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 August 1, 2021

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.)
1855 Griffin Road, Suite B-428, Dania Beach, Florida	**33004**
(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 25, 2021
Class A Common Stock, $0.01 par value per share	106,574,936
Class B Common Stock, $0.01 par value per share	311,188,356

CHEWY, INC.
FORM 10-Q

For the Quarterly Period Ended August 1, 2021

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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,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “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:

- successfully manage risks relating to the spread of coronavirus (also known as COVID-19), including any adverse impacts on our supply chain, workforce, facilities, customer services and operations;
- sustain our recent growth rates and manage our growth effectively;
- acquire new customers in a cost-effective manner and increase our net sales per active customer;
- accurately predict economic conditions, particularly the impact on economic conditions of the spread of COVID-19, and their impact on consumer spending patterns, particularly in the pet products market, and accurately forecast net sales and appropriately plan our expenses in the future;
- introduce new products or offerings and improve existing products;
- successfully compete in the pet products and services retail industry, especially in the e-commerce sector;
- source additional, or strengthen our existing relationships with, suppliers;
- negotiate acceptable pricing and other terms with third-party service providers, suppliers and outsourcing partners and maintain our relationships with such entities;
- optimize, operate and manage the expansion of the capacity of our fulfillment centers, including risks from the spread of COVID-19 relating to our plans to expand capacity and develop new facilities;
- provide our customers with a cost-effective platform that is able to respond and adapt to rapid changes in technology;
- maintain adequate cybersecurity with respect to our systems and ensure that our third-party service providers do the same with respect to their systems;
- successfully manufacture and sell our own proprietary brand products;
- maintain consumer confidence in the safety and quality of our vendor-supplied and proprietary brand food products and hardgood products;
- comply with existing or future laws and regulations in a cost-efficient manner;
- attract, develop, motivate and retain well-qualified employees; and
- adequately protect our intellectual property rights and successfully defend ourselves against any intellectual property infringement claims or other allegations that we may be subject to.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current 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 31, 2021, our subsequent quarterly report, 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 information provides a reasonable basis for these statements, that 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/), SEC filings, 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 social media 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	
	August 1, 2021	**January 31, 2021**
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 724,997	$ 563,345
Accounts receivable	113,433	100,699
Inventories	505,978	513,304
Prepaid expenses and other current assets	48,126	49,430
Total current assets	1,392,534	1,226,778
Property and equipment, net	277,413	210,017
Operating lease right-of-use assets	338,334	297,213
Other non-current assets	10,081	6,902
Total assets	$ 2,018,362	$ 1,740,910
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Trade accounts payable	$ 829,021	$ 778,365
Accrued expenses and other current liabilities	709,927	602,497
Total current liabilities	1,538,948	1,380,862
Operating lease liabilities	372,400	328,231
Other long-term liabilities	31,961	33,821
Total liabilities	1,943,309	1,742,914
Commitments and contingencies (Note 4)		
Stockholders' equity (deficit):		
Preferred stock, $0.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding as of August 1, 2021 and January 31, 2021	—	—
Class A common stock, $0.01 par value per share, 1,500,000,000 shares authorized, 106,574,936 and 97,708,518 shares issued and outstanding as of August 1, 2021 and January 31, 2021, respectively	1,066	977
Class B common stock, $0.01 par value per share, 395,000,000 shares authorized, 311,188,356 and 317,338,356 shares issued and outstanding as of August 1, 2021 and January 31, 2021, respectively	3,112	3,173
Additional paid-in capital	1,985,800	1,930,804
Accumulated deficit	(1,914,925)	(1,936,958)
Total stockholders' equity (deficit)	75,053	(2,004)
Total liabilities and stockholders' equity (deficit)	$ 2,018,362	$ 1,740,910

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	
	August 1, 2021	**August 2, 2020**	**August 1, 2021**	**August 2, 2020**
Net sales	$ 2,155,036	$ 1,699,859	$ 4,290,214	$ 3,321,252
Cost of goods sold	1,561,582	1,266,503	3,106,984	2,509,187
Gross profit	593,454	433,356	1,183,230	812,065
Operating expenses:				
Selling, general and administrative	437,672	343,181	843,892	663,238
Advertising and marketing	171,968	122,446	316,403	228,584
Total operating expenses	609,640	465,627	1,160,295	891,822
(Loss) income from operations	(16,186)	(32,271)	22,935	(79,757)
Interest expense, net	(500)	(546)	(902)	(930)
(Loss) income before income tax provision	(16,686)	(32,817)	22,033	(80,687)
Income tax provision	—	—	—	—
Net (loss) income	$ (16,686)	$ (32,817)	$ 22,033	$ (80,687)
Net (loss) income per share attributable to common Class A and Class B stockholders, basic	$ (0.04)	$ (0.08)	$ 0.05	$ (0.20)
Net (loss) income per share attributable to common Class A and Class B stockholders, diluted	$ (0.04)	$ (0.08)	$ 0.05	$ (0.20)
Weighted average common shares used in computing net (loss) income per share attributable to common Class A and Class B stockholders, basic	416,665	404,377	415,957	402,891
Weighted average common shares used in computing net (loss) income per share attributable to common Class A and Class B stockholders, diluted	416,665	404,377	427,458	402,891

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	13 Weeks Ended August 1, 2021				
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance as of May 2, 2021	415,395	$ 4,154	$ 1,963,107	$ (1,898,239)	$ 69,022
Share-based compensation expense	—	—	21,778	—	21,778
Vesting of share-based compensation awards	2,274	23	(23)	—	—
Distribution to parent	93	1	(1)	—	—
Tax sharing agreement with related parties	—	—	939	—	939
Net loss	—	—	—	(16,686)	(16,686)
Balance as of August 1, 2021	417,762	$ 4,178	$ 1,985,800	$ (1,914,925)	$ 75,053

	13 Weeks Ended August 2, 2020				
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance as of May 3, 2020	401,461	$ 4,015	$ 1,491,792	$ (1,892,342)	$ (396,535)
Share-based compensation expense	—	—	33,151	—	33,151
Vesting of share-based compensation awards	4,918	49	(49)	—	—
Distribution to parent	187	2	(2)	—	—
Contribution from PetSmart	—	—	325	—	325
Tax sharing agreement with related parties	—	—	18,264	—	18,264
Net loss	—	—	—	(32,817)	(32,817)
Balance as of August 2, 2020	406,566	$ 4,066	$ 1,543,481	$ (1,925,159)	$ (377,612)

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	26 Weeks Ended August 1, 2021				
	Class A and Class B Common Stock				
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance as of January 31, 2021	415,046	$ 4,150	$ 1,930,804	$ (1,936,958)	$ (2,004)
Share-based compensation expense	—	—	44,884	—	44,884
Vesting of share-based compensation awards	2,623	27	(27)	—	—
Distribution to parent	93	1	(1)	—	—
Tax sharing agreement with related parties	—	—	10,140	—	10,140
Net income	—	—	—	22,033	22,033
Balance as of August 1, 2021	417,762	$ 4,178	$ 1,985,800	$ (1,914,925)	$ 75,053

	26 Weeks Ended August 2, 2020				
	Class A and Class B Common Stock				
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance as of February 2, 2020	401,368	$ 4,014	$ 1,436,484	$ (1,844,472)	$ (403,974)
Share-based compensation expense	—	—	75,380	—	75,380
Vesting of share-based compensation awards	5,011	50	(50)	—	—
Distribution to parent	187	2	(2)	—	—
Contribution from PetSmart	—	—	650	—	650
Tax sharing agreement with related parties	—	—	31,019	—	31,019
Net loss	—	—	—	(80,687)	(80,687)
Balance as of August 2, 2020	406,566	$ 4,066	$ 1,543,481	$ (1,925,159)	$ (377,612)

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	26 Weeks Ended	
	August 1, 2021	August 2, 2020
Cash flows from operating activities		
Net income (loss)	$ 22,033	$ (80,687)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	24,117	15,336
Share-based compensation expense	44,884	75,380
Non-cash lease expense	16,399	11,082
Other	179	216
Net change in operating assets and liabilities:		
Accounts receivable	(12,734)	(13,298)
Inventories	7,326	(135,232)
Prepaid expenses and other current assets	(31,695)	(2,010)
Other non-current assets	(3,324)	(99)
Trade accounts payable	50,656	19,554
Accrued expenses and other current liabilities	78,233	92,650
Operating lease liabilities	(10,562)	(7,196)
Other long-term liabilities	(2,061)	16,159
Net cash provided by (used in) operating activities	183,451	(8,145)
Cash flows from investing activities		
Capital expenditures	(63,714)	(69,723)
Cash advances provided to PetSmart, net of reimbursements	—	(3,918)
Net cash used in investing activities	(63,714)	(73,641)
Cash flows from financing activities		
Proceeds from tax sharing agreement with related parties	42,405	23,213
Contribution from PetSmart	—	650
Principal repayments of finance lease obligations	(490)	(323)
Net cash provided by financing activities	41,915	23,540
Net increase (decrease) in cash and cash equivalents	161,652	(58,246)
Cash and cash equivalents, as of beginning of period	563,345	212,088
Cash and cash equivalents, as of end of period	$ 724,997	$ 153,842

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 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.

During the fiscal year ended January 31, 2021, the Company was controlled by PetSmart LLC ("PetSmart"). PetSmart is wholly-owned by a consortium including private investment funds advised by BC Partners, 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"), and controlled by affiliates of BC Partners.

On February 12, 2021, PetSmart completed a refinancing transaction and in connection with such transaction all shares of the Company's common stock held by PetSmart and its subsidiaries were distributed to affiliates of BC Partners. Subsequent to the distribution, PetSmart no longer directly or indirectly owns any shares of the Company's common stock.

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. 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 August 1, 2021 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 August 1, 2021 ("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 31, 2021 ("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 2021 fiscal year ends on January 30, 2022 and is a 52-week year. The Company's 2020 fiscal year ended January 31, 2021 and was a 52-week year.

Reclassification

As the Company is no longer a subsidiary of PetSmart, balances due from and due to PetSmart have been included on a net basis within prepaid expenses and other current assets on the condensed consolidated balance sheets; corresponding amounts for prior periods have been reclassified to conform to the current period's presentation.

Significant Accounting Policies

Other than policies noted herein or within Recent Accounting Pronouncements below, 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, 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. 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	
	August 1, 2021	January 31, 2021
Outbound fulfillment	$ 336,359	$ 310,700
Advertising and marketing	123,848	85,835
Payroll liabilities	64,118	72,467
Accrued expenses and other	185,602	133,495
Total accrued expenses and other current liabilities	$ 709,927	$ 602,497

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. In December 2019, the FASB issued this Accounting Standards Update ("ASU") to simplify the accounting for income taxes by eliminating certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. This ASU also clarifies and simplifies other aspects of the accounting for income taxes. This update became effective at the beginning of the Company's 2021 fiscal year. The adoption of this ASU did not have a material impact on the Company's condensed consolidated financial statements and disclosures.

3. Property and Equipment, net

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

	As of	
	August 1, 2021	January 31, 2021
Furniture, fixtures and equipment	$ 109,541	$ 91,496
Computer equipment	47,867	43,347
Internal-use software	79,000	56,977
Leasehold improvements	96,573	80,641
Construction in progress	72,724	41,914
	405,705	314,375
Less: accumulated depreciation and amortization	128,292	104,358
Property and equipment, net	$ 277,413	$ 210,017

Internal-use software includes labor and license costs associated with software development for internal use. As of August 1, 2021 and January 31, 2021, the Company had accumulated amortization related to internal-use software of $28.6 million and $22.5 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 August 1, 2021 and August 2, 2020, the Company recorded depreciation expense on property and equipment of $9.4 million, and $6.6 million, respectively, and amortization expense related to internal-use software costs of $3.3 million, and $1.4 million, respectively. For the twenty-six weeks ended August 1, 2021 and August 2, 2020, the Company recorded depreciation expense on property and equipment of $18.0 million, and $12.7 million, respectively, and amortization expense related to internal-use software costs of $6.1 million, and $2.6 million, respectively. The aforementioned depreciation and amortization expenses were included within selling, general and administrative expenses in the condensed consolidated statements of operations.

4. 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 declaration judgment action in the United States District Court for the Southern District of New York against IBM seeking the court’s declaration that the Company is not infringing the four asserted IBM patents. On April 19, 2021, IBM filed an answer with counterclaims, alleging that the Company is infringing the four patents by operation of the Chewy.com website and mobile application, and seeking unspecified damages, including a request that the amount of compensatory damages be trebled, injunctive relief and costs and reasonable attorneys’ fees. The Company filed a motion to dismiss IBM’s claims against three of the asserted patents on May 14, 2021. In response, IBM filed an amended complaint on May 24, 2021 that included an additional assertion that the Company is infringing a fifth IBM patent. On June 14, 2021, the Company filed a motion to dismiss IBM’s claims with respect to four of the asserted patents, which was denied on August 4, 2021. The Company continues to deny the allegations of any infringement and intends to vigorously defend itself in this matter. The possible loss or range of loss associated with this matter is not estimable.

5. Debt

ABL Credit Facility

The Company has a five-year senior secured asset-backed credit facility (the “ABL Credit Facility”) which was scheduled to mature in June 2024 and provided for non-amortizing revolving loans in an aggregate principal amount of up to $300 million, subject to a borrowing base comprised of, among other things, inventory and sales receivables (subject to certain reserves). The ABL Credit Facility provided the right to request incremental commitments and add incremental asset-based revolving loan facilities in an aggregate principal amount of up to $100 million, subject to customary conditions. The Company was required to pay a commitment fee of between 0.25% and 0.375% with respect to the undrawn portion of the commitments, which was generally based on average daily usage of the facility. Based on the Company’s borrowing base as of August 1, 2021, which is reduced by standby letters of credit, the Company had $264.0 million of borrowing capacity under the ABL Credit Facility. As of August 1, 2021, the Company had no outstanding borrowings under the ABL Credit Facility.

On August 27, 2021, the Company amended the ABL Credit Facility to increase the aggregate principal amount to be up to $500 million and increase the amount available for incremental asset-based revolving loan facilities to $300 million. In addition, the amendments resulted in the commitment fee being modified from a range of 0.25% to 0.375% to a fixed 0.25% fee with respect to the undrawn portion of the commitments. The ABL Credit Facility now matures in August 2026.

6. 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 August 1, 2021 and January 31, 2021 were not material and were included in property and equipment 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**	**August 1, 2021**	**January 31, 2021**
Assets			
Operating	Operating lease right-of-use assets	$ 338,334	$ 297,213
Total operating lease assets		$ 338,334	$ 297,213
Liabilities			
Current			
Operating	Accrued expenses and other current liabilities	$ 21,956	$ 19,142
Non-current			
Operating	Operating lease liabilities	372,400	328,231
Total operating lease liabilities		$ 394,356	$ 347,373

For the twenty-six weeks ended August 1, 2021 and August 2, 2020, assets acquired in exchange for new operating lease liabilities were $50.1 million and $67.6 million, respectively. Lease expense primarily related to operating lease costs. Lease expense for the thirteen weeks ended August 1, 2021 and August 2, 2020 was $19.6 million and $14.9 million, respectively. Lease expense for the twenty-six weeks ended August 1, 2021 and August 2, 2020 was $38.6 million and $28.3 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 $32.0 million and $21.7 million for the twenty-six weeks ended August 1, 2021 and August 2, 2020, respectively.

7. Stockholders' Equity (Deficit)

Common Stock

2020 Equity Offering

On September 21, 2020, the Company issued and sold 5,100,000 shares of Class A common stock in an underwritten public offering at a price of $54.40 per share to Morgan Stanley & Co. LLC, who acted as sole underwriter in the offering. The Company had granted the underwriter an option to purchase up to an additional 765,000 shares of Class A common stock at a price of $54.40 per share ("Option Shares"), which was exercised on September 30, 2020. The Company raised $318.4 million in net proceeds through the equity offering (including proceeds from the sale of the Option Shares) after deducting offering costs of approximately $0.6 million.

Conversion of Class B Common Stock

On May 8, 2020, Buddy Chester Sub LLC, a wholly-owned subsidiary of Argos Intermediate Holdco I Inc. (“Argos Holdco”), which is controlled by affiliates of BC Partners, 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 to deliver up to 17,584,098 shares of the Company’s Class A common stock at the exchange date, which is expected to be May 16, 2023. The number of shares to be delivered will be determined based on, among other things, the trading price of the Company’s Class A common stock at that time.

On April 12, 2021, Argos Holdco converted 6,150,000 shares of the Company’s Class B common stock into Class A common stock and sold such Class A common stock.

8. Share-Based Compensation

2019 Omnibus Incentive Plan

In June 2019, the Company’s board of directors adopted and approved the 2019 Omnibus Incentive Plan (the “2019 Plan”). The 2019 Plan became effective on June 13, 2019 and allows for the issuance of up to 31,864,865 shares of Class A common stock. No awards may be granted under the 2019 Plan after June 2029. The 2019 Plan provides for the grant of stock options, including incentive stock options, non-qualified stock options, restricted stock, dividend equivalents, stock payments, restricted stock units, performance shares, other incentive awards, stock appreciation rights, and cash awards (collectively “awards”). The awards may be granted to the Company’s employees, consultants, and directors, and the employees and consultants of the Company’s affiliates and subsidiaries.

Service and Performance-Based Awards

The Company grants restricted stock units that vest upon satisfaction of both service-based vesting conditions and company performance or market-based vesting conditions (“PRSUs”), subject to the employee’s continued employment with the Company through the applicable vesting date. The Company records share-based compensation expense for PRSUs over the requisite service period and accounts for forfeitures as they occur.

Service-Based Awards

The Company grants restricted stock units with service-based vesting conditions (“RSUs”) which vest subject to the employee’s continued employment with the Company through the applicable vesting date. The Company records share-based compensation expense for RSUs on a straight-line basis over the requisite service period and accounts 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 August 1, 2021 (in thousands, except for weighted average grant date fair value):

	Number of PRSUs	Weighted Average Grant Date Fair Value
Outstanding as of January 31, 2021	13,011	$ 35.95
Granted	32	$ 80.85
Vested	(2,578)	$ 35.93
Forfeited	(731)	$ 35.01
Unvested and outstanding as of August 1, 2021	9,734	$ 36.17

The total fair value of PRSUs that vested during the twenty-six weeks ended August 1, 2021 was $198.0 million. As of August 1, 2021, total unrecognized compensation expense related to unvested PRSUs was $50.1 million and is expected to be recognized over a weighted-average expected performance period of 1.4 years.

During the twenty-six weeks ended August 1, 2021 and August 2, 2020, vesting occurred for 93,309 and 186,617 PRSUs, respectively, 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 of the PRSUs with market-based vesting conditions was determined on the date of grant using a Monte Carlo model to simulate total stockholder return for the Company and peer companies with the following assumptions:

Performance period	5 years
Weighted-average risk-free interest rate	1.8%
Weighted-average volatility	49.7%
Weighted-average dividend yield	—%

The risk-free interest rate utilized is based on a 5-year term-matched zero-coupon U.S. Treasury security yield at the time of grant. Expected volatility is based on historical volatility of the stock of the Company's peer firms.

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 Activity

The following table summarizes the activity related to the Company's RSUs for the twenty-six weeks ended August 1, 2021 (in thousands, except for weighted average grant date fair value):

	Number of RSUs	Weighted Average Grant Date Fair Value
Outstanding as of January 31, 2021	713	$ 48.58
Granted	1,854	$ 80.16
Vested	(142)	$ 41.99
Forfeited	(228)	$ 68.24
Unvested and outstanding as of August 1, 2021	2,197	$ 73.69

The total fair value of RSUs that vested during the twenty-six weeks ended August 1, 2021 was $12.9 million. As of August 1, 2021, total unrecognized compensation expense related to unvested RSUs was $141.6 million and is expected to be recognized over a weighted-average expected performance period of 3.2 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 August 1, 2021, there were 6.6 million additional shares of Class A common stock reserved for future issuance under the 2019 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	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
PRSUs	$ 10,037	$ 32,138	$ 24,149	$ 74,148
RSUs	11,741	1,013	20,735	1,232
Total share-based compensation expense	$ 21,778	$ 33,151	$ 44,884	$ 75,380

9. Income Taxes

Chewy is subject to taxation in the U.S. and various state and local jurisdictions. The Company's losses and tax attributes were previously included in PetSmart's consolidated tax return activity at the U.S. federal level and any applicable state and local level. Income taxes as presented in the Company's condensed consolidated financial statements have been prepared based on the separate return method. As of January 31, 2021, Chewy was no longer a member of PetSmart's affiliated group for U.S. federal income tax purposes. For presentation purposes, during the fiscal year ended January 31, 2021, the Company reduced the deferred tax attributes previously utilized by PetSmart, along with the associated valuation allowances, from the financial statements in order to properly reflect the deferred tax attributes available to the Company; this had no net impact on the Company's income tax expense.

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 August 1, 2021, and August 2, 2020. 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 August 1, 2021 and August 2, 2020, the Company collected $42.4 million and $23.2 million, respectively, pursuant to the tax sharing agreement. Though the tax sharing agreement was effectively terminated with PetSmart upon tax deconsolidation for federal income taxes, future settlements will occur upon the filing of final tax returns. Additionally, the Company will continue to receive payments from Argos Holdco upon the filing of certain combined state tax returns for the fiscal year ended January 31, 2021 and thereafter. As of August 1, 2021, the Company did not have an outstanding position related to the tax sharing agreement. As of January 31, 2021, the Company had a receivable related to the tax sharing agreement of $30.5 million, which has been collected during the twenty-six weeks ended August 1, 2021.

10. Net (Loss) Income per Share

Basic and diluted net (loss) income per share attributable to common stockholders is presented using the two class method required for participating securities. Under the two class method, net (loss) income attributable to common stockholders is determined by allocating undistributed earnings between common stock and participating securities. Undistributed earnings for the periods presented are calculated as net (loss) income less distributed earnings. Undistributed earnings are allocated proportionally to 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 net (loss) income per share is calculated by dividing net (loss) income attributable to common stockholders by the weighted-average shares outstanding during the period.

For the twenty-six weeks ended August 1, 2021, the Company's calculations of basic and diluted net income per share attributable to common Class A and Class B stockholders include the dilutive effect of stock-based awards in the diluted net income per share calculation. The computation of diluted net income per share attributable to common stockholders does not include 2.9 million potential common shares for the twenty-six weeks ended August 1, 2021.

For the thirteen weeks ended August 1, 2021 and thirteen and twenty-six weeks ended August 2, 2020, the Company's calculations of basic and diluted net loss per share attributable to common Class A and Class B stockholders are the same because the Company generated a net loss to common stockholders and common stock equivalents are excluded from diluted net loss per share as they have an antidilutive impact. The computation of diluted net loss per share attributable to common stockholders does not include 11.9 million and 16.6 million potential common shares for the thirteen weeks ended August 1, 2021 and thirteen and twenty-six weeks ended August 2, 2020, respectively. as the effect of their inclusion would have been antidilutive.

The following table sets forth basic and diluted net (loss) income per share attributable to common stockholders for the periods presented (in thousands, except per share data):

	13 Weeks Ended		26 Weeks Ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
Basic and diluted net (loss) income per share				
Numerator				
Net (loss) income attributable to common stockholders	$ (16,686)	$ (32,817)	$22,033	$ (80,687)
Denominator				
Weighted average common shares used in computing net (loss) income per share attributable to Class A and Class B stockholders, basic	416,665	404,377	415,957	402,891
Weighted-average effect of dilutive stock-based awards	—	—	11,501	—
Weighted average common shares used in computing net (loss) income per share attributable to Class A and Class B stockholders, diluted	416,665	404,377	427,458	402,891
Net (loss) income per common share				
Net (loss) income per share attributable to common Class A and Class B stockholders, basic	$ (0.04)	$ (0.08)	$ 0.05	$ (0.20)
Net (loss) income per share attributable to common Class A and Class B stockholders, diluted	$ (0.04)	$ (0.08)	$ 0.05	$ (0.20)

11. Certain Relationships and Related Party Transactions

The Company’s condensed consolidated financial statements include management fee expenses of $0.3 million and $0.7 million allocated to the Company by PetSmart for organizational oversight and certain limited corporate functions provided by its sponsors for the thirteen and twenty-six weeks ended August 2, 2020. Allocated costs are included within selling, general and administrative expenses in the condensed consolidated statements of operations.

Since launch on July 2, 2018, certain of the Company’s pharmacy operations have been and continue to be conducted through a wholly-owned subsidiary of PetSmart. The Company has entered into a services agreement with PetSmart that provides for the payment of a management fee due from PetSmart with respect to this arrangement. The Company recognized $9.1 million and $19.7 million during the thirteen and twenty-six weeks ended August 1, 2021 within net sales in the condensed consolidated statements of operations for the services provided compared to $9.9 million and $21.6 million during the thirteen and twenty-six weeks ended August 2, 2020.

As of August 1, 2021 and January 31, 2021, the Company had a net receivable from PetSmart of $7.5 million and $21.9 million, respectively, which was included in prepaid expenses and other current assets on the Company's condensed consolidated balance sheets.

PetSmart Guarantees

PetSmart previously provided a guarantee of payment with respect to certain equipment and other leases that the Company entered into and served as a guarantor in respect of the Company’s obligations under a credit insurance policy in favor of certain of the Company’s suppliers. As of August 1, 2021, all such guarantees had been released, with the exception of guarantees pertaining to two of the Company’s lease agreements.

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 August 1, 2021 ("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 31, 2021 ("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/), Securities and Exchange Commission (the "SEC") filings, 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 social media 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 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, 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 continually develop innovative ways for our customers to engage with us. We partner with more than 2,500 of the best and most trusted brands in the pet industry, and we create and offer our own outstanding proprietary brands. Through our website and mobile applications, we offer our customers more than 75,000 products, compelling merchandising, an easy and enjoyable shopping experience, and exceptional customer service.

COVID-19

The COVID-19 pandemic has been a disruptive economic and societal event that has affected our business and consumer shopping behavior. To serve our pet parents while also providing for the safety and well-being of our team members, we have adapted aspects of our logistics, transportation, supply chain and purchasing processes accordingly. As reflected in the discussion below, we have seen customers shift more of their total shopping spend to online channels since the COVID-19 outbreak, which has led to increased sales and order activity for our business. Labor markets, particularly as they pertain to our fulfillment centers, have been, and remain, challenging. We expect this labor supply and demand imbalance to continue over the near to medium term, resulting in increased competition for personnel. While the COVID-19 outbreak has not had a material adverse impact on our operations to date, and conditions do appear to be improving as vaccination levels rise and state and local economies begin to re-open, the positive or negative impacts that the COVID-19 outbreak will ultimately have on our business remain difficult to predict.

As this crisis unfolded, we monitored conditions closely and adapted our operations to meet federal, state and local standards, while continuing to meet the needs of our rapidly growing community of pets and pet parents and to ensure the safety and well-being of our team members. While conditions appear to be improving, we are still unable to predict the duration of the COVID-19 pandemic and therefore what the ultimate impact of the COVID-19 pandemic will be on the broader economy or our operations and liquidity. As such, risks still remain. Please refer to the "Cautionary Note Regarding Forward-Looking Statements" in this 10-Q Report and the "Risk Factors" disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021.

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 2021 fiscal year ends on January 30, 2022 and is a 52-week year. Our 2020 fiscal year ended January 31, 2021 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 and percentages)	13 Weeks Ended August 1, 2021	13 Weeks Ended August 2, 2020	% Change	26 Weeks Ended August 1, 2021	26 Weeks Ended August 2, 2020	% Change
Financial and Operating Data						
Net sales	$ 2,155,036	$ 1,699,859	26.8 %	$ 4,290,214	$ 3,321,252	29.2 %
Net (loss) income [(1)]	$ (16,686)	$ (32,817)	49.2 %	$ 22,033	$ (80,687)	127.3 %
Net margin [(1)]	*(0.8)%*	*(1.9)%*		*0.5 %*	*(2.4)%*	
Adjusted EBITDA[(2)]	$ 23,272	$ 15,458	50.5 %	$ 100,626	$ 18,901	n/m
Adjusted EBITDA margin[(2)]	*1.1 %*	*0.9 %*		*2.3 %*	*0.6 %*	
Net cash provided by (used in) operating activities	$ 85,085	$ (28,890)	n/m	$ 183,451	$ (8,145)	n/m
Free cash flow[(2)]	$ 60,253	$ (56,035)	207.5 %	$ 119,737	$ (77,868)	253.8 %
Active customers	20,077	16,579	21.1 %	20,077	$ 16,579	21.1 %
Net sales per active customer	$ 404	$ 356	13.5 %	$ 404	$ 356	13.5 %
Autoship customer sales	$ 1,513,944	$ 1,161,603	30.3 %	$ 2,994,184	$ 2,262,792	32.3 %
Autoship customer sales as a percentage of net sales	70.3 %	68.3 %		69.8 %	68.1 %	

n/m - not meaningful

(1) Includes share-based compensation expense, including related taxes, of $25.6 million and $50.4 million for the thirteen and twenty-six weeks ended August 1, 2021, respectively, compared to $37.8 million and $80.1 million for the thirteen and twenty-six weeks ended August 2, 2020, respectively.

(2) Adjusted EBITDA, adjusted EBITDA margin 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; management fee expense; transaction related 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 in this 10-Q Report because it 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 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 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.

We believe it is useful to exclude non-cash charges, such as depreciation and amortization, share-based compensation expense and management fee 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; 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 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 (loss) to adjusted EBITDA for each of the periods indicated.

($ in thousands, except percentages)	13 Weeks Ended		26 Weeks Ended	
Reconciliation of Net (Loss) Income to Adjusted EBITDA	**August 1, 2021**	**August 2, 2020**	**August 1, 2021**	**August 2, 2020**
Net (loss) income	$ (16,686)	$ (32,817)	$ 22,033	$ (80,687)
Add (deduct):				
Depreciation and amortization	12,691	8,083	24,117	15,336
Share-based compensation expense and related taxes	25,589	37,797	50,361	80,138
Interest expense, net	500	546	902	930
Management fee expense[1]	—	325	—	650
Transaction related costs	140	—	971	—
Other	1,038	1,524	2,242	2,534
Adjusted EBITDA	$ 23,272	$ 15,458	$ 100,626	$ 18,901
Net sales	$ 2,155,036	$ 1,699,859	$ 4,290,214	$ 3,321,252
Net margin	*(0.8)%*	*(1.9)%*	*0.5 %*	*(2.4)%*
Adjusted EBITDA margin	*1.1 %*	*0.9 %*	*2.3 %*	*0.6 %*

[1] Management fee expense allocated to us by PetSmart LLC (“PetSmart”) for organizational oversight and certain limited corporate functions provided by its sponsors. Although we are not a party to the agreement governing the management fee, this management fee is reflected as an expense in our condensed consolidated financial statements during the thirteen and twenty-six weeks ended August 2, 2020.

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, including servers and networking 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 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 (used in) 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 (Used in) Operating Activities to Free Cash Flow	**August 1, 2021**	**August 2, 2020**	**August 1, 2021**	**August 2, 2020**
Net cash provided by (used in) operating activities	$ 85,085	$ (28,890)	$ 183,451	$ (8,145)
Deduct:				
Capital expenditures	(24,832)	(27,145)	(63,714)	(69,723)
Free Cash Flow	$ 60,253	$ (56,035)	$ 119,737	$ (77,868)

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, and for whom an order has shipped, 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 for whom an order has 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 proprietary brand pet food, pet products, pet medications and other pet health products, and related shipping fees. Sales of third-party brand and proprietary 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 proprietary 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.

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)	August 1, 2021	August 2, 2020	% Change	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020	% Change	August 1, 2021	August 2, 2020
Consolidated Statements of Operations										
Net sales	$ 2,155,036	$ 1,699,859	26.8 %	100.0 %	100.0 %	$ 4,290,214	$ 3,321,252	29.2 %	100.0 %	100.0 %
Cost of goods sold	1,561,582	1,266,503	23.3 %	72.5 %	74.5 %	3,106,984	2,509,187	23.8 %	72.4 %	75.5 %
Gross profit	593,454	433,356	36.9 %	27.5 %	25.5 %	1,183,230	812,065	45.7 %	27.6 %	24.5 %
Operating expenses:										
Selling, general and administrative	437,672	343,181	27.5 %	20.3 %	20.2 %	843,892	663,238	27.2 %	19.7 %	20.0 %
Advertising and marketing	171,968	122,446	40.4 %	8.0 %	7.2 %	316,403	228,584	38.4 %	7.4 %	6.9 %
Total operating expenses	609,640	465,627	30.9 %	28.3 %	27.4 %	1,160,295	891,822	30.1 %	27.0 %	26.9 %
(Loss) income from operations	(16,186)	(32,271)	49.8 %	(0.8)%	(1.9)%	22,935	(79,757)	128.8 %	0.5 %	(2.4)%
Interest expense, net	(500)	(546)	8.4 %	— %	— %	(902)	(930)	3.0 %	— %	— %
(Loss) income before income tax provision	(16,686)	(32,817)	49.2 %	(0.8)%	(1.9)%	22,033	(80,687)	127.3 %	0.5 %	(2.4)%
Income tax provision	—	—	— %	— %	— %	—	—	— %	— %	— %
Net (loss) income	$ (16,686)	$ (32,817)	49.2 %	(0.8)%	(1.9)%	$ 22,033	$ (80,687)	127.3 %	0.5 %	(2.4)%

Thirteen and Twenty-Six Weeks Ended August 1, 2021 Compared to Thirteen and Twenty-Six Weeks Ended August 2, 2020

Net Sales

	13 Weeks Ended				26 Weeks Ended			
($ in thousands)	August 1, 2021	August 2, 2020	$ Change	% Change	August 1, 2021	August 2, 2020	$ Change	% Change
Consumables	$ 1,483,954	$ 1,159,094	$ 324,860	28.0 %	$ 2,938,967	$ 2,332,643	$ 606,324	26.0 %
Hardgoods	318,593	296,666	21,927	7.4 %	662,222	539,504	122,718	22.7 %
Other	352,489	244,099	108,390	44.4 %	689,025	449,105	239,920	53.4 %
Net sales	$ 2,155,036	$ 1,699,859	$ 455,177	26.8 %	$ 4,290,214	$ 3,321,252	$ 968,962	29.2 %

Net sales for the thirteen weeks ended August 1, 2021 increased by $455.2 million, or 26.8%, to $2.2 billion compared to $1.7 billion for the thirteen weeks ended August 2, 2020. This increase was primarily due to growth in our customer base, with the number of active customers increasing by 3.5 million, or 21.1% year-over-year. Spending among our active customers also increased with net sales per active customer increasing $48, or 13.5%, in the thirteen weeks ended August 1, 2021 compared to the thirteen weeks ended August 2, 2020, driven by continued catalog expansion and growth across all verticals.

Net sales for the twenty-six weeks ended August 1, 2021 increased by $1.0 billion, or 29.2%, to $4.3 billion compared to $3.3 billion for the twenty-six weeks ended August 2, 2020. This increase was primarily due to growth in our customer base, with the number of active customers increasing by 3.5 million, or 21.1% year-over-year. Spending among our active customers also increased with net sales per active customer increasing $48, or 13.5%, in the twenty-six weeks ended August 1, 2021 compared to the twenty-six weeks ended August 2, 2020, driven by continued catalog expansion and growth across all verticals.

Cost of Goods Sold and Gross Profit

Cost of goods sold for the thirteen weeks ended August 1, 2021 increased by $295.1 million, or 23.3%, to $1.6 billion compared to $1.3 billion in the thirteen weeks ended August 2, 2020. This increase was primarily due to a 24.7% increase in orders shipped and associated product costs, outbound freight, and shipping supply costs. The increase in cost of goods sold was lower than the increase in net sales on a percentage basis, primarily as a result of realized supply chain efficiencies and change in mix of sales as healthcare businesses continue to grow faster than the overall business.

Cost of goods sold for the twenty-six weeks ended August 1, 2021 increased by $597.8 million, or 23.8%, to $3.1 billion compared to $2.5 billion in the twenty-six weeks ended August 2, 2020. This increase was primarily due to a 25.6% increase in orders shipped and associated product costs, outbound freight, and shipping supply costs. The increase in cost of goods sold was lower than the increase in net sales on a percentage basis, primarily as a result of realized supply chain efficiencies and change in mix of sales as healthcare and proprietary brands businesses continues to grow faster than the overall business.

Gross profit for the thirteen weeks ended August 1, 2021 increased by $160.1 million, or 36.9%, to $593.5 million compared to $433.4 million in the thirteen weeks ended August 2, 2020. 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 August 1, 2021 increased by 200 basis points compared to the thirteen weeks ended August 2, 2020, primarily due to margin expansion across our consumables, hardgoods and healthcare businesses.

Gross profit for the twenty-six weeks ended August 1, 2021 increased by $371.2 million, or 45.7%, to $1.2 billion compared to $812.1 million in the twenty-six weeks ended August 2, 2020. 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 August 1, 2021 increased by 310 basis points compared to the twenty-six weeks ended August 2, 2020, primarily due to margin expansion across our consumables, hardgoods and healthcare businesses.

Selling, General and Administrative

Selling, general and administrative expenses for the thirteen weeks ended August 1, 2021 increased by $94.5 million, or 27.5%, to $437.7 million compared to $343.2 million in the thirteen weeks ended August 2, 2020. This increase was primarily due to an increase of $68.8 million in fulfillment costs largely attributable to increased investments to support the overall growth of our business, including the costs associated with the opening of new fulfillment centers in Lewisberry, Pennsylvania, Archbald, Pennsylvania, and Belton, Missouri, a limited catalog fulfillment center in Kansas City, Missouri, a customer service center in Dallas, Texas, growth of fulfillment and customer service headcount, and investments in wages and benefits for fulfillment and customer service team members. Facilities expenses and other general and administrative expenses increased by $37.1 million, primarily due to increased headcount as a result of business growth as well as expenses incurred as a result of IT initiatives. These increases were partially offset by a $11.4 million reduction in non-cash share-based compensation expense.

Selling, general and administrative expenses for the twenty-six weeks ended August 1, 2021 increased by $180.7 million, or 27.2%, to $843.9 million compared to $663.2 million in the twenty-six weeks ended August 2, 2020. This increase was primarily due to an increase of $138.7 million in fulfillment costs largely attributable to increased investments to support the overall growth of our business, including the costs associated with the opening of new fulfillment centers in Lewisberry, Pennsylvania, Archbald, Pennsylvania, Salisbury, North Carolina, and Belton, Missouri, a limited catalog fulfillment center in Kansas City, Missouri, a customer service center in Dallas, Texas, growth of fulfillment and customer service headcount, and investments in wages and benefits for fulfillment and customer service team members. Facilities expenses and other general and administrative expenses increased by $72.5 million, primarily due to increased headcount as a result of business growth as well as expenses incurred as a result of IT initiatives. These increases were partially offset by a $30.5 million reduction in non-cash share-based compensation expense.

Advertising and Marketing

Advertising and marketing expenses for the thirteen weeks ended August 1, 2021 increased by $49.5 million, or 40.4%, to $172.0 million compared to $122.4 million in the thirteen weeks ended August 2, 2020. The increase was primarily due to higher advertising and marketing spend in existing and new channels as well as an increase in advertising input costs since the pandemic-lows seen in the first half of 2020. Our marketing efforts and investments led to the addition of 3.5 million active customers since August 2, 2020.

Advertising and marketing expenses for the twenty-six weeks ended August 1, 2021 increased by $87.8 million, or 38.4%, to $316.4 million compared to $228.6 million in the twenty-six weeks ended August 2, 2020. The increase was primarily due to higher advertising and marketing spend in existing and new channels as well as an increase in advertising input costs since the pandemic-lows seen in the first half of 2020. Our marketing efforts and investments led to the addition of 3.5 million active customers since August 2, 2020.

Liquidity and Capital Resources

We finance our operations and capital expenditures primarily through cash flows generated by operations and equity offerings. Our principal sources of liquidity are expected to be our cash and cash equivalents and our revolving credit facility. Cash and cash equivalents consist primarily of cash on deposit with banks and investments in money market funds. Cash and cash equivalents totaled $725.0 million as of August 1, 2021, an increase of $161.7 million from January 31, 2021.

We believe that our cash and cash equivalents 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.

2020 Equity Offering

On September 21, 2020, we issued and sold 5,865,000 shares of Class A common stock at a public offering price of $54.40 per share, raising $318.4 million in net proceeds after deducting offering costs of approximately $0.6 million. For additional information, see Note 7 in the “Notes to Condensed Consolidated Financial Statements” of this 10-Q Report.

Cash Flows

	26 Weeks Ended	
($ in thousands)	**August 1, 2021**	**August 2, 2020**
Net cash provided by (used in) operating activities	$ 183,451	$ (8,145)
Net cash used in investing activities	$ (63,714)	$ (73,641)
Net cash provided by financing activities	$ 41,915	$ 23,540

Operating Activities

Net cash provided by operating activities was $183.5 million for the twenty-six weeks ended August 1, 2021, which primarily consisted of $22.0 million of net income, non-cash adjustments such as depreciation and amortization expense of $24.1 million and share-based compensation expense of $44.9 million, and a cash increase of $91.8 million from the management of working capital. Cash increases from working capital were primarily driven by a decrease in inventories, an increase in payables, as well as an increase in other current liabilities, partially offset by an increase in receivables and other current assets.

Net cash used in operating activities was $8.1 million for the twenty-six weeks ended August 2, 2020, which primarily consisted of $80.7 million of net loss, non-cash adjustments such as depreciation and amortization expense of $15.3 million and share-based compensation expense of $75.4 million, and a cash decrease of $38.3 million from the management of working capital. Cash decreases from working capital were primarily driven by an increase in inventories and receivables, partially offset by payables and other current liabilities.

Investing Activities

Net cash used in investing activities was $63.7 million for the twenty-six weeks ended August 1, 2021, primarily consisting of capital expenditures related to the launch of new fulfillment centers and additional investments in IT hardware and software.

Net cash used in investing activities was $73.6 million for the twenty-six weeks ended August 2, 2020, primarily consisting of $69.7 million of capital expenditures related to the launch of new fulfillment centers and a customer service center, and additional investments in IT hardware and software, as well as $3.9 million of cash advances to PetSmart, net of reimbursements.

Financing Activities

Net cash provided by financing activities was $41.9 million for the twenty-six weeks ended August 1, 2021 and consisted of $42.4 million received pursuant to the tax sharing agreement with related parties, partially offset by principal repayments of finance lease obligations.

Net cash provided by financing activities was $23.5 million for the twenty-six weeks ended August 2, 2020, and consisted of $23.2 million received pursuant to the tax sharing agreement with related parties, as well as a management fee expense allocated to us by PetSmart for organizational oversight and certain limited corporate functions provided by its sponsors, partially offset by principal payments of finance lease obligations.

Other Liquidity Measures

ABL Credit Facility

We have a five year senior secured asset backed credit facility (the "ABL Credit Facility") which was scheduled to mature in June 2024 and provided for non-amortizing revolving loans in an aggregate principal amount of up to $300 million, subject to a borrowing base comprised of, among other things, inventory and sales receivables (subject to certain reserves). The ABL Credit Facility provided the right to request incremental commitments and add incremental asset-based revolving loan facilities in an aggregate principal amount of up to $100 million, subject to customary conditions. We were required to pay a commitment fee of between 0.25% and 0.375% with respect to the undrawn portion of the commitments, which was generally based on average daily usage of the facility. Based on our borrowing base as of August 1, 2021, which is reduced by standby letters of credit, we had $264.0 million of borrowing capacity under the ABL Credit Facility. As of August 1, 2021, we had no outstanding borrowings under the ABL Credit Facility.

On August 27, 2021, we amended the ABL Credit Facility to increase the aggregate principal amount to $500 million and increase the amount available for incremental asset-based revolving loan facilities to $300 million. In addition, the amendments resulted in the commitment fee being modified from a range of 0.25% to 0.375% to a fixed 0.25% fee with respect to the undrawn portion of the commitments. The ABL Credit Facility now matures in August 2026.

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 31, 2021.

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 August 1, 2021.

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 August 1, 2021. We have not experienced any material impact to our internal controls over financial reporting despite the fact that many of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the impact of remote working on our internal controls.

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 4– 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 31, 2021.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Filed Herewith
10.1	First Amendment to Award Notice and Restricted Stock Unit Agreement between J.K. Symancyk and Chewy, Inc.	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

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: September 1, 2021	By: /s/ Mario Marte
	Mario Marte
	Chief Financial Officer
	(Principal Financial Officer)

FIRST AMENDMENT TO AWARD NOTICE
AND
RESTRICTED STOCK UNIT AGREEMENT

CHEWY, INC.
2019 OMNIBUS INCENTIVE PLAN

July 22, 2021

This First Amendment to the Award Notice and Restricted Stock Unit Agreement, by and between Chewy, Inc. (the "Company") and J.K. Symancyk (the "Participant"), is entered into as of the date hereof, pursuant to the Chewy, Inc. 2019 Omnibus Incentive Plan (the "Plan"). Capitalized terms used herein but otherwise defined have the meaning assigned to them in the Plan.

WHEREAS, on June 18, 2019, Participant was granted an award of Restricted Stock Units pursuant to the Plan under that certain Award Notice and Restricted Stock Unit Agreement, dated as of June 18, 2019, by and between the Company and the Participant (the "Agreement"); and

WHEREAS, the Participant and the Company hereby desire to amend certain provisions of the Agreement.

NOW, THEREFORE, the Company and the Participant agree as follows:

1. Section 1 of the Restricted Stock Unit Agreement portion of the Agreement is amended to add the following definitions in proper alphabetical order:

    "Service" or "Service with the Company" means (i) the period during which the Participant is employed by the Company or PetSmart LLC, or its subsidiaries, parents or successors ("PetSmart"), whether or not PetSmart is an Affiliate of Chewy, or (ii) the period during which the Participant is a member of the Board of Directors.

2. Except as otherwise provided herein, the Agreement shall remain unaltered and in full force and effect.

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed as of the day and year first written above.

CHEWY, INC.

By: /s/ Sumit Singh
Sumit Singh
Chief Executive Officer

Acknowledge and agreed as of the date first written above:

/s/ J.K. Symancyk
Participant Signature: J.K. Symancyk

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: September 1, 2021

/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, Mario Marte, 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: September 1, 2021

/s/ Mario Marte
Mario Marte
Chief Financial Officer
(Principal Financial 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 August 1, 2021, as filed with the Securities and Exchange Commission (the "Periodic Report"), we, Sumit Singh, Chief Executive Officer of the Company, and Mario Marte, Chief Financial 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: September 1, 2021

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

/s/ Mario Marte
Mario Marte
Chief Financial Officer
(Principal Financial Officer)