

Q2-21 Investor Presentation

Aug 9, 2021



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 “plan,” “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 Chegg’s positioning to capture market opportunity, Chegg’s global academic market opportunity, Chegg’s belief that 102 million students could potentially benefit from Chegg, 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 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 students, which have an inherently high rate of turnover primarily due to graduation; 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 expects such competition to increase; Chegg’s ability to maintain its services and systems without interruption, including as a result of technical issues or cybersecurity threats; 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 website; 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 on the business; Chegg’s brand and reputation; the outcome of any current litigation and investigations; the ability of our logistics partner to manage the fulfillment processes; Chegg’s ability to effectively control

operating costs; changes in Chegg’s addressable market; regulatory changes, in particular concerning privacy and marketing; any significant disruptions related to cybersecurity or cyber-attacks; changes in the education market, including as a result of COVID-19; and general economic, political and industry conditions . 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, 2020 filed with the Securities and Exchange Commission on February 21, 2021, 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, non-GAAP Required Materials revenues 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 and transitional logistic 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.**

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

Our mission is to help every learner achieve their best, in school and beyond.

Investment Highlights



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

Chegg at a Glance⁽¹⁾



6.6 Million

CHEGG SERVICES
SUBSCRIBERS

67%

CHEGG SERVICES SUBSCRIBERS
Y/Y GROWTH

~19 Million

CHEGG PLATFORM UNIQUE VISITORS IN AN
AVERAGE MONTH

57%

CHEGG SERVICES
Y/Y REVENUE GROWTH

32%

ADJUSTED EBITDA
MARGIN⁽²⁾

VOTED 2021 FORTUNE'S BEST

Small and Medium Workplaces

VOTED 2021 COMPARABLY'S BEST

Best Company Outlook

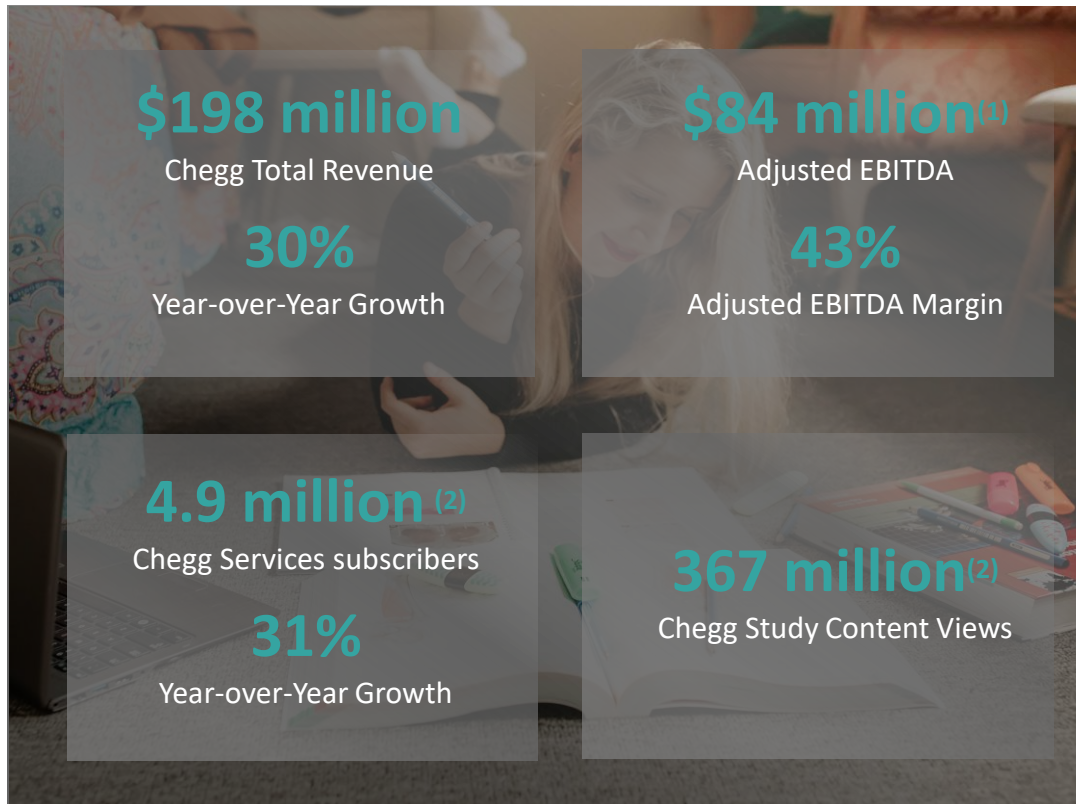
Best Global Culture

+ nine other Comparably awards

1. All amounts shown are for FY20 and are based on Company internal data

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

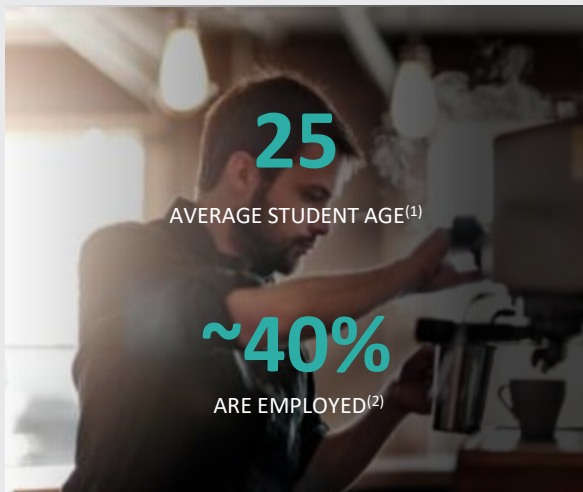
Q2 – 21 Highlights



Today's Learners Face More Pressure Than Ever



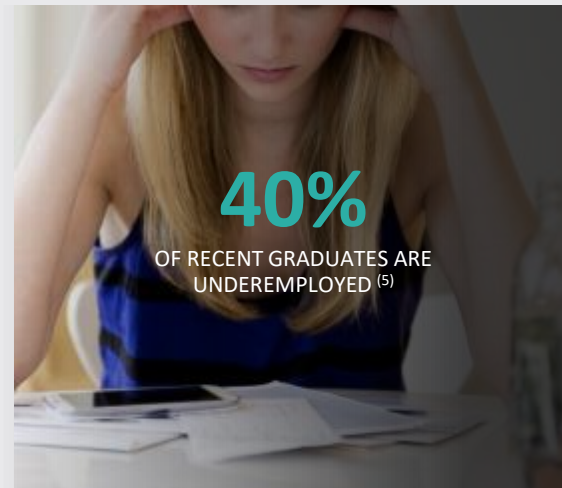
It's Harder to Be a Student



They're Faced with Mounting Costs



They Aren't Prepared for the Workplace



Need a Platform to Support Them

1. Hall and Partners Survey, Oct 2019, (College (n=1737))

2. National Center for Education Statistics, The Condition of Education 2020.

3. National Clearinghouse Research Center (2019); Reflects % of students who don't graduate from a 4-yr public institution in 6 years or less

4. Student Loan Hero (last updated January 15, 2020)

5. Federal Reserve Bank of New York; as of December 2020

Chegg's Overwhelming Value is Critically Apparent Today Globally



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

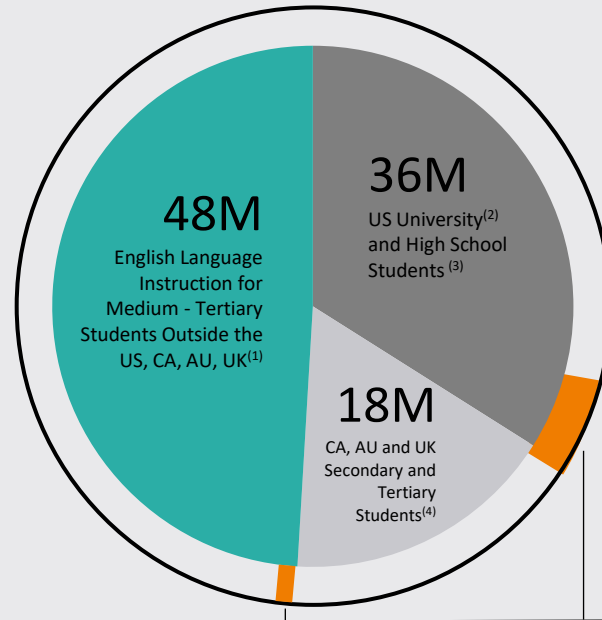
Large Global Academic Market Opportunity



102 Million

Total Students Can Benefit from

Chegg



6.6 Million⁽⁵⁾

Chegg Services Subscribers in 2020
Y/Y growth of 67%

1. Based on internal Company estimates (includes India, Philippines, Mexico, Turkey, South Korea, South Africa, Japan, Malaysia, Saudi Arabia, Finland, New Zealand, Puerto Rico, Denmark, Netherlands, Hong Kong, Ireland, Singapore, Germany, UAE, Sweden)

2. National Center for Education Statistics and US Census Bureau, 2020; includes graduate and undergraduate students

3. National Center for Education Statistics and US Census Bureau, 2020

4. UNESCO Institute for Statistics, 2017.

5. Based on Company internal data

Chegg's Integrated Platform of Connected Services



Chegg Services

Academic



Chegg Study

Homework help learning service with a library of 66 million step by step solutions (~60 million expert answered Q&As and ~6 million textbook solutions)*



Chegg Writing

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



Chegg Math Solver

Step by step math problem solver

Chegg Study Pack

Three-in-one package that bundles together Chegg Study, Chegg Writing, and Chegg Math Solver

Skills



Thinkful

High quality on-line skills-based courses

- Data science
- Data analytics
- UX / UI design
- Project management
- Technical project management
- Digital marketing
- Software engineering

Required Materials



Textbooks

Rent or buy print textbooks or eTextbooks

Chegg's Approach to ESG: Our Six Pillars



Chegg's mission is to help learners, which includes minimizing our environmental impact on their communities. Our approach to ESG is tied to our six pillars; detailing the areas where Chegg has the greatest impact for society and business success. We know that ESG is a journey, and we are excited to share more progress and incremental disclosures later this year.

We are focused on sustainable operations. We know that we owe it to our customers, employees, and society to use **environmentally sound practices**.

Our focus has been on supporting nonprofits who are **tackling food insecurity, mental health, and quality education**, and providing community support in areas where our offices are located.

We are extremely proud to have helped so many learners **succeed on their education journey** by providing them with the type of help they need, when they need it, in the format they want to receive it.



We foster an environment centered on respect for all people, where **diversity and inclusion are celebrated**, and employees have the opportunity to develop and advance their careers.

We hold ourselves to the highest ethical standards and strive for full compliance with applicable regulations, including **data protection, cybersecurity, and responsible marketing**.

Corporate governance is part of our culture and is founded on our daily commitment to living values and principles that recognize our **ethical obligations to our employees, customers and shareholders**.

See our [ESG website](#) for additional information and detailed disclosures. Chegg Inc. © 2005 - 2021. All Rights Reserved.

Chegg Serves Students of Diverse Backgrounds*



33% First generation

34% Family income < \$25k

32% Minorities

58% Female

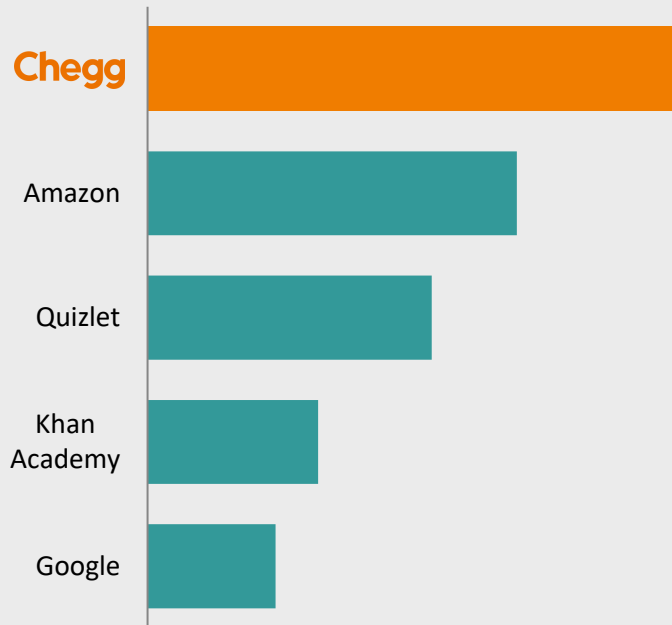
28% Over 25 years old

11% Work full-time / **33%** work part-time

Chegg is Well-Known Among College Students



Chegg scores highest in unaided awareness among college students⁽¹⁾



87%

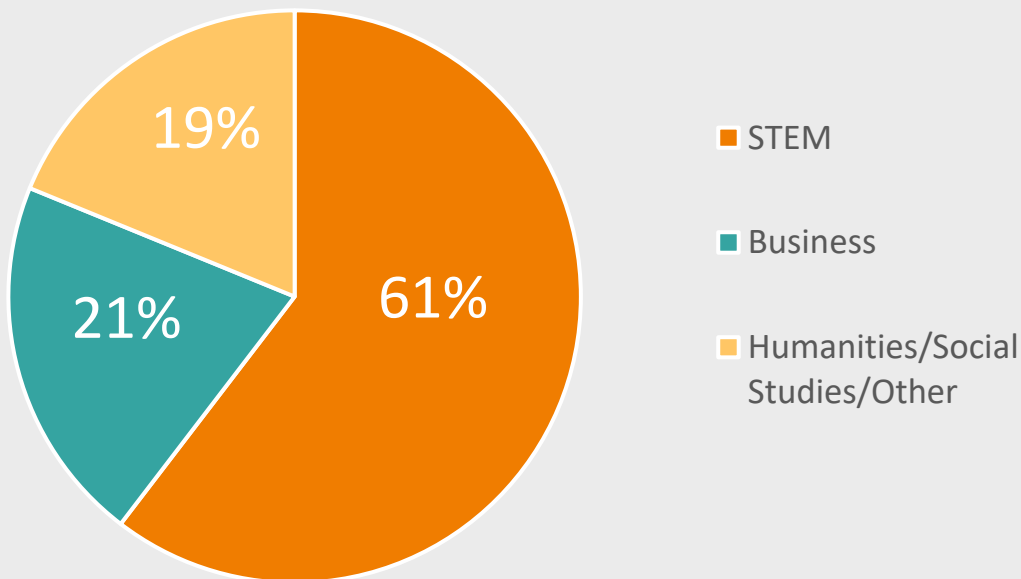
OF COLLEGE STUDENTS HAVE HEARD OF A CHEGG SERVICE ⁽¹⁾

(1) H&P Annual Survey, October 2019 (College n=1737). Based on the question: “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, citations, college and scholarship search, test preparation for entrance exams and finding internships)?”

Chegg Services are Used by Students Across Several Fields of Study



Primary Field of Study for Chegg Services Subscribers*



*= Hall & Partners Brand Tracker October 2019 (College n=1737).
May not sum to 100% due to rounding

Chegg Delivers Positive Learner Outcomes



Learn & Understand

92%

Say that Chegg helps them **better understand** the concepts they are studying in school. And 92% also say Chegg helps them **learn** their coursework.

Better Grades

94%

Say they **get better grades** when they use Chegg to understand coursework. And 91% confirmed their grades have improved since starting to use Chegg.

More Efficient

95%

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

Help When You Need It

96%

Say that Chegg helps them figure it out and move on if they get stuck or **have a question outside of typical office hours**.

Help Figuring It Out

96%

Say that Chegg often helps them **figure out a concept** or problem that they were stuck on.

Source: Results reflect a Chegg online survey conducted among a random sample of U.S. Chegg Study and Chegg Study Pack customers that used Chegg Study or Chegg Study Pack in Q4 2020 and Q1 2021. Respondent base (n=745) among approximately 144,000 invites. Sample size represents this population of customers within a margin of error of 3.6% at 95% confidence. Survey responses are not a guarantee of any particular results as individual experiences may vary. Survey fielded between April 23–April 25, 2021. Current survey undertaken as part of a larger Chegg survey (of up to 500,000 respondents total) where each respondent will be entered into a drawing to win 1 of 10 \$500 e-gift cards.

We succeed when our learners succeed.

We're always striving to improve our accountability, hiring partnerships, and placement rates to help our learners achieve more.

Thinkful Learner Outcomes



(1) Results reflect an online survey conducted among Thinkful graduates for the period July 1 – December 31, 2019 who reported landing an in-field job post-Thinkful and have been working for at least a year. Respondent base (n = 244). Sample size represents this population of customers within a margin of error of 6.24% at 95% confidence. Survey responses are not a guarantee of any particular results as individual experiences may vary. Survey fielded on a rolling basis when Thinkful graduates report landing an in-field job post-Thinkful.

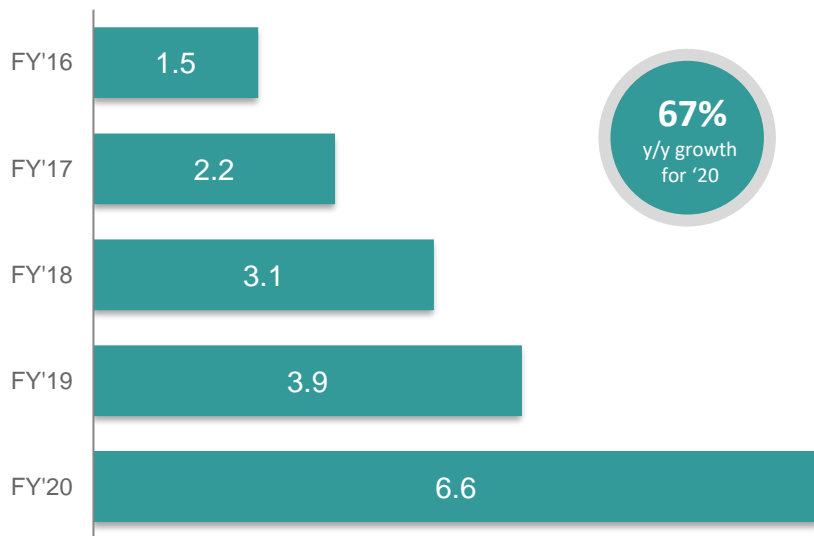
(2) Results reflect a Thinkful online survey conducted among Thinkful graduates who reported an in-field job between September 2018 and February 2020. Respondent base (n=232) among 336 graduate invites. Sample size represents this population of customers within a margin of error of 6.4% at 95% confidence. Survey responses are not a guarantee of any particular results as individual experiences may vary. Survey fielded between February 16th and February 28th 2021. Graduates invited to the survey were offered a \$25 gift card.

Rapid Growth of Chegg Services



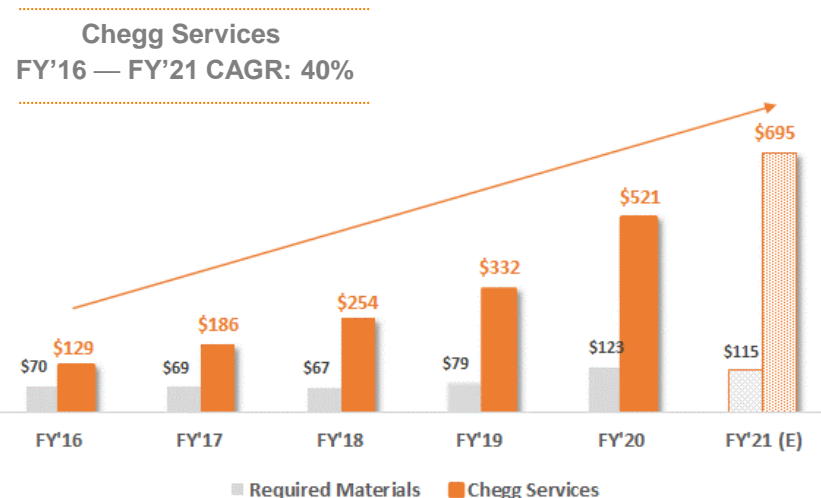
Chegg Services Subscribers

Annual Chegg Services Subscribers (in millions)



Chegg Services Revenue

Revenue Growth (\$ in millions)*



* 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'21 (E) is based on the midpoint of guidance provided on August 9, 2021.

Chegg Services Drives Margin Expansion

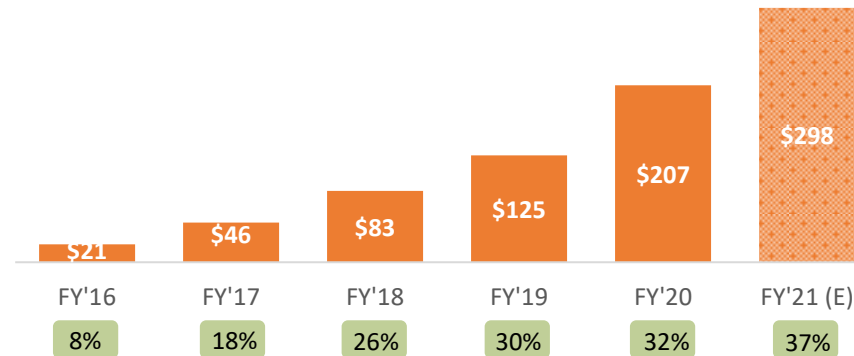
Chegg's business model supports operating leverage

- 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

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

78%
2016-2020
CAGR



Adjusted EBITDA is a non-GAAP measure and a reconciliation of Net Income (loss) to Adjusted EBITDA is set forth in the appendix.

FY'21 (E) is based on the midpoint of guidance provided on Aug 9, 2021.

Business Outlook



	Q2 2021 Results	Q3 2021 Guidance		Full Year 2021 Guidance
Total Net Revenues	\$198.5m	\$170m - \$175m	▶	\$805m - \$815m
Chegg Services Revenue	\$173.5m	\$142m - \$147m	▶	\$690m - \$700m
Gross Margin %	69.4%	60% - 61%	▶	68% - 69%
Adjusted EBITDA*	\$84.4m	\$43m - \$45m	▶	\$295m - \$300m
CapEx	\$25.4m		▶	\$90m - \$100m
Free Cash Flow	\$45.5m		▶	50-60% of adjusted EBITDA*

* = Non-GAAP financial measure. See appendix for reconciliation of 1) Q2-21 net income (loss) to EBITDA and adjusted EBITDA, and 2) forward looking net income to EBITDA and adjusted EBITDA

CapEx includes Purchases of property and equipment, Purchases of textbooks, and Proceeds from disposition of textbooks

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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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 32,764	\$ 10,589	\$ (32,415)	\$ 4,876
Interest expense, net	1,701	13,425	3,630	26,852
Provision for income taxes	2,225	1,287	5,046	1,809
Print textbook depreciation expense	2,821	3,535	6,581	7,062
Other depreciation and amortization expense	15,341	10,591	30,187	19,834
EBITDA	54,852	39,427	13,029	60,433
Print textbook depreciation expense	(2,821)	(3,535)	(6,581)	(7,062)
Share-based compensation expense	28,545	19,546	51,645	37,880
Other income (expense), net	(1,920)	(3,240)	75,288	(8,200)
Acquisition-related compensation costs	1,457	3,276	3,878	4,216
Transitional logistics charges	4,246	—	4,246	—
Adjusted EBITDA	\$ 84,359	\$ 55,474	\$ 141,505	\$ 87,267

Reconciliation of Net Loss to EBITDA and Adjusted EBITDA



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

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Net loss	\$ (6,221)	\$ (9,605)	\$ (14,888)	\$ (20,283)	\$ (42,245)
Interest expense, net	66,297	44,851	11,225	74	171
Provision for income taxes	5,360	2,634	1,430	1,802	1,707
Print textbook depreciation expense	15,397	—	—	—	9,267
Other depreciation and amortization expense	47,018	30,247	22,805	19,337	14,520
EBITDA	127,851	68,127	20,572	930	(16,580)
Print textbook depreciation expense	(15,397)	—	—	—	(9,267)
Share-based compensation expense	84,055	64,909	52,030	38,359	41,785
Other income, net	(8,683)	(20,063)	(3,987)	(560)	297
Acquisition-related compensation costs	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	—	—	—
Restructuring charges (credits)	—	97	589	1,047	(423)
Adjusted EBITDA	<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 (Loss) Income to EBITDA and Adjusted EBITDA



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

	Three Months Ending September 30, 2021	Year Ending December 31, 2021
Net (loss) income	\$ (9,700)	\$ 19,000
Interest expense, net	1,600	6,900
Provision for income taxes	1,900	8,900
Textbook library depreciation expense	4,000	14,400
Other depreciation and amortization expense	15,800	62,200
EBITDA	13,600	111,400
Textbook library depreciation expense	(4,000)	(14,400)
Share-based compensation expense	30,000	112,000
Other income (expense), net	(700)	74,000
Acquisition-related compensation costs	1,300	6,400
Transitional logistic charges	3,800	8,100
Adjusted EBITDA*	<u>\$ 44,000</u>	<u>\$ 297,500</u>

* Adjusted EBITDA guidance for the three months ending September 30, 2021 and year ending December 31, 2021 represent the midpoint of the ranges of \$43 million to \$45 million and \$295 million to \$300 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	<u>\$ 70,084</u>	<u>\$ 71,818</u>	<u>\$ 66,111</u>	<u>\$ 57,192</u>	<u>\$ 45,913</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)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net cash provided by operating activities	\$ 70,928	\$ 59,238	\$ 144,501	\$ 122,205
Purchases of property and equipment	(27,611)	(23,146)	(46,595)	(43,111)
Purchases of textbooks	(491)	(1,838)	(5,018)	(38,668)
Proceeds from disposition of textbooks	2,671	1,245	6,709	3,415
Free cash flow	\$ 45,497	\$ 35,499	\$ 99,597	\$ 43,841