Chewy Announces First Quarter 2020 Financial Results

DANIA BEACH, Fla.--(BUSINESS WIRE)-- Chewy, Inc. (NYSE: CHWY) (“Chewy”), a trusted online destination for pet parents, has released its financial results for the first quarter of fiscal year 2020 ended May 3, 2020, and posted a letter to its shareholders on its investor relations website at https://investor.chewy.com.

Fiscal Q1 2020 Highlights:

- Net sales of $1.62 billion grew 46 percent year-over-year
- Gross margin of 23.4 percent expanded 50 basis points year-over-year
- Net loss of $47.9 million, including share-based compensation expense of $42.3 million
- Net margin of (3.0) percent declined 30 basis points year-over-year attributable to share-based compensation expense in the period
- Adjusted EBITDA(1) of $3.4 million improved 122 percent year-over-year
- Adjusted EBITDA margin(1) of 0.2 percent improved 160 basis points year-over-year

“We had a strong start to 2020 with first quarter net sales increasing 46 percent year-over-year and gross margins expanding 50 basis points. We also achieved a significant milestone by delivering our first ever quarter of positive adjusted EBITDA,” said Sumit Singh, Chief Executive Officer of Chewy. “We are proud to be the e-tailer of choice for millions of new and existing pet parents during this unprecedented time. Chewy is well-positioned to thrive in this expanded marketplace, and we remain focused, as always, on our mission of becoming the most trusted and convenient online destination for pet parents (and partners) everywhere.”

Management will host a conference call and webcast to discuss Chewy's financial results today at 5:00 pm ET.

Chewy First Quarter 2020 Financial Results Conference Call
When: Tuesday, June 9, 2020
Time: 5:00 pm ET
Conference ID: 5976029
Live Call: (866) 211-4125 (US/Canada Toll-Free) or (647) 689-6728 (International)
Replay: (800) 585-8367 (US/Canada Toll-Free) or (416) 621-4642 (International)
(The replay will be available approximately two hours after the completion of the live call until 11:59 pm ET on June 16, 2020.)
Webcast: https://investor.chewy.com

(1) Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures. See “Non-GAAP Financial Measures” for additional information on non-GAAP financial measures and a reconciliation to the most comparable GAAP measures.

About Chewy

Our mission is to be the most trusted and convenient online destination for pet parents (and partners) everywhere. We believe that we are the preeminent online source for pet products, supplies and prescriptions as a result of our broad selection of high-quality products, which we offer at competitive prices and deliver with an exceptional level of care and a personal touch. We continually develop innovative ways for our customers to engage with us, and partner with more than 2,000 of the best and most trusted brands in the pet industry, to bring a high-bar, customer-centric experience to our customers.

Forward-Looking Statements

This communication 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 communication, 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,”
We believe it is useful to exclude income tax provision; interest income (expense), net; and transaction and other expenses in any specific period may not directly correlate to the underlying performance of our business operations. We have included adjusted EBITDA in this earnings release 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; and transaction and other...
costs as these items 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 and other costs which are generally incremental costs that result from an actual or planned transaction and include transaction costs (i.e. IPO costs), 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 loss, net margin, and our other GAAP results.

The following table presents a reconciliation of net loss to adjusted EBITDA for each of the periods indicated.

<table>
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<tr>
<th>($ in thousands, except percentages)</th>
<th>13 Weeks Ended</th>
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<tbody>
<tr>
<td></td>
<td>May 3, 2020</td>
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<tr>
<td>Net loss</td>
<td>$ (47,870)</td>
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<td>Add (deduct):</td>
<td>$ 3,443</td>
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<tr>
<td>Depreciation and amortization</td>
<td>7,253</td>
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<td>Share-based compensation expense and related taxes</td>
<td>42,341</td>
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<td>Interest expense (income), net</td>
<td>384</td>
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<tr>
<td>Management fee expense(1)</td>
<td>325</td>
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<tr>
<td>Other</td>
<td>1,010</td>
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<tr>
<td>Adjusted EBITDA</td>
<td>$ 3,443</td>
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<tr>
<td>Net sales</td>
<td>$ 1,621,393</td>
</tr>
<tr>
<td>Net margin</td>
<td>(3.0)%</td>
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<tr>
<td>Adjusted EBITDA margin</td>
<td>0.2%</td>
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(1) Management fee expense allocated to us by 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.

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

Contacts

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