



Chegg[®]

Q3 2014 Earnings Call

November 3rd, 2014

SAFE HARBOR

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, which include, without limitation those regarding Chegg's Q4 2014 financial outlook and Chegg's expectations regarding the Blackboard and Fanatics partnerships. These statements are not guarantees of future performance, but are based on management's expectations as of the date of this presentation 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 be materially different 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: challenges in integrating the Blackboard and Fanatics strategic alliances; Chegg's anticipated continued benefits from its partnership with the Ingram Content Group; changes in Chegg's addressable market; competition, including changes in the competitive environment, pricing changes, and increased competition; Chegg's ability to build and expand its digital services offerings, including to develop new products and services and on a cost-effective basis and to integrate acquired businesses and assets; Chegg's ability to attract new students, increase engagement and increase monetization; expenses that exceed expectations; the impact of seasonality on the business; and general economic and industry conditions. 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 August 8, 2014, and could cause actual results to vary from expectations. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2014. All information provided in this presentation is as of the date hereof and Chegg undertakes no duty to update this information except as required by law.

Use of Non-GAAP Measures

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, adjusted EBITDA, non-GAAP operating loss, non-GAAP operating expenses, 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)

	Q3'14	Q3'13	YOY
Total Revenue	\$81.5	\$61.6	32%
Print	\$55.3	\$48.6	14%
Digital	\$26.2	\$13.0	102%
Digital % of Revenue	32%	21%	11 pts.

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

	Q3'14	Q3'13	YOY
Gross Profit	\$13.4	\$3.3	\$10.1
GM%	16%	5%	11 pts.
Digital Gross Profit	\$16.0	\$6.2	\$9.8
Digital GM%	61%	48%	13pts.
Operating Expenses	\$31.8	\$23.3	\$8.5
(Gain) Loss on Liquidation of Textbooks	(\$2.0)	(\$2.4)	(\$0.4)
Opex as a % of Revenue	38.9%	37.9%	(1) pts.

Q3'14 Profitability (\$M) (Non-GAAP)

	Q3'14	Q3'13
Total Revenue	\$81.5	\$61.6
Print	\$55.3	\$48.6
Digital	\$26.2	\$13.0
Gross Profit	\$13.4	\$3.3
Operating Expenses	\$31.8	\$23.3
Operating Income	\$(18.3)	\$(20.1)
Book Depreciation	\$16.1	\$14.5
Adj. EBITDA	\$(16.8)	\$(18.6)

Q4'14 Outlook (\$M) (Non-GAAP)

	Low End	High End
Total Revenue	\$82	\$87
Digital Revenue	\$27	\$30
Gross Margin %	47%	
Adj. EBITDA w/o Book Dep.	\$12	\$15

GAAP to Non-GAAP Reconciliation

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net revenues	\$ 81,532	\$ 61,587	\$ 220,417	\$ 178,459
GAAP cost of revenues	(68,281)	(58,425)	(172,362)	(137,486)
Stock-based compensation expense	160	126	472	422
Non-GAAP gross profit	<u>\$ 13,411</u>	<u>\$ 3,288</u>	<u>\$ 48,527</u>	<u>\$ 41,395</u>
<i>GAAP gross margin %</i>	16.3%	5.1%	21.8%	23.0%
<i>Non-GAAP gross margin %</i>	16.4%	5.3%	22.0%	23.2%
GAAP operating expenses	\$ 45,885	\$ 28,066	\$ 115,932	\$ 83,514
Stock-based compensation expense	(11,634)	(3,731)	(26,733)	(11,466)
Amortization of intangible assets	(1,692)	(992)	(3,296)	(2,726)
Acquisition related compensation costs	(809)	-	(1,071)	-
Non-GAAP operating expenses	<u>\$ 31,750</u>	<u>\$ 23,343</u>	<u>\$ 84,832</u>	<u>\$ 69,322</u>
<i>GAAP operating expenses as a percent of net revenues</i>	56.3%	45.6%	52.6%	46.8%
<i>Non-GAAP operating expenses as a percent of net revenues</i>	38.9%	37.9%	38.5%	38.8%
GAAP operating loss	\$ (32,634)	\$ (24,904)	\$ (67,877)	\$ (42,541)
Stock-based compensation expense	11,794	3,857	27,205	11,888
Amortization of intangible assets	1,692	992	3,296	2,726
Acquisition related compensation costs	809	—	1,071	—
Non-GAAP operating loss	<u>\$ (18,339)</u>	<u>\$ (20,055)</u>	<u>\$ (36,305)</u>	<u>\$ (27,927)</u>
GAAP net loss	\$ (32,441)	\$ (29,255)	\$ (66,446)	\$ (50,433)
Stock-based compensation expense	11,794	3,857	27,205	11,888
Amortization of intangible assets	1,692	992	3,296	2,726
Acquisition related compensation costs	809	—	1,071	—
Acquisition related income tax benefit	—	—	(1,626)	—
Non-GAAP net loss	<u>\$ (18,146)</u>	<u>\$ (24,406)</u>	<u>\$ (36,500)</u>	<u>\$ (35,819)</u>
Non-GAAP net loss per share, basic	<u>\$ (0.22)</u>	<u>\$ (1.90)</u>	<u>\$ (0.44)</u>	<u>\$ (2.87)</u>