



Q3-18 Investor Presentation

October 29, 2018

Chegg[®]

A Smarter Way to Student[™]

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,” “outlook,” “non-GAAP,” “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 positioning to capture market opportunity, Chegg’s upside potential regarding market opportunity, Chegg’s ability to help students with its Writing Tools, 36 million students can benefit from Chegg, Chegg’s ability to affect the student outcomes regarding non-remedial outcomes, Chegg’s ability to make learning math easier with Math Solver, Chegg’s ability to use its Required Materials line to drive brand awareness and loyalty and attach students to Chegg’s other businesses, Chegg’s anticipated generation of \$50 million to \$60 million of net revenues for Required Materials per year at breakeven, Chegg’s planned international expansion, Chegg’s anticipated revenue generation from Required Materials, the non-GAAP presentations of Chegg’s results of operations, and all statements about Chegg’s financial outlook. These statements are not guarantees of future performance, and are based on management’s expectations as of the date of this press release 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: Chegg’s ability to attract new students, increase engagement and increase monetization; the rate of adoption of Chegg’s offerings; the effect of Chegg’s acquisition of Imagine Easy Solutions, Cogeon, Writelab and StudyBlue; Chegg’s ability to strategically take advantage of new opportunities to leverage the Student Graph; competitive developments, including pricing pressures; Chegg’s anticipated growth of Chegg Services; Chegg’s

ability to build and expand its services offerings; Chegg’s ability to develop new products and services on a cost-effective basis and to integrate acquired businesses and assets; the impact of seasonality on the business; Chegg’s reputation with students and tutors; the outcome of any current litigation; Chegg’s partnership with Ingram and the parties’ ability to achieve the anticipated benefits of the partnership, including the potential impact of the economic risk-sharing arrangements between Chegg and Ingram on Chegg’s results of operations; Chegg’s ability to effectively control operating costs; changes in Chegg’s addressable market; changes in the education market; and general economic, political and industry conditions. All information provided in this release 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 Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on July 30, 2018, and could cause actual results to vary from expectations. Additional information will also be set forth in Chegg’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 to be filed with the Securities and Exchange

Use of Non-GAAP Measures

In addition to financial results presented in accordance with generally accepted accounting principles (GAAP), this presentation includes certain non-GAAP financial measures of financial performance, including adjusted EBITDA and non-GAAP Required Materials revenues. 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 GAAP, and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with Chegg’s results of operations as determined in accordance with GAAP. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures, are contained in the Appendix to this presentation.

Leading student-first connected learning platform to improve student outcomes

Investment Highlights



Leading Student-First Connected Learning Platform

Large Addressable Market with Compelling Market Trends

All Digital, High Growth, High Margin Model

Competitive Moat Given Brand, Reach, Data and Proprietary Content

Chegg at a Glance¹



2.2 Million

CHEGG SERVICES
ANNUAL SUBSCRIBERS

45%

CHEGG SERVICES SUBSCRIBER
Y/Y GROWTH

2+ Million

REQUIRED MATERIAL
CUSTOMERS

44%

CHEGG SERVICES
Y/Y REVENUE GROWTH

18.2%

ADJUSTED EBITDA
MARGIN⁽²⁾

440 Million

CHEGG STUDY
CONTENT VIEWS

1. All amounts shown for FY17 and based on Company internal data
2. See Appendix for reconciliation to GAAP

Q3 – 18 Highlights

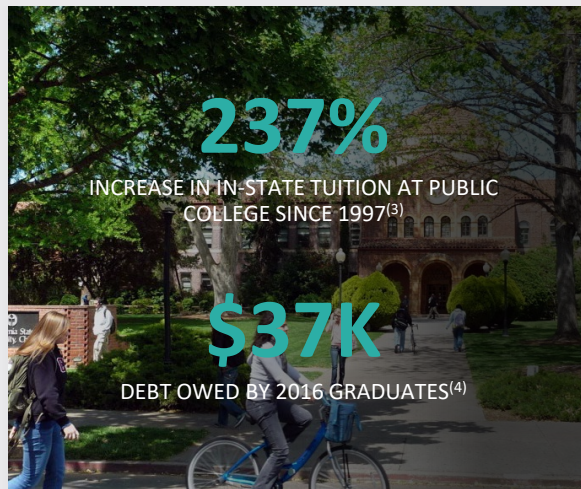
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- **Chegg Services subscribers increased 45% y/y**
 - **Chegg Services revenue of \$54.2 million, up 37% y/y**
 - **110 million Chegg Study content views, up 51% y/y**
 - **Increased FY2018 guidance and provided initial outlook for 2019**

Today's Students Face More Pressure Than Ever

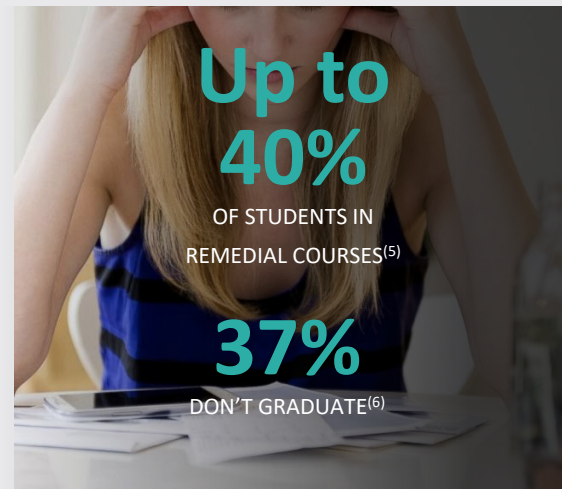
It's Harder to Be a Student



They're Faced with Mounting Costs



They Don't Get Support



Students Need a Platform to Support Them

1. Hall and Partners Survey, Oct 2017, (College (n=1788))

2. https://nces.ed.gov/programs/coe/pdf/coe_ssa.pdf

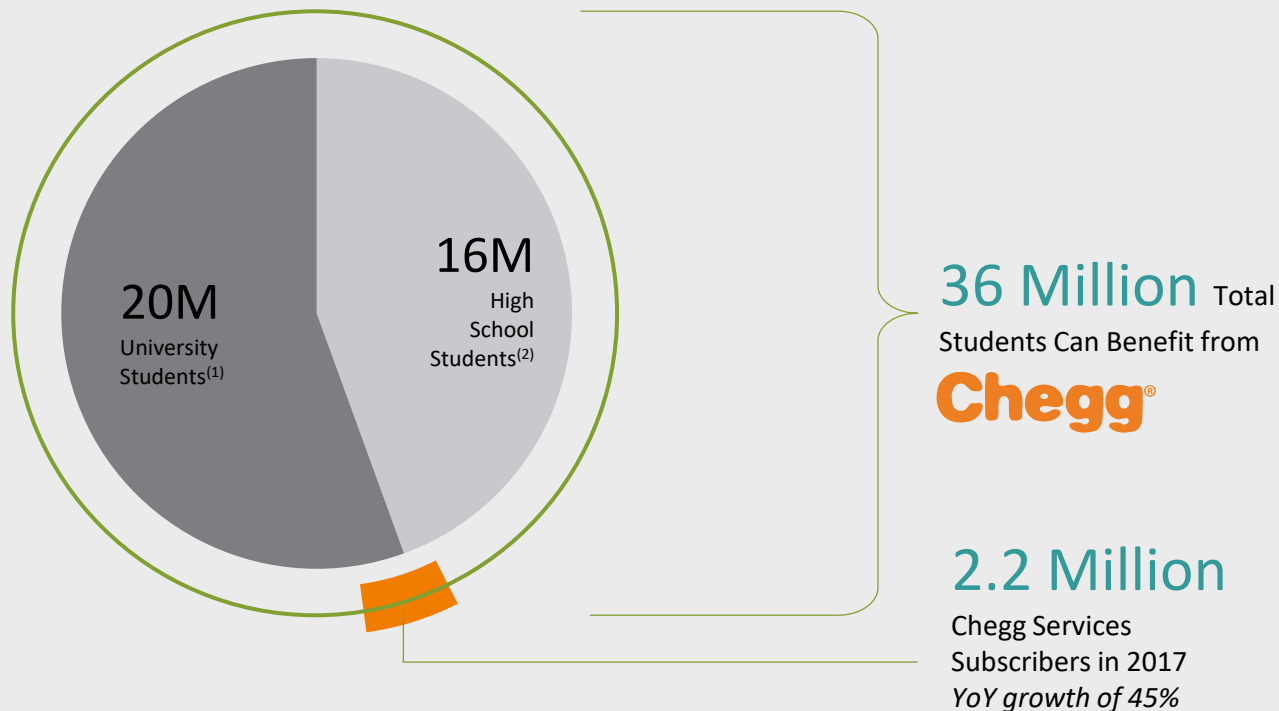
3. <https://www.usnews.com/education/best-colleges/paying-for-college/articles/2017-09-20/see-20-years-of-tuition-growth-at-national-universities>

4. <https://studentloanhero.com/student-loan-debt-statistics/>

5. <http://www.ncsl.org/documents/educ/ReformingRemedialEd.pdf>

6. National Clearinghouse Research Center (2018); Reflects % of students who don't graduate from a 4-yr institution in 6 years or less

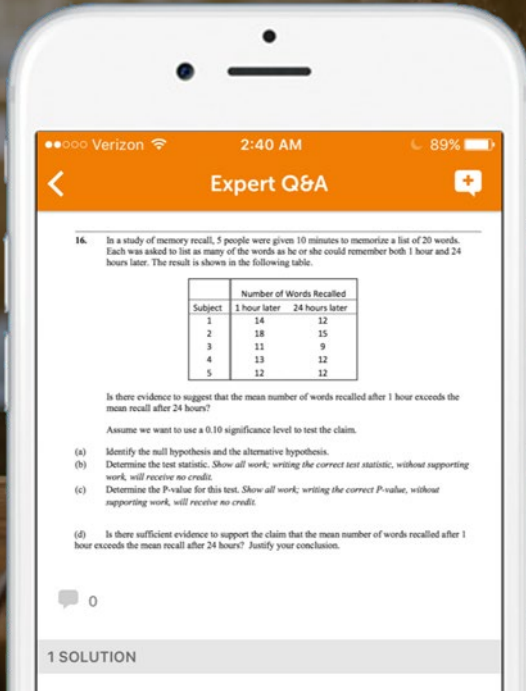
Large Student Domestic Market Opportunity



Planned Expansion in International Markets

1. Source: National Center for Education Statistics and US Census Bureau, 2017; includes graduate and undergraduate students
2. Source: National Center for Education Statistics and US Census Bureau, 2017

Chegg Aims to Provide Overwhelming Value to Solve Students' Problems

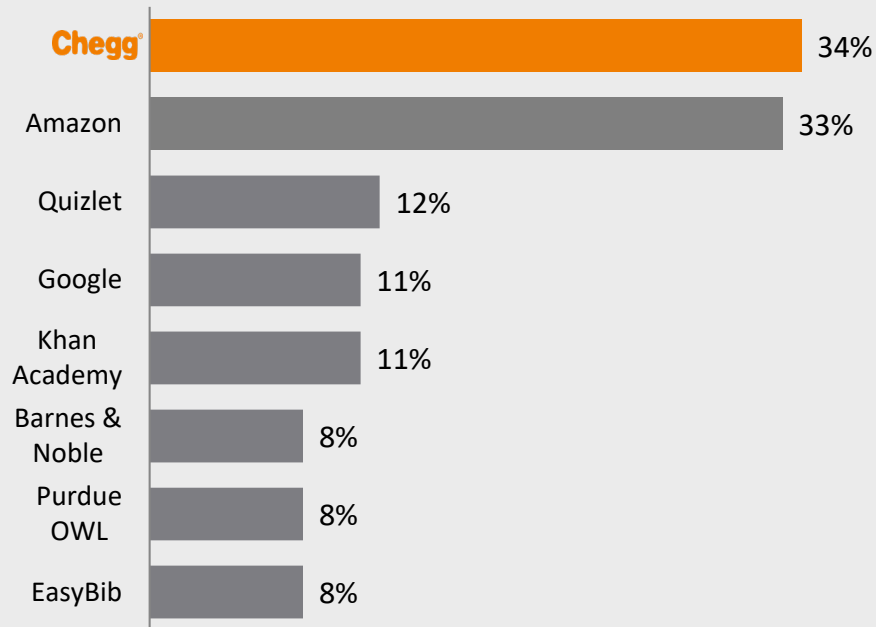


- ✓ Online
- ✓ On-demand
- ✓ Personalized
- ✓ Adaptive
- ✓ Affordable
- ✓ ...and Backed by Human Help

Chegg is Well-Known Among Students



Percent Unaided Awareness (College)⁽¹⁾



80%+

OF COLLEGE STUDENTS HAVE HEARD OF A CHEGG SERVICE⁽¹⁾

Chegg Services

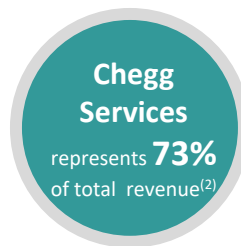
Students subscribe to our learning services:

- Chegg Study
- Chegg Writing
- Chegg Tutors
- Chegg Math Solver

Required Materials

Purchase or rent required class materials for less:

- Print Textbooks & eTextbooks



Chegg's connected learning platform reaches ~11M¹ unique visitors in a month

Rapid Growth of Chegg Services

Chegg Services Subscribers

Annual Chegg Services Subscribers (in millions)

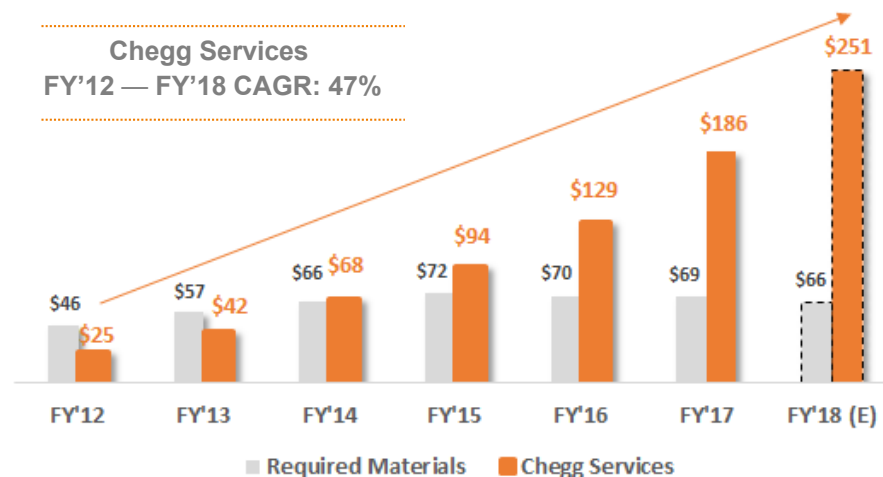


45%
y/y growth for '17



Chegg Services Revenue

Revenue Growth (\$ in millions)*



* Prior to FY 2017, Required Materials revenues are shown on a non-GAAP basis as if the transition of print textbook business to Ingram was complete and the revenues from our print textbook business were entirely commission-based. Chegg has completed its transition to Ingram and in FY 2017 all Required Materials revenues are commission-based. A reconciliation of Required Materials revenues to non-GAAP Required Materials revenues is set forth in the appendix hereto. FY 2018 revenues represents the midpoint of full year 2018 guidance.

Chegg Study: A Powerful Learning Tool



Chegg Study is the largest non-required homework help service for students, which contains **18 million expert answered Q&As** and **7 million step-by-step textbook solution sets**⁽¹⁾

**Library of 25M
solution sets
and expert
answers** ⁽¹⁾

>34K textbook
ISBNs in Chegg Study
database⁽¹⁾

**440 million content
views**⁽²⁾, up 69%
Y/Y in 2017



Writing: Helping Students from Middle School Onwards



Chegg Writing is a leading provider of online writing tools

With nearly **25% of college freshmen required to take remedial courses**⁽¹⁾, Chegg has the opportunity to impact this outcome before students enroll and save time and money

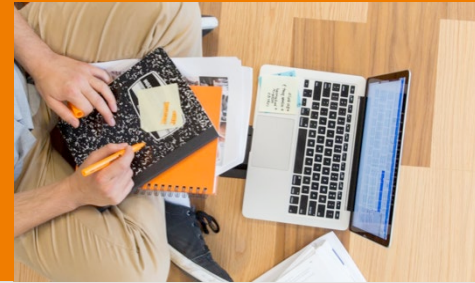
500M
citations in
2017⁽³⁾

Market Opportunity

~\$3B⁽²⁾

spent annually on remedial courses at the college level

~65M Citations created in Q3-18



1. Source: <https://edreformnow.org/policy-briefs/out-of-pocket-the-high-cost-of-inadequate-high-schools-and-high-school-student-achievement-on-college-affordability/>

2. Source: <https://completecollege.org/wp-content/uploads/2017/05/4-Year-Myth.pdf>, Report written in 2014

3. For FY2017, as of 12/31/17

Tutors: Online On-demand Personalized Instruction



Chegg Tutors is a **simple, reliable and affordable** service which allows students to quickly match with a human tutor to receive **one-on-one help**.

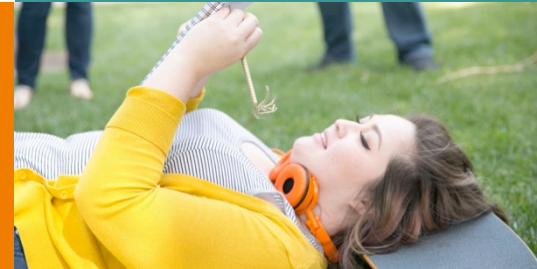
**Key subjects:
Computer
Science,
Calculus,
Statistics,
Finance and
Accounting**

Market Opportunity

~\$5-7B⁽¹⁾⁽²⁾

Total tutoring market for all subjects

**~60% of Chegg Tutors customers
attach from other Chegg Services⁽³⁾**



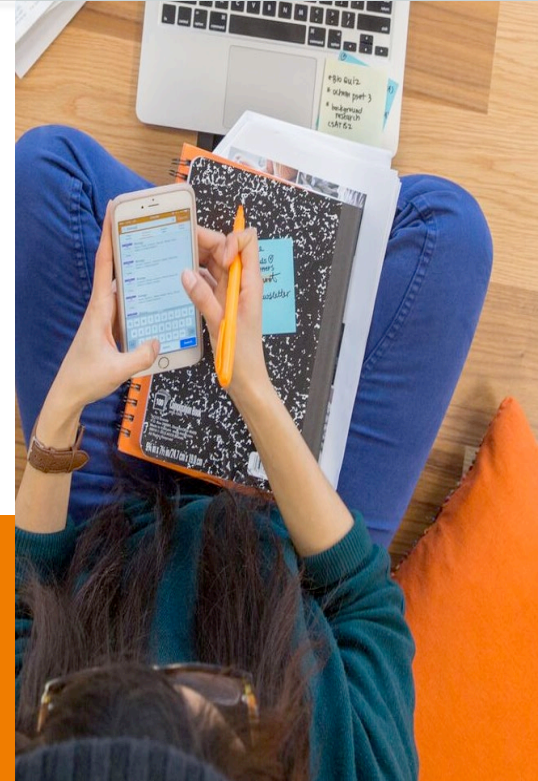
1. As of 2014. Source: <http://www.cnbc.com/2014/08/29/high-tech-tutoring-big-media-big-start-ups-big-money.html>
2. As of 2010. Source: http://www.nytimes.com/2010/08/21/your-money/21wealth.html?_r=0
3. As of Q3 2018

Math Solver: Step-by-step Problem Solver and Calculator

Step-by-step math problem solver and calculator makes learning math easier.

A.I.-driven math technology which provides guided explanations for each step in solving a problem.

64% of high school students are not prepared for college-level math.¹ Over 40% of college students must take at least one remedial math or English course.²



¹ Source: http://www.educationworld.com/a_news/there-reason-us-students-struggle-math

² Source: <https://www.americanprogress.org/issues/education/reports/2016/09/28/144000/remedial-education/>

Required Materials Drives Brand Awareness & Loyalty



A **comprehensive selection** of textbooks and eBooks to rent or buy at an **affordable price**

Builds **brand awareness**, maintains the **direct-to-student relationship** and creates **opportunities for students to attach** to Chegg's other services

Win-win Ingram relationship—Chegg collects **~20% commission per transaction**. Beneficial partnership allows Chegg to invest more rapidly in its digital services.

Business anticipates to generate **~\$50-60M in net revenues** per year at **breakeven**

Business Outlook: 2018



	Q3 2018 Results	Q4 2018 Guidance		Full Year 2018 Guidance
Total Net Revenues	\$74.2m	\$90m - \$92.5m	▶	\$315m - \$318m
Chegg Services Revenue	\$54.2m	\$78m - \$79.5m	▶	\$250m - \$252m
Gross Margin %	73%	75% - 76%	▶	74% - 75%
Adjusted EBITDA*	\$12.5m	\$33m - \$34m	▶	\$81.5m - \$82.5m
CapEx	\$8.0m		▶	\$32m - \$35m

* Non-GAAP financial measures. See appendix for reconciliation of 1) Q3-18 net loss to EBITDA and adjusted EBITDA, 2) forward looking net income (loss) to EBITDA and adjusted EBITDA

Business Outlook: Full Year 2019




Total Revenue	▶	~\$388m
Chegg Services Revenue	▶	~\$326m
<i>Year over Year Growth</i>	▶	~30%
Gross Margin	▶	~75%
Adjusted EBITDA*	▶	~\$112m
<i>Adjusted EBITDA Margin</i>	▶	~29%

* Non-GAAP financial measure. Reconciliation of 1) forward looking net income (loss) to EBITDA and adjusted EBITDA set forth in the appendix hereto

Business Outlook: 2019 Revenue and Adjusted EBITDA

Seasonality



	Q1'19	Q2'19	Q3'19	Q4'19
Adjusted EBITDA*				
Quarterly Contribution	~17%	~23%	~18%	~42%

We expect Chegg Services and Required Materials revenue to be seasonally similar to 2018

- Non-GAAP financial measure Note: 2019 quarterly contribution percentages are based on FY'19 Adjusted EBITDA business outlook of approximately \$112M
- We have not reconciled our 2019 quarterly adjusted EBITDA contribution guidance to net loss because we do not provide guidance on quarterly 2019 total net revenues, net loss or the reconciling items between adjusted EBITDA and net loss as a result of the uncertainty, timing, and the potential variability of these items. The actual amount of total net revenues, net loss, and such reconciling items will have a significant impact on our 2019 quarterly adjusted EBITDA. Accordingly, a reconciliation of the 2019 quarterly adjusted EBITDA to net loss is not available without unreasonable effort.

Appendix

Reconciliation of Net Loss to EBITDA and Adjusted EBITDA



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net loss	\$ (13,709)	\$ (11,516)	\$ (20,235)	\$ (23,942)
Interest expense, net	3,772	19	7,456	56
Provision for income taxes	713	598	1,682	1,961
Depreciation and amortization expense	5,966	5,208	16,631	14,301
EBITDA	(3,258)	(5,691)	5,534	(7,624)
Share-based compensation expense	13,818	10,091	37,503	27,468
Other (income) expense, net	(1,209)	(261)	(2,667)	(53)
Restructuring charges	17	64	252	1,023
Acquisition-related compensation costs	3,153	1,500	7,857	4,500
Adjusted EBITDA	\$ 12,521	\$ 5,703	\$ 48,479	\$ 25,314

Reconciliation of Forward Looking Net Income (Loss) to EBITDA and Adjusted EBITDA



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

	Three Months Ending December 31, 2018	Year Ending December 31, 2018	Year Ending December 31, 2019
Net income (loss)	\$ 5,100	\$ (15,100)	\$ (5,100)
Interest expense, net	4,000	11,400	15,800
Provision for income taxes	700	2,400	2,900
Depreciation and amortization expense	6,600	23,400	29,800
EBITDA	16,400	22,100	43,400
Share-based compensation expense	14,500	52,000	63,000
Other income, net	(1,000)	(3,700)	(4,000)
Restructuring charges	100	300	500
Acquisition-related compensation costs	3,500	11,300	9,100
Adjusted EBITDA *	\$ 33,500	\$ 82,000	\$ 112,000

* Adjusted EBITDA guidance for the three months ending December 31, 2018 and the year ending December 31, 2018 represents the midpoint of the ranges of \$33 million to \$34 million and \$81.5 million to \$82.5 million, respectively.

Reconciliation of Required Materials Net Revenues to Non-GAAP Required Materials Net Revenues



CHEGG, INC.
RECONCILIATION OF REQUIRED MATERIALS NET REVENUES TO NON-GAAP REQUIRED MATERIALS NET REVENUES
(in thousands, except percentages)
(unaudited)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Required Materials net revenues	\$ 124,755	\$ 207,088	\$ 236,717	\$ 213,746	\$ 188,530
Adjustment as if transition to Ingram is complete	(54,671)	(135,270)	(170,606)	(156,554)	(142,617)
Non-GAAP Required Materials net revenues	<u>\$ 70,084</u>	<u>\$ 71,818</u>	<u>\$ 66,111</u>	<u>\$ 57,192</u>	<u>\$ 45,913</u>