

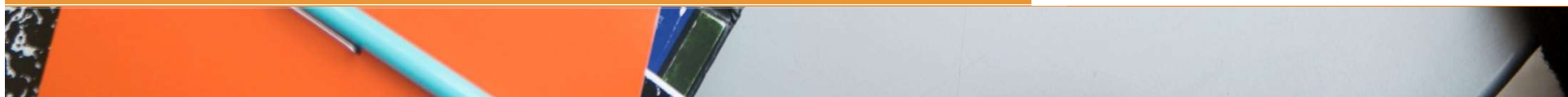


# An Investment In Improving Student Outcomes

May 1, 2017

**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,” “as if,” “projected,” “new,” “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 those regarding Chegg’s positioning to capture market opportunity, Chegg’s ability to help students with its Writing Tools, Chegg’s ability to use its Required Materials line attach students to Chegg’s other businesses, Chegg’s new all-digital business model and its ability to fuel sustainable high-growth and profitability while better serving student needs and delivering enhanced value to shareholders, Chegg’s anticipated revenue generation from Required Materials, Chegg’s target operating model, 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, 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: Chegg’s ability to attract new students, increase engagement and increase monetization; the rate of adoption of Chegg’s offerings; the impact of Chegg’s acquisition of Imagine Easy Solutions; 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; Chegg’s and Ingram’s ability to manage Ingram’s textbook library; changes in Chegg’s addressable market; changes in the education market; and general economic, political and industry conditions. 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. 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, 2016 filed with the Securities and Exchange Commission on February 23, 2017, and could cause actual results to vary from expectations. Additional information will also be set forth in Chegg’s Quarterly Report on Form 10-Q for the period ended March 31, 2017 to be filed with the Securities and Exchange Commission.

## Use of Non-GAAP Measures

In addition to financial results presented in accordance with generally accepted accounting principles (GAAP), this presentation includes certain forward-looking non-GAAP financial measures of financial performance, including adjusted EBITDA, non-GAAP net revenues, non-GAAP gross margin, adjusted EBITDA, 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.



The leading student-first  
connected learning  
platform...focused on improving  
student outcomes

# Chegg at-a-Glance



**Chegg's connected learning platform for students** reaches approximately **40 MM**<sup>1</sup> unique visitors annually and **10 MM**<sup>2</sup> monthly



## Chegg Services

Students subscribe to our learning services:

- Chegg Study
- Chegg Tutors
- Chegg Writing Tools



## Required Materials

Purchase or rent required class materials for less:

- Print Textbooks & eTextbooks



NYSE: CHGG

Publicly traded since 2013

766 employees as of 12/31/2016

HQ  
Santa Clara, CA

### Q1-2017 HIGHLIGHTS

**61** % Increase in Chegg Services Revenue

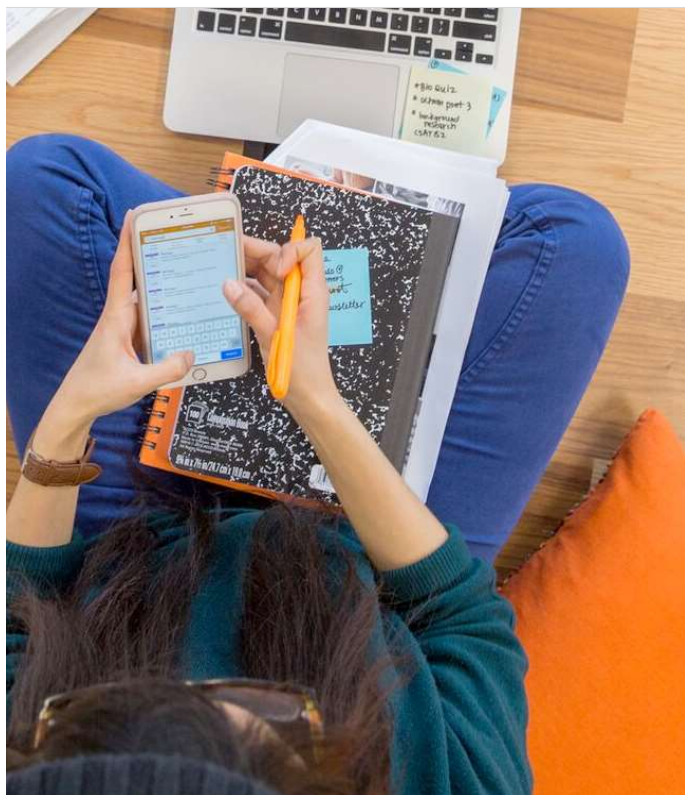
**1.1** M Quarterly Chegg Services Subscribers

<sup>1</sup> Source: Annual com Score U.S. Annual Unique Visitors (Custom Analytics), October 2015 - September 2016

<sup>2</sup> Source: Monthly com Score U.S. Monthly Unique Visitors (Custom Analytics), September 2016



# An Investment in Improving Student Outcomes



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Large Opportunity with Compelling Market Trends

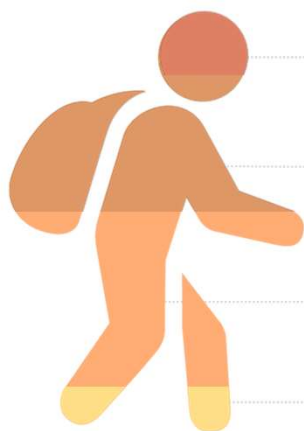
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Leading Student-First Connected Learning Platform  
Focused on Student Outcomes

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

# Large Student Market Opportunity



**11 million** MIDDLE SCHOOL STUDENTS<sup>1</sup>

**16 million** HIGH SCHOOL STUDENTS<sup>1</sup>

**20 million** COLLEGE and GRAD STUDENTS<sup>1</sup>



Education comprises ~**7** % of US GDP<sup>2</sup>

or **\$1.3** trillion annually<sup>3</sup>

**78% of college students have heard of a Chegg service. 80% of people who use Chegg plan to recommend us.<sup>4</sup>**



<sup>1</sup> Source: National Center for Education Statistics and US Census Bureau, 2015

<sup>2</sup> Source: [www.data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=US](http://www.data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=US)

<sup>3</sup> Source: [https://www.whitehouse.gov/sites/default/files/unleashing\\_the\\_potential\\_of\\_educational\\_technology.pdf](https://www.whitehouse.gov/sites/default/files/unleashing_the_potential_of_educational_technology.pdf)

<sup>4</sup> Source: Hall and Partners Survey, Oct 2016, (College (n=1370))

# Compelling Macro Trends

**Chegg®**

## 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 school<sup>1</sup>

**81%**  
use a device in class everyday<sup>1</sup>

**70%**  
“prefer classes & programs at their own pace”<sup>1</sup>

**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: **writing help, test prep, college matching, required materials for less, online homework help, on-demand live tutoring, internship search and more**

Average state education funding cut by  
**20% since 2007**<sup>1</sup>

**296% increase** in in-state tuition at public colleges since 1995<sup>2</sup>

**Critical need for affordable, high-quality, learning services**



## THE RESULT

**41%** college drop-out rate<sup>2</sup>

**\$35K** average debt upon graduation<sup>3</sup>

**44%** in jobs not requiring 4-year degree<sup>4</sup>



<sup>1</sup> Source: [www.cbpp.org/research/state-budget-and-tax/years-of-cuts-threaten-to-put-college-out-of-reach-for-more-students](http://www.cbpp.org/research/state-budget-and-tax/years-of-cuts-threaten-to-put-college-out-of-reach-for-more-students);

<sup>2</sup> Source: National Center for Education Statistics, 2015

<sup>3</sup> 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#Xhy9NQqoFnzvDA>

<sup>4</sup> Source: Economic Policy Institute 2016

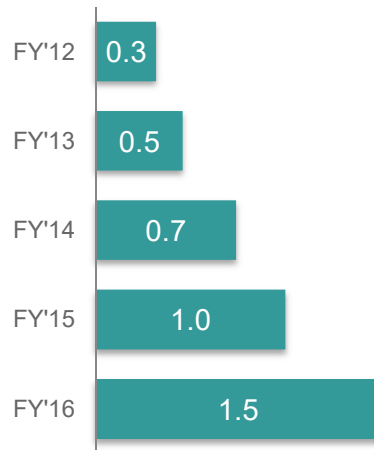


# On-Demand Learning Services Drive Rapid Growth



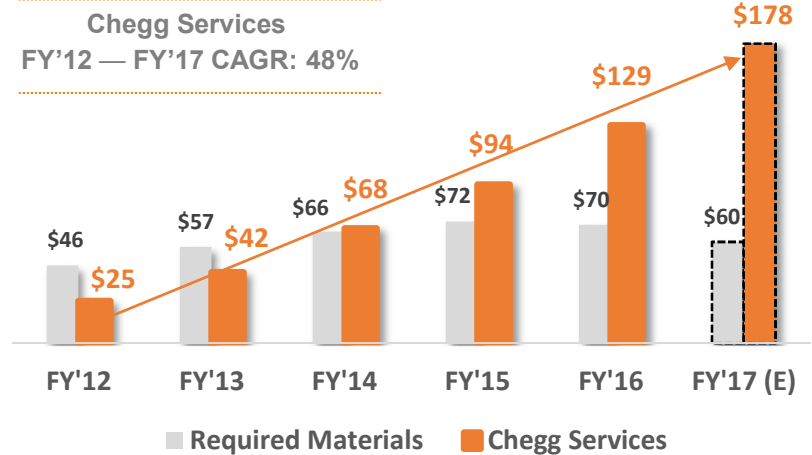
**Chegg Services Subscribers**  
quintupled over the past 4 years

Chegg Services Subscribers (in millions)



**Fast Growing Chegg Services Revenue**

Revenue Growth (\$ in millions)\*



\* Prior to FY 2017, Required Materials revenues were 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 2017 revenues represents the midpoint of full year 2017 guidance. Confidential Material – Chegg Inc. © 2005 - 2016. All Rights Reserved.

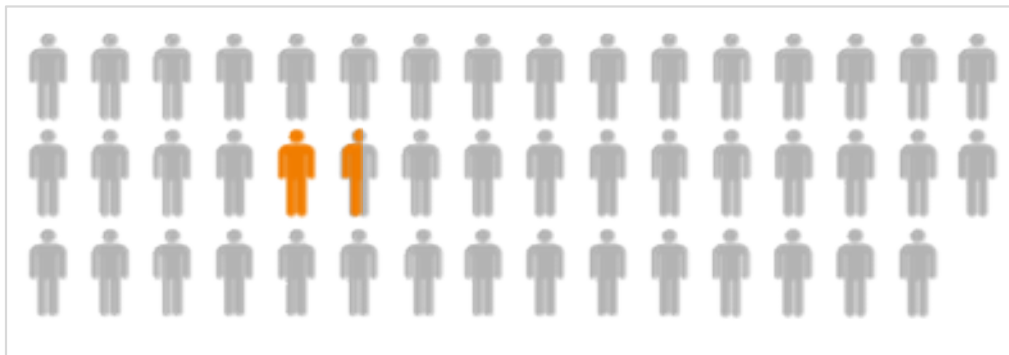
# Well Positioned to Capture Big Market Opportunity



## Significant upside potential

~ **47** million  
students in middle  
school and above<sup>1</sup>

~ **1.5** million  
Chegg Services  
subscribers in FY'16



Chegg's Services subscribers represent  
~ **3%** of the total addressable market

Chegg is an  
established  
brand<sup>2</sup> in a  
nascent  
market with  
lots of  
greenfield



# Supporting Every Step of the Educational Journey

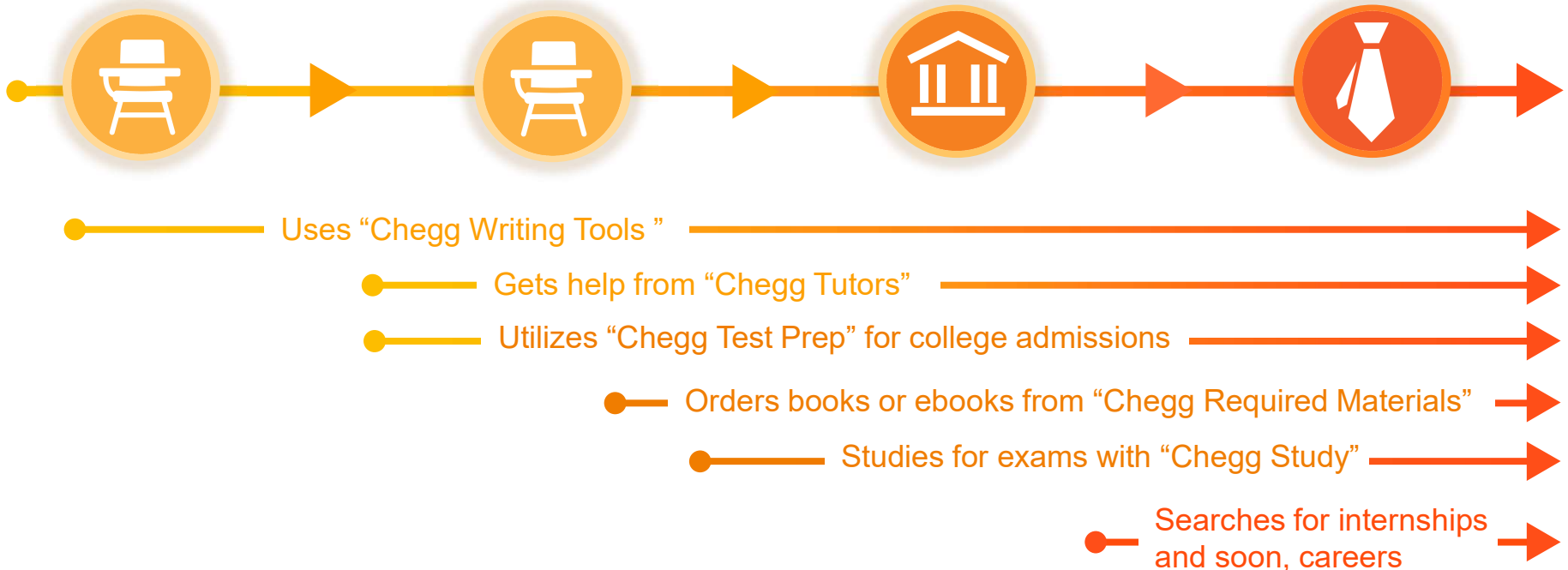


Middle School

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**

**9 MM proprietary expert Q&As and 6 MM unique solution sets (as of Q1-17)**

**26,000+**

textbook ISBNs in Chegg Study database as of Q1-17

**99 million**

content pages consumed\* in Q1-17



# 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**.

In Q1-17,  
average lesson  
hours per  
student  
increased 5%  
y/y

Market Opportunity

**~\$5-7B**<sup>1,2</sup>

Total tutoring market for all subjects

**>85%** of all

student requests for a tutor  
fulfilled within five minutes  
(2016)

**175**

subjects tutored  
and growing  
(Q1-17)



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

<sup>2</sup> Source: [http://www.nytimes.com/2010/08/21/your-money/21wealth.html?\\_r=0](http://www.nytimes.com/2010/08/21/your-money/21wealth.html?_r=0)



# Writing: Helping Students from Middle School onwards **Chegg®**



Imagine Easy Solutions (acquired 5/2016) 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 courses<sup>1</sup>, Chegg has the opportunity to impact this outcome before students enroll and save time and money

**150+ MM  
citations in  
Q1-17, up  
30% y/y**

## Market Opportunity

**~\$3B<sup>2</sup>**

spent annually on remedial  
courses at the college level



<sup>1</sup> Source: <https://edreformnow.org/policy-briefs/out-of-pocket-the-high-cost-of-inadequate-high-schools-and-high-school-student-achievement-on-college-affordability/>

<sup>2</sup> Source: <http://completecollege.org/wp-content/uploads/2014/11/4-Year-Myth.pdf>

# Required Materials Drive 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 businesses

Win-win Ingram relationship—Chegg collects **~20% commission per transaction**. Beneficial partnership allows Chegg to invest more rapidly in its digital services

Business anticipated to generate **\$50-60M in net revenues** per year at **breakeven**

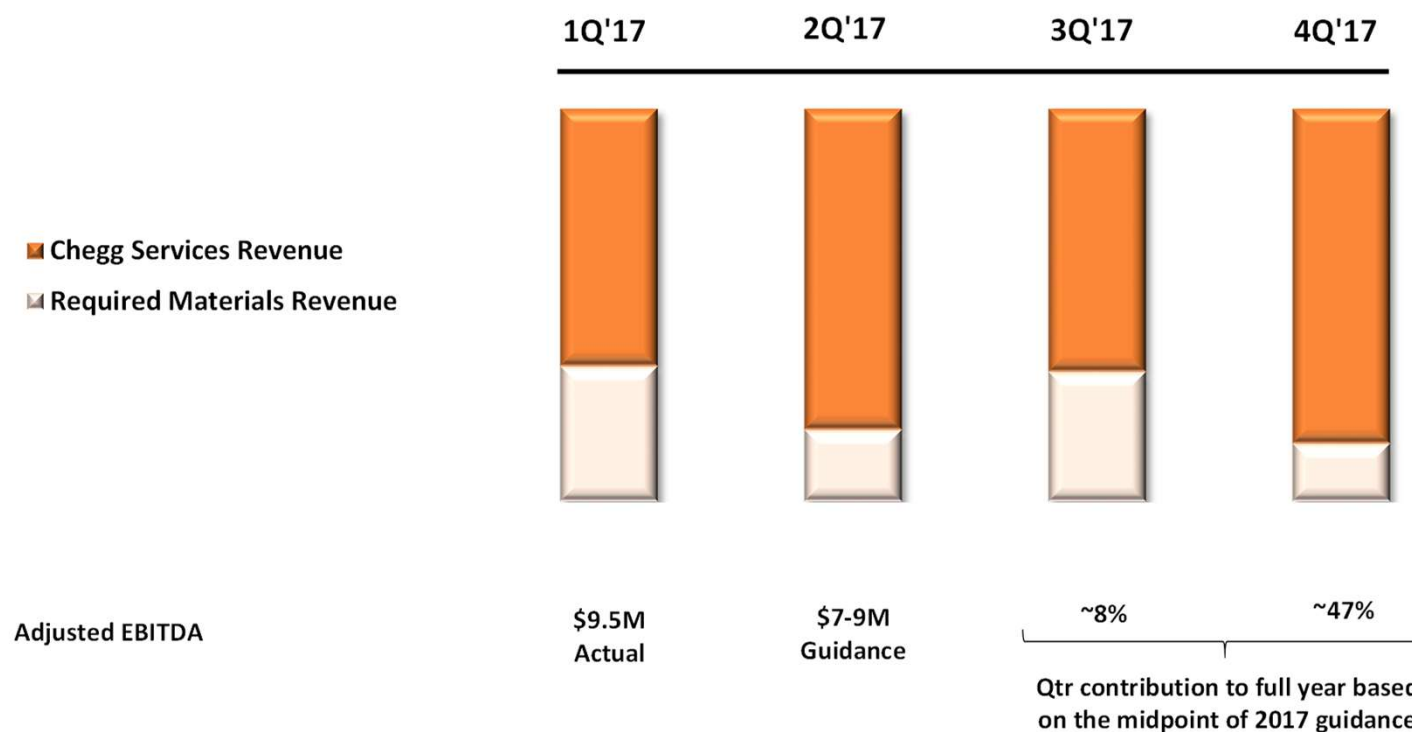
1 Source: Savings calculated based on the difference between print textbook list price and rental price

# Business Outlook: 2017

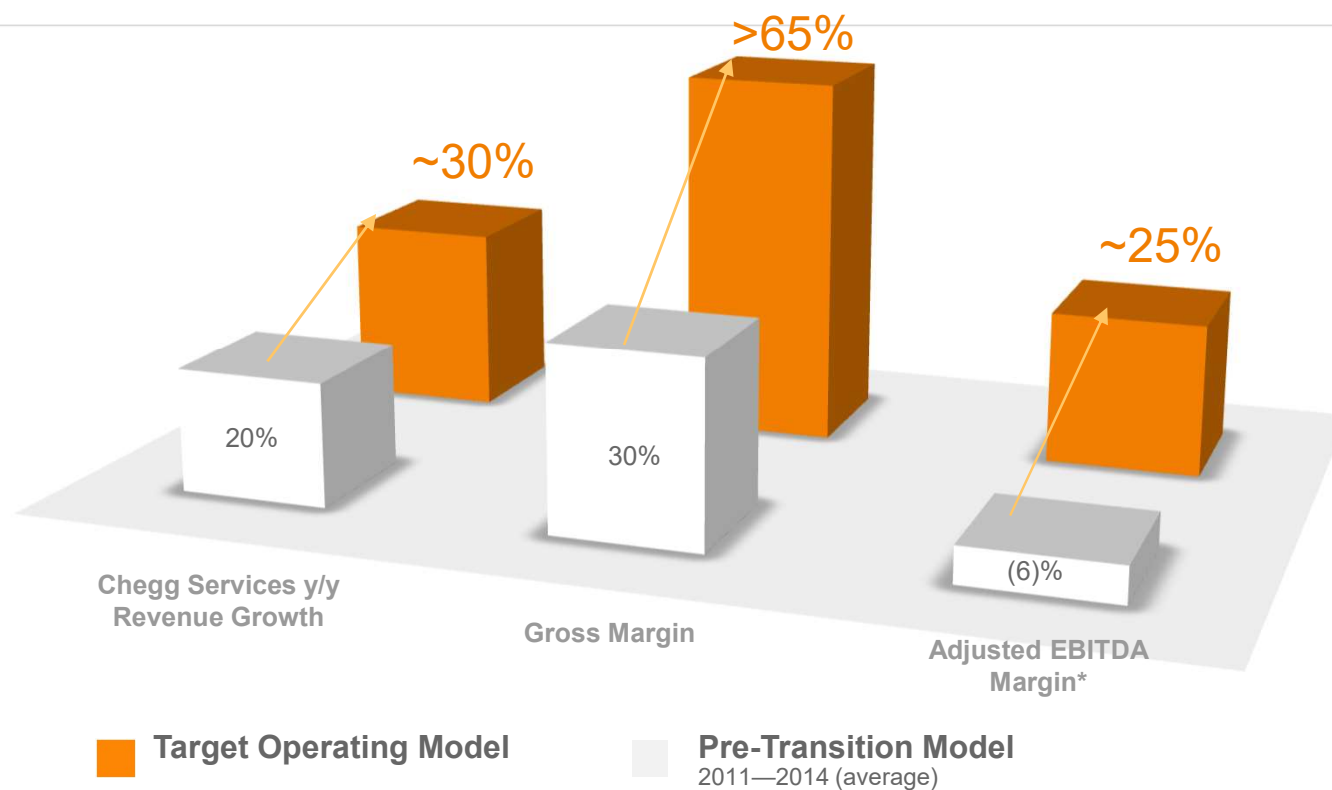


	Q1 2017 Results	Q2 2017 Guidance		Full Year 2017 Guidance
Total Revenues	\$62.6m	\$52m - \$54m	▶	\$235 - \$240m
Chegg Services Revenue	\$41.0m	\$42m - \$44m	▶	\$175 - \$180m
Gross Margin %*	66%	68% - 70%	▶	>65%
Adjusted EBITDA*	\$9.5m	\$7m - \$9m	▶	\$38 - \$40m
CapEx	\$4.8m		▶	\$20 - \$25m
Free Cash Flow*	\$3.0m		▶	\$15 - \$20m

# Adjusted EBITDA Guidance Seasonality



## Pure Digital, High Growth, High Margin Operating Model **Chegg**



We expect Chegg's all-digital model to fuel sustainable high-growth and profitability while better serving student needs and delivering enhanced value to shareholders



# Appendix

# Reconciliation of GAAP to Non-GAAP Financial Measures



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

	Three Months Ended March 31,	
	2017	2016
Total net revenues	\$ 62,602	\$ 66,654
Adjustment as if transition to Ingram is complete	—	(19,855)
Non-GAAP total net revenues	<u>\$ 62,602</u>	<u>\$ 46,799</u>
Operating expenses	\$ 46,742	\$ 43,021
Share-based compensation expense	(8,211)	(11,242)
Amortization of intangible assets	(1,403)	(628)
Restructuring (charges) credits	(900)	44
Acquisition-related compensation costs	(1,500)	(988)
Non-GAAP operating expenses	<u>\$ 34,728</u>	<u>\$ 30,207</u>
<i>Operating expenses as a percent of total net revenues</i>	<i>74.7%</i>	<i>64.5%</i>
<i>Non-GAAP operating expenses as a percent of total net revenues</i>	<i>55.5%</i>	<i>45.3%</i>
Loss from operations	\$ (5,536)	\$ (15,290)
Share-based compensation expense	8,278	11,270
Amortization of intangible assets	1,403	628
Restructuring charges (credits)	900	(44)
Acquisition-related compensation costs	1,500	988
Non-GAAP income (loss) from operations	<u>\$ 6,545</u>	<u>\$ (2,448)</u>
Net loss	\$ (6,401)	\$ (15,685)
Share-based compensation expense	8,278	11,270
Amortization of intangible assets	1,403	628
Restructuring charges (credits)	900	(44)
Acquisition-related compensation costs	1,500	988
Non-GAAP net income (loss)	<u>\$ 5,680</u>	<u>\$ (2,843)</u>
Weighted average shares used to compute net loss per share	92,830	89,118
Effect of dilutive options, restricted stock units and warrants	6,944	—
Non-GAAP weighted average shares used to compute non-GAAP net income (loss) per share	<u>99,774</u>	<u>89,118</u>
Net loss per share	\$ (0.07)	\$ (0.18)
Adjustments	0.13	0.15
Non-GAAP net income (loss) per share	<u>\$ 0.06</u>	<u>\$ (0.03)</u>

# Reconciliation of GAAP Net Loss to EBITDA and Adjusted EBITDA

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

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
GAAP Net loss:	\$ (37,602)	\$ (49,043)	\$ (55,850)	\$ (64,758)
Interest expense, net	3,764	4,393	3,818	317
Provision for (benefit from) income taxes	(200)	29	642	186
Textbook library depreciation expense	56,142	57,177	64,759	70,147
Other depreciation and amortization	5,832	10,796	10,078	11,159
EBITDA	27,937	23,352	23,447	17,051
Textbook library depreciation expense	(56,142)	(57,177)	(64,759)	(70,147)
Share-based compensation expense	13,132	18,045	36,958	36,888
Other expense (income), net	(2,061)	(634)	359	(879)
Restructuring (credits) charges	-	-	-	-
Transitional logistic charges	-	-	-	-
Acquisition related compensation costs	-	-	-	2,583
Impairment of intangible assets	-	611	-	1,552
Adjusted EBITDA	\$ (17,135)	\$ (15,803)	\$ (3,995)	\$ (12,952)
<i>Adjusted EBITDA margin %</i>	(10)%	(7)%	(2)%	(4)%
<i>2011-2014 Average Adjusted EBITDA margin %</i>	(6)%			

## 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)

	<b>Three Months Ended June 30, 2017</b>	<b>Year Ended December 31, 2017</b>
	<b>*</b>	<b>*</b>
Net loss	\$ (7,500)	\$ (24,400)
Interest expense, net	—	100
Provision for income taxes	500	1,800
Other depreciation and amortization expense	4,800	19,200
EBITDA	(2,200)	(3,300)
Share-based compensation expense	8,500	35,000
Other expense, net	100	300
Restructuring charges	100	1,000
Acquisition-related compensation costs	1,500	6,000
Adjusted EBITDA	<u>\$ 8,000</u>	<u>\$ 39,000</u>

\* Adjusted EBITDA guidance for the three months ended June 30, 2017 and year ended December 31, 2017 represents the midpoint of the range of \$7 million to \$9 million and \$38 million to \$40 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)

	<b>Year Ended December 31,</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
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	<u>\$ 70,084</u>	<u>\$ 71,818</u>	<u>\$ 66,111</u>	<u>\$ 57,192</u>	<u>\$ 45,913</u>



## Reconciliation of Forward Looking Net Cash Provided by Operating Activities to Free Cash Flow



**CHEGG, INC.**  
**RECONCILIATION OF FORWARD LOOKING NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE**  
**CASH FLOW**  
(in thousands)  
(unaudited)

	Year Ended December 31, 2017
	*
Net Cash Provided by Operating Activities	\$ 33,057
Purchases of textbooks	—
Proceeds from liquidations of textbooks	6,943
Purchases of property and equipment	(22,500)
Free Cash Flow	\$ 17,500

\* Purchases of property and equipment and free cash flow guidance for the year ended December 31, 2017 represents the midpoint of the range of \$20 million to \$25 million and \$15 million to \$20 million, respectively.