



Q4-18 Investor Presentation

February 11, 2019

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 “plan,” “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 belief that 36 million students can benefit from Chegg, Chegg’s ability to use its Required Materials line to drive brand awareness and maintain the direct-to-student relationship and attach students to Chegg’s other businesses, Chegg’s anticipated units and revenue for Required Materials per year to be relatively flat at breakeven, Chegg’s planned international expansion, 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, and StudyBlue; 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 reputation with students and tutors; 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 ability to effectively control operating costs; changes in Chegg’s addressable market; regulatory changes, in particular concerning privacy and marketing; 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 29, 2018, 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, 2018 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 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 educational outcomes**

Investment Highlights



Leading Direct-To-Student Connected Learning Platform

Large Addressable Market with Compelling Market Trends

All Digital, High Growth, High Margin Model

Competitive Moat Given Brand, Reach, Data and Proprietary Content

Chegg at a Glance¹



3.1 Million

CHEGG SERVICES
ANNUAL SUBSCRIBERS

38%

CHEGG SERVICES SUBSCRIBER
Y/Y GROWTH

2+ Million

REQUIRED MATERIAL
CUSTOMERS

37%

CHEGG SERVICES
Y/Y REVENUE GROWTH

26%

ADJUSTED EBITDA
MARGIN⁽²⁾

650 Million

CHEGG STUDY
CONTENT VIEWS

1. All amounts shown for FY18 and based on Company internal data

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

Q4 – 18 Highlights



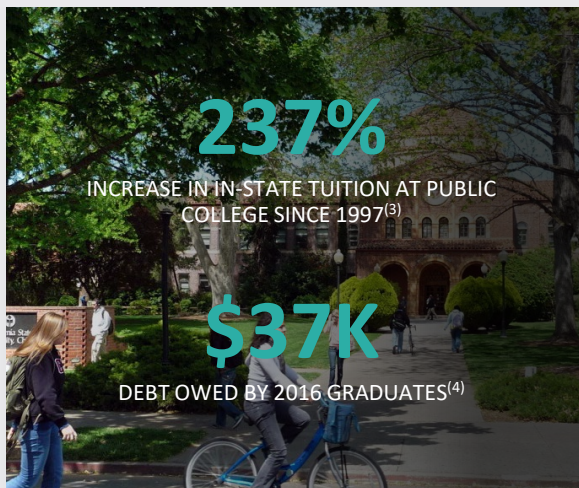
- Chegg Services subscribers increased 34% y/y⁽¹⁾
- Chegg Services revenue of \$81.7 million, up 35% y/y
- 224 million Chegg Study content views, up 32% y/y⁽¹⁾
- Increased FY2019 guidance

Today's Students Face More Pressure Than Ever

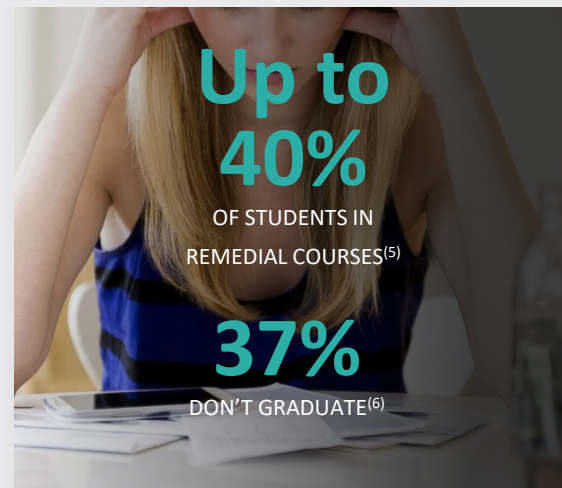
It's Harder to Be a Student



They're Faced with Mounting Costs



They Don't Get Support



Students 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

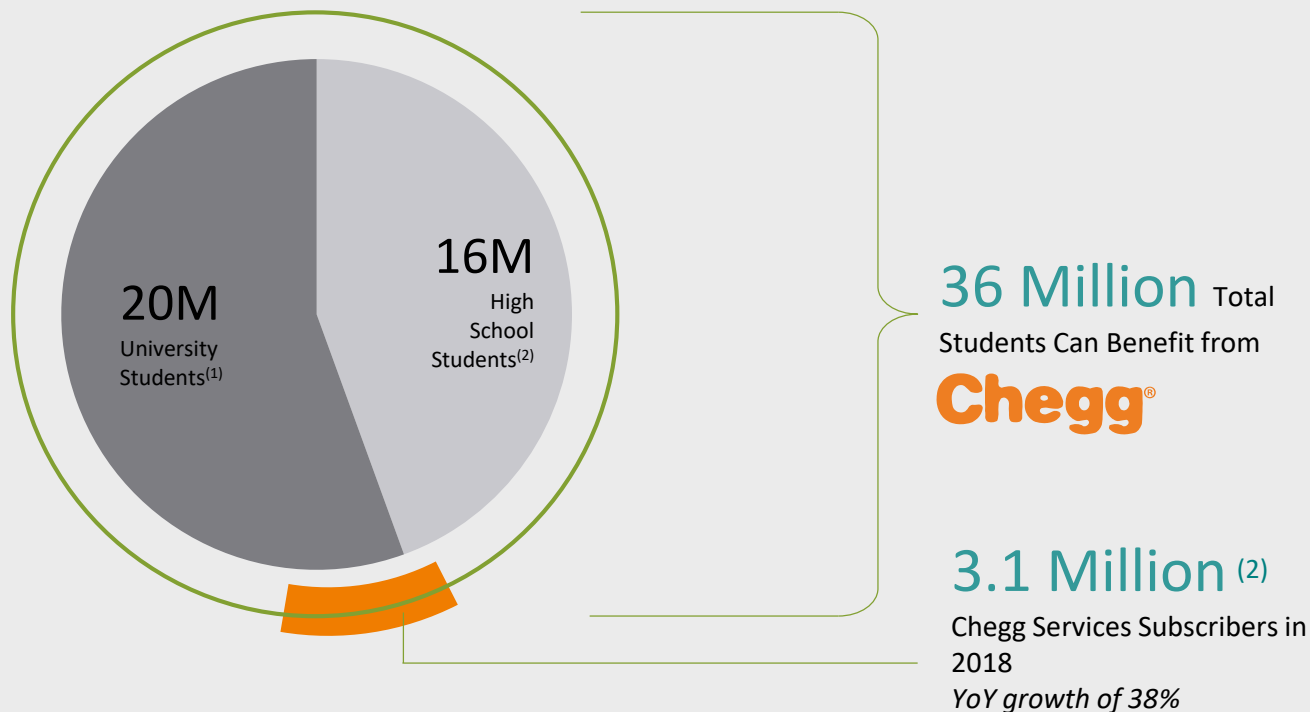
3. <https://www.usnews.com/education/best-colleges/paying-for-college/articles/2017-09-20/see-20-years-of-tuition-growth-at-national-universities>

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

5. <http://www.ncsl.org/documents/educ/ReformingRemedialEd.pdf>

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

Large Student Domestic Market Opportunity

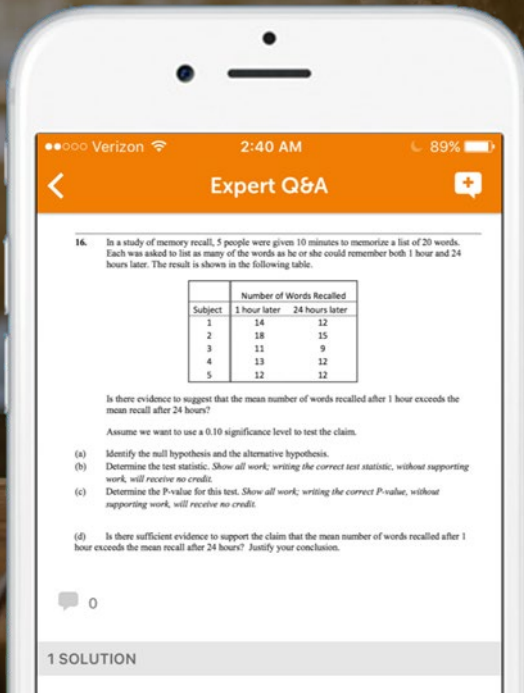


Planned
Expansion in
International
Markets

Chegg Aims to Provide Overwhelming Value to Solve Students' Problems



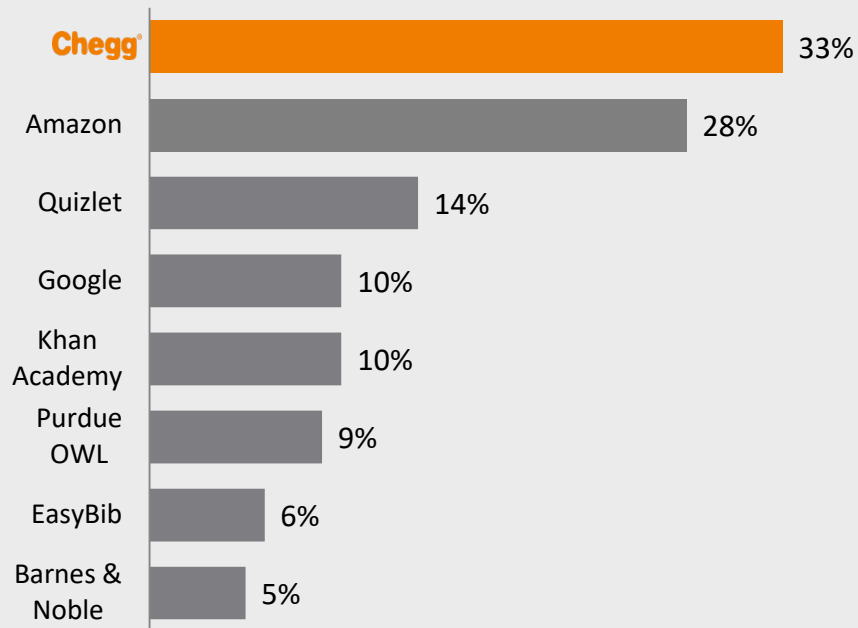
- ✓ Online
- ✓ On-demand
- ✓ Personalized
- ✓ Adaptive
- ✓ Affordable
- ✓ ...and Backed by Human Help



Chegg is Well-Known Among Students



Percent Unaided Awareness (College)⁽¹⁾



87%

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

Chegg Services

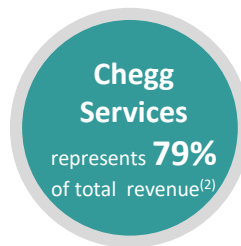
Students subscribe to our learning services:

- Chegg Study
- Chegg Writing
- Chegg Tutors
- Chegg Math Solver

Required Materials

Purchase or rent required class materials for less:

- Print Textbooks & eTextbooks



Rapid Growth of Chegg Services



Chegg Services Subscribers

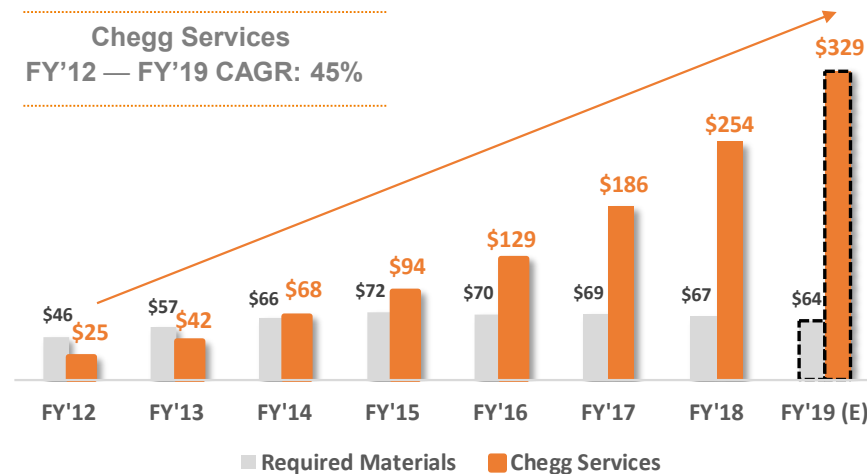
Annual Chegg Services Subscribers (in millions)



Chegg Services Revenue

Revenue Growth (\$ in millions)*

Chegg Services
FY'12 — FY'19 CAGR: 45%



* 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 2019 revenues represents the midpoint of full year 2019 guidance.

Chegg Study: A Powerful Learning Tool



Chegg Study is the largest non-required homework help service for students, which contains **21 million expert answered Q&As** and **5 million step-by-step textbook solution sets**⁽¹⁾

**Library of 26M
solution sets
and expert
answers ⁽¹⁾**

35K textbook ISBNs
in Chegg Study database⁽¹⁾

**650 million content
views⁽²⁾, up 48%
Y/Y in 2018**



Writing: Helping Students from Middle School Onwards



Chegg Writing is a leading provider of online writing tools

With nearly **25% of college freshmen required to take remedial courses⁽¹⁾**, Chegg has the opportunity to impact this outcome before students enroll and save time and money

~500M
citations in
2018⁽³⁾

Market Opportunity

~\$3B⁽²⁾

spent annually on remedial
courses at the college level

~147M Citations
created in Q4-18



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: <https://completecollege.org/wp-content/uploads/2017/05/4-Year-Myth.pdf>, Report written in 2014

3. For FY2018, as of 12/31/18

Tutors: Online 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

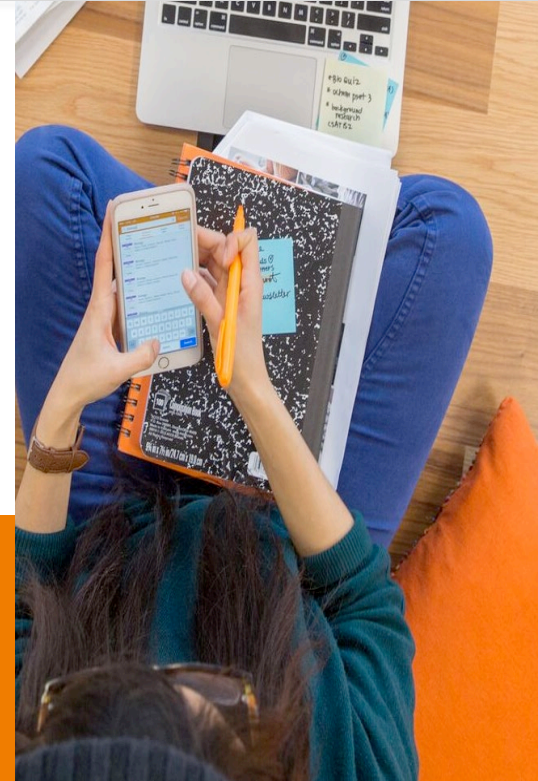


Math Solver: Step-by-step Problem Solver and Calculator **Chegg**

Step-by-step math problem solver and calculator makes learning math easier.

A.I.-driven math technology which provides guided explanations for each step in solving a problem.

64% of high school students are not prepared for college-level math.¹ Over 40% of college students must take at least one remedial math or English course.²



¹ Source: http://www.educationworld.com/a_news/there-reason-us-students-struggle-math

² Source: <https://www.americanprogress.org/issues/education/reports/2016/09/28/144000/remedial-education/>

Required Materials Drives Brand Awareness & Loyalty



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 units and revenue to be relatively flat at **breakeven**

Business Outlook: 2019



	Q4 2018 Results	Q1 2019 Guidance		Full Year 2019 Guidance
Total Net Revenues	\$95.7m	\$93.5m - \$95.5m	▶	\$390m - \$395m
Chegg Services Revenue	\$81.7m	\$72.5m - \$74.5m	▶	\$327m - \$331m
Gross Margin %	77%	74% - 75%	▶	75% - 76%
Adjusted EBITDA*	\$34.8m	\$22m - \$23m	▶	\$115m - \$118m
CapEx	\$13.2m		▶	\$40m - \$50m

* Non-GAAP financial measure. See appendix for reconciliation of 1) Q4-18 net income (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,	
	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	<u>\$ 34,821</u>	<u>\$ 21,085</u>	<u>\$ 83,300</u>	<u>\$ 46,399</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, 2019	Year Ending December 31, 2019
Net loss	\$ (5,600)	\$ (200)
Interest expense, net	3,900	15,800
Provision for income taxes	900	3,600
Depreciation and amortization expense	6,500	29,000
EBITDA	5,700	48,200
Share-based compensation expense	14,700	65,000
Other income, net	(1,000)	(4,000)
Acquisition-related compensation costs	3,100	7,300
Adjusted EBITDA*	<u>\$ 22,500</u>	<u>\$ 116,500</u>

* Adjusted EBITDA guidance for the three months ending March 31, 2019 and the year ending December 31, 2019 represents the midpoint of the ranges of \$22 million to \$23 million and \$115 million to \$118 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