



Chegg[®]

Q2 2014 Earnings Call

August 4th, 2014

SAFE HARBOR

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- In addition to GAAP financials, this presentation includes certain non-GAAP financial measures of financial performance. 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. The non-GAAP financial measures used by Chegg include: gross profit, digital gross profit, [list others], adjusted EBITDA, gross margin See the Appendix for a reconciliation of the non-GAAP financial measures to their most comparable GAAP measure.



Chegg[®]
The Student HubSM

**The leading connected
learning platform**

Revenue (\$M)

	Q2'14	Q2'13	YOY
Total Revenue	\$64.5	\$55.9	15%
Print	\$45.8	\$43.8	5%
Digital	\$18.7	\$12.1	54%
Digital % of Revenue	29%	22%	7.0 pts.

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

	Q2'14	Q2'13	YOY
Gross Profit	\$26.0	\$26.4	(\$0.4)
GM%	40%	47%	(7.0) pts.
Digital Gross Profit	\$13.4	\$9.1	\$4.3
Digital GM%	72%	75%	(3.0) pts.
Operating Expenses	\$26.0	\$22.7	\$3.3
(Gain) Loss on Liquidation of Textbooks	(\$2.1)	\$1.7	\$3.8
Opex as a % of Revenue	40.3%	40.7%	(0.4) pts.

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

	Q2'14	Q2'13
Total Revenue	\$64.5	\$55.9
Print	\$45.8	\$43.8
Digital	\$18.7	\$12.1
Gross Profit	\$26.0	\$26.4
Operating Expenses	\$26.0	\$22.7
Operating Income	\$0.1	\$3.6
Book Depreciation	\$18.0	\$14.4
Adj. EBITDA	\$1.6	\$5.1

Q3'14 Guidance

(\$ in millions)	Organic Range	Effect of Transactions	Q3'14 Guidance
Total Revenue	\$75 - \$80	-	\$75 - \$80
Print	\$54 - \$58	(\$6) – (\$3)	\$50 - \$55
Dig Learning & Advertising	\$20 - \$24	\$4 - \$6	\$24 - \$28
GP%	~12%		~12%
Adj. EBITDA	(\$22) – (\$18)	-	(\$22) – (\$18)

Transactions are the acquisitions of InstaEDU and Campus Special, and the partnership with Ingram Content Group.

2014 Guidance

(\$ in millions)	Organic Range	Effect of Transactions	2014 Guidance
Total Revenue	\$310 - \$320	(\$5) – \$0	\$305 - \$315
Print	\$220 - \$230	(\$12) – (\$8)	\$210 - \$220
Dig Learning & Advertising	\$86 - \$92	\$8 - \$10	\$94 - \$98
GP%	~30%		~29%
Adj. EBITDA	(\$14) – (\$10)	(\$5) – (\$3)	(\$18) – (\$14)

Transactions are the acquisitions of InstaEDU and Campus Special, and the partnership with Ingram Content Group.

GAAP to Non-GAAP Reconciliation

	June 30,		June 30,	
	2014	2013	2014	2013
Net revenues	\$ 64,492	\$ 55,857	\$ 138,885	\$ 116,872
GAAP cost of revenues	(38,596)	(29,607)	(104,081)	(79,061)
Stock-based compensation expense	134	142	312	296
Non-GAAP gross profit	<u>\$ 26,030</u>	<u>\$ 26,392</u>	<u>\$ 35,116</u>	<u>\$ 38,107</u>
<i>GAAP gross margin %</i>	40.2%	47.0%	25.1%	32.4%
<i>Non-GAAP gross margin %</i>	40.4%	47.2%	25.3%	32.6%
GAAP operating expenses	\$ 35,538	\$ 27,717	\$ 70,047	\$ 55,448
Stock-based compensation expense	(8,347)	(3,739)	(15,099)	(7,735)
Amortization of intangible assets	(1,003)	(1,236)	(1,604)	(2,726)
Acquisition related compensation costs	(208)	-	(262)	-
Non-GAAP operating expenses	<u>\$ 25,980</u>	<u>\$ 22,742</u>	<u>\$ 53,082</u>	<u>\$ 44,987</u>
<i>GAAP operating expenses as a percent of net revenues</i>	55.1%	49.6%	50.4%	47.4%
<i>Non-GAAP operating expenses as a percent of net revenues</i>	40.3%	40.7%	38.2%	38.5%
GAAP operating loss	\$ (9,642)	\$ (1,467)	\$ (35,243)	\$ (17,637)
Stock-based compensation expense	8,481	3,881	15,411	8,031
Amortization of intangible assets	1,003	1,236	1,604	2,726
Acquisition related compensation costs	208	-	262	-
Non-GAAP operating income (loss)	<u>\$ 50</u>	<u>\$ 3,650</u>	<u>\$ (17,966)</u>	<u>\$ (6,880)</u>
GAAP net loss	\$ (8,246)	\$ (3,353)	\$ (34,005)	\$ (21,178)
Stock-based compensation expense	8,481	3,881	15,411	8,031
Amortization of intangible assets	1,003	1,236	1,604	2,726
Acquisition related compensation costs	208	-	262	-
Acquisition related income tax benefit	(1,626)	-	(1,626)	-
Non-GAAP net income (loss)	<u>\$ (180)</u>	<u>\$ 1,764</u>	<u>\$ (18,354)</u>	<u>\$ (10,421)</u>
Non-GAAP net income (loss) per share, basic	<u>\$ (0.00)</u>	<u>\$ 0.14</u>	<u>\$ (0.22)</u>	<u>\$ (0.85)</u>
Non-GAAP net income (loss) per share, diluted	<u>\$ (0.00)</u>	<u>\$ 0.03</u>	<u>\$ (0.22)</u>	<u>\$ (0.85)</u>