call that relate to future results and events are forward-looking statements based on current expectations. These forward-looking statements include, but are not limited to, statements regarding trends and their potential impact on our industry and our business, our ecosystem, platform, content and partner relationships, our strategy and priorities and our business model, mission, opportunities, outlook and long-term financial framework. Actual results and events could differ materially from those projected due to a number of risks and uncertainties, which are discussed in our press release, SEC filings and supplemental materials. These forward-looking statements are not guarantees of future performance or plans, and therefore, investors should not place undue reliance on them. We assume no obligation to update our forward-looking statements.

With that, I'd like to turn it over to Jeff.

Jeffrey Maggioncalda

Thanks, Cam, and good afternoon, everyone. It's great to be with you all. A year ago at this time, I had the privilege of introducing the story of Coursera. Amidst conversations leading up to our IPO, I shared that I've never been so excited about spending my time to build something so important. Today, as I reflect on both our progress over the past four quarters and our positioning for the years ahead, my excitement and optimism have never been stronger.

Coursera is increasingly becoming a global destination for learners seeking job relevant skills to advance their careers as well as the platform through which institutions are able to drive powerful collaboration to better meet the needs of our digital world. Together with our ecosystem of learners, partners and institutions, we're broadening access to higher education and creating a new and inclusive lifelong learning model.

This year, we reported \$415 million of revenue, which represents 41% annual growth. This was on top of the 59% growth we delivered in 2020. Our diversified offerings and global distribution exposes us to multiple tailwinds being driven by the need for new skills in an accelerating digital world. Performance in 2021 was broad-based with momentum across our three segments and in all regions. It is also reflected in our strong outlook for the year ahead and the long-term growth prospects that we see across our platform.

In 2021, we rapidly expanded our global reach and scale advantages, growing relationships with individual learners and institutional customers. We ended the fourth quarter with 97 million registered learners on the platform, adding nearly 21 million over the course of the year. Since the start of 2020, we've attracted more than 50 million learners, doubling the size of our learner base over the past two years. Our broad catalog of job-relevant content and credentials from recognized world-class brands are helping meet the needs of learners across all stages of their learning journey, from hands-on projects and short courses to multiyear bachelor and master's degrees from accredited universities.

Additionally, we've doubled the number of paid Enterprise customers since the start of the year to 803. Institutions are continuing to invest in the digital skills required to compete in today's economy. But in-demand skills changing faster than ever, they require solutions to identify and deploy the right skills for the right roles and especially across an entire organization, workforce or population. Products like our SkillSets, Academies and LevelSets, powered by data from millions of learners on Coursera around the

world are helping our customers understand the skills the organization has today and where they need to invest for tomorrow.

Over the past year, I've used these quarterly calls to answer an important question: why Coursera and why now? While the world continues to evolve and change the fundamental reasons have not. In fact, the drivers underlying our momentum have only been reinforced. First, the global trends reshaping our world are not slowing down. Digital transformation continues to accelerate. Second, new skills for new digital jobs require that our system of higher education adapt to be more accessible, affordable and flexible and better teach students skills that are required by employers. Third, the advantages of our three-sided platform continues to deepen with scale. Finally, the drivers of long-term growth across our business are proving durable and sustainable.

Let's discuss each in more detail, starting with the trends that we see at play. The first major trend is digital transformation. The forces of technology, globalization and more recently, remote work are transforming industry after industry. The impact of these forces has served to amplify the criticality of technology and digital tools, redefine the way that businesses, governments and campuses operate and reshape both the supply and demand for jobs globally. In its simplest form, this ongoing transformation fast forwarded by the pandemic has created an accelerated rate of change that we believe will be a permanent feature of our increasingly digital world. This leads to the second major trend, skills development.

With the combined effects of the pandemic and automation, employers are rapidly digitizing work processes and jobs that are repeatable and predictable. The pace of this digital transformation has widespread impact. Businesses are investing to upskill, reskill and benchmark their talent to remain competitive in a changing economy. Governments are looking to scale up their public sector employees while also launching national and statewide development initiatives to build equitable workforces that drive sustainable economic growth. Campuses are realizing that they must enhance the quality of their offering as competition from alternative credentials and the substitution effect of a strong labor market requires them to deliver stronger employability outcomes more cost effectively.

Just about every individual and every job, we'll need to keep learning throughout their life to stay relevant in a fast-changing workplace. We believe that this will require a new model for higher education with remote access to flexible and affordable learning at scale.

The final trend driving our business is the transformation of higher education and adult learning more broadly. While technology is accelerating the pace of change around the world, it is also the means by which society is adapting. Equitable access to high-quality education is no longer just a dream, but a growing reality for learners worldwide. More individuals are accessing online learning than ever before, and the demand for online learning on Coursera continues to outpace prepandemic levels.

Unlike most other transformative platforms, we are more of an enabler than a disruptor. Coursera works directly with universities, industry leaders and governments, enabling institutional collaboration to meet the needs of this new digital world with unprecedented speed and scale. Our platform is transforming the way that learners learn. It is transforming the way that educators teach. It is transforming the way that employers upskill and reskill their talent. Together, we're creating a new and inclusive lifelong learning model.

Our three-sided platform connects learners, educators and institutions in a global learning ecosystem with three distinct advantages. First are the leading educator partners, including world-class universities and global industry leaders who created an unmatched catalog of branded content and credentials. Second is the global reach of our platform to 97 million individuals and more than 800 paid Enterprise customers, which attracts partners who want to teach the world. Third is the data and technology that powers our unified platform.

Let's discuss how we continue to deepen each of these advantages. We now have over 250 educator partners on Coursera, including 175 universities and 75 industry partners. Over the course of the year, existing partners have continued to expand our catalog of content credentials, and we're honored to have welcomed more than 50 new partners to our platform. This includes top-tier universities with international and regionally recognized brands around the globe like Dartmouth, Howard University and several of the Indian IITs and IIMs as well as industry leaders like Intuit, Microsoft and Oracle.

Partners are attracted to Coursera for several reasons, including the scale of our large and growing learner base and global brand, the ability to create and deliver high-quality affordable content and credentials and our unified platform of content credentials that is modular and stackable, allowing for greater flexibility for learners. As educator partners create content on Coursera, the revenue reach and insights provided by our three-sided platform incentivize further content creation.

In 2021, our partners received over \$120 million in content fees from our Consumer and Enterprise business. Our broad catalog of content and credentials created by these educated partners continues to grow. IBM recently launched three new entry-level Professional Certificates, including data warehouse engineer, DevOps and software engineering and mainframe practitioner.

For Degrees, I'm pleased to share that our sourcing team had a strong fourth quarter. We recently announced five new programs, including one bachelor and four master's from universities across the globe. They include two programs from the U.S., a Bachelor of Science in General Business from the University of North Texas and a Master of Engineering in Engineering Management from The University of Colorado Boulder. Two programs from the U.K. a Master of Science in Cybersecurity from the University of London and a Master of Science and Applied Data Analytics from Queen Mary University of London as well as a Master in Business Management from Tec De Monterrey in Mexico.

With these recent additions, the Coursera catalog now includes over 2,200 guided projects that offer hands-on learning; more than 5,300 courses and 625 specializations; over 75 certificates, including 18 entry-level Professional Certificates; and 38 announced degree programs, including bachelor's, master's and post-graduate diplomas.

Our second advantage is the global reach of our platform. Our large growing learner base attracts educator partners looking to teach individuals and institutions around the world. But it also provides a unique set of advantages that allow us to compete differently. As I mentioned earlier, we added nearly 21 million registered learners over the course of the year with the highest rate of new learner growth coming from emerging economies. Our stackable system of branded high-quality premium content enables us to attract learners at low cost and serve them at a range of price points. Learners come to Coursera for our freemium content and bite-size learning, including hands-on projects and short courses, enabling us to grow our top of funnel and attract registrants at low cost.

As these learners look to progress their careers by earning more valuable credentials, we aim to maximize lifetime value with premium credentials from our partners, including specializations, professional certificates, and bachelor's and master's degrees from accredited universities. This freemium model of education provides learners around the world with access to high-quality free content while also supporting our Degrees business with a low cost of student acquisition.

In 2021, approximately 50% of Degrees students came from our registered learner base. We're working with our partners to make this journey more seamless for learners. We're adding features like degree pathways and career pathways. We are securing ACE Credit Recommendations for entry-level Professional Certificates, including eight today and more to come to allow individuals the ability to earn academic credit towards a college degree for completion of content in Professional Certificates. Our

university partners offer performance-based admissions for certain degree programs, such as the recently announced master's from the University of Colorado Boulder.

The benefit of our global reach also extends to our rapidly growing Enterprise channel, which now includes over 800 paid Enterprise customers. For new customer acquisition, our large base of learners who become familiar with Coursera platform through their own learning provides us with leads. But our platform also facilitates network effects and institutional collaboration within our Enterprise customers.

For example, we won a number of new and upsell opportunities over the past year that began as Coursera for Government customers. These included public sector employee upskilling use cases that expanded to citizen workforce programs, or Coursera for Campus engagements, which originated as a government relationship and then led to a larger initiative to up-level entire higher education systems in a state or a nation.

As our ecosystem continues to grow, the rich data generated by our learner base including catalog performance, learner insight and feedback from our institutional customers, help our educator partners identify and prioritize the content and credentials they create for today's in-demand jobs. It also allows Coursera to deliver products and features that meet the specific needs of learners, educators and institutions. This brings me to our final advantage: the ongoing product innovation on our unified platform. The Coursera learning platform combines data, technology and content into a single shared platform that serves our individual consumers and institutions around the world. Core capabilities like our marketing systems, skills graph, assessments and lectures are deployed and leveraged across our offerings and business segments. The data generated by our learners allows us to develop proprietary products, features and services that better meet the needs of all of our users.

Let me highlight several of the product enhancements we delivered in 2021. For learners, we expanded the availability of Coursera Plus as a monthly all-inclusive subscription. Additionally, we invested to localize the learning experience in emerging economies like India, including new payment options, geopricing, local partnerships and content discovery. For institutions, we continue to leverage the rich data underpinning our skills graph to provide new products for our Enterprise customers with SkillSets and Skills Dashboard, individuals and institutions can see job roles map to specific targeted skills, receive dynamic content and hands-on learning recommendations and measure and benchmark skill development in real time.

SkillSets started as a Coursera for Business offering, but was extended to universities using Coursera for Campus who saw value in helping their students develop skill proficiencies for real-world in-demand jobs. Additionally, our Academies that are powered by skill sets provided our Enterprise customers with job-based learning programs that develop targeted skills across an organization at scale. Academies are a complete skill development solution that offer a personalized skills-first approach to Enterprise learning for the most critical job roles. We currently have four Academies in general release, including the Data & Analytics Academy, the Leadership Academy, the Marketing Academy and the Tech Academy, and we are pilot testing a Finance Academy with customers today.

Finally, we rolled out LevelSets as part of our Enterprise offering in November. LevelSets is a new skill assessment tool designed to help learners determine their current proficiency levels. It helps them understand where their training should begin, and it helps create a clear development path with content recommendations at the appropriate difficulty for each learner at every skill.

For our educator partners, we developed a suite of academic integrity features, including plagiarism detection and deterrence to help with the validity and efficacy of remote instruction. We also introduced our content ingestion solution. This feature allows content from a learning Management system to be automatically ingested into the Coursera platform, significantly reducing the time needed to author and launch a course, generally in 1/3 of the typical time.

Since June, approximately 80 courses from 20 university and industry partners have been adjusted into Coursera using this functionality, and we continue to broaden the number of systems from which content can be ingested. We're also driving innovation for our educators who offer degree programs. The Coursera integrated application is a flexible and seamless admission solution that aims to improve both the learner and partner admissions experience. Learners access a customizable application, which is integrated into the Coursera experience with single sign-on. From the partner's perspective, they can use a streamlined workflow to efficiently track their admissions decisions while also gaining access and transparency to applicants prior coursework and learning history on Coursera, something that we call a performance pathway.

We believe that the transformation of higher education is only in the early innings. Before Ken goes through the financials in more detail, let me highlight some of the key priorities that we believe position us for long-term growth. First, we will continue to invest in our growing Enterprise channels, focusing on both new customer acquisition and expanding relationships with existing customers. This quarter, I'm pleased to announce we signed two of the largest deals in our Enterprise segment's history. The National eLearning Center in Saudi Arabia is an independent entity run by the Kingdom of Saudi Arabia Council of Ministers with a mission of enhancing trust in and leading innovation in online learning. They have chosen Coursera to help equip learners across the Kingdom with the high-demand digital skills needed to participate in the workforce and advance their education and careers in the new digital economy. Under this expanded partnership, university students and government employees in Saudi Arabia will have access to Coursera.

Next is the Abu Dhabi School of Government, which was our very first Coursera for Government customer. Our original partnership began as an upskill initiative for 60,000 government employees focused on building critical digital skills in data science, AI and leadership. With Coursera, they curated a subset of content for each government entity, identifying and prioritizing skills based on each department's mission. Based on the success of our initial use case, the School of Government has extended the partnership with Coursera and expanded the program to now include Abu Dhabi citizens.

Next, while we are still in the beginning stages of our degree business, the pandemic has fundamentally changed how universities are thinking about online degrees. Students want the flexibility to learn online. Universities are responding by scaling online degree programs using partners like Coursera to meet that demand. We've announced 13 new programs since the start of 2021, but I want to highlight one of our earliest partners who is at the forefront of this innovation, the University of Illinois. Starting with the pilot of their MBA in 2015, Illinois has grown their offerings on Coursera to include more than 60 courses that stack into four degree programs and one MasterTrack certificate. I'm excited to announce that this important relationship has recently been renewed for an additional five years. We look forward to growing our relationship with the University of Illinois and together, demonstrating the power of our partnership and platform to deliver worldwide degree programs at scale.

Finally, we will continue to reinforce our flywheel effect, investing in growth of our registered learner base, increasing our network of educator partners and their content and credentials and delivering more product innovation across our unified platform to better serve our ecosystem of learners, institutions and educators around the world.

Now I'd like to turn it over to Ken. Ken?

Kenneth Hahn

Thanks, Jeff, and good afternoon, everyone. We are pleased to report strong financial results for our fourth quarter, capping off another exciting year of rapid growth for Coursera. In Q4, we generated total revenue of \$115 million, up 38% from a year ago, with strength across all three of our business

segments. As Jeff mentioned, we continue to see strong demand from individual learners as well as our growing number of Enterprise customers, including businesses, campuses and governments.

Our results continue to reflect a differentiated business model that benefits from our three-sided platform. It provides diversification and exposure to multiple levers of growth. This includes our business segments, but also our ability to serve learners and grow with them throughout their studies and careers. At the end of the day, enabling human capital creation for our learners is what defines our value proposition. It also allows us to leverage our significant strategic assets across our segments to compete differently, including our large, rapidly growing learner base that attracts partners and acts as a channel, branded credentials and the technology and data that underpin our businesses.

Finally, it provides us with a unique vantage point that encompasses the needs of learners, employers and educators to navigate the trends shaping higher education. Please note that for the remainder of the call, as I review our business performance and outlook in the fundamental fashion we view it, I will discuss our non-GAAP financial metrics inclusive of pro forma adjustments, unless otherwise noted. Our non-GAAP adjustments remove only stock-based compensation and related payroll tax, nothing else.

Gross profit was \$71.9 million, up 65% from a year ago, a 62.5% gross margin. This margin was approximately 10 percentage points or 1,000 basis points higher than the prior year period, a continuation of the dynamics we've discussed in the previous two quarters.

As a reminder, there are two components of our cost of services. First is our content costs, which vary based on both the revenue mix amongst our three businesses as well as the content margin rate within each segment. Our higher-margin Enterprise and Degrees segments accounted for 43% of our overall revenue mix this quarter compared to 36% in the prior year period. This mix shift is key to our long-term financial framework, including structurally expanding margins over time.

Additionally, in Q4, we have continued to enjoy the positive changes in the Consumer segment content margin, which we anticipated on our call in November. Our Consumer segment content margin rate increased from 57% in the prior year period to 69% this quarter as learners consumed a larger portion of industry partner content, which tends to have lower than average content costs. We have been pleased with the level of success we've achieved with our Consumer segment margins this year as we continue to capitalize on the strong entry-level certificate performance.

The second component of our cost of services is our noncontent costs, which were 9.8% of total revenue this quarter. Total operating expense was \$95.7 million or 83% of revenue compared to 77% in Q4 of last year. Sales and marketing expense represented 44% of total revenue, up from a prior 40%, an increase we expected and discussed in our quarterly outlook as we invest for the year ahead. Research and development expense was 24% of revenue, slightly lower than the 25% in the year ago period. General and administrative expense was 15% of revenue compared to 12% in the prior year, given incremental costs associated with being a public Company.

Net loss was \$24.1 million or 21% of revenue, and our Adjusted EBITDA loss was \$19.7 million or 17.1% of revenue. This was consistent with our messaging and operating framework discussed on the Q3 call. Similar to 2020, while performing better than our previous forecast for annual EBITDA, we invested heavily in growth in Q4 for the long-term competitive position of our business. For the full year, our Adjusted EBITDA loss as a percentage of revenue was 8.6%, a more than 500 basis point improvement over the prior year even as we absorbed significant additional overhead costs as a new public company.

Now turning to cash performance and the balance sheet. Free cash flow was a use of \$1.9 million compared to a use of \$21.2 million a year ago. We ended the year in a strong cash position. As of December 31, we had approximately \$822 million of unrestricted cash, cash equivalents and marketable

securities with no debt, which is up from the approximately \$800 million we had immediately after the close of our initial public offering in April.

Next, let's discuss more details of each of our business segments. Consumer revenue was \$65.8 million, up 24% from the prior year, an acceleration from last quarter. We continue to see strong demand for our portfolio of entry-level Professional Certificates and this includes recent launches as well as sustained interest in existing programs. These certificate training programs are typically taken over a series of several months. Upon completion, learners receive a branded credential that signals their employability for an entry-level job or in the case with ACE Credit Recommendation, the ability to receive college credit from participating colleges and universities.

Additionally, adoption of our Coursera Plus subscription remains strong and continues to increase both consumption and retention amongst these learners. Segment gross profit was \$45.6 million or 69% of Consumer revenue as we continued to benefit from a lower content cost rate during the fourth quarter. We added another 5 million new registered learners for a total base of 97 million.

In summary, our Consumer segment is vibrant and growing at scale with attractive economics. But in addition to its substantial financial contribution, the Consumer segment is also an important strategic asset. It attracts our ecosystem of partners acting as a global channel. It provides rich data visibility, deepening our understanding of skills and data and empowering our institutional customers with the insights they value around changing skill requirements. It serves as a top of funnel source for our Enterprise and Degrees segment, allowing us to attract learners at low cost. Finally, it allows us to better serve the broad needs of our learners over their lifetimes meeting them where it matters most, whether that's job relevant credentials in preparation for a career or a meaningful in-depth courses that impart mastery of skills or knowledge.

Next, is Enterprise. Enterprise revenue was \$35.9 million, up 72% from a year ago on robust growth across all three of our customer verticals, businesses, campuses and governments and strong execution by our direct sales force. Our Enterprise annual recurring revenue continues to grow rapidly. In particular, we're seeing strong momentum in our newer government and campus verticals. As Jeff highlighted earlier, we signed several of our largest deals in the history of the Enterprise business. This includes two eight-figure multiyear contracts that demonstrated the expansion opportunities within this business and the urgency with which institutions are investing in digital skills. The total number of paid Enterprise customers increased to 803, up 107% from a year ago. Our net retention rate for paid Enterprise customers was 110%. Segment gross profit was \$24.2 million or 68% of Enterprise revenue, consistent on a percentage basis with the prior year.

Finally, our Degrees segment. Degrees revenue was \$13.3 million, up 43% from a year ago on scaling of student cohorts. Our total number of degree students grew 36% from a year ago to 16,204. As a reminder, there's no content cost attributable to the Degrees segment, so Degrees segment gross margin was 100% of revenue. As Jeff mentioned, our Degrees sourcing team had a very strong finish to the year. In addition to the five programs we recently announced, we continue to be excited about our growing pipeline of programs for new and existing university partners.

Now on to our financial outlook. For Q1, we are expecting revenue to be in the range of \$114 million to \$118 million. This represents a growth rate of 31% at the midpoint of the range. For Adjusted EBITDA, we're expecting a loss in the range of \$15.5 million to \$18.5 million. For full year 2022, we anticipate revenue to be in the range of \$536 million to \$544 million, representing 30% growth at the midpoint of the range. For Adjusted EBITDA, we're expecting a loss of \$45.5 million to \$51.5 million or a negative 9% Adjusted EBITDA margin at the midpoint of revenue and EBITDA guidance ranges.

Our messaging and operating framework with regards to the EBITDA margin has been consistent since before the IPO. We plan to demonstrate scale and leverage while targeting EBITDA margin

improvements over time, and we do not optimize business for any single quarter. We set an annual EBITDA margin target and work within that plan to maximize our growth opportunities.

Our three-sided platform with exposure to the needs of learners, educators, and institutions provides us with a viewpoint into our own business, as well as a broader lens with regards to the trends we see driving the future of online learning. As we enter our first full year as a public company, we thought it would be helpful to provide some color on the shape of the business in 2022, given the demand trends Jeff outlined earlier. This includes onetime segment level annual growth expectations. Colloquially, these are rough approximations across three different but interdependent growth businesses, to help you better understand how we plan to deliver on our overall revenue guidance.

For Consumer, we believe that the resiliency demonstrated in 2021 will continue with our initial expectations anticipating over 20% growth in the upcoming year. As a reminder, our Consumer segment has the least forward visibility, but we do expect our catalog of content and credentials from recognized world-class brands to continue serving learners seeking alternate credentials to scale up for digital career. For Enterprise, we are excited about the ongoing momentum and believe scaling investments by businesses, campuses and governments will continue to drive growth of over 50%.

For Degrees, we expect approximately 20% growth in 2022 with a slower first half that accelerates in the third quarter as we launched a number of fall programs. We have fairly good visibility into our anticipated Degrees performance given the elongated revenue build of the business and wanted to provide some additional color on the drivers for the lighter start to 2022.

First, there are economic trends at play with enrollments, including the substitution effect of a strong labor market. This impacted the size of new cohorts layering onto existing programs particularly in the U.S. where the bulk of our learners reside today.

Second, our Degrees business is still in its very early stages, with concentration in a small base of programs at full maturity. We are excited about the momentum in our new program announcements, but many of these recent launches will take time to build given the extended ramp we've discussed.

Additionally, while our ongoing high growth does mask some of the seasonality in our model, we do expect 2022 to more closely reflect the traditional education cycle, with a seasonally lighter Q2. This reflects lower consumption by learners in the spring and summer that reaccelerates in the second half of the year.

Finally, we expect 2022 to be an investment year as reflected in our outlook. In comparison to 2021 as a percentage of revenue, we anticipate sales and marketing expense to remain consistent, a modest increase in our R&D expense and a slight improvement in our general and administrative expenses as the Company scales. Overall, we continue to see strong growth opportunities that build upon and expand in the areas that drove our 41% growth in 2021, and anticipated 30% growth in 2022. They include increasing our global reach and providing more localized experiences, broadening our entry-level Professional Certificates catalog; landing and expanding within Enterprise, including growing the capacity of our direct sales force and leveraging our technology, like SkillSets, Academies and LevelSets to provide a differentiated experience; and launching more degree programs for more partners around the world.

Before Jeff's closing comments, let me recap the three key highlights of our long-term financial framework. First, we have a unique set of strategic assets that allow us to compete differently as well as diversify our revenue model, which we believe was demonstrated in this year's performance. Second, we expect to have increasingly better forward visibility on our top line in the years ahead as our mix of revenue evolves. Third, in addition to rapid growth, we expect ongoing structural gross margin expansion over the long-term, driven by a revenue mix shift to our Enterprise and Degrees segments. The enormous

opportunity in front of us is increasingly clear. The pandemic created a permanent acceleration and shift, requiring people to regularly enhance their human capital through lifelong learning. As our results in 2021 have shown, we're well-positioned to capture this growth while addressing the global need for high-quality education in collaboration with our partners.

I'll now turn the call back to Jeff.

Jeffrey Maggioncalda

Thanks, Ken. Early in the pandemic, online learning provided the means for educators, businesses, and governments to respond to a global crisis that changed the way we learn and work. Two years later, new trends show that the combined forces of online learning and remote work are creating a powerful opportunity to provide not just skills, but the foundation for better access to education and more equitable job opportunities for everyone worldwide.

In 2021, we've highlighted the growing possibilities for learners who complete one of our entry-level Professional Certificates. These certificates allow learners with no college degree or prior industry experience to develop the skills needed for an entry-level digital job fully online, in less than a year. Because of remote work, learners with these newly acquired digital skills are rewarded with a growing selection of job opportunities in high-demand fields no matter where they live. But in addition to these career pathways, learners are able to also pursue a degree pathway. Our partnerships with universities and ongoing efforts to expand ACE Credit Recommendation across these certificates enable learners to earn up to 12 college credits towards an eligible degree when they choose to continue their education using Professional Certificates on Coursera.

In this sense, technology is both lowering the cost and increasing the benefit to education. The potential of this return on investment is increasingly valued not only by individuals, but also by institutions who can deploy workforce development programs designed to keep pace with the fast-changing labor market.

This growing collaboration between universities, industry leaders and governments underscores the power of higher education infrastructure at scale. Over the past year, we announced a number of nationwide reskilling and upskilling initiatives, including the Saudi Arabia and Abu Dhabi examples I highlighted earlier as well as programs spanning the globe from Barbados to Costa Rica and Morocco, but this also applies at the local level. The California State Library recently announced a digital inclusion initiative that makes Coursera available for free to residents with their library card, at over 1,000 libraries across the state. Californians can now visit their local library in-person or online and access Coursera training, including our entry-level Professional Certificates the same way that they would check out a book. But in this case, when they complete their course or program, they earn valuable branded credential to unlock job opportunities, advance their career or build towards a broader course of study.

Our mission is to provide universal access to world-class learning so that anyone anywhere has the power to transform their life through learning. Opportunities like these are what inspires our team members, attracts our partners and ultimately, creates value for all of our constituents. And with that, let's open up the call to questions. Thank you.

Operator

Your first question comes from the line of Josh Baer with Morgan Stanley. Your line is open.

Joshua Baer

Hi, Jeff and Ken, congrats on a strong quarter and the growth outlook. Question from me is on Consumer. I think a lot of times, investors might group Consumer businesses across EdTech together, maybe

assume there's just transactional revenue and put everything in the same bucket. I was hoping you could provide a bit of insight into the revenue mix within Consumer. You have all those different product offerings with different price points, but also with different timelines as far as revenue recognition period. I was hoping you could probably provide some context as far as the biggest contributors to Consumer revenue. What's the recurring revenue mix? Ultimately, how does that dictate your visibility into future Consumer revenues?

Jeffrey Maggioncalda

Yes. Josh, let me start with maybe some of the environmental considerations to answer the question, and then maybe, Ken, you could take up some of the numbers answers. But environmentally, I think it is pretty interesting what we're seeing. Clearly, in the U.S. and around the world, I think coming out of the pandemic, you're seeing a lot of people reevaluating their lives, reevaluating their careers and realizing I can do something different, there's a better job for me out there. But if you don't have a college degree or even if you do, if it's not in the domain of like STEM or computer science or whatever, you've got to figure out not only how do I get the skills, but how do we get a credential that could signal to someone, even though I don't have a degree or any background in that field, I know how to do this job.

I think that the major tailwind that we're picking up, and I don't think it's totally unique to Coursera, but clearly, we've been pushing hard on these professional certificates, is they're a long structured program, usually four or five, sometimes 10 courses. They come from a branded entity like a Google or an IBM or Intuit or Facebook, they end up with a credential, it's pretty hard to get. I think a lot of people are looking for that more structured, rigorous branded credential learning in order to signal to an employer that they're ready for this new job. Those, I think, are more distinctive offerings than what you might find generally on the Internet or from other platforms. They are typically longer form. There's more content there that people take over a longer period of time. Arguably, the credential value is higher because you want to prove to someone that you've got those skills. That's why you're doing this in the first place. The only way you get the credential is if you finish it. That's a longer period of time.

We're seeing really good uptake on this, again, mostly in the U.S. but around the world. Right now, we're, I think at 18 entry-level Professional Certificates, and we continue to say, what are the jobs in demand that can be done by someone who doesn't have a college degree or prior experience and the skills can be learned online. And so we're continuing to really build out the catalog.

Frankly, Ken talked a little bit about Coursera for Government. This is the kind of solution that governments are very attracted to. Frankly, for education—higher education institutions, where maybe a lot of the content is more theoretical, coupling it with some of these job-relevant professional certificates from branded entities is also something that they find pretty viable. Now that shows up more on the Enterprise revenue side. But I think that to your question, it's—the content that we're seeing really get a hold here seems to be these entry-level Professional Certificates. We've been seeing it for the last few quarters, and that has kept up.

Ken, anything on the numbers side that you would add there?

Kenneth Hahn

Yes, sure. It might be a tiny bit repetitive to your question, Josh, but the Consumer revenue is not all the same across different companies. If you look at where we sit on the spectrum, as Jeff mentioned, it's heavily branded content, the top universities, the top companies. The entry-level search that Jeff talked about that becomes very, very popular for a number of reasons tends to last over multiple months. The revenue spreads over the period of time when the student, of course, is taking those courses. For us, because it's longer-form content, it extends for a longer period of time.

Additionally, we have Coursera Plus our subscription product. We don't plan to update the ratio on an ongoing basis. But last quarter, we announced that we had incredibly quick traction since introducing it roughly a year before that. Then we were up to about 1/4 of the Consumer revenue coming through Coursera Plus. That's continued to increase. But again, we don't plan to continue to update that. We're comfortable where it is.

Then broadly, again, on the spectrum, if we're looking at different players in the space, you'd see us on the deeper longer-form content part of the spectrum. That is what we do. Not necessarily that there's anything wrong with shorter-form content, but it is a very different product.

Jeffrey Maggioncalda

Ken, one other thing I'll just mention, Josh, in terms of what is also special about this longer-form entry-level Professional Certificate content. You heard it in the script quite a bit. We're really trying to make it more and more valuable in ways that we think only Coursera can. Trying to link these things with career pathways, to hiring opportunities. Of course, that's why most adults learn anyway. But also these degree pathways. We continue to talk about American Council on Education, where we're getting credit recommendations, where starting with this Consumer entry-level job content can be a way to earn credit towards a college degree. I will tell you this is certainly happening in the U.S.; it's not just the U.S. If you look on a global basis, there are a number of countries at the Ministry of Education level who are saying, we need more industry-relevant content into higher education, and we will create favorable regulatory policies to help facilitate the provision or the acceptance of credit for industry content that would count towards a higher education degree. We think this is a very big trend, and we think it really plays to some of our advantages.

Joshua Baer

Great, thank you.

Operator

Your next question comes from the line of Stephen Sheldon with William Blair. Your line is open.

Stephen Sheldon

Hey, thanks. Congrats on the big government contracts in Enterprise. It seems like that's a pretty large opportunity. Wondering if you could talk more about the pipeline you're seeing there, plans for investing in more sales capacity to target it, and the level of competition you face when pursuing these large government contracts. Specifically, is the competitive environment maybe for these government contracts different relative to what you normally face on the business side?

Jeffrey Maggioncalda

Yes. Thanks, Stephen. We are definitely seeing something, I think, that was structurally changed by the pandemic. I think governments have been realizing for some time that for various reasons, and in different countries it does vary, but their industrial policy, their education policy, their labor policies need to be integrated so that they can develop a human capital base in their economy that sets them up to be positioned the way they want five or 10 years down the road.

You look across the Gulf Coast countries, and they're trying to position—well, create the backbone for an economy and a human capital stock for an economy that doesn't depend so much on oil. You go to India, Philippines, Costa Rica, where they do a lot of multinational outsourcing, where automation is starting to

automate a lot of the jobs that those multinationals are asking them to do, they're starting to realize we've got to really upgrade the human capital stock in our country.

What I think has changed because of the pandemic is that for the most part these government training programs were in-person and the pandemic forced governments to basically say, how do we take these learning programs online. When they did that, they realized the speed and the scale and also the efficacy, because a lot of the online content is not just easier to access and lower cost, but it's also a lot more current. It teaches skills that are much more current and relevant in the labor market. I do see governments realizing, hey, there's a tool that we didn't have in our toolbox before that we can now use and it's not an either/or. It's not just industry content versus my higher education system. It's really a way of using digital learning and integration of what industry can do to educate as well as what higher education can do to integrate that is getting these governments, I think, attracted to the kinds of opportunities.

We are definitely seeing more interest. We're getting more traction. That creates case studies and ways of showing here's how you do this, often it's B2C and through Enterprises, but facilitated by governments.

You asked about competition, there's definitely some competition. But the way I would rank competition right now in the Enterprise space is there's most competition in Coursera for Business. Those are corporations who are looking at different offerings. They care a little bit less about credentials and they're already dealing with a fairly skilled labor force. I'd say where we're differentiating with our skill sets and level set and Academies is a little bit more on the higher-end advanced skilling.

But in Coursera for Government, there's less competition in the sense that governments are looking for mass scale programs that are high quality and the brands on Coursera really help that quality premium that the government places on Coursera. They're also looking to do it at very low cost. There are some boot camp providers. There are some physical in-person-based training but the scale of those is quite low and the cost of those is quite high. I think they're now starting to see that, well, you can get speed and scale on a platform like Coursera that works pretty well and the quality levels are actually quite high.

We actually do see, I would say, a lower intensity of competition in the government space than what we see in business and then frankly, even lower still with the campus space or Coursera for Campus. That's a huge reason why we're playing into these markets, obviously. This is basic strategy, right? You're like, where is the big market where you can be differentially successful? Well, we think these are really big markets, and we think a lot of the features of Coursera that are very different from our competitors play particularly well into these markets.

Stephen Sheldon

Got it. Makes sense. That's incredibly helpful. Maybe just a follow-up on the Degrees side. I appreciate the—I think you gave the metric of 50% of Degrees learners that come from the Consumer side. Has that actually improved as I think that might have been closer to the mid-40s in 2020, if I remember correctly? If so, what's moving that higher? Is it anything that you're doing better? Or is it just the broader benefits of scale on both sides?

Jeffrey Maggioncalda

I would say there's nothing structurally that we've really seen that we can look at and say, yes, there's a clear signal that's coming from what we think will be a durable source and therefore, we can say that it will continue to go higher. I think generally, the model is working the way that we had expected. Of course, we do have more degrees on platform. Even though it's pretty early stages with some of the degrees that are being offered by our university partners in other countries and regions, we do think that there is a certain amount of latent demand that will be better met once you have degrees with the local branded

university taught in a local language. We think that there'll be opportunities to leverage the consumer base internationally once we fill out a broader portfolio.

That's why we really are looking for degree programs that are more global than where we started, which was mostly in the U.S. Ken talked a little bit about some of the softness. Frankly, the U.S. labor market is really good right now. I think a lot of students are thinking, hey, I would rather get some of that job opportunity and better income than the earning. Degrees in the U.S. have been countercyclical pretty much, I think, for a long time, maybe ever. I think we're seeing some of that in the U.S. But diversifying internationally we think will be helpful.

Stephen Sheldon

Very helpful, congrats on the results.

Jeffrey Maggioncalda

Yes, thanks, Stephen.

Kenneth Hahn

Thank you, Stephen.

Operator

Your next question comes from the line of Rishi Jaluria with RBC. Your line is open.

Rishi Jaluria

Wonderful. Nice to see your continued success. In the interest of time, I'll just do one question here. But philosophically, I wanted to get a sense for—with all the bachelor degree program announcements that we've seen over the recent months, really encouraging to see that. How would you maybe characterize the institutional or consumer sentiment in terms of the attitude towards online undergrad degrees, right? Graduates obviously become mainstream over the past several years or half a decade. But how are you seeing that potentially driving a mix of online programs on the undergrad side?

Jeffrey Maggioncalda

Yes. Thanks, Rishi. There's a supply side of this question and there's the demand side of the question. On the supply side, the elite schools, your top ranked schools, it's going to be a lot lower likelihood that they're going to put their undergraduate programs online because I think a lot of—they're very selective and there's a residential experience that, frankly, the students who apply for those programs really appreciate. I think though when you start seeing undergraduate programs from relatively highly ranked schools that are available—that are more affordable and also come from a regionally recognized brand, and the thing about that is, students in high school are thinking, "Oh, where do I want to go to college?" If there's an online bachelor's degree from a university that they never heard of before, it's a lot less likely that they're going to do it. Because like, "I don't know anyone who went there and I don't know that any employers would recognize that."

I do think that, with bachelor's degrees, I think that there is a regional brand element to this where if you can get a degree maybe faster, more conveniently, more affordably but from a top branded or maybe not elite, but a well-known regional brand, I think that you can be in the labor market and earning a bachelor's degree, I think that might open up the opportunity a bit. We do have a number of bachelor's degrees that we've been announcing. We're working hard to get more. I think the elites will be doing their own thing

with residential education, but frankly, I think the availability of regionally branded high-quality online bachelor's degrees will be a really attractive option over the longer term.

I think, (Inaudible), you talked about something pretty similar too. The bachelor's, firstly, what I think is that people are going to need to differentiate their talent more and more and so if you do have a college degree versus if you don't have a college degree, that will be one basis of competing in the labor market. I'm still bullish on degrees and I'm bullish on bachelor degrees.

Rishi Jaluria

All right, really helpful. Thank you so much.

Jeffrey Maggioncalda

Yes, sure, Rishi.

Operator

Your next question comes from the line of Eric Sheridan with Goldman Sachs. Your line is open.

Eric Sheridan

Thanks for taking the question. Maybe also in the interest of time, I'll just ask one. On hiring in the Enterprise, can you give us an update on what you're seeing in the broader landscape in terms of the ability to onboard salespeople at effective ROIs and whether there's been any change in terms of the type of people you're getting or seeing and the path to productivity in the sales force on the Enterprise side?

Jeffrey Maggioncalda

Yes. Thanks, Eric. When the pandemic happened, almost immediately, before we even shut the office in March of 2020, I said—our Head of People, Richard Jacquet, and I, we sat down, we're like, look, let's just game plan this out. Once people get a chance, once employees get a chance to work from anywhere, they're not all going to want to come back in. We should immediately adopt this talent strategy that says we can recruit people from anywhere. That has served us really well. Frankly, we're seeing good success hiring in all positions and with a broad level of diversity and representation. I think we're feeling good about the ability for Coursera to attract good talent.

When we announced our B Corp designation, we—part of that was, it's consistent with our mission, part of it is we are—we know we're competing in competitive talent markets. We think we're looking really—we're feeling really good about our ability to attract people. That's good, pretty much anywhere in the world.

In terms of the onboarding and productivity, of course, we have ramping models and the exec team, our view of this on the ramping piece is part of it is how effective are your training programs, but a lot of it is how simple is your product. If you have a very simple product that you could sell to a certain type of customer, you don't need a lot of training and a lot of playbooks to do it. I'll give you one little piece of color. We have Enterprise sales forces that are product-specific and regionally specific. It's one of the great scale advantages is that we can cover a lot of surface area and play into multiple markets. But because we have the scale that we do, we can have designated gov people in the Middle East and designated campus people in Latin America. Frankly, we're not having trouble hiring them, and we can be pretty specific about how we onboard, train and get them into the market and get them productive. We're feeling pretty good about it.

Eric Sheridan

Thanks so much for the color and to the whole team, thanks so much for all the commentary, really appreciate it.

Jeffrey Maggioncalda

Yes. Just really quickly on that, Eric. Ken and I have been around for a long time. Our job is to build a successful company and with respect to Wall Street, educate people on how it works and what we're seeing. We're just going to try to be as helpful as possible for all of us to understand as the world changes and we morph the business, like what's happening and what can we expect. Not only are we happy to do it, I think that's our job. Part of our job is to build a great company and educate people about how it works.

Operator

Your next question comes from the line of Jason Celino with KeyBanc. Your line is open.

Jason Celino

Great, thanks, guys, for fitting me in. Maybe in the essence of your comment, Jeff, on the education side, with the degree guidance for 2022 and the commentary around the first cohorts, maybe just a reminder on how these degrees ramp and then maybe what this means, the visibility for future years?

Jeffrey Maggioncalda

Yes. Thanks, Jason. Ken can go through I think the cohort building. But generally speaking, large swathes, first piece of the puzzle of sourcing a degree that, a, is sourceable, that's a supply side, those accomplished want to give you the degree. The most elite ones are a lot harder to get. Then the second question is for the degrees that you bring on, will students in that region around the platform actually buy it on the demand side.

When we go out to source, generally it takes some number of years often. What you'll see, and I mentioned this, as did Ken, in the past, we are successfully bringing on more degree programs from the same degree partners, and we like that. That's great. That was part of that tiered pricing model that we went after. We're definitely planning for both scale and scope. We believe that you can create variations of degrees on Coursera when a university has more degrees on Coursera because you can mix and match courses, electives and pieces like that.

Generally speaking, it's harder to get started. But once you do, when you have a portfolio of degrees, you can mix and match them with a little bit more flexibility. The way that the cohorts go, first, you have to generate initial awareness and interest. If it's a new degree in a new region, it takes a little bit longer. Then typically, there are three starts per year. Ideally you have more than that, but often there's three starts per year. Then those degree programs are often two years, sometimes three, if it's a British bachelor's degree; four, if it's a U.S. degree, although these completion degrees can be done more quickly, but they're multiyear.

You get a student in an early cohort, maybe there's the first cohort, they'll be around ideally for a couple of years, three years. Then the next cohort starts 90 days later, and then they will layer on. It builds over time. I think when we enter new regions, I think the initial cohort size starts growing and then you get more cohorts in there as you start filling up these slots and it typically happens over multiple years.

Ken, anything you'd add to that?

Kenneth Hahn

Not much really. After we land the program, it tends to take six months to a year for the partner to put the degree on the platform. That is when we begin the cohort process. Maybe using some slightly different words, right? Let's say we have a two-year program. Oftentimes, that will fill over a few years because students taking online might take three years to finish a two-year. We charge by the credit hour. We don't charge by the degree, by the year. Each year, it increases, of course, as we layer cohorts till it gets to full capacity. A three-year program will take three years before it's filled up with essentially each class. It's quite a bit of visibility. It takes awhile to build but a lot of visibility.

Operator

Our last question comes from the line of Ryan MacDonald with Needham. Your line is open.

Ryan MacDonald

Thanks for taking my questions. Congrats on a great quarter. I wanted to ask about gross margins. Ken, consumer business continues to be extremely impressive in the gross margins that it's producing. How should we think about in the 2022 guidance here, the implied gross margin? Or what confidence do you have in the ability to stick with these 68%, 69% gross margin levels that you're hitting on the consumer business?

Kenneth Hahn

Sure. It's a great question. The answer is we have a very high level of confidence. We are continuing to build out these programs. We said it in the script, but the reason for the continued shift is as consumers consume more, as we have more success with these specializations, those tend to have lower content cost for us. Our partners do these for a number of reasons. It's a lot more than just revenue. It's building their brands, it's creating their ecosystem. It's a little bit different.

We continue to have great success. Jeff talked about the number of programs. We see more being added this entire year. It's really a bit of a mix question in a way. We see a very bright future. These work. It's what the consumer needs. This is part of the result of the pandemic. So many people want to think about the pandemic with people stuck inside, the edutainment and you fill your time, if you will, if you go back to the early stages. That's not what it has been for us. For us, it's been the increase in the rate of change of skills required in the consumer. It's the consumer needing to update their skills. That's the pace of change. That's the real effect of the pandemic for us. All we see is that strengthening. For that reason, I feel very comfortable that that's what we're going to see going forward from ...

Jeffrey Maggioncalda

I'll just add, in Q2, when you started seeing some of that expansion in the consumer segment gross margin, we were like, well, this is a little bit of a surprise. We don't know if this is going to persist. Then over the next few quarters, we're like, well, it does seem like consumers seem to be tilting towards these professional certificates. It looks like they're trying to get new jobs, start new careers. The brands are playing really well. I think you never know for sure where consumer is going to go but we're now feeling like, all right, we've seen this for three quarters. I think it's—by the way, Q4 was pretty darn high. I don't know that you should expect this stuff to keep going up in terms of gross margins. But we do think there is probably some durable nature to this idea that people are switching careers and are looking for these job skilling programs which generally do have lower content fees from us because they come from our industry partners.

Cam Carey

Thanks, Ryan. That wraps the Q&A. A replay of this webcast will be available on our Investor Relations website, along with the transcript in the next 24 hours. We appreciate everyone joining us today.

Jeffrey Maggioncalda

Thank you.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.