Chegg

Investor Relations Data Sheet
Unaudited
Last updated: 2/10/2017
In thousands, except percentages

	FY 2013	Q1'14	Q2'14	Q3'14	Q4'14	FY 2014	Q1'15	Q2'15	Q3'15	Q4'15	FY 2015	Q1'16	Q2'16	Q3'16	Q4'16	FY 2016
REVENUE																
Total net revenues	$ 255,575	$ 74,393	$ 64,492	$ 81,532	$ 84,417	$ 304,834	$ 84,872	$ 67,061	$ 81,286	$ 68,154	$ 301,373	$ 66,654	$ 53,036	$ 71,343	$ 63,057	$ 254,090
Y/Y change	19.8%	21.9%	15.5%	32.4%	9.5%	19.3%	14.1%	4.0%	-0.3%	-19.3%	-1.1%	-21.5%	-20.9%	-12.2%	-7.5%	-15.7%
Required Materials	$ 213,746	$ 60,902	$ 49,579	$ 63,515	$ 62,721	$ 236,717	$ 62,396	$ 44,531	$ 60,664	$ 39,497	$ 207,088	$ 41,098	$ 23,159	$ 41,667	$ 18,831	$ 124,755
Y/Y change	13.3%	15.7%	8.3%	24.6%	-2.5%	10.7%	2.5%	-10.2%	-4.5%	-37.0%	-12.5%	-34.1%	-48.0%	-31.3%	-52.3%	-39.8%
Chegg Services	$ 41,829	$ 13,491	$ 14,913	$ 18,017	$ 21,696	$ 68,117	$ 22,476	$ 22,531	$ 20,622	$ 28,657	$ 94,285	$ 25,556	$ 29,877	$ 29,676	$ 44,226	$ 129,334
Y/Y change	69.7%	61.2%	48.0%	69.7%	69.9%	62.8%	66.6%	51.1%	14.5%	32.1%	38.4%	13.7%	32.6%	43.9%	54.3%	37.2%
Non-GAAP total net revenues	$ 99,021	$ 34,252	$ 21,966	$ 45,135	$ 32,874	$ 134,228	$ 45,792	$ 33,804	$ 45,495	$ 41,011	$ 166,103	$ 46,799	$ 40,703	$ 55,521	$ 56,396	$ 199,419
Y/Y change	40.3%	20.2%	31.3%	38.7%	54.7%	35.6%	33.7%	53.9%	0.8%	24.8%	23.7%	2.2%	20.4%	22.0%	37.5%	20.1%
Required Materials	$ 57,192	$ 20,762	$ 7,053	$ 27,118	$ 11,178	$ 66,111	$ 23,316	$ 11,274	$ 24,874	$ 12,354	$ 71,818	$ 21,243	$ 10,826	$ 25,845	$ 12,170	$ 70,085
Y/Y change	24.6%	3.2%	6.1%	23.6%	31.7%	15.6%	12.3%	59.8%	-8.3%	10.5%	8.6%	-8.9%	-4.0%	3.9%	-1.5%	-2.4%
Chegg Services	$ 41,829	$ 13,491	$ 14,913	$ 18,017	$ 21,696	$ 68,117	$ 22,476	$ 22,531	$ 20,622	$ 28,657	$ 94,285	$ 25,556	$ 29,877	$ 29,676	$ 44,226	$ 129,334
Y/Y change	69.7%	61.2%	48.0%	69.7%	69.9%	62.8%	66.6%	51.1%	14.5%	32.1%	38.4%	13.7%	32.6%	43.9%	54.3%	37.2%
Subscribers																
Chegg Services subscribers	464,000	395,000	407,000	451,000	499,000	737,000	552,000	540,000	563,000	658,000	1,039,000	755,000	764,000	862,000	977,000	1,527,000
EBITDA																
EBITDA	$ 23,447	$ (3,351)	$ 11,058	$ (12,722)	$ 22,068	$ 17,051	$ (10,341)	$ 6,402	$ (11,588)	$ 13,106	$ (2,420)	$ (8,152)	$ (2,223)	$ (9,863)	$ 3,658	$ (16,580)
% of revenue	9.2%	-4.5%	17.1%	-15.6%	26.1%	5.6%	-12.2%	9.5%	-14.3%	19.2%	-0.8%	-12.2%	-4.2%	-13.8%	5.8%	-6.5%
Y/Y change	0%	-214.6%	-26.5%	17.6%	35.3%	-27.3%	208.6%	-42.1%	-8.9%	-40.6%	-114.2%	-21.2%	-134.7%	-14.9%	-72.1%	585.0%
Adjusted EBITDA	$ (3,995)	$ (16,582)	$ 1,556	$ (16,751)	$ 18,826	$ (12,952)	$ (4,279)	$ 3,206	$ (8,883)	$ 15,314	$ 5,358	$ (499)	$ 7,183	$ 212	$ 13,904	$ 20,800
% of revenue	-1.6%	-22.3%	2.4%	-20.5%	22.3%	-4.2%	-5.0%	4.8%	-10.9%	22.5%	1.8%	-0.7%	13.5%	0.3%	22.0%	8.2%
Y/Y change	-75%	82.3%	-69.6%	-9.9%	1.3%	224.2%	-74.2%	106.0%	-47.0%	-18.7%	-141.4%	-88.3%	124.0%	-102.4%	-9.2%	288.2%
RECONCILIATION OF NET (LOSS) INCOME TO EBITDA AND ADJUSTED EBITDA																
Net (loss) income:	$ (55,850)	$ (25,759)	$ (8,246)	$ (32,441)	$ 1,688	$ (64,758)	$ (28,542)	$ (10,131)	$ (24,167)	$ 3,630	$ (59,210)	$ (15,685)	$ (9,008)	$ (16,063)	$ (1,489)	$ (42,245)
Interest expense, net	3,818	61	127	67	62	317	61	60	61	65	247	60	61	30	20	171
Provision for (benefit from) income taxes	642	217	(1,367)	281	1,055	186	294	430	389	366	1,479	400	509	554	244	1,707
Textbook library depreciation expense	64,759	20,095	18,035	16,091	15,927	70,147	14,674	12,802	9,362	6,714	43,553	4,496	2,724	1,683	364	9,267
Other depreciation and amortization	10,078	2,035	2,509	3,280	3,336	11,159	3,172	3,241	2,767	2,331	11,511	2,577	3,491	3,933	4,519	14,520
EBITDA	23,447	(3,351)	11,058	(12,722)	22,068	17,051	(10,341)	6,402	(11,588)	13,106	(2,420)	(8,152)	(2,223)	(9,863)	3,658	(16,580)
Textbook library depreciation expense	(64,759)	(20,095)	(18,035)	(16,091)	(15,927)	(70,147)	(14,674)	(12,802)	(9,362)	(6,714)	(43,553)	(4,496)	(2,724)	(1,683)	(364)	(9,267)
Share-based compensation expense	36,958	6,930	8,481	11,794	9,683	36,888	15,020	7,831	8,933	6,991	38,775	11,270	11,221	10,210	9,084	41,785
Other expense (income), net	359	(120)	(156)	(541)	(62)	(879)	(76)	(56)	(85)	1	(216)	(65)	63	148	151	297
Restructuring (credits) charges	-	-	-	-	-	-	2,514	464	342	1,548	4,868	(44)	(154)	(100)	(125)	(423)
Transitional logistic charges	-	-	-	-	-	-	2,483	707	2,669	174	6,033	-	-	—	—	—
Acquisition related compensation costs	-	54	208	809	1,512	2,583	795	660	208	208	1,871	988	1,000	1,500	1,500	4,988
Impairment of intangible assets	-	-	-	-	1,552	1,552	-	-	-	-	-	-	-	—	—	-
Adjusted EBITDA	$ (3,995)	$ (16,582)	$ 1,556	$ (16,751)	$ 18,826	$ (12,952)	$ (4,279)	$ 3,206	$ (8,883)	$ 15,314	$ 5,358	$ (499)	$ 7,183	$ 212	13,904	$ 20,800

Notes:

Non-GAAP Required Materials Revenue includes Chegg Print Textbooks, Ingram Commission, eTextbooks

Chegg Services revenue includes Chegg Study, Chegg Tutors, as of May 2016, our newly acquired Writing Tools, Enrollment Marketing, Brand Partnership, Internships, and Test Prep

Chegg Services subscribers include Chegg Study, Chegg Tutors, and Writing Tools customers with paid access to the service during the time period

EBITDA as earnings before interest, taxes, depreciation and amortization

Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, or EBITDA, adjusted for textbook depreciation and to exclude stock-based compensation expense, acquisition-related compensation costs, restructuring charges (credits), transitional logistic charges, impairment of intangible assets and other (expense) income, net

Please refer to the second page of this Investor Relations Data Sheet and our press release issued on February 13, 2017 under the header "Use of Non-GAAP Measures" for a more detailed description of our use of Non-GAAP measures and our reconciliation to GAAP.

All information provided in this data sheet is as of the date hereof and Chegg undertakes no duty to update this information except as required by law.

CHEGG, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(in thousands, except percentages)
(unaudited)

	FY 2013	Q1'14	Q2'14	Q3'14	Q4'14	FY 2014	Q1'15	Q2'15	Q3'15	Q4'15	FY 2015	Q1'16	Q2'16	Q3'16	Q4'16	FY 2016
Total net revenues	$ 255,575	$ 74,393	$ 64,492	$ 81,532	$ 84,417	$ 304,834	$ 84,872	$ 67,061	$ 81,286	$ 68,154	$ 301,373	$ 66,654	$ 53,036	$ 71,343	$ 63,057	$ 254,090
Adjustment as if transition to Ingram is complete	(156,554)	(40,141)	(42,526)	(36,397)	(51,543)	(170,606)	(39,080)	(33,257)	(35,791)	(27,143)	(135,270)	(19,855)	(12,333)	(15,822)	(6,661)	(54,671)
Non-GAAP total net revenues	$ 99,021	$ 34,252	$ 21,966	$ 45,135	$ 32,874	$ 134,228	$ 45,792	$ 33,804	$ 45,495	$ 41,011	$ 166,103	$ 46,799	$ 40,703	$ 55,521	$ 56,396	$ 199,419
Gross profit	$ 80,515	$ 8,908	$ 25,896	$ 13,251	$ 45,794	$ 93,849	$ 19,379	$ 30,805	$ 19,566	$ 41,774	$ 111,524	$ 27,731	$ 31,629	$ 32,644	$ 42,485	$ 134,489
Share-based compensation expense	1,185	178	134	160	145	617	134	81	103	(56)	262	28	41	46	57	172
Transitional logistic charges	-	-	-	-	-	-	2,483	707	2,669	174	6,033	-	-	-	-	-
Non-GAAP gross profit	$ 81,700	$ 9,086	$ 26,030	$ 13,411	$ 45,939	$ 94,466	$ 21,996	$ 31,593	$ 22,338	$ 41,892	$ 117,819	$ 27,759	$ 31,670	$ 32,690	$ 42,542	$ 134,661
Gross margin %	*31.5%*	*12.0%*	*40.2%*	*16.3%*	*54.2%*	*30.8%*	*22.8%*	*45.9%*	*24.1%*	*61.3%*	*37.0%*	*41.6%*	*59.6%*	*45.8%*	*67.4%*	*52.9%*
Non-GAAP gross margin %	*32.0%*	*12.2%*	*40.4%*	*16.4%*	*54.4%*	*31.0%*	*25.9%*	*47.1%*	*27.5%*	*61.5%*	*39.1%*	*41.6%*	*59.7%*	*45.8%*	*67.5%*	*53.0%*
Operating expenses	$ 131,546	$ 34,509	$ 35,538	$ 45,885	$ 43,051	$ 158,983	$ 47,642	$ 40,502	$ 43,368	$ 37,712	$ 169,224	$ 43,021	$ 40,004	$ 47,975	$ 43,559	$ 174,559
Share-based compensation expense	(35,773)	(6,752)	(8,347)	(11,634)	(9,538)	(36,271)	(14,886)	(7,750)	(8,830)	(7,047)	(38,513)	(11,242)	(11,180)	(10,164)	(9,027)	(41,613)
Amortization of intangible assets	(4,353)	(601)	(1,003)	(1,692)	(1,674)	(4,970)	(1,560)	(1,437)	(1,118)	(646)	(4,761)	(628)	(1,186)	(1,402)	(1,389)	(4,605)
Restructuring credits (charges)	-	-	-	-	-	-	(2,514)	(464)	(342)	(1,548)	(4,868)	44	154	100	125	423
Acquisition related compensation costs	-	(54)	(208)	(809)	(1,512)	(2,583)	(795)	(660)	(208)	(208)	(1,871)	(988)	(1,000)	(1,500)	(1,500)	(4,988)
Impairment of intangible assets	-	-	-	-	(1,552)	(1,552)	-	-	-	-	-	-	-	-	-	-
Non-GAAP operating expenses	$ 91,420	$ 27,102	$ 25,980	$ 31,750	$ 28,775	$ 113,607	$ 27,887	$ 30,191	$ 32,870	$ 28,263	$ 119,211	$ 30,207	$ 26,792	$ 35,009	$ 31,768	$ 123,776
Operating expenses as a percent of net revenues	*51.5%*	*46.4%*	*55.1%*	*56.3%*	*51.0%*	*52.2%*	*56.1%*	*60.4%*	*53.4%*	*55.3%*	*56.2%*	*64.5%*	*75.4%*	*67.2%*	*69.1%*	*68.7%*
Non-GAAP operating expenses as a percent of net revenues	*35.8%*	*36.4%*	*40.3%*	*38.9%*	*34.1%*	*37.3%*	*32.9%*	*45.0%*	*40.4%*	*41.5%*	*39.6%*	*45.3%*	*50.5%*	*49.1%*	*50.4%*	*48.7%*
Operating income (loss)	$ (51,031)	$ (25,601)	$ (9,642)	$ (32,634)	$ 2,743	$ (65,134)	$ (28,263)	$ (9,697)	$ (23,802)	$ 4,062	$ (57,700)	$ (15,290)	$ (8,375)	$ (15,331)	$ (1,074)	$ (40,070)
Share-based compensation expense	36,958	6,930	8,481	11,794	9,683	36,888	15,020	7,831	8,933	6,991	38,775	11,270	11,221	10,210	9,084	41,785
Amortization of intangible assets	4,353	601	1,003	1,692	1,674	4,970	1,560	1,437	1,118	646	4,761	628	1,186	1,402	1,389	4,605
Restructuring (credits) charges	-	-	-	-	-	-	2,514	464	342	1,548	4,868	(44)	(154)	(100)	(125)	(423)
Transitional logistic charges	-	-	-	-	-	-	2,483	707	2,669	174	6,033	—	—	—	—	-
Acquisition related compensation costs	-	54	208	809	1,512	2,583	795	660	208	208	1,871	988	1,000	1,500	1,500	4,988
Impairment of intangible assets	-	-	-	-	1,552	1,552	—	—	—	—	-	—	—	—	—	-
Non-GAAP operating income (loss)	$ (9,720)	$ (18,016)	$ 50	$ (18,339)	$ 17,164	$ (19,141)	$ (5,891)	$ 1,402	$ (10,532)	$ 13,629	$ (1,392)	$ (2,448)	$ 4,878	$ (2,319)	$ 10,774	$ 10,885
Net income (loss)	$ (158,407)	$ (25,759)	$ (8,246)	$ (32,441)	$ 1,688	$ (64,758)	$ (28,542)	$ (10,131)	$ (24,167)	$ 3,630	$ (59,210)	$ (15,685)	$ (9,008)	$ (16,063)	$ (1,489)	$ (42,245)
Deemed dividend to preferred stockholders	102,557	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation expense	36,958	6,930	8,481	11,794	9,683	36,888	15,020	7,831	8,933	6,991	38,775	11,270	11,221	10,210	9,084	41,785
Amortization of intangible assets	4,353	601	1,003	1,692	1,674	4,970	1,560	1,437	1,118	646	4,761	628	1,186	1,402	1,389	4,605
Restructuring (credits) charges	-	-	-	-	-	—	2,514	464	342	1,548	4,868	(44)	(154)	(100)	(125)	(423)
Transitional logistic charges	-	-	-	-	-	—	2,483	707	2,669	174	6,033	—	—	—	—	-
Acquisition related compensation costs	-	54	208	809	1,512	2,583	795	660	208	208	1,871	988	1,000	1,500	1,500	4,988
Impairment of intangible assets	-	-	-	-	1,552	1,552	-	-	-	-	—	-	-	-	-	—
Acquisition related income tax benefit	-	-	(1,626)	-	335	(1,291)	-	-	-	-	—	-	-	-	-	—
Non-GAAP net income (loss)	$ (14,539)	$ (18,174)	$ (180)	$ (18,146)	$ 16,444	$ (20,056)	$ (6,170)	$ 968	$ (10,897)	$ 13,197	$ (2,902)	$ (2,843)	$ 4,245	$ (3,051)	$ 10,359	$ 8,710
Weighted average shares used to compute net income (loss) per share	20,902	82,181	83,209	83,688	83,925	83,205	84,794	86,741	87,706	87,993	86,818	89,118	90,416	91,059	91,526	90,534
Effect of dilutive options, restricted stock units and warrants	-	-	-	-	2,618	-	-	5,863	-	5,232	—	-	2,468	—	8,887	6,476
Non-GAAP weighted average shares used to compute net income (loss) per share	20,902	82,181	83,209	83,688	86,543	83,205	84,794	92,604	87,706	93,225	86,818	89,118	92,884	91,059	100,413	97,010
Net income (loss) per share	$ (7.58)	$ (0.31)	$ (0.10)	$ (0.39)	$ 0.02	$ (0.78)	$ (0.34)	$ (0.12)	$ (0.28)	$ 0.04	$ (0.68)	$ (0.18)	$ (0.10)	$ (0.17)	$ (0.02)	$ (0.47)
Adjustments	$ 6.88	$ 0.09	$ 0.10	$ 0.17	$ 0.17	$ 0.54	$ 0.27	$ 0.13	$ 0.16	$ 0.10	$ 0.65	$ 0.15	$ 0.15	$ 0.14	$ 0.12	$ 0.56
Non-GAAP net income (loss) per share	$ (0.70)	$ (0.22)	$ -	$ (0.22)	$ 0.19	$ (0.24)	$ (0.07)	$ 0.01	$ (0.12)	$ 0.14	$ (0.03)	$ (0.03)	$ 0.05	$ (0.03)	$ 0.10	$ 0.09

Notes:

Non-GAAP gross profit as gross profit excluding share-based compensation and transitional logistic charges

Non-GAAP gross margin as non-GAAP gross profit divided by revenue

Non-GAAP net loss as net loss excluding share-based compensation expense, amortization of intangible assets, acquisition related compensation costs, restructuring charges (credits), transitional logistic charges and acquisition-related income tax benefit

Non-GAAP EPS as non-GAAP net loss divided by the weighted average number of shares of common stock outstanding during the period, less weighted-average unvested common stock subject to repurchase or forfeiture