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 October 30, 2022

or

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

For the transition period from ____ to ____

Commission File Number: 001-38936

CHEWY, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

Class	Outstanding as of December 1, 2022
Class A Common Stock, $0.01 par value per share	112,160,071
Class B Common Stock, $0.01 par value per share	311,188,356

CHEWY, INC.
FORM 10-Q

For the Quarterly Period Ended October 30, 2022

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PART I. FINANCIAL INFORMATION

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- successfully manage risks related to coronavirus ("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 and retain new customers in a cost-effective manner and increase our net sales per active customer;
- accurately predict economic conditions 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 services, improve existing products and services, and expand into new offerings;
- successfully compete in the pet products and services retail industry, especially in the e-commerce sector;
- strengthen our current supplier relationships, retain key suppliers and source additional suppliers;
- negotiate acceptable pricing and other terms with third-party service providers, suppliers and outsourcing partners and maintain our relationships with such parties;
- mitigate changes in, or disruptions to, our shipping arrangements and operations;
- optimize, operate and manage the expansion of the capacity of our fulfillment centers, 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 and scale our technology, including the reliability of our website, mobile applications, and network infrastructure;
- maintain adequate cybersecurity with respect to our systems and ensure that our third-party service providers do the same with respect to their systems;
- successfully manufacture and sell our own private brand products;
- maintain consumer confidence in the safety and quality of our vendor-supplied and private brand food products and hardgood products;
- preserve, grow, and leverage the value of our reputation and our brand;
- 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 or claims that we may be subject to.

You should not rely on forward-looking statements as predictions of future events, and you should understand that these statements are not guarantees of performance or results, and our actual results could differ materially from those expressed in the forward-looking statements due to a variety of factors. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current assumptions, expectations and projections about future events and trends that we believe may affect our business, financial condition, and results of operations. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" in our annual report on Form 10-K for the fiscal year ended January 30, 2022, our subsequent quarterly reports, and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that 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 these channels could be deemed to be material information. We therefore encourage investors to visit these websites from time to time. The information contained on such websites and social media posts is not incorporated by reference into this filing. Further, our references to website URLs in this filing are intended to be inactive textual references only.

Item 1. Financial Statements (Unaudited)

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

	As of	
	October 30, 2022	**January 30, 2022**
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 378,227	$ 603,079
Marketable securities	296,784	—
Accounts receivable	126,963	123,510
Inventories	679,149	560,430
Prepaid expenses and other current assets	39,433	36,513
Total current assets	1,520,556	1,323,532
Property and equipment, net	467,055	367,166
Operating lease right-of-use assets	437,926	372,693
Other non-current assets	65,626	22,890
Total assets	$ 2,491,163	$ 2,086,281
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 991,951	$ 883,316
Accrued expenses and other current liabilities	790,092	761,563
Total current liabilities	1,782,043	1,644,879
Operating lease liabilities	485,774	410,168
Other long-term liabilities	59,391	16,498
Total liabilities	2,327,208	2,071,545
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, $0.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding as of October 30, 2022 and January 30, 2022	—	—
Class A common stock, $0.01 par value per share, 1,500,000,000 shares authorized, 111,906,751 and 108,918,032 shares issued and outstanding as of October 30, 2022 and January 30, 2022, respectively	1,119	1,089
Class B common stock, $0.01 par value per share, 395,000,000 shares authorized, 311,188,356 shares issued and outstanding as of October 30, 2022 and January 30, 2022	3,112	3,112
Additional paid-in capital	2,127,371	2,021,310
Accumulated deficit	(1,967,647)	(2,010,775)
Total stockholders' equity	163,955	14,736
Total liabilities and stockholders' equity	$ 2,491,163	$ 2,086,281

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		39 Weeks Ended	
	October 30, 2022	**October 31, 2021**	**October 30, 2022**	**October 31, 2021**
Net sales	$ 2,532,122	$ 2,212,161	$ 7,391,460	$ 6,502,375
Cost of goods sold	1,811,945	1,627,320	5,320,666	4,734,304
Gross profit	720,177	584,841	2,070,794	1,768,071
Operating expenses:				
Selling, general and administrative	543,532	466,434	1,564,798	1,310,326
Advertising and marketing	177,079	150,335	465,959	466,738
Total operating expenses	720,611	616,769	2,030,757	1,777,064
Income (loss) from operations	(434)	(31,928)	40,037	(8,993)
Interest income (expense), net	2,745	(313)	3,091	(1,215)
Other income (expense), net	—	—	—	—
Income (loss) before income tax provision	2,311	(32,241)	43,128	(10,208)
Income tax provision	—	—	—	—
Net income (loss)	$ 2,311	$ (32,241)	$ 43,128	$ (10,208)
Earnings (loss) per share attributable to common Class A and Class B stockholders:				
Basic	$ 0.01	$ (0.08)	$ 0.10	$ (0.02)
Diluted	$ 0.01	$ (0.08)	$ 0.10	$ (0.02)
Weighted-average common shares used in computing earnings per share:				
Basic	422,898	417,847	421,665	416,587
Diluted	428,125	417,847	427,223	416,587

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	13 Weeks Ended October 30, 2022				
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of July 31, 2022	422,647	$ 4,226	$ 2,083,123	$ (1,969,958)	$ 117,391
Share-based compensation expense	—	—	45,530	—	45,530
Vesting of share-based compensation awards	448	5	(5)	—	—
Tax withholdings for share-based compensation awards	—	—	(3)	—	(3)
Tax sharing agreement with related parties	—	—	(1,274)	—	(1,274)
Net income	—	—	—	2,311	2,311
Balance as of October 30, 2022	423,095	$ 4,231	$ 2,127,371	$ (1,967,647)	$ 163,955

	13 Weeks Ended October 31, 2021				
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of August 1, 2021	417,762	$ 4,178	$ 1,985,800	$ (1,914,925)	$ 75,053
Share-based compensation expense	—	—	18,804	—	18,804
Vesting of share-based compensation awards	153	1	(1)	—	—
Tax sharing agreement with related parties	—	—	4,404	—	4,404
Net loss	—	—	—	(32,241)	(32,241)
Balance as of October 31, 2021	417,915	$ 4,179	$ 2,009,007	$ (1,947,166)	$ 66,020

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	39 Weeks Ended October 30, 2022				
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of January 30, 2022	420,106	$ 4,201	$ 2,021,310	$ (2,010,775)	$ 14,736
Share-based compensation expense	—	—	109,701	—	109,701
Vesting of share-based compensation awards	2,949	30	(30)	—	—
Tax withholdings for share-based compensation awards	(53)	(1)	(2,474)	—	(2,475)
Distribution to parent	93	1	(1)	—	—
Tax sharing agreement with related parties	—	—	(1,135)	—	(1,135)
Net income	—	—	—	43,128	43,128
Balance as of October 30, 2022	423,095	$ 4,231	$ 2,127,371	$ (1,967,647)	$ 163,955

	39 Weeks Ended October 31, 2021				
	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance as of January 31, 2021	415,046	$ 4,150	$ 1,930,804	$ (1,936,958)	$ (2,004)
Share-based compensation expense	—	—	63,688	—	63,688
Vesting of share-based compensation awards	2,776	28	(28)	—	—
Distribution to parent	93	1	(1)	—	—
Tax sharing agreement with related parties	—	—	14,544	—	14,544
Net loss	—	—	—	(10,208)	(10,208)
Balance as of October 31, 2021	417,915	$ 4,179	$ 2,009,007	$ (1,947,166)	$ 66,020

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	39 Weeks Ended	
	October 30, 2022	**October 31, 2021**
Cash flows from operating activities		
Net income (loss)	$ 43,128	$ (10,208)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	60,696	38,141
Share-based compensation expense	109,701	63,688
Non-cash lease expense	29,286	24,467
Other	840	434
Net change in operating assets and liabilities:		
Accounts receivable	(3,453)	(28,014)
Inventories	(118,719)	(93,290)
Prepaid expenses and other current assets	(6,237)	(42,462)
Other non-current assets	(44,220)	(3,635)
Trade accounts payable	108,635	237,319
Accrued expenses and other current liabilities	42,306	88,010
Operating lease liabilities	(15,790)	(14,792)
Other long-term liabilities	42,847	(1,952)
Net cash provided by operating activities	249,020	257,706
Cash flows from investing activities		
Capital expenditures	(171,841)	(135,714)
Purchases of marketable securities	(296,624)	—
Other	(1,400)	—
Net cash used in investing activities	(469,865)	(135,714)
Cash flows from financing activities		
Payments for tax withholdings related to vesting of share-based compensation awards	(2,475)	—
(Payments for) proceeds from tax sharing agreement with related parties	(1,040)	43,714
Principal repayments of finance lease obligations	(492)	(692)
Payment of debt issuance costs	—	(1,440)
Net cash (used in) provided by financing activities	(4,007)	41,582
Net (decrease) increase in cash and cash equivalents	(224,852)	163,574
Cash and cash equivalents, as of beginning of period	603,079	563,345
Cash and cash equivalents, as of end of period	$ 378,227	$ 726,919

See accompanying Notes to Condensed Consolidated Financial Statements.

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

1. Description of Business

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

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

Petabyte Acquisition

On November 7, 2022, the Company completed its acquisition of all of the outstanding stock of Petabyte Technology Inc., a provider of cloud-based technology solutions to the veterinary sector, for an estimated purchase price of $43.4 million. This acquisition is expected to further strengthen the Company's pet healthcare product and service offering.

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 October 30, 2022 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 October 30, 2022 ("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 30, 2022 ("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 2022 fiscal year ends on January 29, 2023 and is a 52-week year. The Company's 2021 fiscal year ended January 30, 2022 and was a 52-week year.

Significant Accounting Policies

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

Use of Estimates

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

Key estimates relate primarily to determining the net realizable value and demand for inventory, useful lives associated with property and equipment and intangible assets, valuation allowances with respect to deferred tax assets, contingencies, self-insurance accruals, evaluation of sales tax positions, and the valuation and assumptions underlying share-based compensation. 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	
	October 30, 2022	**January 30, 2022**
Outbound fulfillment	$ 379,821	$ 389,548
Advertising and marketing	126,336	86,285
Payroll liabilities	68,102	70,556
Accrued expenses and other	215,833	215,174
Total accrued expenses and other current liabilities	$ 790,092	$ 761,563

Investments

The Company generally invests its excess cash in AAA-rated money market funds and investment grade short- to intermediate-term fixed income securities, including U.S. Treasury securities, certificates of deposit, and commercial paper. Such investments are included in cash and cash equivalents or marketable securities on the accompanying condensed consolidated balance sheets and are classified based on original maturity. The Company considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents and considers all highly liquid investments with an original maturity greater than 90 days and less than one year to be marketable securities.

Marketable fixed income securities are classified as available-for-sale and reported at fair value with unrealized gains and losses included in accumulated other comprehensive income (loss). Each reporting period, the Company evaluates whether declines in fair value below carrying value are due to expected credit losses, as well as its ability and intent to hold the investment until a forecasted recovery of the carrying value occurs. Expected credit losses are recorded as an allowance through other income (expense), net on our condensed consolidated statements of operations.

Equity investments in public companies that have readily determinable fair values are included in marketable securities on the Company's condensed consolidated balance sheets and measured at fair value with changes recognized in other income (expense), net on the Company's condensed consolidated statements of operations.

The Company holds equity warrants giving it the right to acquire stock of other companies. These warrants are classified as derivative assets and are recorded within other non-current assets on the Company's condensed consolidated balance sheets with gains and losses recognized in other income (expense), net on the Company's condensed consolidated statements of operations. These warrants are subject to vesting requirements and the fair value established at contract inception is recognized as a deferred credit reported within other long-term liabilities on the Company's condensed consolidated balance sheets and is amortized as the vesting requirements are achieved.

Fair Value of Financial Instruments

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

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

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

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

Stockholders' Equity

Conversion of Class B Common Stock

On April 12, 2021, Argos Intermediate Holdco I Inc. ("Argos Holdco"), which is controlled by affiliates of BC Partners, 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.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements

ASU 2022-04—Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations. In September 2022, the FASB issued this Accounting Standards Update ("ASU") which requires entities that use supplier finance programs in connection with the purchase of goods and services to disclose the key terms of the programs and information about obligations outstanding at the end of the reporting period. This update is effective at the beginning of the Company's 2023 fiscal year, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

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

3. Financial Instruments

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

Marketable securities are carried at fair value and are classified within Level 1 because they are valued using quoted market prices. Specific to marketable fixed income securities, the Company did not record any gross unrealized gains and losses as fair value approximates amortized cost. The Company did not record any credit losses during the thirteen and thirty-nine weeks ended October 30, 2022. Further, as of October 30, 2022, the Company did not record an allowance for credit losses related to its fixed income securities.

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

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

The following table includes a summary of financial instruments measured at fair value as of October 30, 2022 (in thousands):

	Level 1	Level 2	Level 3
Cash	$ 278,791	$ —	$ —
U.S. Treasury securities	99,436	—	—
Cash and cash equivalents	378,227	—	—
U.S. Treasury securities	296,781	—	—
Equity securities	3	—	—
Marketable securities	296,784	—	—
Equity warrants	—	—	44,962
Total financial instruments	$ 675,011	$ —	$ 44,962

The following table includes a summary of financial instruments measured at fair value as of January 30, 2022 (in thousands):

	Level 1	Level 2	Level 3
Cash	$ 401,119	$ —	$ —
Money market funds	67,000	—	—
Commercial paper	74,965	—	—
U.S. Treasury securities	59,995	—	—
Cash and cash equivalents	603,079	—	—
Total financial instruments	$ 603,079	$ —	$ —

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

	39 Weeks Ended	
	October 30, 2022	October 31, 2021
Beginning balance	$ —	$ —
Equity warrants acquired	44,962	—
Ending balance	$ 44,962	$ —

The following table presents quantitative information about Level 3 significant unobservable inputs used in the fair value measurement of the equity warrants as of October 30, 2022 (in thousands):

	Fair Value	Valuation Techniques	Unobservable Input	Range		Weighted Average
				Min	Max	
Equity warrants	$44,962	Black-Scholes and Monte Carlo	Probability of vesting	0%	99%	87%
			Equity volatility	35%	85%	80%

4. Property and Equipment, net

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

	As of	
	October 30, 2022	January 30, 2022
Furniture, fixtures and equipment	$ 209,402	$ 132,727
Computer equipment	64,574	55,164
Internal-use software	125,960	95,302
Leasehold improvements	178,834	153,797
Construction in progress	95,312	85,043
	674,082	522,033
Less: accumulated depreciation and amortization	207,027	154,867
Property and equipment, net	$ 467,055	$ 367,166

Internal-use software includes labor and license costs associated with software development for internal use. As of October 30, 2022 and January 30, 2022, the Company had accumulated amortization related to internal-use software of $50.1 million and $35.1 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 October 30, 2022 and October 31, 2021, the Company recorded depreciation expense on property and equipment of $16.1 million, and $10.0 million, respectively, and amortization expense related to internal-use software costs of $6.1 million, and $4.0 million, respectively. For the thirty-nine weeks ended October 30, 2022 and October 31, 2021, the Company recorded depreciation expense on property and equipment of $42.1 million, and $28.0 million, respectively, and amortization expense related to internal-use software costs of $16.0 million, and $10.1 million, respectively. The aforementioned depreciation and amortization expenses were included within selling, general and administrative expenses in the condensed consolidated statements of operations.

5. Commitments and Contingencies

Legal Matters

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

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

International Business Machines Corporation ("IBM") previously alleged that the Company is infringing four of its patents. On February 15, 2021, the Company filed a declaratory judgment action in the United States District Court for the Southern District of New York (the "District Court") against IBM seeking the District Court's declaration that the Company is not infringing the four asserted IBM patents. On April 19, 2021, IBM filed an answer with counterclaims, 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 October 8, 2021, the parties had a claim construction hearing and on November 9, 2021, the claim construction rulings resulted in one of the five patents being eliminated from the case. The parties filed their motions for summary judgment which were fully briefed on February 24, 2022. A pre-trial conference was held on March 25, 2022, where the judge heard oral arguments on the motions for summary judgment. On April 11, 2022, the District Court granted the Company's motions for summary judgment that the Company did not infringe three of the patents and that the fourth patent is invalid. On April 29, 2022, IBM filed a notice of appeal in the United States Court of Appeals for the Federal Circuit to appeal the District Court's judgment and filed its appellate brief on August 18, 2022. The Company filed its appellate brief on November 17, 2022 and continues to deny the allegations of any infringement and intends to vigorously defend itself in this matter.

6. Debt

ABL Credit Facility

The Company has a five-year senior secured asset-based credit facility (the "ABL Credit Facility") which matures in August 2026 and provides for non-amortizing revolving loans in an aggregate principal amount of up to $500 million, subject to a borrowing base comprised of, among other things, inventory and sales receivables (subject to certain reserves). The ABL Credit Facility provides the right to request incremental commitments and add incremental asset-based revolving loan facilities in an aggregate principal amount of up to $300 million, subject to customary conditions. The Company is required to pay a commitment fee of 0.25% with respect to the undrawn portion of the commitments, which is generally based on average daily usage of the facility. Based on the Company's borrowing base as of October 30, 2022, which is reduced by standby letters of credit, the Company had $449.9 million of borrowing capacity under the ABL Credit Facility. As of October 30, 2022 and January 30, 2022, the Company had no outstanding borrowings under the ABL Credit Facility, respectively.

7. 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 October 30, 2022 and January 30, 2022 were not material and were included in property and equipment, net, on the Company's condensed consolidated balance sheets.

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

Leases	Balance Sheet Classification	As of October 30, 2022	As of January 30, 2022
Assets			
Operating	Operating lease right-of-use assets	$ 437,926	$ 372,693
Total operating lease assets		$ 437,926	$ 372,693
Liabilities			
Current			
Operating	Accrued expenses and other current liabilities	$ 24,243	$ 24,225
Non-current			
Operating	Operating lease liabilities	485,774	410,168
Total operating lease liabilities		$ 510,017	$ 434,393

For the thirty-nine weeks ended October 30, 2022 and October 31, 2021, assets acquired in exchange for new operating lease liabilities were $90.3 million and $59.2 million, respectively. Lease expense primarily relates to operating lease costs. Lease expense for the thirteen weeks ended October 30, 2022 and October 31, 2021 was $23.7 million and $20.4 million, respectively. Lease expense for the thirty-nine weeks ended October 30, 2022 and October 31, 2021 was $68.3 million and $59.0 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 $58.2 million and $49.8 million for the thirty-nine weeks ended October 30, 2022 and October 31, 2021, respectively.

8. Share-Based Compensation

2022 Omnibus Incentive Plan

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

Service and Performance-Based Awards

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

Service and Performance-Based Awards Activity

The following table summarizes the activity related to the Company's PRSUs for the thirty-nine weeks ended October 30, 2022 (in thousands, except for weighted-average grant date fair value):

	Number of PRSUs	Weighted-Average Grant Date Fair Value
Unvested and outstanding as of January 30, 2022	6,573	$ 36.16
Granted	86	$ 43.59
Vested	(2,174)	$ 35.94
Forfeited	(300)	$ 36.02
Unvested and outstanding as of October 30, 2022	4,185	$ 36.43

The total fair value of PRSUs that vested during the thirty-nine weeks ended October 30, 2022 was $61.7 million. As of October 30, 2022, total unrecognized compensation expense related to unvested PRSUs was $8.7 million and is expected to be recognized over a weighted-average expected performance period of 1.1 years.

During the thirty-nine weeks ended October 30, 2022 and October 31, 2021, vesting occurred for 93,309 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 for PRSUs with a Company performance-based vesting condition is established based on the market price of the Company's Class A common stock on the date of grant.

Service-Based Awards

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

Service-Based Awards Activity

The following table summarizes the activity related to the Company's RSUs for the thirty-nine weeks ended October 30, 2022 (in thousands, except for weighted-average grant date fair value):

	Number of RSUs	Weighted-Average Grant Date Fair Value
Unvested and outstanding as of January 30, 2022	3,207	$ 68.96
Granted	9,284	$ 41.44
Vested	(871)	$ 69.65
Forfeited	(1,263)	$ 52.94
Unvested and outstanding as of October 30, 2022	10,357	$ 46.18

The total fair value of RSUs that vested during the thirty-nine weeks ended October 30, 2022 was $34.3 million. As of October 30, 2022, total unrecognized compensation expense related to unvested RSUs was $394.6 million and is expected to be recognized over a weighted-average expected performance period of 3.0 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 October 30, 2022, there were 38.6 million additional shares of Class A common stock reserved for future issuance under the 2022 Plan.

Share-Based Compensation Expense

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

	13 Weeks Ended		39 Weeks Ended	
	October 30, 2022	October 31, 2021	October 30, 2022	October 31, 2021
PRSUs	$ 2,498	$ 5,825	$ 10,696	$ 29,975
RSUs	43,032	12,979	99,005	33,713
Total share-based compensation expense	$ 45,530	$ 18,804	$ 109,701	$ 63,688

9. Income Taxes

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

The Company did not have a current or deferred provision for income taxes for any taxing jurisdiction during the thirteen and thirty-nine weeks ended October 30, 2022, and October 31, 2021. 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 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 thirty-nine weeks ended October 30, 2022, and October 31, 2021, the Company paid $1.0 million and collected $43.7 million, respectively, pursuant to the tax sharing agreement. The tax sharing agreement was effectively terminated for federal income taxes upon tax deconsolidation with PetSmart, however, there may be future settlements upon final adjustment to the consolidated federal tax returns. The tax sharing agreement remains in effect for certain states in which the Company continues to file with Argos Holdco.

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

10. Earnings (Loss) per Share

Basic and diluted earnings (loss) per share attributable to common stockholders are presented using the two-class method required for participating securities. Under the two-class method, net income (loss) 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 income (loss) 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 earnings (loss) per share are calculated by dividing net income (loss) attributable to common stockholders by the weighted-average shares outstanding during the period.

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

	13 Weeks Ended		39 Weeks Ended	
	October 30, 2022	October 31, 2021	October 30, 2022	October 31, 2021
Basic and diluted earnings (loss) per share				
Numerator				
Earnings (loss) attributable to common Class A and Class B stockholders	$ 2,311	$ (32,241)	$ 43,128	$ (10,208)
Denominator				
Weighted-average common shares used in computing earnings per share:				
Basic	422,898	417,847	421,665	416,587
Effect of dilutive stock-based awards	5,227	—	5,558	—
Diluted	428,125	417,847	427,223	416,587
Anti-dilutive stock-based awards excluded from diluted common shares	6,008	11,679	5,069	11,679
Earnings (loss) per share attributable to common Class A and Class B stockholders:				
Basic	$ 0.01	$ (0.08)	$ 0.10	$ (0.02)
Diluted	$ 0.01	$ (0.08)	$ 0.10	$ (0.02)

11. Certain Relationships and Related Party Transactions

Certain of the Company's healthcare operations are conducted through a wholly-owned subsidiary of PetSmart for which the Company and PetSmart entered into a services agreement which provides for the payment of a management fee due from PetSmart. The Company recognized $1.8 million and $4.9 million during the thirteen and thirty-nine weeks ended October 30, 2022, respectively, within net sales in the condensed consolidated statements of operations for the services provided compared to $3.3 million and $23.0 million during the thirteen and thirty-nine weeks ended October 31, 2021, respectively.

As of October 30, 2022, the Company had a net payable to PetSmart of $0.5 million, which was included in accrued expenses and other current liabilities on the Company's condensed consolidated balance sheets. As of January 30, 2022, the Company had a net receivable from PetSmart of $2.5 million, 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 October 30, 2022, all such guarantees had been released, with the exception of guarantees pertaining to one 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 October 30, 2022 ("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 30, 2022 ("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 these channels could be deemed to be material information. We therefore encourage investors to visit these websites from time to time. The information contained on such websites and social media posts is not incorporated by reference into this filing. Further, our references to website URLs in this filing are intended to be inactive textual references only.

Overview

We are the largest pure-play pet e-tailer in the United States, offering virtually every product a pet needs. We launched Chewy in 2011 to bring the best of the neighborhood pet store shopping experience to a larger audience, enhanced by the depth and wide selection of products and services, as well as the around-the-clock convenience, that only e-commerce can offer. We believe that we are the preeminent destination for pet parents as a result of our broad selection of high-quality products and expanded menu of service offerings, which we offer at great prices and deliver with an exceptional level of care and a personal touch. We are the trusted source for pet parents and partners and continually develop innovative ways for our customers to engage with us. We partner with more than 3,000 of the best and most trusted brands in the pet industry, and we create and offer our own outstanding private brands. Through our website and mobile applications, we offer our customers more than 100,000 products, compelling merchandising, an easy and enjoyable shopping experience, and exceptional customer service.

COVID-19 and Macroeconomic Considerations

The COVID-19 pandemic and evolving macroeconomic conditions, including rising inflation and interest rates, have been disruptive economic and societal events that have affected, and continue to affect, our business and consumer shopping behavior. We continue to monitor conditions closely and adapt aspects of our logistics, transportation, supply chain, and purchasing processes accordingly to meet the needs of our rapidly growing community of pets, pet parents and partners. As our customers react to these economic conditions, we will adapt our business accordingly to meet their evolving needs.

We are unable to predict the duration and ultimate impact of the COVID-19 pandemic and evolving macroeconomic conditions on the broader economy or our operations and liquidity. As such, risks and uncertainties regarding COVID-19 remain. Please refer to the "Cautionary Note Regarding Forward-Looking Statements" in this 10-Q Report and in the section titled "Risk Factors" in Item 1A of Form 10-K for the fiscal year ended January 30, 2022.

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 2022 fiscal year ends on January 29, 2023 and is a 52-week year. Our 2021 fiscal year ended January 30, 2022 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			39 Weeks Ended		
	October 30, 2022	**October 31, 2021**	**% Change**	**October 30, 2022**	**October 31, 2021**	**% Change**
Financial and Operating Data						
Net sales	$ 2,532,122	$ 2,212,161	14.5 %	$ 7,391,460	$ 6,502,375	13.7 %
Net income (loss)[1]	$ 2,311	$ (32,241)	107.2 %	$ 43,128	$ (10,208)	n/m
Net margin	*0.1 %*	*(1.5)%*		*0.6 %*	*(0.2)%*	
Adjusted EBITDA[2]	$ 70,399	$ 6,046	n/m	$ 213,970	$ 106,672	100.6 %
Adjusted EBITDA margin[2]	*2.8 %*	*0.3 %*		*2.9 %*	*1.6 %*	
Net cash provided by operating activities	$ 117,415	$ 74,255	58.1 %	$ 249,020	$ 257,706	(3.4)%
Free cash flow[2]	$ 69,786	$ 2,255	n/m	$ 77,179	$ 121,992	(36.7)%
Active customers	20,524	20,407	0.6 %	20,524	$ 20,407	0.6 %
Net sales per active customer	$ 477	$ 419	13.8 %	$ 477	$ 419	13.8 %
Autoship customer sales	$ 1,855,979	$ 1,561,638	18.8 %	$ 5,386,243	$ 4,555,822	18.2 %
Autoship customer sales as a percentage of net sales	73.3 %	70.6 %		72.9 %	70.1 %	

[1] Includes share-based compensation expense, including related taxes, of $46.1 million and $113.0 million for the thirteen and thirty-nine weeks ended October 30, 2022, respectively, compared to $19.1 million and $69.5 million for the thirteen and thirty-nine weeks ended October 31, 2021, 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; 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 and adjusted EBITDA margin in this 10-Q Report because each is a key measure used by our management and board of directors to evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, the exclusion of certain expenses in calculating adjusted EBITDA and adjusted EBITDA margin facilitates operating performance comparability across reporting periods by removing the effect of non-cash expenses and certain variable charges. Accordingly, we believe that adjusted EBITDA and adjusted EBITDA margin provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

We believe it is useful to exclude non-cash charges, such as depreciation and amortization and share-based compensation expense from our adjusted EBITDA because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations. We believe it is useful to exclude income tax provision; interest income (expense), net; transaction related costs; 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, as well as the calculation of net margin and adjusted EBITDA margin, for each of the periods indicated.

($ in thousands, except percentages)	**13 Weeks Ended**		**39 Weeks Ended**	
Reconciliation of Net Income (Loss) to Adjusted EBITDA	**October 30, 2022**	**October 31, 2021**	**October 30, 2022**	**October 31, 2021**
Net income (loss)	$ 2,311	$ (32,241)	$ 43,128	$ (10,208)
Add:				
Depreciation and amortization	23,018	14,024	60,696	38,141
Share-based compensation expense and related taxes	46,090	19,116	113,023	69,477
Interest (income) expense, net	(2,745)	313	(3,091)	1,215
Transaction related costs	706	1,150	2,101	2,121
Other	1,019	3,684	(1,887)	5,926
Adjusted EBITDA	$ 70,399	$ 6,046	$ 213,970	$ 106,672
Net sales	$ 2,532,122	$ 2,212,161	$ 7,391,460	$ 6,502,375
Net margin	*0.1 %*	*(1.5)%*	*0.6 %*	*(0.2)%*
Adjusted EBITDA margin	*2.8 %*	*0.3 %*	*2.9 %*	*1.6 %*

Free Cash Flow

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

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

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

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

($ in thousands)	13 Weeks Ended		39 Weeks Ended	
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow	**October 30, 2022**	**October 31, 2021**	**October 30, 2022**	**October 31, 2021**
Net cash provided by operating activities	$ 117,415	$ 74,255	$ 249,020	$ 257,706
Deduct:				
Capital expenditures	(47,629)	(72,000)	(171,841)	(135,714)
Free Cash Flow	$ 69,786	$ 2,255	$ 77,179	$ 121,992

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

Key Operating Metrics

Active Customers

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

Net Sales Per Active Customer

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

Autoship and Autoship Customer Sales

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

Autoship Customer Sales as a Percentage of Net Sales

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

Components of Results of Consolidated Operations

Net Sales

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

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

Cost of Goods Sold

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

Selling, General and Administrative

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

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

Advertising and Marketing

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

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					39 Weeks Ended				
				% of net sales					% of net sales	
($ in thousands)	October 30, 2022	October 31, 2021	% Change	October 30, 2022	October 31, 2021	October 30, 2022	October 31, 2021	% Change	October 30, 2022	October 31, 2021
Consolidated Statements of Operations										
Net sales	$ 2,532,122	$ 2,212,161	14.5 %	100.0 %	100.0 %	$ 7,391,460	$ 6,502,375	13.7 %	100.0 %	100.0 %
Cost of goods sold	1,811,945	1,627,320	11.3 %	71.6 %	73.6 %	5,320,666	4,734,304	12.4 %	72.0 %	72.8 %
Gross profit	720,177	584,841	23.1 %	28.4 %	26.4 %	2,070,794	1,768,071	17.1 %	28.0 %	27.2 %
Operating expenses:										
Selling, general and administrative	543,532	466,434	16.5 %	21.5 %	21.1 %	1,564,798	1,310,326	19.4 %	21.2 %	20.2 %
Advertising and marketing	177,079	150,335	17.8 %	7.0 %	6.8 %	465,959	466,738	(0.2)%	6.3 %	7.2 %
Total operating expenses	720,611	616,769	16.8 %	28.5 %	27.9 %	2,030,757	1,777,064	14.3 %	27.5 %	27.3 %
Income (loss) from operations	(434)	(31,928)	98.6 %	— %	(1.4)%	40,037	(8,993)	n/m	0.5 %	(0.1)%
Interest income (expense), net	2,745	(313)	n/m	0.1 %	— %	3,091	(1,215)	n/m	— %	— %
Income (loss) before income tax provision	2,311	(32,241)	107.2 %	0.1 %	(1.5)%	43,128	(10,208)	n/m	0.6 %	(0.2)%
Income tax provision	—	—	— %	— %	— %	—	—	— %	— %	— %
Net income (loss)	$ 2,311	$ (32,241)	107.2 %	0.1 %	(1.5)%	$ 43,128	$ (10,208)	n/m	0.6 %	(0.2)%

Thirteen and Thirty-Nine Weeks Ended October 30, 2022 Compared to Thirteen and Thirty-Nine Weeks Ended October 31, 2021

Net Sales

	13 Weeks Ended				39 Weeks Ended			
($ in thousands)	October 30, 2022	October 31, 2021	$ Change	% Change	October 30, 2022	October 31, 2021	$ Change	% Change
Consumables	$ 1,804,126	$ 1,531,366	$ 272,760	17.8 %	$ 5,215,097	$ 4,470,333	$ 744,764	16.7 %
Hardgoods	291,569	306,161	(14,592)	(4.8)%	898,397	968,383	(69,986)	(7.2)%
Other	436,427	374,634	61,793	16.5 %	1,277,966	1,063,659	214,307	20.1 %
Net sales	$ 2,532,122	$ 2,212,161	$ 319,961	14.5 %	$ 7,391,460	$ 6,502,375	$ 889,085	13.7 %

Net sales for the thirteen weeks ended October 30, 2022 increased by $320.0 million, or 14.5%, to $2.5 billion compared to $2.2 billion for the thirteen weeks ended October 31, 2021. This increase was primarily due to increases in spending per customer and our larger customer base. Net sales per active customer increased $58, or 13.8%, in the thirteen weeks ended October 30, 2022 compared to the thirteen weeks ended October 31, 2021, driven by growth across our consumables and healthcare businesses, partially offset by a decline in sales in discretionary products, mainly hardgoods. In addition, our active customer base increased by 0.1 million, or 0.6% year-over-year.

Net sales for the thirty-nine weeks ended October 30, 2022 increased by $889.1 million, or 13.7%, to $7.4 billion compared to $6.5 billion for the thirty-nine weeks ended October 31, 2021. This increase was primarily due to increases in spending per customer and our larger customer base. Net sales per active customer increased $58, or 13.8%, in the thirty-nine weeks ended October 30, 2022 compared to the thirty-nine weeks ended October 31, 2021, driven by growth across our consumables and healthcare businesses, partially offset by a decline in sales in discretionary products, mainly hardgoods. In addition, our active customer base increased by 0.1 million, or 0.6% year-over-year.

Cost of Goods Sold and Gross Profit

Cost of goods sold for the thirteen weeks ended October 30, 2022 increased by $184.6 million, or 11.3%, to $1.8 billion compared to $1.6 billion in the thirteen weeks ended October 31, 2021. This increase was primarily due to a 4.0% increase in orders shipped, as well as an increase in associated product, 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, reflecting pricing for cost increases and favorable comparison to higher shipping costs as a percentage of sales compared to the thirteen weeks ended October 31, 2021.

Cost of goods sold for the thirty-nine weeks ended October 30, 2022 increased by $586.4 million, or 12.4%, to $5.3 billion compared to $4.7 billion in the thirty-nine weeks ended October 31, 2021. This increase was primarily due to a 5.9% increase in orders shipped and associated product, 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, reflecting pricing strength and favorable changes in our mix of sales.

Gross profit for the thirteen weeks ended October 30, 2022 increased by $135.3 million, or 23.1%, to $720.2 million compared to $584.8 million in the thirteen weeks ended October 31, 2021. 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 October 30, 2022 increased by 200 basis points compared to the thirteen weeks ended October 31, 2021, primarily due to margin expansion across our consumables, healthcare, and specialty businesses.

Gross profit for the thirty-nine weeks ended October 30, 2022 increased by $302.7 million, or 17.1%, to $2.1 billion compared to $1.8 billion in the thirty-nine weeks ended October 31, 2021. 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 thirty-nine weeks ended October 30, 2022 increased by 80 basis points compared to the thirty-nine weeks ended October 31, 2021, primarily due to margin expansion across our consumables and hardgoods businesses.

Selling, General and Administrative

Selling, general and administrative expenses for the thirteen weeks ended October 30, 2022 increased by $77.1 million, or 16.5%, to $543.5 million compared to $466.4 million in the thirteen weeks ended October 31, 2021. This was primarily due to an increase of $42.7 million in facilities expenses and other general and administrative expenses, principally due to increased headcount as a result of business growth and new initiatives as well as the opening and operating of new corporate offices in Plantation, Florida, and Seattle, Washington. This also included an increase of $27.0 million in non-cash share-based compensation expense and related taxes as well as an increase of $7.4 million in fulfillment costs largely attributable to investments to support the overall growth of our business, including the costs associated with the opening and operating of three fulfillment centers and two healthcare fulfillment centers.

Selling, general and administrative expenses for the thirty-nine weeks ended October 30, 2022 increased by $254.5 million, or 19.4%, to $1.6 billion compared to $1.3 billion in the thirty-nine weeks ended October 31, 2021. This was primarily due to an increase of $143.6 million in facilities expenses and other general and administrative expenses, principally due to increased headcount as a result of business growth and new initiatives as well as the opening and operating of new corporate offices in Plantation, Florida, and Seattle, Washington. This also included an increase of $43.5 million increase in non-cash share-based compensation expense and related taxes as well as an increase of $67.4 million in fulfillment costs largely attributable to investments to support the overall growth of our business, including the costs associated with the opening and operating of three fulfillment centers and two healthcare fulfillment centers.

Advertising and Marketing

Advertising and marketing expenses for the thirteen weeks ended October 30, 2022 increased by $26.7 million, or 17.8%, to $177.1 million compared to $150.3 million in the thirteen weeks ended October 31, 2021 due to incremental marketing efforts and investments, which led to active customers reaching 20.5 million as compared to 20.4 million as of October 31, 2021.

Advertising and marketing expenses for the thirty-nine weeks ended October 30, 2022 decreased by $0.8 million, or 0.2%, to $466.0 million compared to $466.7 million in the thirty-nine weeks ended October 31, 2021. Increased measurement capabilities allowing for more efficient application of marketing spend and lower advertising input costs during the thirty-nine weeks ended October 30, 2022, led to a decrease in expenses. Our marketing efforts and investments led to active customers reaching 20.5 million as compared to 20.4 million as of October 31, 2021.

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, marketable fixed income securities, and our revolving credit facility. Cash and cash equivalents consist primarily of cash on deposit with banks and investments in money market funds, U.S. Treasury securities, certificates of deposit, and commercial paper. Cash and cash equivalents totaled $378.2 million as of October 30, 2022, a decrease of $224.9 million from January 30, 2022. Marketable fixed income securities consist primarily of U.S. treasury securities, certificates of deposit, and commercial paper and totaled $296.8 million as of October 30, 2022.

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.

Cash Flows

	39 Weeks Ended	
($ in thousands)	**October 30, 2022**	**October 31, 2021**
Net cash provided by operating activities	$ 249,020	$ 257,706
Net cash used in investing activities	$ (469,865)	$ (135,714)
Net cash (used in) provided by financing activities	$ (4,007)	$ 41,582

Operating Activities

Net cash provided by operating activities was $249.0 million for the thirty-nine weeks ended October 30, 2022, which primarily consisted of $43.1 million of net income, non-cash adjustments such as depreciation and amortization expense of $60.7 million and share-based compensation expense of $109.7 million, and a cash increase of $22.5 million from working capital. Cash increases from working capital were primarily driven by an increase in payables and other current liabilities, partially offset by an increase in inventories, other current assets, and receivables.

Net cash provided by operating activities was $257.7 million for the thirty-nine weeks ended October 31, 2021, which primarily consisted of $10.2 million of net loss, non-cash adjustments such as depreciation and amortization expense of $38.1 million and share-based compensation expense of $63.7 million, and a cash increase of $161.6 million from working capital. Cash increases from working capital were primarily driven by an increase in payables and other current liabilities, partially offset by an increase in inventories, other current assets, and receivables.

Investing Activities

Net cash used in investing activities was $469.9 million for the thirty-nine weeks ended October 30, 2022, and consisted of $296.6 million for the purchase of marketable securities and $171.8 million for capital expenditures related to the launch of new and future fulfillment centers and additional investments in IT hardware and software.

Net cash used in investing activities was $135.7 million for the thirty-nine weeks ended October 31, 2021, and consisted of $135.7 million for capital expenditures related to the launch of new fulfillment centers as well as capitalization of labor and license costs associated with software development for internal use.

Financing Activities

Net cash used in financing activities was $4.0 million for the thirty-nine weeks ended October 30, 2022 and consisted of $2.5 million for payments of tax withholdings related to vesting of share-based compensation awards, payments made pursuant to the tax sharing agreement with related parties, and principal repayments of finance lease obligations.

Net cash provided by financing activities was $41.6 million for the thirty-nine weeks ended October 31, 2021, and consisted of $43.7 million received pursuant to the tax sharing agreement with related parties, partially offset by principal payments of finance lease obligations.

Other Liquidity Measures

ABL Credit Facility

We have a five-year senior secured asset-based credit facility (the "ABL Credit Facility") which matures in August 2026 and provides for non-amortizing revolving loans in the aggregate principal amount of up to $500 million, subject to a borrowing base comprised of, among other things, inventory and sales receivables (subject to certain reserves). The ABL Credit Facility provides the right to request incremental commitments and add incremental asset-based revolving loan facilities to $300 million, subject to customary conditions. We are required to pay a 0.25% commitment fee with respect to the undrawn portion of the commitments, which is generally based on average daily usage of the facility. Based on our borrowing base as of October 30, 2022, which is reduced by standby letters of credit, we had $449.9 million of borrowing capacity under the ABL Credit Facility. As of October 30, 2022 and January 30, 2022, we had no outstanding borrowings under the ABL Credit Facility, respectively.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the quantitative and qualitative disclosures about market risk disclosed in our Annual Report on Form 10-K for the fiscal year ended January 30, 2022.

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 October 30, 2022.

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 October 30, 2022. 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 5– 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 30, 2022.

Item 6. Exhibits

Exhibit No.	Exhibit Description
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.
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.
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.
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
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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: December 8, 2022

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

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: December 8, 2022

/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: December 8, 2022

/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 October 30, 2022, 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: December 8, 2022

/s/ Sumit Singh

Sumit Singh
Chief Executive Officer
(Principal Executive Officer)

/s/ Mario Marte

Mario Marte
Chief Financial Officer
(Principal Financial Officer)