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 July 30, 2023

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: 001-38936

CHEWY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**90-1020167**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7700 West Sunrise Boulevard, Plantation, Florida	**33322**
(Address of principal executive offices)	(Zip Code)

(786) 320-7111
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.01 per share	CHWY	New York Stock Exchange

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 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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Class	Outstanding as of August 23, 2023
Class A Common Stock, $0.01 par value per share	119,141,916
Class B Common Stock, $0.01 par value per share	311,188,356

CHEWY, INC.
FORM 10-Q

For the Quarterly Period Ended July 30, 2023

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PART I. FINANCIAL INFORMATION

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "target," "will" or "would" or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning our ability to:

- *sustain our recent growth rates and successfully manage challenges to our future growth, including introducing new products or services, improving existing products and services, and expanding into new offerings;*
- *successfully manage risks related to the macroeconomic environment, including any adverse impacts on our business operations, financial performance, supply chain, workforce, facilities, customer services and operations;*
- *acquire and retain new customers in a cost-effective manner and increase our net sales, improve margins and maintain profitability;*
- *manage our growth effectively;*
- *maintain positive perceptions of our company and preserve, grow and leverage the value of our reputation and our brand;*
- *limit operating losses as we continue to expand our business;*
- *forecast net sales and appropriately plan our expenses in the future;*
- *estimate the size of our addressable market;*
- *strengthen our current supplier relationships, retain key suppliers and source additional suppliers;*
- *negotiate acceptable pricing and other terms with third-party service providers, suppliers and outsourcing partners and maintain our relationships with such parties;*
- *mitigate changes in, or disruptions to, our shipping arrangements and operations;*
- *optimize, operate and manage the expansion of the capacity of our fulfillment centers;*
- *provide our customers with a cost-effective platform that is able to respond and adapt to rapid changes in technology;*
- *limit our losses related to online payment methods;*
- *maintain and scale our technology, including the reliability of our website, mobile applications, and network infrastructure;*
- *maintain adequate cybersecurity with respect to our systems and ensure that our third-party service providers do the same with respect to their systems;*
- *maintain consumer confidence in the safety, quality and health of our products;*
- *limit risks associated with our suppliers and our outsourcing partners;*
- *comply with existing or future laws and regulations in a cost-efficient manner;*
- *compete with other retailers and service providers;*
- *utilize tax attributes, net operating loss and tax credit carryforwards, and limit fluctuations in our tax obligations and effective tax rate;*
- *adequately protect our intellectual property rights;*
- *successfully defend ourselves against any allegations or claims that we may be subject to;*
- *attract, develop, motivate and retain highly-qualified and skilled employees;*
- *predict and respond to economic conditions, industry trends, and market conditions, and their impact on the pet products market;*
- *reduce merchandise returns or refunds;*
- *respond to severe weather and limit disruption to normal business operations;*
- *manage new acquisitions, investments or alliances, and integrate them into our existing business;*
- *successfully compete in the pet insurance market;*
- *manage challenges presented by international markets;*
- *successfully compete in the pet products and services health and retail industry, especially in the e-commerce sector;*
- *raise capital as needed; and*
- *maintain effective internal control over financial reporting and disclosure controls and procedures.*

You should not rely on forward-looking statements as predictions of future events, and you should understand that these statements are not guarantees of performance or results, and our actual results could differ materially from those expressed in the forward-looking statements due to a variety of factors. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current assumptions, expectations and projections about future events and trends that we believe may affect our business, financial condition, and results of operations. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 29, 2023, our subsequent quarterly reports, and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that such information provides a reasonable basis for these statements, this information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

Investors and others should note that we may announce material information to our investors using our investor relations website (https://investor.chewy.com/), filings with the Securities and Exchange Commision ("SEC"), press releases, public conference calls and webcasts. We use these channels, as well as social media, to communicate with our investors and the public about our company, our business and other issues. It is possible that the information that we post on these channels could be deemed to be material information. We therefore encourage investors to visit these websites from time to time. The information contained on such websites and social media posts is not incorporated by reference into this filing. Further, our references to website URLs in this filing are intended to be inactive textual references only.

Item 1. Financial Statements (Unaudited)

CHEWY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	As of	
	July 30, 2023	**January 29, 2023**
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 457,103	$ 330,441
Marketable securities	448,323	346,944
Accounts receivable	162,681	126,349
Inventories	738,204	675,520
Prepaid expenses and other current assets	48,080	41,067
Total current assets	1,854,391	1,520,321
Property and equipment, net	511,755	478,738
Operating lease right-of-use assets	434,805	423,423
Goodwill	39,442	39,442
Other non-current assets	63,621	53,152
Total assets	$ 2,904,014	$ 2,515,076
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 1,119,316	$ 1,030,882
Accrued expenses and other current liabilities	880,072	738,467
Total current liabilities	1,999,388	1,769,349
Operating lease liabilities	488,767	471,765
Other long-term liabilities	51,230	60,005
Total liabilities	2,539,385	2,301,119
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, $0.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding as of July 30, 2023 and January 29, 2023	—	—
Class A common stock, $0.01 par value per share, 1,500,000,000 shares authorized, 118,530,123 and 114,160,531 shares issued and outstanding as of July 30, 2023 and January 29, 2023, respectively	1,185	1,141
Class B common stock, $0.01 par value per share, 395,000,000 shares authorized, 311,188,356 shares issued and outstanding as of July 30, 2023 and January 29, 2023	3,112	3,112
Additional paid-in capital	2,280,748	2,171,247
Accumulated deficit	(1,920,416)	(1,961,543)
Total stockholders' equity	364,629	213,957
Total liabilities and stockholders' equity	$ 2,904,014	$ 2,515,076

See accompanying Notes to Condensed Consolidated Financial Statements.

CHEWY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(Unaudited)

	13 Weeks Ended		26 Weeks Ended	
	July 30, 2023	July 31, 2022	July 30, 2023	July 31, 2022
Net sales	$ 2,777,769	$ 2,431,011	$ 5,562,444	$ 4,859,338
Cost of goods sold	1,990,996	1,748,214	3,984,216	3,508,721
Gross profit	786,773	682,797	1,578,228	1,350,617
Operating expenses:				
Selling, general and administrative	619,202	516,983	1,202,868	1,021,266
Advertising and marketing	185,491	144,159	369,224	288,880
Total operating expenses	804,693	661,142	1,572,092	1,310,146
(Loss) income from operations	(17,920)	21,655	6,136	40,471
Interest income, net	8,928	690	16,944	346
Other income, net	29,242	—	20,354	—
Income before income tax provision	20,250	22,345	43,434	40,817
Income tax provision	1,304	—	2,307	—
Net income	$ 18,946	$ 22,345	$ 41,127	$ 40,817
Earnings per share attributable to common Class A and Class B stockholders:				
Basic	$ 0.04	$ 0.05	$ 0.10	$ 0.10
Diluted	$ 0.04	$ 0.05	$ 0.10	$ 0.10
Weighted-average common shares used in computing earnings per share:				
Basic	428,618	421,690	427,735	421,048
Diluted	431,576	426,833	431,024	426,772

See accompanying Notes to Condensed Consolidated Financial Statements.

CHEWY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	13 Weeks Ended July 30, 2023				
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of April 30, 2023	427,108	$ 4,271	$ 2,217,456	$ (1,939,362)	$ 282,365
Share-based compensation expense	—	—	65,996	—	65,996
Vesting of share-based compensation awards	2,517	25	(25)	—	—
Distribution to parent	93	1	(1)	—	—
Tax withholdings for share-based compensation awards	—	—	(5)	—	(5)
Tax sharing agreement with related parties	—	—	(2,673)	—	(2,673)
Net income	—	—	—	18,946	18,946
Balance as of July 30, 2023	429,718	$ 4,297	$ 2,280,748	$ (1,920,416)	$ 364,629

	13 Weeks Ended July 31, 2022				
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of May 1, 2022	420,606	$ 4,206	$ 2,046,707	$ (1,992,303)	$ 58,610
Share-based compensation expense	—	—	38,377	—	38,377
Vesting of share-based compensation awards	1,948	19	(19)	—	—
Distribution to parent	93	1	(1)	—	—
Tax withholdings for share-based compensation awards	—	—	(4)	—	(4)
Tax sharing agreement with related parties	—	—	(1,937)	—	(1,937)
Net income	—	—	—	22,345	22,345
Balance as of July 31, 2022	422,647	$ 4,226	$ 2,083,123	$ (1,969,958)	$ 117,391

See accompanying Notes to Condensed Consolidated Financial Statements.

CHEWY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	26 Weeks Ended July 30, 2023				
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of January 29, 2023	425,349	$ 4,253	$ 2,171,247	$ (1,961,543)	$ 213,957
Share-based compensation expense	—	—	114,549	—	114,549
Vesting of share-based compensation awards	4,276	43	(43)	—	—
Distribution to parent	93	1	(1)	—	—
Tax withholdings for share-based compensation awards	—	—	(5)	—	(5)
Tax sharing agreement with related parties	—	—	(4,999)	—	(4,999)
Net income	—	—	—	41,127	41,127
Balance as of July 30, 2023	429,718	$ 4,297	$ 2,280,748	$ (1,920,416)	$ 364,629

	26 Weeks Ended July 31, 2022				
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of January 30, 2022	420,106	$ 4,201	$ 2,021,310	$ (2,010,775)	$ 14,736
Share-based compensation expense	—	—	64,171	—	64,171
Vesting of share-based compensation awards	2,501	25	(25)	—	—
Distribution to parent	93	1	(1)	—	—
Tax withholdings for share-based compensation awards	(53)	(1)	(2,471)	—	(2,472)
Tax sharing agreement with related parties	—	—	139	—	139
Net income	—	—	—	40,817	40,817
Balance as of July 31, 2022	422,647	$ 4,226	$ 2,083,123	$ (1,969,958)	$ 117,391

See accompanying Notes to Condensed Consolidated Financial Statements.

CHEWY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	26 Weeks Ended	
	July 30, 2023	July 31, 2022
Cash flows from operating activities		
Net income	$ 41,127	$ 40,817
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	56,672	37,678
Share-based compensation expense	114,549	64,171
Non-cash lease expense	22,053	19,203
Change in fair value of equity warrants and investments	(20,244)	—
Other	793	604
Net change in operating assets and liabilities:		
Accounts receivable	(36,332)	(20,295)
Inventories	(62,684)	(147,491)
Prepaid expenses and other current assets	(16,860)	(13,861)
Other non-current assets	(1,975)	2,067
Trade accounts payable	88,434	166,074
Accrued expenses and other current liabilities	131,796	(7,343)
Operating lease liabilities	(11,045)	(9,592)
Other long-term liabilities	864	(427)
Net cash provided by operating activities	307,148	131,605
Cash flows from investing activities		
Capital expenditures	(79,213)	(124,212)
Cash paid for acquisition of business, net of cash acquired	(367)	—
Purchases of marketable securities	(442,769)	—
Proceeds from maturities of marketable securities	350,000	—
Other	—	(1,400)
Net cash used in investing activities	(172,349)	(125,612)
Cash flows from financing activities		
(Payments for) proceeds from tax sharing agreement with related parties	(7,606)	533
Payment of debt modification costs	(175)	—
Principal repayments of finance lease obligations	(351)	(333)
Payments for tax withholdings related to vesting of share-based compensation awards	(5)	(2,472)
Net cash used in financing activities	(8,137)	(2,272)
Net increase in cash and cash equivalents	126,662	3,721
Cash and cash equivalents, as of beginning of period	330,441	603,079
Cash and cash equivalents, as of end of period	$ 457,103	$ 606,800

See accompanying Notes to Condensed Consolidated Financial Statements.

CHEWY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business

Chewy, Inc. and its wholly-owned subsidiaries (collectively “Chewy” or the “Company”) is a pure play e-commerce business geared toward pet products and services for dogs, cats, fish, birds, small pets, horses, and reptiles. Chewy serves its customers through its retail website, www.chewy.com, and its mobile applications, and focuses on delivering exceptional customer service, competitive prices, outstanding convenience (including Chewy’s Autoship subscription program, fast shipping, and hassle-free returns), and a large selection of high-quality pet food, treats and supplies, and pet healthcare products.

The Company is controlled by a consortium including private investment funds advised by BC Partners and its affiliates, La Caisse de dépôt et placement du Québec, affiliates of GIC Special Investments Pte Ltd, affiliates of StepStone Group LP, and funds advised by Longview Asset Management, LLC (collectively, the “Sponsors”). The Company was controlled by PetSmart LLC (“PetSmart”), a wholly-owned subsidiary of the Sponsors through February 11, 2021.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements and related notes include the accounts of Chewy, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated. The unaudited condensed consolidated financial statements and notes thereto of Chewy, Inc. have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial reporting and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as set forth in the Financial Accounting Standards Board’s (“FASB”) accounting standards codification (“ASC”). In the opinion of management, all adjustments necessary for a fair statement of the financial information, which are of a normal and recurring nature, have been made for the interim periods reported. Results of operations for the quarterly period ended July 30, 2023 are not necessarily indicative of the results for the entire fiscal year. The unaudited condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2023 (“10-Q Report”) should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended January 29, 2023 (“10-K Report”).

Fiscal Year

The Company has a 52- or 53-week fiscal year ending each year on the Sunday that is closest to January 31 of that year. The Company’s 2023 fiscal year ends on January 28, 2024 and is a 52-week year. The Company’s 2022 fiscal year ended January 29, 2023 and was a 52-week year.

Significant Accounting Policies

Other than policies noted herein, there have been no significant changes from the significant accounting policies disclosed in Note 2 of the “Notes to Consolidated Financial Statements” included in the 10-K Report.

Use of Estimates

GAAP requires management to make certain estimates, judgments, and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates these estimates and judgments. Actual results could differ from those estimates.

Key estimates relate primarily to determining the net realizable value and demand for inventory, useful lives associated with property and equipment and intangible assets, valuation allowances with respect to deferred tax assets, contingencies, self-insurance accruals, evaluation of sales tax positions, and the valuation and assumptions underlying share-based compensation and equity warrants. On an ongoing basis, management evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

Accrued Expenses and Other Current Liabilities

The following table presents the components of accrued expenses and other current liabilities (in thousands):

	As of	
	July 30, 2023	January 29, 2023
Outbound fulfillment	$ 491,847	$ 369,661
Advertising and marketing	114,581	99,593
Payroll liabilities	71,318	66,799
Accrued expenses and other	202,326	202,414
Total accrued expenses and other current liabilities	$ 880,072	$ 738,467

Stockholders' Equity

Conversion of Class B Common Stock

On May 8, 2020, Buddy Chester Sub LLC, a wholly-owned subsidiary of the Sponsors, converted 17,584,098 shares of the Company's Class B common stock into Class A common stock. On May 11, 2020, Buddy Chester Sub LLC entered into a variable forward purchase agreement ("the Contract") to deliver up to 17,584,098 shares of the Company's Class A common stock at the exchange date, with the number of shares to be issued based on the trading price of the Company's common stock during a 20-day observation period. On each of May 15, 2023 and May 16, 2023, Buddy Chester Sub LLC settled its obligations under the Contract and delivered a total of 17,584,098 shares.

Interest Income (Expense), net

The Company generates interest income from its cash and cash equivalents and marketable securities and incurs interest expense from its borrowing facilities and finance leases. The following table provides additional information about the Company's interest income (expense), net (in thousands):

	13 Weeks Ended		26 Weeks Ended	
	July 30, 2023	July 31, 2022	July 30, 2023	July 31, 2022
Interest income	$ 9,824	$ 1,348	$ 18,702	$ 1,603
Interest expense	(896)	(658)	(1,758)	(1,257)
Interest income, net	$ 8,928	$ 690	$ 16,944	$ 346

Other Income (Expense), net

The Company's other income (expense), net consists of changes in the fair value of equity warrants and investments, foreign currency transaction gains and losses, and allowances for credit losses. The following table provides additional information about the Company's other income (expense), net (in thousands):

	13 Weeks Ended		26 Weeks Ended	
	July 30, 2023	July 31, 2022	July 30, 2023	July 31, 2022
Change in fair value of equity warrants	$ 29,192	$ —	$ 20,258	$ —
Foreign currency transaction gains	50	—	110	—
Change in fair value of equity investments	—	—	(14)	—
Other income, net	$ 29,242	$ —	$ 20,354	$ —

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

ASU 2022-04—Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations. In September 2022, the FASB issued this Accounting Standards Update ("ASU") which requires entities that use supplier finance programs in connection with the purchase of goods and services to disclose the key terms of the programs and information about obligations outstanding at the end of the reporting period. This update became effective at the beginning of the Company's 2023 fiscal year. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements.

Recently Issued Accounting Pronouncements

ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. In June 2022, the FASB issued this ASU to clarify the guidance when measuring the fair value of an equity security subject to contractual sale restrictions that prohibit the sale of an equity security. This update is effective at the beginning of the Company's 2024 fiscal year, with early adoption permitted. The Company does not believe the adoption of this standard will have a material impact on the Company's condensed consolidated financial statements.

3. Acquisitions

Petabyte Acquisition

On October 23, 2022, the Company entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Petabyte Technology Inc. ("Petabyte"), a Delaware corporation. Under the terms of the Merger Agreement, the Company and Petabyte effected a merger on November 7, 2022, and Petabyte became a wholly-owned subsidiary of the Company. Headquartered in Bellevue, Washington, Petabyte is a provider of cloud-based technology solutions to the veterinary sector and the acquisition is expected to further strengthen the Company's pet healthcare product and service offering.

The following table reconciles the estimated purchase price to the cash paid for the acquisition, net of cash acquired (in thousands):

Estimated purchase price	$	43,281
Less: cash acquired		2,881
Cash paid for acquisition of business, net of cash acquired	$	40,400

The Petabyte transaction was accounted for as a business combination in accordance with ASC 805 *"Business Combinations."* Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their estimated fair values, with the remaining unallocated purchase price recorded as goodwill. Goodwill represents the expected synergies and cost rationalization from the merger of operations as well as intangible assets that do not qualify for separate recognition such as an assembled workforce.

The following table summarizes the assets acquired and liabilities assumed as of the acquisition date (in thousands):

Assets acquired:		
Cash and cash equivalents	$	2,881
Accounts receivable		104
Goodwill		39,442
Identified intangible assets		1,510
Other current and non-current assets		318
Liabilities assumed:		
Other current and long-term liabilities		(974)
Estimated purchase price	$	43,281

Pro forma information for the Petabyte acquisition has not been provided as the impact was not material to the Company's consolidated results of operations.

Based on a preliminary allocation, in connection with this acquisition, the Company recorded goodwill of $39.4 million, none of which is anticipated to be deductible for tax purposes. The identified intangible assets consisted of $1.5 million of developed technology with an amortization period of 3.0 years.

4. Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1-Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2-Valuations based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3-Valuations based on unobservable inputs reflecting the Company's assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Cash equivalents are carried at cost, which approximates fair value and are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

Marketable securities are carried at fair value and are classified within Level 1 because they are valued using quoted market prices. Specific to marketable fixed income securities, the Company did not record any gross unrealized gains and losses as fair value approximates amortized cost. The Company did not record any credit losses during the thirteen and twenty-six weeks ended July 30, 2023. Further, as of July 30, 2023, the Company did not record an allowance for credit losses related to its fixed income securities.

Equity investments in public companies that have readily determinable fair values are carried at fair value and are classified within Level 1 because they are valued using quoted market prices.

Equity warrants are classified within Level 3 of the fair value hierarchy as they are valued based on observable and unobservable inputs reflecting the Company's assumptions, consistent with reasonably available assumptions made by other market participants. The Company utilized certain valuation techniques, such as the Black-Scholes option-pricing model and the Monte Carlo simulation model, to determine the fair value of equity warrants. The application of these models requires the use of a number of complex assumptions based on unobservable inputs, including the expected term, expected equity volatility, discounts for lack of marketability, cash flow projections, and probability with respect to vesting requirements.

The following table includes a summary of financial instruments measured at fair value as of July 30, 2023 (in thousands):

	Level 1	Level 2	Level 3
Cash	$ 457,103	$ —	$ —
Money market funds	—	—	—
Commercial paper	—	—	—
Cash and cash equivalents	457,103	—	—
U.S. Treasury securities	448,260	—	—
Equity investments	63	—	—
Marketable securities	448,323	—	—
Equity warrants	—	—	42,240
Total financial instruments	$ 905,426	$ —	$ 42,240

The following table includes a summary of financial instruments measured at fair value as of January 29, 2023 (in thousands):

	Level 1	Level 2	Level 3
Cash	$ 300,441	$ —	$ —
Money market funds	30,000	—	—
Cash and cash equivalents	330,441	—	—
U.S. Treasury securities	346,926	—	—
Equity investments	18	—	—
Marketable securities	346,944	—	—
Equity warrants	—	—	31,622
Total financial instruments	$ 677,385	$ —	$ 31,622

The following table summarizes the change in fair value for financial instruments using unobservable Level 3 inputs (in thousands):

	26 Weeks Ended	
	July 30, 2023	July 31, 2022
Beginning balance	$ 31,622	$ —
Change in fair value of equity warrants	10,618	—
Ending balance	$ 42,240	$ —

As of July 30, 2023 and January 29, 2023, the deferred credit subject to vesting requirements recognized within other long-term liabilities in exchange for the equity warrants was $35.2 million and $45.0 million, respectively.

The following table presents quantitative information about Level 3 significant unobservable inputs used in the fair value measurement of the equity warrants as of July 30, 2023 (in thousands):

				Range		
	Fair Value	Valuation Techniques	Unobservable Input	Min	Max	Weighted Average
Equity warrants	$42,240	Black-Scholes and Monte Carlo	Probability of vesting	0%	99%	78%
			Equity volatility	35%	85%	80%

5. Property and Equipment, net

The following is a summary of property and equipment, net (in thousands):

	As of	
	July 30, 2023	January 29, 2023
Furniture, fixtures and equipment	$ 176,907	$ 162,296
Computer equipment	72,141	67,535
Internal-use software	158,067	138,123
Leasehold improvements	300,951	245,700
Construction in progress	84,193	93,534
	792,259	707,188
Less: accumulated depreciation and amortization	280,504	228,450
Property and equipment, net	$ 511,755	$ 478,738

Internal-use software includes labor and license costs associated with software development for internal use. As of July 30, 2023 and January 29, 2023, the Company had accumulated amortization related to internal-use software of $70.2 million and $56.5 million, respectively.

Construction in progress is stated at cost, which includes the cost of construction and other directly attributable costs. No provision for depreciation is made on construction in progress until the relevant assets are completed and put into use.

For the thirteen weeks ended July 30, 2023 and July 31, 2022, the Company recorded depreciation expense on property and equipment of $19.6 million and $13.9 million, respectively, and amortization expense related to internal-use software costs of $7.2 million and $5.5 million, respectively. For the twenty-six weeks ended July 30, 2023 and July 31, 2022, the Company recorded depreciation expense on property and equipment of $40.9 million, and $26.0 million, respectively, and amortization expense related to internal-use software costs of $13.8 million and $9.9 million, respectively. The aforementioned depreciation and amortization expenses were included within selling, general and administrative expenses in the condensed consolidated statements of operations.

6. Commitments and Contingencies

Legal Matters

Various legal claims arise from time to time in the normal course of business. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

The Company believes that it has adequately accrued for the potential impact of loss contingencies that are probable and reasonably estimable. The Company does not believe that the ultimate resolution of any matters to which it is presently a party will have a material adverse effect on the Company's results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

International Business Machines Corporation ("IBM") previously alleged that the Company is infringing four of its patents. On February 15, 2021, the Company filed a declaratory judgment action in the United States District Court for the Southern District of New York (the "District Court") against IBM seeking the District Court's declaration that the Company is not infringing the four asserted IBM patents. On April 19, 2021, IBM filed an answer with counterclaims seeking unspecified damages, including a request that the amount of compensatory damages be trebled, injunctive relief and costs and reasonable attorneys' fees. On May 24, 2021, IBM filed an amended complaint that included an additional assertion that the Company is infringing a fifth IBM patent. On October 8, 2021, the parties had a claim construction hearing and on November 9, 2021, the claim construction rulings resulted in one of the five patents (the "'414 patent") being eliminated from the case.

The parties filed their motions for summary judgment which were fully briefed on February 24, 2022. On April 11, 2022, the District Court granted the Company's motions for summary judgment that the Company did not infringe three of the patents and that the fourth patent is invalid. On April 29, 2022, IBM filed a notice of appeal in the United States Court of Appeals for the Federal Circuit to appeal the District Court's judgment of non-infringement of certain of the patents. The appeal is fully briefed, and oral argument is expected to take place on October 4, 2023. On May 3, 2023, IBM sent the Company a letter indicating that the '414 patent that was invalidated by the District Court was reexamined by the U.S. Patent & Trademark Office and a reexamination certificate was issued. As a result, IBM is asserting that the Company infringes the new claims of the '414 patent. The Company continues to deny this recent allegation related to the '414 patent and all other allegations of any infringement and intends to vigorously defend itself in this matter.

7. Debt

ABL Credit Facility

The Company has a senior secured asset-based credit facility (the "ABL Credit Facility") which matures on August 27, 2026 and provides for non-amortizing revolving loans in an aggregate principal amount of up to $800 million, subject to a borrowing base comprised of, among other things, inventory and sales receivables (subject to certain reserves). The ABL Credit Facility provides the right to request incremental commitments and add incremental asset-based revolving loan facilities in an aggregate principal amount of up to $250 million, subject to customary conditions.

The Company is required to pay a commitment fee of 0.25% per annum with respect to the undrawn portion of the commitments, which is generally based on average daily usage of the facility. Based on the Company's borrowing base as of July 30, 2023, which is reduced by standby letters of credit, the Company had $749.6 million of borrowing capacity under the ABL Credit Facility. As of July 30, 2023 and January 29, 2023, the Company had no outstanding borrowings under the ABL Credit Facility, respectively.

8. Leases

The Company leases all of its fulfillment and customer service centers and corporate offices under non-cancelable operating lease agreements. The terms of the Company's real estate leases generally range from 5 to 15 years and typically allow for the leases to be renewed for up to three additional five-year terms. Fulfillment and customer service centers and corporate office leases expire at various dates through 2034, excluding renewal options. The Company also leases certain equipment under operating and finance leases. The terms of equipment leases generally range from 3 to 5 years and do not contain renewal options. These leases expire at various dates through 2025.

The Company's finance leases as of July 30, 2023 and January 29, 2023 were not material and were included in property and equipment, net, on the Company's condensed consolidated balance sheets.

The table below presents the operating lease-related assets and liabilities recorded on the condensed consolidated balance sheets (in thousands):

		As of	
Leases	**Balance Sheet Classification**	**July 30, 2023**	**January 29, 2023**
Assets			
Operating	Operating lease right-of-use assets	$ 434,805	$ 423,423
Total operating lease assets		$ 434,805	$ 423,423
Liabilities			
Current			
Operating	Accrued expenses and other current liabilities	$ 28,522	$ 27,611
Non-current			
Operating	Operating lease liabilities	488,767	471,765
Total operating lease liabilities		$ 517,289	$ 499,376

For the twenty-six weeks ended July 30, 2023 and July 31, 2022, assets acquired in exchange for new operating lease liabilities were $50.6 million and $57.1 million, respectively. Lease expense primarily relates to operating lease costs. Lease expense for the thirteen weeks ended July 30, 2023 and July 31, 2022 was $26.2 million and $23.3 million, respectively. Lease expense for the twenty-six weeks ended July 30, 2023 and July 31, 2022 was $52.3 million and $44.6 million, respectively. The aforementioned lease expense was included within selling, general and administrative expenses in the condensed consolidated statements of operations.

Cash flows used in operating activities related to operating leases were approximately $45.1 million and $38.2 million for the twenty-six weeks ended July 30, 2023 and July 31, 2022, respectively.

9. Share-Based Compensation

2022 Omnibus Incentive Plan

In July 2022, the Company's stockholders approved the Chewy, Inc. 2022 Omnibus Incentive Plan (the "2022 Plan") replacing the Chewy, Inc. 2019 Omnibus Incentive Plan (the "2019 Plan"). The 2022 Plan became effective on July 14, 2022 and allows for the issuance of up to 40.0 million shares of Class A common stock and 1.0 million shares for new grants rolled over from the 2019 Plan. No awards may be granted under the 2022 Plan after July 2032. The 2022 Plan provides for grants of: (i) options, including incentive stock options and non-qualified stock options, (ii) restricted stock units, (iii) other share-based awards, including share appreciation rights, phantom stock, restricted shares, performance shares, deferred share units, and share-denominated performance units, (iv) cash awards, (v) substitute awards, and (vi) dividend equivalents (collectively, the "awards"). The awards may be granted to (i) the Company's employees, consultants, and non-employee directors, (ii) employees of the Company's affiliates and subsidiaries, and (iii) consultants of the Company's subsidiaries.

Service and Performance-Based Awards

The Company granted restricted stock units which vested upon satisfaction of both service-based vesting conditions and company performance-based vesting conditions ("PRSUs"), subject to the employee's continued employment with the Company through the applicable vesting date. The Company recorded share-based compensation expense for PRSUs over the requisite service period and accounted for forfeitures as they occur.

Service and Performance-Based Awards Activity

The following table summarizes the activity related to the Company's PRSUs for the twenty-six weeks ended July 30, 2023 (in thousands, except for weighted-average grant date fair value):

	Number of PRSUs	Weighted-Average Grant Date Fair Value
Unvested and outstanding as of January 29, 2023	2,206	$ 36.22
Granted	232	$ 35.71
Vested	(1,825)	$ 36.31
Forfeited	(184)	$ 37.19
Unvested and outstanding as of July 30, 2023	429	$ 35.14

The following table summarizes the weighted average grant-date fair value of PRSUs granted and total fair value of PRSUs vested for the periods presented:

	26 Weeks Ended	
	July 30, 2023	July 31, 2022
Weighted average grant-date fair value of PRSUs	$ 35.71	$ 43.59
Total fair value of vested PRSUs (in millions)	$ 72.2	$ 58.5

As of July 30, 2023, total unrecognized compensation expense related to unvested PRSUs was $8.8 million and is expected to be recognized over a weighted-average expected performance period of 2.3 years.

During the twenty-six weeks ended July 30, 2023 and July 31, 2022, vesting occurred for 93,309 PRSUs, respectively, that were previously granted to an employee of PetSmart. For accounting purposes, the issuance of Class A common stock upon vesting of these PRSUs is treated as a distribution to a parent entity because both the Company and PetSmart are controlled by affiliates of BC Partners.

The fair value for PRSUs with a Company performance-based vesting condition is established based on the market price of the Company's Class A common stock on the date of grant.

Service-Based Awards

The Company granted restricted stock units with service-based vesting conditions ("RSUs") which vested subject to the employee's continued employment with the Company through the applicable vesting date. The Company recorded share-based compensation expense for RSUs on a straight-line basis over the requisite service period and accounted for forfeitures as they occur.

Service-Based Awards Activity

The following table summarizes the activity related to the Company's RSUs for the twenty-six weeks ended July 30, 2023 (in thousands, except for weighted-average grant date fair value):

	Number of RSUs	Weighted-Average Grant Date Fair Value
Unvested and outstanding as of January 29, 2023	10,813	$ 45.56
Granted	10,068	$ 35.52
Vested	(2,553)	$ 45.61
Forfeited	(1,041)	$ 41.52
Unvested and outstanding as of July 30, 2023	17,287	$ 39.95

The following table summarizes the weighted average grant-date fair value of RSUs granted and total fair value of RSUs vested for the periods presented:

	26 Weeks Ended	
	July 30, 2023	July 31, 2022
Weighted average grant-date fair value of RSUs	$ 35.52	$ 42.79
Total fair value of vested RSUs (in millions)	$ 106.1	$ 22.3

As of July 30, 2023, total unrecognized compensation expense related to unvested RSUs was $579.1 million and is expected to be recognized over a weighted-average expected performance period of 2.9 years.

The fair value for RSUs is established based on the market price of the Company's Class A common stock on the date of grant.

As of July 30, 2023, there were 28.6 million additional shares of Class A common stock reserved for future issuance under the 2022 Plan.

Share-Based Compensation Expense

Share-based compensation expense is included within selling, general and administrative expenses in the condensed consolidated statements of operations. The Company recognized share-based compensation expense as follows (in thousands):

	13 Weeks Ended		26 Weeks Ended	
	July 30, 2023	July 31, 2022	July 30, 2023	July 31, 2022
PRSUs	$ 1,178	$ 3,559	$ (222)	$ 8,198
RSUs	64,818	34,818	114,771	55,973
Total share-based compensation expense	$ 65,996	$ 38,377	$ 114,549	$ 64,171

10. Income Taxes

Chewy is subject to taxation in the U.S. and various state, local, and foreign jurisdictions. Income taxes as presented in the Company’s condensed consolidated financial statements have been prepared based on Chewy’s separate return method.

The Company had a current income tax provision during the thirteen and twenty-six weeks ended July 30, 2023 of $1.3 million and $2.3 million, respectively. The Company did not have a current or deferred provision for income taxes for any taxing jurisdiction during the thirteen and twenty-six weeks ended July 31, 2022. Additionally, the Company maintained a full valuation allowance on its net deferred tax assets.

Concurrent with its initial public offering during the fiscal year ended February 2, 2020, the Company, PetSmart, and Argos Intermediate Holdco I Inc. (“Argos Holdco”) entered into a tax sharing agreement which governs the respective rights, responsibilities, and obligations of the Company, PetSmart, and Argos Holdco with respect to tax matters, including taxes attributable to PetSmart, entitlement to refunds, allocation of tax attributes, preparation of tax returns, certain tax elections, control of tax contests and other tax matters regarding U.S. federal, state, and local income taxes.

During the twenty-six weeks ended July 30, 2023, and July 31, 2022, the Company paid $7.6 million and collected $0.5 million, respectively, pursuant to the tax sharing agreement. The tax sharing agreement was effectively terminated for federal income taxes upon tax deconsolidation with PetSmart, however, there may be future settlements upon final adjustment to the consolidated federal tax returns. The tax sharing agreement remains in effect for certain states in which the Company continues to file with Argos Holdco. As of July 30, 2023 and January 29, 2023, the Company had a payable related to the tax sharing agreement of $2.7 million and $5.3 million, respectively.

On August 16, 2022, the U.S enacted the Inflation Reduction Act which introduced new tax provisions, including a 15% corporate alternative minimum tax, a 1% excise tax on corporate stock buybacks, and several tax incentives to promote clean energy. These tax provisions are effective for tax years beginning on or after December 31, 2022, and will not have a material impact on the Company’s condensed consolidated financial statements.

11. Earnings per Share

Basic and diluted earnings per share attributable to the Company’s common stockholders are presented using the two-class method required for participating securities. Under the two-class method, net income attributable to the Company’s common stockholders is determined by allocating undistributed earnings between common stock and participating securities. Undistributed earnings for the periods presented are calculated as net income less distributed earnings. Undistributed earnings are allocated proportionally to the Company’s common Class A and Class B stockholders as both classes are entitled to share equally, on a per share basis, in dividends and other distributions. Basic and diluted earnings per share are calculated by dividing net income attributable to the Company’s common stockholders by the weighted-average shares outstanding during the period.

The following table sets forth basic and diluted earnings per share attributable to the Company's common stockholders for the periods presented (in thousands, except per share data):

	13 Weeks Ended		26 Weeks Ended	
	July 30, 2023	July 31, 2022	July 30, 2023	July 31, 2022
Basic and diluted earnings per share				
Numerator				
Earnings attributable to common Class A and Class B stockholders	$ 18,946	$ 22,345	$ 41,127	$ 40,817
Denominator				
Weighted-average common shares used in computing earnings per share:				
Basic	428,618	421,690	427,735	421,048
Effect of dilutive stock-based awards	2,958	5,143	3,289	5,724
Diluted	431,576	426,833	431,024	426,772
Anti-dilutive stock-based awards excluded from diluted common shares	5,918	7,388	5,147	4,528
Earnings per share attributable to common Class A and Class B stockholders:				
Basic	$ 0.04	$ 0.05	$ 0.10	$ 0.10
Diluted	$ 0.04	$ 0.05	$ 0.10	$ 0.10

12. Certain Relationships and Related Party Transactions

Certain of the Company's healthcare operations are conducted through a wholly-owned subsidiary of PetSmart for which the Company and PetSmart entered into a services agreement, which provides for the payment of a management fee due from PetSmart. The Company recognized $2.5 million and $4.5 million during the thirteen and twenty-six weeks ended July 30, 2023, respectively, within net sales in the condensed consolidated statements of operations for the services provided compared to $1.8 million and $3.1 million during the thirteen and twenty-six weeks ended July 31, 2022, respectively.

As of July 30, 2023 and January 29, 2023, the Company had a net payable to PetSmart of $2.5 million and $4.9 million, respectively, which was included in accrued expenses and other current liabilities on the Company's condensed consolidated balance sheets.

Item 2. 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 the Unaudited Condensed Consolidated Financial Statements and related notes thereto included in this Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2023 ("10-Q Report") and our audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 29, 2023 ("10-K Report"). This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under the "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" sections herein and in our 10-K Report, our actual results may differ materially from those anticipated in these forward-looking statements. Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to "Chewy," "the Company," "we," "our," or "us" refer to Chewy, Inc. and its consolidated subsidiaries.

Investors and others should note that we may announce material information to our investors using our investor relations website (https://investor.chewy.com/), filings with the SEC, press releases, public conference calls and webcasts. We use these channels, as well as social media, to communicate with our investors and the public about our company, our business and other issues. It is possible that the information that we post on these channels could be deemed to be material information. We therefore encourage investors to visit these websites from time to time. The information contained on such websites and social media posts is not incorporated by reference into this filing. Further, our references to website URLs in this filing are intended to be inactive textual references only.

Overview

We are the largest pure-play pet e-tailer in the United States, offering virtually every product a pet needs. We launched Chewy in 2011 to bring the best of the neighborhood pet store shopping experience to a larger audience, enhanced by the depth and wide selection of products and services, as well as the around-the-clock convenience, that only e-commerce can offer. We believe that we are the preeminent destination for pet parents as a result of our broad selection of high-quality products and expanded menu of service offerings, which we offer at great prices and deliver with an exceptional level of care and a personal touch. We are the trusted source for pet parents and partners and continually develop innovative ways for our customers to engage with us. We partner with approximately 3,500 of the best and most trusted brands in the pet industry, and we create and offer our own outstanding private brands. Through our website and mobile applications, we offer our customers approximately 110,000 products, compelling merchandising, an easy and enjoyable shopping experience, and exceptional customer service.

Macroeconomic Considerations

The evolving macroeconomic conditions, including rising inflation and interest rates, have affected, and continue to affect, our business and consumer shopping behavior. We continue to monitor conditions closely and adapt aspects of our logistics, transportation, supply chain, and purchasing processes accordingly to meet the needs of our growing community of pets, pet parents and partners. As our customers react to these economic conditions, we will adapt our business accordingly to meet their evolving needs.

We are unable to predict the duration and ultimate impact of the evolving macroeconomic conditions on the broader economy or our operations and liquidity. As such, macroeconomic risks and uncertainties remain. Please refer to the "Cautionary Note Regarding Forward-Looking Statements" in this 10-Q Report and in the section titled "Risk Factors" in Item 1A of Form 10-K for the fiscal year ended January 29, 2023.

Fiscal Year End

We have a 52- or 53-week fiscal year ending each year on the Sunday that is closest to January 31 of that year. Our 2023 fiscal year ends on January 28, 2024 and is a 52-week year. Our 2022 fiscal year ended January 29, 2023 and was a 52-week year.

Key Financial and Operating Data

We measure our business using both financial and operating data and use the following metrics and measures to assess the near-term and long-term performance of our overall business, including identifying trends, formulating financial projections, making strategic decisions, assessing operational efficiencies, and monitoring our business.

(in thousands, except net sales per active customer, per share data, and percentages)	13 Weeks Ended				% Change	26 Weeks Ended				% Change
		July 30, 2023		July 31, 2022			July 30, 2023		July 31, 2022	
Financial and Operating Data										
Net sales	$	2,777,769	$	2,431,011	14.3 %	$	5,562,444	$	4,859,338	14.5 %
Net income [(1)]	$	18,946	$	22,345	(15.2)%	$	41,127	$	40,817	0.8 %
Net margin		*0.7 %*		*0.9 %*			*0.7 %*		*0.8 %*	
Adjusted EBITDA [(2)]	$	86,867	$	83,055	4.6 %	$	197,041	$	143,571	37.2 %
Adjusted EBITDA margin [(2)]		*3.1 %*		*3.4 %*			*3.5 %*		*3.0 %*	
Adjusted net income [(2)]	$	63,316	$	62,084	2.0 %	$	150,565	$	107,750	39.7 %
Earnings per share, basic and diluted [(1)]	$	0.04	$	0.05	(20.0)%	$	0.10	$	0.10	— %
Adjusted earnings per share, basic [(2)]	$	0.15	$	0.15	— %	$	0.35	$	0.26	34.6 %
Adjusted earnings per share, diluted [(2)]	$	0.15	$	0.15	— %	$	0.35	$	0.25	40.0 %
Net cash provided by operating activities	$	158,756	$	49,172	222.9 %	$	307,148	$	131,605	133.4 %
Free cash flow [(2)]	$	101,116	$	981	n/m	$	227,935	$	7,393	n/m
Active customers		20,367		20,490	(0.6)%		20,367	$	20,490	(0.6)%
Net sales per active customer	$	530	$	462	14.7 %	$	530	$	462	14.7 %
Autoship customer sales	$	2,097,398	$	1,776,583	18.1 %	$	4,177,908	$	3,530,264	18.3 %
Autoship customer sales as a percentage of net sales		75.5 %		73.1 %			75.1 %		72.6 %	

n/m - not meaningful

(1) Includes share-based compensation expense and related taxes of $68.3 million and $122.1 million for the thirteen and twenty-six weeks ended July 30, 2023, compared to $39.7 million and $66.9 million for the thirteen and twenty-six weeks ended July 31, 2022.

(2) Adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted basic and diluted earnings per share, and free cash flow are non-GAAP financial measures.

We define net margin as net income (loss) divided by net sales and adjusted EBITDA margin as adjusted EBITDA divided by net sales.

Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDA Margin

To provide investors with additional information regarding our financial results, we have disclosed here and elsewhere in this 10-Q Report adjusted EBITDA, a non-GAAP financial measure that we calculate as net income (loss) excluding depreciation and amortization; share-based compensation expense and related taxes; income tax provision; interest income (expense), net; transaction related costs; changes in the fair value of equity warrants; exit costs; and litigation matters and other items that we do not consider representative of our underlying operations. We have provided a reconciliation below of adjusted EBITDA to net income (loss), the most directly comparable GAAP financial measure.

We have included adjusted EBITDA and adjusted EBITDA margin in this 10-Q Report because each is a key measure used by our management and board of directors to evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, the exclusion of certain expenses in calculating adjusted EBITDA and adjusted EBITDA margin facilitates operating performance comparability across reporting periods by removing the effect of non-cash expenses and certain variable charges. Accordingly, we believe that adjusted EBITDA and adjusted EBITDA margin provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

We believe it is useful to exclude non-cash charges, such as depreciation and amortization and share-based compensation expense from our adjusted EBITDA because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations. We believe it is useful to exclude income tax provision; interest income (expense), net; transaction related costs; changes in the fair value of equity warrants; exit costs; and litigation matters and other items which are not components of our core business operations. Adjusted EBITDA has limitations as a financial measure and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future and adjusted EBITDA does not reflect capital expenditure requirements for such replacements or for new capital expenditures;
- adjusted EBITDA does not reflect share-based compensation and related taxes. Share-based compensation has been, and will continue to be for the foreseeable future, a recurring expense in our business and an important part of our compensation strategy;
- adjusted EBITDA does not reflect interest income (expense), net; or changes in, or cash requirements for, our working capital;
- adjusted EBITDA does not reflect transaction related costs and other items which are either not representative of our underlying operations or are incremental costs that result from an actual or planned transaction and include changes in the fair value of equity warrants, exit costs, litigation matters, integration consulting fees, internal salaries and wages (to the extent the individuals are assigned full-time to integration and transformation activities) and certain costs related to integrating and converging IT systems; and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider adjusted EBITDA and adjusted EBITDA margin alongside other financial performance measures, including various cash flow metrics, net income (loss), net margin, and our other GAAP results.

The following table presents a reconciliation of net income to adjusted EBITDA, as well as the calculation of net margin and adjusted EBITDA margin, for each of the periods indicated.

(in thousands, except percentages)	**13 Weeks Ended**		**26 Weeks Ended**	
Reconciliation of Net Income to Adjusted EBITDA	**July 30, 2023**	**July 31, 2022**	**July 30, 2023**	**July 31, 2022**
Net income	$ 18,946	$ 22,345	$ 41,127	$ 40,817
Add:				
Depreciation and amortization	27,795	20,338	56,672	37,678
Share-based compensation expense and related taxes	68,302	39,739	122,079	66,933
Interest income, net	(8,928)	(690)	(16,944)	(346)
Change in fair value of equity warrants	(29,192)	—	(20,258)	—
Income tax provision	1,304	—	2,307	—
Exit costs	5,260	—	7,617	—
Transaction related costs	2,126	237	2,126	1,395
Other	1,254	1,086	2,315	(2,906)
Adjusted EBITDA	$ 86,867	$ 83,055	$ 197,041	$ 143,571
Net sales	$ 2,777,769	$ 2,431,011	$ 5,562,444	$ 4,859,338
Net margin	*0.7 %*	*0.9 %*	*0.7 %*	*0.8 %*
Adjusted EBITDA margin	*3.1 %*	*3.4 %*	*3.5 %*	*3.0 %*

Adjusted Net Income and Adjusted Basic and Diluted Earnings per Share

To provide investors with additional information regarding our financial results, we have disclosed here and elsewhere in this 10-Q Report adjusted net income and adjusted basic and diluted earnings per share, which represent non-GAAP financial measures. We calculate adjusted net income as net income excluding share-based compensation expense and related taxes, changes in the fair value of equity warrants, and exit costs. We calculate adjusted basic and diluted earnings per share by dividing adjusted net income attributable to common stockholders by the weighted-average shares outstanding during the period. We have provided a reconciliation below of adjusted net income to net income, the most directly comparable GAAP financial measure.

We have included adjusted net income and adjusted basic and diluted earnings per share in this 10-Q Report because each is a key measure used by our management and board of directors to evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, the exclusion of certain expenses in calculating adjusted net income and adjusted basic and diluted earnings per share facilitates operating performance comparability across reporting periods by removing the effect of non-cash expenses and certain variable gains and losses that do not represent a component of our core business operations. We believe it is useful to exclude non-cash share-based compensation expense because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations. We believe it is useful to exclude exit costs and the changes in the fair value of equity warrants, because exit costs and the variability of equity warrant gains and losses are not representative of our underlying operations. Accordingly, we believe that these measures provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Adjusted net income and adjusted basic and diluted earnings per share have limitations as financial measures and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Other companies may calculate adjusted net income and adjusted basic and diluted earnings per share differently, which reduces their usefulness as comparative measures. Because of these limitations, you should consider adjusted net income and adjusted basic and diluted earnings alongside other financial performance measures, including various cash flow metrics, net income, basic and diluted earnings per share, and our other GAAP results.

The following table presents a reconciliation of net income to adjusted net income, as well as the calculation of adjusted basic and diluted earnings per share, for each of the periods indicated.

(in thousands, except per share data)	**13 Weeks Ended**		**26 Weeks Ended**	
Reconciliation of Net Income to Adjusted Net Income	**July 30, 2023**	**July 31, 2022**	**July 30, 2023**	**July 31, 2022**
Net income	$ 18,946	$ 22,345	$ 41,127	$ 40,817
Add:				
Share-based compensation expense and related taxes	68,302	39,739	122,079	66,933
Change in fair value of equity warrants	(29,192)	—	(20,258)	—
Exit costs	5,260	—	7,617	—
Adjusted net income	$ 63,316	$ 62,084	$ 150,565	$ 107,750
Weighted-average common shares used in computing adjusted earnings per share:				
Basic	428,618	421,690	427,735	421,048
Effect of dilutive share-based awards	2,958	5,143	3,289	5,724
Diluted	431,576	426,833	431,024	426,772
Earnings per share attributable to common Class A and Class B stockholders				
Basic	$ 0.04	$ 0.05	$ 0.10	$ 0.10
Diluted	$ 0.04	$ 0.05	$ 0.10	$ 0.10
Adjusted basic	$ 0.15	$ 0.15	$ 0.35	$ 0.26
Adjusted diluted	$ 0.15	$ 0.15	$ 0.35	$ 0.25

Free Cash Flow

To provide investors with additional information regarding our financial results, we have also disclosed here and elsewhere in this 10-Q Report free cash flow, a non-GAAP financial measure that we calculate as net cash provided by (used in) operating activities less capital expenditures (which consist of purchases of property and equipment, capitalization of labor related to our website, mobile applications, and software development, and leasehold improvements). We have provided a reconciliation below of free cash flow to net cash provided by (used in) operating activities, the most directly comparable GAAP financial measure.

We have included free cash flow in this 10-Q Report because it is used by our management and board of directors as an important indicator of our liquidity as it measures the amount of cash we generate. Accordingly, we believe that free cash flow provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Free cash flow has limitations as a financial measure and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. There are limitations to using non-GAAP financial measures, including that other companies, including companies in our industry, may calculate free cash flow differently. Because of these limitations, you should consider free cash flow alongside other financial performance measures, including net cash provided by (used in) operating activities, capital expenditures and our other GAAP results.

The following table presents a reconciliation of net cash provided by operating activities to free cash flow for each of the periods indicated.

(in thousands)	**13 Weeks Ended**		**26 Weeks Ended**	
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow	**July 30, 2023**	**July 31, 2022**	**July 30, 2023**	**July 31, 2022**
Net cash provided by operating activities	$ 158,756	$ 49,172	$ 307,148	$ 131,605
Deduct:				
Capital expenditures	(57,640)	(48,191)	(79,213)	(124,212)
Free Cash Flow	$ 101,116	$ 981	$ 227,935	$ 7,393

Free cash flow may be affected in the near to medium term by the timing of capital investments (such as the launch of new fulfillment centers, customer service centers, and corporate offices and purchases of IT and other equipment), fluctuations in our growth and the effect of such fluctuations on working capital, and changes in our cash conversion cycle due to increases or decreases of vendor payment terms as well as inventory turnover.

Key Operating Metrics

Active Customers

As of the last date of each reporting period, we determine our number of active customers by counting the total number of individual customers who have ordered a product or service, and for whom a product has shipped or for whom a service has been provided, at least once during the preceding 364-day period. The change in active customers in a reporting period captures both the inflow of new customers as well as the outflow of customers who have not made a purchase in the last 364 days. We view the number of active customers as a key indicator of our growth—acquisition and retention of customers—as a result of our marketing efforts and the value we provide to our customers. The number of active customers has grown over time as we acquired new customers and retained previously acquired customers.

Net Sales Per Active Customer

We define net sales per active customer as the aggregate net sales for the preceding four fiscal quarters, divided by the total number of active customers at the end of that period. We view net sales per active customer as a key indicator of our customers' purchasing patterns, including their initial and repeat purchase behavior.

Autoship and Autoship Customer Sales

We define Autoship customers as customers in a given fiscal quarter that had an order shipped through our Autoship subscription program during the preceding 364-day period. We define Autoship as our subscription program, which provides automatic ordering, payment, and delivery of products to our customers. We view our Autoship subscription program as a key driver of recurring net sales and customer retention. For a given fiscal quarter, Autoship customer sales consist of sales and shipping revenues from all Autoship subscription program purchases and purchases outside of the Autoship subscription program by Autoship customers, excluding taxes collected from customers, excluding any refund allowance, and net of any promotional offers (such as percentage discounts off current purchases and other similar offers) for that quarter. For a given fiscal year, Autoship customer sales equal the sum of the Autoship customer sales for each of the fiscal quarters in that fiscal year.

Autoship Customer Sales as a Percentage of Net Sales

We define Autoship customer sales as a percentage of net sales as the Autoship customer sales in a given reporting period divided by the net sales from all orders in that period. We view Autoship customer sales as a percentage of net sales as a key indicator of our recurring sales and customer retention.

Components of Results of Consolidated Operations

Net Sales

We derive net sales primarily from sales of both third-party brand and private brand pet food, pet products, pet medications and other pet health products, and related shipping fees. Sales of third-party brand and private brand pet food, pet products and shipping revenues are recorded when products are shipped, net of promotional discounts and refund allowances. Taxes collected from customers are excluded from net sales. Net sales is primarily driven by growth of new customers and active customers, and the frequency with which customers purchase and subscribe to our Autoship subscription program.

We also periodically provide promotional offers, including discount offers, such as percentage discounts off current purchases and other similar offers. These offers are treated as a reduction to the purchase price of the related transaction and are reflected as a net amount in net sales.

Cost of Goods Sold

Cost of goods sold consists of the cost of third-party brand and private brand products sold to customers, inventory freight, shipping supply costs, inventory shrinkage costs, and inventory valuation adjustments, offset by reductions for promotions and percentage or volume rebates offered by our vendors, which may depend on reaching minimum purchase thresholds. Generally, amounts received from vendors are considered a reduction of the carrying value of inventory and are ultimately reflected as a reduction of cost of goods sold.

Selling, General and Administrative

Selling, general and administrative expenses consist of payroll and related expenses for employees involved in general corporate functions, including accounting, finance, tax, legal and human resources; costs associated with use by these functions, such as depreciation expense and rent relating to facilities and equipment; professional fees and other general corporate costs; share-based compensation; and fulfillment costs.

Fulfillment costs represent costs incurred in operating and staffing fulfillment and customer service centers, including costs attributable to buying, receiving, inspecting and warehousing inventories, picking, packaging and preparing customer orders for shipment, payment processing and related transaction costs and responding to inquiries from customers. Included within fulfillment costs are merchant processing fees charged by third parties that provide merchant processing services for credit cards.

Advertising and Marketing

Advertising and marketing expenses consist of advertising and payroll related expenses for personnel engaged in marketing, business development and selling activities.

Interest Income (Expense), net

We generate interest income from our cash and cash equivalents and marketable securities. We incur interest expense from our credit facilities and finance leases.

Other Income (Expense), net

Our other income (expense), net consists of changes in the fair value of equity warrants and investments, foreign currency transaction gains and losses, and allowances for credit losses.

Results of Consolidated Operations

The following tables set forth our results of operations for the periods presented and express the relationship of certain line items as a percentage of net sales for those periods. The period-to-period comparison of financial results is not necessarily indicative of future results.

	13 Weeks Ended					26 Weeks Ended				
				% of net sales					% of net sales	
(in thousands, except percentages)	July 30, 2023	July 31, 2022	% Change	July 30, 2023	July 31, 2022	July 30, 2023	July 31, 2022	% Change	July 30, 2023	July 31, 2022
Consolidated Statements of Operations										
Net sales	$ 2,777,769	$ 2,431,011	14.3 %	100.0 %	100.0 %	$ 5,562,444	$ 4,859,338	14.5 %	100.0 %	100.0 %
Cost of goods sold	1,990,996	1,748,214	13.9 %	71.7 %	71.9 %	3,984,216	3,508,721	13.6 %	71.6 %	72.2 %
Gross profit	786,773	682,797	15.2 %	28.3 %	28.1 %	1,578,228	1,350,617	16.9 %	28.4 %	27.8 %
Operating expenses:										
Selling, general and administrative	619,202	516,983	19.8 %	22.3 %	21.3 %	1,202,868	1,021,266	17.8 %	21.6 %	21.0 %
Advertising and marketing	185,491	144,159	28.7 %	6.7 %	5.9 %	369,224	288,880	27.8 %	6.6 %	5.9 %
Total operating expenses	804,693	661,142	21.7 %	29.0 %	27.2 %	1,572,092	1,310,146	20.0 %	28.3 %	27.0 %
(Loss) income from operations	(17,920)	21,655	(182.8)%	(0.6)%	0.9 %	6,136	40,471	84.8 %	0.1 %	0.8 %
Interest income, net	8,928	690	n/m	0.3 %	— %	16,944	346	n/m	0.3 %	— %
Other income, net	29,242	—	n/m	1.1 %	— %	20,354	—	n/m	0.4 %	— %
Income before income tax provision	20,250	22,345	(9.4)%	0.7 %	0.9 %	43,434	40,817	(6.4)%	0.8 %	0.8 %
Income tax provision	1,304	—	n/m	— %	— %	2,307	—	— %	— %	— %
Net income	$ 18,946	$ 22,345	(15.2)%	0.7 %	0.9 %	$ 41,127	$ 40,817	0.8 %	0.7 %	0.8 %

n/m - not meaningful

Thirteen and Twenty-Six Weeks Ended July 30, 2023 Compared to Thirteen and Twenty-Six Weeks Ended July 31, 2022

Net Sales

	13 Weeks Ended				26 Weeks Ended			
(in thousands, except percentages)	July 30, 2023	July 31, 2022	$ Change	% Change	July 30, 2023	July 31, 2022	$ Change	% Change
Consumables	$ 2,004,617	$ 1,712,832	$ 291,785	17.0 %	$ 4,009,001	$ 3,410,971	$ 598,030	17.5 %
Hardgoods	297,158	290,804	6,354	2.2 %	608,273	606,828	1,445	0.2 %
Other	475,994	427,375	48,619	11.4 %	945,170	841,539	103,631	12.3 %
Net sales	$ 2,777,769	$ 2,431,011	$ 346,758	14.3 %	$ 5,562,444	$ 4,859,338	$ 703,106	14.5 %

Net sales for the thirteen weeks ended July 30, 2023 increased by $346.8 million, or 14.3%, to $2.8 billion compared to $2.4 billion for the thirteen weeks ended July 31, 2022. This increase was primarily driven by growth in customer spending from both new and existing customers, and the frequency with which customers purchase and subscribe to our Autoship subscription program. Net sales per active customer increased $68, or 14.7%, in the thirteen weeks ended July 30, 2023 compared to the thirteen weeks ended July 31, 2022, driven by growth across our consumables and healthcare businesses.

Net sales for the twenty-six weeks ended July 30, 2023 increased by $703.1 million, or 14.5%, to $5.6 billion compared to $4.9 billion for the twenty-six weeks ended July 31, 2022. This increase was primarily due to increases in spending per customer and our larger customer base. Net sales per active customer increased $68, or 14.7%, in the twenty-six weeks ended July 30, 2023 compared to the twenty-six weeks ended July 31, 2022, driven by growth across our consumables and healthcare businesses.

Cost of Goods Sold and Gross Profit

Cost of goods sold for the thirteen weeks ended July 30, 2023 increased by $242.8 million, or 13.9%, to $2.0 billion compared to $1.7 billion in the thirteen weeks ended July 31, 2022. This increase was primarily due to an increase in associated product, outbound freight, and shipping supply costs, as well as an increase in orders shipped. The increase in cost of goods sold was lower than the increase in net sales on a percentage basis, reflecting supply chain efficiency gains across our fulfillment network, and favorable changes in our mix of sales.

Cost of goods sold for the twenty-six weeks ended July 30, 2023 increased by $475.5 million, or 13.6%, to $4.0 billion compared to $3.5 billion in the twenty-six weeks ended July 31, 2022. This increase was primarily due to an increase in associated product, outbound freight, and shipping supply costs, as well as an increase in orders shipped. The increase in cost of goods sold was lower than the increase in net sales on a percentage basis, reflecting supply chain efficiency gains across our fulfillment network, pricing strength and favorable changes in our mix of sales.

Gross profit for the thirteen weeks ended July 30, 2023 increased by $104.0 million, or 15.2%, to $786.8 million compared to $682.8 million in the thirteen weeks ended July 31, 2022. This increase was primarily due to the year-over-year increase in net sales as described above. Gross profit as a percentage of net sales for the thirteen weeks ended July 30, 2023 increased by 20 basis points compared to the thirteen weeks ended July 31, 2022, primarily due to margin expansion across our hardgoods, healthcare, and private brands businesses.

Gross profit for the twenty-six weeks ended July 30, 2023 increased by $227.6 million, or 16.9%, to $1.6 billion compared to $1.4 billion in the twenty-six weeks ended July 31, 2022. This increase was primarily due to the year-over-year increase in net sales as described above. Gross profit as a percentage of net sales for the twenty-six weeks ended July 30, 2023 increased by 60 basis points compared to the twenty-six weeks ended July 31, 2022, primarily due to margin expansion across our consumables, healthcare, and hardgoods businesses.

Selling, General and Administrative

Selling, general and administrative expenses for the thirteen weeks ended July 30, 2023 increased by $102.2 million, or 19.8%, to $619.2 million compared to $517.0 million in the thirteen weeks ended July 31, 2022. This was primarily due to an increase of $43.0 million in facilities expenses and other general and administrative expenses, principally due to business growth and new initiatives as well as the expansion of operations at corporate offices in Plantation, Florida, and Seattle, Washington. This also included an increase of $30.6 million in fulfillment costs largely attributable to investments to support the overall growth of our business, including the costs associated with the opening and operating of fulfillment centers in Reno, Nevada and Nashville, Tennessee, as well as an increase of $28.6 million in non-cash share-based compensation expense and related taxes.

Selling, general and administrative expenses for the twenty-six weeks ended July 30, 2023 increased by $181.6 million, or 17.8%, to $1.2 billion compared to $1.0 billion in the twenty-six weeks ended July 31, 2022. This was primarily due to an increase of $88.5 million in facilities expenses and other general and administrative expenses, principally due to increased headcount as a result of business growth and new initiatives as well as the expansion of operations at corporate offices in Plantation, Florida, and Seattle, Washington. This also included an increase of $55.1 million in non-cash share-based compensation expense and related taxes as well as an increase of $38.0 million in fulfillment costs largely attributable to investments to support the overall growth of our business, including the costs associated with the opening and operating of fulfillment centers in Reno, Nevada and Nashville, Tennessee.

Advertising and Marketing

Advertising and marketing expenses for the thirteen weeks ended July 30, 2023 increased by $41.3 million, or 28.7%, to $185.5 million compared to $144.2 million in the thirteen weeks ended July 31, 2022. Our marketing expenses increased due to additional investment in our upper funnel marketing channels as well as expansion into new channels, contributing to new customer acquisition and an increase in wallet share from our large and stable customer base.

Advertising and marketing expenses for the twenty-six weeks ended July 30, 2023 increased by $80.3 million, or 27.8%, to $369.2 million compared to $288.9 million in the twenty-six weeks ended July 31, 2022. Our marketing expenses increased due to additional investment in our upper funnel marketing channels as well as expansion into new channels, contributing to new customer acquisition and an increase in wallet share from our large and stable customer base.

Interest Income (Expense), net

Interest income for the thirteen weeks ended July 30, 2023 increased by $8.1 million, to $8.9 million compared to interest income of $0.7 million in the thirteen weeks ended July 31, 2022. This increase was due to interest income generated by cash and cash equivalents and marketable securities exceeding interest expenses incurred.

Interest income for the twenty-six weeks ended July 30, 2023 increased by $16.6 million, to $16.9 million compared to interest income of $0.3 million in the twenty-six weeks ended July 31, 2022. This increase was due to interest income generated by cash and cash equivalents and marketable securities exceeding interest expenses incurred.

Other Income (Expense), net

Other income for the thirteen weeks ended July 30, 2023 were $29.2 million and consisted of changes in the fair value of equity warrants and foreign currency transaction gains.

Other income for the twenty-six weeks ended July 30, 2023 were $20.4 million and consisted of changes in the fair value of equity warrants and foreign currency transaction gains, partially offset by changes in the fair value of equity investments.

Liquidity and Capital Resources

We finance our operations and capital expenditures primarily through cash flows generated by operations. Our principal sources of liquidity are expected to be our cash and cash equivalents, marketable securities, and our revolving credit facility. Cash and cash equivalents consist primarily of cash on deposit with banks and investments in money market funds, U.S. Treasury securities, certificates of deposit, and commercial paper. Cash and cash equivalents totaled $457.1 million as of July 30, 2023, an increase of $126.7 million from January 29, 2023. Marketable securities consist primarily of U.S. treasury securities, certificates of deposit, and commercial paper and totaled $448.3 million as of July 30, 2023, an increase of $101.4 million from January 29, 2023.

We believe that our cash and cash equivalents, marketable securities, and availability under our revolving credit facility will be sufficient to fund our working capital, capital expenditure requirements, and contractual obligations for at least the next twelve months. In addition, we may choose to raise additional funds at any time through equity or debt financing arrangements, which may or may not be needed for additional working capital, capital expenditures or other strategic investments. Our opinions concerning liquidity are based on currently available information. To the extent this information proves to be inaccurate, or if circumstances change, future availability of trade credit or other sources of financing may be reduced and our liquidity could be adversely affected. Our future capital requirements and the adequacy of available funds will depend on many factors, including those described in the section titled "Risk Factors" in Item 1A of our 10-K Report. Depending on the severity and direct impact of these factors on us, we may be unable to secure additional financing to meet our operating requirements on terms favorable to us, or at all.

Cash Flows

	26 Weeks Ended	
($ in thousands)	**July 30, 2023**	**July 31, 2022**
Net cash provided by operating activities	$ 307,148	$ 131,605
Net cash used in investing activities	$ (172,349)	$ (125,612)
Net cash used in financing activities	$ (8,137)	$ (2,272)

Operating Activities

Net cash provided by operating activities was $307.1 million for the twenty-six weeks ended July 30, 2023, which primarily consisted of $41.1 million of net income, non-cash adjustments such as depreciation and amortization expense of $56.7 million and share-based compensation expense of $114.5 million, and a cash increase of $104.4 million from working capital. Cash increases from working capital were primarily driven by an increase in other current liabilities and payables, partially offset by an increase in inventories, receivables, and other current assets.

Net cash provided by operating activities was $131.6 million for the twenty-six weeks ended July 31, 2022, which primarily consisted of $40.8 million of net income, non-cash adjustments such as depreciation and amortization expense of $37.7 million and share-based compensation expense of $64.2 million, and a cash decrease of $22.9 million from working capital. Cash decreases from working capital were primarily driven by an increase in inventories, receivables, and other current assets, as well as a decrease to other current liabilities, partially offset by an increase in payables.

Investing Activities

Net cash used in investing activities was $172.3 million for the twenty-six weeks ended July 30, 2023, primarily consisting of $92.8 million for the purchases of marketable securities, net of maturities and $79.2 million for capital expenditures. Capital expenditures were related to the launch of new and future fulfillment centers and additional investments in IT hardware and software.

Net cash used in investing activities was $125.6 million for the twenty-six weeks ended July 31, 2022, primarily consisting of capital expenditures related to the launch of new and future fulfillment centers and additional investments in IT hardware and software.

Financing Activities

Net cash used in financing activities was $8.1 million for the twenty-six weeks ended July 30, 2023 and consisted of payments made pursuant to the tax sharing agreement with related parties, principal repayments of finance lease obligations, and payment of debt modification costs.

Net cash used in financing activities was $2.3 million for the twenty-six weeks ended July 31, 2022, and consisted of $2.5 million for payments of tax withholdings related to vesting of share-based compensation awards and principal repayments of finance lease obligations, partially offset by proceeds received pursuant to the tax sharing agreement with related parties.

Other Liquidity Measures

ABL Credit Facility

We have a senior secured asset-based credit facility (the “ABL Credit Facility”) which matures on August 27, 2026 and provides for non-amortizing revolving loans in the aggregate principal amount of up to $800 million, subject to a borrowing base comprised of, among other things, inventory and sales receivables (subject to certain reserves). The ABL Credit Facility provides the right to request incremental commitments and add incremental asset-based revolving loan facilities up to $250 million, subject to customary conditions. We are required to pay a 0.25% per annum commitment fee with respect to the undrawn portion of the commitments, which is generally based on average daily usage of the facility. Based on our borrowing base as of July 30, 2023, which is reduced by standby letters of credit, we had $749.6 million of borrowing capacity under the ABL Credit Facility. As of July 30, 2023 and January 29, 2023, we had no outstanding borrowings under the ABL Credit Facility, respectively.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is included in Note 2 in the “Notes to Condensed Consolidated Financial Statements” of this 10-Q Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the quantitative and qualitative disclosures about market risk disclosed in our Annual Report on Form 10-K for the fiscal year ended January 29, 2023.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosure.

As of the end of the period covered by this 10-Q Report, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) and 15d-15(e). Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of July 30, 2023.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the thirteen weeks ended July 30, 2023.

Limitations on the Effectiveness of Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based on certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information concerning legal proceedings is provided in Item 1 of Part I, "Financial Statements (Unaudited)–Note 6– Commitments and Contingencies–Legal Matters" and is incorporated by reference herein.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended January 29, 2023.

Item 5. Other Information

Rule 10b5-1 Plan Elections

During the thirteen weeks ended July 30, 2023, none of the Company's directors or officers adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement", as such terms are defined under Item 408 of Regulation S-K.

Item 6. Exhibits

		Incorporation by Reference				
Exhibit No.	Exhibit Description	Form	File No.	Exhibit No.	Filing Date	Filed Herewith
3.1.1	Amended and Restated Certificate of Incorporation of Chewy, Inc.	8-K	001-38936	3.1	June 18, 2019	
3.1.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Chewy, Inc.	8-K	001-38936	3.1	July 20, 2023	
10.1	*Form of Director Restricted Stock Unit Agreement					X
31.1	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certifications of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

* Denotes management contract or compensatory plan or arrangement required to be filed as an exhibit hereto

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

CHEWY, INC.

Date: August 30, 2023

By: /s/ Stacy Bowman
Stacy Bowman
Interim Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 10.1

AWARD NOTICE
AND
RESTRICTED STOCK UNIT AGREEMENT
(2023 Director Grants)

CHEWY, INC.
2022 OMNIBUS INCENTIVE PLAN

The Participant has been granted Restricted Stock Units with the terms set forth in this Award Notice, and subject to the terms and conditions of the Plan and the Restricted Stock Unit Agreement to which this Award Notice is attached. Capitalized terms used and not defined in this Award Notice shall have the meanings set forth in the Restricted Stock Unit Agreement and the Plan, as applicable.

Participant:

Date of Grant:

Restricted Stock Units Granted: (the "Award")

Vesting Schedule:

1. **Regular Vesting**. Subject to the Participant's continued Service through the vesting date, 100% of the Award will vest on the earlier of (1) the date of the Company's annual meeting of stockholders in the year following the Date of Grant or (2) one year from the Date of Grant set forth above, and will be settled in accordance with Section 4 of the Agreement.

2. **Change in Control Treatment**. Subject to the Participant's continued Service through the Change in Control, 100% of the Award will vest upon a Change in Control.

* * *

RESTRICTED STOCK UNIT AGREEMENT

CHEWY, INC.
2022 OMNIBUS INCENTIVE PLAN

This Restricted Stock Unit Agreement, effective as of the Date of Grant (as defined below), is between Chewy, Inc., a Delaware corporation ("Chewy"), and the Participant (as defined below).

WHEREAS, Chewy has adopted the Chewy, Inc. 2022 Omnibus Incentive Plan (as it may be amended, the "Plan") in order to provide equity-based incentive awards to eligible service providers to encourage them to deliver outcomes and/or continue in the Service of the Company; and

WHEREAS, the Board of Directors has determined to grant RSUs (as defined below) to the Participant (as defined below) as provided herein and the Company and the Participant (as defined below) hereby wish to memorialize the terms and conditions applicable to such RSUs.

NOW, THEREFORE, the parties hereto agree as follows:

1. **Definitions**. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan. The following terms shall have the following meanings for purposes of this Agreement:

(a) "Agreement" shall mean this Restricted Stock Unit Agreement including (unless the context otherwise requires) the Award Notice.

(b) "Award Notice" shall mean the notice to the Participant.

(c) "Cause" shall have the meaning ascribed to such term in any employment agreement entered into by the Participant and Company and if not so defined, or no such agreement exists, "Cause" shall mean (i) a refusal or failure to follow the lawful and reasonable directions of the Board of Directors or individual to whom the Participant reports, which refusal or failure is not cured within thirty (30) days following delivery of written notice of such conduct to the Participant; (ii) conviction of the Participant of any felony involving fraud or act of dishonesty against the Company or any of its affiliates; (iii) conduct by the Participant which, based upon good faith and reasonable factual investigation and determination of the Company, demonstrates gross unfitness to serve; (iv) intentional, material violation by the Participant of any contractual, statutory, or fiduciary duty owed by the Participant to the Company or any of its affiliates; or (v) willful misconduct causing material economic harm or public disgrace to the Company of any of its subsidiaries or affiliates.

(d) "Date of Grant" shall mean the "Date of Grant" listed in the Award Notice.

(e) "Participant" shall mean the "Participant" listed in the Award Notice.

(f) "RSUs" shall mean that number of Restricted Stock Units listed in the Award Notice as "Restricted Stock Units Granted."

2. **Grant of Units**. The Company hereby grants the RSUs to the Participant, each of which represents the right to receive one Share upon vesting of such RSU, subject to and in accordance with the terms, conditions and restrictions set forth in the Plan, the Award Notice, and this Agreement.

3. **RSU Account**. The Company shall cause an account (the "Unit Account") to be established and maintained on the books of the Company to record the number of RSUs credited to the Participant under the terms of this Agreement. The Participant's interest in the Unit Account shall be that of a general, unsecured creditor of the Company. Each RSU shall accrue dividend equivalents ("Dividend Equivalents") with respect to dividends that would otherwise be paid on the Share underlying such RSU during the period from the Date of Grant to the date such Share is delivered in accordance with Section 4 below. Dividend Equivalents shall be subject to the same vesting conditions applicable to the RSU on which such Dividend Equivalents are accrued, and shall be paid in cash to the Participant upon delivery of the underlying Share in respect of which the Dividend Equivalents were accrued.

4. **Vesting; Settlement**.

(a) The RSUs shall become vested in accordance with the schedule set forth on the Award Notice. The Company shall deliver to the Participant one Share for each RSU (as adjusted under the Plan) as soon as practicable and no later than twenty (20) business days following the applicable vesting date, subject to Sections 4(b) below, and such vested RSU shall be cancelled upon such delivery.

(b) If permitted by the Company, the Participant may elect, subject to the terms and conditions of the Plan and any other applicable written plan or procedure adopted by the Company from time to time for purposes of such election, to defer the distribution of all or any portion of the Shares that would otherwise be distributed to the Participant hereunder (the "Deferred Shares"), consistent with the requirements of Section 409A of the Code. Upon the earning of RSUs that have been so deferred, the applicable number of Deferred Shares will be credited to a bookkeeping account established on the Participant's behalf (the "Account"). Subject to Section 3, the number of Shares equal to the number of Deferred Shares credited to the Participant's Account will be distributed to the Participant in accordance with the terms of the Plan and the other applicable written plans or procedures of the Company, consistent with the requirements of Section 409A of the Code.

(c) The Participant will be solely liable for all federal, state, local, foreign and other tax obligations related to the RSUs (collectively, "Tax-Related Items"), and the Company (i) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting, or settlement of the RSUs or the subsequent sale of any Shares and (ii) does not commit to structure the RSUs to reduce or eliminate the Participant's liability for Tax-Related Items. The Participant acknowledges that the Company has encouraged the Participant to consult the Participant's own adviser regarding the tax consequences of the Award, and that the Participant is not relying on the Company or its Affiliates or agents for tax advice.

(d) The Company shall pay any costs incurred in connection with issuing the Shares. Upon the issuance of the Shares to the Participant, the Participant's Unit Account shall be eliminated. Notwithstanding anything in this Agreement to the contrary, the Company shall have no obligation to issue or transfer the Shares as contemplated by this Agreement unless and until such issuance or transfer shall comply with all relevant provisions of law and the requirements of any stock exchange on which the Company's shares are listed for trading.

5. **Termination of Service**.

(a) In the event that the Participant's Service with the Company terminates for any reason, any unvested RSUs shall be forfeited and all of the Participant's rights hereunder with respect to such unvested RSUs (and any Dividend Equivalents accrued thereon) shall cease as of the Termination Date (unless otherwise provided for by the Committee in accordance with the Plan).

(b) The Participant's rights with respect to the RSUs shall not be affected by any change in the nature of the Participant's Service so long as the Participant continues to be an employee or service provider, as applicable, of the Company. Whether (and the circumstances under which) the Participant's Service has terminated and the determination of the Termination Date for the purposes of this Agreement shall be determined by the Committee (or, with respect to any Participant who is not a director or "officer" as defined under Rule 16a-1(f) of the Exchange Act, its designee, whose good faith determination shall be final, binding and conclusive; provided, that such designee may not make any such determination with respect to the designee's own Service for purposes of the RSUs).

6. **Restrictions on Transfer**.

(a) RSU Transfers. The Participant may not assign, alienate, pledge, attach, sell or otherwise transfer or encumber the RSUs or the Participant's right under the RSUs to receive Shares, except other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any of its Affiliates; provided, that the designation of a beneficiary (if permitted by the Committee) shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(b) Lock-ups. By acceptance of the grant of RSUs pursuant to this Agreement, the Participant acknowledges and agrees that the Participant shall, unless the Company elects otherwise, comply with the terms of any lock-up agreement entered into by the Company's chief executive officer with the underwriters of any public offering of Shares as if the Participant had executed such a lock-up agreement.

7. **Repayment of Proceeds; Clawback Policy**.

(a) If the Participant's Service is terminated by the Company or its Subsidiaries for Cause or the Participant resigns while grounds for Cause exist, or the Company discovers that after a termination of Service that grounds for a termination with Cause existed at the time thereof, then the Participant shall be required, in addition to any other remedy available (on a non-exclusive basis), to pay to the Company, within ten (10) business days of the Company's request to the Participant therefor, the aggregate after-tax proceeds (taking into account all amounts of tax that would be recoverable upon a claim of loss for payment of such proceeds in the year of repayment) the Participant received upon the sale or other disposition of, or distributions in respect of, the RSUs or Shares issued in settlement of the RSUs. With respect to the scenario where the Company discovers that after a termination of Service that grounds for a termination with Cause existed at the time thereof, then any reference in this Agreement to grounds existing for a termination with Cause shall be determined without regard to any cure period or other procedural delay or event required prior to a finding of, or termination with, Cause.

(b) The RSUs and all proceeds of the RSUs shall be subject to the Company's clawback or recoupment policy, if any, and as in effect from time to time, to the extent the Participant is a director or "officer" as defined under Rule 16a-1(f) of the Exchange Act.

(c) By acceptance of the grant of RSUs pursuant to this Agreement, the Participant acknowledges and agrees that the Company may cause the cancellation or forfeiture of RSUs or Shares issuable upon settlement of any RSU on the books and records of the Company or any transfer agent to enforce the provisions of this Section 7.

8. **No Right to Continued Service**. Neither the Plan nor this Agreement nor the Participant's receipt of the RSUs hereunder shall impose any obligation on the Company or any of its Affiliates to continue the Service of the Participant. Further, the Company or any of its Affiliates (as applicable) may at any time terminate the Service of the Participant, free from any liability or claim under the Plan or this Agreement, except as otherwise expressly provided herein.

9. **No Rights as a Stockholder**. The Participant's interest in the RSUs shall not entitle the Participant to any rights as a stockholder of the Company. The Participant shall not be deemed to be the holder of, or have any of the rights and privileges of a stockholder of the Company in respect of, the Shares unless and until such Shares have been issued to the Participant.

10. **Adjustments Upon Change in Capitalization**. The terms of this Agreement, including the RSUs, the Participant's Unit Account, any performance targets (including share price hurdles), and/or the Shares, shall be subject to adjustment in accordance with Section 9 of the Plan. This paragraph shall also apply with respect to any extraordinary dividend or other extraordinary distribution in respect of the Company's Common Stock (whether in the form of cash or other property).

11. **Award Subject to Plan**. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The RSUs granted hereunder are subject to the Plan. The terms and provisions of the Plan, as it may be amended from time to time, are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

12. **Severability**. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

13. **Governing Law; Venue; Language**. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Florida applicable to contracts made and performed wholly within the State of Florida, without giving effect to the conflict of laws provisions thereof. Any suit, action or proceeding with respect to this Agreement (or any provision incorporated by reference), or any judgment entered by any court in respect thereof, shall be brought in the U.S. District Court for the Southern District of Florida or in any other court of competent jurisdiction in Broward County, Florida, and each of the Participant, the Company, and any transferees who hold RSUs pursuant to a valid assignment, hereby submits to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding, or judgment. Each of the Participant, the Company, and any transferees who hold RSUs pursuant to a valid assignment hereby irrevocably waives (a) any objections which it may now or hereafter have to the laying of the venue of any suit, action, or proceeding arising out of or relating to this

Agreement brought in the U.S. District Court for the Southern District of Florida or in any other court of competent jurisdiction in Broward County, Florida; (b) any claim that any such suit, action, or proceeding brought in any such court has been brought in any inconvenient forum; and (c) any right to a jury trial. If the Participant has received a copy of this Agreement (or the Plan or any other document related hereto or thereto) translated into a language other than English, such translated copy is qualified in its entirety by reference to the English version thereof, and in the event of any conflict the English version will govern.

14. **Successors in Interest**. Any successor to the Company shall have the benefits of the Company under, and be entitled to enforce, this Agreement. Likewise, the Participant's legal representative shall have the benefits of the Participant under, and be entitled to enforce, this Agreement. All obligations imposed upon the Participant and all rights granted to the Company under this Agreement shall be final, binding and conclusive upon the Participant's heirs, executors, administrators and successors.

15. **Data Privacy Consent**.

(a) General. The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this Agreement and any other RSU grant materials by and among, as applicable, the Participant's service-recipient or contracting party (the "Service Recipient") and the Company for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, work location and phone number, date of birth, social security number or other identification number, salary, nationality, job title, hire date, any shares of stock or directorships held in the Company, details of all awards or any other entitlement to shares awarded, cancelled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("Personal Data").

(b) Use of Personal Data; Retention. The Participant understands that Personal Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, now or in the future, that these recipients may be located in the Participant's country or elsewhere, and that the recipient's country may have different data privacy laws and protections than the Participant's country. The Participant understands that the Participant may request a list with the names and addresses of any potential recipients of the Personal Data by contacting the Participant's local human resources representative. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Personal Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that Personal Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that the Participant may, at any time, view Personal Data, request additional information about the storage and processing of Personal Data, require any necessary amendments to Personal Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local human resources representative.

(c) Withdrawal of Consent. The Participant understands that the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's Service and career with the Service Recipient will not be adversely affected; the only consequence of the Participant's refusing or withdrawing the Participant's consent is that the Company would not be able to grant RSUs or other equity awards to the Participant or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, the Participant understands that the Participant may contact the Participant's local human resources representative.

16. **[Reserved].**

17. **Limitation on Rights; No Right to Future Grants; Extraordinary Item of Compensation**. By accepting this Agreement and the grant of the RSUs contemplated hereunder, the Participant expressly acknowledges that (a) the Plan is established voluntarily by the Company, it is discretionary in nature and may be suspended or terminated by the Company at any time, to the extent permitted by the Plan; (b) the grant of RSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted in the past; (c) all determinations with respect to future grants of RSUs, if any, including the date of grant, the number of Shares granted and the applicable vesting terms, will be at the sole discretion of the Company; (d) the Participant's participation in the Plan is voluntary; (e) the value of the RSUs is an extraordinary item of compensation that is outside the scope of the Participant's services contract, if any, and nothing can or must automatically be inferred from such services contract or its consequences; and (f) the future value of the underlying Shares is unknown and cannot be predicted with certainty. In addition, the Participant understands, acknowledges and agrees that the Participant will have no rights to compensation or damages related to RSU proceeds in consequence of the termination of the Participant's Service for any reason whatsoever and whether or not in breach of contract.

18. **Award Administrator**. The Company may from time to time designate a third party (as an "Award Administrator") to assist the Company in the implementation, administration and management of the Plan and any RSUs granted thereunder, including by sending award notices on behalf of the Company to Participants, and by facilitating through electronic means acceptance of RSU Agreements by Participants.

19. **Section 409A of the Code**.

(a) This Agreement is intended to comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder. Without limiting the foregoing, the Committee shall have the right to amend the terms and conditions of this Agreement in any respect as may be necessary or appropriate to comply with Section 409A of the Code or any regulations promulgated thereunder, including without limitation by delaying the issuance of the Shares contemplated hereunder.

(b) Notwithstanding any other provision of this Agreement to the contrary, if a Participant is a "specified employee" within the meaning of Section 409A of the Code, no payments in respect of any RSU that is "deferred compensation" subject to Section 409A of the Code and not exempt for Section 409A as a short-term deferral or otherwise and which would otherwise be payable upon the Participant's "separation from service" (as defined in Section 409A of the Code) shall be made to such Participant prior to the date that is six (6) months after the date of the Participant's "separation from service" or, if earlier, the Participant's date of death. Following any applicable six (6)-month delay, all such delayed payments will be paid in a single lump sum on the earliest date permitted under Section 409A of the Code that is also a business day. The Participant is solely responsible and liable for the satisfaction of all taxes and penalties under Section 409A of the Code that may be imposed on or in respect of the Participant in connection with this Agreement, and the Company shall not be liable to any Participant for any payment made under this Plan that is determined to result in an additional tax, penalty or interest under Section 409A of the Code, nor for reporting in good faith any payment made under this Agreement as an amount includible in gross income under Section 409A of the Code. Each payment in a series of payments hereunder shall be deemed to be a separate payment for purposes of Section 409A of the Code.

20. **Book Entry Delivery of Shares**. Whenever reference in this Agreement is made to the issuance or delivery of certificates representing one or more Shares, the Company may elect to issue or deliver such Shares in book entry form in lieu of certificates.

21. **Electronic Delivery and Acceptance**. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

22. **Acceptance and Agreement by the Participant**. By accepting the RSUs (including through electronic means), the Participant agrees to be bound by the terms, conditions, and restrictions set forth in the Plan, this Agreement, and the Company's policies, as in effect from time to time, relating to the Plan.

23. **No Advice Regarding Grant**. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

24. **Imposition of Other Requirements**. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the RSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

25. **Waiver**. The Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by the Participant or any other participant in the Plan.

26. **Counterparts**. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one in the same agreement.

[*Signatures follow*]

CHEWY, INC.

By: __________

Acknowledge and agreed as of the date first written above:

____
Participant Signature:

EXHIBIT 31.1

Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Sumit Singh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Chewy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 30, 2023

/s/ Sumit Singh
Sumit Singh
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stacy Bowman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Chewy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 30, 2023

/s/ Stacy Bowman
Stacy Bowman
Interim Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

Certifications of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Chewy, Inc. (the "Company") on Form 10-Q for the period ended July 30, 2023, as filed with the Securities and Exchange Commission (the "Periodic Report"), we, Sumit Singh, Chief Executive Officer of the Company, and Stacy Bowman, Interim Chief Financial Officer and Chief Accounting Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

1. The Periodic Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 30, 2023

/s/ Sumit Singh

Sumit Singh
Chief Executive Officer
(Principal Executive Officer)

/s/ Stacy Bowman

Stacy Bowman
Interim Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer and Principal Accounting Officer)