CHEGG, INC
Form S-1/A
October 01, 2013
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As filed with the Securities and Exchange Commission on October 1, 2013

Registration No. 333-190616

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-1

REGISTRATION STATEMENT

Under

The Securities Act of 1933

CHEGG, INC.

(Exact name of registrant as specified in its charter)

Delaware	**5961**	**20-3237489**
(State or other jurisdiction of incorporation or organization)	(Primary standard industrial code number)	(I.R.S. employer identification no.)

3990 Freedom Circle

Santa Clara, CA 95054

(408) 855-5700

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Dan Rosensweig

President, Chief Executive Officer and Chairman

Chegg, Inc.

3990 Freedom Circle

Santa Clara, CA 95054

(408) 855-5700

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 1, 2013

PRELIMINARY PROSPECTUS

shares

Common Stock

This is the initial public offering of shares of common stock of Chegg, Inc. Prior to this offering, there has been no public market for our common stock. We are offering shares of our common stock. The selling stockholders identified in this prospectus are selling an additional shares of our common stock. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders. The initial public offering price of our common stock is expected to be between $ and $ per share.

We have applied to list our common stock on the New York Stock Exchange under the symbol "CHGG."

We are an "emerging growth company," as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, may elect to comply with reduced U.S. public company reporting requirements for future filings. Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 14.

	Per share	Total
Initial public offering price	$	$
Underwriting discounts and commissions[1]	$	$
Proceeds to Chegg, before expenses	$	$
Proceeds to selling stockholders, before expenses	$	$

(1) See "Underwriting" for a description of the compensation payable to the underwriters.

The underwriters have an option to buy up to additional shares of common stock from us and the selling stockholders at the public offering price, less the underwriting discounts and commissions, to cover over-allotment of shares, if any. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on , 2013.

J.P. Morgan **BofA Merrill Lynch**

Jefferies

Piper Jaffray Raymond James BMO Capital Markets

, 2013

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Neither we, the selling stockholders nor the underwriters, have authorized anyone to provide you with additional information or information different from that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us to which we may have referred you in connection with this offering. We, the selling stockholders and the underwriters take no responsibility for, and can provide no assurances as to the reliability of, any other information that others may give you. We and the selling stockholders are offering to sell, and seeking offers to buy, our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, financial condition, results of operations and future growth prospects may have changed since that date.

Unless the context requires otherwise, the words we, us, our, Company and Chegg refer to Chegg, Inc. and its subsidiaries taken as a whole. purposes of this prospectus, unless the context otherwise requires, the term stockholders shall refer to the holders of our common stock.

Through and including , 2013 (the 25th day after the date of this prospectus) U.S. federal securities laws may require all dealers that effect transactions in our common stock, whether or not participating in this offering, to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside the United States, neither we, the selling stockholders nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus outside the United States.

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PROSPECTUS SUMMARY

This summary highlights information contained in greater detail elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider in making your investment decision. You should read the entire prospectus carefully before making an investment in our common stock. You should carefully consider, among other things, our consolidated financial statements and related notes and the sections entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

Our Philosophy

We put students first.

Overview

Chegg is the leading student-first connected learning platform, empowering students to take control of their education to save time, save money and get smarter. We are driven by our passion to help students become active consumers in the educational process. Our integrated platform, which we call the Student Hub, offers products and services that students need throughout the college lifecycle, from choosing a college through graduation and beyond. Our Student Graph builds on the information generated through students and other participants use of our platform to increasingly enrich the experience for participants as it grows in scale and power the Student Hub. By helping students learn more in less time and at a lower cost, we help them improve the overall return on investment in education. In 2012, more than five million students used our platform.

We have approximately 180,000 unique titles in our print textbook library available for rent. We also offer more than 100,000 eTextbook titles. We have the ability to fulfill 90% of the textbook searches that students perform on our website. Our Chegg Study service helps students solve problems and master challenging concepts on their own. We also offer free services to students, such as helping high school students find colleges and scholarship opportunities and helping college students decide which courses to take and find supplemental materials. These and other free services we offer are designed to round out the Student Hub as a one-stop destination for critical student needs. In 2012, students completed 3.7 million transactions on our platform, we rented or sold over four million print textbooks and eTextbooks and approximately 320,000 students subscribed to our proprietary Chegg Study service. We now reach approximately 30% of all college students and serve approximately 40% of all college-bound high school seniors in the United States. See Market, Industry and Other Data on page 45 for additional information about our reach.

We partner with other key constituents in the education ecosystem, such as publishers, colleges and brands, to provide a comprehensive, student-first connected learning platform. We currently source print textbooks, eTextbooks and supplemental materials directly or indirectly from thousands of publishers in the United States, including Pearson, Cengage Learning, McGraw Hill, Wiley and MacMillan. We are working to become the digital distribution platform of choice for these publishers. We also partner with approximately 750 colleges in the United States to help them achieve greater efficiency in student recruiting by offering connections to interested students. We offer leading brands, such as Adobe, Microsoft and Red Bull, compelling marketing solutions for reaching the college demographic.

Our digital platform is experiencing rapid growth. In 2010, 2011 and 2012, we generated net revenues of $148.9 million, $172.0 million and $213.3 million, respectively. During the same periods, we had net losses of $26.0 million, $37.6 million and $49.0 million, respectively. In the six months ended June 30, 2012 and 2013, we generated net revenues of $92.5 million and $116.9 million, respectively, and net losses of $31.9 million and

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$21.2 million, respectively. We plan to continue to invest in the long-term growth of the company, particularly further investment in the technology that powers the Student Hub and the Student Graph and in the development of products and services that serve students. As a result of our investment philosophy, we do not expect to be profitable in the near term.

Industry Overview

The education industry is one of the largest and most important sectors of the economy. Success in education is a primary driver of economic well-being, quality of life and self-actualization. Getting an education remains one of the largest investments of time and money individuals or their families will make in life, and the cost of getting an education continues to rise. According to the College Board, the average annual cost of tuition, fees, room and board and textbooks for attending a four-year public or private college in the United States is $17,860 and $39,518, respectively, and has risen more than 45% and 25%, respectively, over the past ten years. Textbooks and supplies alone cost students approximately $1,200 per year, an increase of approximately 50% over the last decade. As a result, the opportunity for affordable higher education is becoming available to fewer people.

As the cost of education is rising, public funding of higher education is declining amid serial state and federal budget crises. This challenging macroeconomic backdrop has put pressure on colleges, universities and other academic institutions, which we collectively call colleges, governments and families and has ultimately deprived students of needed resources. Technology is now available that can make education more personalized, efficient and cost effective, driving a higher return on students investment of time and money.

In addition to finding a way to pay the high cost, the key phases of the education process are planning for college, attending college, transitioning from college to the workforce and finally, with the continuing rapid evolution of the economy, keeping their education relevant and current throughout their working lives. Each of these phases is complex, stressful, time-consuming and costly, putting tremendous burdens on students and their families. We believe serving the student has not been the focus for many constituents in the ecosystem, which has driven higher costs, a mismatch between required skills and outcomes and other inefficiencies.

Challenges for Publishers and Other Content Providers. Textbook rental has emerged as a powerful alternative to textbook purchase. As content is becoming increasingly digital, publishers are seeking new platforms to distribute and monetize content beyond print textbooks and need the ability to deliver these materials around tests and finals, or throughout the academic term, whenever students need them most.

Challenges for Colleges and Educators. Colleges and educators need to find ways to do more with less and extend their reach and impact. Colleges need to find more efficient ways to find the right students, so they can put scarce resources to better use in actually educating students.

Challenges for Brands. Brands are constantly seeking ways to connect with the attractive but hard-to-reach student demographic as it moves away from traditional media.

Market Opportunity

Today s technology and the scalability it enables create an unprecedented opportunity to improve educational content, availability, personalization, relevance and outcomes, while lowering costs for students and the rest of the education ecosystem. Students are driving disruption within the education ecosystem by adopting this technology. We believe this dynamic presents a substantial opportunity for a student-focused connected learning platform that leverages technology and information to serve students and fundamentally help them get their desired education, experience and skillset at a lower cost throughout their life. Students need an environment that makes their lives

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easier and more productive and helps them save time, save money and get smarter. The challenge and the opportunity is to provide a platform for student-driven discovery and development of resources to help them expand their options and make better choices.

Our Solution

Chegg is the leading student-first connected learning platform, empowering students to take control of their education in order to save time, save money and get smarter. The two fundamental components of our offering are:

- ***The Student Hub***. We have developed the Student Hub, a technology platform that serves the needs of millions of students by providing the most relevant and impactful required and supplemental content, products and services. We designed the Student Hub to provide an unparalleled ability to serve students by organizing and offering a broad variety of products and services and leveraging contextually relevant content from a wide array of sources.

- ***The Student Graph.*** The Student Graph is what brings the Student Hub to life. The nodes in the Student Graph currently consist of students and the content and services we offer and those offered by publishers and other content providers, or anything else in our network with which students may interact. The Student Graph also includes information we access from public and private sources to integrate into our platform such as course catalogs, professors, required course materials, textbook information, information on colleges and scholarship data. Over time, students can contribute or update information, allowing us to learn more about the student and offer an even more personalized and relevant experience on our platform.

Our proprietary technology and the Student Graph are the primary drivers of personalization, discovery and relevance on the Student Hub and allow us to offer value to students at any point in their educational lifecycle, including:

- ***Reducing the Cost of Education and the Magnitude of Borrowing, and Yielding a Higher Return on Investment.*** Our platform helps students learn more in less time while saving money which increases their return on investment. We also help students pay for college by matching them with scholarship opportunities they may not have otherwise found.

- ***Researching and Connecting with Colleges.*** We help students find colleges and graduate schools that best fit their credentials, interests, passions and aspirations. At their request, we then present student profiles to colleges, including more than just a GPA and test score. In doing so, we are establishing a relationship with a student even before college. We then have the opportunity to build on that relationship when the student is accepted and matriculates into college.

- ***Attending College and Learning in Their Most Efficient Formats.*** We help students find required course materials and other resources that can help them master a subject efficiently and cost effectively. As such, we seek to provide a broad range of learning materials, course solutions and other content as well as options for different learning styles.

- ***Designing a Course of Study to Produce Better Outcomes.*** Our Courses service provides college students with information that helps them design their course and education path and choose the most effective courses by providing ratings and reviews down to the professor level. Thus, we are able to help students make better choices about where they spend their time and money.

- ***Finding Additional Services.*** Benefiting from an ongoing relationship with individual students, we can serve up additional learning or financial aid opportunities and new services as they emerge.

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As we continue to grow our platform, we believe it will become increasingly valuable to the education ecosystem, by providing:

Benefits for Publishers and Other Content Providers. As we serve students with their learning content needs, we have become a powerful distribution channel for publishers to monetize educational content throughout the academic year. We are becoming a leading platform for both established and emerging content providers.

Benefits for Colleges and Educators. As we are helping students to learn about colleges that want to reach them, we provide a mirrored benefit to these colleges who work closely with us to help fill or shape their enrollment and reach interested students that are most likely to stay and graduate. Colleges that use our enrollment marketing services can realize a material savings on recruiting costs and, we believe, are better able to shape their incoming class, reducing transfers and drop-outs.

Benefits for Brands. As we stay true to our student-first philosophy, we bring select brands with relevant products, services, samples or discounts with the goal of delighting our students. As a result of our reach with approximately 30% of undergraduate college students in the United States, brands benefit from the year-round access that we provide to this attractive but hard-to-reach audience.

Our Strengths

We have developed and are leveraging the following key competitive strengths:

We Put Students First. Our focus on fulfilling the needs of students has enabled us to build the largest online student-focused network in the United States. We help students sort through the fragmentation of resources, agencies and tools that they must navigate to successfully find a college, pay for it, obtain required and supplemental materials, learn, graduate and ultimately find a job.

Our Business Model has Powerful Network Effects. We believe that the value we deliver to all participants in our network increases as we increase the number and variety of participants and the content and services they contribute. The more students use our platform, the more opportunity we create for partners, providing even more relevant products and services to students, thus attracting more students and continuing the virtuous cycle.

We Have Leading Brand Recognition and Trust. Our brand is known for putting students first and helping them save time, save money and get smarter. We are the leading textbook rental brand with students according to a survey by Bowker s Book Industry Study Group. We believe that our ability to provide relevant, useful and cost effective products and solutions for students has made our brand known for empowering students to take control of their education.

We Enable Discovery and Personalization of Student-Related Services. Our technology platform enables us to create a unique, personalized experience for each student, matching students with our core services, as well as products and services from educators, publishers and other content providers, brands and, eventually, third-party developers.

We Have a Robust Technology Platform. Our highly scalable and cloud-based proprietary technology platform has been developed and refined over time to address the evolving needs of students. Our technology enables seamless integration of services using algorithmic data analysis to create derived relationships of our services to students.

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Our Strategy

Our mission is to help students save time, save money and get smarter. The key elements of our strategy include:

- ***Continue to Build the Chegg Brand.*** We intend to build trust and loyalty in our brand by delivering products and services that live up to our promise to help students save time, save money and get smarter and continually improving the students experience on our platform. We intend to increase the reach and awareness of the Chegg brand including by using traditional and social marketing methods, expanding our cause marketing and on campus activities.

- ***Expand Reach with College Students, High School Students and Lifelong Learners.*** We intend to expand our user base by leveraging our position at natural entry points to the education ecosystem and plan to augment this by employing other marketing channels, which include word-of-mouth referrals, online advertising, search engine marketing, social media and, ultimately, the network effects of our platform. We intend to expand our user base to reach students beyond college, including graduate and professional school students and other lifelong learners.

- ***Adding New Services and Content to Better Serve Students.*** We plan to broaden our range of content and services to better address student needs, improve the student experience and extend the duration of our student relationships across time, platforms and devices. We may expand our offerings and platform through internal development, partnerships, third-party development on our open platform or through acquisitions.

- ***Increase Monetization of Marketing Services.*** We intend to leverage our enrollment marketing platform to increase monetization of potential leads by demonstrating our value proposition to more colleges, which will increase the number of paying colleges as the number of students and leads per student increases. We intend to build awareness of our brand advertising by piloting innovative campaigns with brands to deepen penetration among existing clients and create referenceable accounts.

Risks Related to Our Business and Investment in Our Common Stock

Investing in our common stock involves a high degree of risk. You should carefully consider the risks highlighted in the section entitled Risk Factors immediately following this prospectus summary before making an investment decision. We may be unable for many reasons, including those that are beyond our control, to implement our business strategy successfully.

These risks include:

- Our limited operating history makes it difficult to evaluate our current business and future prospects.

- We have a history of losses and we may not achieve or sustain profitability in the future.

- We operate in a rapidly changing market, we have particularly limited experience with our non-print products and services and our business model is evolving and difficult to predict.

- If we do not successfully adapt to known or unforeseen market developments our business and financial condition could be materially and adversely affected.

Our business is highly seasonal and our reliance on a concentration of activity at the beginning of each academic term exposes our business to increased risk from disruption during peak periods and makes our operating results difficult to predict.

If our efforts to attract new students, increase student engagement with our platform and increase monetization are not successful, our revenues will be affected adversely.

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Corporate History and Information

We were incorporated in Delaware in 2005. Our principal executive offices are located at 3990 Freedom Circle, Santa Clara, California 95054 and our telephone number is (408) 855-5700. Our website address is www.Chegg.com. We also offer our College Admissions and Scholarship Services via our www.Zinch.com website. The information on, or that can be accessed through, our websites are not incorporated by reference into this prospectus and should not be considered part of this prospectus.

Chegg, Chegg.com, Chegg for Good, CourseRank, Cramster, Zinch and #1 in Textbook Rentals are some of our trademarks used in th prospectus. Solely for convenience, our trademarks, tradenames and service marks referred to in this prospectus appear without the ®, and SM symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and tradenames. Other trademarks appearing in this prospectus are the property of their respective holders.

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The Offering

Common stock offered by us	shares
Common stock offered by the selling stockholders	shares
Common stock to be outstanding after this offering	shares
Over-allotment option offered by us and the selling stockholders	shares
Use of proceeds	We expect to use the net proceeds of this offering to repay in full $21.0 million of outstanding borrowings under our revolving credit facility and for general corporate purposes, including working capital and capital expenditures. We may also use a portion of the net proceeds to acquire or invest in complementary businesses, products, services, technologies or assets. We will not receive any of the proceeds from the sale of common stock by the selling stockholders. See Use of Proceeds.
Directed Share Program	At our request, the underwriters have reserved for sale, at the initial public offering price, up to shares, or 3%, of the common stock offered by this prospectus for sale to friends and family members of certain of our directors, officers and board observers who beneficially own at least 5% of our outstanding common stock. We will offer these shares to the extent permitted under applicable regulations in the United States. The number of shares of our common stock available for sale to the general public will be reduced to the extent these persons purchase such reserved shares. Any reserved shares of our common stock that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of our common stock offered by this prospectus.
Risk factors	See Risk Factors beginning on page 14 and other information included in this prospectus for a discussion of factors that you should consider carefully before deciding to invest in our common stock.
Qualified Independent Underwriter	An affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, an underwriter in this offering, is a lender and issuer of letters of credit under our revolving credit facility and will receive more than 5% of the net proceeds of this offering in connection with the repayment of outstanding loans under our revolving credit agreement. See Use of Proceeds. Accordingly, this offering is being made in compliance with the requirements of Rule 5121 of the Financial Industry Regulatory Authority, Inc. In accordance with this rule, J.P. Morgan Securities LLC has assumed the responsibilities of acting as a qualified independent underwriter. In its role as qualified independent underwriter, J.P. Morgan Securities LLC has participated in due diligence and the preparation of this prospectus and the registration

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statement of which this prospectus is a part. J.P. Morgan Securities LLC will not receive any additional fees for serving as a qualified independent underwriter in connection with this offering. Merrill Lynch, Pierce, Fenner & Smith Incorporated will not confirm sales of the shares to any account over which it exercises discretionary authority without the prior written approval of the customer.

Proposed symbol CHGG

The number of shares of common stock to be outstanding after this offering is based on 55,259,160 shares of common stock outstanding as of June 30, 2013, and excludes:

- 13,141,609 shares issuable upon the exercise of stock options outstanding as of June 30, 2013 with a weighted-average exercise price of $6.78 per share;
- 517,994 shares issuable upon the exercise of stock options granted after June 30, 2013 with an exercise price of $9.15 per share;
- 1,313,115 shares subject to restricted stock units, or RSUs, outstanding as of June 30, 2013;
- an estimated shares issuable upon the exercise of stock options, and shares subject to RSUs, to be granted under our Designated IPO Equity Incentive Program, assuming an initial public offering price of $ per share, the midpoint of the range on the cover of this prospectus, and giving effect to the conversion price adjustments more fully described in Capitalization Special Conversion Adjustments for Series D, Series E and Series F Convertible Preferred Stock;
- an estimated shares of common stock issuable upon the exercise of warrants to purchase common stock and convertible preferred stock outstanding as of June 30, 2013 with a weighted-average exercise price of $ per share, assuming an initial public offering price of $ per share, the midpoint of the range on the cover of this prospectus, and giving effect to the conversion price adjustments more fully described in Capitalization Special Conversion Adjustments for Series D, Series E and Series F Convertible Preferred Stock;
- 910,980 shares reserved for issuance under our 2005 Stock Incentive Plan as of June 30, 2013, which shares will become available for future issuance under our 2013 Equity Incentive Plan in connection with this offering; and
- 12,000,000 additional shares of common stock to be reserved for issuance under our 2013 Equity Incentive Plan and 4,000,000 shares of common stock to be reserved for future issuance under our 2013 Employee Stock Purchase Plan, which plans will become effective in connection with this offering and contain provisions that will automatically increase their share reserves each year, as more fully described in Executive Compensation Employee Benefit Plans.

Except as otherwise indicated, all information in this prospectus assumes:

- the automatic conversion of all outstanding shares of our convertible preferred stock into an estimated shares of common stock upon the completion of this offering, assuming an initial public offering price of $ per share, the midpoint of the range on the cover of this prospectus, which gives effect to the conversion price adjustments more fully described in Capitalization Special Conversion Adjustments for the Series D, Series E and Series F Convertible Preferred Stock;

the conversion of all outstanding convertible preferred stock warrants into warrants to purchase an estimated shares of our common stock immediately upon the completion of this offering, assuming an initial public offering price of $ per share, the midpoint of the range on the cover of this prospectus, which gives effect to the conversion price adjustments more fully described in Capitalization Special Conversion Adjustments for Series D, Series E and Series F Convertible Preferred Stock;

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- no exercise of outstanding options or warrants as of the date of this prospectus other than the issuance of shares of common stock upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering, assuming an initial public offering price of $ per share, the midpoint of the range on the cover of this prospectus;

- a 2-for-3 reverse split of our common stock, which became effective on September 3, 2013;

- the filing of our restated certificate of incorporation, which will occur upon the completion of this offering; and

- no exercise by the underwriters of their over-allotment option to purchase up to an additional shares of our common stock from us in this offering.

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SUMMARY CONSOLIDATED FINANCIAL DATA

We have derived the following summary consolidated statements of operations data for the years ended December 31, 2010, 2011 and 2012 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the following summary consolidated statements of operations data for the six months ended June 30, 2012 and 2013 and the consolidated balance sheet data as of June 30, 2013 from our unaudited consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited consolidated financial data on the same basis as the audited consolidated financial statements included elsewhere in this prospectus and have included, in the opinion of management, all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of this data. Our historical results are not necessarily indicative of our results to be expected in any future period and the results for the six months ended June 30, 2013 are not necessarily indicative of results to be expected for the full year. The summary consolidated financial data set forth below should be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations and Selected Consolidated Financial Data and our consolidated financial statements and related notes included elsewhere in this prospectus. The summary consolidated financial data in this section are not intended to replace the financial statements and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2011	2012	2012	2013
	(in thousands, except per share amounts)				
Consolidated Statements of Operations Data:					
Net revenues	$ 148,922	$ 172,018	$ 213,334	$ 92,452	$ 116,872
Cost of revenues[1]	114,215	127,012	145,669	66,929	79,061
Gross profit	34,707	45,006	67,665	25,523	37,811
Operating expenses[1]:					
Technology and development	18,885	29,591	39,315	19,305	19,352
Sales and marketing	24,422	28,400	51,082	25,461	22,422
General and administrative	15,362	20,328	25,117	12,669	14,283
Loss (gain) on liquidation of textbooks	(371)	2,785	(2,594)	(1,388)	(609)
Total operating expenses	58,298	81,104	112,920	56,047	55,448
Loss from operations	(23,591)	(36,098)	(45,255)	(30,524)	(17,637)
Interest and other expense, net:					
Interest expense, net	(5,801)	(3,558)	(4,393)	(2,018)	(2,356)
Other income (expense), net	1,740	1,855	634	255	(848)
Total interest and other expense, net	(4,061)	(1,703)	(3,759)	(1,763)	(3,204)
Loss before provision (benefit) for income taxes	(27,652)	(37,801)	(49,014)	(32,287)	(20,841)
Provision (benefit) for income taxes	(1,672)	(200)	29	(357)	337
Net loss	$ (25,980)	$ (37,601)	$ (49,043)	$ (31,930)	$ (21,178)
Net loss per share, basic and diluted	$ (3.74)	$ (4.45)	$ (4.39)	$ (2.94)	$ (1.72)
Weighted-average shares used to compute net loss per share, basic and diluted	6,953	8,453	11,183	10,844	12,295
Pro forma net loss per share, basic and diluted (unaudited)[2]			$ (0.92)		$ (0.36)
Weighted-average shares used to compute pro forma net loss per share, basic and diluted (unaudited)[2]			53,697		55,553

Other Financial Data (in thousands):					
Textbook library depreciation expense	$ 53,865	$ 56,142	$ 57,177	$ 27,229	$ 30,817
Purchases of textbooks(3)	$ 131,813	$ 74,094	$ 104,518	$ 39,999	$ 42,226
Textbook library, net (as of period end)	$ 100,007	$ 78,636	$ 88,487	$ 73,222	$ 76,720
Non-GAAP Financial Measures (unaudited) (in thousands)(4):					
EBITDA	$ 33,817	$ 27,743	$ 23,352	$ 2,154	$ 17,960
Adjusted EBITDA	$ 40,242	$ 39,019	$ 41,374	$ 11,235	$ 26,839

(footnotes appear on following page)

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(1) Includes stock-based compensation expense as follows:

	Years Ended December 31,			Six Months Ended June 30,	
	2010	2011	2012	2012	2013
			(in thousands)		
Cost of revenues	$ 1,080	$ 537	$ 542	$ 259	$ 296
Technology and development	2,814	3,840	7,657	4,369	3,344
Sales and marketing	88	3,062	5,164	2,474	1,499
General and administrative	4,183	5,692	4,682	2,234	2,892
Total stock-based compensation expense	$ 8,165	$ 13,131	$ 18,045	$ 9,336	$ 8,031

(2) Unaudited pro forma net loss per share for the year ended December 31, 2012 and the six months ended June 30, 2013 have been computed to give effect to the automatic conversion of all outstanding shares of our convertible preferred stock into common stock and the reclassification of the convertible preferred stock warrant liability to additional paid-in capital as though the conversion and reclassification had occurred as of the beginning of the period or the original date of issuance, if later. In addition, we granted restricted stock units, or RSUs, that vest upon satisfaction of both a time-based service component and a performance condition, which condition is satisfied upon the occurrence of a qualifying event, including the lapse of six months following the effective date of this offering. The stock-based compensation expense associated with these RSUs will be recognized, to the extent the service component has been satisfied, upon the completion of this offering. The pro forma share amounts give effect to RSUs that have satisfied the service component as of December 31, 2012 and June 30, 2013, respectively. Stock-based compensation expense associated with these RSUs is excluded from this pro forma presentation. If the qualifying event had occurred on December 31, 2012 or June 30, 2013, we would have recorded $9.3 million or $11.6 million, respectively, of stock-based compensation expense on that date related to these RSUs, assuming no adjustment to the conversion rate of the Series D and Series E convertible preferred stock. See Management s Discussion and Analysis of Financial Condition and Results of Operations Certain Accounting Effects Resulting from this Offering for additional information regarding these RSUs. See Note 2 to our consolidated financial statements for more information on our calculation of pro forma net loss per share.

(3) Purchases of textbooks consist of textbooks that we purchase for rental purposes.

(4) See Non-GAAP Financial Measures below for more information and a reconciliation of EBITDA and Adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with generally accepted accounting principles in the United States.

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The balance sheet data as of June 30, 2013 are presented below:

on an actual basis;

on a pro forma basis to give effect to: (i) the automatic conversion of all outstanding shares of our convertible preferred stock into an estimated shares of our common stock; (ii) the conversion of our outstanding convertible preferred stock warrants into warrants to purchase an estimated shares of our common stock and reclassification of the preferred stock warrant liability to additional paid-in capital; (iii) the issuance of shares of common stock upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering; (iv) stock-based compensation expense of $ related to the vesting of restricted stock units, or RSUs; and (v) the grant of stock options and RSUs under the Designated IPO Equity Incentive Program, all assuming an initial public offering price of $ per share, the midpoint of the range on the cover of this prospectus, and giving effect to the conversion price adjustments more fully described in Capitalization Special Conversion Adjustments for Series D, Series E and Series F Convertible Preferred Stock; and

on a pro forma as adjusted basis to give effect to: (i) the pro forma adjustments set forth above; (ii) the sale by us of the shares of common stock offered by us in this prospectus, assuming an initial public offering price of $ per share, the midpoint of the range on the cover of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us; and (iii) the application of a portion of the proceeds from this offering to repay in full the $21.0 million of outstanding borrowings under our revolving credit facility.

	As of June 30, 2013		
	Actual	Pro Forma	Pro Forma As Adjusted(1)
		(in thousands) (unaudited)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 21,639		
Textbook library, net	76,720		
Total assets	188,076		
Deferred revenue	23,680		
Debt obligations	19,751		
Preferred stock warrant liabilities	7,653		
Convertible preferred stock	207,201		
Common stock and additional paid-in capital	73,492		
Total stockholders deficit	(96,948)		

(1) Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the range set forth on the cover of this prospectus, would increase or decrease, respectively, our cash and cash equivalents and total assets by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

Non-GAAP Financial Measures

We believe that our results of operations under generally accepted accounting principles in the United States, or U.S. GAAP, when considered in isolation, may only provide limited insight into the performance of our business in any given period. As a result, we manage our business, make planning decisions, evaluate our performance and allocate resources by assessing non-GAAP measures such as earnings before interest, taxes, depreciation and amortization, or EBITDA, and Adjusted EBITDA, in addition to other financial measures presented in accordance with U.S. GAAP. Adjusted EBITDA excludes stock-based compensation expense, and

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other income (expense), net, which includes the revaluation of our preferred stock warrants, and impairment charges. When evaluating our financial results and making decisions on our operations, our management team does not consider stock-based compensation charges, other income (expense), net, or impairment charges. We believe that these non-GAAP measures offer valuable supplemental information regarding the performance of our business when compared to prior periods and will help investors better understand the profitability trends and cash flow characteristics of our business. These non-GAAP measures should not be considered in isolation from, are not a substitute for, and do not purport to be an alternative to, net revenues, cost of revenues, gross profit, net loss or any other performance measure derived in accordance with U.S. GAAP. In particular, our non-GAAP measures do not reflect the depreciation of our textbook library, in which we make substantial ongoing investments.

The non-GAAP financial measures set forth above for the years ended December 31, 2010, 2011 and 2012 have been derived from our audited consolidated financial statements and the non-GAAP financial measures for the six months ended June 30, 2012 and 2013 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The following table presents a reconciliation of EBITDA and Adjusted EBITDA to net loss, the most comparable U.S. GAAP measure, for each of the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2011	2012	2012	2013
			(in thousands)		
Net loss	$ (25,980)	$ (37,601)	$ (49,043)	$ (31,930)	$ (21,178)
Interest expense, net	5,801	3,558	4,393	2,018	2,356
Provision (benefit) for income taxes	(1,672)	(200)	29	(357)	337
Textbook library depreciation expense	53,865	56,142	57,177	27,229	30,817
Other depreciation and amortization	1,803	5,844	10,796	5,194	5,628
EBITDA	33,817	27,743	23,352	2,154	17,960
Stock-based compensation expense	8,165	13,131	18,045	9,336	8,031
Other (income) expense, net	(1,740)	(1,855)	(634)	(255)	848
Impairment of intangible assets			611		
Adjusted EBITDA	$ 40,242	$ 39,019	$ 41,374	$ 11,235	$ 26,839

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RISK FACTORS

Investing in our common stock involves a high degree of risk. The following risk factors describe circumstances or events that could have a negative effect on our business, financial condition or operating results. You should carefully consider each of the following risk factors and all other information contained in this prospectus before purchasing our common stock. If any of the following risks occur, our business, financial condition or operating results could be harmed. In these circumstances, the market price of our common stock could decline and you could lose some or all of your investment. Additional risks and uncertainties not currently known to us or that we currently believe are not material could also impair our business, financial condition or operating results.

Risks Related to Our Business and Industry

Our limited operating history makes it difficult to evaluate our current business and future prospects.

Although we began our operations in July 2005, we did not launch our online print textbook rental business until 2007 or begin generating revenue at scale from print textbook rentals until 2010. Since July 2010, we have expanded our free and paid offerings, in many instances through the acquisition of other companies, to include digital textbooks, or eTextbooks, supplemental materials in digital and print form, multiplatform eTextbook Reader software, Chegg Study, College Admissions and Scholarship Services, course selection tools, purchases of used textbooks, enrollment marketing services and brand advertising. We cannot assure you that our newer products and services, or any other products and services we may introduce or acquire, will be integrated effectively into our business, achieve or sustain profitability or achieve market acceptance at levels sufficient to justify our investment.

Our ability to fully integrate these new products and services with our textbook offerings or achieve satisfactory financial results from them is unproven. Because we have a limited operating history and the market for our products and services, including newly acquired or developed products and services, is rapidly evolving, it is difficult for us to predict our operating results, particularly with respect to our non-print products and services, and the ultimate size of the market for our products and services. If the market for a connected learning platform does not develop as we expect, or if we fail to address the needs of this market, our business will be harmed.

You should consider our business and prospects in light of the risks, expenses and difficulties typically encountered by companies in their early stage of development, including, but not limited to our ability to successfully:

- execute on our relatively new, evolving and unproven business model;
- develop new products and services, both independently and with developers or other third parties;
- attract and retain students and increase their engagement with our connected learning platform;
- attract and retain colleges, universities and other academic institutions, which we refer to collectively as colleges, and brands to our marketing services;
- manage the growth of our business, including increasing or unforeseen expenses;
- develop and scale a high performance technology infrastructure to efficiently handle increased usage by students, especially during peak periods prior to each academic term;
- compete with companies that offer similar services or products;

expand into adjacent markets;

develop a profitable business model and pricing strategy;

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- navigate the ongoing evolution and uncertain application of regulatory requirements, such as privacy laws, to our innovative business;

- maintain relationships with strategic partners, including publishers, wholesalers, distributors, colleges and brands; and

- expand into foreign markets.

We have encountered and will continue to encounter these risks and if we do not manage them successfully, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We have a history of losses and we may not achieve or sustain profitability in the future.

We have experienced significant net losses since our incorporation in July 2005, and we may continue to experience net losses in the future. Our net losses for the years ended December 31, 2011 and 2012 and the six months ended June 30, 2013 were $37.6 million, $49.0 million and $21.2 million, respectively. As of June 30, 2013, we had an accumulated deficit of $170.4 million. We expect to make significant investments in the development and expansion of our business and anticipate that our cost of revenues and operating expenses will increase. In addition, as a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. We may not succeed in increasing our revenue sufficiently to offset these higher expenses, and our efforts to grow the business may prove more expensive than we currently anticipate. We may incur significant losses in the future for a number of reasons, including slowing demand for print textbook rentals, slowing demand for our other products and services, increasing competition, decreasing spending on education and other risks described in this prospectus. We may encounter unforeseen expenses, difficulties, complications and delays and other unknown factors as we pursue our business plan and our business model c