CHEGG, INC
Form 424B4
November 13, 2013
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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-190616

PROSPECTUS

15,000,000 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 14,400,000 shares of our common stock. The selling stockholder identified in this prospectus is selling an additional 600,000 shares of our common stock. We will not receive any proceeds from the sale of shares of common stock by the selling stockholder.

Our common stock has been approved for listing 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	$ 12.500	$ 187,500,000
Underwriting discounts and commissions[1]	$ 0.875	$ 13,125,000
Proceeds to Chegg, before expenses	$ 11.625	$ 167,400,000
Proceeds to selling stockholder, before expenses	$ 11.625	$ 6,975,000

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

The underwriters have an option to buy up to 2,250,000 additional shares of common stock from us 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 November 18, 2013.

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

Jefferies

Piper Jaffray **Raymond James** **BMO Capital Markets**

November 12, 2013

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Neither we, the selling stockholder 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 stockholder 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 stockholder 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 December 7, 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 stockholder 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 the twelve months ended September 30, 2013, more than seven million students used our platform and approximately 1.2 million students used our mobile application.

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 the twelve months ended September 30, 2013, students completed 3.8 million transactions on our platform, we rented or sold over 5.5 million print textbooks and eTextbooks and approximately 418,000 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 44 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 850 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 Microsoft, Red Bull and Serve from American Express, 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 nine months ended September 30, 2012 and 2013, we generated net revenues of $145.1 million and $178.5 million, respectively, and net losses of $57.2 million and $50.4 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 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.

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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.

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.

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.

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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.

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.

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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	14,400,000 shares
Common stock offered by the selling stockholder	600,000 shares
Common stock to be outstanding after this offering	81,728,265 shares
Over-allotment option offered by us	2,250,000 shares
Use of proceeds	We intend to use the net proceeds of this offering to repay in full $31.0 million of outstanding borrowings under our revolving credit facility and for general corporate purposes, including working capital and capital expenditures. In addition, one percent of the net proceeds will be used to fund the Chegg Foundation, a California nonprofit public benefit corporation formed by us to engage in charitable and education-related activities. 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 stockholder. See Use of Proceeds.
Directed Share Program	At our request, the underwriters have reserved for sale, at the initial public offering price, up to 450,000 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.
Conflicts of Interest	Because an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated will be receiving more than 5% of the net offering proceeds in connection with the repayment of outstanding loans under our revolving credit agreement, Merrill Lynch, Pierce, Fenner & Smith Incorporated, an underwriter in this offering, is deemed to have a conflict of interest with us under Rule 5121 of the Financial Industry Regulatory Authority, Inc. Rule 5121 permits Merrill Lynch, Pierce, Fenner & Smith Incorporated to participate in the offering notwithstanding this conflict of interest because J.P. Morgan Securities LLC has assumed the responsibilities of acting as a

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qualified independent underwriter by participating in due diligence and the preparation of this prospectus and the registration statement of which this prospectus is a part. J.P. Morgan Securities LLC satisfies the criteria required by Rule 5121(f)(12)(E) and neither J.P. Morgan Securities LLC nor its respective affiliates have a conflict of interest with us. 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.

NYSE symbol	CHGG

The number of shares of common stock to be outstanding after this offering is based on 67,328,265 shares of common stock outstanding as of September 30, 2013, and excludes:

- 13,362,422 shares issuable upon the exercise of stock options outstanding as of September 30, 2013 with a weighted-average exercise price of $6.85 per share;
- 287,198 shares issuable upon the exercise of stock options granted after September 30, 2013 with an exercise price of $12.06 per share;
- 1,313,115 shares subject to restricted stock units, or RSUs, outstanding as of September 30, 2013;
- 925 shares subject to RSUs granted after September 30, 2013;
- 931,791 shares issuable upon the exercise of stock options, and 174,739 shares subject to unvested RSUs, granted under our Designated IPO Equity Incentive Program after 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;
- 1,118,282 shares of common stock issuable upon the exercise of warrants to purchase convertible preferred stock outstanding as of September 30, 2013 with a weighted-average exercise price of $5.16 per share;
- 4,035,065 shares reserved for issuance under our 2005 Stock Incentive Plan as of September 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 reserved for issuance under our 2013 Equity Incentive Plan and 4,000,000 shares of common stock 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 53,911,337 shares of common stock upon the completion of this offering after giving 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 1,118,282 shares of our common stock immediately upon the completion of this offering;

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the issuance of 297,905 shares of common stock upon the completion of this offering as a result of the settlement of vested RSUs granted under our Designated IPO Equity Incentive Program after 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;

no exercise of outstanding options or warrants as of the date of this prospectus other than the issuance of 924 shares of common stock upon the exercise of outstanding warrants that would otherwise expire upon the completion of the offering and the issuance of 25,747 shares of common stock upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering;

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 2,250,000 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 nine months ended September 30, 2012 and 2013 and the consolidated balance sheet data as of September 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 nine months ended September 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,			Nine Months Ended September 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	$ 145,054	$ 178,459
Cost of revenues(1)	114,215	127,012	145,669	116,796	137,486
Gross profit	34,707	45,006	67,665	28,258	40,973
Operating expenses(1):					
Technology and development	18,885	29,591	39,315	29,312	29,351
Sales and marketing	24,422	28,400	51,082	40,596	36,645
General and administrative	15,362	20,328	25,117	18,509	20,530
Loss (gain) on liquidation of textbooks	(371)	2,785	(2,594)	(4,874)	(3,012)
Total operating expenses	58,298	81,104	112,920	83,543	83,514
Loss from operations	(23,591)	(36,098)	(45,255)	(55,285)	(42,541)
Interest and other expense, net:					
Interest expense, net	(5,801)	(3,558)	(4,393)	(3,204)	(3,662)
Other income (expense), net	1,740	1,855	634	1,156	(3,688)
Total interest and other expense, net	(4,061)	(1,703)	(3,759)	(2,048)	(7,350)
Loss before provision (benefit) for income taxes	(27,652)	(37,801)	(49,014)	(57,333)	(49,891)
Provision (benefit) for income taxes	(1,672)	(200)	29	(170)	542
Net loss	$ (25,980)	$ (37,601)	$ (49,043)	$ (57,163)	$ (50,433)
Net loss per share, basic and diluted	$ (3.74)	$ (4.45)	$ (4.39)	$ (5.20)	$ (4.04)
Weighted-average shares used to compute net loss per share, basic and diluted	6,953	8,453	11,183	10,992	12,488
Pro forma net loss per share, basic and diluted (unaudited)(2)			$ (0.76)		$ (0.70)
Weighted-average shares used to compute pro forma net loss per share, basic and diluted (unaudited)(2)			64,960		66,714
Other Financial Data (in thousands):					
Textbook library depreciation expense	$ 53,865	$ 56,142	$ 57,177	$ 40,419	$ 45,287

Purchases of textbooks[3]	$ 131,813	$ 74,094	$ 104,518	$ 93,700	$ 108,492
Textbook library, net (as of period end)	$ 100,007	$ 78,636	$ 88,487	$ 106,409	$ 124,342
Non-GAAP Financial Measures (unaudited) (in thousands)[4]:					
EBITDA	$ 33,817	$ 27,743	$ 23,352	$ (5,883)	$ 7,138
Adjusted EBITDA	$ 40,242	$ 39,019	$ 41,374	$ 6,150	$ 22,714

(footnotes appear on following page)

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

	Years Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
			(in thousands)		
Cost of revenues	$ 1,080	$ 537	$ 542	$ 389	$ 422
Technology and development	2,814	3,840	7,657	5,996	4,874
Sales and marketing	88	3,062	5,164	3,411	2,063
General and administrative	4,183	5,692	4,682	3,393	4,529
Total stock-based compensation expense	$ 8,165	$ 13,131	$ 18,045	$ 13,189	$ 11,888

(2) Unaudited pro forma net loss per share for the year ended December 31, 2012 and the nine months ended September 30, 2013 have been computed to give effect to (i) the automatic conversion of all outstanding shares of our convertible preferred stock into common stock upon the completion of this offering after giving 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; (ii) the issuance of 924 shares of common stock upon the exercise of outstanding warrants that would otherwise expire upon the completion of the offering and the issuance of 25,747 shares of common stock upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering; and (iii) 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. We expect the performance condition to be satisfied on March 15, 2014. 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 exclude unvested RSUs that have satisfied the service component as of December 31, 2012 and September 30, 2013, and the grant of stock options and unvested RSUs under our Designated IPO Equity Incentive Program, but include shares to be issued upon the settlement of immediately vested RSUs granted under the Designated IPO Program, as more fully described in Capitalization Special Conversion Adjustments for the Series D, Series E and Series F Convertible Preferred Stock. Stock-based compensation expense associated with these RSUs and stock options and the non-cash charge to net loss attributable to common stockholders associated with the deemed dividend to convertible preferred stockholders upon our initial public offering are excluded from this pro forma presentation. With respect to the RSUs and options, if the qualifying event had occurred on December 31, 2012 or September 30, 2013 at the initial public offering price of $12.50 per share, and giving 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, we would have recorded $15.0 million or $19.5 million of stock-based compensation expense on December 31, 2012 or September 30, 2013, respectively, related to these RSUs and stock options. See Management s Discussion and Analysis of Financial Condition and Results of Operations Certain Accounting and Tax Effects Resulting from this Offering for additional information regarding these RSUs and stock options. If our initial public offering had occurred on December 31, 2012 or September 30, 2013, we would have recorded a non-cash charge to net loss attributable to common stockholders of $102.6 million, after giving 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. 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 September 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 53,911,337 shares of our common stock; (ii) the conversion of our outstanding convertible preferred stock warrants into warrants to purchase 1,118,282 shares of our common stock and reclassification of the preferred stock warrant liability to additional paid-in capital; (iii) the issuance of 924 shares of common stock upon the exercise of outstanding warrants that would otherwise expire upon the completion of the offering and the issuance of 25,747 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 $11.7 million related to the vesting of 1,177,316 RSUs outstanding as of September 30, 2013; (v) the grant of 931,791 stock options and 472,644 RSUs under the Designated IPO Equity Incentive Program, which includes 297,905 shares of common stock to be issued upon the settlement of immediately vested RSUs, and stock-based compensation expense of $8.1 million related to the vested portion of such grants; and (vi) the additional $10.0 million drawn down from our revolving credit facility in October 2013; all of 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; 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 14,400,000 shares of common stock offered by us in this prospectus at the initial public offering price per share, after deducting 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 the $31.0 million of outstanding borrowings under our revolving credit facility.

	As of September 30, 2013		
	Actual	**Pro Forma**	**Pro Forma As Adjusted(1)**
		(in thousands) (unaudited)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 15,927	$ 25,927	$ 158,527
Textbook library, net	124,342	124,342	124,342
Total assets	229,285	239,285	371,885
Deferred revenue	72,147	72,147	72,147
Debt obligations	21,000	31,000	
Preferred stock warrant liabilities	10,533		
Convertible preferred stock	207,204		
Common stock and additional paid-in capital	77,641	315,172	478,772
Total stockholders equity (deficit)	(122,042)	95,695	259,295

(1) Does not give effect to the use of one percent of the net proceeds to fund the Chegg Foundation.

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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 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 nine months ended September 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,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
			(in thousands)		
Net loss	$ (25,980)	$ (37,601)	$ (49,043)	$ (57,163)	$ (50,433)
Interest expense, net	5,801	3,558	4,393	3,204	3,662
Provision (benefit) for income taxes	(1,672)	(200)	29	(170)	542
Textbook library depreciation expense	53,865	56,142	57,177	40,419	45,287
Other depreciation and amortization	1,803	5,844	10,796	7,827	8,080
EBITDA	33,817	27,743	23,352	(5,883)	7,138
Stock-based compensation expense	8,165	13,131	18,045	13,189	11,888
Other (income) expense, net	(1,740)	(1,855)	(634)	(1,156)	3,688
Impairment of intangible assets			611		
Adjusted EBITDA	$ 40,242	$ 39,019	$ 41,374	$ 6,150	$ 22,714

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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 nine months ended September 30, 2013 were $37.6 million, $49.0 million and $50.4 million, respectively. As of September 30, 2013, we had an accumulated deficit of $199.7 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, including increasing price 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 continues to evolve. While our revenue has grown in recent periods, this growth may not be sustainable and we cannot assure you that we will be able to achieve profitability. To achieve profitability, we may need to change our operating infrastructure and scale our operations more efficiently. For example, we may need to reduce our costs or implement changes in our print textbook and non-print products and services models to improve the predictability of our revenue. If we fail to implement these changes on a timely basis or are unable to implement them due to factors beyond our control, our business may suffer. If we do achieve profitability, we may not be able to sustain or increase such profitability.

We operate in a rapidly changing market and our business model is evolving. If we do not successfully adapt to known or unforeseen market developments, our business and financial condition could be materially and adversely affected.

The market for our connected learning platform is still unproven and rapidly changing. Historically, we generated substantially all of our revenue from our print textbook business. In 2012, this business accounted for 87% of our revenue. The print textbook rental business is highly capital intensive and presents both business planning and logistical challenges that are complex. Our investments in and the growth of our print textbook rental business are subject to risks as a result of changes taking place in the publishing industry and the increasing shift towards digital content. To the extent eTextbooks increase in popularity and demand for print textbooks declines, we anticipate that more and more eTextbooks will be published and distributed in the retail market, which could reduce the demand for print textbooks and materially and adversely affect our operating results and your investment. For example, publishers have significant flexibility in pricing eTextbooks due to their low production costs and may change their pricing strategies in the future, especially in light of increasing competition in the print textbook market and the rising costs of education. If the retail price of eTextbooks were to be significantly lower than print textbooks, consumers may purchase eTextbooks directly from the publisher or other retailers rather than use our print textbook or eTextbook services. In the short term, this would have a negative effect on our ability to utilize our print textbook library and could decrease revenue. In addition, the transition to eTextbooks will greatly reduce the capital requirements that currently serve as a barrier to entry in the textbook distribution market, may result in increased competition and may require us to make significant changes to our business model.

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To expand our connected learning platform and diversify our sources of revenue, in recent years we have added and plan to continue to add new products and services to our platform, which will require substantial investment. The products and services we develop or acquire may not achieve market success at levels that recover our investment or contribute to profitability. These non-print products and services are not as capital intensive as our print textbook rental service, which lowers the barriers to entry for existing and future competitors and allows for even more rapid changes. Furthermore, the market for these other products and services is relatively new and may not develop as we expect. If the market for our products and services does not develop as we expect, or if we fail to address the needs of this market, our business will be harmed. We may not be successful in executing on our evolving business model, and if we cannot provide an increasing number of products and services that students, colleges, universities or other academic institutions and brands find compelling, we will not be able to continue our recent growth and increase our revenue, margins and profitability. For all of these reasons, the evolution of our business model is ongoing and the future revenue and income potential of our business is uncertain.

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.

We derive a majority of our net revenues from print textbook rental and, to a lesser extent, sale transactions, which occur in large part during short periods of time around the commencement of the fall, winter and spring academic terms. In particular, we experience the largest increase in rental and sales volumes during the last two weeks of August and first two weeks of September and to a lesser degree in December and in January. The increased volume of orders that we have to process during these limited periods of time means that any shortfalls or disruptions in our business during these peak periods will have a disproportionately large impact on our annual operating results and the potential future growth of our business.

As a result of this seasonality, which corresponds to the academic calendar, our revenue fluctuates significantly quarter to quarter depending upon the timing of where we are in our rush cycle and sequential quarter-to-quarter comparisons of our revenue and operating results are not likely to be meaningful. In addition, our operating results for any given quarter cannot be used as an accurate indicator of our results for the year. In particular, we anticipate that our ability to accurately forecast financial results for future periods will be most limited at the time we present our second quarter financial results, which will generally occur midsummer and precede the fall rush. In addition, our non-print products and services are relatively new and, as a result, we have limited experience with forecasting revenues from them. If we fail to meet our forecasts or investor expectations regarding these future results, the value of your investment could decline.

During 2012, we generated approximately 23%, 20%, 25% and 32% of our net revenues during the first, second, third and fourth quarters, respectively. The fourth quarter is typically our highest performing quarter as we are recognizing a full quarter of revenue from peak volumes in August and September and partial revenue from peak volumes in December, while the second quarter typically is our lowest performing quarter as students start their summer vacations and the volume of textbook rentals and sales and purchases of supplemental materials and Chegg Study decreases. Because of our reliance on the academic calendar, we expect this seasonal fluctuation of sequential revenue decline from the fourth to the first then second quarters, followed by sequential increases in the third and fourth quarters, to continue in future periods.

We base our operating expense budgets on expected net revenue trends. Operating expenses, similar to revenue and cost of revenues, fluctuate significantly quarter to quarter due to the seasonality of our business and are generally higher during the first and third quarters as we incur textbook acquisition, shipping, other fulfillment and marketing expense in connection with our peak periods at the beginning of each academic term. Because our revenue is concentrated in the fourth quarter and expenses are concentrated in the first and third quarters, we have experienced operating losses in the first and third quarters and operating income in the fourth quarter. As a result, sequential comparison of our financial results may not be meaningful. In addition, a portion

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of our expenses, such as office space and warehouse facility lease obligations and personnel costs, are largely fixed and are based on our expectations of our peak levels of operations. We may be unable to adjust spending quickly enough to offset any unexpected revenue shortfall. Accordingly, any shortfall in net revenues may cause significant variation in operating results in any quarter. If we are unable to accurately forecast and respond to student demand for textbooks, our reputation and brands will suffer and the market price of our common stock would likely decline.

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

The growth of our business depends on our ability to attract new students to use our products and services and to increase the level of engagement by existing students with our connected learning platform. The substantial majority of our revenue depends on small transactions made by a widely dispersed student population with an inherently high rate of turnover primarily as a result of graduation. In 2012, our average revenue per customer was approximately $108. Many of the students we desire to attract are accustomed to obtaining textbooks through bookstores or used booksellers. The rate at which we expand our student user base and increase student engagement with our platform may decline or fluctuate because of several factors, including:

- our ability to consistently provide students with a convenient, high quality experience for selecting, receiving and returning print textbooks;
- the pricing of our textbooks for rental or sale in relation to other alternatives, including the textbook prices offered by publishers or by other competing textbook rental providers;
- the quality and prices of the non-print products and services that we offer to students and those of our competitors;
- our ability to engage high school students with our College Admissions and Scholarship Services;
- changes in student spending levels;
- the effectiveness of our sales and marketing efforts;
- our ability to introduce new products and services that are favorably received by students; and
- the rate of adoption of eTextbooks and our ability to capture a significant share of that market.

If we do not attract more students to our connected learning platform and the products and services that we offer or if students do not increase their level of engagement with our platform, our revenue may grow more slowly than expected or decline. Many students use our print textbook service as a result of word-of-mouth advertising and referrals from students who have used this service in the past. If our efforts to satisfy our existing student user base are not successful, we may not be able to attract new students and, as a result, our revenues will be adversely affected.

Our failure to convince colleges and brands of the benefits of advertising on our platform or using our marketing services could harm our business.

Our business strategy includes increasing our revenue from enrollment marketing services and brand advertising. Colleges and brands may view our connected learning platform as experimental and unproven. They may not do business with us, or may reduce the amounts they are willing to spend to advertise with us, if we do not deliver ads, sponsorships and other commercial content and marketing programs in an effective manner, or if they do not believe that their investment in advertising with us will generate a competitive return relative to other alternatives. Our ability to grow the number of colleges that use our enrollment marketing services and brands that use our brand advertising, and ultimately to generate advertising and marketing services revenue, depends on a number of factors, including:

- competing effectively for advertising and marketing dollars from colleges, brands, online marketing and media companies and advertisers, as the case may be;

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- penetrating the market for student-focused advertising;
- successfully developing a platform that can deliver advertising and marketing services across multiple channels, including print, email, personal computer and mobile and other connected devices;
- our ability to improve our analytics and measurement solutions to demonstrate the value of our advertising and marketing services;
- maintaining the retention, growth and engagement of our student user base;
- loss of advertising and marketing services market share to competitors;
- adverse legal developments relating to data privacy, advertising or marketing services, legislation and regulation and litigation;
- adverse media reports or other negative publicity involving us or other companies that utilize online platforms for advertising and marketing purposes;
- our inability to create new products that sustain or increase the value of our advertising and marketing services and other commercial content;
- changes in the way online advertising and marketing services are priced; and
- the impact of macroeconomic conditions and conditions in the advertising industry and higher education in general.

We intend to offer new products and services to students to grow our business. If our efforts are not successful, our business could be adversely affected.

Our ability to attract and retain students and increase their engagement with our platform depends on our ability to connect them with the product, person or service they need to save time, save money and get smarter. Part of our strategy is to offer students new products and services in an increasingly relevant and personalized way. We may develop such products and services independently, by acquisition or in conjunction with developers and other third parties. The markets for these new or enhanced products and services may be unproven, and these products may include technologies with which we have little or no prior development or operating experience or may significantly change our existing products and services. If our new or enhanced products and services fail to engage our students, or if we are unable to obtain content from third parties that students want, we may fail to grow our student base or generate sufficient revenue, operating margin or other value to justify our investments, and our business may be adversely affected. In the future, we may invest in new products and services and other initiatives to generate revenue, but there is no guarantee these approaches will be successful. Acquisition of new companies and products creates integration risk, while development of new products and services and enhancements to existing products and services involves significant time, labor and expense and is subject to risks and challenges including managing the length of the development cycle, entry into new markets, integration into our existing business, regulatory compliance, evolution in sales and marketing methods and maintenance and protection of intellectual property and proprietary rights. If we are not successful with our new products and services, we may not be able to maintain or increase our revenue as anticipated or recover any associated development costs, and our financial results could be adversely affected.

If our efforts to build a strong brand are not successful, we may not be able to grow our student base, which could adversely affect our operating results.

We believe our brand is a key asset of our business. Developing, protecting and enhancing the Chegg brand is critical to our ability to expand our student base and increase student engagement with our platform. A strong brand also helps to counteract the significant student turnover we experience from year to year as students graduate.

To succeed in our efforts to strengthen brand identity, we must, among other activities:

maintain our reputation as a trusted source of content and services for students;

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- maintain the quality of and improve our existing products and services;
- continue to introduce products and services that are favorably received;
- adapt to changing technologies;
- protect our students data, such as passwords, personally identifiable information and credit card data;
- protect our trademark and other intellectual property rights;
- continue to expand our reach to students in high school, graduate school and internationally;
- ensure that the content posted to our website by students is reliable and does not infringe on third-party copyrights or violate other applicable laws, our terms of use or the ethical codes of those students colleges;
- adequately address students concerns with our products and services; and
- convert and fully integrate the brands and students that we acquire, including the Zinch brand and the students who use Zinch.com, into the Chegg brand and Chegg.com.

Our ability to successfully achieve these goals is not entirely within our control and we cannot assure you that we will be able to maintain the strength of our brand or do so in a cost effective manner. Factors that could negatively affect our brand include:

- changes in student sentiment about the quality or usefulness of our products and services;
- concern from colleges about the ways students use our content offerings, such as our 24/7 Online Study Help service;
- brand conflict between acquired brands and the Chegg brand;
- student concerns related to privacy and the way in which we use student data as part of our products and services;
- students misuse of our products and services in ways that violate our terms of services, applicable laws or the code of conduct at their colleges; and
- technical or other problems that prevent us from delivering our products and services in a rapid and reliable manner or that otherwise affect the student experience on our website.

Our future revenue depends 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.

We are dependent on the acquisition of new students from a high school and college student population that has an inherently high rate of turnover primarily due to graduation. Most incoming college students will not have previously used products and services like the ones we provide. We rely heavily on word-of-mouth and other marketing channels, including online advertising, search engine marketing and social media. The student demographic is characterized by rapidly changing tastes, preferences, behavior and brand loyalty. Developing an enduring business model to serve this population is particularly challenging. Our ability to attract new students depends not only on investment in our brand and our marketing efforts, but on the perceived value of our products and services versus competing alternatives among our extremely price conscious student user base. If our marketing initiatives are not successful or become less effective, or if the cost of such initiatives were to significantly increase, we may not be able to attract new students as successfully or efficiently and, as a result, our revenue and results of operations would be adversely affected. Even if our marketing initiatives succeed in establishing brand awareness and loyalty, if we are unable to offer competitive pricing to students for our products and services, we may be unable to maintain and grow our student user base.

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.

We have expanded rapidly since we launched our online print textbook rental service in 2007. We anticipate further expanding our operations to offer additional products, services and content to students to help grow our student user base and to take advantage of favorable market opportunities. As we grow, our operations and the technology infrastructure we use to manage and account for our operations will become more complex, and managing these aspects of our business will become more challenging. Any future expansion will likely place significant demands on our resources, capabilities and systems, and we may need to develop new processes and procedures and expand the size of our infrastructure to respond to these demands. If we are not able to respond effectively to new and increasingly complex demands that arise because of the growth of our business, or, if in responding to such demands, our management is materially distracted from our current operations, our business may be adversely affected.

We may not realize the anticipated benefits of acquisitions, which could disrupt our business and harm our financial condition and results of operations.

As part of our business strategy, we have made and intend to make acquisitions to add specialized employees, complementary businesses, products, services or technologies. Realizing the benefits of acquisitions depends, in part, on our successful integration of acquired companies including their technologies, products, services, operations and personnel in a timely and efficient manner. We may incur significant costs integrating acquired companies and if our integration efforts are not successful we may not be able to offset our acquisition costs. Acquisitions involve many risks, including the following:

- an acquisition may negatively impact our results of operations because it
  - may require us to incur charges and substantial debt or liabilities,
  - may cause adverse tax consequences, substantial depreciation or deferred compensation charges,
  - may result in acquired in-process research and development expenses or in the future may require the amortization, write-down or impairment of amounts related to deferred compensation, goodwill and other intangible assets, or
  - may give rise to various litigation risks;
- we may not generate sufficient financial return to offset acquisition costs;
- we may encounter difficulties or unforeseen expenditures in integrating the business, technologies, products, operations and personnel of any company that we acquire, particularly if key personnel of the acquired company decide not to work for us;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;
- an acquisition may result in a delay in adoption rates or reduction in engagement rates for our products and services and those of the company acquired by us due to student uncertainty about continuity and effectiveness of service from either company;

- we may encounter difficulties in, or may be unable to, successfully sell or otherwise monetize any acquired products; and

- an acquisition may involve the entry into geographic or business markets in which we have little or no prior experience.

We have completed six acquisitions, starting in July 2010. Acquisitions can be complex and time consuming to integrate. For example, we are currently in the process of transitioning Zinch users to the Chegg platform and integrating the Zinch brand into Chegg. We may not successfully transition these users to the Chegg platform.

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In addition, we have made, and may make in the future, acquisitions that we later determine are not complementary with our evolving business model. For example, in 2011 we acquired, but later decided not to integrate into our business, Notehall and Student of Fortune and, as a result, in 2012 recorded an aggregate impairment charge of $0.6 million related to the write-off of intangible assets from both acquisitions.

Litigation arising from claims and lawsuits against companies that we acquire could be time-consuming, costly and detrimental to our reputation. For example, shortly after our acquisition of Student of Fortune in September 2011, a consortium of five publishers threatened litigation against us and the founders of Student of Fortune for copyright infringement for acts that occurred prior to the acquisition date. We settled the matter in October 2011. In February 2013, Apollo Group and University of Phoenix filed a complaint against us, our Chief Executive Officer and others in the U.S. District Court for the Southern District of New York for copyright infringement relating to content uploaded by third parties and made available through the Student of Fortune website that occurred prior to and following the acquisition date. We settled this matter in June 2013. We also decided to discontinue the Student of Fortune business and shut down the website in August 2013. While these settlements have not had a material impact on our financial condition, we may be subject to similar lawsuits in the future, including in connection with our other services. The outcome of any such lawsuits may not be favorable to us and could have a material adverse effect on our financial condition.

We may pursue additional acquisitions in the future to add specialized employees, complementary companies, products or technologies. Our ability to acquire and integrate larger or more complex companies, products, or technologies in a successful manner is unproven. We may not be able to find suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. To finance any future acquisitions we may issue equity, which could be dilutive, or debt, which could be costly and require substantial restrictions on the conduct of our business. If we fail to successfully complete any acquisitions, integrate the services, products or technologies associated with such acquisitions into our company, or identify and address liabilities associated with the acquired business or assets, our business, revenue and operating results could be adversely affected. Any future acquisitions we complete may not achieve our goals.

Our operating results are expected to be difficult to predict based on a number of factors.

We expect our operating results to fluctuate in the future based on a variety of factors, many of which are outside our control and are difficult to predict. As a result, period-to-period comparisons of our operating results may not be a good indicator of our future or long-term performance. The following factors may affect us from period-to-period and may affect our long-term performance:

- our ability to attract students and increase their engagement with our platform, particularly at the beginning of each academic term;
- the rate of adoption of our non-print products and services;
- our ability to manage our fulfillment processes to handle significant increases in the number of students and student selections, both in peak periods and resulting in potential growth in the volume of transactions over time;
- our ability to successfully utilize the Student Graph to target sales of complementary products and services;
- changes by our competitors to their product and service offerings;
- price competition and our ability to react appropriately to such competition;
- our ability to manage our textbook library;

disruptions to our internal computer systems and our fulfillment information technology infrastructure, particularly during peak periods;

the effectiveness of our shipping center and those of our partners, particularly in peak periods;

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the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure;

our ability to successfully manage the integration of operations and technology resulting from acquisitions;

governmental regulation and taxation policies; and

general economic conditions and economic conditions specific to higher education.

We purchase and price textbooks based on anticipated levels of demand and other factors that we estimate based on historical experience and various other assumptions. If actual results differ materially from our estimates, our gross margins may decline.

We typically plan our textbook purchases based on factors such as pricing, our demand forecast for the most popular titles, estimated timing of edition changes, estimated utilization levels and planned liquidations of stale, old or excess titles in our textbook library. These factors are highly unpredictable and can fluctuate substantially, especially if pricing competition becomes more intense or demand is reduced due to seasonality or other factors, including increased use of eTextbooks. We rely on a proprietary model to analyze and optimize our purchasing decisions and rely on inputs from third parties including publishers, distributors, wholesalers and colleges to make our decisions. We also rely on students to return print textbooks to us in a timely manner and in good condition so that we can re-rent or sell those textbooks. If the information we receive from third parties is not accurate or reliable, if students fail to return books to us or return damaged books to us, or if we for any other reason anticipate inaccurately and acquire insufficient copies of specific textbooks, we may be unable to satisfy student demand or we may have to incur significantly increased cost in order to do so, in which event our student satisfaction and results of operations could be affected adversely. Conversely, if we attempt to mitigate this risk and acquire more copies than needed to satisfy student demand, then our textbook utilization rates would decline and our gross margins would be affected adversely.

When deciding whether to offer a textbook for rent and the price we charge for that rental, we also must weigh a variety of factors and assumptions and if our judgments or assumptions are incorrect our gross margins may be adversely affected. Certain textbooks cost us more to acquire depending on the source from which they are acquired and the terms on which they are acquired. We must factor in some projection of the number of rentals we will be able to achieve with such textbooks and at what rental price, among other factors, to determine whether we believe it will be profitable to acquire such textbooks and offer them for rent. If the textbooks we acquire are lost or damaged prematurely we may not be able to recover our costs or generate revenue on those textbooks. If we are unable to effectively make decisions about whether to acquire textbooks and the price we charge to rent those textbooks, including if the assumptions upon which our decisions are made prove to be inaccurate, our gross margins may decline significantly.

We may need additional capital, and we cannot be sure that additional financing will be available.

Our print textbook business is highly capital intensive. Historically, our use of cash to invest in our textbook library has substantially exceeded the cash we have generated from our operations. We have funded our operating losses and capital expenditures through proceeds from equity and debt financings, equipment leases and cash flow from operations. Although we currently anticipate that our available funds and cash flow from operations will be sufficient to meet our cash needs for the foreseeable future, we may require additional financing, particularly if the investment required to fund our print textbook business is greater than we anticipated or we choose to invest in new technologies or complementary businesses or change our business model. Our ability to obtain financing will depend, among other things, on our development efforts, business plans, operating performance and condition of the capital markets at the time we seek financing. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our Common Stock, and our stockholders may experience substantial dilution.

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If our relationships with the shipping providers, publishers, wholesalers or distributors that deliver textbooks directly to our students are terminated or impaired, if shipping costs increase or if these vendors are unable to timely deliver textbooks to our students, our business and results of operations could be substantially harmed.

We predominantly rely on United Parcel Service, or UPS, to deliver textbooks from our textbook warehouse and to return textbooks to us from our students. To a lesser extent we rely on FedEx for delivery of print textbook rentals and on publishers, distributors and wholesalers to fulfill textbook sales orders and liquidations. We are subject to carrier disruptions and increased costs due to factors that are beyond our control, including labor difficulties, inclement weather, increased fuel costs and other rising costs of transportation and terrorist activity. If the delivery failures or delays or damage rates for our textbooks increase as a result of any such factors, this would increase our cost to deliver textbooks. In addition, if our shipping vendors increased shipping costs for our textbooks, our gross profit could be affected adversely if we elect not to raise our rental rates to offset the increase. If UPS were to limit its services or delivery areas, such as by the discontinuation of Saturday delivery service, our ability to timely deliver textbooks could diminish, and our student satisfaction could be adversely affected. If our relationships with our shipping vendors are terminated or impaired or if our shipping vendors are unable to deliver merchandise for us, we would be required to rely on alternative carriers for delivery and return shipments of textbooks to and from students. We may be unable to sufficiently engage alternative carriers on a timely basis or on terms favorable to us, if at all. If we fail to timely deliver textbooks to students, they could become dissatisfied and discontinue their use of our service, which could adversely affect our operating results.

We face significant competition in each aspect of our business, and we expect such competition to increase, particularly in the market for textbooks.

Our products and services compete for students, colleges and advertisers and we expect such competition to increase, as described below.

Products and Services for Students. The market for textbooks and supplemental materials is intensely competitive and subject to rapid change. We face competition from college bookstores, some of which are operated by Follet and Barnes & Noble, online marketplaces such as Amazon.com, eBay.com and Half.com and providers of eTextbooks such as Apple iTunes, CourseSmart, Blackboard and Google, as well as various private textbook rental websites. Many students purchase from multiple textbook providers, are highly price sensitive and can easily shift spending from one provider or format to another. As a consequence, our print textbook business competes primarily on price. Our eTextbook business competes on price, selection and the functionality and the compatibility of our eTextbook Reader across a wide variety of desktop and mobile devices. With respect to the other non-print products and services that we offer to students, our competitors include companies that offer students study materials and educational content such as publishers, Web Assign and other smaller tutorial services.

Enrollment Marketing Services. With respect to our enrollment marketing services, we compete against traditional methods of student recruitment, including student data providers such as The College Board, radio, television and Internet advertising and print mail marketing programs. In this area, we compete primarily on the basis of the number of high quality connections between prospective students and institutions of higher learning we are able to provide as well as on price.

Brand Advertising. With respect to brands, we compete with online and offline outlets that generate revenue from advertisers and marketers, especially those that target high school and college students.

Our industry is evolving rapidly and is becoming increasingly competitive. Many of our competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we do. Some of our competitors have adopted, and may continue to adopt, aggressive pricing policies and devote substantially more resources to marketing, website and systems development than we do. In addition, a variety of business models are being pursued for the provision of print textbooks, some of which may be more profitable or successful than our business model. For example, a recent Supreme Court decision may make it easier for third parties to import low-cost gray market textbooks for resale in the United States, and these textbooks may compete with our offerings. In addition, Follett has partnered with some colleges through its includED program, which allows schools to deliver required course materials directly to students by including them in the cost of college as part of tuition and fees. Such strategic alliances may eliminate our ability to compete favorably with our print textbook rental business because of the added convenience they offer to students, which may result in reduced textbook rentals, loss of market share and reduced revenue. In addition, our competitors also may form or extend strategic alliances with publishers that could adversely affect our ability to obtain textbooks on favorable terms. We face similar risks from strategic alliances by other participants in the education ecosystem with respect to the non-print products and services we offer. We may, in the future, establish alliances or relationships with other competitors or potential competitors. To the extent such alliances are terminated or new alliances and relationships are established, our business could be harmed.

We rely heavily on our proprietary technology to process deliveries and returns of our textbooks and to manage other aspects of our operations. The failure of this technology to operate effectively, particularly during peak periods, could adversely affect our business.

We use complex proprietary software to process deliveries and returns of our textbooks and to manage other aspects of our operations, including systems to consider the market price for textbooks, general availability of textbook titles and other factors to determine how to buy textbooks and set prices for textbooks and other content in real time. We rely on the expertise of our engineering and software development teams to maintain and enhance the software used for our distribution operations. We cannot be sure that the maintenance and enhancements we make to our distribution operations will achieve the intended results or otherwise be of value to students. If we are unable to maintain and enhance our technology to manage the shipping of textbooks from and returns of textbooks to our warehouse in a timely and efficient manner, particularly during peak periods, our ability to retain existing students and to add new students may be impaired.

Any significant disruption to our computer systems, especially during peak periods, could result in a loss of students and a decrease in revenue.

We rely on computer systems housed in two facilities, one located on the East Coast and one located on the West Coast, to manage our operations. We have experienced and expect to continue to experience periodic service interruptions and delays involving our systems. While we maintain a live fail-over capability that would allow us to switch our operations from one facility to another in the event of a service outage, that process could still result in service interruptions. These service interruptions could have a disproportionate effect on our operations if they were to occur during one of our peak periods. Our facilities are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They also are subject to break-ins, sabotage, intentional acts of vandalism, the failure of physical, administrative and technical security measures, terrorist acts, natural disasters, human error, the financial insolvency of our third-party vendors and other unanticipated problems or events. The occurrence of any of these events could result in interruptions in our service and unauthorized access to, theft or alteration of, the content and data contained on our systems. We also rely on systems and infrastructure of the Internet to operate our business and provide our services. Interruptions in our own systems or in the infrastructure of the Internet could hinder our ability to operate our business, damage our reputation or brand and result in a loss of students, colleges or brands which could harm our business, results of operations and financial condition.

We rely on third-party software and service providers, including Amazon Web Services, or AWS, to provide systems, storage and services for our website. Any failure or interruption experienced by such third parties could result in the inability of students to use our products and services and result in a loss of revenue.

We rely on third-party software and service providers, including AWS, to provide systems, storage and services for our website. Any technical problem with, cyber-attack on, or loss of access to such third parties systems, servers or technologies could result in the inability of our students to rent or purchase print textbooks, interfere with access to our digital content and other online products and services or result in the theft of end-user

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personal information. For example, AWS experienced a service disruption during the second quarter of 2012, which affected some aspects of the delivery of our products and services for approximately one day. While this particular event did not adversely impact our business, a similar outage of a longer duration or during peak periods could.

Our reliance on AWS makes us vulnerable to any errors, interruptions, or delays in their operations. Any disruption in the services provided by AWS could harm our reputation or brand or cause us to lose students or revenue or incur substantial recovery costs and distract management from operating our business. AWS may terminate its agreement with us upon 30 days notice. Upon expiration or termination of our agreement with AWS, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, that are favorable to us, and a transition from one vendor to another vendor could subject us to operational delays and inefficiencies until the transition is complete.

Increased activity during peak periods places substantially increased strain on our operations and any failure to deliver our products and services during these periods will have an adverse effect on our operating results and financial condition.

We expect a disproportionate amount of activity to occur on our website at the beginning of each academic term as students search our textbook catalog and place orders for course materials. If too many students access our website within a short period of time due to increased demand, we may experience system interruptions that make our website unavailable or prevent us from efficiently fulfilling rental orders, which may reduce the volume of textbooks we are able to rent or sell and may also impact our ability to sell marketing services to colleges and brands. If our platform is unavailable when students attempt to access it or it does not load as quickly as they expect, we may not rent or sell as many textbooks or services. In addition, during peak periods, we utilize independent contractors and temporary personnel to supplement our workforce. Competition for qualified personnel has historically been intense, and we may be unable to adequately staff our warehouse or student advocacy organizations during these peak periods. Moreover, UPS and FedEx, the third-party carriers that we rely on to deliver textbooks to students, and publishers, wholesalers and distributors that ship directly to our students may be unable to meet our shipping and delivery requirements during peak periods. Any such disruptions to our business could cause our customers to be dissatisfied with our products and services and have an adverse effect on our revenue.

Computer malware, viruses, hacking, phishing attacks and spamming could harm our business and results of operations.

Computer malware, viruses, physical or electronic break-ins and similar disruptions could lead to interruptions and delays in our service and operations and loss, misuse or theft of data. Computer malware, viruses, computer hacking and phishing attacks against online networking platforms have become more prevalent and may occur on our systems in the future. We believe that we could be a target for such attacks because of the incidence of hacking among students.

Any attempts by hackers to disrupt our website service or our internal systems, if successful, could harm our business, be expensive to remedy and damage our reputation or brand. Our network security business disruption insurance may not be sufficient to cover significant expenses and losses related to direct attacks on our website or internal system. Efforts to prevent hackers from entering our computer systems are expensive to implement and may limit the functionality of our services. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security and availability of our products and technical infrastructure may harm our reputation, brand and our ability to attract students to our website. Any significant disruption to our website or internal computer systems could result in a loss of students, colleges or brands and, particularly if disruptions occur during the peak periods at the beginnings of each academic term, could adversely affect our business and results of operations.

We may not timely and effectively scale and adapt our existing technology and network infrastructure to ensure that our platform is accessible and delivers a satisfactory user experience to students.

It is important to our success that students be able to access our platform at all times. We have previously experienced, and may in the future experience, service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints due to an overwhelming number of students accessing our platform simultaneously.

If our platform is unavailable when students attempt to access it or it does not load as quickly as they expect, students may seek other services to obtain the information for which they are looking and may not return to our platform as often in the future, or at all. This would negatively impact our ability to attract students and brands and the frequency with which they use our website and mobile applications.

Our platform functions on software that is highly technical and complex and may now or in the future contain undetected errors, bugs, or vulnerabilities. Some errors in our software code may only be discovered after the code has been deployed. Any errors, bugs, or vulnerabilities discovered in our code after deployment, inability to identify the cause or causes of performance problems within an acceptable period of time or difficultly maintaining and improving the performance of our platform, particularly during peak usage times, could result in damage to our reputation or brand, loss of students, colleges and brands, loss of revenue, or liability for damages, any of which could adversely affect our business and financial results.

We expect to continue to make significant investments to maintain and improve the availability of our platform and to enable rapid releases of new features and products. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be harmed.

We have a disaster recovery program to transition our operating platform and data to a failover location in the event of a catastrophe and have tested this capability under controlled circumstances, however, there are several factors ranging from human error to data corruption that could materially lengthen the time our platform is partially or fully unavailable to our student user base as a result of the transition. If our platform is unavailable for a significant period of time as a result of such a transition, especially during peak periods, we could suffer damage to our reputation or brand, loss of students, colleges and brands or loss of revenue any of which could adversely affect our business and financial results.

Growing our student user base and their engagement with our platform through mobile devices depends upon the effective operation of our mobile applications with mobile operating systems, networks and standards that we do not control.

There is no guarantee that students will use our mobile applications, such as the mobile version of our website, m.chegg.com, Chegg Flashcards and Chegg Guided Solutions, rather than competing products. We are dependent on the interoperability of our mobile applications with popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade our products functionality or give preferential treatment to competitive products could adversely affect the usage of our applications on mobile devices. Additionally, in order to deliver high quality mobile products, it is important that our products work well with a range of mobile technologies, systems, networks and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks or standards. In the event that it is more difficult for students to access and use our application on their mobile devices, or if students choose not to access or use our applications on their mobile devices or use mobile products that do not offer access to our applications, our student growth and student engagement levels could be harmed.

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If we are not able to maintain the compatibility of our eTextbook Reader with third-party operating systems, demand for our eTextbooks may decline and have an adverse effect on our operating results.

Our eTextbook Reader is designed to provide students with access to eTextbooks from any device with an Internet connection and an Internet browser, including PCs, iPads, Kindles, Nooks and mobile phones. Our eTextbook Reader can be used across a variety of third-party operating systems. If we are not able to maintain the compatibility of our eTextbook Reader with third-party operating systems, demand for our eTextbooks could decline and revenue could be adversely affected. We may desire in the future to make our eTextbook Reader compatible with new or existing third-party operating systems that achieve popularity within the education marketplace, and these third-party operating systems may not be compatible with our designs. Any failure on our part to modify our applications to ensure compatibility with such third-party operating systems could reduce demand for our products and services.

If the transition from print to digital distribution does not proceed as we expect, our business and financial condition may be adversely affected.

Our print textbook rental distribution model requires us to make substantial investments in our textbook library based on our expectations regarding numerous factors, including ongoing demand for these titles in print form. To realize a return on these investments, we must rent each purchased textbook multiple times, and as such, we are exposed to the risk of carrying excess or obsolete textbooks. The textbook distribution market has begun shifting toward digital distribution. If demand for eTextbooks accelerates more rapidly than we expect, we could be required to write-off excess print textbooks for which the rental demand has eroded. Further, our sale of used print textbooks represents a substantial source of cash from investing activities, and a substantial diminution on the value of these assets due to a shift in demand toward digital, or any other reason, could materially and adversely affect our financial condition. Conversely, if the transition to digital distribution of textbooks does not gain market acceptance as we expect, our capital requirements over the long-term may be greater than we expect and our opportunities for growth may be diminished. In that case, we may need to raise additional capital, which may not be available on reasonable terms, or at all, and we may not realize the potential long-term benefits of a shift to digital distribution, including greater pricing flexibility, the ability to distribute a larger library of eTextbooks compared to print textbooks and lower cost of revenues.

If publishers refuse to grant us distribution rights to digital content on acceptable terms or terminate their agreements with us, or if we are unable to adequately protect their digital content rights, our business could be adversely affected.

We rely on licenses from publishers to distribute eTextbooks to our customers. We do not have long-term contracts or arrangements with most publishers that guarantee the availability of eTextbooks. If we are unable to secure and maintain rights to distribute eTextbooks to students upon terms that are acceptable to us, or if publishers terminate their agreements with us, we would not be able to acquire eTextbooks from other sources and our ability to attract new students and retain existing students could be adversely impacted. Some of our licenses give the publisher the right to withdraw our rights to distribute eTextbooks without cause and/or give the publisher the right to terminate the entire license agreement without cause. If a publisher exercised such a right, this could adversely affect our business and financial results. Moreover, to the extent we are able to secure and maintain rights to distribute eTextbooks, our competitors may be able to obtain the same rights on more favorable terms.

In addition, our ability to distribute eTextbooks depends on publishers belief that we include effective digital rights management technology to control access to digital content. If the digital rights management technology that we use is compromised or otherwise malfunctions, we could be subject to claims, and publishers may be unwilling to include their content in our service. If consumers are able to circumvent the digital rights management technology that we use, they may acquire unauthorized copies of the textbooks that they would otherwise rent from us, which could decrease our textbook rental volume and adversely affect our results of operations.

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If Internet search engines methodologies are modified or our search result page rankings decline for other reasons, student engagement with our website could decline.

We depend in part on various Internet search engines, such as Google, Bing and Yahoo!, to direct a significant amount of traffic to our website. Similarly, we depend on providers of mobile application store fronts to allow students to locate and download our mobile applications that enable our service. Our ability to maintain the number of students directed to our website is not entirely within our control. Our competitors search engine optimization, or SEO, efforts may result in their websites receiving a higher search result page ranking than ours, or Internet search engines could revise their methodologies in an attempt to improve their search results, which could adversely affect the placement of our search result page ranking. If search engine companies modify their search algorithms in ways that are detrimental to our search result page ranking or in ways that make it harder for students to find our website, or if our competitors SEO efforts are more successful than ours, overall growth could slow, student engagement could decrease, and we could lose students. These modifications may be prompted by search engine companies entering the online networking market or aligning with competitors. Our website has experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of students directed to our website could harm our business and operating results.

Our core value of putting students first may conflict with the short-term interests of our business.

We believe that adhering to our core value of putting students first is essential to our success and in the best interests of our company and the long-term interests of our stockholders. In the past, we have forgone, and in the future we may forgo, short-term revenue opportunities that we do not believe are in the best interests of students, even if our decision negatively impacts our operating results in the short term. For example, we offer free services without advertising to students, such as our Courses service that require investment by us, in order to promote a more comprehensive solution. Our philosophy of putting the student first may cause us to make decisions that could negatively impact our relationships with publishers, colleges and brands, whose interests may not always be aligned with ours or those of our students. Our decisions may not result in the long-term benefits that we expect, in which case our level of student satisfaction and engagement, business and operating results could be harmed.

If we are required to discontinue certain of our current marketing activities, our ability to attract new students may be adversely affected.

Laws or regulations may be enacted which restrict or prohibit use of emails or similar marketing activities that we currently rely on. For example:

- the CAN-SPAM Act of 2003 and similar laws adopted by a number of states regulate unsolicited commercial e-mails, create criminal penalties for e-mails containing fraudulent headers and control other abusive online marketing practices;

- the Federal Trade Commission has guidelines that impose responsibilities on companies with respect to communications with consumers and impose fines and liability for failure to comply with rules with respect to advertising or marketing practices they may deem misleading or deceptive;

- the Telephone Consumer Protection Act of 1991, or TCPA, restricts telemarketing and the use of automated telephone equipment. The Act limits the use of automatic dialing systems, artificial or prerecorded voice messages and SMS text messages. It also applies to unsolicited text messages advertising the commercial availability of goods or services. Additionally, a number of states have enacted statutes that address telemarketing. For example, some states, such as California, Illinois and New York, have created do-not-call lists. Other states, such as Oregon and Washington, have enacted no rebuttal statutes that require the telemarketer to end the call when the consumer indicates that he or she is not interested in the product being sold. Restrictions on telephone marketing, including calls and text messages, are enforced by the Federal Trade Commission, the Federal Communications Commission, states and through the availability of statutory damages and class action lawsuits for violations of the TCPA.

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Even if no relevant law or regulation is enacted, we may discontinue use or support of these activities if we become concerned that students or potential students deem them intrusive or they otherwise adversely affect our goodwill and brand. If our marketing activities are curtailed, our ability to attract new students may be adversely affected.

Our business and growth may suffer if we are unable to hire and retain key personnel.

We depend on the continued contributions of our senior management and other key personnel. In particular, we rely on the contributions of our Chief Executive Officer, Dan Rosensweig. All of our executive officers and key employees are at-will employees, meaning they may terminate their employment relationship at any time. If we lose the services of one or more members of our senior management team or other key personnel, or if one or more of them decides to join a competitor or otherwise compete directly or indirectly with us, we may not be able to successfully manage our business or achieve our business objectives. Our future success also depends on our ability to identify, attract and retain highly skilled technical, managerial, finance and media procurement personnel. Qualified individuals are in high demand, particularly in the San Francisco Bay Area where our executive offices are located, and we may incur significant costs to attract them. If we are unable to attract or retain the personnel we need to succeed, our business may suffer.

Our failure to comply with the terms of our revolving credit facility or term loan facility could have a material adverse effect on us.

In August 2013, we entered into a new $50.0 million revolving credit facility and drew down $21.0 million to repay in full our previously outstanding term loan facility with a different financial institution. In October 2013, we drew down an additional $10.0 million for general corporate purposes. If we default on our credit obligations, our lenders may, among other things, require immediate repayment of amounts drawn on our credit facilities, terminate our credit facilities or require us to pay significant fees, penalties or damages.

The agreements governing our indebtedness contain various covenants, including those that restrict our ability to, among other things:

- borrow money and guarantee or provide other support for indebtedness of third-parties;
- pay dividends on, redeem or repurchase our capital stock;
- make investments in entities that we do not control, including joint ventures;
- consummate a merger, consolidation or sale of all or substantially all of our assets;
- enter into certain asset sale transactions;
- enter into secured financing arrangements;
- enter into sale and leaseback transactions; and
- enter into unrelated businesses.

These covenants may limit our ability to effectively operate our businesses. Any failure to comply with the restrictions of any agreement governing our other indebtedness may result in an event of default under those agreements.

Government regulation of education and student information is evolving, and unfavorable developments could have an adverse effect on our operating results.

We are subject to regulations and laws specific to the education sector because we offer our products and services to students and collect data from students. Such laws and regulations cover privacy, data collection and protection and the protection of minors. For example, various U.S. and international laws restrict the distribution of materials considered harmful to children and impose additional restrictions on the ability of online services to collect information from minors. In the area of data protection, many states have passed laws requiring notification to users when there is a security breach for personal data, such as California s Information Practices Act.

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We cannot guarantee that we have been or will be fully compliant in every jurisdiction, as it is not entirely clear how existing laws and regulations governing colleges affect our business. Moreover, as the education industry continues to evolve, increasing regulation by federal, state and foreign agencies becomes more likely. The adoption of any laws or regulations that adversely affect the popularity or growth in use of the Internet particularly for educational services, including laws limiting the content that we can offer, may decrease demand for our service offerings and increase our cost of doing business. Future regulations, or changes in laws and regulations or their existing interpretations or applications, could also hinder our operational flexibility, raise compliance costs and result in additional historical or future liabilities for us, resulting in adverse impacts on our business and our operating results.

We collect, process, store and use personal information and data, which subjects us to governmental regulation and other legal obligations related to privacy, and our actual or perceived failure to comply with such obligations could harm our business.

In the ordinary course of business, and in particular in connection with merchandising our service to students, we collect, process, store and use personal information and data supplied by students, including credit card information. In the future, we may enable students to share their personal information with each other and with third parties and to communicate and share information into and across our platform. Other businesses have been criticized by privacy groups and governmental bodies for attempts to link personal identities and other information to data collected on the Internet regarding users browsing and other habits. There are numerous federal, state and local laws regarding privacy and the collection, storing, sharing, using, processing, disclosing and protecting of personal information and other user data, the scope of which are changing, subject to differing interpretations, and which may be costly to comply with and may be inconsistent between countries and jurisdictions or conflict with other rules.

We currently face certain legal obligations regarding the manner in which we treat such information. Increased regulation of data utilization practices, including self-regulation or findings under existing laws, or new regulations restricting the collection, use and sharing of information from minors under the age of 18, that limit our ability to use collected data could have an adverse effect on our business. In addition, if unauthorized access to our students data were to occur or if we were to disclose data about our student users in a manner that was objectionable to them, our business reputation and brand could be adversely affected, and we could face legal claims that could impact our operating results. Our reputation and brand and relationships with students would be harmed if our billing data were to be accessed by unauthorized persons.

We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection. However, state and other laws regarding privacy and data protection are rapidly evolving and may be inconsistent, and we could be deemed out of compliance as such laws and their interpretation change. Any failure or perceived failure by us to comply with our privacy policies, our privacy or data-protection obligations to students or other third parties, or our privacy or date-protection legal obligations, or any compromise of security that results in the unauthorized release or transfer of sensitive information, which may include personally identifiable information or other data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause students to lose trust in us, which could have an adverse effect on our business. Additionally, if third parties we work with, such as colleges and brands, violate applicable laws or our policies, such violations may also put our student users information at risk and could in turn have an adverse effect on our business.

Public scrutiny of Internet privacy issues may result in increased regulation and different industry standards, which could deter or prevent us from providing our current products and solutions to students, thereby harming our business.

The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, display, processing, transmission and security

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of personal information by companies offering online services have recently come under increased public scrutiny. The U.S. government, including the White House, the Federal Trade Commission and the Department of Commerce, are reviewing the need for greater regulation of the collection and use of information concerning consumer behavior with respect to online services, including regulation aimed at restricting certain targeted advertising practices. The FTC in particular has approved consent decrees resolving complaints and their resulting investigations into the privacy and security practices of a number on-line, social media companies. Similar actions may also impact us directly, particularly because high school students who use our College Admissions and Scholarship Services are typically under the age of 18. The FTC has also revised the rules under the Children s Online Privacy Protection Act effective July 1, 2013. Although, our services are not directed to children under 13, the FTC could decide that our site now or in the future has taken inadequate precautions to prevent children under 13 from accessing our site and providing us information.

The White House published a report calling for a consumer privacy Bill of Rights that could impact the collection of data, and the Department of Commerce seeks to establish a consensus-driven Do-Not-Track standard that could impact on-line and mobile advertising. The State of California and several other states have adopted privacy guidelines with respect to mobile applications. Our business, including our ability to operate internationally, could be adversely affected if legislation or regulations are adopted, interpreted, or implemented in a manner that is inconsistent with our current business practices and that require changes to these practices, the design of our websites, mobile applications, products, features or our privacy policy. In particular, the success of our business has been, and we expect will continue to be, driven by our ability to responsibly use the data that students share with us. Therefore, our business could be harmed by any significant change to applicable laws, regulations or industry standards or practices regarding the use or disclosure of data that students choose to share with us, or regarding the manner in which the express or implied consent of consumers for such use and disclosure is obtained. Such changes may require us to modify our products and features, possibly in a material manner, and may limit our ability to develop new products and features that make use of the data that we collect about our student users.

Our reputation and relationships with students would be harmed if our student users data, particularly billing data, were to be accessed by unauthorized persons.

We maintain personal data regarding our student users, including names and, in many cases, mailing addresses. We take measures to protect against unauthorized intrusion into our student users data. If, despite these measures, we or our payment processing services experience any unauthorized intrusion into our student users data, current and potential student users may become unwilling to provide the information to us necessary for them to engage with our platform, we could face legal claims and our business could be adversely affected. The breach of a third party s website, resulting in theft of user names and passwords, could result in the fraudulent use of that user login information on our platform. Similarly, if a well-publicized breach of the consumer data security of any other major consumer website were to occur, there could be a general public loss of confidence in the use of the Internet for commerce transactions which could adversely affect our business. In addition, we do not obtain signatures from students in connection with the use of credit cards by them. Under current credit card practices, to the extent we do not obtain cardholders signatures, we are liable for fraudulent credit card transactions, even when the associated financial institution approves payment of the orders. From time to time, fraudulent credit cards may be used. While we do have safeguards in place, we nonetheless may experience some loss from these fraudulent transactions. A failure to adequately control fraudulent credit card transactions would harm our business and results of operations.

If we become subject to liability for the Internet content that we publish or that is uploaded to our websites by students, our results of operations could be adversely affected.

As a publisher and distributor of online content, we face potential liability for negligence, copyright or trademark infringement or other claims based on the nature and content of materials that we publish or distribute. We also may face potential liability for content uploaded by students in connection with our community-related content or course reviews. If we become liable, then our business may suffer. Third parties may initiate litigation against us without warning. Others may send us letters or other communications that make allegations without

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initiating litigation. We have in the past and may in the future receive such communications, which we assess on a case-by-case basis. We may elect not to respond to the communication if we believe it is without merit or we may attempt to resolve disputes out-of-court by removing content or services we offer or paying licensing or other fees. If we are unable to resolve such disputes, litigation may result. Litigation to defend these claims could be costly and harm our results of operations. We cannot assure you that we are adequately insured to cover claims of these types or indemnified for all liability that may be imposed on us. Any adverse publicity resulting from actual or potential litigation may also materially and adversely affect our reputation, which in turn could adversely affect our results of operations.

In addition, the Digital Millennium Copyright Act has provisions that limit, but do not necessarily eliminate, our liability for caching or hosting, or for listing or linking to, third-party websites that include materials or other content that infringe copyrights or other intellectual property or proprietary rights, provided we comply with the strict statutory requirements of this Act. The interpretations of the statutory requirements of the Digital Millennium Copyright Act are constantly being modified by court rulings and industry practice. Accordingly, if we fail to comply with such statutory requirements or if the interpretations of the laws pertaining to this Act change, we may be subject to potential liability for caching or hosting, or for listing or linking to, third-party websites that include materials or other content that infringe copyrights or other intellectual property or proprietary rights.

In September 2011, a consortium of five publishers threatened litigation against us and the founders of Student of Fortune, which we had then recently acquired, for copyright infringement for acts that occurred prior to the acquisition date. We settled the matter in October 2011. In February 2013, Apollo Group and University of Phoenix filed a complaint against us, our Chief Executive Officer and others in the U.S. District Court for the Southern District of New York for copyright infringement relating to content uploaded by third parties and made available through the Student of Fortune website prior to and following the acquisition date. We settled this matter in June 2013. We also decided to discontinue the Student of Fortune business and shut down the website in August 2013. While these settlements have not had a material impact on our financial condition, we may be subject to similar lawsuits in the future, including in connection with our other services. The outcome of any such lawsuits may not be favorable to us and could have a material adverse effect on our financial condition.

Failure to protect or enforce our intellectual property and other proprietary rights could adversely affect our business and financial results.

We rely and expect to continue to rely on a combination of trademark, copyright, patent and trade secret protection laws, as well as confidentiality and license agreements with our employees, consultants and third parties with whom we have relationships to protect our intellectual property and proprietary rights. As of September 30, 2013, we had one patent and 36 patent applications pending, primarily in the United States. We own three U.S. registered copyrights and have unregistered copyrights in our eTextbook Reader software, software documentation, marketing materials and website content that we develop. We own the registered U.S. trademarks Chegg, Chegg.com, Chegg for Good, CourseRank, Cramster, Zinch and #1 In Textbook Rentals, among others, as well as a variety of service marks. We own over 250 registered domain names. We also have a number of pending trademark applications in the United States and foreign jurisdictions and unregistered marks that we use to promote our brand. From time to time we expect to file additional patent, copyright and trademark applications in the United States and abroad. Nevertheless, these applications may not be approved or otherwise provide the full protection we seek. Third parties may challenge any patents, copyrights, trademarks and other intellectual property and proprietary rights owned or held by us. Third parties may knowingly or unknowingly infringe, misappropriate or otherwise violate our patents, copyrights, trademarks and other proprietary rights, and we may not be able to prevent infringement, misappropriation or other violation without substantial expense to us.

Furthermore, we cannot guarantee that:

- our intellectual property and proprietary rights will provide competitive advantages to us;

our competitors or others will not design around our intellectual property or proprietary rights;

our ability to assert our intellectual property or proprietary rights against potential competitors or to settle current or future disputes will not be limited by our agreements with third parties;

our intellectual property and proprietary rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak;

any of the patents, trademarks, copyrights, trade secrets or other intellectual property or proprietary rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged or abandoned; or

we will not lose the ability to assert our intellectual property or proprietary rights against or to license our intellectual property or proprietary rights to others and collect royalties or other payments.

If we pursue litigation to assert our intellectual property or proprietary rights, an adverse decision in any of these legal actions could limit our ability to assert our intellectual property or proprietary rights, limit the value of our intellectual property or proprietary rights or otherwise negatively impact our business, financial condition and results of operations. If the protection of our intellectual property and proprietary rights is inadequate to prevent use or misappropriation by third parties, the value of our brand and other intangible assets may be diminished, competitors may be able to more effectively mimic our service and methods of operations, the perception of our business and service to customers and potential customers may become confused in the marketplace and our ability to attract customers may be adversely affected.

We are a party to a number of third-party intellectual property license agreements. For example, in 2012, we entered into an agreement with a textbook publisher that provides access to textbook solutions content for our Chegg Study service over a five-year term, for which we paid an upfront license fee. In addition, we have agreements with certain eTextbook publishers under which we incur non-refundable fees at the time we provide students access to an eTextbook. We cannot guarantee that the third-party intellectual property we license will not be licensed to our competitors or others in our industry. In the future, we may need to obtain additional licenses or renew existing license agreements. We are unable to predict whether these license agreements can be obtained or renewed on acceptable terms, or at all. Any failure to obtain or renew such third-party intellectual property license agreements on commercially competitive terms could adversely affect our business and financial results.

We are, and may in the future be, subject to intellectual property claims, which are costly to defend and could harm our business and operating results.

From time to time, third parties have alleged and are likely to allege in the future that we or our business infringes, misappropriates or otherwise violates their intellectual property or proprietary rights. Many companies, including various non-practicing entities or patent trolls, are devoting significant resources to developing or acquiring patents that could potentially affect many aspects of our business. There are numerous patents that broadly claim means and methods of conducting business on the Internet. We have not exhaustively searched patents related to our technology.

Third parties may initiate litigation against us without warning. Others may send us letters or other communications that make allegations without initiating litigation. We have in the past and may in the future receive such communications, which we assess on a case-by-case basis. We may elect not to respond to the communication if we believe it is without merit or we may attempt to resolve disputes out-of-court by electing to pay royalties or other fees for licenses. If we are forced to defend ourselves against intellectual property claims, whether they are with or without merit or are determined in our favor, we may face costly litigation, diversion of technical and management personnel, inability to use our current website or inability to market our service or merchandise our products. As a result of a dispute, we may have to develop non-infringing technology, enter into licensing agreements, adjust our merchandizing or marketing activities or take other action to resolve the claims. These actions, if required, may be unavailable on terms acceptable to us, or may be costly or unavailable. If we are unable to obtain sufficient rights or develop non-infringing intellectual property or otherwise alter our business practices, as appropriate, on a timely basis, our reputation or brand, our business and our competitive position may be affected adversely and we may be subject to an injunction or be required to pay or incur substantial damages and/or fees.

In addition, we use open source software in connection with certain of our products and services. Companies that incorporate open source software into their products have, from time to time, faced claims challenging the ownership of open source software and/or compliance with open source license terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software or noncompliance with open source licensing terms. Some open source software licenses require users who distribute or use open source software as part of their software to publicly disclose all or part of the source code to such software and/or make available any derivative works of the open source code on unfavorable terms or at no cost. Any requirement to disclose our proprietary source code or pay damages for breach of contract could have a material adverse effect on our business, financial condition and results of operations.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and proprietary information.

We have devoted substantial resources to the development of our intellectual property and proprietary rights. In order to protect our intellectual property and proprietary rights, we rely in part on confidentiality agreements with our employees, book vendors, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

If we are unable to protect our domain names, our reputation and brand could be adversely affected.

We currently hold various domain names relating to our brand, including Chegg.com. Failure to protect our domain names could affect adversely our reputation and brand and make it more difficult for students to find our website, our content and our services. The acquisition and maintenance of domain names generally are regulated by governmental agencies and their designees. The regulation of domain names in the United States may change in the near future. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar intellectual property and proprietary rights is unclear. We may be unable to prevent third parties from acquiring and using domain names that are similar to, infringe upon or otherwise decrease the value of our brand name, trademarks or other intellectual property or proprietary rights.

Our wide variety of accepted payment methods subjects us to third-party payment processing-related risks.

We accept payments from students using a variety of methods, including credit cards, debit cards and PayPal. As we offer new payment options to students, we may be subject to additional regulations, compliance requirements and incidents of fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profit margins. For example, we have in the past experienced higher transaction fees from our third-party processors as a result of chargebacks on credit card transactions.

We rely on third parties to provide payment processing services, including the processing of credit cards and debit cards. If these companies become unwilling or unable to provide these services to us, our business could be

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disrupted. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to additional fines and higher transaction fees and lose our ability to accept credit and debit card payments from our students, process electronic funds transfers or facilitate other types of online payments, and our business and operating results could be adversely affected.

Students use and earn a virtual reward currency through our 24/7 Online Study Help service, which subjects us to increased risk of fraud and security breaches and may subject us to additional regulatory requirements in the future.

We use a virtual reward currency system to run our 24/7 Online Study Help service. Students use points to ask questions and students that answer those questions can earn points. A membership to our Chegg Study service includes 5,000 points a month. Points can be redeemed for rewards like iTunes, Starbucks or Target gift cards and discounts on textbook orders. While we develop and maintain systems to process, manage and authenticate our virtual reward currency, including systems to detect and prevent data breaches and fraudulent activity, the development and maintenance of these systems require ongoing monitoring and updating, and we may not be able to prevent breaches of our security measures. The possibility of security breaches and fraudulent or other malicious activities to gain access to our points system to fraudulently issue or obtain points cannot be eliminated entirely. We have, in the past, discovered fraudulent issuances of virtual reward currency, which did not result in any material disruption to our 24/7 Online Study Help service or adversely affect our operating results. However, if our systems are breached again and if actual or perceived fraud or other illegal activities involving our virtual reward currency were to rise due to the actions of third parties, employee error, malfeasance or otherwise, it could lead to student dissatisfaction, increased costs, damage to our reputation and brand and have a material adverse impact on our business.

In addition, if virtual reward assets are lost, or if students do not receive their purchased virtual reward currency, we may be required to issue refunds, receive negative publicity, lose students or become subject to regulatory investigation or class action litigation. Any of these problems could harm our reputation or cause us to lose students or revenue and distract management from operating our business.

Moreover, if existing laws or new laws regarding the regulation of currency and banking institutions were to be interpreted to cover virtual reward currency or goods, we may be required to seek licenses, authorizations or approvals from relevant regulators, the granting of which may be dependent on us meeting certain capital and other requirements, and we may be subject to additional regulation and oversight, all of which could significantly increase our operating costs.

Worsening or stagnant economic conditions and their effect on funding levels of colleges, spending behavior by students and advertising budgets, may adversely affect our business and operating results.

Our business is dependent on, among other factors, general economic conditions, which affect college funding, student spending and brand advertising. The economic downturn over the last several years has resulted in reductions in both state and federal funding levels at colleges across the United States, which has led to increased tuition and decreased amounts of financial aid offered to students. To the extent that the economy continues to stagnate or worsens, students may reduce the amount they spend on textbooks and other educational content, which could have a serious adverse impact on our business. In addition to decreased spending by students, the colleges and brands that use our marketing services have advertising budgets that are often constrained during periods of stagnant or deteriorating economic conditions. In a difficult economic environment, customer spending in each of our customer categories is likely to decrease, which could adversely affect our operating results and financial condition. A deterioration of the current economic environment may also have a material adverse effect on our ability to fund our growth and strategic business initiatives.

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Our international operations are subject to increased challenges and risks.

We have employees in Israel, India and the People s Republic of China, or China, and we expect to continue to expand our international operations in the future. However, we have limited operating history as a company outside the United States, and our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, tax systems, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. Operating internationally has required and will continue to require us to invest significant funds and other resources, subjects us to new risks and may increase the risks that we currently face, including risks associated with:

- recruiting and retaining talented and capable employees in foreign countries and maintaining our company culture across all of our offices;
- compliance with applicable foreign laws and regulations;
- compliance with anti-bribery laws including, without limitation, compliance with the Foreign Corrupt Practices Act;
- currency exchange rate fluctuations;
- political and economic instability; and
- higher costs of doing business internationally.

As part of our business strategy, we may make our products and services available in more countries outside of the U.S. market, where we are currently focused. The markets in which we may undertake international expansion may have educational systems, technology and online industries that are different or less well developed than those in the United States, and if we are unable to address the challenges of operating in international markets, it could have an adverse effect on our results of operations and financial condition.

Colleges and certain governments may restrict access to the Internet or our website, which could lead to the loss of or slowing of growth in our student user base and their level of engagement with our platform.

The growth of our business and our brand depends on the ability of students to access the Internet and the products and services available on our website. Colleges that provide students with access to the Internet either through physical computer terminals on campus or through wired or wireless access points on campus could block or restrict access to our website, content or services or the Internet generally for a number of reasons including security or confidentiality concerns, regulatory reasons, such as compliance with the Family Educational Rights and Privacy Act, which restricts the disclosure of student information, or concerns that certain of our products and services, such as Chegg Study, may contradict or violate their policies.

We depend in part on colleges to provide their students with access to the Internet. If colleges modify their policies in ways that are detrimental to the growth of our student user base or in ways that make it harder for students to use our website, or if our competitors are able to reach more students than us, the overall growth in our student user base could slow, student engagement could decrease, and we could lose revenue. Any reduction in the number of students directed to our website would harm our business and operating results.

In addition to our U.S. operations, we currently offer our college and university matching service, in China. The Chinese government may seek to restrict access to the Internet or to our website specifically and our content and services could be suspended, blocked (in whole or in part) or otherwise adversely impacted in China. Any restrictions on the use of our website by students could lead to the loss or slowing of growth in the number of students who use our platform or the level of student engagement.

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Our operations are susceptible to earthquakes, floods, rolling blackouts and other types of power loss. If these or other natural or man-made disasters were to occur, our operations and operating results would be adversely affected.

Our business and operations could be materially adversely affected in the event of earthquakes, blackouts or other power losses, floods, fires, telecommunications failures, break-ins, acts of terrorism, inclement weather, shelving accidents or similar events. Our executive offices are located in the San Francisco Bay area, an earthquake-sensitive area. In the recent past, California has experienced deficiencies in its power supply, resulting in occasional rolling blackouts. Our textbook warehouse is located in Shepardsville, Kentucky, which is adjacent to a flood zone. We store our textbook library in a single location in Kentucky and if floods, fire, inclement weather including extreme rain, wind, heat or cold or accidents due to human error were to occur and cause damage to our warehouse and our textbook library, our ability to fulfill orders for textbook rental and sales transactions would be materially and adversely affected and our results of operations would suffer, especially if such events were to occur during peak periods. We may not be able to effectively shift our operations due to disruptions arising from the occurrence of such events, and our business could be affected adversely as a result. Moreover, damage to or total destruction of our executive offices resulting from earthquakes may not be covered in whole or in part by any insurance we may have.

As a result of becoming a public company, we will be obligated to establish an internal audit function and develop and maintain proper and effective internal control over financial reporting. If we fail to do so in a timely manner, or our internal control over financial reporting is not determined to be effective, this may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We will be required, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for the first year beginning after the effective date of this offering. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an opinion on our internal control over financial reporting. Our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the Securities and Exchange Commission, or SEC, following the later of the date we are deemed to be an accelerated filer or a large accelerated filer, each as defined in the Securities Exchange Act of 1934, as amended, or Exchange Act, or the date we are no longer an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act. We will be required to disclose changes made in our internal controls and procedures on a quarterly basis. To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff.

We are in the early stages of the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404 of the Sarbanes-Oxley Act. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. In prior years, we have identified material weaknesses in our internal controls over financial reporting, and in connection with our 2012 audit we identified a significant deficiency in our internal controls over financial reporting related to our financial statement close process. The financial reporting errors resulting from this significant deficiency through September 30, 2013 have not, individually or in the aggregate, been material, but we are still in the process of remediating this deficiency. We may experience additional deficiencies in our internal controls in the future and these could be costly to remediate or result in inaccuracies in our financial statements.

If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC.

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We may be subject to greater than anticipated liabilities for income, property, sales and other taxes, and any successful action by federal, state, foreign or other authorities to collect additional taxes could adversely harm our business.

We are subject to regular review and audit by both U.S. federal and state and foreign tax authorities and such jurisdictions may assess additional taxes against us. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical tax provisions and accruals and could have a negative effect on our financial position and results of operations. For example, we are currently appealing the Kentucky Tax Authority s property tax assessment on our textbook library located in our Kentucky warehouse (see discussion below under Business Legal Proceedings). In addition, the taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing and allocating income from our intercompany transactions, which could increase our worldwide effective income tax rate. Further, we file sales tax returns in a number of states within the United States as required by law and collect and remit sales tax for some content owners. We do not collect sales or other similar taxes in some U.S. and foreign jurisdictions, with respect to some of our sale, rental or subscription transactions, because we believe that they do not apply to the relevant transactions. However, these and other tax laws and regulations are ambiguous or their application to our business is uncertain, and the interpretation of them may be subject to change. In addition, one or more states could seek to impose new or additional sales, use or similar tax collection and record-keeping obligations on us. Any successful action by federal, state, foreign or other authorities to impose or collect additional income or property taxes, or compel us to collect and remit sales, use or similar taxes, either retroactively, prospectively or both, could and harm our business, financial position and results of operations.

We may not be able to utilize a significant portion of our net operating loss or research tax credit carryforwards, which could adversely affect our profitability.

At December 31, 2012, we had federal and state net operating loss carryforwards due to prior period losses of approximately $90.0 million and $30.8 million, respectively, which if not utilized will begin to expire in 2025 and 2014 for federal and state purposes, respectively. At December 31, 2012, we also had federal tax credit carryforwards of approximately $0.5 million, which if not utilized will begin to expire in 2031, and state tax credit carryforwards of approximately $1.4 million, which do not expire. These net operating loss and research tax credit carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an ownership change. A Section 382 ownership change generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. This offering or future issuances of our stock could cause an ownership change. It is possible that any future ownership change could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability.

Risks Related to this Offering and Ownership of Our Common Stock

Our share price may be volatile and you may be unable to sell your shares at or above the offering price.

Prior to this offering, there has not been a public market for our common stock. We cannot predict the extent to which an active trading market will develop or how liquid that market might become. The initial public offering price for our shares was determined by negotiations between us, the selling stockholder and representatives of the underwriters and may not be indicative of prices that will prevail in the trading market. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares. The market price of shares of our common stock could be

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subject to wide fluctuations in response to many risk factors listed in this prospectus and others beyond our control, including:

- actual or anticipated fluctuations in our financial condition and operating results, including as a result of the seasonality in our business that results from the academic calendar;
- our announcement of actual results for a fiscal period that are higher or lower than projected results or our announcement of revenue or earnings guidance that is higher or lower than expected, including as a result of difficulty forecasting seasonal variations in our financial condition and operating results or the revenue generated by our non-print products and services;
- issuance of new or updated research or reports by securities analysts, including the publication of unfavorable reports or change in recommendation or downgrading of our common stock;
- announcements by us or our competitors of significant products or features, technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- actual or anticipated changes in our growth rate relative to our competitors;
- changes in the economic performance or market valuations of companies perceived by investors to be comparable to us;
- additional shares of our common stock being sold into the market by us or our existing stockholders or the anticipation of such sales, including if existing stockholders sell shares into the market when the applicable lock-up period ends;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- lawsuits threatened or filed against us;
- regulatory developments in our target markets affecting us, students, colleges or brands, publishers or our competitors;
- terrorist attacks or natural disasters or other such events impacting countries where we have operations; and
- general economic and market conditions.

Furthermore, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may cause the market price of shares of our common stock to decline. We believe our stock price may be particularly susceptible to volatility as the stock prices of technology and Internet companies have often been subject to wide fluctuations. If the market price of shares of our common stock after this offering does not exceed the initial public offering price, you may not realize any return on your investment in us and may lose some or all of your investment. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management s attention from other business concerns, which could seriously harm our business.

Substantial future sales of our common stock in the public market once the lock-up or market standoff period ends could cause our stock price to fall.

Additional sales of our common stock in the public market after this offering, or the perception that these sales could occur, could cause the market price of our common stock to decline. Upon the completion of this offering, we will have 81,728,265 shares of common stock outstanding. All 15,000,000 shares sold in this offering will be freely transferable without restriction or additional registration under the Securities Act of 1933, or the Securities Act, except for any shares purchased by our affiliates as defined in Rule 144 under the Securities Act or by immediate family members of our officers or directors in the directed share program. All of the remaining shares of common stock outstanding after this offering will be eligible for sale at various times beginning 180 days after the date of this prospectus upon the expiration of lock-up agreements as described below and subject to vesting requirements and the requirements of Rule 144 or Rule 701.

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Our directors, executive officers, holders of substantially all of our outstanding common stock (on a fully-diluted basis as of September 30, 2013 without giving effect to this offering) and purchasers in the directed share program who are immediate family members or our officers and directors have agreed with limited exceptions that they will not sell any shares of common stock owned by them without the prior written consent of J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of the underwriters, for a period of 180 days from the date of this prospectus.

At any time and without public notice, J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, may in their sole discretion release some or all of the securities from these lock-up agreements prior to the expiration of the lock-up period. As resale restrictions end, the market price of our common stock could decline if the holders of those shares sell them or are perceived by the market as intending to sell them. In addition, after this offering, the holders of an estimated 55,161,756 shares of common stock, which includes shares issuable upon exercise of warrants and shares issued upon conversion of our convertible preferred stock upon the completion of this offering, will be entitled to contractual rights by which they may require us to register those shares under the Securities Act. All of these shares are subject to a lock-up period for 180 days. Registration of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration statement. We also intend to file a registration statement on Form S-8 under the Securities Act to register approximately 34.6 million shares under our 2005 Stock Plan, 2013 Equity Incentive Plan and the equity plans we have assumed in connection with our acquisitions, as well as shares reserved for issuance under our 2013 Employee Stock Purchase Plan. For more information, see Shares Eligible For Future Sale.

Our insiders who are significant stockholders may control the election of our board of directors and may have interests that conflict with those of other stockholders.

Our directors, executive officers and holders of 5% of more of our common stock, together with their affiliates, beneficially owned, in the aggregate, approximately 69.8% of our outstanding capital stock as of September 30, 2013, and will beneficially own, in the aggregate, approximately 58.1% of our outstanding common stock immediately after this offering. As a result, acting together, this group has the ability to exercise significant control over most matters requiring our stockholders approval, including the election and removal of directors and significant corporate transactions. This concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could have a material adverse effect on our stock price and may prevent attempts by our stockholders to replace or remove our board of directors or management.

As a new investor, you will experience immediate and substantial dilution.

Purchasers in this offering will immediately experience substantial dilution in the net tangible book value of their shares. Because our common stock has in the past been sold at prices substantially lower than the initial public offering price that you will pay, you will suffer immediate dilution of $10.02 per share in net tangible book value. You will experience additional dilution upon exercise of options to purchase common stock and vesting of RSUs under our equity incentive plans, or if we otherwise issue additional share of our common stock.

Management may apply the net proceeds from this offering to uses that do not increase our market value or improve our operating results.

We intend to use the net proceeds from this offering for general corporate purposes, including working capital, potential capital expenditures and repayment in full of outstanding borrowings under our term loan facility. In addition, one percent of the net proceeds will be used to fund the Chegg Foundation, a California nonprofit public benefit corporation formed by us to engage in charitable and education-related activities. However, our management will have considerable discretion in applying the net proceeds and you will not have the opportunity, as part of your investment decision, to assess whether we are using the net proceeds appropriately. Until the net proceeds we receive are used, they may be placed in investments that do not produce income or that lose value. We may use the net proceeds for purposes that do not result in any increase in our results of operations, which could cause the price of our common stock to decline.

If securities or industry analysts do not publish research reports about our business or publish inaccurate or unfavorable research about our business, our stock price could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases. In addition, our credit facilities contain restrictions on our ability to pay dividends.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an emerging growth company, as defined under the JOBS Act. For so long as we are an emerging growth company, we may take advantage of certain exemptions from reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We could be an emerging growth company for up to five years, although we may lose such status earlier, depending on the occurrence of certain events. We will remain an emerging growth company until the earliest to occur of (i) the last day of the year (a) following the fifth anniversary of this offering, (b) in which we have total annual gross revenue of at least $1.0 billion or (c) in which we are deemed to be a large accelerated filer under the Securities Exchange Act of 1934, which means that the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30, and (ii) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

We cannot predict if investors will find our common stock less attractive or our company less comparable to certain other public companies because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

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Delaware law and provisions in our restated certificate of incorporation and restated bylaws that will be in effect at the closing of our initial public offering could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our common stock.

Following the closing of this offering, our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and restated bylaws that will be in effect at the closing of our initial public offering contain provisions that may make the acquisition of our company more difficult, including the following:

- our board of directors will be classified into three classes of directors with staggered three-year terms and directors will only be able to be removed from office for cause and by the approval of the holders of at least two-thirds of our outstanding common stock;

- subject to certain limitations, our board of directors will have the sole right to set the number of directors and to fill a vacancy resulting from any cause or created by the expansion of our board of directors, which prevents stockholders from being able to fill vacancies on our board of directors;

- only our board of directors will be authorized to call a special meeting of stockholders;

- certain litigation against us can only be brought in Delaware;

- our restated certificate of incorporation will authorize undesignated preferred stock, the terms of which may be established and shares of which may be issued, without the approval of the holders of common stock;

- advance notice procedures will apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders;

- our stockholders cannot act by written consent;

- our restated bylaws can only be amended by our board of directors or by the approval of the holders of at least two-thirds of our outstanding common stock; and

- certain provisions of our restated certificate of incorporation can only be amended by the approval of the holders of at least two-thirds of our outstanding common stock.

For information regarding these and other provisions, see Description of Capital Stock.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements contained in this prospectus other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans and our objectives for future operations, are forward-looking statements. The words believe, may, will, estimate, continue, anticipate, intend, could, wou objective, plan, potential, seek, grow, target, if, and similar expressions are intended to identify forward-looking statements. We have these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the Risk Factors. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

- our expectations regarding our results of operations and financial condition;
- anticipated trends and challenges in our business and in the markets in which we operate;
- our liquidity and working capital requirements;
- our anticipated strategies for growth and sources of new revenue;
- the impact of seasonality on our business;
- our expectations regarding the development and expansion of our business and the strength of our brand;
- the anticipated benefits associated with the use of our products and services;
- our ability to anticipate market needs and develop new products and services that meet those needs and achieve market acceptance;
- our ability to effectively integrate our newer products and services, or any other products and services we may introduce or acquire, into our business;
- our ability to maintain and expand our student base and our relationships with colleges and brands;
- our ability to increase student engagement with our platform;

our ability to compete in our rapidly evolving market;

our reliance on shipping providers, publishers, wholesalers and distributors;

industry and technology trends affecting our products, services and markets;

our ability to obtain, maintain and protect the intellectual property rights necessary to conduct our business and to operate without infringing or violating the intellectual property rights of others;

our ability to retain and hire necessary employees and staff our operations appropriately;

management compensation and the issuance of equity awards upon the completion of this offering;

our ability to find future acquisition opportunities on favorable terms or at all;

the stability of our website and the systems, storage and services for our website;

- our need to obtain future funding on acceptable terms or at all;

- our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business both in the United States and internationally;

- our expectations regarding current or future litigation; and

- the future trading prices of our common stock and the impact of securities analysts reports on these prices.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this prospectus. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this prospectus may not occur.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of these forward-looking statements after the date of this prospectus or to conform these statements to actual results or revised expectations.

MARKET, INDUSTRY AND OTHER DATA

This prospectus contains estimates and information concerning our industry, our business and the market for our products and services, including market position, market size and growth rates of the markets in which we participate, that are based on industry publications, surveys and reports, including reports or surveys from Accenture, Bowker s Book Industry Study Group, the Center on Budget and Policy Priorities, the College Board, the Consumer Financial Protection Bureau, Google, the Institute for College Access and Success, Noel-Levitz Higher Education Consulting, re:fuel and Crux Research, Student Monitor, the U.S. Department of Education, National Center for Education Statistics and the U.S. Department of Labor. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. Although we have not independently verified the accuracy or completeness of the data contained in these industry publications, surveys and reports, we believe the publications, surveys and reports are generally reliable, although such information is inherently subject to uncertainties and imprecise. The industry in which we operate is subject to a high degree of uncertainty and risk due to variety of factors, including those described in the Risk Factors. These and other factors could cause results to differ materially from those expressed in these publications and reports.

In this prospectus when we refer to unique titles, the information is based on separate international standard book numbers, or ISBNs. Each separate edition of a particular title has a separate ISBN assigned to it. When we refer to the number of students who have used, or are registered users of, our platform, we are counting the number of unique users who have created an account and/or signed into Chegg.com or Zinch.com during a specified period, whether or not they have paid to use our products and services. We determine our reach among college students principally by reference to the number of students using our platform, but also by reference to the number of opened emails that we send to unique email addresses and the number of unique visitors to our websites. We determine how many high school students we serve based on the number of students who complete an academic profile that allows them to access our College Admissions and Scholarship Services.

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of the shares of common stock that we are offering will be approximately $163.6 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters over-allotment option is exercised in full, we estimate that our net proceeds will be approximately $189.8 million. We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholder. See Underwriting.

The principal purposes of this offering are to obtain additional capital, create a public market for our common stock, facilitate our future access to the public equity markets, increase awareness of our company among potential customers and improve our competitive position. We intend to use the net proceeds from this offering to repay in full $31.0 million of outstanding borrowings under our revolving credit facility and for general corporate purposes, including working capital and potential capital expenditures. Our revolving credit facility carries, at our election, (1) a base interest rate of the greater of the Federal Funds Rate plus 0.5% or one-month LIBOR plus 1%, or Prime, or (2) a LIBOR based interest rate plus additional interest of up to 4.5% depending on our leverage ratio. We are required to repay the outstanding balance of our revolving credit facility when it expires in August 2016 or to prepay the outstanding balance if certain ratios are not met. We drew down $21.0 million of proceeds from the revolving credit facility to repay our previously outstanding term loan in full, including the end-of-term fee, and drew down an additional $10.0 million for general corporate purposes, as more fully described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources. In addition, one percent of the net proceeds will be used to fund the Chegg Foundation, a California nonprofit public benefit corporation formed by us to engage in charitable and education-related activities. We may also use a portion of the net proceeds for the acquisition of, or investment in, complementary companies, products, services, technologies or assets. However, we have no present understandings, commitments or agreements to enter into any acquisitions or make any such investments. We do not have more specific plans for the net proceeds from this offering.

We have not yet determined our anticipated expenditures and therefore cannot estimate the amounts to be used for each of the purposes discussed above. The amounts and timing of any expenditures will vary depending on the amount of cash generated by our operations, competitive and technological developments and the rate of growth, if any, of our business. Accordingly, our management will have significant discretion and flexibility in applying the net proceeds from this offering, and investors will be relying on the judgment of our management regarding the application of these net proceeds.

Pending the uses described above, we intend to invest the net proceeds from this offering in short-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government. The goal with respect to the investment of these net proceeds will be capital preservation and liquidity so that these funds are readily available to fund our operations.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock, and we do not currently intend to pay any cash dividends after the offering or for the foreseeable future. Additionally, under our credit facility agreement, we are restricted from paying cash dividends on our capital stock. We expect to retain future earnings, if any, to fund the development and growth of our business. Any future determination to pay dividends on our common stock will be at the discretion of our board of directors and will depend upon, among other factors, our financial condition, operating results, current and anticipated cash needs, plans for expansion and other factors that our board of directors may deem relevant.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2013:

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 53,911,337 shares of our common stock; (ii) the conversion of our outstanding convertible preferred stock warrants into warrants to purchase 1,118,282 shares of our common stock and related reclassification of the preferred stock warrant liability to additional paid-in capital; (iii) the issuance of 924 shares of common stock upon the exercise of outstanding warrants that would otherwise expire upon the completion of the offering and the issuance of 25,747 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 $11.7 million related to the vesting of 1,177,316 RSUs outstanding as of September 30, 2013; (v) the grant of 931,791 stock options and 472,644 RSUs under the Designated IPO Equity Incentive Program, which includes 297,905 shares of common stock to be issued upon the settlement of immediately vested RSUs, and stock-based compensation expense of $8.1 million related to the vested portion of such grants; and (vi) the additional $10.0 million drawn down from our revolving credit facility in October 2013; all of which gives effect to the conversion price adjustments more fully described in Special Conversion Adjustment of the 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 14,400,000 shares of common stock offered by us in this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us; (iii) the application of a portion of the proceeds from this offering to repay the $31.0 million of outstanding borrowings under our revolving credit facility; and (iv) the amendment and restatement of our certificate of incorporation immediately prior to the completion of this offering.

	As of September 30, 2013		
	Actual	Pro Forma(1)	Pro Forma As Adjusted(2)(3)
	(in thousands)		
Cash and cash equivalents	$ 15,927	$ 25,927	$ 158,527
Debt obligations	$ 21,000	$ 31,000	$
Preferred stock warrant liabilities	10,533		
Convertible preferred stock, $0.001 par value, 76,388,007 shares authorized, 62,818,449 shares issued and outstanding; no shares authorized, issued or outstanding, pro forma or pro forma as adjusted	207,204		
Stockholders equity (deficit):			
Preferred stock, $0.001 par value, no shares authorized, issued or outstanding, actual and pro forma; 10,000,000 shares authorized, no shares issued and outstanding, pro forma as adjusted			
Common stock, $0.001 par value, 120,000,000 shares authorized, 13,092,352 shares issued and outstanding, actual; 120,000,000 shares authorized, 67,328,265 shares issued and outstanding, pro forma; 400,000,000 shares authorized, 81,728,265 shares issued and outstanding, pro forma as adjusted	13	67	82
Additional paid-in capital	77,628	315,105	478,690
Accumulated other comprehensive income	15	15	15
Accumulated deficit	(199,698)	(219,492)	(219,492)
Total stockholders equity (deficit)	(122,042)	95,695	259,295

Total capitalization	$ 116,695	$ 126,695	$ 259,295

(footnotes appear on following page)

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(1) See Special Conversion Adjustments for Series D, Series E and Series F Convertible Preferred Stock below for additional information about the conversion of our outstanding convertible preferred stock into common stock.

(2) If the underwriters over-allotment option is exercised in full, the amount of pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders equity (deficit) and total capitalization would increase by approximately $26.2 million and we would have 83,978,265 shares of common stock issued and outstanding.

(3) Does not give effect to the use of one percent of the net proceeds to fund the Chegg Foundation.

You should read the table above together with our consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

In the table above, the number of shares outstanding as of September 30, 2013 excludes:

- 13,362,422 shares issuable upon the exercise of stock options outstanding as of September 30, 2013 with a weighted-average exercise price of $6.85 per share;
- 287,198 shares issuable upon the exercise of stock options granted after September 30, 2013 with an exercise price of $12.06 per share;
- 1,313,115 shares of common stock subject to RSUs outstanding as of September 30, 2013;
- 925 shares subject to RSUs granted after September 30, 2013;
- 931,791 shares issuable upon the exercise of stock options, and 174,739 shares subject to unvested RSUs to be granted under our Designated IPO Equity Incentive Program, after 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;
- 1,118,282 shares of common stock issuable upon the exercise of warrants to purchase common stock and convertible preferred stock outstanding as of September 30, 2013 with a weighted-average exercise price of $5.16 per share;
- 4,035,065 shares reserved for issuance under our 2005 Stock Incentive Plan as of September 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.

Special Conversion Adjustments for Series D, Series E and Series F Convertible Preferred Stock

Upon the completion of this offering, each outstanding share of our preferred stock will automatically convert into shares of our common stock at the applicable conversion ratio then in effect. See Description of Capital Stock Special Conversion Adjustments for Convertible Preferred Stock for more information about the conversion ratios for our convertible preferred stock. The terms of our Series D, Series E and Series F convertible preferred stock provide that the ratio at which shares of such series of preferred stock automatically convert into shares of common stock upon the completion of this offering will increase as a result of the initial public offering price being below $26.2962, $25.853625 and $12.00 per share, respectively. Because the initial public offering price is below the indicated conversion threshold price for the Series D and Series E convertible preferred stock, the conversion ratio for such series of preferred stock will be adjusted to the price obtained by multiplying (i) the conversion price for each such series (currently $19.66905 for the Series D preferred stock and $22.16025 for the Series E preferred stock) by (ii) the quotient obtained by dividing (a) the initial public offering price by (b) the

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conversion threshold price, which results in additional shares of our common stock being issued upon conversion of our Series D and Series E preferred stock upon the completion of this offering. After giving effect to the special conversion adjustments described above and the 2-for-3 reverse split of our common stock, the ratio at which each outstanding share of our Series D and Series E preferred stock will convert into common stock upon the completion of this offering will be 1:1.4062502 and 1:1.37886. The Series F conversion price will not be adjusted and our Series F Convertible Preferred Stock will convert to common stock at a ratio of 1:0.6666667.

Additionally, because the special conversion adjustments for the Series D and Series E convertible preferred stock are triggered, under our Designated IPO Equity Incentive Program, or Designated IPO Program, we will issue to certain of our officers and consultants additional stock options and RSUs to acquire shares of our common stock to offset the change in each of their ownership percentages following this offering. For additional information regarding these awards and the Designated IPO Program, see Executive Compensation Employee Benefit Plans Designated IPO Equity Incentive Program.

The table below shows the effect of the special conversion adjustments of the Series D and Series E convertible preferred stock and the related additional equity awards granted under the Designated IPO Program at the initial public offering price.

	Increase in Number of Shares Issued Upon Conversion of:			Increase in Number of Shares Issuable Upon Exercise or Settlement of Awards Issued Pursuant to Designated IPO Equity Incentive Program	Total Increase in Number of Shares Issued or Issuable as a Result of the Special Conversion Adjustments
Initial Public Offering Price Per Share	**Series D Convertible Preferred Stock**	**Series E Convertible Preferred Stock**	**All Convertible Preferred Stock (Net Total)**		
$12.50	4,797,691	6,869,563	11,667,254	1,404,435	13,071,689

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DILUTION

If you invest in our common stock in this offering, your interest will be diluted to the extent of the difference between the initial public offering price of our common stock and the pro forma net tangible book value of our common stock after this offering. As of September 30, 2013, our pro forma net tangible book value was approximately $39.5 million, or $0.59 per share, based upon 67,328,265 shares of common stock outstanding as of this date. Our pro forma net tangible book value per share represents our total tangible assets reduced by the amount of our total liabilities divided by the total number of shares of our common stock outstanding as of September 30, 2013, after giving effect to (i) the automatic conversion of all outstanding shares of our convertible preferred stock into 53,911,337 shares of our common stock; (ii) the conversion of our outstanding convertible preferred stock warrants into warrants to purchase 1,118,282 shares of our common stock and reclassification of the preferred stock warrant liability to additional paid-in capital; (iii) the issuance of 924 shares of common stock upon the exercise of outstanding warrants that would otherwise expire upon the completion of the offering and the issuance of 25,747 shares of common stock upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering; and (iv) the grant of 931,791 stock options and 472,644 RSUs under the Designated IPO Equity Incentive Program, which includes 297,905 shares of common stock to be issued upon the settlement of immediately vested RSUs; all of which gives effect to the conversion price adjustments more fully described in Capitalization Special Conversion Adjustment of the Series D, Series E and Series F Convertible Preferred Stock.

After giving effect to our sale of 14,400,000 shares of common stock in our initial public offering after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of September 30, 2013 would have been approximately $203.1 million, or $2.48 per share of common stock. This represents an immediate increase in pro forma net tangible book value of $1.89 per share to existing stockholders and an immediate dilution of $10.02 per share to new investors purchasing shares at the initial public offering price. The following table illustrates this per share dilution:

Initial public offering price per share		$ 12.50
Pro forma net tangible book value per share as of September 30, 2013	$ 0.59	
Increase in pro forma net tangible book value per share attributable to investors purchasing shares in our initial public offering	1.89	
Pro forma as adjusted net tangible book value per share after this offering		2.48
Dilution in pro forma net tangible book value per share to investors in this offering		$ 10.02

If the underwriters exercise in full their option to purchase additional shares of our common stock in this offering to cover over-allotments, if any, the pro forma net tangible book value per share after giving effect to this offering would be $2.73 per share, and the dilution in pro forma net tangible book value per share to investors in this offering would be $9.77 per share.

The following table summarizes, as of September 30, 2013, the differences between the number of shares of our common stock purchased from us, after giving effect to the total cash consideration paid and the average price per share paid by our existing stockholders and by our new investors purchasing shares in our initial public offering before deducting underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
	(in thousands, except percentages)				
Existing stockholders	67,328	82.4%	$ 237,024	56.8%	$ 3.52
New investors	14,400	17.6	180,000	43.2	$ 12.50
Total	81,728	100.0%	$ 417,024	100.0%	

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Except as otherwise indicated, the discussion and table above assume no sale of shares by the selling stockholder and no exercise of the underwriters option to purchase additional shares. Sales by the selling stockholder in this offering will cause the number of shares held by existing stockholders to be reduced to 66,728,265 shares, or 81.6% of the total number of shares of our common stock outstanding following the completion of this offering, and will increase the number of shares held by new investors to 15,000,000 shares, or 18.4% of the total number of shares outstanding following the completion of this offering. In addition, if the underwriters option to purchase additional shares is exercised in full, the percentage of shares of our common stock held by existing stockholders will be reduced to 79.5% of the total number of shares of our common stock outstanding following the completion of this offering, and the number of shares held by new investors will increase to 17,250,000 shares, or 20.5% of the total number of shares outstanding following the completion of this offering.

The tables and discussion above exclude the following shares:

- 13,362,422 shares issuable upon the exercise of stock options outstanding as of September 30, 2013 with a weighted-average exercise price of $6.85 per share;

- 287,198 shares issuable upon the exercise of stock options granted after September 30, 2013 with an exercise price of $12.06 per share;

- 1,313,115 shares of common stock subject to RSUs outstanding as of September 30, 2013;

- 925 shares subject to RSUs granted after September 30, 2013;

- 931,791 shares issuable upon the exercise of stock options, and 174,739 shares subject to unvested RSUs, granted under our Designated IPO Equity Incentive Program, after 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;

- 1,118,282 shares of common stock issuable upon the exercise of warrants to purchase common stock and convertible preferred stock outstanding as of September 30, 2013 with a weighted-average exercise price of $5.16 per share;

- 4,035,065 shares reserved for issuance under our 2005 Stock Incentive Plan as of September 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 reserved for issuance under our 2013 Equity Incentive Plan and 4,000,000 shares of common stock 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.

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SELECTED CONSOLIDATED FINANCIAL DATA

We have derived the following selected consolidated statements of operations data for the years ended December 31, 2010, 2011 and 2012 and consolidated balance sheet data as of December 31, 2011 and 2012 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the following selected consolidated statements of operations data for the nine months ended September 30, 2012 and 2013, and the consolidated balance sheet data as of September 30, 2013 from our unaudited consolidated financial statements included elsewhere in this prospectus. We have derived the following selected consolidated statements of operations data for the years ended December 31, 2008 and 2009 and consolidated balance sheet data as of December 31, 2008, 2009 and 2010 from our audited consolidated financial statements not included 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 include, in the opinion of management, all adjustments, consisting only of normal recurring adjustment 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 our unaudited interim results for the nine months ended September 30, 2013 are not necessarily indicative of results to be expected for the full year or for any other period. The selected consolidated financial data set forth below should be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus. The selected consolidated financial data in this section are not intended to replace the financial statements and are qualified in their entirety by the financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,					Nine Months Ended September 30,	
	2008	2009	2010	2011	2012	2012	2013
	(in thousands, except per share amounts)						
Consolidated Statements of Operations Data:							
Net revenues	$ 7,606	$ 47,834	$ 148,922	$ 172,018	$ 213,334	$ 145,054	$ 178,459
Cost of revenues[(1)]	5,433	39,022	114,215	127,012	145,669	116,796	137,486
Gross profit	2,173	8,812	34,707	45,006	67,665	28,258	40,973
Operating expenses[(1)]:							
Technology and development	1,394	7,850	18,885	29,591	39,315	29,312	29,351
Sales and marketing	1,628	8,512	24,422	28,400	51,082	40,596	36,645
General and administrative	1,977	7,591	15,362	20,328	25,117	18,509	20,530
Loss (gain) on liquidation of textbooks	(81)	1,189	(371)	2,785	(2,594)	(4,874)	(3,012)
Total operating expenses	4,918	25,142	58,298	81,104	112,920	83,543	83,514
Loss from operations	(2,745)	(16,330)	(23,591)	(36,098)	(45,255)	(55,285)	(42,541)
Interest and other expense, net:							
Interest expense, net	(117)	(1,300)	(5,801)	(3,558)	(4,393)	(3,204)	(3,662)
Other income (expense), net	(28)	(5,973)	1,740	1,855	634	1,156	(3,688)
Total interest and other expense, net	(145)	(7,273)	(4,061)	(1,703)	(3,759)	(2,048)	(7,350)
Loss before provision (benefit) for income taxes	(2,890)	(23,603)	(27,652)	(37,801)	(49,014)	(57,333)	(49,891)
Provision (benefit) for income taxes	1	47	(1,672)	(200)	29	(170)	542
Net loss	$ (2,891)	$ (23,650)	$ (25,980)	$ (37,601)	$ (49,043)	$ (57,163)	$ (50,433)
Net loss per share, basic and diluted	$ (0.57)	$ (3.62)	$ (3.74)	$ (4.45)	$ (4.39)	$ (5.20)	$ (4.04)
Weighted-average shares used to compute net loss per share, basic and diluted	5,101	6,526	6,953	8,453	11,183	10,992	12,488
Pro forma net loss per share, basic and diluted (unaudited)[(2)]					$ (0.76)		$ (0.70)
Weighted-average shares used to compute pro forma net loss per share, basic and diluted (unaudited)[(2)]					64,960		66,714

Other Financial Data (in thousands):					
Textbook library depreciation expense	$ 53,865	$ 56,142	$ 57,177	$ 40,419	$ 45,287
Purchases of textbooks[3]	$ 131,813	$ 74,094	$ 104,518	$ 93,700	$ 108,492
Textbook library, net (as of period end)	$ 100,007	$ 78,636	$ 88,487	$ 106,409	$ 124,342
Non-GAAP Financial Measures (unaudited) (in thousands)[4]:					
EBITDA	$ 33,187	$ 27,743	$ 23,352	$ (5,883)	$ 7,138
Adjusted EBITDA	$ 40,242	$ 39,019	$ 41,374	$ 6,150	$ 22,714

(footnotes appear on following page)

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

	Year Ended December 31,					Nine Months Ended September 30,	
	2008	2009	2010	2011	2012	2012	2013
	(in thousands)						
Cost of revenues	$ 4	$ 277	$ 1,080	$ 537	$ 542	$ 389	$ 422
Technology and development	7	455	2,814	3,840	7,657	5,996	4,874
Sales and marketing	2	121	88	3,062	5,164	3,411	2,063
General and administrative	29	1,648	4,183	5,692	4,682	3,393	4,529
Total stock-based compensation expense	$ 42	$ 2,501	$ 8,165	$ 13,131	$ 18,045	$ 13,189	$ 11,888

(2) Unaudited pro forma net loss per share for the year ended December 31, 2012 and the nine months ended September 30, 2013 have been computed to give effect to (i) the automatic conversion of all outstanding shares of our convertible preferred stock into common stock upon the completion of this offering after giving 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; (ii) the issuance of 924 shares of common stock upon the exercise of outstanding warrants that would otherwise expire upon the completion of the offering and the issuance of 25,747 shares of common stock upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering; and (iii) 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. We expect the performance condition to be satisfied on March 15, 2014. 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 exclude unvested RSUs that have satisfied the service component as of December 31, 2012 and September 30, 2013, and the grant of stock options and unvested RSUs under our Designated IPO Equity Incentive Program, but include shares to be issued upon the settlement of immediately vested RSUs granted under the Designated IPO Program, as more fully described in Capitalization Special Conversion Adjustments for the Series D, Series E and Series F Convertible Preferred Stock. Stock-based compensation expense associated with these RSUs and stock options and the non-cash charge to net loss attributable to common stockholders associated with the deemed dividend to convertible preferred stockholders upon our initial public offering are excluded from this pro forma presentation. With respect to the RSUs and options, if the qualifying event had occurred on December 31, 2012 or September 30, 2013 at the initial public offering price per share and giving 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, we would have recorded $15.0 million or $19.5 million of stock-based compensation expense on December 31, 2012 or September 30, 2013, respectively, related to these RSUs and stock options. See Management s Discussion and Analysis of Financial Condition and Results of Operations Certain Accounting and Tax Effects Resulting from this Offering for additional information regarding these RSUs and stock options. If our initial public offering had occurred on December 31, 2012 or September 30, 2013, we would have recorded a non-cash charge to net loss attributable to common stockholders of $102.6 million after giving 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. 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 consists 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.

	December 31,					September 30,
	2008	2009	2010	2011	2012	2013
	(in thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 13,499	$ 46,878	$ 70,529	$ 34,607	$ 21,030	$ 15,927
Textbook library, net	8,146	44,951	100,007	78,636	88,487	124,342
Total assets	33,492	101,182	210,751	196,333	196,367	229,285

Deferred revenue	738	4,461	6,930	12,513	20,032	72,147
Debt obligations, current and noncurrent	3,266	17,563	29,218	20,500	19,386	21,000
Preferred stock warrant liabilities	66	8,923	7,768	5,913	6,627	10,533
Convertible preferred stock	33,635	89,304	182,218	182,218	207,201	207,204
Common stock and additional paid-in capital	75	2,946	17,832	48,328	63,088	77,641
Total stockholders deficit	(5,908)	(33,695)	(44,789)	(51,894)	(86,127)	(122,042)

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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 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 below 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 nine months ended September 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,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
			(in thousands)		
Net loss	$ (25,980)	$ (37,601)	$ (49,043)	$ (57,163)	$ (50,433)
Interest expense, net	5,801	3,558	4,393	3,204	3,662
Provision (benefit) for income taxes	(1,672)	(200)	29	(170)	542
Textbook library depreciation expense	53,865	56,142	57,177	40,419	45,287
Other depreciation and amortization	1,803	5,844	10,796	7,827	8,080
EBITDA	33,817	27,743	23,352	(5,883)	7,138
Stock-based compensation expense	8,165	13,131	18,045	13,189	11,888
Other (income) expense, net	(1,740)	(1,855)	(634)	(1,156)	3,688
Impairment of intangible assets			611		
Adjusted EBITDA	$ 40,242	$ 39,019	$ 41,374	$ 6,150	$ 22,714

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. See Special Note Regarding Forward-Looking Statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in Risk Factors.

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 the twelve months ended September 30, 2013, more than seven million students used our platform and approximately 1.2 million students used our mobile applications.

We have approximately 180,000 unique titles in our print textbook library available for rent. The 180,000 unique titles in our textbook library are mostly current editions but may also include older editions as there is typically an adoption curve for new editions as some professors continue to teach classes using older editions and students continue to rent or buy those editions for those classes. 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. On a membership basis, we offer students our Chegg Study service, which 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 the twelve months ended September 30, 2013, students completed 3.8 million transactions on our platform, we rented or sold over 5.5 million print textbooks and eTextbooks and approximately 418,000 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. We intend to expand our user base to reach students beyond college, including graduate and professional school students and other lifelong learners.

We partner with other key constituents in the education ecosystem, such as educators, publishers and other content providers, 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 850 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 Microsoft, Red Bull and Serve from American Express, 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. During the nine months ended September 30, 2012 and 2013, we generated net revenues of $145.1 million and $178.5 million, respectively, and net losses of $57.2 million and $50.4 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 on a generally accepted accounting principles in the United States, or U.S. GAAP, basis in the near term.

Our strategy for achieving and maintaining profitability is centered upon our ability to expand the number of students using our products and services and increase student engagement with our connected learning platform. For the foreseeable future we expect to continue to invest in our print textbook business as a means of expanding student acquisition and generating operating cash flow. To deepen student engagement we will continue to invest in the expansion of our non-print products and services to provide a more compelling and personalized solution. We believe this expanded and deeper penetration of the student demographic will allow us to drive growth in our enrollment and brand marketing 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 higher margin non-print products and services, will enable us to accomplish profitability and become cash-flow positive for the long-term. Our ability to accomplish 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 from our non-print products and services and other factors described in greater detail in Risk Factors.

Our Print Textbook Business

We were founded in 2005 to help students reduce the cost of college and we launched our online print textbook rental business in 2007. We saw that outside of tuition, fees, room and board, print textbooks are one of the most burdensome costs of higher education, and we worked to develop a sustainable business model that could solve this problem for students. Our core idea was to purchase textbooks, rent them to students for the academic term at a substantial discount from list price to attract volume and realize return on our investment by renting the same book over multiple academic terms.

We began to achieve substantial scale in 2010 when net revenues more than tripled compared to the prior year. Leveraging the business intelligence we gained from operating at scale, in 2011, we reduced our rental catalog to include only those titles with sufficient demand to support our economic model, contributing to the reduced revenue growth rate during the year. At the same time, in order to continue to offer students a comprehensive textbook selection at a substantial savings compared to retail prices available from other vendors, we made print textbooks lacking sufficient demand to support the rental model available for purchase on our website at a slight mark-up to our cost. This had the effect of shifting textbooks with a lower acquisition cost or lower demand from our rental catalog to our sales catalog. We also increasingly use our website to liquidate textbooks from our textbook library, which allows us to generate greater recovery on our textbooks compared to bulk liquidations, while at the same time providing students substantial savings over the retail price of a new book. We source both new and used print textbooks for rental or resale from wholesalers, publishers and students. Purchasing used textbooks allows us to reduce the investments necessary to maintain our textbook library while at the same time attracting students to our website by offering them more for their textbooks than they generally could get by selling back through the campus bookstore. Through these refinements to our model, we have achieved greater overall efficiency, enabling us to lower our per unit rental rates, which has driven revenue growth and, to a greater extent, print textbook unit volumes beginning in 2012.

Our print textbook rental business is highly capital intensive. While we generate positive cash flows from operations on an annual basis, this has been more than offset by the cash we use for our investing activities, primarily due to the purchase of print textbooks. We expect this trend to continue in the foreseeable future. We capitalize the investment in our textbook library and record depreciation expense in cost of revenues over its useful life using an estimated liquidation value. In 2012 and the nine months ended September 30, 2013, our investment in print textbooks, net of proceeds from textbook liquidation, was $70.4 million and $75.9 million, respectively. On an operating basis, we generated Adjusted EBITDA of $41.4 million in 2012 and $22.7 million during the nine months ended September 30, 2013, across all products and services. By its nature, Adjusted EBITDA excludes textbook library depreciation, which was $57.2 million in 2012 and $45.3 million during the nine months ended September 30, 2013. For a discussion of our non-GAAP financial measures, how we use them and their limitations, see Selected Consolidated Financial Data Non-GAAP Financial Measures.

Our Non-print Products and Services Business

Building on the rapid adoption and high engagement of students with our print textbook offerings, in 2010 we set out to offer digital content and solutions and create our student-first connected learning platform to address other critical aspects of the education process. With the advent of eTextbooks, we developed a web-based, multiplatform eTextbook Reader and offer eTextbooks and supplemental materials from approximately 80 publishers both as a rental-equivalent solution and for free for students awaiting the arrival of their print textbook rental. In the fourth quarter of 2010, we purchased Cramster, a company that provided online homework help for college students. We further developed the offerings of Cramster to create our Chegg Study service, which we fully integrated into our platform in the second quarter of 2012. In the fourth quarter of 2011, we purchased Zinch, a company offering college admissions and scholarship services to students and enrollment marketing services to colleges. We have continued to offer these services through Zinch.com and expect to complete our integration of Zinch.com into Chegg.com in 2014. In addition, we offer enrollment marketing services to colleges, allowing them to reach interested college-bound high school students that use our College Admissions and Scholarship Services. We also work with leading brands, such as Microsoft, Red Bull and Serve from American Express, to provide students with discounts, promotions and other products that, based on student feedback, delight them. For example, for Red Bull, we inserted a free can of Red Bull in select textbook rental shipments to students, and Microsoft sponsored a Free Study Week, which included free access to our Chegg Study service as well as additional free study materials. All of our brand advertising services and the discounts, promotions and other products provided to students are paid for by the brands.

For non-print products and services, students typically pay to access eTextbooks for the academic term or subscribe for other services such as Chegg Study on a monthly or annual basis, while colleges subscribe to our enrollment marketing services and brands pay us depending on the nature of the campaign. While none of these offerings individually has amounted to more than 10% of our net revenues to date, in the aggregate these offerings amounted to 13% of net revenues in 2012 and 20% of net revenues during the nine months ended September 30, 2013, up from less than 1% in 2010.

Seasonality of Our Business

A substantial majority of our revenue is recognized ratably over the term the student rents our textbooks or has access to our non-print products and services. This generally results in our highest revenue in the fourth quarter as it reflects more days of the academic year and our lowest revenue in the second quarter as colleges conclude their academic year for summer and there are fewer days of rentals. The variable expenses associated with our shipments of textbooks and marketing activities are highest in the first and third quarters as shipping and other fulfillment costs and marketing expenses are expensed when incurred, generally at the beginning of academic terms. As a result of these factors, the most concentrated periods for our revenue and expenses do not necessarily coincide, and comparisons of our quarterly operating results on a sequential basis may not provide meaningful insight into our overall financial performance. For additional information, see Quarterly Results of Operations Data.

Components of Results of Operations

Net Revenues

We derive our revenue from the rental or sale of print textbooks and from non-print products and services, net of allowances for refunds or charge backs from our payment processors, who process payments from credit cards, debit cards and PayPal.

We primarily generate revenue from the rental of print textbooks and to a lesser extent, through the sales of print textbooks through our website purchased by us on a just-in-time basis. Rental revenue is recognized ratably over the term of the rental period, generally two to five months. Revenue from selling textbooks on a just-in-time basis is recognized upon shipment and has comprised less than 5% of our consolidated revenues on average over the three years ended December 31, 2012. Our customers pay for the rental and sale of print textbooks on our website primarily by credit card, resulting in immediate settlement of our accounts receivable. Net revenues from the rental or sale of print textbooks represented 100%, 93% and 87% of our net revenues in 2010, 2011 and 2012, respectively, and 87% and 80% of our net revenues during the nine months ended September 30, 2012 and 2013, respectively.

We also generate revenue from non-print products and services that include eTextbooks, supplemental materials and our Chegg Study service that we offer to students, enrollment marketing services that we offer to colleges and advertising services that we offer to brands. Non-print products and services are offered to students through monthly or annual subscriptions or memberships, and we recognize revenue ratably over the subscription or membership period. We generally offer memberships to our Chegg Study service for $14.95 per month and $74.95 per year but may change our pricing for this service in the future. As with the revenue from print textbooks rentals, revenue from eTextbooks is recognized ratably over the contractual period, generally two to five months or at time of the sale, and our customers pay for these services through payment processors, resulting in immediate settlement of our accounts receivable. For additional information about these products and services and other services that we offer to students for free, such as our Courses service and College Admissions and Scholarship Services, see Business The Student Hub.

Marketing services include enrollment marketing services and brand advertising, which we offer either on a subscription or on an a la carte basis. Enrollment marketing services connect colleges and graduate schools with students seeking admission or scholarship opportunities at these institutions. Brand advertising offers brands unique ways to connect with students. Revenue is recognized ratably or as earned over the subscription service period, generally one year. Revenue from enrollment marketing services or brand advertising delivered on an a la carte basis, without a subscription, is recognized when delivery of the respective lead or service has occurred. For these services, we bill the customer at the inception, over the term of the customer arrangement or as the services are performed. Upon satisfactory assessment of creditworthiness, we generally grant credit to our enrollment marketing services and brand advertising customers with normal credit terms, typically 30 days.

Deferred revenue primarily consists of advance payments from students related to rentals, subscriptions and memberships that have not been recognized and marketing services that have yet to be performed. Deferred revenue is recognized as revenue ratably over the term or when the services are provided and all other revenue recognition criteria have been met.

Cost of Revenues

Our cost of revenues consists primarily of expenses associated with the delivery and distribution of our products and services. Cost of revenues related to print textbooks include textbook depreciation expense, shipping and other fulfillment costs, the cost of textbooks sold, payment processing costs, write-offs and allowances related to the textbook library and all expenses associated with our distribution and customer service centers, including personnel and warehousing costs. The cost of textbooks sold, shipping and other fulfillment costs and payment processing expenses are recognized upon shipment, while textbook depreciation is recognized under an accelerated method over the life of the textbook. We believe this method most accurately reflects the actual pattern of decline in the economic value of the assets, resulting in higher costs earlier in the textbook lifecycle. Changes in our cost of revenues may be disproportionate to changes in our revenue because unrecoverable costs, such as outbound shipping and other fulfillment and payment processing fees, are expensed in the period they are incurred while revenue is recognized ratably over the rental term. This effect is particularly pronounced in the first and third quarters at the beginning of academic terms. As a result, we could experience a quarter in which our cost of revenues exceeds our revenue for the period as we experienced in the third quarter of 2011.

Cost of revenues related to non-print products and services, in which we also group eTextbooks, consist primarily of the depreciation of our eTextbook Reader software, publisher content fees for eTextbooks, content amortization expense related to content that we develop or license, including publisher agreements for which we pay one-time license fees for published content, enrollment marketing services leads purchased from third-party suppliers to fulfill leads that we are unable to fulfill through our internal database, personnel costs and other direct costs related to providing content or services. In addition, cost of revenues includes allocated information technology and facilities costs. Changes in our cost of revenues related to non-print products and services may be disproportionate to changes in our revenue because the publisher fees for eTextbooks are expensed in the period in which such costs are incurred, while the associated revenue may be deferred and recognized ratably over a future period.

Margins on non-print products and services are generally higher than margins on the rental or sale of print textbooks. However, we experience substantially lower margins with eTextbook transactions than we do with other non-print products and services. Overall, we anticipate that to the extent non-print products and services revenue grows, our gross margins will generally improve over time.

Operating Expenses

We classify our operating expense into four categories: technology and development, sales and marketing, general and administrative and loss (gain) on liquidation of textbooks. One of the most significant components of our operating expenses is employee-related costs, which include stock-based compensation expenses. We expect to continue to hire new employees in order to support our anticipated growth and meet our obligations as a public company. In any particular period, the timing of additional hires could materially affect our operating expenses, both in absolute dollars and as a percentage of revenue. Our costs and expenses contain information technology expenses and facilities expenses such as webhosting, depreciation on our infrastructure systems, our headquarters lease expense and the employee-related costs for information technology support staff. We allocate these costs to each expense category, including cost of revenues, technology and development, sales and marketing and general and administrative. The allocation is primarily based on the headcount in each group at the end of a period. As our business grows, we expect our operating expenses will increase over time to expand capacity and sustain our workforce.

Technology and Development

Our technology and development expenses consist of salaries, benefits and stock-based compensation for employees in our product and web design, engineering and technical teams who are responsible for maintaining our website, developing new products and improving existing products. Technology and development costs also include amortization of acquired intangible assets, webhosting costs, third-party development costs and allocated information technology and facilities expenses. We expense substantially all of our technology and development expenses as they are incurred. In the past two years, our expenses have increased to support new products and services as well as to expand our infrastructure capabilities to support back-end processes associated with our revenue transactions and internal systems used to manage our textbook library. We intend to continue making significant investments in developing new products and services and enhancing the functionality of existing products and services.

Sales and Marketing

Our sales and marketing expenses consist of user and advertiser-facing marketing and promotional expenditures through a number of targeted online marketing channels, sponsored search, display advertising, email marketing campaigns and other initiatives. We incur salaries, benefits and stock-based compensation expenses for our employees engaged in marketing, business development and sales and sales support functions required for enrollment marketing services and amortization of acquired intangible assets and allocated information technology and facilities costs. Our marketing expenses are largely variable; and we tend to incur these in the first and third quarters of the year due to our efforts to target students at the beginning of academic terms. To the extent there is increased or decreased competition for these traffic sources, or to the extent our mix of these channels shifts, we would expect to see a corresponding change in our marketing expense. Sales and marketing expenses also include lead generation services and sales commissions for our enrollment marketing services and brand advertising. Sales and marketing expenses increased 80% in 2012 from 2011. A large portion of this increase was due to our acquisition of Zinch in October 2011 and the inclusion of a full year of Zinch operations in 2012 compared with only the fourth quarter in 2011.

General and Administrative

Our general and administrative expenses consist of salaries, benefits and stock-based compensation for certain executives as well as our finance, legal, human resources and other administrative employees. In addition, general and administrative expenses include outside consulting, legal and accounting services, provision for doubtful accounts and allocated information technology and facilities costs. In the future, we expect to incur additional costs related to operating as a public company including increased audit, legal, regulatory and other related fees.

Loss (Gain) on Liquidation of Textbooks

Loss (gain) on liquidation of textbooks consists of proceeds we receive from the sale of previously rented print textbooks, through our website or to wholesalers and other channels, offset by the net book value of such textbooks. Our loss (gain) on liquidation of textbooks is driven by several factors including age of the books liquidated, the volume of books liquidated at a given point in time and the channel through which we liquidate. When the proceeds received exceed the net book value of the textbooks liquidated we record a gain on liquidation of textbooks.

Interest and Other Expense, Net

Interest and other expense, net consists primarily of interest expense on our debt obligations, changes in the fair value of our preferred stock warrants and interest income on our cash balances. We have historically invested our excess cash in money market accounts.

Provision (Benefit) for Income Taxes

Provision (benefit) for income taxes consists primarily of federal and state income taxes in the United States and income taxes in foreign jurisdictions in which we conduct business. Due to the uncertainty as to the realization of the benefits of our domestic deferred tax assets, we have recorded a full valuation allowance against such assets.

As of December 31, 2012, we have federal and state net operating loss carryforwards of approximately $90.0 million and $30.8 million, respectively, which will begin to expire at various dates beginning in 2025 and 2014, respectively. The Internal Revenue Code provides limitations on our ability to utilize net operating loss carryforwards and tax credit carryforwards, after an ownership change, as defined in Section 382 of the Internal Revenue Code. California has similar rules that may limit our ability to utilize our state net operating loss carryforwards. If we were to experience an ownership change in the future, this could limit our use of our net operating loss carryforwards.

Certain Accounting and Tax Effects Resulting from this Offering

The completion of our initial public offering, or IPO, will result in certain accounting effects and cash tax payments related to restricted stock units, or RSUs, we granted. These RSUs vest upon satisfaction of both a time-based service component and a performance condition. The performance condition is satisfied upon the occurrence of a qualifying event, defined as a change of control or the earlier of March 15, 2014 and the lapse of six months following the effective date of this offering. We expect the performance condition to be satisfied on March 15, 2014. Stock-based compensation expense associated with these RSUs in respect to the already-elapsed service period will be recognized upon the completion of this offering, which amount will also be reflected as an

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increase to additional paid-in capital with a resulting net increase to accumulated deficit. The stock-based compensation expense related to these RSUs recognized as a result of the offering will be approximately $11.7 million based on an aggregate of approximately 1.2 million shares of common stock underlying these RSUs, which will vest and settle on March 15, 2014. Stock-based compensation expense related to the remaining service period will be recognized ratably as the time-based service requirement is met. Initial settlement of then-vested RSUs, which is when we deliver the actual shares of common stock, will occur upon satisfaction of the performance condition at the time of a qualifying event. At initial settlement, RSU holders generally will recognize taxable income based upon the value of the vested shares and we are required to withhold taxes on such value at applicable minimum statutory rates. At the election of each holder, we may withhold a number of shares on initial settlement equal to the value of the withholding tax obligation and pay cash withholding taxes in the same amount. Assuming settlement occurs on March 15, 2014, and the closing price of our stock that day equals $12.50, we estimate that an aggregate of approximately 0.6 million shares underlying these RSUs will be withheld for taxes, that approximately 0.6 million shares will be issued upon settlement and that our cash tax withholding obligation, assuming a minimum statutory rate of 38% for amounts under $1.0 million and 52% for amounts over $1.0 million, will be $7.0 million. Subject to applicable limitations, the income tax effects of the stock-based compensation will be reflected as an increase to deferred tax assets in our consolidated balance sheet, to reflect the anticipated future tax benefits upon settlement of the RSUs.

In addition, certain of our officers and consultants will receive anti-dilutive stock option and RSU grants pursuant to our Designated IPO Equity Incentive Program, or Designated IPO Program, as a result of the conversion price adjustment to our Series D or Series E convertible preferred stock in connection with this offering. The awards granted pursuant to the Designated IPO Program will vest on the same schedule as the equity awards previously granted to each executive, taken as a whole, including the vesting start date for such awards. Stock-based compensation expense associated with the vested portion of these awards will be recognized at the date of grant and stock-based compensation expense related to the unvested portion will be recognized ratably as the time-based service requirement is met. These anti-dilution provisions will result in the grant of options to purchase an additional 0.9 million shares of common stock and 0.5 million RSUs and will result in the recognition of approximately $3.8 million in stock-based compensation expense for the options and $4.3 million in stock-based compensation expense for the RSUs recognized upon completion of this offering. Approximately 0.3 million of these RSUs will be vested upon grant and immediately settled. At the election of each holder, upon settlement, we may withhold a number of shares equal to the value of the withholding tax obligation for each holder and pay cash withholding taxes in the same amount. Had the settlement occurred on the date of this prospectus at the initial public offering price per share of our common stock, we estimate that 0.1 million shares underlying these RSUs would be withheld for taxes, 0.2 million shares would issue upon settlement and our cash tax withholding obligation, assuming a minimum statutory rate of 38% for amounts under $1.0 million and 52% for amounts over $1.0 million, would be approximately $1.4 million. For additional information on the Series D and Series E convertible preferred stock and our Designated IPO Program, see Capitalization Special Conversion Adjustments for Series D, Series E and Series F Convertible Preferred Stock and Executive Compensation Employee Benefit Plans Designated IPO Equity Incentive Program.

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Results of Operations

The following table summarizes our historical consolidated statements of operations:

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
			(in thousands)		
				(unaudited)	
Net revenues	$ 148,922	$ 172,018	$ 213,334	$ 145,054	$ 178,459
Cost of revenues[1]	114,215	127,012	145,669	116,796	137,486
Gross profit	34,707	45,006	67,665	28,258	40,973
Operating expenses[1]:					
Technology and development	18,885	29,591	39,315	29,312	29,351
Sales and marketing	24,422	28,400	51,082	40,596	36,645
General and administrative	15,362	20,328	25,117	18,509	20,530
Loss (gain) on liquidation of textbooks	(371)	2,785	(2,594)	(4,874)	(3,012)
Total operating expenses	58,298	81,104	112,920	83,543	83,514
Loss from operations	(23,591)	(36,098)	(45,255)	(55,285)	(42,541)
Interest and other expense, net	(4,061)	(1,703)	(3,759)	(2,048)	(7,350)
Loss before provision (benefit) for income taxes	(27,652)	(37,801)	(49,014)	(57,333)	(49,891)
Provision (benefit) for income taxes	(1,672)	(200)	29	(170)	542
Net loss	$ (25,980)	$ (37,601)	$ (49,043)	$ (57,163)	$ (50,433)
(1) Includes stock-based compensation expense as follows:					
Cost of revenues	$ 1,080	$ 537	$ 542	$ 389	$ 422
Technology and development	2,814	3,840	7,657	5,996	4,874
Sales and marketing	88	3,062	5,164	3,411	2,063
General and administrative	4,183	5,692	4,682	3,393	4,529
Total stock-based compensation expense	$ 8,165	$ 13,131	$ 18,045	$ 13,189	$ 11,888

The following table summarizes our historical consolidated statements of operations data as a percentage of net revenues for the periods shown:

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Net revenues	100%	100%	100%	100%	100%
Cost of revenues	77	74	68	81	77
Gross profit	23	26	32	19	23
Operating expenses:					

Technology and development	13	17	18	20	16
Sales and marketing	16	16	24	28	21
General and administrative	10	12	12	13	12
Loss (gain) on liquidation of textbooks		2	(1)	(3)	(2)
Total operating expenses	39	47	53	58	47
Loss from operations	(16)	(21)	(21)	(39)	(24)
Interest and other expense, net	(2)	(1)	(2)	(1)	(4)
Loss before provision (benefit) for income taxes	(18)	(22)	(23)	(40)	(28)
Provision (benefit) for income taxes	(1)				
Net loss	(17)%	(22)%	(23)%	(40)%	(28)%

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Nine Months Ended September 30, 2012 and 2013

Net Revenues

The following table sets forth our net revenues for the periods shown, in addition to detail of print textbooks and non-print products and services:

	Nine Months Ended September 30,		Change	
	2012	2013	$	%
	(dollars in thousands)			
Print textbooks	$ 126,673	$ 142,611	$ 15,938	13%
Non-print products and services	18,381	35,848	17,467	95
Net revenues	$ 145,054	$ 178,459	$ 33,405	23%

Net revenues during the nine months ended September 30, 2013 increased $33.4 million, or 23%, compared to the same period in 2012. The period over period increase in net revenues was the result of a 95% increase in non-print products and services due to growth in new memberships for our Chegg Study service, growth in our enrollment marketing services as we reach more universities, and an increase in eTextbook volumes. Non-print products and services represented 13% of net revenues during the nine months ended September 30, 2012 and 20% of net revenues during the nine months ended September 30, 2013. The period over period increase in net revenues was also the result of an 18% increase in print textbook rental volumes, partially offset by our reduction in price per rental. We anticipate that our non-print products and services revenue will continue to grow at a rate greater than our overall revenue growth in future periods.

Cost of Revenues

The following table sets forth our cost of revenues for the periods shown:

	Nine Months Ended September 30,		Change	
	2012	2013	$	%
	(dollars in thousands)			
Cost of revenues(1)	$ 116,796	$ 137,486	$ 20,690	18%

(1) Includes stock-based compensation expense of:	$ 389	$ 422	$ 33	8%

Cost of revenues during the nine months ended September 30, 2013 increased $20.7 million, or 18%, compared to the same period in 2012. The increase was primarily due to an increase in order fulfillment and payment processing costs of $9.2 million, textbook depreciation of $4.9 million and cost of digital content of $2.2 million. The increase in order fulfillment costs, and in particular eTextbook fees and payment processing fees, is directly attributable to the increase in textbook unit volumes during the nine months ended September 30, 2013 compared to the same period in 2012. Textbook depreciation increased primarily due to the expansion of our textbook library. The cost of digital content increased during the period due to our expansion of digital content solutions made available to students. In addition, we experienced an increase in the cost of the textbooks purchased on a just-in-time basis of approximately $3.5 million, which was primarily driven by an increase in the number of the units sold. We also experienced increased costs of approximately $2.4 million associated with hiring temporary personnel to assist with higher transaction and textbook volumes during the nine months ended September 30, 2013 compared to the same period in 2012. These increases were partially offset by lower write-offs of $1.0 million during 2013 due to having fewer lost or damaged books. Cost of revenues as a percentage of net revenues decreased to 77% for the nine months ended September 30, 2013 from 81% during the same period in 2012, primarily due to the increase in our net revenues from higher margin non-print products and services.

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Operating Expenses

The following table sets forth our operating expenses for the periods shown:

	Nine Months Ended September 30,		Change	
	2012	2013	$	%
	(dollars in thousands)			
Technology and development[1]	$ 29,312	$ 29,351	$ 39	%
Sales and marketing[1]	40,596	36,645	(3,951)	(10)
General and administrative[1]	18,509	20,530	2,021	11
Loss (gain) on liquidation of textbooks	(4,874)	(3,012)	1,862	(38)
	$ 83,543	$ 83,514	$ (29)	%

(1) Includes stock-based compensation expense of:

Technology and development	$ 5,996	$ 4,874	$ (1,122)	(19)%
Sales and marketing	3,411	$ 2,063	(1,348)	(40)
General and administrative	3,393	$ 4,529	1,136	33
Stock-based compensation expense	$ 12,800	$ 11,466	$ (1,334)	(10)%

Technology and Development

Technology and development expenses during the nine months ended September 30, 2013 were flat compared to the same period in 2012. During the nine months ended September 30, 2013, our employee-related expenses increased by $2.8 million compared to the prior year period. The increase was offset by a decrease of $1.1 million in stock-based compensation as shares issued in conjunction with our 2011 acquisitions became fully vested and a decrease in amortization of intangible assets of $1.1 million as intangibles from our acquisitions during 2011 became fully amortized. In addition, as we hired full-time employees we reduced our usage of contractors, resulting in savings of approximately $0.7 million during the nine months ended September 30, 2013 compared to the same period in 2012. Technology and development as a percentage of net revenues decreased to 16% of net revenues in the nine months ended September 30, 2013 compared to 20% of net revenues during the nine months ended September 30, 2012.

Sales and Marketing

Sales and marketing expenses during the nine months ended September 30, 2013 decreased $4.0 million, or 10%, compared to the same period in 2012. Sales and marketing expenses as a percentage of net revenues decreased to 21% during the nine months ended September 30, 2013 compared to 28% of net revenues during the nine months ended September 30, 2012. The decrease in absolute dollars and as a percentage of net revenues was primarily attributable to a decrease in advertising and marketing expenses of $5.3 million as a result of improved performance of search engine optimization and increased direct traffic resulting in decreased reliance on paid advertising, which were outperforming paid search advertising primarily utilized during the nine months ended September 30, 2012. There was a decrease in stock-based compensation of $1.3 million as shares issued in conjunction with our 2011 acquisitions became fully vested. These decreases were partially offset by an increase in employee-related compensation and benefits of $2.2 million, primarily due to increased headcount as of September 30, 2013 compared to September 30, 2012, as we expanded our sales staff supporting our enrollment marketing services and brand advertising services.

General and Administrative

General and administrative expenses during the nine months ended September 30, 2013 increased $2.0 million, or 11%, compared to the same period in 2012. General and administrative expenses as a percentage of net revenues decreased to 12% of net revenues in the nine months ended September 30, 2013 compared to 13% of net revenues during the nine months ended September 30, 2012. The increase in absolute dollars was

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primarily due to higher stock-based compensation of $1.1 million due to the increase in fair value of our common stock as we near an anticipated initial public offering, as well as expense associated with grants made during the latter half of 2012. This increase was coupled with an increase in employee-related compensation and benefits of $0.9 million driven by the expansion of capabilities in our organization to support public company readiness.

Excluding the effects of stock-based compensation, we expect our operating expenses in the future to increase in absolute dollars as we invest in developing and improving our platform, support our marketing initiatives and incur additional costs related to operating as a public company, including increased audit, legal, regulatory and other related fees. In addition, we expect stock-based compensation expenses to increase across all operating expense categories in connection with the vesting of RSUs for which stock-based compensation expense will be triggered upon the completion of this offering. See Certain Accounting and Tax Effects Resulting from this Offering above for more information regarding these RSUs.

Loss (Gain) on Liquidation of Textbooks

During the nine months ended September 30, 2013, we had a net gain on liquidations of $3.0 million resulting from proceeds received from liquidation of previously rented print textbooks on our website and through various third-party liquidation channels. During the nine months ended September 30, 2013, we shifted our mix of liquidations from third-party liquidation channels towards liquidations on our website which resulted in higher source cost recovery per book during the nine months ended September 30, 2013 as compared to the same period in 2012.

Interest and Other Expense, Net

The following table sets forth our interest and other income (expense), net, for the periods shown:

	Nine Months Ended September 30,		Change	
	2012	2013	$	%
	(dollars in thousands)			
Interest expense, net	$ (3,204)	$ (3,662)	$ (458)	14%
Other income (expense), net	1,156	(3,688)	(4,844)	(419)
Total interest and other expense, net	$ (2,048)	$ (7,350)	$ (5,302)	259%

Interest expense, net increased by $0.5 million during the nine months ended September 30, 2013 primarily due to the interest and fees associated with two outstanding credit facilities during the period, as well as the payment of an end-of-term fee associated with the term loan facility in July 2013 and the amortization of issuance costs, compared to only one outstanding credit facility during most of the nine months ended September 30, 2012.

Other income (expense), net was a net expense during the nine months ended September 30, 2013 resulting from an increase in the fair value of our preferred stock warrants, as compared to income during the same period in 2012 resulting from a decrease in the fair value of our preferred stock warrants.

Provision (Benefit) for Income Taxes

The following table sets forth our provision (benefit) for income taxes for the periods shown:

	Nine Months Ended September 30,		Change	
	2012	2013	$	%
	(dollars in thousands)			
Provision (benefit) for income taxes	$ (170)	$ 542	$ 712	(419)%

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We recognized income tax expense of $0.5 million during the nine months ended September 30, 2013 due to state and foreign income tax expense. We recognized an income tax benefit of $0.2 million during the nine months ended September 30, 2012 due to the release of unrecognized income tax benefits, partially offset by state and foreign income tax expense.

Years Ended December 31, 2010, 2011 and 2012

Net Revenues

The following table sets forth our net revenues for the periods shown, in addition to detail of print textbooks and non-print products and services:

	Year Ended December 31,			Change in 2011		Change in 2012	
	2010	2011	2012	$	%	$	%
	(dollars in thousands)						
Print textbooks	$ 148,659	$ 160,392	$ 185,169	$ 11,733	8%	$ 24,777	15%
Non-print products and services	263	11,626	28,165	11,363	n/m	16,539	142
Net revenues	$ 148,922	$ 172,018	$ 213,334	$ 23,096	16%	$ 41,316	24%

Net revenues in 2012 increased $41.3 million, or 24%, compared to 2011. The increase in net revenues was due primarily to an increase in print textbook volumes of 22%, resulting from an increase in rental units. Non-print products and services represented 7% of net revenues during 2011 and 13% of net revenues during 2012, increasing by 142% in absolute dollars during 2012 due to a full year of enrollment marketing services as a result of our acquisition of Zinch in October 2011 and growth in new memberships for our Chegg Study service.

Net revenues in 2011 increased $23.1 million, or 16%, compared to 2010. The increase in net revenues was due primarily to an increase in print textbook volumes of 3%, resulting primarily from an increase in textbook sales, as we strategically reduced our textbook rental catalog and moved lower volume or lower price titles to a sale only basis. Non-print products and services represented less than 1% of net revenues during 2010 and 7% of net revenues during 2011; however, they represented almost 50% of the increase in net revenues. Non-print products and services launched in December 2010, following the acquisition of Cramster. As a result we experienced a full year of revenue during 2011, versus only a partial month in 2010. Additionally, during 2011, we added membership revenue from our Chegg Study service and began offering enrollment marketing services following our acquisition of Zinch in October 2011.

Cost of Revenues

The following table sets forth our cost of revenues for the periods shown:

	Year Ended December 31,			Change in 2011		Change in 2012	
	2010	2011	2012	$	%	$	%
	(dollars in thousands)						
Cost of revenues[(1)]	$ 114,215	$ 127,012	$ 145,669	$ 12,797	11%	$ 18,657	15%
(1) Includes stock-based compensation expense of:	$ 1,080	$ 537	$ 542	$ (543)	(50)%	$ 5	1%

Cost of revenues in 2012 increased $18.7 million, or 15%, compared to 2011. The increase was primarily due to an increase in order fulfillment costs of $13.7 million, cost of digital content of $3.8 million and textbook depreciation of $1.0 million. The increase in order fulfillment costs is directly attributable to the increase in textbook unit volumes in 2012 compared to 2011. The cost of digital content increased in 2012 due to our expansion of digital content solutions we developed or licensed from publishers and made available to students.

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Textbook depreciation increased primarily due to the expansion of our textbook library. Cost of revenues as a percentage of net revenues decreased to 68% for 2012 from 74% for 2011, primarily due to the increase in our net revenues from higher margin non-print products and services.

Cost of revenues in 2011 increased $12.8 million, or 11%, compared to 2010. The increase was primarily due to an increase of approximately $8.7 million in the cost of textbooks purchased on a just-in-time basis as well as increased sales volumes, increased textbook depreciation of approximately $2.3 million and an increase in payment processing fees of approximately $1.8 million. Textbook depreciation and payment processing fees increased primarily due to focusing our textbook library on higher priced titles and an increased number of transactions, respectively. Cost of revenues as a percentage of net revenues decreased to 74% for 2011 from 77% for 2010, primarily due to the increase in our net revenues from non-print products and services as a result of having a full year of Chegg Study revenue versus only a partial month in 2010.

Operating Expenses

The following table sets forth our operating expenses for the periods shown:

	Year Ended December 31,			Change in 2011		Change in 2012	
	2010	2011	2012	$	%	$	%
	(dollars in thousands)						
Technology and development[1]	$ 18,885	$ 29,591	$ 39,315	$ 10,706	57%	$ 9,724	33%
Sales and marketing[1]	24,422	28,400	51,082	3,978	16	22,682	80
General and administrative[1]	15,362	20,328	25,117	4,966	32	4,789	24
Loss (gain) on liquidation of textbooks	(371)	2,785	(2,594)	3,156	(851)	(5,379)	(193)
	$ 58,298	$ 81,104	$ 112,920	$ 22,806	39%	$ 31,816	39%

(1) Includes stock-based compensation expense of:							
Technology and development	$ 2,814	$ 3,840	$ 7,657	$ 1,026	36%	$ 3,817	99%
Sales and marketing	88	3,062	5,164	2,974	n/m	2,102	69
General and administrative	4,183	5,692	4,682	1,509	36	(1,010)	(18)
Stock-based compensation expense	$ 7,085	$ 12,594	$ 17,503	$ 5,509	78%	$ 4,909	39%

Technology and Development

Technology and development expenses in 2012 increased $9.7 million, or 33%, compared to 2011. Technology and development as a percentage of net revenues increased to 18% of net revenues in 2012 compared to 17% of net revenues in 2011. The increase in absolute dollars and as a percentage of net revenues was due to an increase in employee related compensation and benefits of approximately $5.5 million, primarily driven by increased headcount during 2012. This increase was partially offset by a decrease in outside services of $1.6 million as a result of hiring full-time employees. We also experienced an increase in stock-based compensation during 2012 of approximately $3.8 million. This increase is primarily the result of the full year impact of stock-based compensation expense as a result of the issuance of stock options and restricted shares of our common stock granted in conjunction with our acquisitions during prior years, as well as an increase in new grants. Amortization of intangible assets increased $2.2 million due to a full year of amortization for technology acquired during 2011 through our acquisitions.

Technology and development expenses in 2011 increased $10.7 million, or 57%, compared to 2010. Technology and development as a percentage of net revenues increased to 17% of net revenues in 2011 compared to 13% of net revenues in 2010. The increase in absolute dollars and as a percentage of net revenues was due to a $6.8 million increase in employee-related compensation and benefits driven by increased headcount

due to a full year of expenses related to the employees that joined us as a result of our acquisition of Cramster in December 2010. This investment in headcount also supported our efforts to improve the ease of use and functionality of our existing products and services, as well as developing our non-print products and services offerings. Stock-based compensation expense increased during 2011 by $1.0 million, primarily as a result of the issuance of stock options and restricted shares of our common stock granted in conjunction with our acquisitions during 2010 and 2011. Amortization of intangible assets increased $1.6 million due to a full year of amortization for core technology acquired during 2010 and additional technology acquired during 2011.

Sales and Marketing

Sales and marketing expenses in 2012 increased $22.7 million, or 80%, compared to 2011. Sales and marketing expenses as a percentage of net revenues increased to 24% in 2012 compared to 16% in 2011. The increase in absolute dollars and as a percentage of net revenues was primarily the result of an increase in employee-related compensation and benefits of $7.9 million, primarily due to increased headcount during 2012, as we included a full year of expenses related to the employees that joined us as a result of our acquisition of Zinch in October 2011 and as we invested in growing our brand and enrollment marketing services capabilities. In addition, marketing activities increased by $6.2 million related to search advertising as a result of increased spending to reach more customers. Allocated information technology and facilities costs increased by $2.0 million during 2012, and our travel and entertainment expenses and outside services expenses increased by $0.8 million and $0.6 million, respectively, due to support of our enrollment marketing services, which we incurred a full year of expenses in 2012, since the October 2011 acquisition of Zinch. We also experienced an increase in stock-based compensation expense during 2012 of approximately $2.1 million. This increase is the result of new hire option grants and options and restricted shares of our common stock issued in conjunction with our acquisitions during prior years. Amortization of intangible assets increased by $2.1 million as we recognized a full year of amortization associated with our acquisitions completed during the second half of 2011.

Sales and marketing expenses in 2011 increased $4.0 million, or 16%, compared to 2010. The increase was primarily due to an increase of $2.3 million in our employee-related compensation and benefits resulting from an increase in headcount during 2011, primarily driven by the acquisitions we completed during the second half. We also experienced an increase in stock-based compensation expense during 2011 of approximately $3.0 million. This increase resulted from the issuance of stock options and restricted shares of our common stock granted in conjunction with our acquisitions during 2011 and 2010. Amortization of intangible assets increased $0.9 million primarily due to our 2011 acquisitions. These increases were partially offset by a decrease in advertising expense of approximately $2.7 million, as we shifted our focus from television, radio and on-campus advertising to improve our search engine optimization, which we believe is more cost effective and reaches a broader audience.

General and Administrative

General and administrative expenses in 2012 increased $4.8 million, or 24%, compared to 2011. The increase in absolute dollars and as a percentage of net revenues was primarily due to an increase in employee related compensation and benefits of $2.1 million driven by the expansion of capabilities in our organization to support public company readiness. In addition, expenses of $0.7 million were incurred due to liabilities resulting from the Cramster acquisition, and depreciation expenses increased by $0.6 million. Outside accounting and professional fees increased $0.6 million due to valuation services and public company readiness initiatives, and bad debt expenses increased by $0.5 million.

General and administrative expenses in 2011 increased $5.0 million, or 32%, compared to 2010. The increase in absolute dollars and as a percentage of net revenues was primarily due to an increase of $1.8 million in our employee compensation and benefits primarily driven by incurring a full year of expense related to the employees that joined our company as a result of the acquisition of Cramster. In addition, we experienced increases in our outside consulting, legal and accounting fees of approximately $0.6 million, primarily as a result of three acquisitions completed in 2011. Stock-based compensation increased $1.5 million during 2011 primarily

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as a result of the impact of a full year of stock-based compensation expense related to restricted shares issued and stock options assumed in conjunction with the Cramster acquisition.

Loss (Gain) on Liquidation of Textbooks

In 2012, we had a net gain on liquidations of $2.6 million resulting from proceeds received from liquidation of previously rented print textbooks on our website and through various other liquidation channels. The number of textbooks liquidated in 2012 was comparable to those liquidated in 2011; however the amounts recovered were higher in 2012 than in 2011 due to more liquidation volumes through our website, where the recovery proceeds are greater than through wholesalers or other channels.

In 2011, we made the decision to significantly reduce the number of titles we would offer for rental in our textbook library by narrowing the catalog to focus on higher volume and higher margin rental titles and as a result we liquidated our textbooks earlier in their life-cycle. The net book value of the liquidated books was only partially offset by a lower source cost recovery, resulting in a loss on liquidations of $2.8 million. In 2010, the net book value of our textbook liquidations was more than offset by proceeds recovered from liquidation channels, resulting in a gain on liquidation of $0.4 million.

Interest and Other Expense, Net

The following table sets forth our interest and other income (expense), net, for the periods shown:

	Year Ended December 31,			Change in 2011		Change in 2012	
	2010	2011	2012	$	%	$	%
	(dollars in thousands)						
Interest expense, net	$ (5,801)	$ (3,558)	$ (4,393)	$ 2,243	(39)%	$ (835)	23%
Other income (expense), net	1,740	1,855	634	115	7	(1,221)	(66)
Total interest and other expense, net	$ (4,061)	$ (1,703)	$ (3,759)	$ 2,358	(58)%	$ (2,056)	121%

Interest expense, net increased by $0.8 million in 2012 primarily due to the interest associated with two outstanding credit facilities in 2012, compared to only one in 2011, as well as the accrual of an end-of-term fee and an increase in the amortization of issuance costs associated with an agreement we entered into in May 2012 for a term loan facility for the aggregate principal amount of $20.0 million. Interest expense, net decreased by $2.2 million during 2011 compared to 2010, primarily as a result of a lower average outstanding debt balance and lower average effective interest rate during 2011.

Other income, net decreased in 2012 due to a smaller change in the fair value of our preferred stock warrants compared to the decrease in the fair value of the preferred stock warrants between 2011 and 2010.

Provision (Benefit) for Income Taxes

The following table sets forth our provision (benefit) for income taxes for the periods shown:

	Year Ended December 31,			Change in 2011		Change in 2012	
	2010	2011	2012	$	%	$	%
	(dollars in thousands)						
Provision (benefit) for income taxes	$ (1,672)	$ (200)	$ 29	$ 1,472	88%	$ 229	115%

We recognized income tax expense of $29,000 in 2012 due to state and foreign income tax expense, primarily offset by the release of unrecognized income tax benefits. We recognized an income tax benefit of $0.2 million and $1.7 million in 2011 and 2010, respectively, due to the release of valuation allowances as a result of our acquisitions, partially offset by state and foreign income tax expense.

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Quarterly Results of Operations Data

The following tables set forth our unaudited quarterly consolidated statements of operations data for each of the eleven quarters in the period ended September 30, 2013. We have prepared the quarterly consolidated statements of operations data on a basis consistent with the audited consolidated financial statements included elsewhere in this prospectus. In the opinion of management, the financial information reflects all adjustments, consisting only of normal recurring adjustments, which we consider necessary for a fair presentation of this data. This information should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this prospectus. The results of historical periods are not necessarily indicative of the results for any future period.

	Three Months Ended										
	Mar. 31, 2011	Jun. 30, 2011	Sep. 30, 2011	Dec. 31, 2011	Mar. 31, 2012	Jun. 30, 2012	Sep. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	Jun. 30, 2013	Sep. 30, 2013
	(in thousands)										
Net revenues	$ 42,049	$ 34,401	$ 40,859	$ 54,709	$ 48,533	$ 43,919	$ 52,602	$ 68,280	$ 61,015	$ 55,857	$ 61,587
Cost of revenues	38,141	22,606	41,600	24,665	41,043	25,886	49,867	28,873	49,454	29,607	58,425
Gross profit (loss)	3,908	11,795	(741)	30,044	7,490	18,033	2,735	39,407	11,561	26,250	3,162
Operating expenses:											
Technology and development	6,586	6,581	7,187	9,237	9,079	10,226	10,007	10,003	9,553	9,799	9,999
Sales and marketing	8,074	3,075	8,036	9,215	16,253	9,208	15,135	10,486			