

Chegg®

Q1 2014 Earnings Call May 1st, 2014

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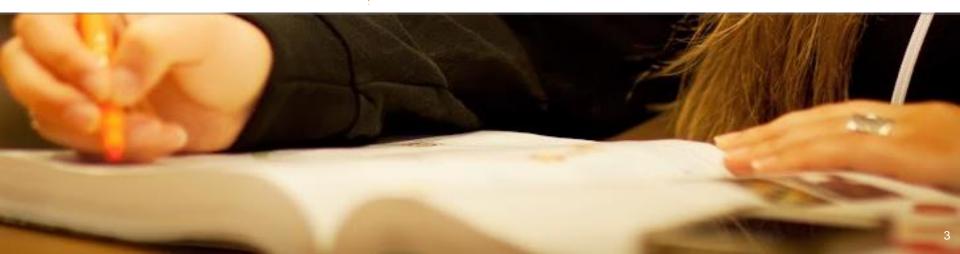
In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. See the Appendix for a reconciliation of the non-GAAP financial measures to their most comparable GAAP measure.

This presentation contains statistical data that we obtained from third party publications, surveys and reports. Although we have not independently verified the accuracy or completeness of the data contained in these industry publications, surveys and reports, we believe the publications, surveys and reports are generally reliable, although such information is inherently subject to uncertainties and imprecise.



Chegg® The Student Hub™

The leading connected learning platform



Revenue (\$M)

	Q1'14	Q1'13	YOY
Total Revenue	\$74.4	\$61.0	22%
Print	\$56.6	\$50.3	13%
Digital	\$17.8	\$10.7	66%
Digital % of Revenue	24%	18%	6 pts.

Gross Profit & Expense (\$M) (Non-GAAP)

	Q1'14	Q1'13	YOY
Gross Profit	\$9.1	\$11.7	(\$2.6)
GM%	12.2%	19.2%	(7.0) pts.
Digital Gross Profit	\$9.7	\$5.6	\$4.1
Digital GM%	54.6%	52.4%	2.2 pts.
Operating Expense*	\$28.8	\$24.5	\$4.3
Gain on Liquidation of Textbooks	(\$1.7)	(\$2.3)	(\$0.6)
Opex before gain/loss on liquidations as a % of Revenue	38.7%	40.2%	(1.5) pts

^{*}Operating expenses excluding gain on textbook liquidations

Q1'14 Profitability (\$M) (Non-GAAP)

	Q1'14	Q1'13
Total Revenue	\$74.4	\$61.0
Print	\$56.6	\$50.3
Digital	\$17.8	\$10.7
Gross Profit	\$9.1	\$11.7
Operating Expenses	\$27.1	\$22.2
Loss from operations	(\$18.0)	(\$10.5)
Book Depreciation	\$20.1	\$16.5
Adj. EBITDA	(\$16.6)	(\$9.1)

Q2'14 Outlook (\$M) (Non-GAAP)

	Low End	High End
Total Revenue	\$61	\$65
Digital % Mix	30%	31%
Gross Margin %	approximately 36%	
Adj. EBITDA	(\$2.0)	\$2.0

FY14 Outlook (\$M)

	Low End	High End
Total Revenue	\$310	\$320
Non-Print % Mix	28%	30%
Gross Margin %	27%	29%
Adj. EBITDA	(\$10)	(\$15)
Free Cash Flow	(\$5)	\$5

GAAP to Non-GAAP Reconciliation

CHEGG, INC. Reconciliation of GAAP to Non-GAAP Financial Measures

(in thousands, except per share amounts) (unaudited)

		onths Ended rch 31,
	2014	2013
Revenues	\$ 74,393	\$ 61,015
GAAP cost of revenues	(65,485)	(49,454)
Stock-based compensation	178	154
Non-GAAP gross profit	\$ 9,086	\$ 11,715
GAAP gross margin %	12.0%	18.9%
Non-GAAP gross margin %	12.2%	19.2%
GAAP operating expenses	\$ 34,509	\$ 27,731
Stock-based compensation	(6,752)	(3,996)
Amortization of intangible assets	(601)	(1,490)
Acquisition related compensation costs	(54)	-
Non-GAAP operating expenses	\$ 27,102	\$ 22,245
GAAP operating expenses as a percent of revenues	46.4%	45.4%
Non-GAAP operating expenses as a percent of revenues	36.4%	36.5%
GAAP net income (loss)	\$ (25,759)	\$ (17,825)
Stock-based compensation	6,930	4,150
Amortization of intangible assets	601	1,490
Acquisition related compensation costs	54	-
Non-GAAP net loss	\$ (18,174)	\$ (12,185)
GAAP net loss per share, basic and diluted	\$ (0.31)	\$ (1.48)
Adjustments	0.09	0.47
Non-GAAP net loss per share, basic and diluted	\$ (0.22)	\$ (1.01)