

CHEGG, INC
Form 10-Q
August 03, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-36180

CHEGG, INC.

(Exact name of registrant as specified in its charter)

Delaware 20-3237489
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
3990 Freedom Circle
Santa Clara, CA, 95054
(Address of principal executive offices)
(408) 855-5700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 29, 2016, the Registrant had 91,028,255 outstanding shares of Common Stock.

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Unless the context requires otherwise, the words “we,” “us,” “our,” “Company,” and “Chegg” refer to Chegg, Inc. and its subsidiaries taken as a whole.

“Chegg,” “Chegg.com,” “Chegg for Good,” “CourseRank,” “Cramster,” “InstaEDU,” “internships.com” “Zinch”, “ResearchRe”, “EasyBib,” and “#1 in Textbook Rentals” are some of our trademarks used in this Quarterly Report on Form 10-Q. Solely for convenience, our trademarks, trade names, and service marks referred to in this Quarterly Report on Form 10-Q 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 trade names. Other trademarks appearing in this Quarterly Report on Form 10-Q are the property of their respective holders.

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Quarterly Report on Form 10-Q 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,” “project,” “endeavor,” “expect,” “plans to,” “if,” “future,” and similar expressions are intended to identify forward-looking statements. We have based 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 Part II, Item 1A, “Risk Factors” in this Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

CHEGG, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except for number of shares and par value)

	June 30, 2016 (unaudited) *	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$49,679	\$ 67,029
Short-term investments	—	17,800
Accounts receivable, net of allowance for doubtful accounts of \$287 and \$378 at June 30, 2016 and December 31, 2015, respectively	12,919	13,157
Prepaid expenses	5,608	3,117
Other current assets	40,224	31,732
Total current assets	108,430	132,835
Long-term investments	—	4,229
Textbook library, net	11,834	29,728
Property and equipment, net	29,356	19,971
Goodwill	114,980	91,301
Intangible assets, net	23,061	8,865
Other assets	5,227	4,427
Total assets	\$292,888	\$ 291,356
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$6,260	\$ 5,860
Deferred revenue	14,458	14,971
Accrued liabilities	46,427	35,280
Total current liabilities	67,145	56,111
Long-term liabilities		
Total other long-term liabilities	4,010	4,170
Total liabilities	71,155	60,281
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, \$0.001 par value – 10,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.001 par value 400,000,000 shares authorized; 90,893,175 and 88,099,983 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	91	88
Additional paid-in capital	575,601	560,242
Accumulated other comprehensive loss	(183)	(172)
Accumulated deficit	(353,776)	(329,083)
Total stockholders' equity	221,733	231,075
Total liabilities and stockholders' equity	\$292,888	\$ 291,356

* Derived from audited consolidated financial statements as of and for the year ended December 31, 2015.

See Notes to Condensed Consolidated Financial Statements.

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CHEGG, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(unaudited)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2016	2015	2016	2015
Net revenues:				
Rental	\$ 12,006	\$ 32,782	\$ 26,570	\$ 70,496
Services	37,668	29,276	77,030	60,643
Sales	3,362	5,003	16,090	20,794
Total net revenues	53,036	67,061	119,690	151,933
Cost of revenues:				
Rental	5,346	21,238	18,859	59,793
Services	12,332	9,975	25,807	21,812
Sales	3,729	5,043	15,664	