



Chegg

Q3-23 Investor Presentation

Oct 30, 2023

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, Chegg’s investment highlights, the use of artificial intelligence (AI) technology at Chegg, including creating new opportunities for Chegg, building our proprietary AI-stack and how that expands our TAM and moat, lowers our costs, allows us to train AI models specifically for education, and leverages our proprietary content and subject matter experts, our expectation of offering a significantly enhanced learning experience over generic AI models and creating tremendous value for Chegg, the timing, functionality, features, and user experience of Chegg’s new generative experience (including our expectation of rolling out features to students in the coming months and the first quarter of 2024 and offering multi-turn chat to create a simple and conversational experience as well as personalized AI-enhanced learning aids such as practice tests, assessments, study guides and flashcards), our intention to build the largest connected community of learners around the world, the characteristics and features of our proprietary solution flow technology (including the ability to integrate multiple large language models (LLMs) such as our own LLMs that we are building with ScaleAI and OpenAI’s ChatGPT, among others), the characteristics and features of, and our vision for, our proprietary AI stack, the details around and efficacy of Chegg’s personal learning assistant, the content of Chegg’s illustrative videos, Chegg’s long-term strategic focus (including subscriber growth, profitable growth, and Chegg’s lifetime value), our ability to maintain margins and cash flow, Chegg’s belief that 100 million students could potentially benefit from Chegg, Chegg’s unique value and competitive advantages, Chegg’s ESG plans, Chegg’s support of students’ mental health, improving learning and learning outcomes, improving learners’ overall return on investment in education, the non-GAAP presentations of Chegg’s results of operations, including Adjusted EBITDA, free cash flow, Adjusted EPS and expenses excluding Share Based Compensation and the Content and Related Assets Charge, financial guidance and seasonality, the Required Materials transition, including annual future revenue and costs, our ability to forecast our 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, and retain existing, students, to increase student engagement, and to increase monetization; Chegg’s brand and reputation; changes in employment and wages and the uncertainty surrounding the evolving educational landscape, enrollment and student behavior; Chegg’s ability to expand internationally; changes in search engine methodologies that modify Chegg’s search result page rankings, resulting in decreased student engagement on Chegg’s website; the success of Chegg’s new product offerings, including the new Chegg generative AI experience and

personal learning assistant; competition in aspects of Chegg’s business, and Chegg’s expectation that such competition will increase; Chegg’s ability to innovate in response to technological and market developments, including artificial intelligence; 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; 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 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 and the Content and Related Assets Charge. 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.

The Chegg platform provides products and services to support learners to help them better understand their academic course materials, and also provides personal and professional development skills training, to help them achieve their learning goals



Investment Highlights

- Leading Direct-To-Student Connected Learning Platform
- Large Addressable Markets in Early Stages of Growth including International, Skills, Language Learning, and Non-Academic
- High Margin Model with Strong Free Cash Flow Generation; Increased Focus on Expense Management
- History of Capital Returns through Equity and Convertible Debt Repurchases
- Competitive Moat Given Brand, Reach, Data, Human Expert Network, and Proprietary Content

AI at Chegg – Personal Learning Assistant

The advances in AI create opportunities for Chegg and we've pivoted the company to harness AI to better serve learners. We plan to build the largest connected community of learners around the world with a truly scalable, adaptive learning assistant

Chegg's AI-stack enhances its learning platform

- Expands our TAM and competitive moat, lowers our costs, and allows us to train the models specifically for education
- Leverages our billions of pieces of proprietary content
- 150k subject matter experts help train the AI models and support accuracy in our generative experience. They are a critical part of the process to enhance our own LLMs, ensuring trust and quality remains high
- We expect a significantly enhanced learning experience over generic AI models and tremendous value for Chegg

Rolling out the new Chegg Experience

- In September we started to show the first cohort of users updated capabilities, with a new simple interface and a unified asking experience, which we expect will be fully rolled out by Q1-24. We plan to continually roll-out even more features to more students.
- Chegg can provide answers from our proprietary database, our 150K+ subject matter experts, and now, also from generative AI tools
- In the coming months, we will offer more features including multi-turn chat, which will create a simple and conversational experience, and we will introduce personalized AI-enhanced learning aids, such as practices tests, assessments, study guides, and flashcards.

83%

Students prefer help from companies that **specialize in schoolwork help** and understand students¹

85%

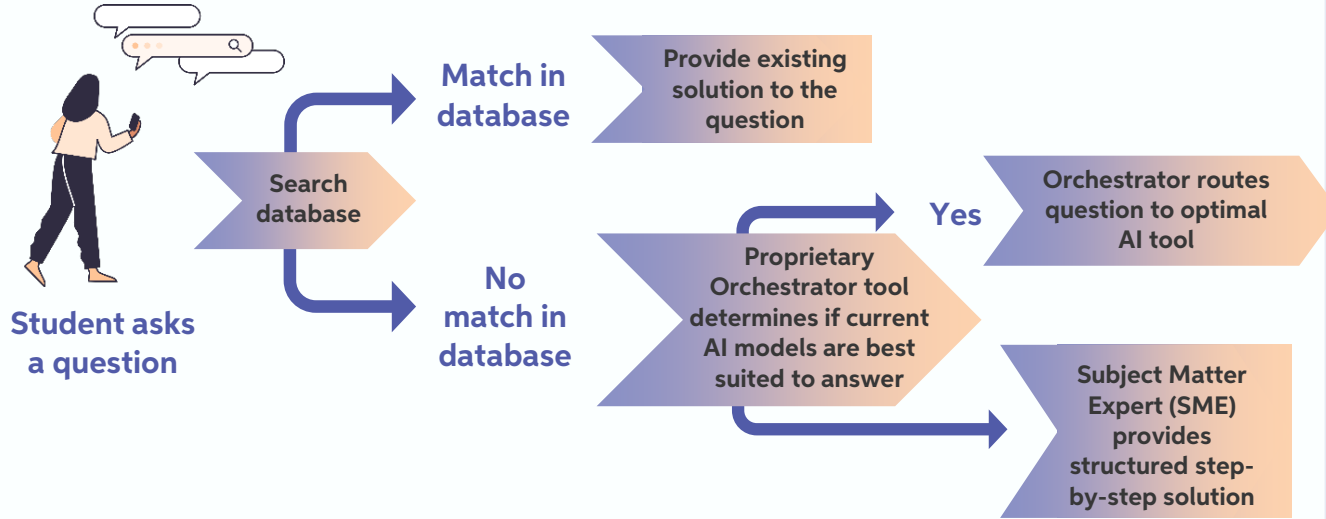
Students prefer study help that is **adaptive** to their learning needs¹

86%

Students prefer study help **reviewed by human** subject-matter experts¹

Proprietary Solution Flow Technology

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

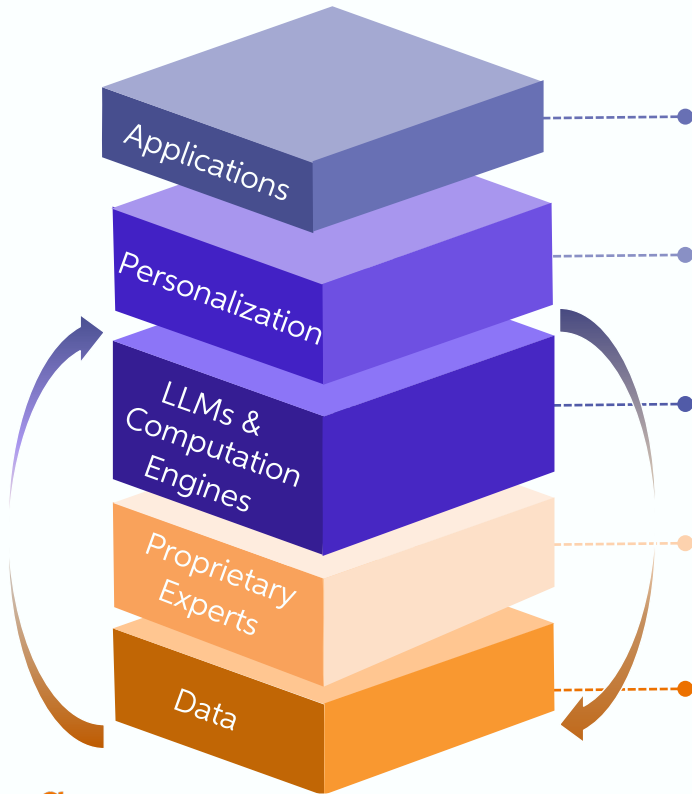


Proprietary question routing technology

We built Orchestrator to be adaptable

- We can plug in multiple models, including our LLMs that we are building with ScaleAI, as well as OpenAI's ChatGPT and others
- Orchestrator will adapt to optimize question routing for relevancy, accuracy, and efficiency
- Orchestrator routes questions based on the type and format of the question, as well as the subject matter
- As models evolve and improve for certain types of content, we will leverage the best of what's 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 (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

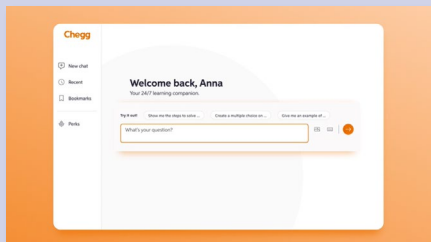


This concept visualization illustrates what Chegg envisions building for students in the future. Some technologies and functionalities featured are not yet available, may not be available upon the launch or upgrades to any products, and may not be an exact representation of Chegg products in the future.

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](#)



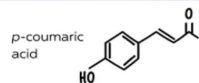
Chegg's Vision, Powered by AI



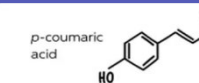
[Click here to watch](#)



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?

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



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.

Long-Term Strategic Focus

Grow Subscribers

Embrace AI to deliver a personalized, conversational learning companion and increase local product-market fit for new learners around the world



High Margin Model

Maintain best-in-class margins

Profitable Growth

Invest responsibly in scalable content, technology, and tools to support future growth



Drive Outcomes

Deliver positive learner outcomes by meeting students where they are

Extend Lifetime Value

Increase lifelong relevance by extending our breadth and depth, adding high-value content and services



Help Holistically

Help learners beyond academics, including mental health and wellness

Chegg at a Glance: Financial and KPI Highlights 2022⁽¹⁾

8.1 Million

CHEGG SUBSCRIPTION
SERVICES
SUBSCRIBERS

5%

CHEGG SUBSCRIPTION
SERVICES
SUBSCRIBERS Y/Y GROWTH

10%

CHEGG SERVICES REVENUE
Y/Y GROWTH

33%

ADJUSTED EBITDA
MARGIN⁽²⁾

2.1 Million

INTERNATIONAL CHEGG
SERVICES SUBSCRIBERS

15%

INTERNATIONAL REVENUE AS
% OF TOTAL

VOTED FORTUNE'S BEST
Workplaces⁽³⁾

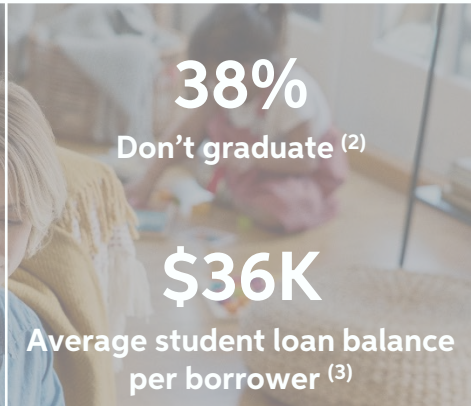
18 COMPARABLY AWARDS
Including Best Company
Outlook and Best Global Culture

Today's Learners Face More Pressure Than Ever

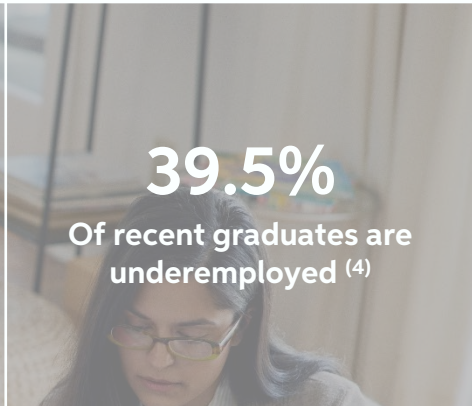
It's Harder to Be a Student



They're Faced with Mounting Costs



They Aren't Prepared for the Workplace



Need a Platform to Support Them

Delivering Services That Meet The Learning Needs of Students

Our years of experience and student engagement data help us understand how students learn. We then provide evidenced-based support to address students' specific needs and desired learning outcomes, meeting students where they are.

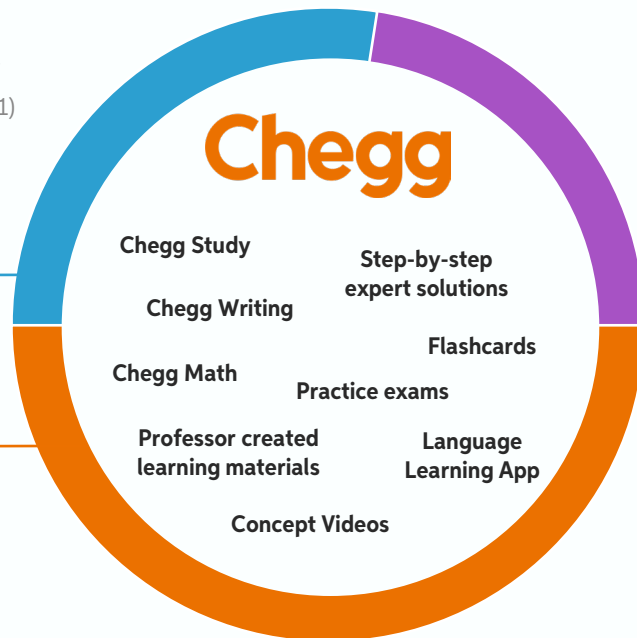
Our students spend 6.5 hours per day on schoolwork outside the classroom⁽¹⁾

CRAM for an exam

25%, 3.5 hrs/wk⁽²⁾

HELP with homework/writing

51%, 7.1 hrs/wk⁽²⁾



LEARN a new concept

23%, 3.4 hrs/wk⁽²⁾



Source: Results reflect a Chegg online survey conducted among a random sample of U.S. Chegg Study and Chegg Study Pack customers who are currently enrolled in college and used Chegg Study or Chegg Study Pack in Q4 2022 and Q1 2023. Survey responses are not a guarantee of any particular results as individual experiences may vary. Survey fielded between Sep24-Oct12, 2023. (1) Respondent base College subscribers (n=559) (2) Respondent base College subscribers (n=517) Data shows % of time allotted for each activity.

Chegg's Integrated Platform of Connected Services

Subscription Services



Chegg Study

Learning service with 102 million pieces of expert-generated content¹



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



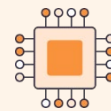
Busuu

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 Data Science, Data Analytics, UX/UI Design, and Software Engineering are offered to professional learners via their employers and direct-to-student. New AI-focused courses such as AI Prompt Engineering and Applying AI will be rolling out.



Advertising

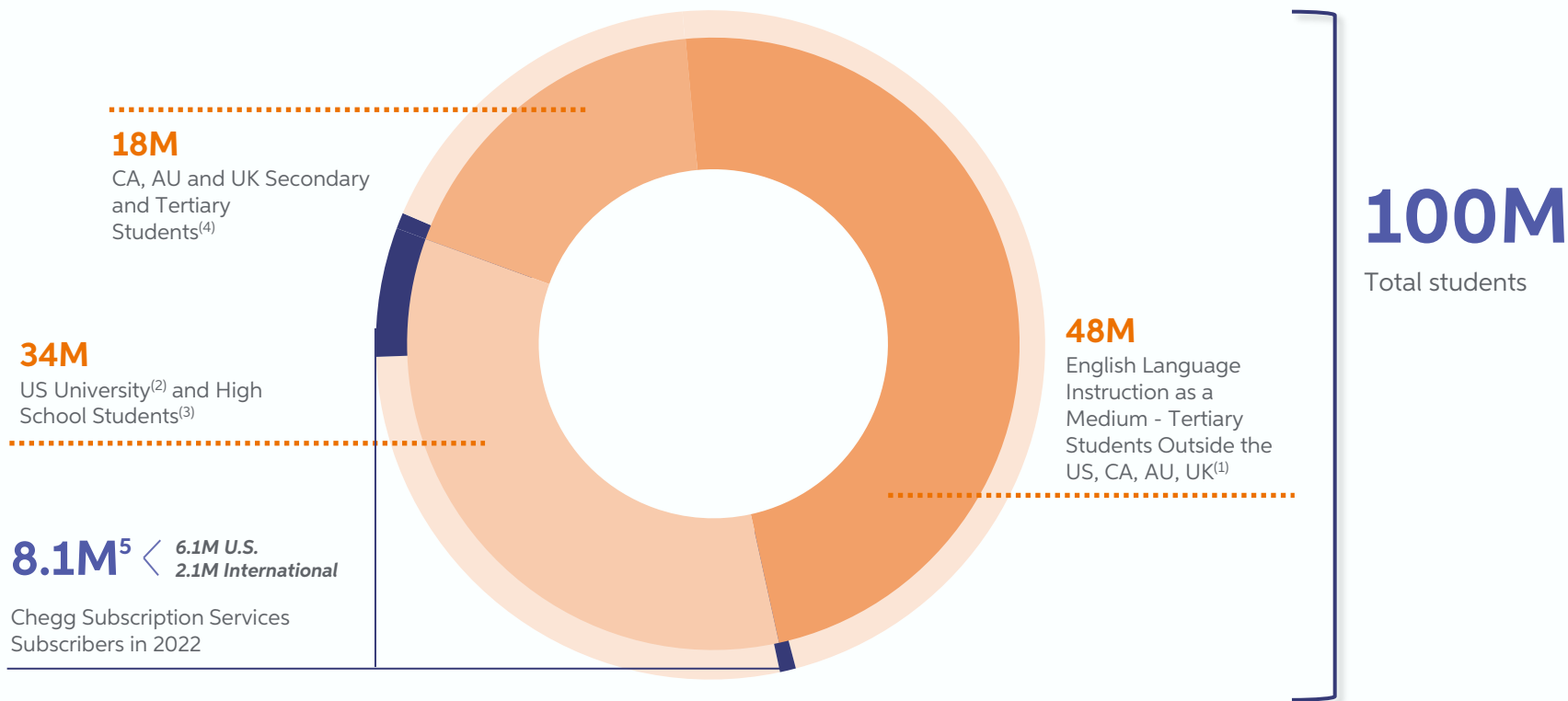
Programmatic advertising across our platform and unique brand partnerships allow brands to reach our valuable audience

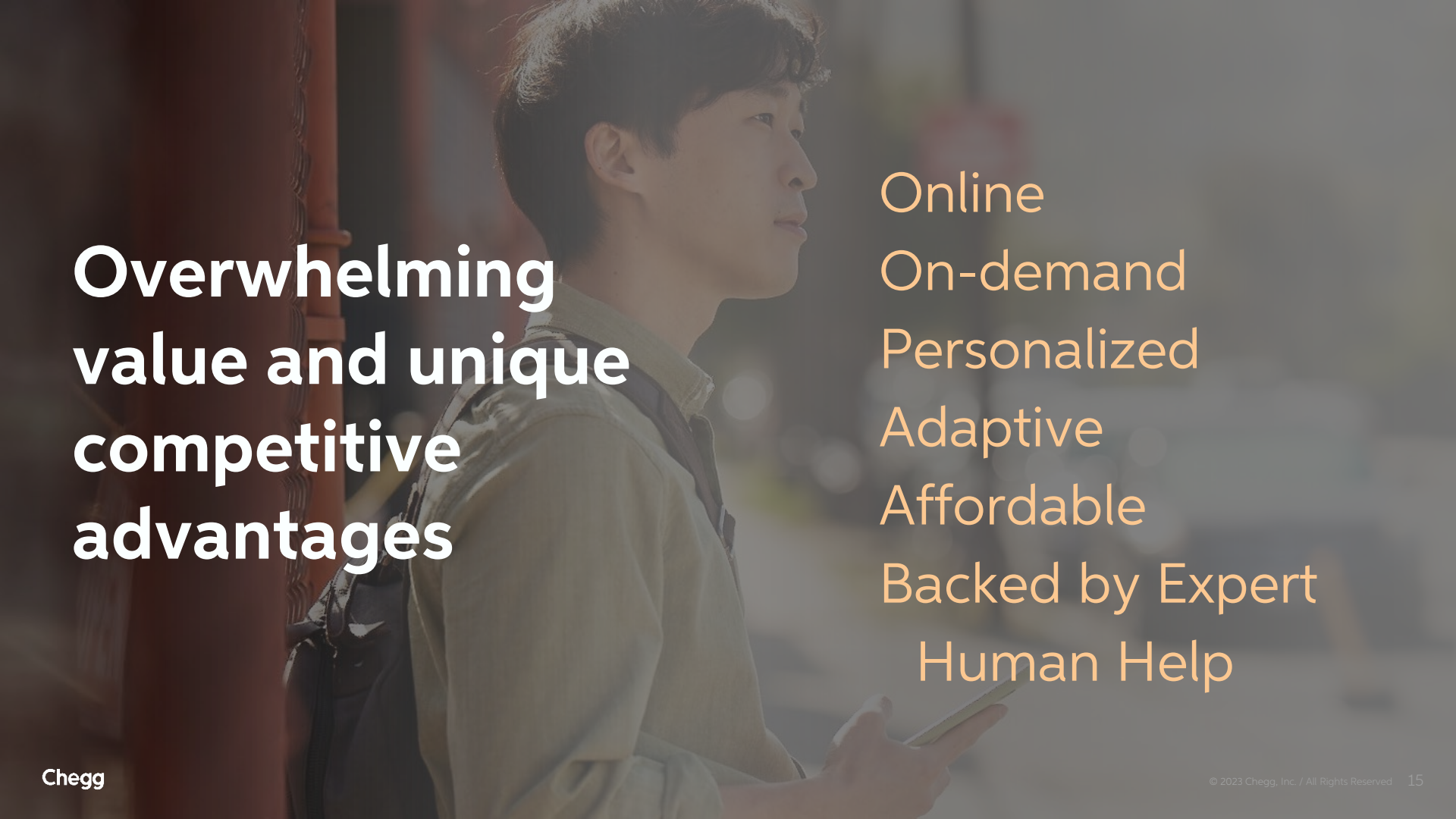


Required Materials

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 jacket and a backpack, is shown in profile from the chest up. He is looking down at a smartphone held in his hands. The background is a blurred outdoor setting with a wooden post on the left. The overall tone is soft and professional.

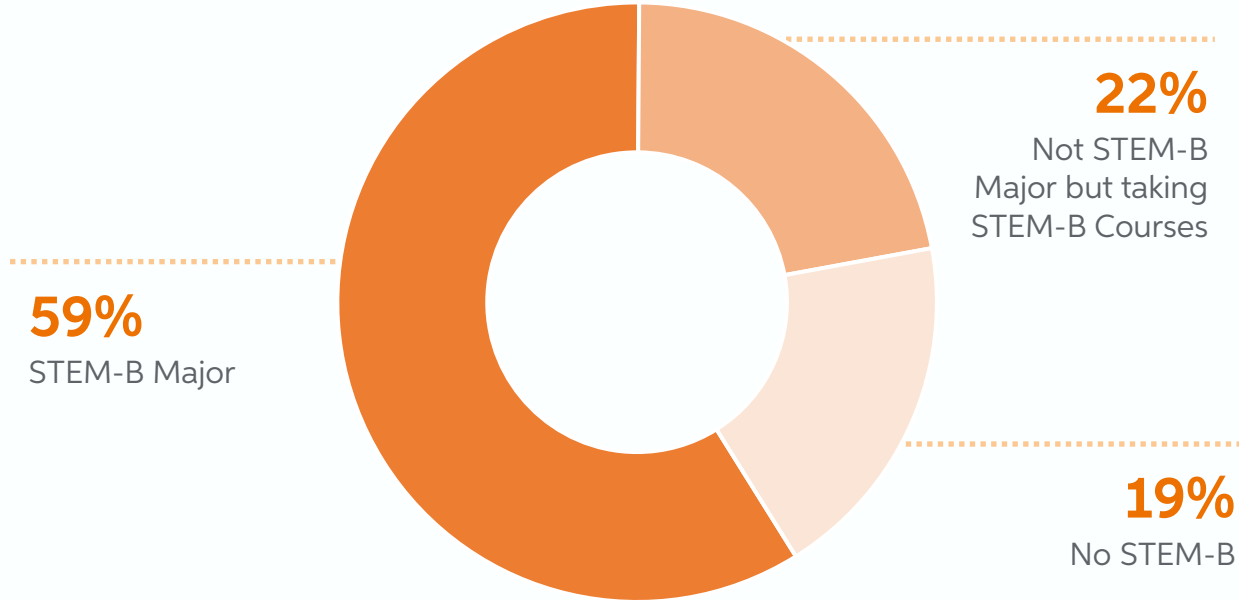
**Overwhelming
value and unique
competitive
advantages**

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

Chegg Serves Students of Diverse Backgrounds

- 27% First generation
- 15% Family income <\$20k
- 56% Minorities
- 59% Female
- 25% Over 25 years old
- 11% work Full-Time / 32% 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

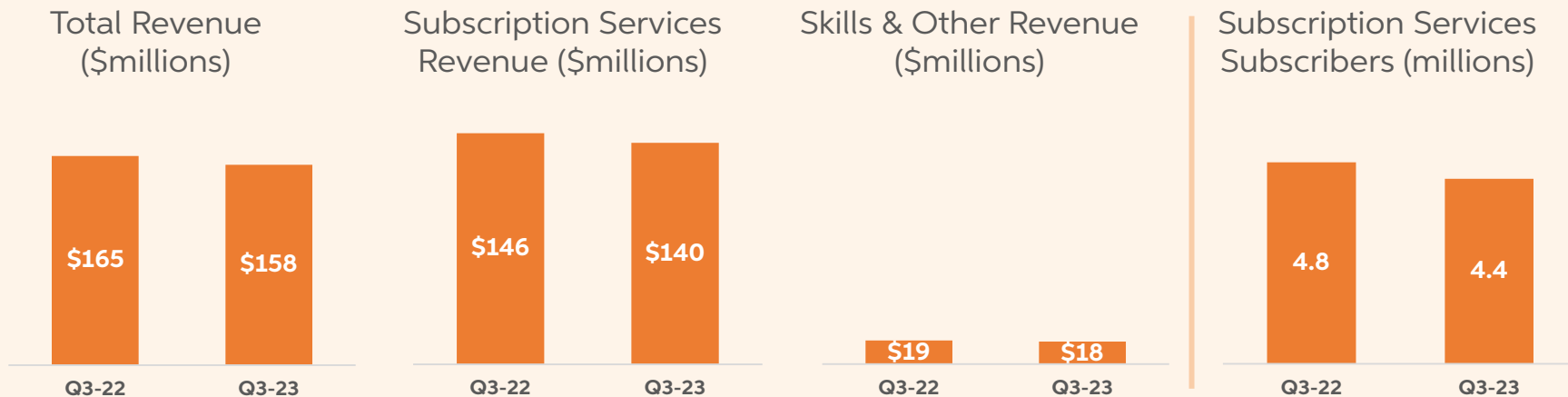
- Chegg was upgraded by MSCI to their **highest ESG rating, AAA**
- We are pleased to share our recognition as a company committed to sustainability in our industry and we are honored to be included in this year's [S&P Global Sustainable Yearbook](#).

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

We are proud to announce we published our second annual [ESG Report](#) for 2022!!

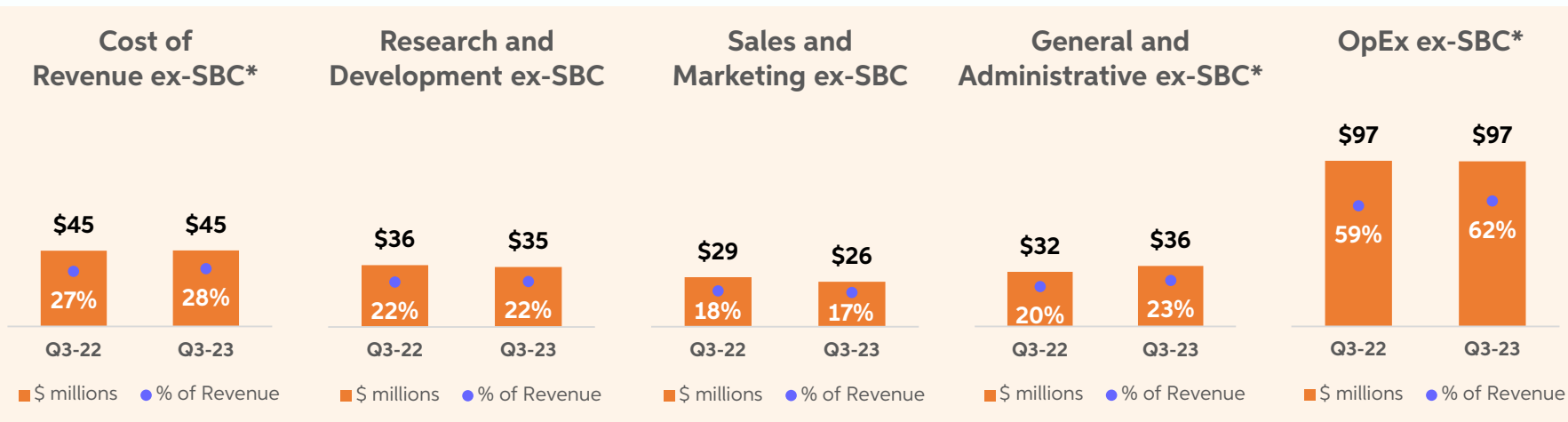
Please also see our [ESG website](#) for additional information and detailed disclosures

Financial Highlights: Q3 2023 Revenue and Subscribers



- The year-over-year decrease in Subscription Services Revenue was primarily due to an 8% decrease in Subscription Services Subscribers. We are encouraged by stable customer acquisition trends as well as increases in overall retention and the take rate of Chegg Study Pack
- The year-over-year decrease in Skills & Other Revenue is driven by the transition in Required Materials which is now a revenue share¹, as well as some advertising softness, both of which more than offset the year-over-year strong increase in Skills Revenue

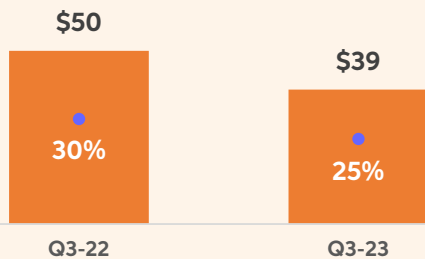
Financial Highlights: Q3 2023 Expenses ex-Stock Based Comp (SBC) and One-Time Content and Related Assets Charges*



- We remain disciplined on the expense side, aligning investments with our AI-focused strategy
- Excluding the one-time charges for content and related assets, Cost of Revenue and Operating expenses were relatively flat year-over-year in 3Q-2023

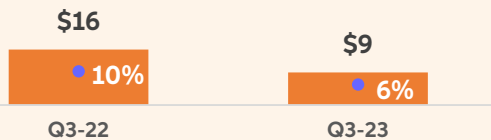
Financial Highlights: Q3 2023 Adj. EBITDA Margin, Free Cash Flow, and CapEx

Adjusted EBITDA



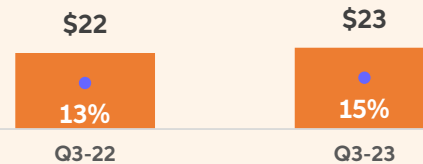
■ \$ millions ● % of Revenue

Free Cash Flow



■ \$ millions ● % of Revenue

CapEx

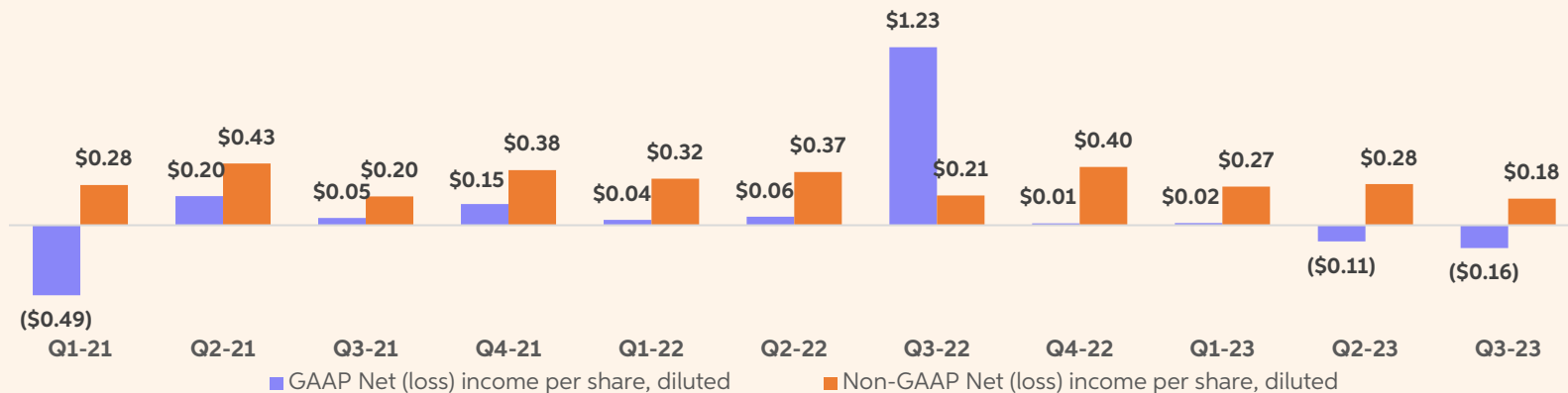


■ \$ millions ● % of Revenue

- Year-to-date, Free Cash Flow of \$121M is up +20% YoY, benefitting from lower capital expenditures and higher interest income

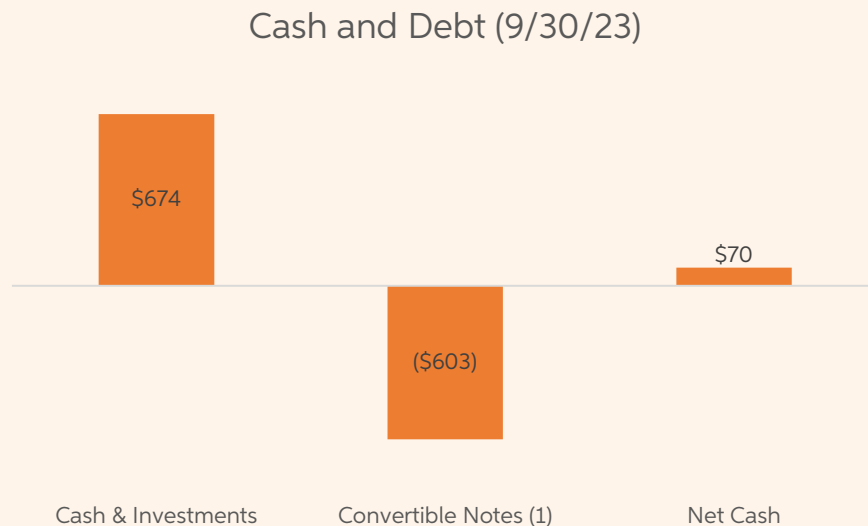
Financial Highlights: Net (loss) income per share, diluted

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



- Items that impacted Q3-23 net income: \$41.8M content and related assets charge, and a \$32.1 million gain from the repurchase of some of our outstanding convertible debt

Healthy Balance Sheet with History of Returning Capital to Shareholders

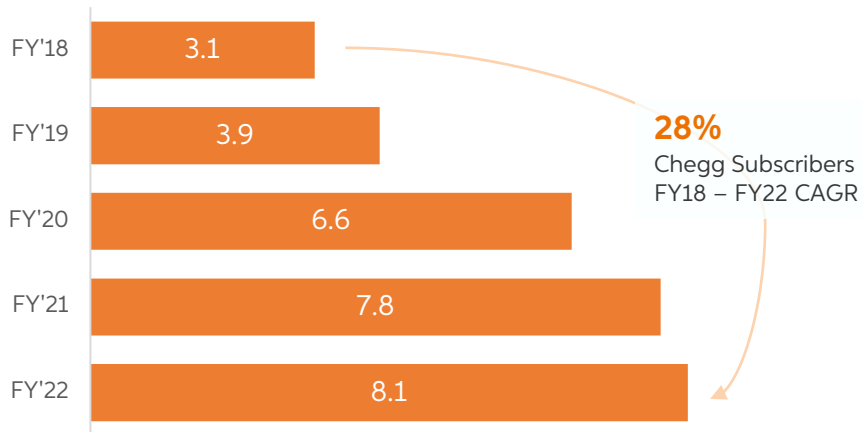


- We have opportunistically retired both convertible debt and equity, returning approximately \$1.2 billion and \$800 million, respectively, to investors through repurchases over the last three years
- Approximately \$603M of par value of the notes remain outstanding as of 9/30/23¹

Growth of Chegg Subscription Services

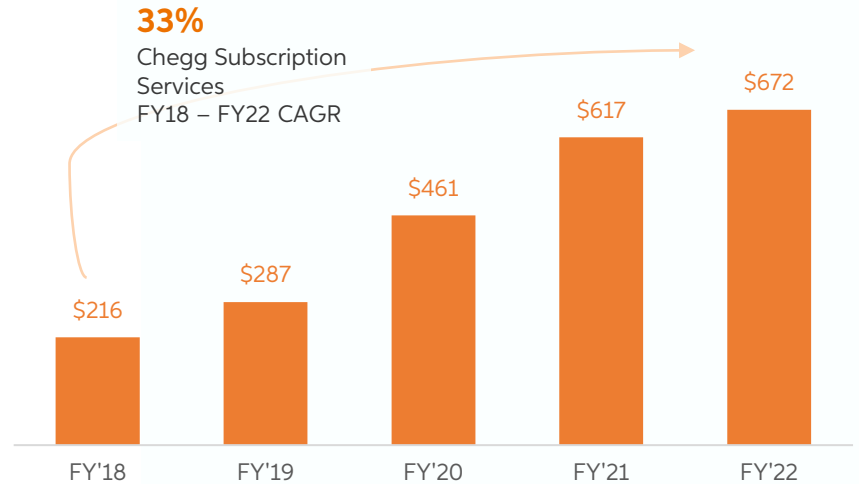
Chegg Subscription Services Subscribers

Annual Subscription Services Subscribers (in millions)



Chegg Subscription Services Revenue

(\$ in millions)



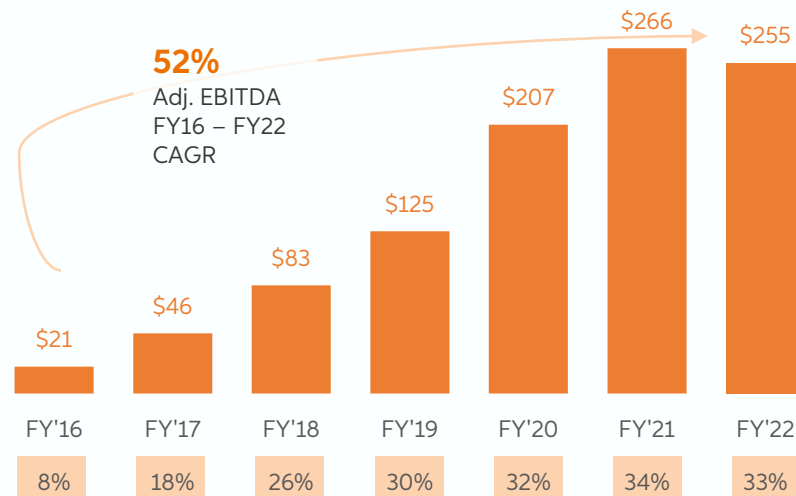
Industry-leading Margin and Profit

Chegg's business model supports operating leverage

- Majority of subscribers are acquired through unpaid channels
- Create content once, used by learners many times
- Much of the content is relevant globally

Adjusted EBITDA

Chegg Adj. EBITDA (\$million) and Margin (%)



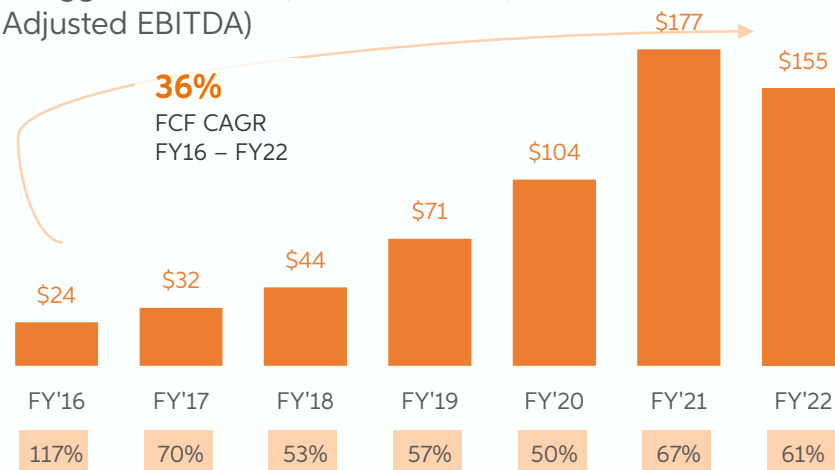
Strong FCF Generation

Chegg continues to deliver strong free cash flow and margins

- Strong free cash flow conversion from adjusted EBITDA (has been ~50%-70%)
- Free cash flow CAGR strong, >30%⁽¹⁾
- Content remains the largest driver of CapEx

Free Cash Flow

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



Business Outlook

	Q3 2023 Results	Q4 2023 Guidance
Total Net Revenue	\$158m	\$185m - \$187m
Subscription Services Revenue	\$140m	\$164m - \$166m
Gross Margin %	47% ²	73%-74%
Non-GAAP Gross Margin %	74%	
Adjusted EBTIDA¹	\$39m	\$62m - \$64m
CapEx	\$23m	
Free Cash Flow¹	\$9m	\$49m

New Revenue Disaggregation

In 2023, we changed the way we disaggregate revenue to better represent Chegg's current business. We believe this new revenue breakout allows our investors to better monitor and evaluate our business trends.

Subscription Services

Chegg Study & Study Pack



Math



Writing



Busuu



Skills & Other

Skills



Advertising

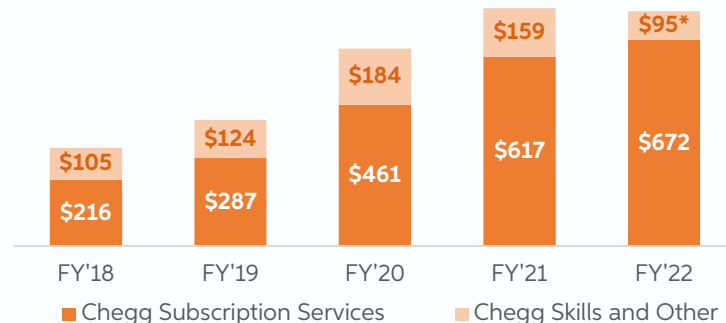


Required Materials



Chegg Revenue

Chegg Subscription Services & Skills and Other*
(\$ in millions)



*In 2022, we transitioned our Required Materials ownership model to a partnership revenue-share model. Under the ownership model, we recognized print and eTextbook revenue equal to the total transaction amount, and under the partnership model, we recognize revenue as a percentage of the total.

Historical revenue breakouts are available in the IR Data Sheet found on our [Investor Relations site](#)

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.

- GT¹ 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.²
- As a result of the partnership, we no longer incur significant textbook-related costs.³
- 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net (loss) income	\$ (18,283)	\$ 251,562	\$ 8,515	\$ 264,780
Interest expense, net	733	1,525	3,115	4,738
Provision for (benefit from) income taxes	172	(167,264)	24,029	(162,987)
Print textbook depreciation expense	—	—	—	1,610
Other depreciation and amortization expense ⁽¹⁾	56,918	22,374	108,945	64,295
EBITDA	39,540	108,197	144,604	172,436
Print textbook depreciation expense	—	—	—	(1,610)
Share-based compensation expense	31,930	34,170	101,596	98,341
Other income, net	(40,492)	(97,258)	(116,671)	(105,247)
Acquisition-related compensation costs	209	4,282	6,086	10,989
Content and related assets charge ⁽¹⁾	7,647	—	7,647	—
Restructuring charges	—	—	5,704	—
Loss contingency	—	—	7,000	—
Transitional logistics charges	—	628	253	2,197
Impairment of lease related assets	—	—	—	3,411
Adjusted EBITDA	\$ 38,834	\$ 50,019	\$ 156,219	\$ 180,517

⁽¹⁾ The total content and related assets charge is \$41.8 million consisting of \$34.2 million of accelerated depreciation included within other depreciation and amortization expense and \$7.6 million of the remaining associated charges included within content and related assets charge.

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,						
	2022	2021	2020	2019	2018	2017	2016
Net income (loss)	\$ 266,638	\$ (1,458)	\$ (6,221)	\$ (9,605)	\$ (14,888)	\$ (20,283)	\$ (42,245)
Interest expense, net	6,040	6,896	66,297	44,851	11,225	74	171
(Benefit from) provision for income taxes	(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	89,997	63,274	47,018	30,247	22,805	19,337	14,520
EBITDA	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	133,456	108,846	84,055	64,909	52,030	38,359	41,785
Other (income) expense, net	(101,029)	65,472	(8,683)	(20,063)	(3,987)	(560)	297
Acquisition-related compensation costs	14,427	6,378	9,232	10,466	14,096	6,623	4,988
Transitional logistics charges	2,463	7,332	—	—	—	—	—
Impairment of lease related assets	5,225	—	—	—	—	—	—
Restructuring charges	—	1,922	—	97	589	1,047	(423)
Loss from impairment of strategic equity investment	—	—	10,000	—	—	—	—
Donation from Chegg Foundation	—	—	—	1,478	—	—	—
Adjusted EBITDA	<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)

	Three Months Ending December 31, 2023
Net income	\$ 9,400
Interest expense, net	500
Provision for income taxes	6,300
Other depreciation and amortization expense	21,300
EBITDA	<u>37,500</u>
Share-based compensation expense	33,000
Other income, net	(7,700)
Acquisition-related compensation costs	200
Adjusted EBITDA*	<u><u>\$ 63,000</u></u>

* Adjusted EBITDA guidance for the three months ending December 31, 2023 represent the midpoint of the range of \$62 million to \$64 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net cash provided by operating activities	\$ 32,807	\$ 37,961	\$ 168,714	\$ 181,716
Purchases of property and equipment	(23,434)	(21,956)	(57,298)	(79,242)
Purchases of textbooks	—	—	—	(3,815)
Proceeds from disposition of textbooks	—	—	9,787	2,503
Free cash flow	<u>\$ 9,373</u>	<u>\$ 16,005</u>	<u>\$ 121,203</u>	<u>\$ 101,162</u>

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)

	Years Ended December 31,						
	2022	2021	2020	2019	2018	2017	2016
Net cash provided by operating activities	\$ 255,736	\$ 273,224	\$ 236,442	\$ 113,403	\$ 75,113	\$ 51,550	\$ 24,262
Purchases of property and equipment	(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	6,003	8,714	7,569	—	—	6,943	25,646
Free cash flow	\$ 154,832	\$ 176,827	\$ 104,127	\$ 71,077	\$ 43,890	\$ 32,351	\$ 24,333

Reconciliation of Forward-Looking Net Cash Provided by Operating Activities to Free Cash Flow

CHEGG, INC.	
RECONCILIATION OF FORWARD-LOOKING NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW	
(in thousands)	
(unaudited)	
	Three Months Ending December 31, 2023
Net cash provided by operating activities	\$ 73,000
Purchases of property and equipment	<u>(24,000)</u>
Free cash flow	<u>\$ 49,000</u>

Reconciliation of GAAP Expenses to Expenses ex-SBC and One-Time Content and Related Assets Charge

CHEGG, INC.
**RECONCILIATION OF GAAP EXPENSES TO EXPENSES EXCLUDING SHARE BASED
 COMPENSATION AND THE CONTENT AND RELATED ASSETS CHARGE**
 (in thousands)
 (unaudited)

	Three Months Ended September 30,	
	2023	2022
Cost of revenue.....	\$ 83,575	\$ 45,203
Share-based compensation expense.....	(598)	(653)
Content and related assets charge.....	(38,242)	-
Cost of revenue ex-SBC and content and related assets charge.....	\$ 44,735	\$ 44,550
Research and development.....	\$ 46,202	\$ 45,426
Share-based compensation expense.....	(11,027)	(9,172)
Research and development ex-SBC.....	\$ 35,175	\$ 36,254
Sales and marketing.....	\$ 28,872	\$ 31,803
Share-based compensation expense.....	(2,435)	(2,771)
Sales and marketing ex-SBC.....	\$ 26,437	\$ 29,032
General and administrative.....	\$ 57,075	\$ 53,742
Share-based compensation expense.....	(17,870)	(21,574)
Content and related assets charge.....	(3,600)	-
General and administrative ex-SBC and content and related assets charge.....	\$ 35,605	\$ 32,168
Operating expenses.....	\$ 132,149	\$ 130,971
Share-based compensation expense.....	(31,332)	(33,517)
Content and related assets charge.....	(3,600)	-
Operating expenses ex-SBC and content and related assets charge.....	\$ 97,217	\$ 97,454

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

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

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

	Three Months Ended			
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Net (loss) income per share, diluted	\$ 0.04	\$ 0.06	\$ 1.23	\$ 0.01
Adjustments	0.28	0.31	(1.02)	0.39
Non-GAAP net income per share, diluted	\$ 0.32	\$ 0.37	\$ 0.21	\$ 0.40

	Three Months Ended			
	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
Net (loss) income per share, diluted	\$ (0.49)	\$ 0.20	\$ 0.05	\$ 0.15
Adjustments	0.77	0.23	0.15	0.23
Non-GAAP net income per share, diluted	\$ 0.28	\$ 0.43	\$ 0.20	\$ 0.38