



Q4-17 and FY 17 Investor Presentation

February 12, 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 “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, Chegg’s ability to affect the student outcomes regarding non-remedial outcomes, 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 per year at breakeven, 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 and Cogeon; 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 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 October 30, 2017, 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, 2017 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, adjusted EBITDA margin, non-GAAP net revenues and free cash flow. 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

Q4-17 and FY17 Highlights



Q4

- 1.4 million Chegg Services subscribers, up 47% y/y
- Chegg Services revenue of \$60.5 million, up 37% y/y
- 169 million Chegg Study content views, up 79% y/y

2017

- 2.2 million Chegg Services subscribers, up 45% y/y
- Chegg Services revenue of \$185.7 million, up 44% y/y
- 440 million Chegg Study content views, up 69% y/y
- Raised 2018 guidance

An Investment in Improving Student Outcomes

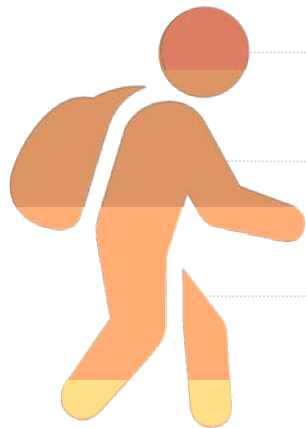


Large Opportunity with Compelling Market Trends

Leading Student-First Connected Learning Platform
Focused on Student Outcomes

Transitioned to an All Digital, High Growth, High
Margin Model

Large Student Market Opportunity



11 million MIDDLE SCHOOL STUDENTS¹

16 million HIGH SCHOOL STUDENTS²

20 million UNIVERSITY STUDENTS⁶



Education comprises ~ **7** % of US GDP³
or **\$1.3** trillion annually⁴

80%+ Aided Brand Awareness of Chegg products and services⁵



1 Source: National Center for Education Statistics and US Census Bureau, 2015

2 Source: National Center for Education Statistics and US Census Bureau, 2017

3 Source: www.data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=US

4 Source: <https://obamawhitehouse.archives.gov/administration/eop/ceofactsheets-reports>

5 Source: Hall and Partners Survey, Oct 2017, (College (n=1788))

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

Compelling Macro Trends

Introducing the class of 2020...

Born the same
year as Google...

Google

into a world where on-
demand is the norm...

NETFLIX



and learning happens on
their own schedule

62%
use online tutorials for school¹

81%
use a device in class everyday¹

70%
“prefer classes & programs at their own pace”¹

**Today's
students want
learning
solutions that
are customized
and available
on-demand**

Existing System Outpaced by Technology & Student Needs **Chegg®**

Chegg's direct-to-student services are designed to improve student outcomes: **online homework help, on-demand live tutoring writing help, test prep, required materials for less, internships and more**

Average state education funding cut by
20% since 2007¹

296% increase in in-state tuition at public colleges since 1995²

Critical need for affordable, high-quality, learning services



THE RESULT

41% college drop-out rate²

\$35K debt for the average student³

44% in jobs not requiring 4-year degree⁴



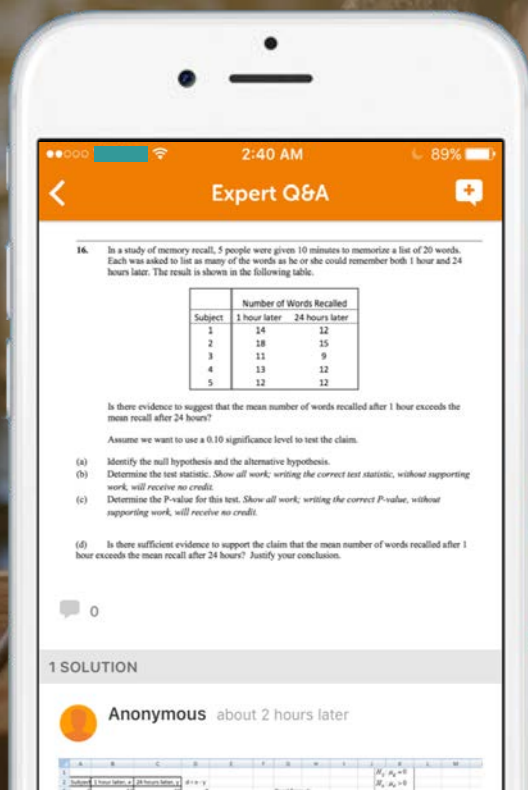
¹ Source: www.cbpp.org/research/state-budget-and-tax/years-of-cuts-threaten-to-put-college-out-of-reach-for-more-students;

² Source: National Center for Education Statistics, 2015

³ Source: <http://blogs.wsj.com/economics/2016/05/02/student-debt-is-about-to-set-another-record-but-the-picture-isnt-all-bad/?mod=e2tw#:Xhy9NQoFzvDA>

⁴ Source: Federal Reserve Bank 2018

Chegg Solves Today's Students' Problems



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



Chegg Services

Students subscribe to our learning services:

- Chegg Study
- Chegg Writing Tools
- Chegg Tutors



Required Materials

Purchase or rent required class materials for less:

- Print Textbooks & eTextbooks

Chegg's connected learning platform for students reaches
~10MM¹ unique visitors monthly

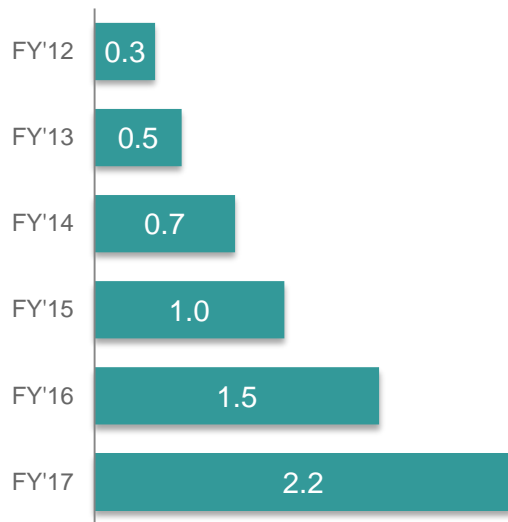


On-Demand Learning Services Drive Rapid Growth



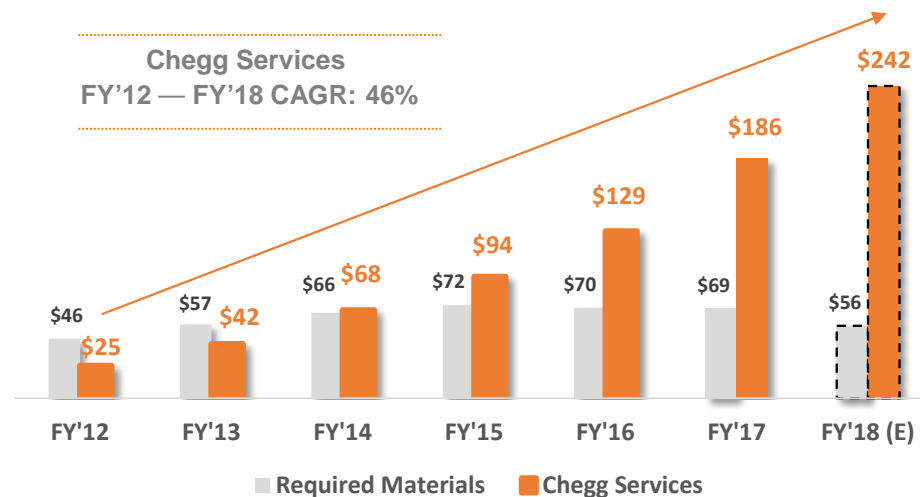
Chegg Services Subscribers
quintupled over the past 4 years

Chegg Services Subscribers (in millions)



Fast Growing 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.

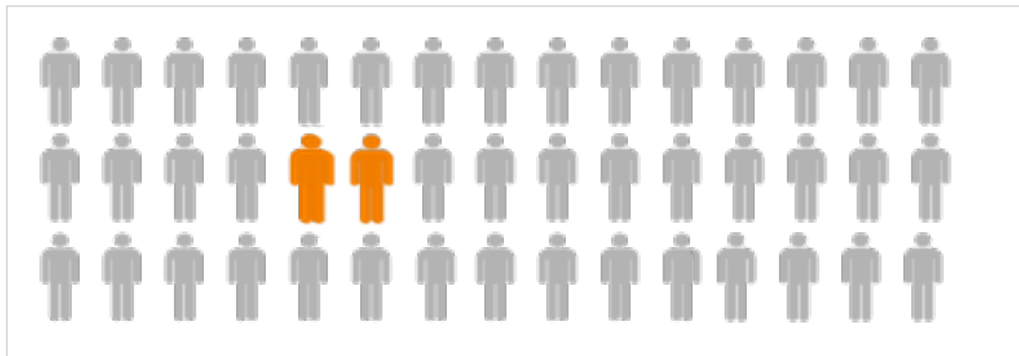
Well Positioned to Capture Big Market Opportunity



Significant upside potential

47 million
students in middle
school and above¹

2.2 million
Chegg Services
subscribers in FY'17



Chegg's Services subscribers represent
~ 5% of the total addressable market

Chegg is an
established
brand² in a
nascent
market with a
lot of
greenfield



Supporting Every Step of the Educational Journey

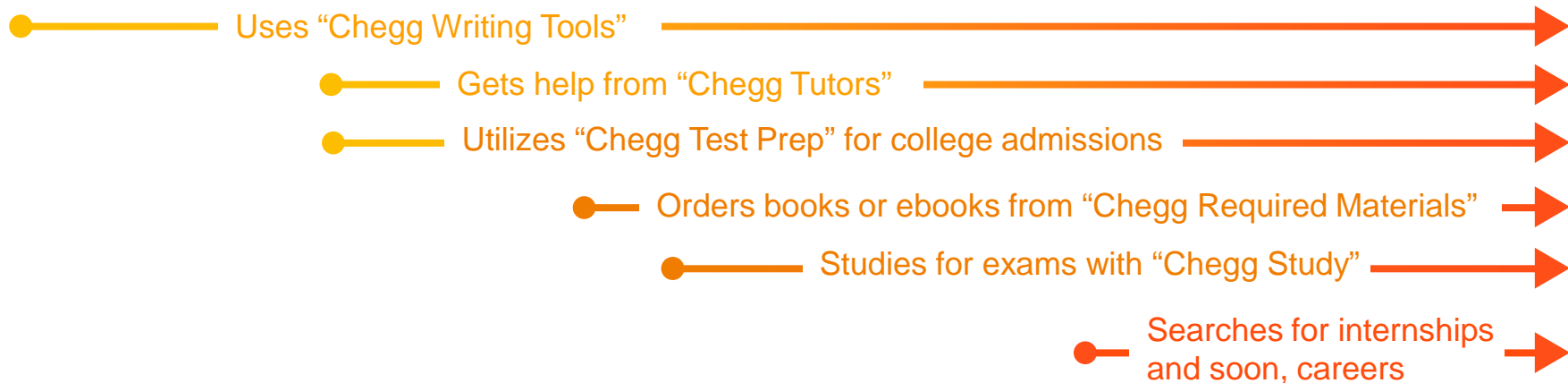
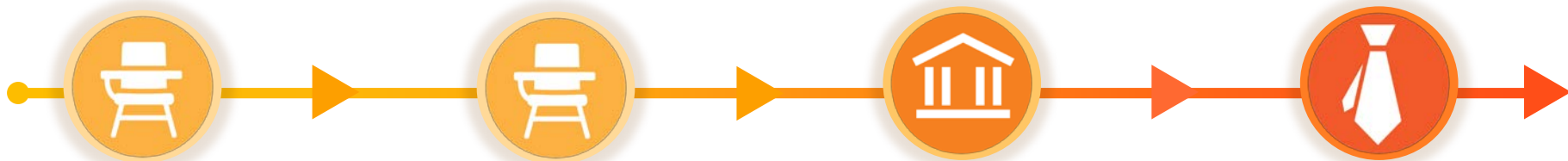


Middle School

High School

College

Post-Graduate



Chegg Study: A Powerful Learning Tool



Chegg Study connects students to guided textbook solutions created by Chegg experts, **expanding their learning** and **improving outcomes**

13 MM expert Q&As and 7 MM unique solution sets. Library of 20 MM total, which increased by 6 MM in 2017. (as of Q4-17)

28,000

textbook ISBNs in Chegg Study database as of Q4-17

440 million content views* in 2017, up 69% y/y



Writing: Helping Students from Middle School Onwards **Chegg**



Imagine Easy Solutions (acquired May 2016) is a **leading** provider of **online writing** tools, relied upon by millions of students and teachers

With nearly **25% of college freshmen** required to take non-credit remedial writing courses¹, Chegg has the opportunity to impact this outcome before students enroll and save time and money

**More than
500 MM new
citations in
2017**

Market Opportunity

~\$3B²

spent annually on remedial
courses at the college level



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: <http://completecollege.org/wp-content/uploads/2014/11/4-Year-Myth.pdf>

Tutors: 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

**50% of Chegg Tutors attach
from other Chegg Services
(Q4-17)**



¹ Source: <http://www.cnbc.com/2014/08/29/high-tech-tutoring-big-media-big-start-ups-big-money.html>

² Source: http://www.nytimes.com/2010/08/21/your-money/21wealth.html?_r=0

Required Materials Drives Brand Awareness & Loyalty **Chegg**



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



	Q4 2017 Results	Q1 2018 Guidance		Full Year 2018 Guidance
Total Revenues	\$73.5m	\$73m - \$75m	▶	\$295m - \$300m
Chegg Services Revenue	\$60.5m	\$54m - \$55.5m	▶	\$240m - \$243m
Gross Margin %	74%	71% - 73%	▶	72% - 74%
Adjusted EBITDA*	\$21.1m	\$14m - \$16m	▶	\$74m - \$76m

* Non-GAAP financial measures. See appendix for reconciliation of 1) Q4-17 net loss to EBITDA and adjusted EBITDA, 2) forward looking net loss to EBITDA and adjusted EBITDA

Appendix

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,	
	2017	2016	2017	2016
Net income (loss)	\$ 3,659	\$ (1,489)	\$ (20,283)	\$ (42,245)
Interest expense, net	18	20	74	171
(Benefit from) provision for income taxes	(159)	244	1,802	1,707
Textbook library depreciation expense	-	364	-	9,267
Other depreciation and amortization expense	5,036	4,519	19,337	14,520
EBITDA	8,554	3,658	930	(16,580)
Textbook library depreciation expense	-	(364)	-	(9,267)
Share-based compensation expense	10,891	9,084	38,359	41,785
Other (income) expense, net	(507)	151	(560)	297
Restructuring charges (credits)	24	(125)	1,047	(423)
Acquisition-related compensation costs	2,123	1,500	6,623	4,988
Adjusted EBITDA	\$ 21,085	\$ 13,904	\$ 46,399	\$ 20,800

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 Ended March 31, 2018	Year Ended December 31, 2018
	<u>*</u>	<u>*</u>
Net loss	\$ (2,300)	\$ (800)
Interest expense, net	—	100
Provision for income taxes	600	2,500
Other depreciation and amortization expense	5,000	22,000
EBITDA	3,300	23,800
Share-based compensation expense	9,700	43,000
Other income, net	(200)	(800)
Restructuring charges	—	—
Acquisition-related compensation costs	2,200	9,000
Adjusted EBITDA	<u>\$ 15,000</u>	<u>\$ 75,000</u>

* Adjusted EBITDA guidance for the three months ended March 31, 2018 and the year ended December 31, 2018 represents the midpoint of the ranges of \$14 million to \$16 million and \$74 million to \$76 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	\$ 70,084	\$ 71,818	\$ 66,111	\$ 57,192	\$ 45,913

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 December 31, 2017	
Net cash provided by operating activities	\$	21,701
Purchases of property and equipment		(6,212)
Free cash flow	\$	15,489