

Q3-22 Investor Presentation

Nov 1, 2022



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,” “believe,” “estimate,” “intend,” “project,” “endeavor,” “should,” “future,” “long-term,” “outlook,” “non-GAAP,” “will,” “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, statements regarding the impact of the coronavirus (COVID-19) pandemic on Chegg’s financial condition and results of operations, Chegg’s positioning to capture market opportunity, Chegg’s long-term strategic focus including our 2022 priorities, Chegg’s global academic market opportunity including international growth, Chegg’s belief that 100 million students could potentially benefit from Chegg, Chegg’s ESG plans, improving learning and learning outcomes, improving learners’ overall return on investment in education, the non-GAAP presentations of Chegg’s results of operations, including free cash flow, the Required Materials transition, including margin improvements, revenue growth or contribution, the operational aspects of the transition, the expected timing and benefits of the transition, and costs savings, among others, and all statements about Chegg’s financial outlook, strategy, and priorities and learner outcomes. These statements are not guarantees of future performance and 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 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: the effects of the COVID-19 pandemic on Chegg’s business and the economy generally; Chegg’s ability to attract new, and retain existing, students, to increase student engagement, and to increase monetization; changes in employment and wages and the uncertainty surrounding the evolving educational landscape, enrollment and student behavior; changes in search engine methodologies that modify Chegg’s search result page rankings, resulting in decreased student engagement on Chegg’s website; competition in aspects of Chegg’s business, and Chegg’s expectation that such competition will increase; Chegg’s ability to maintain its services and systems without interruption, including as a result of technical issues, cybersecurity threats, or cyber-attacks; third-party payment processing risks; adoption of government regulation of education unfavorable to Chegg; the rate of adoption of Chegg’s offerings; mobile app stores and mobile operating systems making Chegg’s apps and mobile website available to students and to grow Chegg’s user base and increase their engagement; Chegg’s ability to expand internationally; colleges and governments restricting online access or access to Chegg’s services; Chegg’s ability to strategically take advantage of new

opportunities; competitive developments, including pricing pressures and other services targeting students; 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 and student behavior on the business; Chegg’s brand and reputation; the outcome of any current litigation and investigations; the successful transition of Required Materials; 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, including as a result of COVID-19; and general economic, political and industry conditions, including inflation, recession and war. All information provided in this presentation 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 Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission on February 22, 2022, and could cause actual results to differ materially from expectations.

Use of Non-GAAP Measures

To supplement Chegg’s financial results presented in accordance with generally accepted accounting principles in the United States (GAAP), this presentation contains non-GAAP financial measures, including Adjusted EBITDA and free cash flow. For reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the Appendix to this presentation. The presentation of these non-GAAP financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. Chegg defines (1) Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, or EBITDA, adjusted for print textbook depreciation expense and to exclude share-based compensation expense, other income (expense), net, acquisition-related compensation costs, transitional logistic charges, impairment of lease related assets, and restructuring charges and (2) free cash flow as net cash provided by operating activities adjusted for purchases of property and equipment, purchases of textbooks and proceeds from disposition of textbooks. To the extent additional significant non-recurring items arise in the future, Chegg may consider whether to exclude such items in calculating the non-GAAP financial measures it uses. Chegg believes that these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding Chegg’s performance by excluding items that may not be indicative of Chegg’s core business, operating results or future outlook. Chegg management uses these non-GAAP financial measures in assessing Chegg’s operating results, as well as when planning, forecasting and analyzing future periods and believes that such measures enhance investors’ overall understanding of our current financial performance. These non-GAAP financial measures also facilitate comparisons of Chegg’s performance to prior periods.

We put learners first.

Our mission is to improve learning and learning outcomes by putting students first, in school and beyond.

We strive to improve the overall return on investment in education by helping learners learn more in less time and at a lower cost.



Investment Highlights

- Leading Direct-To-Student Connected Learning Platform
- Large Addressable Markets in Early Stages of International Growth with Compelling Market Trends
- High Margin Model with Strong Free Cash Flow Generation
- Competitive Moat Given Brand, Reach, Data and Proprietary Content

Chegg at a Glance: 2021⁽¹⁾

7.8 Million

CHEGG SERVICES
SUBSCRIBERS

29%

CHEGG SERVICES REVENUE
Y/Y GROWTH

1.5 Million

INTERNATIONAL CHEGG
SERVICES SUBSCRIBERS

~30 Million

CHEGG PLATFORM AVERAGE
MONTHLY UNIQUE VISITORS

18%

CHEGG SERVICES
SUBSCRIBERS Y/Y GROWTH

34%

ADJUSTED EBITDA
MARGIN⁽²⁾

11%

INTERNATIONAL REVENUE AS
% OF TOTAL

VOTED FORTUNE'S BEST
Small and Medium Workplaces³

17 COMPARABLY AWARDS
Including Best Company
Outlook and Best Global Culture

Long-Term Strategic Focus

Grow Subscribers

Demonstrate value to new learners around the world



Extend Relationships

Serve lifelong learners throughout their learning journey



Expand Content

Add relevant content that expands breadth and depth of how we help learners



Grow Profitably

Maintain focus on profitable growth, investing in scalable tools, technology, and content

Drive Outcomes

Delivering positive learner outcomes remains a top priority

Help Holistically

Find more ways to help learners, beyond academics

2022 Priorities

International

Invest in international expansion, including through platform, pricing, and content localization efforts, as well as through Busuu, which serves the fast-growing \$17B digital language market¹

Content

Expand and improve quality and depth of content, subjects covered, discovery, and personalization of user experience

Skills

Invest to grow Skills by offering more courses through partnerships and directly to learners, focusing on delivering positive outcomes

Value

Add even more value to existing and new customers through bundling, pricing, and new offerings

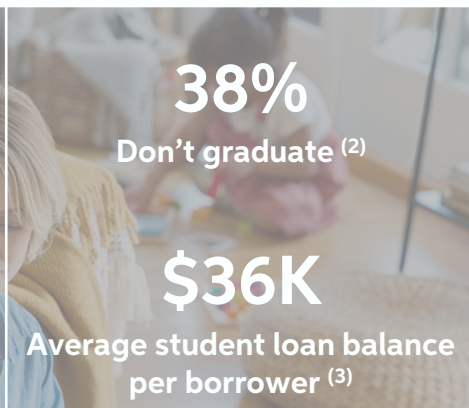


Today's Learners Face More Pressure Than Ever

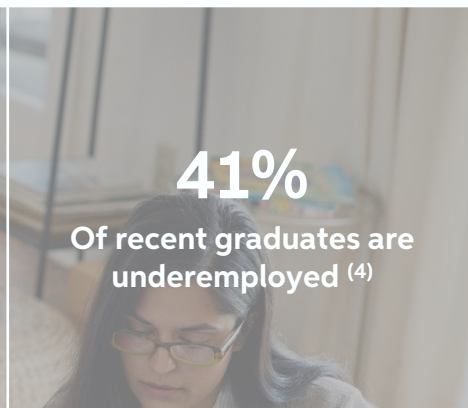
It's Harder to Be a Student



They're Faced with Mounting Costs



They Aren't Prepared for the Workplace



Need a Platform to Support Them

1. Source: Chegg Consumer Insights, Jan 2022 Chegg Services users in the past 3 months (College n=438).

2. National Clearinghouse Research Center (2021); Reflects % of students who don't graduate from a U.S. undergraduate institution in 6 years or less

3. NY Fed Center for Microeconomic Data, as of 2021

4. Federal Reserve Bank of New York; as of Sep 2021

A man with dark hair and a mustache, wearing a purple corduroy shirt, is sitting at a wooden desk in a library. He is looking down at a laptop screen. There are books on shelves in the background and an open book on the desk next to the laptop.

Chegg's Overwhelming Value and Unique Competitive Advantages

Online

On-demand

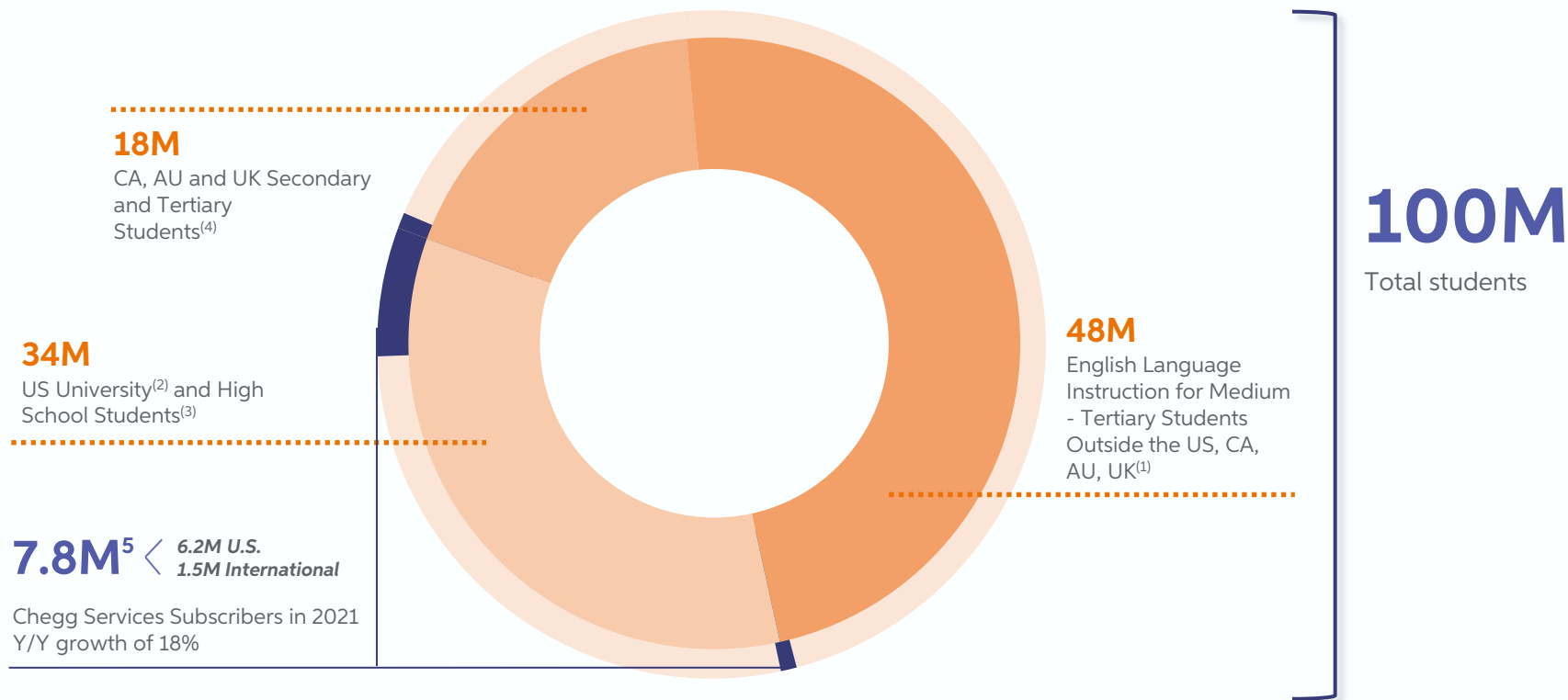
Personalized

Adaptive

Affordable

Backed by Expert Human Help

Large Global Academic Market Opportunity



Required Materials Transition

In April 2022, we entered into a partnership with an independent book reseller. This partnership allows us to transition out of our textbook library and fulfillment logistics responsibilities while continuing to offer print and eTextbooks to students.

- GT¹ purchased our print textbook library in April for ~\$14M and assumed responsibility for print textbook library investments and fulfillment logistics.² We expect the eTextbook transition to occur by the end of 2022.
- As a result of the partnership, we will no longer incur significant textbook-related costs.³
- We expect to recognize ~\$7M-\$10M in annual print and eTextbook revenue after the transition, driven by a single-digit percentage revenue commission. Beginning in 2023, we will no longer report Required Materials revenue.

(1) GT Marketplace, LLC.

(2) \$14M is subject to payment terms and certain adjustments.

(3) We will no longer incur order fulfillment fees, publisher content fees, print textbook depreciation and write off expense, direct marketing, and customer support, though we will continue to incur costs such as payment processing fees, employee related costs, and platform infrastructure maintenance.

Chegg's Integrated Platform of Connected Services

Chegg Services

Academic



Chegg Study

Learning service with a library of 86 million step by step solutions (~79 million expert answered Q&As and ~7 million textbook solutions)¹



Chegg Writing

A leading provider of online writing tools. Creates bibliographies and checks for grammar errors and plagiarism



Chegg Math

Step by step math problem solver

Chegg Study Pack

Integrated academic support platform including Chegg Study, Writing, and Math. It also includes features such as concept videos, flashcards, practice tests, and instructor-created materials through Uversity, as well as access to third party non-academic tools, such as Calm.

Skills



Thinkful

High quality online skills-based courses in areas such as Data Science, Data Analytics, UX/UI Design, Software Engineering

Language



Busuu

Leading online language learning platform offering self-paced lessons, live classes with experts, and community support. Busuu is available direct-to-consumer as well as through B2B partners, such as Guild starting in 2023

Required Materials

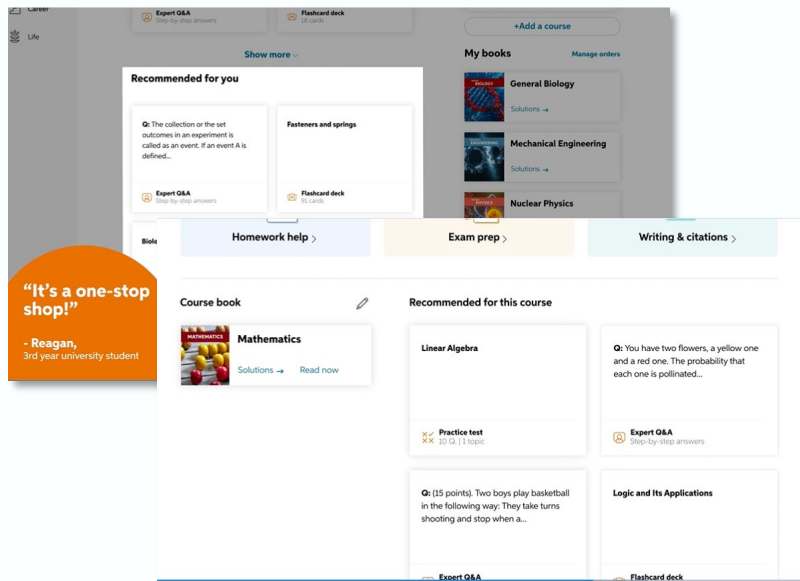


Textbooks²

Rent or buy print textbooks or eTextbooks through our new partnership

Learn with Chegg

Enhanced Platform Delivering a Personalized Learning Experience



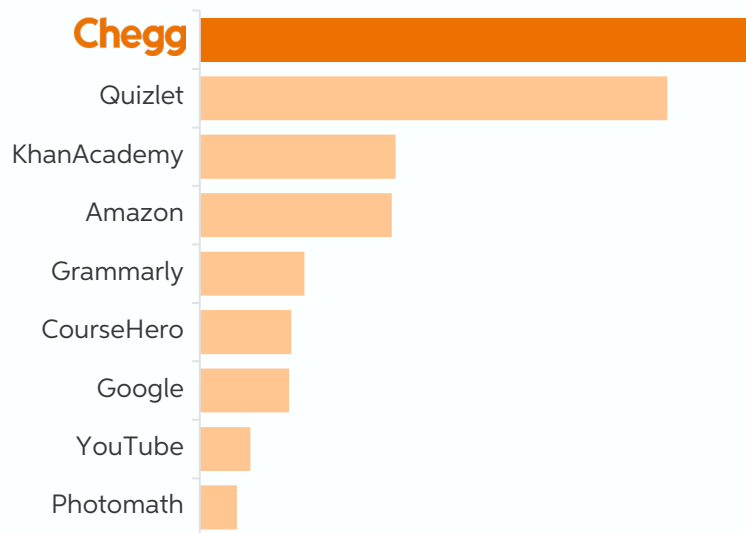
Key Highlights:

- Immersive personalization for individualized learning experience
- Allows students to easily and intuitively discover relevant content
- Deeper integration of different content formats and learning tools
- Draws on student engagement data collected over more than a decade and rich library of expert-generated content
- Content organized around courses
- Over time, we expect Learn With Chegg to improve learner outcomes leading to better engagement and retention

Read more about our ***Learn With Chegg*** [Announcement](#) or watch the [Video](#)

Chegg is Well-Known Among U.S. College Students

Unaided Brand Awareness



Q: What companies, websites, and resources can you think of that provide students with support with their studies and their lives around school (such as buying/renting textbooks, tutoring, homework help, writing help, math help, flashcards, citation, college and scholarship search, test preparation for entrance exams and finding internships)?

Aided Brand Awareness

84%

Of college students have heard of a Chegg service⁽¹⁾

Q: Which of the following education and service companies/resources have you ever heard of before today?

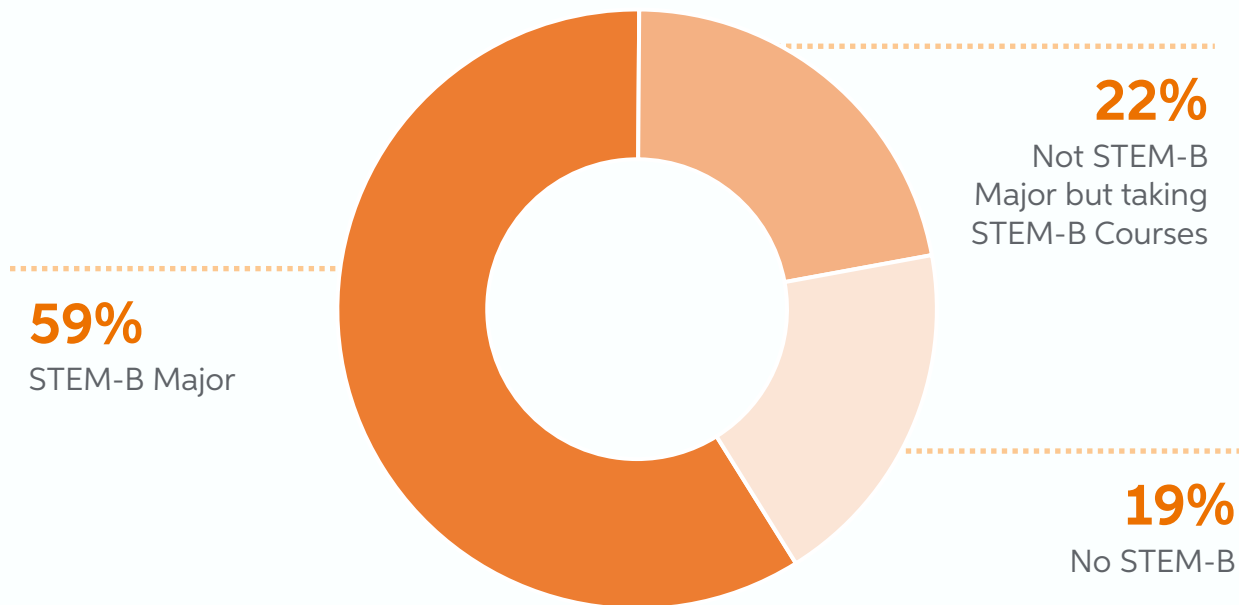


Chegg Serves Students of Diverse Backgrounds

- 27% First generation
- 20% Family income <\$20k
- 55% Minorities
- 62% Female
- 23% Over 25 years old
- 11% Work full-time / 35% work part-time

Source: Chegg Consumer Insights, Jan 2022 Quarterly Marketing Tracker: Chegg Services users in the past 3 months (College n=438), Chegg services includes Chegg, Mathway, Easybib, CiteThisforMe, BibMe, Citation Machine., Busuu, Thinkful.

Majority of U.S. College Students are taking STEM-B Courses



Chegg Delivers Positive Learner Outcomes

Learn &
Understand

90%

Say that Chegg helps them **better understand** the concepts they are studying in school. And 90% also say Chegg helps them **learn** their coursework.

Better Grades

91%

Say they **get better grades** when they use Chegg to understand coursework.

More Efficient

91%

Say that they **work more efficiently** when they use Chegg to understand their coursework.

Help When You
Need It

92%

Say that Chegg helps them figure it out if they get stuck or **have a question when their instructor is not available**.

Chegg's Approach to ESG: Our Six Pillars



Public Recognition

We are pleased to share our **recognition as a company committed to sustainability** in our industry and we are honored to be included in this year's [S&P Global Sustainable Yearbook](#).

In October 2021, Chegg received an ESG Risk Rating of 10.7 and was assessed by [Sustainalytics](#) to be at **low risk of experiencing material financial impacts from ESG factors**¹

See our [ESG website](#) and our first annual [ESG Report](#) for additional information and detailed disclosures

Chegg's ESG Journey

In 2021, Chegg conducted our first **materiality assessment** to identify important ESG categories and to align our strategy with what is most material to our stakeholders and society. Please see below for some recent examples of our work to enhance programs, policies, and disclosures within these material categories. We also published our first annual **ESG report** in May 2022.

Employee Diversity & Inclusion

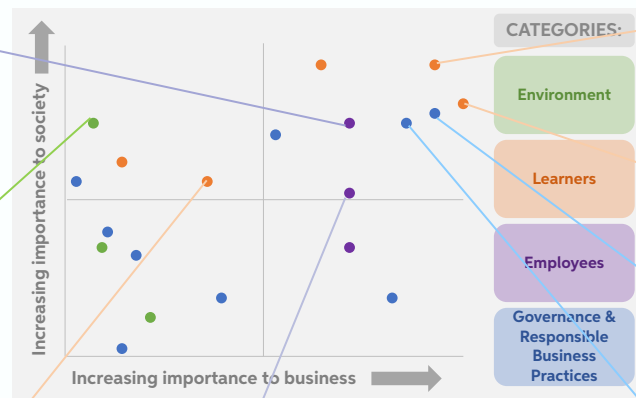
- Disclosed diversity data with 43% global female representation and 52% people of color representation within the U.S.¹
- Launched new ERGs
- Continue to expand executive and financial support of ERGs

Climate Change

- Published Scope 1 and 2 GHG emissions
- Collecting data to report Scope 3 and develop carbon reduction strategies

Holistic Approach to Learner Success

- Calm partnership provides mental fitness and well-being benefits to our learners
- Chegg Life platform provides guidance on life-skills like finances, career pathways, and mental and physical health



Employee Health, Wellbeing, & Engagement

- Employee engagement survey showed 90% of employees are proud to work at Chegg³
- At Chegg's inaugural Global Day of Impact, Chegg volunteers supported 13 global organizations and helped almost 5,000 students

Academic Integrity

- Honor Code
- Honor Shield
- Academic Advisory Board

Learning Outcomes

- 90% of students say Chegg helps them learn their coursework²

Privacy & Cybersecurity

- Committed to ongoing assessment and implementation of privacy and security programs

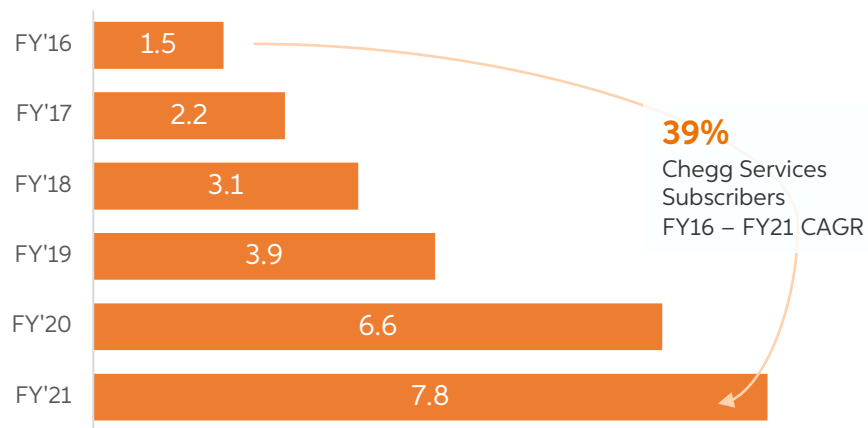
Board Diversity & Independence

- Reached 50% gender diversity on board in 2021
- Expanded racial diversity on board in 2020 and again in 2021

Rapid Growth of Chegg Services

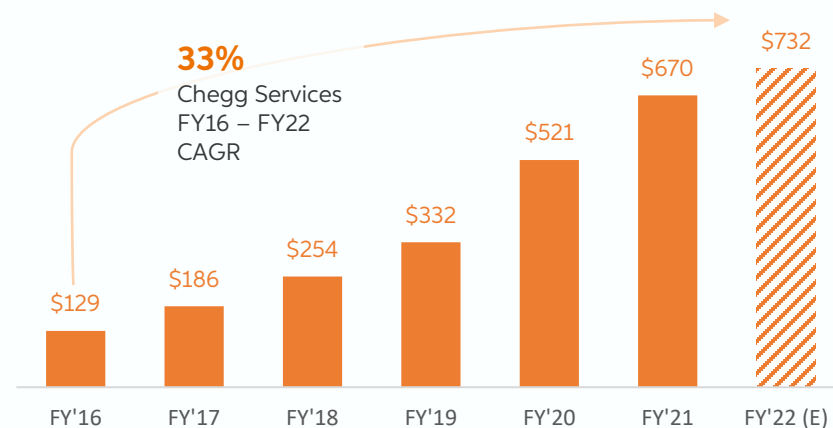
Chegg Services Subscribers

Annual Chegg Services Subscribers (in millions)



Chegg Services Revenue

Chegg Services Revenue Growth (\$ in millions)



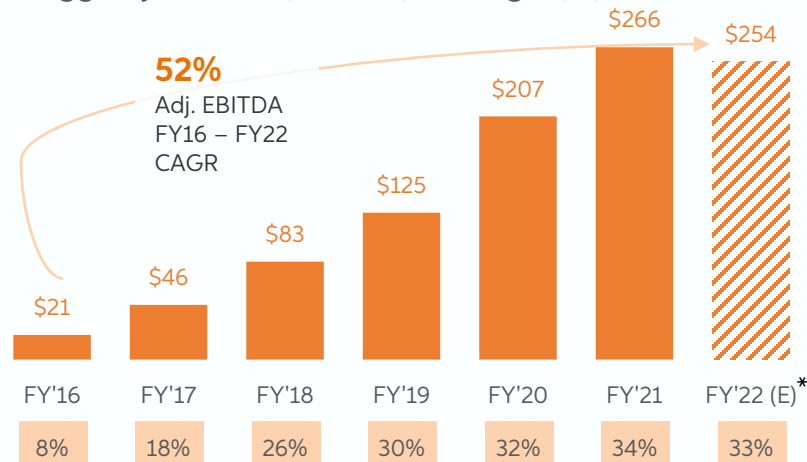
Chegg Services Drives Margin Expansion

Chegg's business model supports operating leverage

- Proven history of expanding adjusted EBITDA margin while investing in future growth
- Majority of subscribers are acquired through unpaid channels
- Create content once, used by learners many times
- Content is relevant globally
- Proven history of profitably scaling acquisitions

Adjusted EBITDA

Chegg Adj. EBITDA (\$million) & Margin (%)



**We expect Busuu will be dilutive to adjusted EBITDA by \$15 to \$20 million as we invest to scale the service*

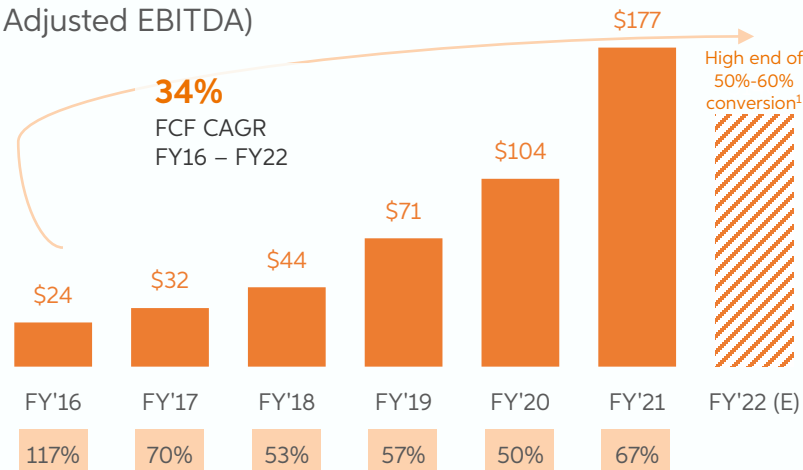
Strong FCF generation

Chegg continues to deliver free cash flow growth and margin expansion

- Healthy free cash flow conversion (~50%-60%) from Adjusted EBITDA. We expect to come in at the higher end of this range for 2022. ⁽¹⁾
- Free cash flow CAGR strong, >30% ⁽²⁾
- Content remains the largest driver of CapEx
 - Outsized contribution from Uversity in '22 as we built content ahead of student launch in Fall '22

Free Cash Flow

Chegg FCF (\$million) & Conversion (from Adjusted EBITDA)



Business Outlook

	Q3 2022 Results	Q4 2022 Guidance	Full Year 2022 Guidance
Total Net Revenues	\$165m	\$200m - \$203m	\$762m- \$765m
Chegg Services Revenue	\$159m	\$197m - \$200m	\$730m - \$733m
Gross Margin %	73%	74%-76%	73%-74%
Adjusted EBTIDA¹	\$50m	\$71m - \$74m	\$252m - \$255m
CapEx	\$22m		\$100m-\$110m
Free Cash Flow¹	\$16m		50%-60% of adjusted EBITDA ²

(1) Non-GAAP financial measure. (2) We now expect that free cash flow conversion will be at the higher end of our expected range of 50% - 60% of adjusted EBITDA

See appendix for reconciliation of a) net income (loss) to EBITDA and adjusted EBITDA, b) forward looking net income to EBITDA and adjusted EBITDA, and c) Net Cash Provided by Operating Activities to Free Cash Flow.

CapEx includes purchases of property and equipment, purchases of textbooks, and proceeds from dispositions of textbooks

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 251,562	\$ 6,651	\$ 264,780	\$ (25,764)
Interest expense, net	1,525	1,633	4,738	5,263
Benefit from (provision for) income taxes	(167,264)	747	(162,987)	5,793
Print textbook depreciation expense	—	2,443	1,610	9,024
Other depreciation and amortization expense	22,374	16,086	64,295	46,273
EBITDA	108,197	27,560	172,436	40,589
Print textbook depreciation expense	—	(2,443)	(1,610)	(9,024)
Share-based compensation expense	34,170	24,512	98,341	76,157
Other income (expense), net	(97,258)	(8,670)	(105,247)	66,618
Acquisition-related compensation costs	4,282	1,249	10,989	5,127
Transitional logistics charges	628	2,301	2,197	6,547
Impairment of lease related assets	—	—	3,411	—
Restructuring charges	—	1,851	—	1,851
Adjusted EBITDA	\$ 50,019	\$ 46,360	\$ 180,517	\$ 187,865

Reconciliation of Net Loss to EBITDA and Adjusted EBITDA

CHEGG, INC.
RECONCILIATION OF NET LOSS TO EBITDA AND ADJUSTED EBITDA
(in thousands)
(unaudited)

	Years Ended December 31,					
	2021	2020	2019	2018	2017	2016
Net loss	\$ (1,458)	\$ (6,221)	\$ (9,605)	\$ (14,888)	\$ (20,283)	\$ (42,245)
Interest expense, net	6,896	66,297	44,851	11,225	74	171
Provision for income taxes	7,197	5,360	2,634	1,430	1,802	1,707
Print textbook depreciation expense	10,859	15,397	—	—	—	9,267
Other depreciation and amortization expense	63,274	47,018	30,247	22,805	19,337	14,520
EBITDA	86,768	127,851	68,127	20,572	930	(16,580)
Print textbook depreciation expense	(10,859)	(15,397)	—	—	—	(9,267)
Share-based compensation expense	108,846	84,055	64,909	52,030	38,359	41,785
Other income (expense), net	65,472	(8,683)	(20,063)	(3,987)	(560)	297
Acquisition-related compensation costs	6,378	9,232	10,466	14,096	6,623	4,988
Loss from impairment of strategic equity investment	—	10,000	—	—	—	—
Donation from Chegg Foundation	—	—	1,478	—	—	—
Transitional logistics charges	7,332	—	—	—	—	—
Restructuring charges	1,922	—	97	589	1,047	(423)
Adjusted EBITDA	<u>\$ 265,859</u>	<u>\$ 207,058</u>	<u>\$ 125,014</u>	<u>\$ 83,300</u>	<u>\$ 46,399</u>	<u>\$ 20,800</u>

Reconciliation of Forward-Looking Net Income to EBITDA and Adjusted EBITDA

CHEGG, INC.
RECONCILIATION OF FORWARD-LOOKING NET INCOME TO EBITDA AND ADJUSTED EBITDA
(in thousands)
(unaudited)

	Three Months Ending December 31, 2022	Year Ending December 31, 2022
Net income	\$ 11,500	\$ 276,800
Interest expense, net	1,300	6,000
Provision for income taxes	800	(162,200)
Textbook library depreciation expense	—	1,600
Other depreciation and amortization expense	23,000	87,300
EBITDA	36,600	209,500
Textbook library depreciation expense	—	(1,600)
Share-based compensation expense	35,500	134,000
Other income, net	(3,600)	(108,900)
Acquisition-related compensation costs	3,200	14,100
Transitional logistics charges	800	3,000
Impairment of lease related assets	—	3,400
Adjusted EBITDA*	\$ 72,500	\$ 253,500

* Adjusted EBITDA guidance for the three months and year ending December 31, 2022 represent the midpoint of the ranges of \$71 million to \$74 million and \$252 million to \$255 million, respectively.

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 37,961	\$ 63,622	\$ 181,716	\$ 208,123
Purchases of property and equipment	(21,956)	(20,531)	(79,242)	(67,126)
Purchases of textbooks	—	(5,648)	(3,815)	(10,666)
Proceeds from disposition of textbooks	—	1,106	2,503	7,815
Free cash flow	<u>\$ 16,005</u>	<u>\$ 38,549</u>	<u>\$ 101,162</u>	<u>\$ 138,146</u>

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)

	Years Ended December 31,					
	2021	2020	2019	2018	2017	2016
Net cash provided by operating activities	\$ 273,224	\$ 236,442	\$ 113,403	\$ 75,113	\$ 51,550	\$ 24,262
Purchases of property and equipment	(94,180)	(81,317)	(42,326)	(31,223)	(26,142)	(24,689)
Purchases of textbooks	(10,931)	(58,567)	—	—	—	(886)
Proceeds from disposition of textbooks	8,714	7,569	—	—	6,943	25,646
Free cash flow	<u>\$ 176,827</u>	<u>\$ 104,127</u>	<u>\$ 71,077</u>	<u>\$ 43,890</u>	<u>\$ 32,351</u>	<u>\$ 24,333</u>