



CHGG BULLISH ALERT

Dec. 17, 2020



Bullish Opportunity Alert: **CHGG**

Actionable Trade Idea

Buy Chegg, Inc. (NYSE:CHGG) stock below \$90/share**

Alternative approaches would include selling OTM put options with a strike price 5% below the current price of the stock each month to generate income until a position is established.

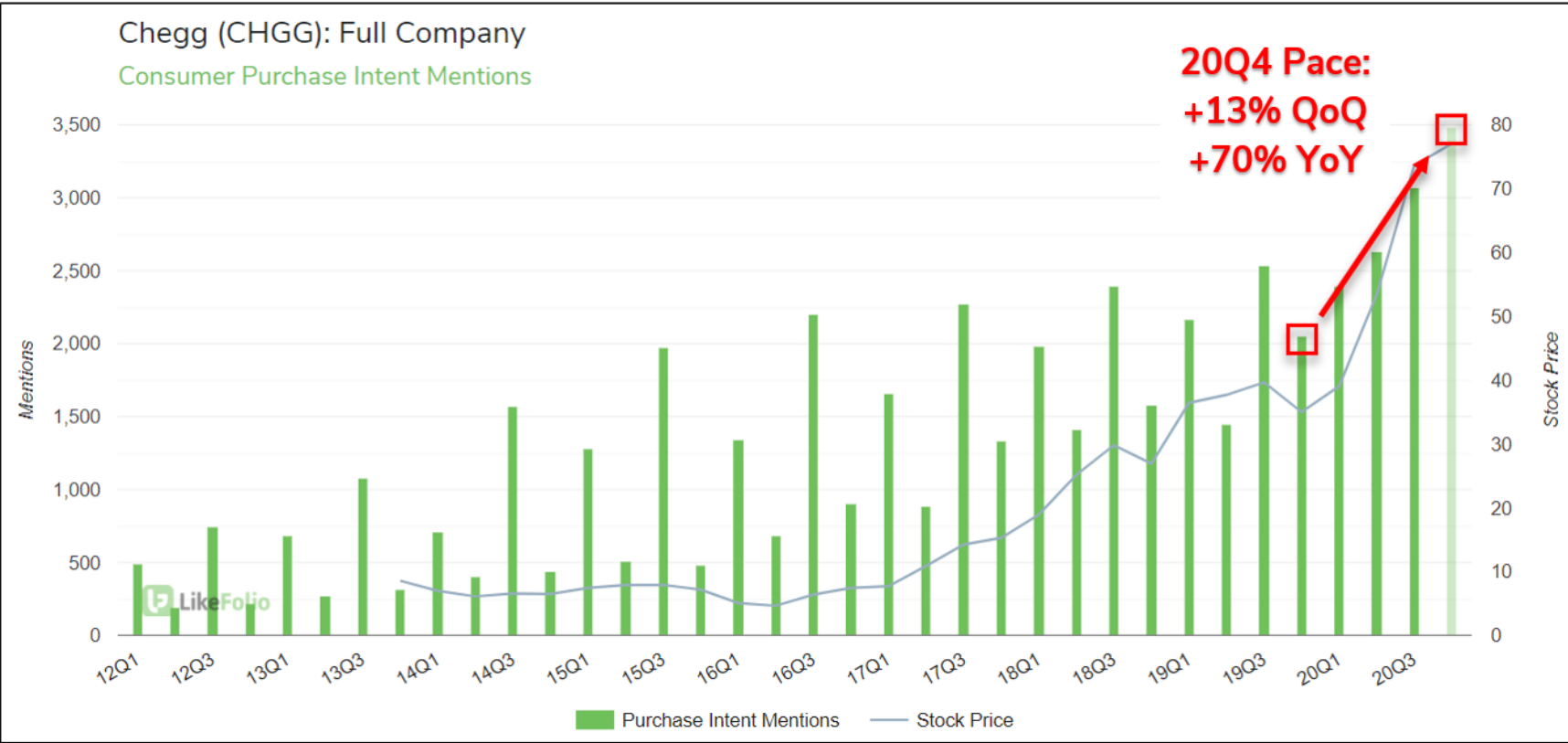
We believe the stock could move 30-50% higher within the next 2 years.

**ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital. One popular exit strategy for bullish trades is a 25% trailing stop.

Consumer Demand:

- Consumer Mentions of using Chegg for textbook rentals, tutoring, and other services have gained **+65%** in the past 90 days vs. the prior year
- Purchase Intent Mentions in 20Q4 (ending 12/31/20) are on pace for an increase of:
+13% QoQ
+70% YoY
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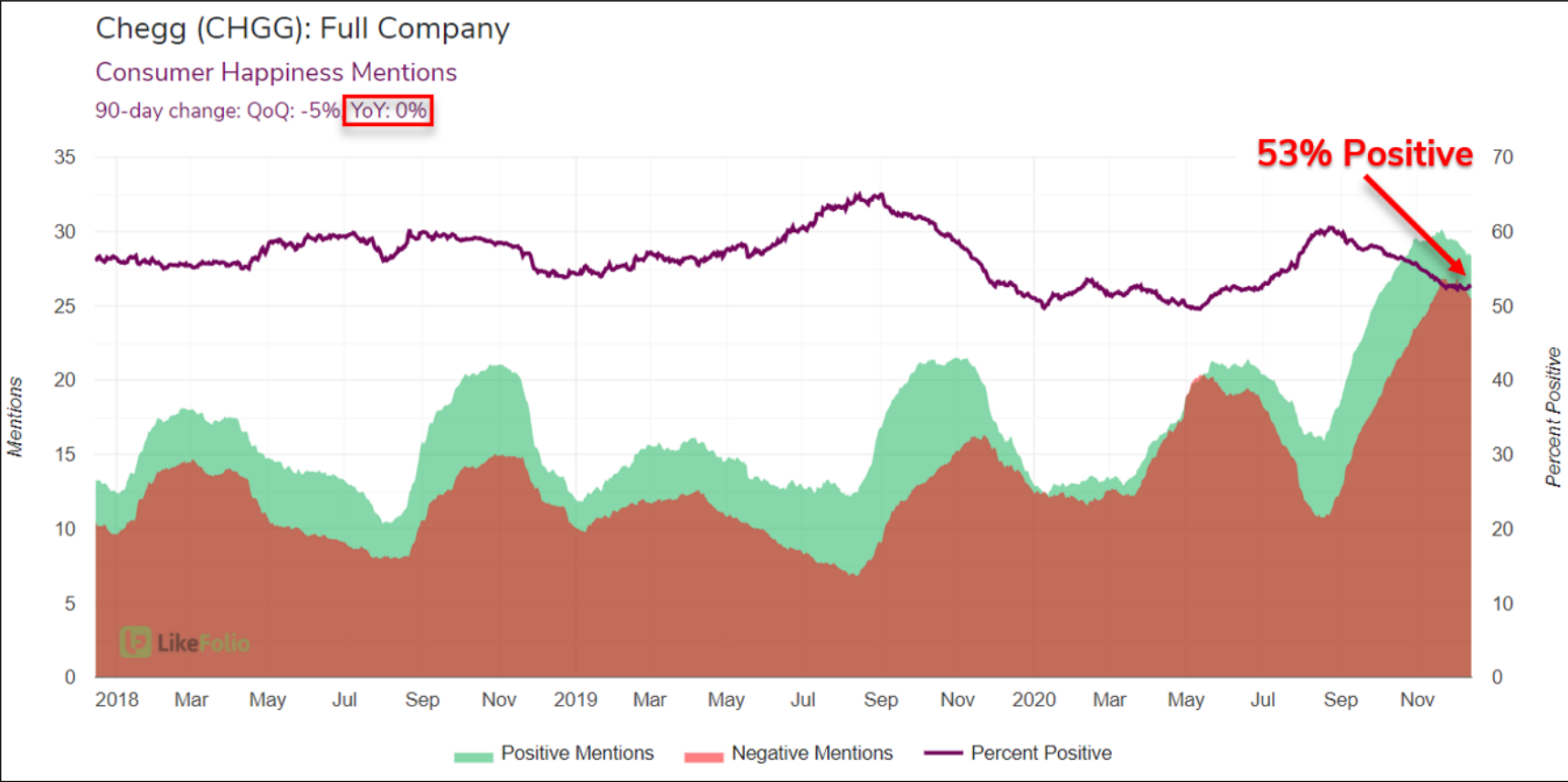
CHGG: Demand Maintaining Momentum



Consumer Happiness:

- Consumer Happiness remains unchanged from a YoY standpoint: **53% positive** in the past month
- Negative Sentiment volume has grown rapidly alongside Demand, largely due to new policies focused on limiting cheating and account sharing

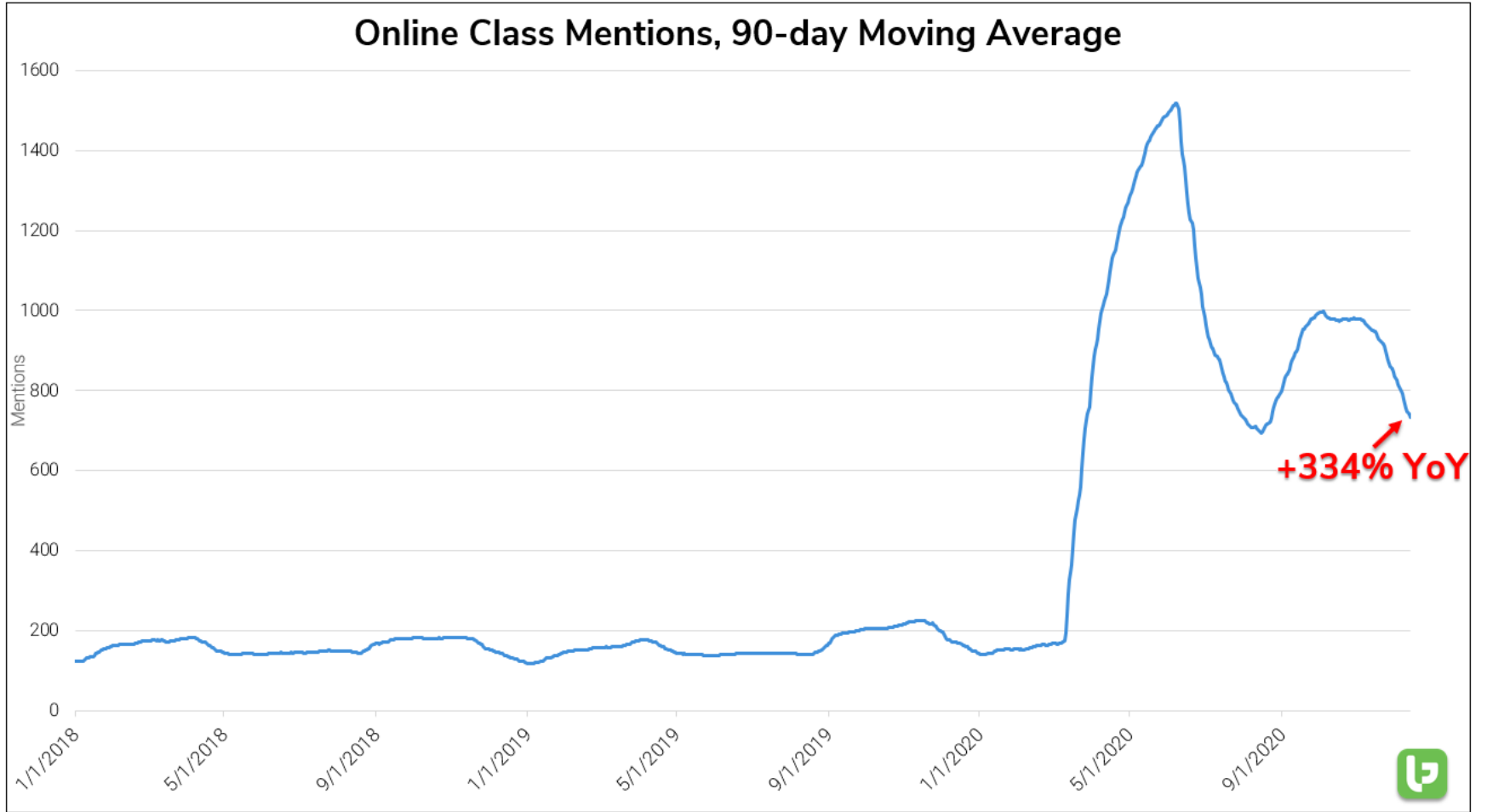
CHGG: Happiness Holding Firm



Macro Tailwind:

- Mentions of attending “online”, “virtual”, or “web-based” classes are currently up **+344%** in the last 90 days vs. prior year.
- The advent of COVID-19 prompted most higher learning establishments in the U.S. to indefinitely cancel in-person classes, a massive boon for CHGG

CHGG: More Online Classes



CHGG: The Bottom Line

- All three key metrics (Consumer Demand, Consumer Happiness, and Macro Trends) are green for CHGG.
- The company's [20Q3 earnings release](#) showed that revenue from 'Chegg Services' Improved **+72% YoY**, accounting for 77% of total net revenues.
- Specific Mentions of Chegg's Services, such as 'Chegg Tutors' and 'Thinkful,' have risen **+140% YoY** in the past 90 days.
- Account sharing was previously cited by analysts as [one of Chegg's largest challenges](#), and it appears the company has turned the page. On its last earnings report, Chegg stated that technology crack-downs implemented in August helped to [boost user growth](#):

"it's our belief that domestically, the majority of the growth that we saw domestically was the result not of COVID per se, but in the fact that we've done a really good job of our investment in account sharing."
- **Caveat:** In 20Q2 and 20Q3, CHGG reported subscriber YoY growth of +67% and +69% respectively. It remains to be seen whether this pace will continue into the second semester of the 2020-2021 school year.

LikeFolio data highlights Chegg's dominant position within an industry that is radically changing in its favor. Chegg provides critical resources for students taking classes online. Based on the explosive growth seen in online class Mentions, we're comfortable betting on CHGG's value continuing to rise in the coming years.

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