



# Chegg

## Q1-24 Investor Presentation

Apr 29, 2024

# Safe Harbor Statement

## Forward-Looking Statements

This presentation contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by references to future periods and use of terminology such as “plan,” “believe,” “estimate,” “intend,” “project,” “endeavor,” “should,” “future,” “long-term,” “outlook,” “non-GAAP,” “will,” “expect,” “anticipate,” “guidance,” “as if,” “transition,” or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. These forward-looking statements include, without limitation, Mr. Schultz’s planned promotion to President and CEO and the timing of such promotion, Chegg’s investment highlights, encouraging signs and indicators of how Chegg’s new artificial intelligence (AI) enabled platform will serve more students in more ways and that Chegg is making progress to return to growth, Chegg’s navigation of the path back to growth, including efforts around expense management, the strengthening of Chegg’s product-market fit in 2024 and beyond, rolling out, over the next few quarters, more enhancements and features that deliver an even richer personalized learning experience, Chegg’s 2024 priorities, including with respect to building Chegg’s renewal base, new account growth and the Chegg growth flywheel, strong margins and free cash flow, the rollout of AI services, and Skills growth, the use of AI technology at Chegg, including creating new opportunities for Chegg, building Chegg’s personal learning assistant, the details around and efficacy of Chegg’s personal learning assistant, building Chegg’s own large language models (LLMs) and the expected features and outcomes thereof, the timing, functionality, features, and user experience of Chegg’s new generative experience, the expected iterations of the new Chegg experience from present to beyond 2025, the characteristics and features of Chegg’s proprietary solution flow technology (including the ability to route questions to different LLMs, computational engines, and AI tools, such as Chegg’s proprietary LLMs and OpenAI’s ChatGPT, among others), the characteristics and features of, and Chegg’s vision for, Chegg’s proprietary AI stack, the content of Chegg’s illustrative videos, Chegg’s belief that 100 million students could potentially benefit from Chegg, Chegg’s unique value and competitive advantages, Chegg’s ESG plans, improving learning and learning outcomes, improving learners’ overall return on investment in education, helping learners build essential life and job skills to accelerate their path from learning to earning, the non-GAAP presentations of Chegg’s results of operations, including Adjusted EBITDA, free cash flow, Adjusted EPS and expenses excluding Share Based Compensation, financial guidance and seasonality, the Required Materials transition, including annual future revenue and costs, Chegg’s ability to forecast Chegg’s financial results, and all statements about Chegg’s financial and business outlook, strategy, priorities and learner outcomes. These statements are not guarantees of future performance and are based on management’s expectations as of the date of this presentation and assumptions that are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from any future results, performance or achievements. Important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements include the following: the effects of AI technology on Chegg’s business and the economy generally; Chegg’s ability to attract new learners to, and retain existing learners on, our learning platform; Chegg’s innovation and offering of new products and services in response to technology and market developments, including AI; Chegg’s brand and reputation; the uncertainty surrounding the evolving educational landscape, enrollment and student behavior, including the impact of AI; Chegg’s ability to expand

internationally; the efficacy of Chegg’s efforts to drive user traffic, including search engine optimization, social media campaigns, and other marketing; the success of Chegg’s new product offerings, including the new Chegg generative AI experience and personal learning assistant; competition in all aspects of Chegg’s business, including with respect to AI, and Chegg’s expectation that such competition will increase; Chegg’s ability to maintain its services and systems without interruption, including as a result of technical issues, cybersecurity threats, or cyber-attacks; third-party payment processing risks; adoption of government regulation of education unfavorable to Chegg; the rate of adoption of Chegg’s offerings; mobile app stores and mobile operating systems making Chegg’s apps and mobile website available to students and to grow Chegg’s user base and increase their engagement; colleges and governments restricting online access or access to Chegg’s services; Chegg’s ability to strategically take advantage of new opportunities; competitive developments, including pricing pressures and other services targeting students; Chegg’s ability to build and expand its services offerings; Chegg’s ability to integrate acquired businesses and assets; the impact of seasonality and student behavior on the business; the outcome of any current litigation and investigations; misuse of Chegg’s platform and content; Chegg’s ability to effectively control operating costs; changes in Chegg’s addressable market; regulatory changes, in particular concerning privacy, marketing, and education; changes in the education market, including as a result of AI technology and COVID-19; and general economic, political and industry conditions, including inflation, recession and war. All information provided in this presentation and in the conference call is as of the date hereof, and Chegg undertakes no duty to update this information except as required by law. These and other important risk factors are described more fully in documents filed with the Securities and Exchange Commission, including Chegg’s Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission on February 21, 2023 and Chegg’s Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission on February 20, 2024, and could cause actual results to differ materially from expectations.

## Use of Non-GAAP Measures

To supplement Chegg’s financial results presented in accordance with generally accepted accounting principles in the United States (GAAP), this presentation contains non-GAAP financial measures, including Adjusted EBITDA, Adjusted EPS, free cash flow and expenses excluding Share Based Compensation. For reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the Appendix to this presentation. The presentation of these non-GAAP financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. Chegg believes that these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding Chegg’s performance by excluding items that may not be indicative of Chegg’s core business, operating results or future outlook. Chegg management uses these non-GAAP financial measures in assessing Chegg’s operating results, as well as when planning, forecasting and analyzing future periods and believes that such measures enhance investors’ overall understanding of our current financial performance. These non-GAAP financial measures also facilitate comparisons of Chegg’s performance to prior periods.

# Who Are We?

## We put learners first.

Our mission is to improve learning and learning outcomes by putting students first, in school and beyond.

We strive to improve the overall return on investment in education by helping learners learn more in less time and at a lower cost.

Chegg's personal learning assistant leverages more than a hundred million pieces of proprietary content and the power of artificial intelligence as well as a decade of learning insights. Our platform also helps learners build essential life and job skills to accelerate their path from learning to earning.



## Investment Highlights

- Leading Direct-To-Student Connected Learning Platform
- Large Addressable Markets in Early Stages of Growth including Personalized Artificial Intelligence-driven Academic Learning Tools, International, Skills, and Language Learning
- High Margin Model with Strong Free Cash Flow Generation; Increased Focus on Expense Management to Align with Current Revenue Trends
- History of Capital Returns through Equity and Convertible Debt Repurchases
- Competitive Moat Given Brand, Data, Proprietary Content, and Proprietary Subject-Specific Large Language Models (LLMs)

## Q1-24 Highlights

- **Nathan Schultz is being promoted to Chegg's President & CEO, effective June 1<sup>st</sup>. Dan Rosensweig will step into the role of Executive Chairman.** Nathan has been core to Chegg's success from the earliest days as a textbook rental company, to leveraging AI to create a truly personalized learning assistant.
- **We continue to see encouraging signs and indicators that we are making progress to return to growth** and fueling the Chegg flywheel. In Q1-24, global learners asked 9M questions, up from 3.9M a year ago, and our AI content creation drove a return to non-subscriber traffic growth for Chegg Study in the U.S.
- **We are increasing our efforts around prudent expense management**, as we navigate the path back to growth.
- **Q1-24 was extremely productive as we continued to roll out, and improve upon, our AI enabled experiences** that will strengthen our product-market fit in 2024 and beyond. Over the next few quarters, we are focused on rolling out more enhancements and features that deliver an even richer personalized learning experience.

# 2024 Priorities

We are seeing green shoots in subscriber engagement, acquisitions, and retention, but it will take time to build our renewal base before we see a positive impact on total subscribers and revenue. In the meantime, we will increase expense management efforts, while continuing to drive strong profitability and cash flows.

## New Account Growth

### Reignite the flywheel

- More students engaging more frequently as automated solutions and conversational experiences encourage deeper interaction
- More questions get indexed into search and other platforms, driving more customers
- Optimized user experiences drive improved retention

## Strong Margins and FCF

### Prudent expense management

- Continue to invest for future growth while working on aligning our expense base relative to the current revenue trends
- Leverage AI to create efficiencies, such as quicker and cheaper content creation across academics and skills
  - Cost to answer a question using our AI models is 75% less expensive

## Roll out AI services

### Build, Test, Launch, Improve

- Conversational chat introduces more personalization and interactivity for learners
- We plan to integrate personalized learning tools within the conversational learning experience, such as practice questions, flashcards, and study guides
- Enhanced sharing tools

## Skills Growth

### Leverage momentum for continued growth

- Scale B2B infrastructure to support growth
- Refine B2B product strategy that aligns with employer needs and learner outcomes
- Deliver category-leading outcomes for learners (KPIs such as program graduation rates)
- Scale direct to consumer revenue, creating leverage and enhancing overall skills profitability

# AI at Chegg – Personal Learning Assistant

**The advances in artificial intelligence have created opportunities for Chegg.**

We pivoted the company to harness AI to better serve learners around the world. We are building a personalized, interactive, on-demand learning companion backed by proprietary data, generative AI large language models, human subject matter experts, and a decade+ of experience.

## What is a personalized learning assistant (PLA)?

We are building a learning experience that anticipates student needs, adapts to their strengths and weaknesses, and supports them academically, professionally, and personally.

Much more than just solutions, PLA aims to deliver accurate conversational support with personalized prompts and learning tools built right in.

## Why are we building our own LLMs?

### Quality and Accuracy

We expect a significantly enhanced learning experience over generic AI models as we leverage our proprietary data and more than a decade of learning support expertise

### Proprietary Data

Our LLMs have been trained on our billions of pieces of proprietary content and were created specifically for education

### Cost

Owning our own LLMs reduces the variable costs associated with offering AI-driven solutions and experiences relative to relying on third parties

### Speed

Automated answering, with the help of AI and computational engines, reduces the time for solutions from hours to seconds

# Rolling out the new Chegg Experience

The process of embedding AI into every facet of Chegg's platform is ongoing and iterative as we build a truly personalized learning assistant

## 2023

In September we started to show users updated capabilities, with a new simple interface and a unified asking experience

Automated solutions rollout was completed in December, which leverages our proprietary database of content, AI tools, and computational engine, Mathway

## 2H24

We plan to layer more personalization into the experience

We are integrating AI-enhanced learnings aids, such as practice questions, assessments, study guides, and flashcards,

Next Best Action prompts learners with helpful, relevant suggestions and integrated learning tools

Sharing functionality promotes referrals and network effects

## 1H24

We are rolling out subject-specific proprietary LLMs as they reach quality and performance thresholds

We are currently rolling out Multi-Turn Chat, which enables a conversational AI-powered experience

## 2025+

Personalized and iterative study plan

Deeper localization including language translation

Integrated skills pathways

Assesments

Non-Academic support

Voice



# Reigniting the Chegg Growth Flywheel

We are pulling multiple levers to help fuel the flywheel

## PRODUCT

- Since introducing Automated Solutions, we've seen a significant increase in engagement. In Q1-24, global learners asked 9M questions, up from 4M a year ago, and our AI content creation drove a return to non-subscriber traffic growth for Chegg Study in the U.S.

## PRICING

- In 2H23, we introduced promotional pricing in international markets to compete more aggressively and introduce our service to more learners. We are seeing improvements in conversion, acquisition growth, and retention, which all fuels the flywheel
- We continue to test pricing and packaging in the U.S.

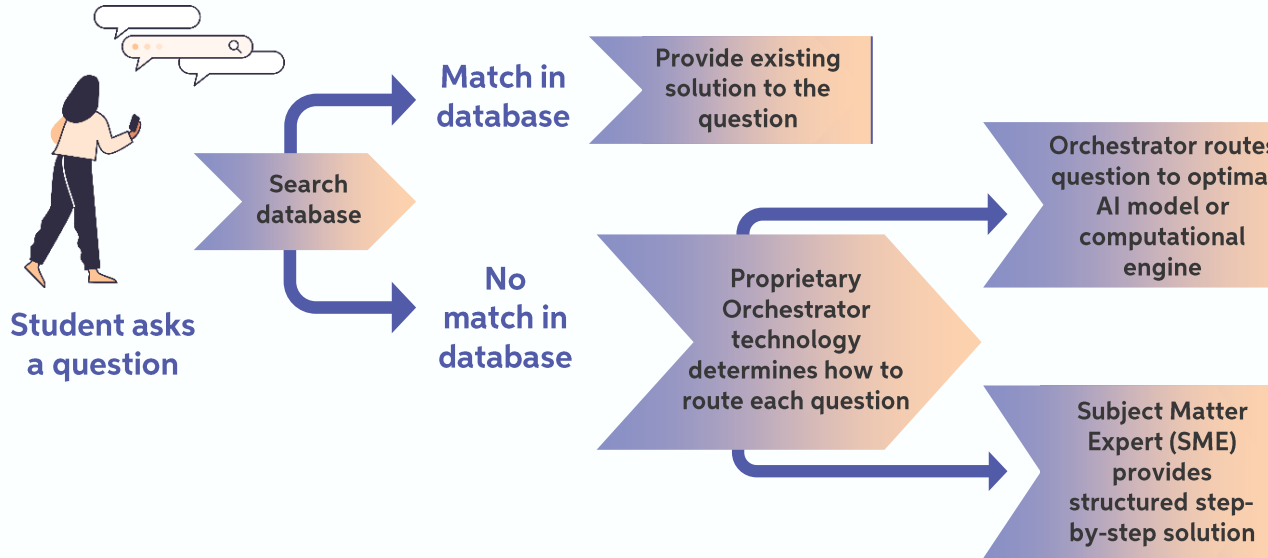
## MARKETING

- We plan to market our new product experience, including reprioritization of resources. We are building sharing into our service to increase word of mouth, expanding our presence on TikTok, and enhancing our SEO with more questions from Automated Solutions



# Proprietary Solution Flow Technology Incorporating Automated Solutions

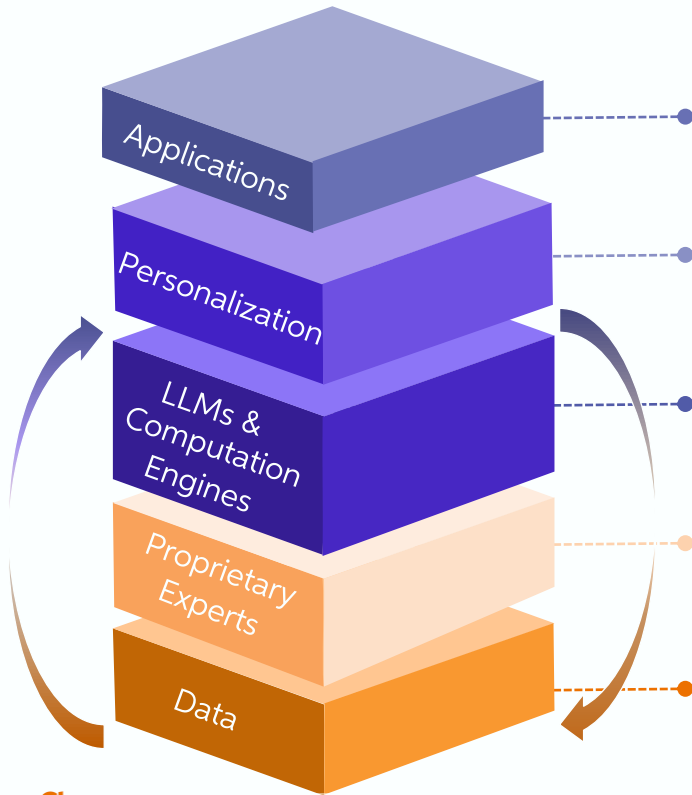
Chegg technology automatically routes questions to the best source that optimizes solution relevancy, speed, accuracy, and cost



## Proprietary question routing technology

- Orchestrator routes questions based on the type and format of the question, as well as the subject matter
- Orchestrator adapts to optimize question routing for relevancy, accuracy, and efficiency
- Questions are routed to either: Chegg's proprietary LLMs, computational engines such as Mathway, or third-party AI tools such as OpenAI's ChatGPT
- As models evolve and improve for certain types of content, we will leverage the best of what is available

# We Are Building An Industry-Leading Proprietary AI Stack That Will Deliver Personalized Learning at Scale



- **Integration** into Chegg Study and Chegg Skills
- **Conversational** and **guided** learning experience based on student needs
- **Questions automatically routed** to either (1) existing content database, (2) best of various AI models or computational engines, or (3) human-generated solution. Our proprietary Orchestrator tool helps the routing between AI tools and human experts.
- **Personalized learning outcomes** based on student proficiency and learning science models
- **Customer Data Profiles** capture and store rich demographic and behavioral information to further customize user experience
  
- **Proprietary subject-specific models** built with Scale AI
- **Computational Engines**, such as Mathway, optimized for education and STEM-B
- Additional **Machine Learning models** for **image transcription**, **question understanding**, and to help with Honor Code enforcement
  
- **Content moderation** by 150k+ vetted and trained subject matter experts, supporting high levels of accuracy
- **Quality Workbench** automates content quality evaluation
- **Content correction and feedback** to improve model performance and accuracy
  
- **Proprietary training assets**: 100M+ pieces of subject matter expert-generated content
- **Annotation system** to collect and synthesize additional data at scale
- **Content Taxonomy**: Chegg-owned framework that structures and organizes content to guide AI models and power Orchestrator

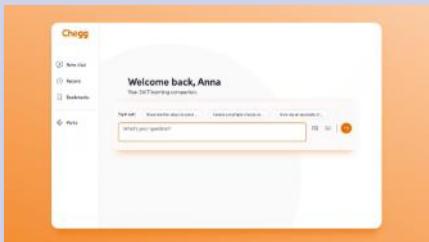


This concept visualization illustrates what Chegg envisions building for students in the future. Some technologies and functionalities featured are not yet available, may not be available upon the launch or upgrades to any products, and may not be an exact representation of Chegg products in the future.

# We're entering an exciting new chapter, driven by the advances in AI

To help illustrate Chegg's vision for AI, what we're building over the next several years, and how our user experience is changing, we created the following videos:

## Transforming the User Experience



[Click here to watch](#)



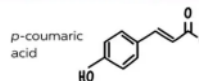
## Chegg's Vision, Powered by AI



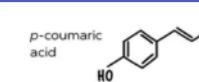
[Click here to watch](#)



Is this structure correct?



Good try. The highlighted section of the structure isn't right. Can you try it again?



Let's jump back into your last quiz. How would you solve this?

$$f(t) = 6t + 8 \cot\left(\frac{t}{2}\right) \cdot \left[\frac{\pi}{6}, 9\frac{\pi}{4}\right]$$



I have your personalized study plan for the semester ready to go.

Nico's Spring Plan

Studying Finance

4 Classes



These videos are concept videos and they illustrate what Chegg offers students today, as well as what Chegg envisions building for students in the future. Some functionalities featured in the video are not yet available, may not be available upon the launch or upgrades to any products, and may not be an exact representation of Chegg products in the future. Except for Calm.com Inc., Chegg is not affiliated, associated, or officially connected with any of the brands, or their subsidiaries or affiliates referenced during and/or in the manner displayed in the video. The names, as well as related names, marks emblems, brands, and images are the registered trademarks and/or copyrights of their respective owners. Except for Calm.com Inc., the use of any trade name or trademark does not imply any association with the trademark holder of their product brand.

## Chegg at a Glance: Financial and KPI Highlights 2023

**\$716 Million**

TOTAL REVENUE

**\$222 Million**

ADJUSTED EBITDA

**\$597 Million**

CONVERTIBLE NOTE REPURCHASES  
AT \$92 MILLION DISCOUNT TO PAR

**7.7 Million**

SUBSCRIPTION SERVICES  
SUBSCRIBERS

**31%**

ADJUSTED EBITDA MARGIN

**>\$300 Million**

STOCK REPURCHASES

**\$100 Million**

INTERNATIONAL REVENUE

**\$173 Million**

FREE CASH FLOW

**19%**

REDUCTION IN SHARES OUTSTANDING  
VS. 2022

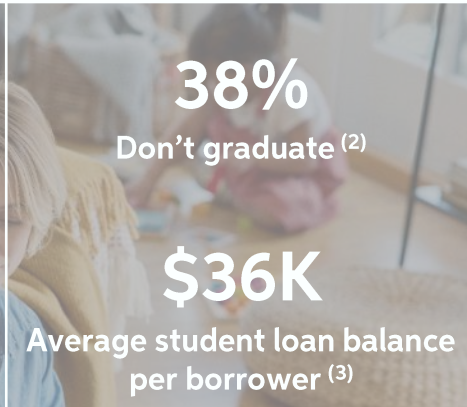
**VOTED AS ONE OF FORTUNE'S BEST WORKPLACES<sup>(3)</sup> AND 15 COMPARABLY AWARDS<sup>(4)</sup>**

# Today's Learners Face More Pressure Than Ever

It's Harder to Be a Student



They're Faced with Mounting Costs



They Aren't Prepared for the Workplace



## Learners need a Platform to Support Them

# Chegg's Integrated Platform of Connected Services

## Subscription Services



### Chegg Study

Personalized step-by-step learning support powered by artificial intelligence, computational engines and subject-matter experts. Our database includes 119 million solutions<sup>1</sup>



### Chegg Writing

A leading provider of online writing tools. Creates bibliographies and checks for grammar errors, sentence structure, and plagiarism



### Chegg Math

Step by step math problem solver



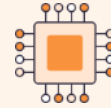
### Busuu

A leading online language learning platform offering self-paced lessons, live classes with experts, and community support. Busuu is available direct-to-consumer as well as through B2B partners, such as Guild

## Chegg Study Pack

Integrated academic support platform including Chegg Study, Writing, and Math.

## Skills & Other



### Skills / Thinkful

High quality online skills-based courses in areas such as AI Prompt Engineering, Applying AI, Data Science, Data Analytics, UX/UI Design, and Cybersecurity are offered to professional learners via their employers and direct-to-student.



### Advertising

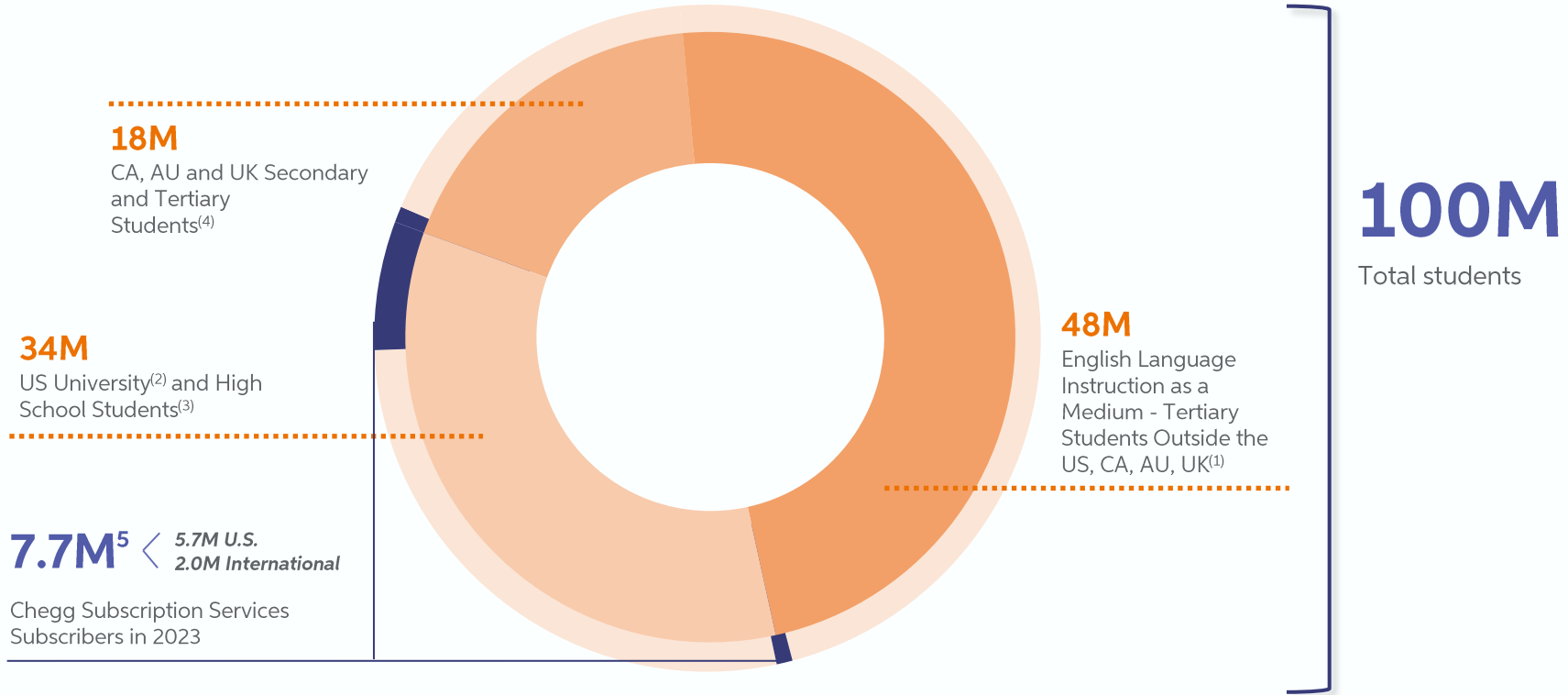
Programmatic advertising across our platform and unique brand partnerships allow brands to reach our valuable audience



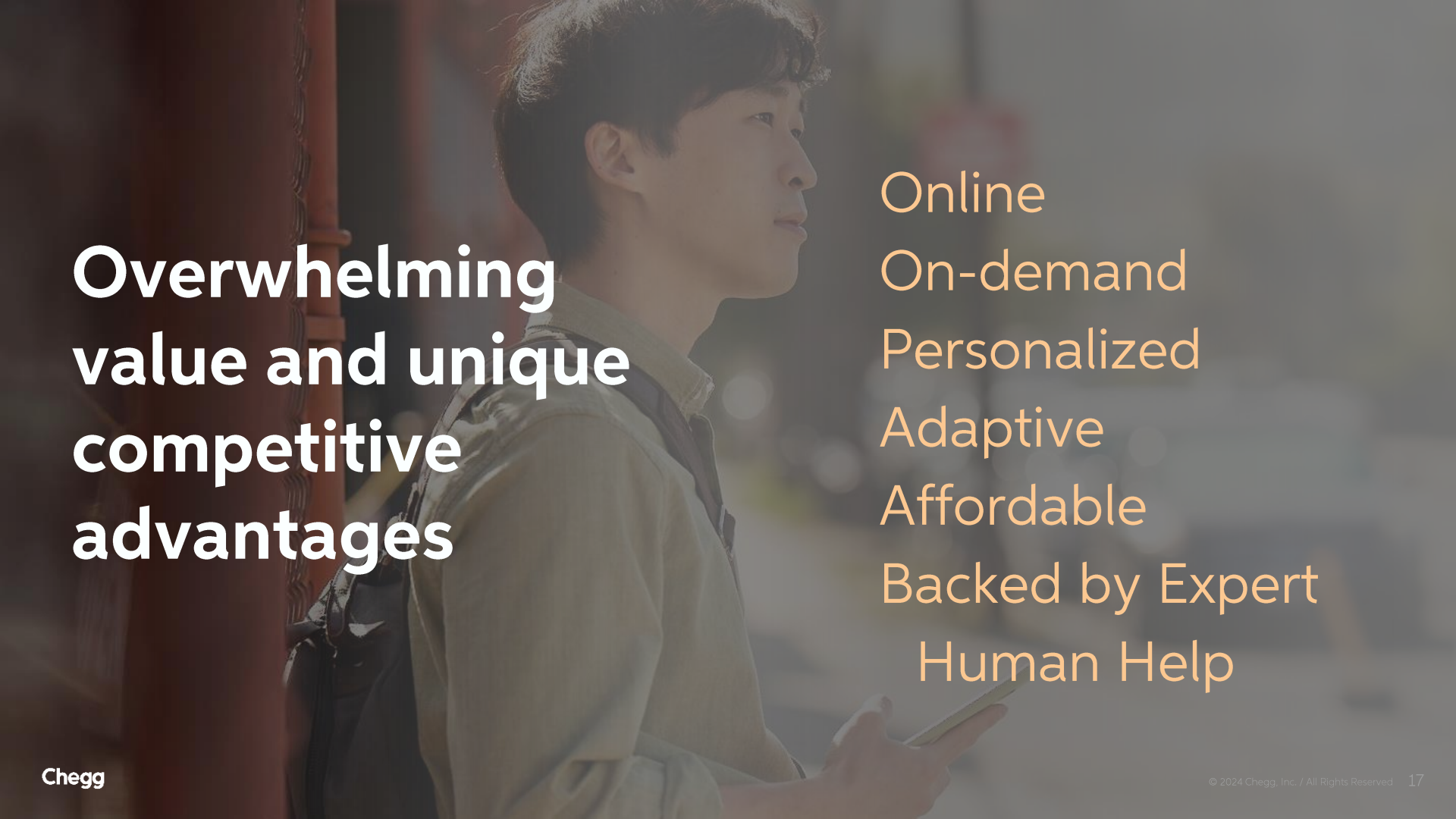
### Required Materials

Students can rent or buy print textbooks or eTextbooks, facilitated by our partner

# Large Global Academic Market Opportunity





A young man with dark hair, wearing a light-colored shirt and a backpack, is shown in profile from the chest up. He is looking towards the right and holding a smartphone in his hands. The background is a blurred outdoor setting with a wooden post on the left. The overall image has a soft, slightly desaturated color palette.

**Overwhelming  
value and unique  
competitive  
advantages**

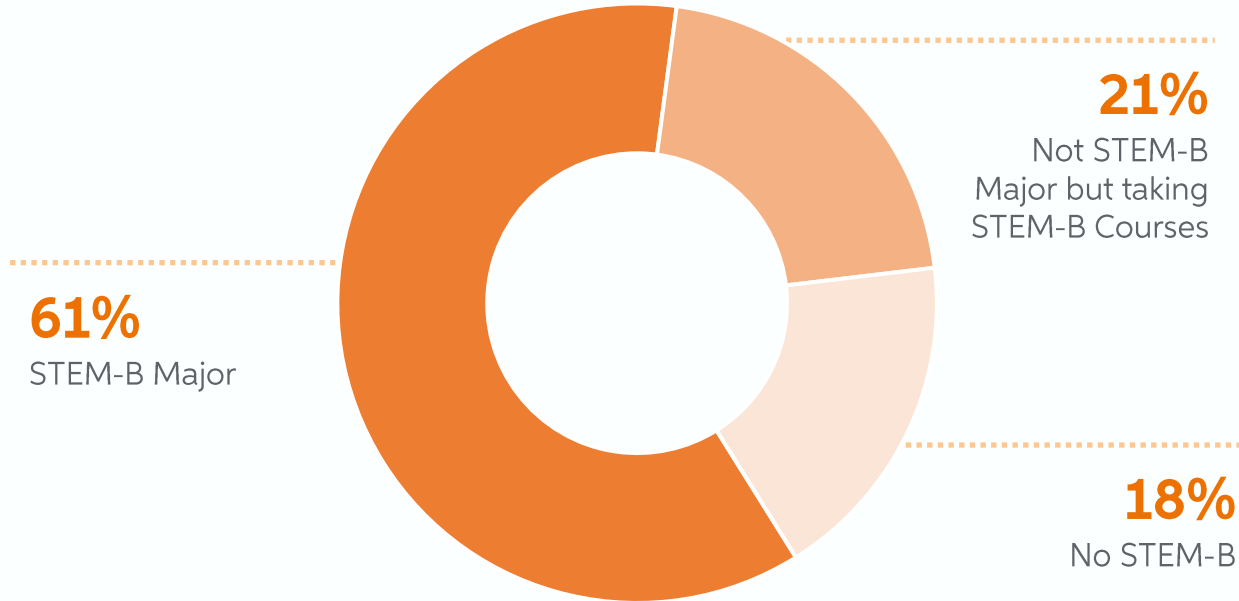
Online  
On-demand  
Personalized  
Adaptive  
Affordable  
Backed by Expert  
Human Help

# Chegg Serves Students of Diverse Backgrounds



- 28% First generation
- 23% Family income <\$20k
- 53% Minorities
- 61% Female
- 26% Over 25 years old
- 5% work Full-Time / 33% Part-Time

## Majority of U.S. College Students are taking STEM-B Courses



# Chegg Delivers Positive Learner Outcomes

**Learn & Understand**

**89%**

Say that Chegg helps them **learn their coursework**. And 88% say Chegg helps them **better understand the concepts** they are studying in school.

**Better Grades**

**91%**

Say they **get better grades** when they use Chegg to understand coursework.

**More Efficient**

**90%**

Say that they **work more efficiently** when they use Chegg to understand their coursework.

**Help When You Need It**

**91%**

Say that Chegg helps them figure it out if they get stuck or **have a question when their instructor is not available**.

**Build Confidence**

**83%**

Say that Chegg helps **build confidence before an exam**.

# Chegg's Approach to ESG: Our Six Pillars



## Public Recognition

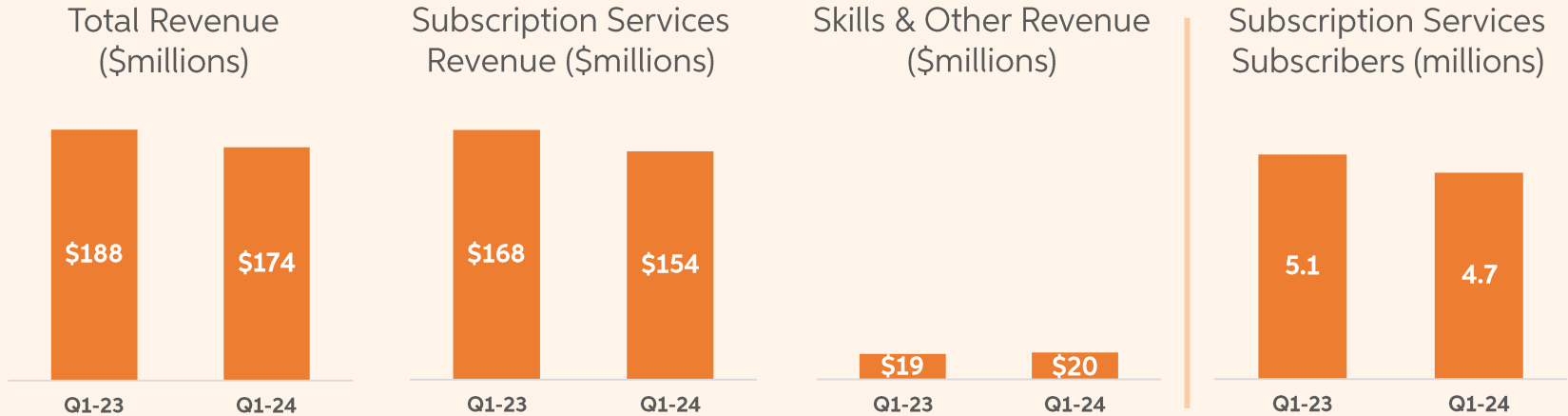
- Chegg is rated AAA for ESG by MSCI, their **highest ESG rating**
- We are pleased to share our recognition as a company committed to sustainability in our industry and we are honored to be included in this year's [S&P Global Sustainable Yearbook](#).

More details & recognition on our [ESG site](#)

## Check out our second annual [ESG Report](#) !!

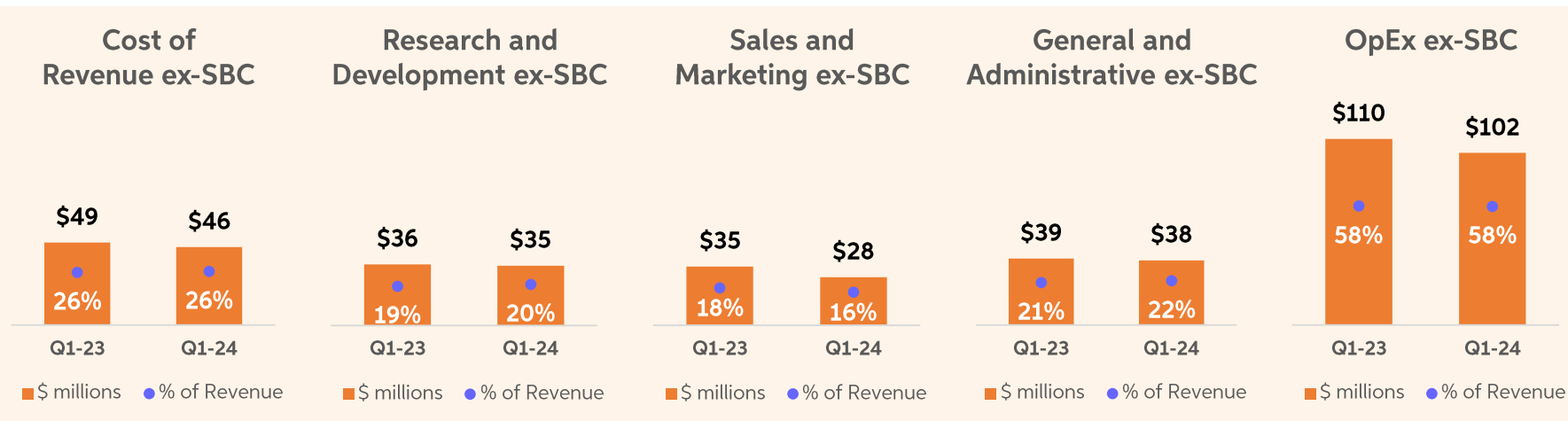
Please also see our [ESG website](#) for additional information and detailed disclosures

## Financial Highlights: Q1 2024 Revenue and Subscribers



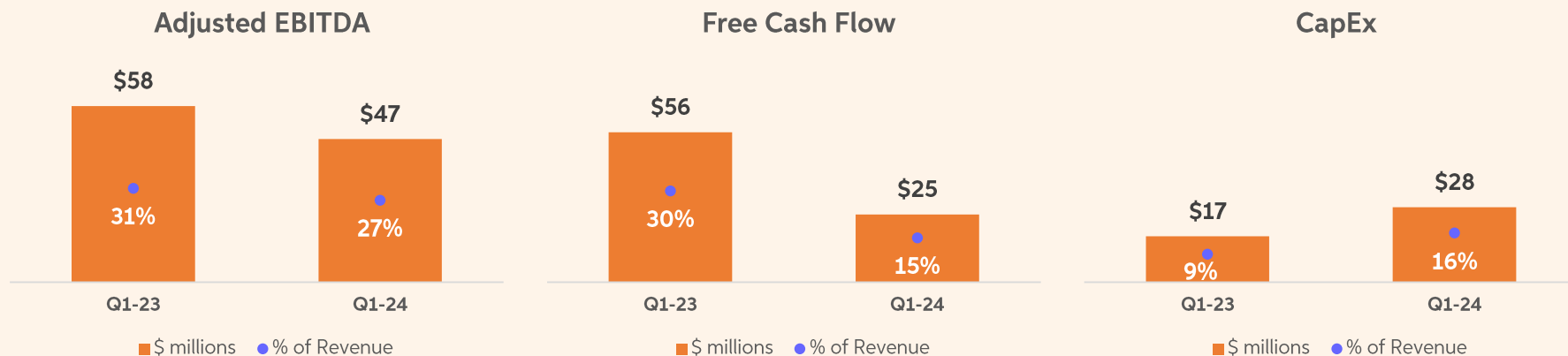
- The year-over-year decrease in Subscription Services Revenue was primarily due to an 8% decrease in Subscription Services Subscribers, and to a lesser extent, the impact of promotional pricing. These trends were partially offset by continued improvements in retention. We are encouraged by early results from the AI product experience rollouts.

## Financial Highlights: Q1 2024 Expenses ex-Stock Based Comp (SBC)



- We continued to take a prudent approach with expense management
- Cost of Revenue and Operating expenses declined year-over-year in 1Q-2024

## Financial Highlights: Q1 2024 Adj. EBITDA Margin, Free Cash Flow, and CapEx

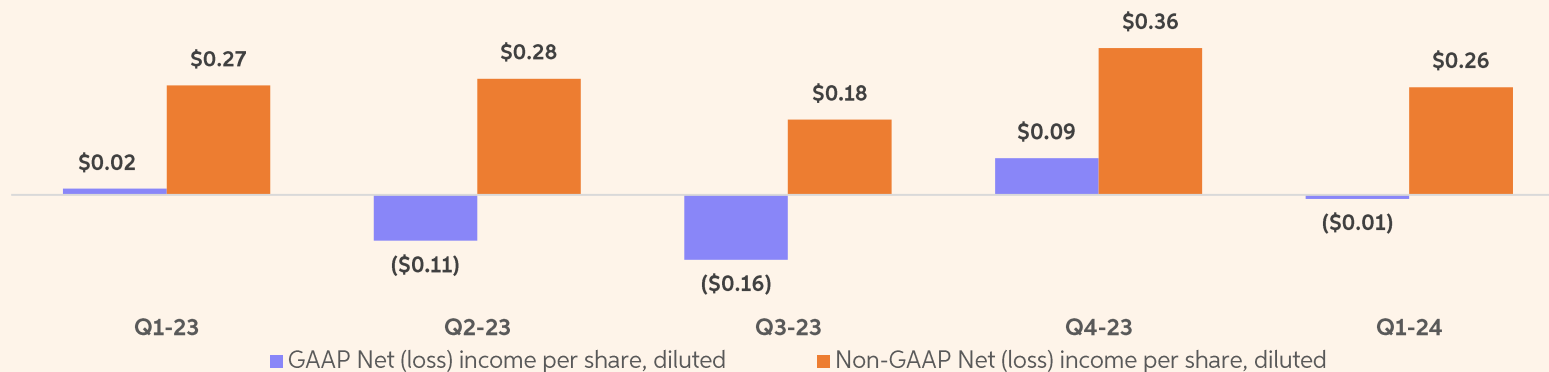


- Free Cash Flow of \$25M represented a 54% conversion from Adjusted EBITDA. While interest income continues to contribute positively, adding \$7 million in the quarter, we are comping against a higher cash balance in 2023.



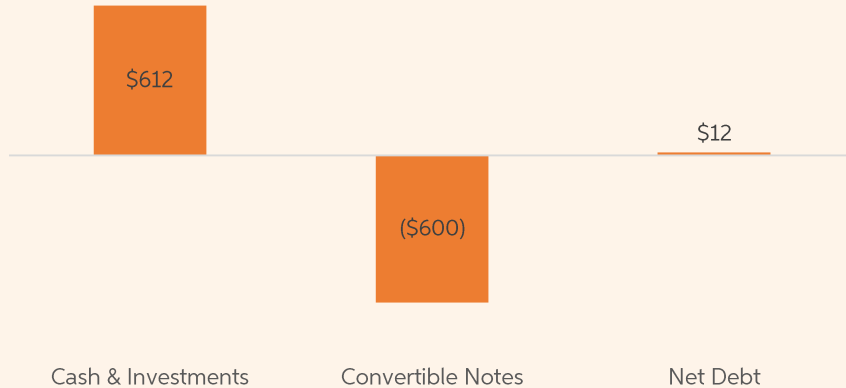
## Financial Highlights: Net (loss) income per share, diluted

GAAP and Non-GAAP Net (loss) income per share, diluted



# Healthy Balance Sheet with History of Returning Capital to Shareholders

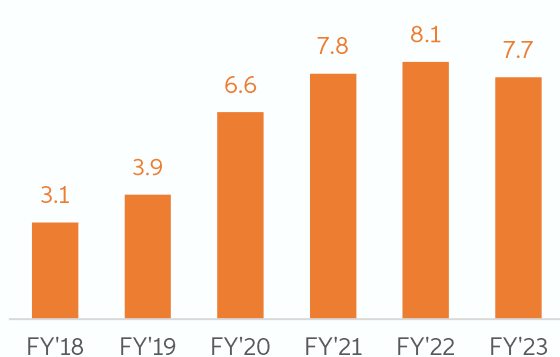
Cash and Debt (3/31/24)



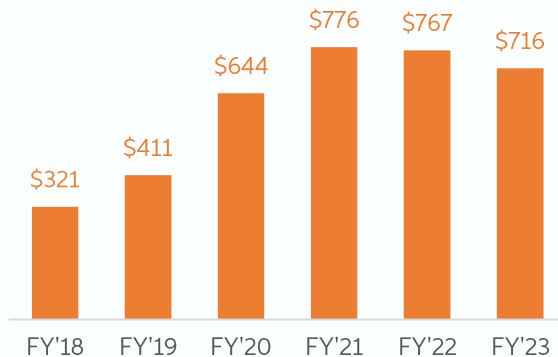
- We have opportunistically retired both convertible debt and equity, returning over \$1.2 billion and \$950 million, respectively, to investors through repurchases over the last three-plus years, including over \$300 million and almost \$600 million in 2023.
- Approximately \$600M of par value of the notes remain outstanding as of 3/31/24

# Chegg Subscribers, Revenue, and Adjusted EBITDA

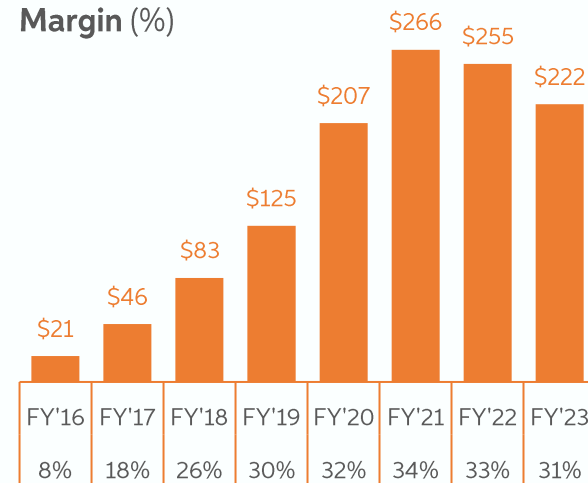
**Subscription Services Subscribers ( millions)**



**Total Revenue (\$ in millions)**



**Chegg Adj. EBITDA (\$million) & Margin (%)**



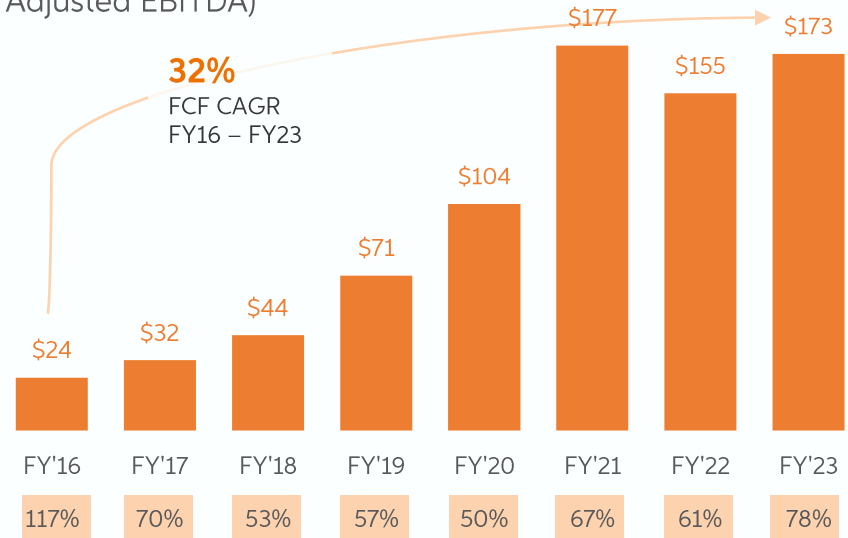
# Strong FCF Generation

## Chegg continues to deliver strong free cash flow and margins

- Strong free cash flow conversion from adjusted EBITDA (historical range has been ~50%-80%)
- Free cash flow CAGR strong, >30%<sup>(1)</sup>
- Content remains the largest driver of CapEx

## Free Cash Flow

Chegg FCF (\$million) & Conversion (from Adjusted EBITDA)



## Business Outlook

	Q1 2024 Results	Q2 2024 Guidance
<b>Total Net Revenue</b>	\$174m	\$159m - \$161m
<b>Subscription Services Revenue</b>	\$154m	\$144m - \$146m
<b>Gross Margin %</b>	73%	70%-71%
<b>Adjusted EBTIDA<sup>1</sup></b>	\$47m	\$38m - \$40m
<b>CapEx</b>	\$28m	
<b>Free Cash Flow<sup>1</sup></b>	\$25m	



(1) Non-GAAP financial measure.

See appendix for reconciliation of a) Net Income to EBITDA and Adjusted EBITDA, b) Forward-Looking Net Loss to EBITDA and Adjusted EBITDA, and c) Net Cash Provided by Operating Activities to Free Cash Flow. CapEx includes purchases of property and equipment and proceeds from dispositions of textbooks, when relevant.

## Required Materials Transition

In April 2022, we entered into a partnership with an independent book reseller. This partnership allowed us to transition out of our textbook library and fulfillment logistics responsibilities while still offering print and eTextbooks to students.

- GT<sup>1</sup> purchased our print textbook library in April 2022 for ~\$14M, assuming responsibility for print textbook library investments and fulfillment logistics, and by the end of 2022, we completed the transition for eTextbooks.<sup>2</sup>
- As a result of the partnership, we no longer incur significant textbook-related costs.<sup>3</sup>
- We now expect to recognize less than \$5 million in annual print and eTextbook revenue, driven by a single-digit percentage revenue share.

# Appendix



## Reconciliation of Net (Loss) Income to EBITDA and Adjusted EBITDA

**CHEGG, INC.**  
**RECONCILIATION OF NET (LOSS) INCOME TO EBITDA AND ADJUSTED EBITDA**  
**(in thousands)**  
**(unaudited)**

	Three Months Ended March 31,	
	2024	2023
Net (loss) income	\$ (1,420)	\$ 2,186
Interest expense, net	650	1,268
Provision for income taxes	9,059	4,176
Depreciation and amortization expense	19,687	25,543
EBITDA	27,976	33,173
Share-based compensation expense	29,289	33,746
Other income, net	(10,780)	(12,076)
Acquisition-related compensation costs	255	2,460
Transitional logistics charges	—	253
Adjusted EBITDA	<u>\$ 46,740</u>	<u>\$ 57,556</u>



# Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA

**CHEGG, INC.**  
**RECONCILIATION OF NET INCOME (LOSS) TO EBITDA AND ADJUSTED EBITDA**  
(in thousands)  
(unaudited)

	Years Ended December 31,							
	2023	2022	2021	2020	2019	2018	2017	2016
Net income (loss)	\$ 18,180	\$ 266,638	\$ (1,458)	\$ (6,221)	\$ (9,605)	\$ (14,888)	\$ (20,283)	\$ (42,245)
Interest expense, net	3,773	6,040	6,896	66,297	44,851	11,225	74	171
Provision for (benefit from) income taxes	32,132	(162,692)	7,197	5,360	2,634	1,430	1,802	1,707
Print textbook depreciation expense	—	1,610	10,859	15,397	—	—	—	9,267
Other depreciation and amortization expense	129,718	89,997	63,274	47,018	30,247	22,805	19,337	14,520
EBITDA	183,803	201,593	86,768	127,851	68,127	20,572	930	(16,580)
Print textbook depreciation expense	—	(1,610)	(10,859)	(15,397)	—	—	—	(9,267)
Share-based compensation expense	133,502	133,456	108,846	84,055	64,909	52,030	38,359	41,785
Other (income) expense, net	(121,810)	(101,029)	65,472	(8,683)	(20,063)	(3,987)	(560)	297
Acquisition-related compensation costs	6,290	14,427	6,378	9,232	10,466	14,096	6,623	4,988
Transitional logistics charges	253	2,463	7,332	—	—	—	—	—
Restructuring charges	5,704	—	1,922	—	97	589	1,047	(423)
Content and related assets charge <sup>(1)</sup>	7,647	—	—	—	—	—	—	—
Loss contingency	7,000	—	—	—	—	—	—	—
Impairment of lease related assets	—	5,225	—	—	—	—	—	—
Loss from impairment of strategic equity investment	—	—	—	10,000	—	—	—	—
Donation from Chegg Foundation	—	—	—	—	1,478	—	—	—
Adjusted EBITDA	<u>\$ 222,389</u>	<u>\$ 254,525</u>	<u>\$ 265,859</u>	<u>\$ 207,058</u>	<u>\$ 125,014</u>	<u>\$ 83,300</u>	<u>\$ 46,399</u>	<u>\$ 20,800</u>

# Reconciliation of Forward-Looking Net Income to EBITDA and Adjusted EBITDA

**CHEGG, INC.**  
**RECONCILIATION OF FORWARD-LOOKING NET INCOME TO EBITDA AND ADJUSTED EBITDA**  
**(in thousands)**  
**(unaudited)**

	<b>Three Months Ending June 30, 2024</b>
Net income .....	\$ 1,900
Interest expense, net .....	500
Provision for income taxes .....	900
Depreciation and amortization expense .....	20,500
EBITDA .....	<u>23,800</u>
Share-based compensation expense .....	22,000
Other income, net .....	(7,000)
Acquisition-related compensation costs .....	200
Adjusted EBITDA* .....	<u>\$ 39,000</u>

\* Adjusted EBITDA guidance for the three months ending June 30, 2024 represent the midpoint of the range of \$38 million to \$40 million, respectively.

# Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

**CHEGG, INC.**  
**RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW**  
**(in thousands)**  
**(unaudited)**

	Three Months Ended March 31,	
	2024	2023
Net cash provided by operating activities .....	\$ 53,318	\$ 73,160
Purchases of property and equipment .....	(28,017)	(17,166)
Free cash flow .....	<u>\$ 25,301</u>	<u>\$ 55,994</u>

## Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

<b>CHEGG, INC.</b>								
<b>RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW</b>								
(in thousands)								
(unaudited)								
Years Ended December 31,								
	2023	2022	2021	2020	2019	2018	2017	2016
Net cash provided by operating activities .....	\$ 246,198	\$ 255,736	\$ 273,224	\$ 236,442	\$ 113,403	\$ 75,113	\$ 51,550	\$ 24,262
Purchases of property and equipment .....	(83,052)	(103,092)	(94,180)	(81,317)	(42,326)	(31,223)	(26,142)	(24,689)
Purchases of textbooks .....	—	(3,815)	(10,931)	(58,567)	—	—	—	(886)
Proceeds from disposition of textbooks .....	9,787	6,003	8,714	7,569	—	—	6,943	25,646
Free cash flow .....	<u>\$ 172,933</u>	<u>\$ 154,832</u>	<u>\$ 176,827</u>	<u>\$ 104,127</u>	<u>\$ 71,077</u>	<u>\$ 43,890</u>	<u>\$ 32,351</u>	<u>\$ 24,333</u>

# Reconciliation of GAAP Expenses to Expenses ex-SBC

**CHEGG, INC.**  
**RECONCILIATION OF GAAP EXPENSES TO EXPENSES EXCLUDING SHARE BASED**  
**COMPENSATION**  
(in thousands)  
(unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Cost of revenue.....	\$ 46,456	\$ 49,150
Share-based compensation expense.....	(513)	(527)
Cost of revenue ex-SBC.....	\$ 45,943	\$ 48,623
Research and development.....	\$ 44,005	\$ 46,907
Share-based compensation expense.....	(9,209)	(10,914)
Research and development ex-SBC.....	\$ 34,796	\$ 35,993
Sales and marketing.....	\$ 30,049	\$ 37,017
Share-based compensation expense.....	(2,140)	(2,499)
Sales and marketing ex-SBC.....	\$ 27,909	\$ 34,518
General and administrative.....	\$ 56,331	\$ 58,973
Share-based compensation expense.....	(17,427)	(19,806)
General and administrative ex-SBC.....	\$ 38,904	\$ 39,167
Operating expenses.....	\$ 130,385	\$ 142,897
Share-based compensation expense.....	(28,776)	(33,219)
Operating expenses ex-SBC.....	\$ 101,609	\$ 109,678

## Reconciliation of Net Income (Loss) per Share, Diluted to Non-GAAP Net Income per Share, Diluted

**CHEGG, INC.**  
**RECONCILIATION OF NET INCOME (LOSS) PER SHARE, DILUTED TO NON-GAAP NET INCOME PER SHARE, DILUTED**  
**(unaudited)**

	Three Months Ended				
	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024
Net income (loss) per share, diluted .....	\$ 0.02	\$ (0.11)	\$ (0.16)	\$ 0.09	\$ (0.01)
Adjustments .....	0.25	0.39	0.34	0.27	0.27
Non-GAAP net income per share, diluted .....	\$ 0.27	\$ 0.28	\$ 0.18	\$ 0.36	\$ 0.26