



Chegg[®]

Q1 2014 Earnings Call

May 1st, 2014

SAFE HARBOR

This presentation is for informational purposes only and may not be relied upon in connection with the purchase or sale of any security. Sales and offers to sell Chegg, Inc. ("we," "us" or "our") securities will only be made in accordance with the Securities act of 1933, as amended, and applicable Securities and Exchange Commission ("SEC") regulations, including the written prospectus requirements. This presentation is proprietary and is intended solely for the information of the persons to whom it is presented. It may not be retained, reproduced or distributed, in whole or in part, by any means, including electronic, without our prior written consent.

This presentation contains forward-looking statements. All statements in this presentation other than statements of historical fact, including statements regarding our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "will," "estimate," "continue," "would," "potential," "grow," "to do," or the negative of these terms and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the registration statement we have confidentially submitted with the SEC. You should read the prospectus, including the Risk Factors, completely and with the understanding that our actual future results may be materially different from what we expect. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by law, we are under no duty to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this presentation.

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 HubSM

**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)

	Three Months Ended March 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	<u>\$ 9,086</u>	<u>\$ 11,715</u>
<i>GAAP gross margin %</i>	<i>12.0%</i>	<i>18.9%</i>
<i>Non-GAAP gross margin %</i>	<i>12.2%</i>	<i>19.2%</i>
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	<u>\$ 27,102</u>	<u>\$ 22,245</u>
<i>GAAP operating expenses as a percent of revenues</i>	<i>46.4%</i>	<i>45.4%</i>
<i>Non-GAAP operating expenses as a percent of revenues</i>	<i>36.4%</i>	<i>36.5%</i>
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	<u>\$ (18,174)</u>	<u>\$ (12,185)</u>
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	<u>\$ (0.22)</u>	<u>\$ (1.01)</u>