



Q4-19 and Full Year 2019 Investor Presentation

February 10, 2020

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 “plan,” “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 positioning to capture market opportunity, Chegg’s upside potential regarding market opportunity, Chegg’s aim to provide overwhelming value to solve students’ problems, Chegg’s ability to help students with its Writing Tools, Chegg’s belief that 54 million students can benefit from Chegg, Chegg’s belief that the market opportunity is large and expanding, Chegg’s expectation that Required Materials revenue will increase for 2020 and 2021 and then stabilize in 2022 and operate as a breakeven service, Chegg’s expectation that it will deploy small amounts of capital to own print textbooks for rental, including related capital expenditure amounts for 2020 and 2021, with the expectation that it will decrease thereafter, Chegg’s expectation that the transition to FedEx will be completed by the end of 2020, 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; Chegg’s ability to attract new students from high schools and colleges, which are populations with inherently high turnover; the ease of accessing Chegg’s offerings through search engines; the rate of adoption of Chegg’s offerings; the effect and integration of Chegg’s acquisition of Imagine Easy Solutions, Cogeon, WriteLab, StudyBlue, and Thinkful; Chegg’s ability to strategically take advantage of new opportunities to leverage the Student Graph; competitive developments, including pricing pressures and other services targeting students; 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 ability to expand internationally; Chegg’s reputation with students and tutors; the strength of Chegg brands; 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 transition from Ingram to FedEx for Required Materials; Chegg’s ability to effectively control operating costs; changes in Chegg’s addressable market; regulatory changes, in particular concerning privacy and marketing; any significant disruptions related to cybersecurity or cyber-attacks; 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 November 4, 2019, and could cause actual results to vary from expectations. Additional information will also be set forth in Chegg’s Annual Report on Form 10-K for the year ended December 31, 2019 to be filed with the Securities and Exchange Commission.

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 direct-to-student learning platform to improve outcomes

Investment Highlights



Leading Direct-To-Student Connected Learning Platform

Large Addressable Market with Compelling Market Trends

High Growth and High Margin Model

Competitive Moat Given Brand, Reach, Data and Proprietary Content

Chegg at a Glance⁽¹⁾



3.9 Million

CHEGG SERVICES
SUBSCRIBERS

29%

CHEGG SERVICES SUBSCRIBERS
Y/Y GROWTH

~15 Million

CHEGG PLATFORM UNIQUE VISITORS IN AN
AVERAGE MONTH

31%

CHEGG SERVICES
Y/Y REVENUE GROWTH

30%

ADJUSTED EBITDA
MARGIN⁽²⁾

VOTED FORTUNE'S BEST
Small and Medium Workplaces
Workplaces in Technology
Workplaces for Parents

1. All amounts shown are for FY19 and are based on Company internal data

2. Adjusted EBITDA is a non-GAAP financial measure. See Appendix for reconciliation to GAAP.

Q4 – 19 Highlights



- 2.5 million Chegg Services subscribers, up 32% y/y ⁽¹⁾
- Chegg total revenue of \$126 million, up 31%
- 271 million Chegg Study content views ⁽¹⁾
- Increased FY2020 guidance

Today's Learners Face More Pressure Than Ever

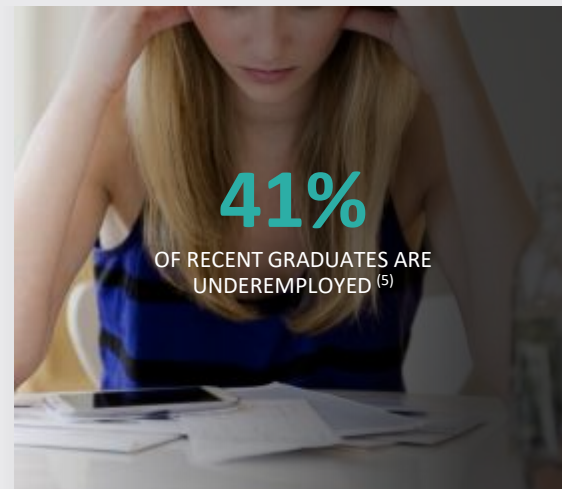
It's Harder to Be a Student



They're Faced with Mounting Costs



They Aren't Prepared for the Workplace



Need a Platform to Support Them

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

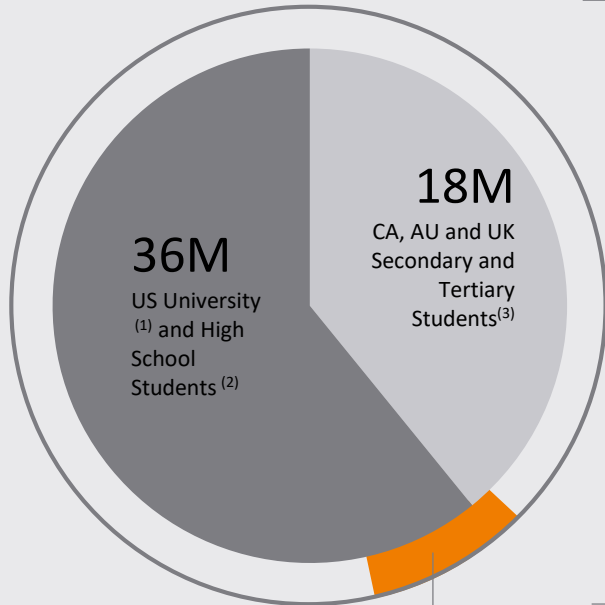
2. https://nces.ed.gov/programs/coe/pdf/coe_ssa.pdf

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

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

5. https://www.newyorkfed.org/research/college-labor-market/college-labor-market_underemployment_rates.html

Large and Expanding Market Opportunity



54 Million Total
Students Can Benefit from
Chegg®

3.9 Million (4)
Chegg Services Subscribers in 2019
Y/Y growth of 29%

Initial
Expansion in
International
Markets

Chegg Aims to Provide Overwhelming Value to Solve Learner's Problems

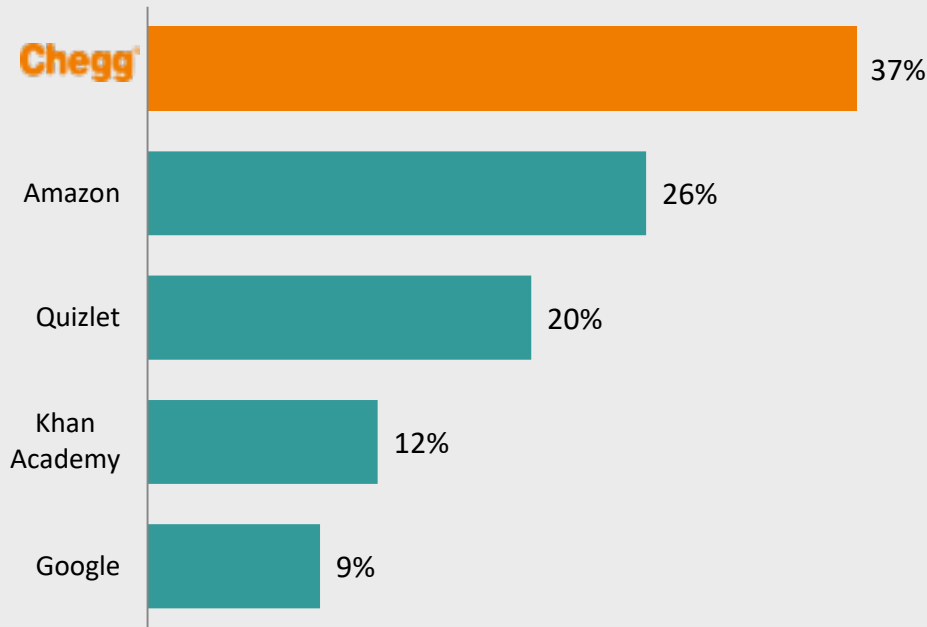


- ✓ Online
- ✓ On-demand
- ✓ Personalized
- ✓ Adaptive
- ✓ Affordable
- ✓ ...and Backed by Human Help

Chegg is Well-Known Among College Students



Percent Unaided Awareness (College)⁽¹⁾



87%

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

Integrated Platform of Connected Services

Chegg Services

Required Materials

Academic



Chegg Study

Homework help learning service with a library 35 million pieces of content (~30 million expert answered Q&As and 5 million textbook solutions)*



Chegg Writing

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



Chegg Math Solver

Step by step math problem solver



Chegg Tutors

24/7 support help from a community of subject experts

Skills



Thinkful

High quality on-line skills based courses



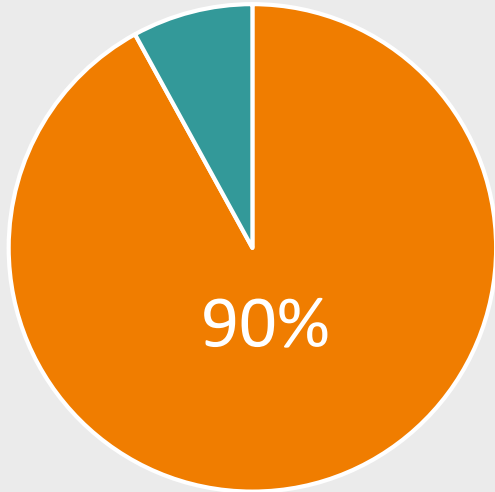
Textbooks

Rent or buy print textbooks or eTextbooks

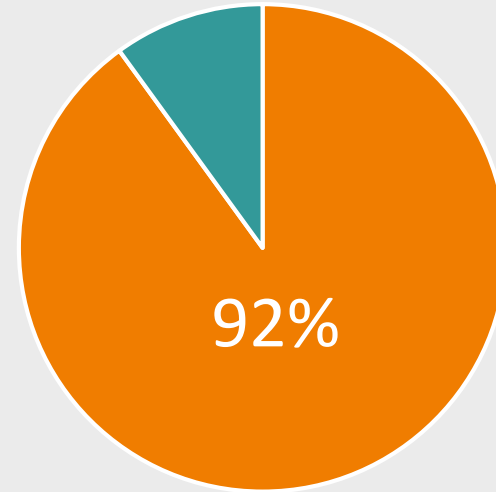
Chegg is Delivering Strong Outcomes for Students



Chegg Study helps me better understand my school work



Chegg Study helps me get better grades



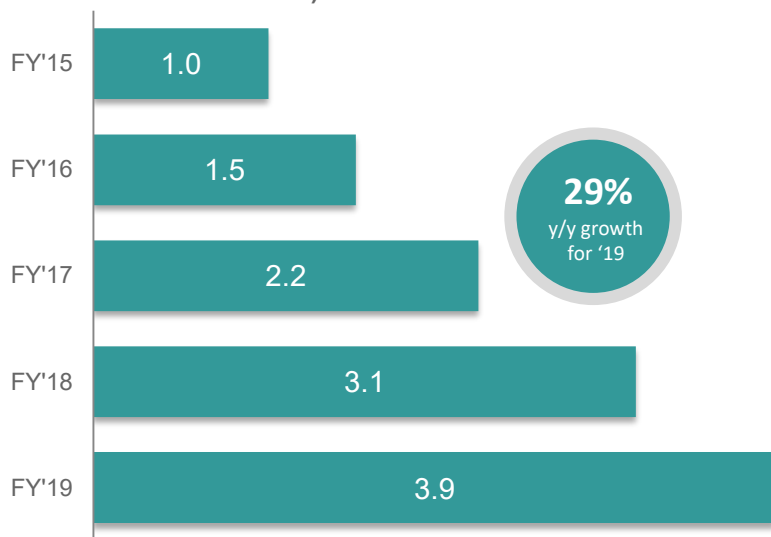
* Source: H&P Blind Customer Survey, October 2019. Bases (College Chegg Study product payers who paid for services and used Chegg Study for at least 2 months in 2019)

Rapid Growth of Chegg Services



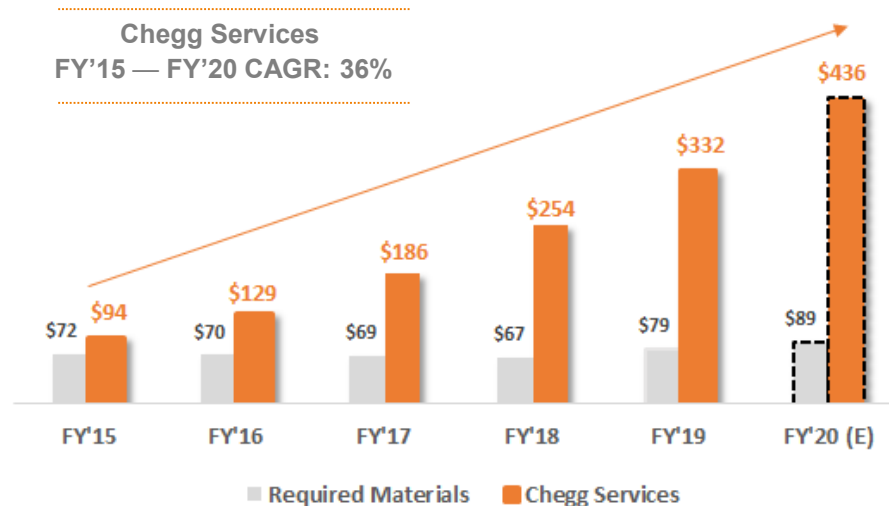
Chegg Services Subscribers

Annual Chegg Services Subscribers (in millions)



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.

Business Outlook: 2020



	Q4 2019 Results	Q1 2020 Guidance		Full Year 2020 Guidance
Total Net Revenues	\$125.5m	\$122m - \$125m	▶	\$522m - \$527m
Chegg Services Revenue	\$107.3m	\$99m - \$100m	▶	\$435m - \$437m
Gross Margin %	79%	67% - 68%	▶	71% - 72%
Adjusted EBITDA*	\$47.0m	\$27.5m - \$28.5m	▶	\$162m - \$164m
CapEx	\$10.8m		▶	\$105m - \$115m**

* = Non-GAAP financial measure. See appendix for reconciliation of 1) Q4-19 net income (loss) to EBITDA and adjusted EBITDA, and 2) forward looking net loss to EBITDA and adjusted EBITDA

** = 2020 CapEx includes approximately \$50 million of net textbook purchases.

Appendix

Required Materials - FedEx Agreement*

Revenue Recognition

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Print Rental	Commission	Commission/Gross (ratable)	Gross (ratable)
Print Sales	Commission	Commission	Gross
Consignment	Commission	Commission	Commission
e-Textbooks	Gross (ratable)	Gross (ratable)	Gross (ratable)

- Required Materials revenue will increase for 2020 and 2021, then stabilize in 2022. It will continue to operate as a breakeven service.
- Chegg will deploy small amounts of capital to own print textbooks for rental: \$50 million (net of liquidations) in 2020, \$15 million in 2021, decreasing each year after.
- Transition to FedEx will be complete by the end of 2020.

* = Transition began January 2020

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)

	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net income (loss)	\$ 8,219	\$ 5,347	\$ (9,605)	\$ (14,888)
Interest expense, net	13,557	3,769	44,851	11,225
Provision for (benefit from) income taxes	802	(252)	2,634	1,430
Depreciation and amortization expense	8,878	6,174	30,247	22,805
EBITDA	31,456	15,038	68,127	20,572
Share-based compensation expense	17,554	14,527	64,909	52,030
Other income, net	(5,492)	(1,320)	(20,063)	(3,987)
Restructuring charges	—	337	97	589
Acquisition-related compensation costs	3,478	6,239	10,466	14,096
Donation from Chegg Foundation	—	—	1,478	—
Adjusted EBITDA	<u>\$ 46,996</u>	<u>\$ 34,821</u>	<u>\$ 125,014</u>	<u>\$ 83,300</u>

Reconciliation of Forward Looking Net Loss to EBITDA and Adjusted EBITDA



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

	Three Months Ending March 31, 2020	Year Ending December 31, 2020
Net loss	\$ (13,600)	\$ (9,400)
Interest expense, net	13,400	53,900
Provision for income taxes	900	3,500
Textbook library depreciation expense	3,600	16,100
Other depreciation and amortization expense	9,900	43,200
EBITDA	14,200	107,300
Textbook library depreciation expense	(3,600)	(16,100)
Share-based compensation expense	19,000	78,000
Other income, net	(5,500)	(22,000)
Acquisition-related compensation costs	3,900	15,800
Adjusted EBITDA*	<u>\$ 28,000</u>	<u>\$ 163,000</u>

* Adjusted EBITDA guidance for the three months ending March 31, 2020 and year ending December 31, 2020 represent the midpoint of the ranges of \$27.5 million to \$28.5 million and \$162 million to \$164 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>

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)

	Three Months Ended December 31,		Years Ended December 31,	
	2018	2017	2018	2017
Net income (loss)	\$ 5,347	\$ 3,659	\$ (14,888)	\$ (20,283)
Interest expense, net	3,769	18	11,225	74
(Benefit from) provision for income taxes	(252)	(159)	1,430	1,802
Depreciation and amortization expense	6,174	5,036	22,805	19,337
EBITDA	15,038	8,554	20,572	930
Share-based compensation expense	14,527	10,891	52,030	38,359
Other income, net	(1,320)	(507)	(3,987)	(560)
Restructuring charges	337	24	589	1,047
Acquisition-related compensation costs	6,239	2,123	14,096	6,623
Adjusted EBITDA	\$ 34,821	\$ 21,085	\$ 83,300	\$ 46,399

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)

	Year Ended December 31,	
	2019	2018
Net cash provided by operating activities	\$ 113,403	\$ 75,113
Purchases of property and equipment	(42,326)	(31,223)
Free cash flow	\$ 71,077	\$ 43,890