CHEGG, INC
Form S-3ASR
July 31, 2017

As filed with the Securities and Exchange Commission on July 31, 2017
Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form S-3
REGISTRATION STATEMENT
Under
The Securities Act of 1933
Chegg, Inc.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-3237489 (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)
Please send copies of all communications to:

David A. Bell, Esq. Fenwick & West LLP 801 California Street Mountain View, CA 94041 (650) 988-8500	Dave Borders Jr., Esq. General Counsel Chegg, Inc. 3990 Freedom Circle Santa Clara, CA 95054 (408) 855-5700	Sarah K. Solum, Esq. Davis Polk & Wardwell LLP 1600 El Camino Real Menlo Park, CA 94025 (650) 752-2000

Approximate date of commencement of proposed sale to the public:
From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.
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, other than securities offered only in connection with dividend or interest reinvestment plans, 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, please 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 registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, $0.001 par value per share				

(1) Not required to be included pursuant to Form S-3 General Instruction II.E.

(2) In accordance with Rules 456(b) and 457(r) under the Securities Act of 1933, as amended, the Registrant is deferring payment of the registration fee, which will be paid on a pay-as-you-go basis in accordance with Rule 457(r).

The information in this prospectus is not complete and may be changed. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)
Dated July 31, 2017

8,000,000 Shares
Chegg, Inc.
Common Stock

Chegg, Inc. is offering 8,000,000 shares of its common stock.
Our common stock is listed on the New York Stock Exchange under the symbol "CHGG." On July 28, 2017, the reported closing sale price of our common stock on the New York Stock Exchange was $14.14 per share.
Investing in our common stock involves risks. See "Risk Factors" beginning on page 8, and under similar headings in other documents which are incorporated by reference herein.

	Price to Public	Underwriting Discounts and Commissions (1)	Proceeds, Before Expenses, to Chegg
Per share	$	$	$
Total	$	$	$

(1) See "Underwriters."

We have granted the underwriters the option to purchase, for 30 days after the date of this prospectus, up to an additional 1,200,000 shares of common stock at the public offering price less the underwriting discounts and commissions.
The Securities and Exchange Commission and state regulators have not 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 , 2017.

Morgan Stanley BofA Merrill Lynch Allen & Company LLC
Barrington Research Northland Capital Markets

The date of this prospectus is , 2017

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Neither we nor the underwriters have authorized anyone to provide you with any information other than the information contained or incorporated by reference in this prospectus or any free writing prospectus prepared by or on behalf of us to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. Neither we nor the underwriters are making an offer to sell securities in any jurisdiction where the offer or sale is not permitted. The information contained or incorporated by reference in this prospectus or any free writing prospectus prepared by or on behalf of us to which we have referred you is accurate only as of the date thereof, regardless of the time of delivery of such document or of any sale of our shares of common stock. Our business, financial condition and results of operations may have changed since those dates. It is important for you to read and consider all the information contained in this prospectus, including the documents incorporated by reference herein or any free writing prospectus prepared by or on behalf of us to which we have referred you, in making your investment decision.

For investors outside the United States: Neither we nor 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 outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of our common stock and the distribution of this prospectus outside of the United States.

PROSPECTUS SUMMARY

This summary highlights selected information about us, this offering and information appearing elsewhere in this prospectus and in the documents incorporated by reference herein and therein. This summary is not complete and does not contain all the information you should consider before investing in our common stock pursuant to this prospectus. Before making an investment decision, to fully understand this offering and its consequences to you, you should carefully read this entire prospectus and the information incorporated by reference, including "Risk Factors," the financial statements, and related notes, and the other information that we incorporate by reference herein and therein. Unless the context otherwise requires, we use the terms “Chegg,” “we,” “us,” the “Company” and “our” in this prospectus to refer to Chegg, Inc. and its subsidiaries.

Company Overview

Chegg is the leading student-first connected learning platform. Our goal is to help students transition from high school to a career. As such, we are committed to improving student outcomes throughout this decade long journey. We help students study more effectively for college admissions exams, find the right college to accomplish their goals, get better grades and test scores while in school, and find internships that allow them to gain valuable skills to help them enter the workforce after college. Our student platform offers products and services that help students transition from high school to college to career. We strive to improve the overall return on investment in education by helping students maximize their outcomes through more efficient and cost-effective solutions that bridge the gap between what formal institutions offer and students actually need. During 2016, nearly 6.5 million students turned to Chegg to help them save money and improve their outcomes.

In 2016, over 1.5 million students subscribed to our Chegg Services, an increase of 47% year over year from 1.0 million students in 2015. These subscribers represent approximately 4% of the 36 million students enrolled in high school through college education, according to the National Center for Education and Statistics and the U.S. Census Bureau. Students subscribe to our digital products and services, which we collectively refer to as Chegg Services. These include Chegg Study, Chegg Tutors, Writing Tools (acquired in May 2016), Enrollment Marketing, Brand Partnership, Internships, and Test Prep, which, according to comScore, collectively bring 40 million annual unique visitors to our platform. Chegg Study service provides 6 million step-by-step Textbook Solutions and over 10 million answers, powered by our expert network, helping students with their course work. When students need additional help on a subject, they can reach a live tutor online, anytime, anywhere through Chegg Tutors. According to comScore, our Writing Tools, including EasyBib, Citation Machine, BibMe, CiteThisForMe, and NormasAPA, provide 30 million unique annual visitors with online citation, bibliography, and anti-plagiarism services. In 2016, we matched approximately 5.3 million domestic and international students with colleges in the United States to help them find the best fit school for them. As of December 31, 2016, we provided access to approximately 340,000 internships to help students gain skills and experiences that are critical to securing their first job. We provide high school students with an online adaptive test preparation service currently covering the ACT and SAT exams. Through our strategic partnership with Ingram Content Group, or Ingram, we offer Required Materials, which includes an extensive print textbook and eTextbook library for rent and sale, helping students save money compared to the cost of buying new. In 2016, students rented or bought over 5.7 million textbooks and eTextbooks from Chegg.

To deliver services to students, we partner with a variety of third parties. We work with colleges to help shape their incoming classes. We 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 have a large network of students and professionals who leverage our platform to tutor in their spare time and employers who leverage our platform to post their internships and jobs. In addition, because we have a large student user base, local and national brands partner with us to reach the college and high school demographics.

During the three and six months ended June 30, 2017, we generated net revenues of $56.3 million and $118.9 million, respectively, and in the same periods had net losses of $6.0 million and $12.4 million, respectively. During the three and six months ended June 30, 2016, we generated net revenues of $53.0 million and $119.7 million, respectively, and in the same periods had net losses of $9.0 million and $24.7 million, respectively. For the three months ended September 30, 2015 and September 30, 2016, our overall customer acquisition cost was $3.73 and $2.57 per customer respectively, which represents a decrease of 31% year over year. We calculate customer acquisition cost by dividing

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(1) Required Materials, Chegg Study and Chegg Tutors marketing spend, which includes paid marketing spend and investments in Adobe Marketing Cloud for these services and excludes marketing spend for Writing Tools, which we acquired in May 2016, by (2) the combined number of new subscriptions for Chegg Study and Chegg Tutors started in the same quarter and new Required Materials orders made in the same quarter.

Our strategy for achieving and maintaining profitability is centered upon our ability to utilize Chegg Services to increase student engagement with our connected learning platform. We believe this expanded and deeper penetration of the student demographic will allow us to drive further growth in our existing Chegg Services. In addition, we believe that the investments we have made to achieve our current scale will allow us to drive increased operating margins over time that, together with increased contributions of Chegg Services products, will enable us to accomplish profitability and become cash-flow positive in the long-term. Our ability to achieve these long-term objectives is subject to numerous risks and uncertainties, including our ability to attract, retain, and increasingly engage the student population, intense competition in our markets, the ability to achieve sufficient contributions to revenue from Chegg Services and other factors described in greater detail in “Risk Factors.” We have presented revenues for our two product lines, Chegg Services and Required Materials, based on how students view us and the utilization of our products by them. More detail on our two product lines is discussed in the next two sections titled “Chegg Services” and “Required Materials.”

Chegg Services

Our Chegg Services for students primarily includes our Chegg Study service, our Chegg Tutors service, and our Writing Tools service. We also work with leading brands, such as Proctor & Gamble, Starbucks, The Truth, Microsoft, Best Buy, DirectTV, Bare Escentuals, and Shutterfly, to provide students with discounts, promotions, and other products that, based on student feedback, delight them. For example, for Proctor & Gamble, we inserted free laundry care samples and for Starbucks, we inserted free drinks in our textbook rental shipments to students. All of our brand advertising services and the discounts, promotions, and other products provided to students are paid for by the brands. We additionally provide Internship services and our Test Prep service currently covering the ACT and SAT exams.

Our total number of Chegg Services Subscribers has tripled over the past four years. In 2013, 2014, 2015 and 2016, we had 0.5 million, 0.7 million, 1.0 million and 1.5 million Chegg Services Subscribers, respectively. We have also reduced our overall customer acquisition cost over the same period.

Students typically pay to access Chegg Services such as Chegg Study on a monthly or annual basis, while colleges subscribe to our enrollment marketing services through the National Research Center for College and University Admissions and brands pay us depending on the nature of the campaign. In the aggregate, Chegg Services revenues were 79% and 72% of net revenues during the three and six months ended June 30, 2017, respectively, and 56% and 46% of net revenues during the three and six months ended June 30, 2016, respectively. Our Chegg Services Average Revenue Per User increased from $77.05 in 2012 to $85.00 in 2016, representing approximately a 10% increase over this period. We calculate Average Revenue Per User by dividing the total Chegg Services revenue during the period by the total number of Chegg Services net paying subscribers for the same period.

Required Materials

Our Required Materials product line includes commissions from partners, such as Ingram and textbook publishers, on the rental and sale of print textbooks, as well as revenues from eTextbooks. Our web-based, multiplatform eTextbook Reader, eTextbooks and supplemental course materials are available from approximately 120 publishers as of June 30, 2017. We offer our eTextbooks on a standalone basis or as a rental-equivalent solution and for free to students awaiting the arrival of their print textbook rental.

We also use our website to rent and sell, on behalf of Ingram and textbook publishers, as well as source for used print textbooks for our partner Ingram. We attract students to our website by offering more for their used print textbooks than they could generally get by selling them back to their campus bookstore.

In the aggregate, Required Materials revenues were 21% and 28% of net revenues during the three and six months ended June 30, 2017, respectively, and 44% and 54% of net revenues during the three and six months ended June 30, 2016, respectively.

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Strategic Partnership with Ingram

Our strategic partnership with Ingram has helped to accelerate the growth of our Chegg Services products by allowing us to utilize capital otherwise spent on the purchase of print textbooks, and at the same time allowing us to maintain a leading position and high brand recognition through our iconic orange boxes. We entered into a definitive inventory purchase and consignment agreement with Ingram that allows us to focus on eTextbooks and Chegg Services. Under the agreement, since May 2015, Ingram has been responsible for all new investments in the print textbook library, fulfillment logistics, and has title and risk of loss related to print textbook rentals. As a result of our strategic partnership with Ingram, our revenues include a commission on the total revenues that we earn from Ingram upon their fulfillment of a rental transaction using print textbooks for which Ingram has title and risk of loss. This partnership allows us to reduce and eliminate the operating expenses we historically incurred to acquire and maintain a print textbook library. We will continue to buy books on Ingram's behalf including books through our buyback program and invoice Ingram at cost.

Risks Associated with our Business and an Investment in our Common Stock

Our business, financial condition, results of operations and prospects are subject to numerous risks. These risks include, among others, that:

- our limited operating history, recent business model transition and evolving digital offerings make it difficult to evaluate our current business and future prospects;
- our operating results are expected to be difficult to predict based on a number of factors;
- we have a history of losses and we may not achieve or sustain profitability in the future;
- we operate in a rapidly changing market and we have recently transitioned our business model to a fully digital business, and if we do not successfully adapt to known or unforeseen market developments, our business may be harmed;
- if our efforts to attract new students to use our products and services and increase student engagement with our connected learning platform are not successful, our business will be adversely affected;
- if our efforts to build a strong brand are not successful, we may not be able to grow our student user base, which could adversely affect our operating results;
- we intend to offer new products and services to students to grow our business, and if our efforts are not successful, our business and financing results would be adversely affected;
- our future revenues depend on our ability to continue to attract new students from a high school and college student population that has an inherently high rate of turnover primarily due to graduation, requiring us to invest continuously in marketing to the student population to build brand awareness and loyalty, which we may not be able to accomplish on a cost-effective basis or at all;
- if we are not able to manage the growth of our business both in terms of scale and complexity, our operating results and financial condition could be adversely affected; and
- we may not realize the anticipated benefits of past and any future acquisitions, which could disrupt our business and harm our financial condition and results of operations.

If we are unable to adequately address these and other risks we face, our business, financial condition, results of operations and prospects may be materially and adversely affected. In addition, there are numerous risks related to an investment in our common stock.

You should carefully read the section entitled "Risk Factors" in this prospectus and contained in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 for an explanation of the foregoing risks, as well as other risks, before investing in our common stock.

Company Information

We were incorporated in Delaware in July 2005. We launched our online print textbook rental business in 2007. We hired our current Chief Executive Officer in 2010, who implemented our current business strategy to create the leading student-first connected learning platform for students to help them improve their outcomes. Beginning in 2010, we made a series of strategic acquisitions to expand our Chegg Services, including Cramster in 2010 to add our Chegg Study service, InstaEDU in 2014 to add our Tutoring service, internships.com in 2014 to add to our Internship service, and Imagine Easy Solutions in 2016 to add a portfolio of online writing tools. We completed our initial public offering in November 2013 and our common stock is listed on the New York Stock Exchange under the symbol "CHGG." Our principal executive offices are located at 3990 Freedom Circle, Santa Clara, California 95054 and our telephone number is (408) 855-5700.

We use various trademarks and trade names in our business, including without limitation "Chegg," "Chegg.com," "Chegg Study," "internships.com" and "EasyBib." This prospectus also contains trademarks and trade names of other businesses that are the property of their respective holders. We have omitted the ® and ™ designations, as applicable, for the trademarks we name in this prospectus.

THE OFFERING

Common stock offered by us	8,000,000 shares
Common stock to be outstanding after this offering	103,684,945 shares
Option to purchase additional shares of common stock from us	1,200,000 shares
Use of proceeds	We plan to use the net proceeds from this offering for working capital and other general corporate purposes, which may include acquisitions of businesses, technologies, or other assets. See "Use of Proceeds."
Risk factors	See "Risk Factors" for a discussion of factors that you should consider carefully before deciding whether to purchase shares of our common stock.
New York Stock Exchange symbol	"CHGG"

The number of shares of common stock to be outstanding after this offering is based on 95,684,945 shares of our common stock outstanding as of June 30, 2017, and excludes:

- 9,819,342 shares of common stock issuable upon the exercise of outstanding stock options as of June 30, 2017, with a weighted-average exercise price of $8.65 per share;
- 15,059,800 shares subject to performance-based or other restricted stock units, or RSUs, outstanding as of June 30, 2017;
- 141,290 shares subject to RSUs granted after June 30, 2017;
- 200,000 shares of common stock issuable upon the exercise of warrants to purchase common stock outstanding as of June 30, 2017 with an exercise price of $12.00 per share;
- 11,017,995 shares of common stock reserved for future issuance under our 2013 Equity Incentive Plan as of June 30, 2017, plus annual increases thereunder; and
- 5,990,343 shares of common stock reserved for future issuance under our 2013 Employee Stock Purchase Plan as of June 30, 2017, plus annual increases thereunder.

Unless otherwise noted, all information in this prospectus assumes no exercise of the underwriters' option to purchase additional shares of common stock from us and no exercise of outstanding stock options or warrants, and does not reflect the vesting of any RSUs outstanding as of June 30, 2017.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following table summarizes our consolidated financial data. The summary consolidated statements of operations data for the years ended December 31, 2016, 2015 and 2014 and our summary consolidated balance sheet data as of December 31, 2016 and 2015 are derived from our audited consolidated financial statements incorporated by reference into this prospectus. The selected consolidated statements of operations data for the six months ended June 30, 2017 and 2016 and the selected consolidated balance sheet data as of June 30, 2017 are derived from our unaudited consolidated financial statements incorporated by reference into this prospectus. Our historical results presented below are not necessarily indicative of financial results to be achieved in future periods and our results for interim periods are not necessarily indicative of financial results to be achieved for the full year. You should read the following summary consolidated financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and related notes, each included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which is incorporated herein by reference into this prospectus, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited consolidated financial statements and related notes, each included in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, which is incorporated herein by reference into this prospectus.

	Six Months Ended June 30,		Year Ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)				
	(in thousands, except per share amounts)				
Consolidated Statements of Operations Data:					
Net revenues	$118,919	$119,690	$254,090	$301,373	$304,834
Cost of revenues[(1)]:	38,438	60,330	119,601	189,849	210,985
Gross profit	80,481	59,360	134,489	111,524	93,849
Operating expenses:					
Technology and development[(1)]	39,201	32,991	66,331	59,391	49,386
Sales and marketing[(1)]	26,062	26,193	53,949	64,082	72,315
General and administrative					