

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 29, 2023

or

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

For the transition period from \_\_\_\_ to \_\_\_\_

Commission File Number: 001-38936



CHEWY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

90-1020167

(I.R.S. Employer Identification No.)

7700 West Sunrise Boulevard, Plantation, Florida

(Address of principal executive offices)

33322

(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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 November 29, 2023
Class A Common Stock, \$0.01 par value per share	120,217,588
Class B Common Stock, \$0.01 par value per share	311,188,356

CHEWY, INC.  
FORM 10-Q

For the Quarterly Period Ended October 29, 2023

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## PART I. FINANCIAL INFORMATION

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

**Item 1. Financial Statements (Unaudited)**

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

	As of	
	October 29, 2023	January 29, 2023
<b>Assets</b>	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 469,409	\$ 330,441
Marketable securities	487,772	346,944
Accounts receivable	160,980	126,349
Inventories	712,053	675,520
Prepaid expenses and other current assets	52,713	41,067
Total current assets	1,882,927	1,520,321
Property and equipment, net	514,701	478,738
Operating lease right-of-use assets	473,529	423,423
Goodwill	39,442	39,442
Other non-current assets	25,883	53,152
Total assets	<u>\$ 2,936,482</u>	<u>\$ 2,515,076</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Trade accounts payable	\$ 1,078,429	\$ 1,030,882
Accrued expenses and other current liabilities	886,259	738,467
Total current liabilities	1,964,688	1,769,349
Operating lease liabilities	526,994	471,765
Other long-term liabilities	51,633	60,005
Total liabilities	<u>2,543,315</u>	<u>2,301,119</u>
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$0.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding as of October 29, 2023 and January 29, 2023	—	—
Class A common stock, \$0.01 par value per share, 1,500,000,000 shares authorized, 119,950,022 and 114,160,531 shares issued and outstanding as of October 29, 2023 and January 29, 2023, respectively	1,199	1,141
Class B common stock, \$0.01 par value per share, 395,000,000 shares authorized, 311,188,356 shares issued and outstanding as of October 29, 2023 and January 29, 2023	3,112	3,112
Additional paid-in capital	2,345,082	2,171,247
Accumulated deficit	(1,956,226)	(1,961,543)
Total stockholders' equity	<u>393,167</u>	<u>213,957</u>
Total liabilities and stockholders' equity	<u>\$ 2,936,482</u>	<u>\$ 2,515,076</u>

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 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
Net sales	\$ 2,738,611	\$ 2,532,122	\$ 8,301,055	\$ 7,391,460
Cost of goods sold	1,957,850	1,811,945	5,942,066	5,320,666
Gross profit	780,761	720,177	2,358,989	2,070,794
Operating expenses:				
Selling, general and administrative	611,718	543,532	1,814,586	1,564,798
Advertising and marketing	179,200	177,079	548,424	465,959
Total operating expenses	790,918	720,611	2,363,010	2,030,757
(Loss) income from operations	(10,157)	(434)	(4,021)	40,037
Interest income, net	10,173	2,745	27,117	3,091
Other expense, net	(34,122)	—	(13,768)	—
(Loss) income before income tax provision	(34,106)	2,311	9,328	43,128
Income tax provision	1,704	—	4,011	—
Net (loss) income	\$ (35,810)	\$ 2,311	\$ 5,317	\$ 43,128
(Loss) earnings per share attributable to common Class A and Class B stockholders:				
Basic	\$ (0.08)	\$ 0.01	\$ 0.01	\$ 0.10
Diluted	\$ (0.08)	\$ 0.01	\$ 0.01	\$ 0.10
Weighted-average common shares used in computing (loss) earnings per share:				
Basic	430,758	422,898	428,743	421,665
Diluted	430,758	428,125	431,406	427,223

See accompanying Notes to Condensed Consolidated Financial Statements.

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

**13 Weeks Ended October 29, 2023**

	<b>Class A and Class B Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>			
Balance as of July 30, 2023	429,718	\$ 4,297	\$ 2,280,748	\$ (1,920,416)	\$ 364,629
Share-based compensation expense	—	—	64,348	—	64,348
Vesting of share-based compensation awards	1,420	14	(14)	—	—
Net loss	—	—	—	(35,810)	(35,810)
Balance as of October 29, 2023	<u>431,138</u>	<u>\$ 4,311</u>	<u>\$ 2,345,082</u>	<u>\$ (1,956,226)</u>	<u>\$ 393,167</u>

**13 Weeks Ended October 30, 2022**

	<b>Class A and Class B Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>			
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	<u>423,095</u>	<u>\$ 4,231</u>	<u>\$ 2,127,371</u>	<u>\$ (1,967,647)</u>	<u>\$ 163,955</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

**39 Weeks Ended October 29, 2023**

	<b>Class A and Class B Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>			
Balance as of January 29, 2023	425,349	\$ 4,253	\$ 2,171,247	\$ (1,961,543)	\$ 213,957
Share-based compensation expense	—	—	178,897	—	178,897
Vesting of share-based compensation awards	5,696	57	(57)	—	—
Distribution to parent	93	1	(1)	—	—
Tax withholdings for share-based compensation awards	—	—	(5)	—	(5)
Tax sharing agreement with related parties	—	—	(4,999)	—	(4,999)
Net income	—	—	—	5,317	5,317
Balance as of October 29, 2023	<u>431,138</u>	<u>\$ 4,311</u>	<u>\$ 2,345,082</u>	<u>\$ (1,956,226)</u>	<u>\$ 393,167</u>

**39 Weeks Ended October 30, 2022**

	<b>Class A and Class B Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>			
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)	—	—
Distribution to parent	93	1	(1)	—	—
Tax withholdings for share-based compensation awards	(53)	(1)	(2,474)	—	(2,475)
Tax sharing agreement with related parties	—	—	(1,135)	—	(1,135)
Net income	—	—	—	43,128	43,128
Balance as of October 30, 2022	<u>423,095</u>	<u>\$ 4,231</u>	<u>\$ 2,127,371</u>	<u>\$ (1,967,647)</u>	<u>\$ 163,955</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	<b>39 Weeks Ended</b>	
	<b>October 29, 2023</b>	<b>October 30, 2022</b>
Cash flows from operating activities		
Net income	\$ 5,317	\$ 43,128
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	82,195	60,696
Share-based compensation expense	178,897	109,701
Non-cash lease expense	29,371	29,286
Change in fair value of equity warrants and investments	13,589	—
Other	3,810	840
Net change in operating assets and liabilities:		
Accounts receivable	(34,631)	(3,453)
Inventories	(36,533)	(118,719)
Prepaid expenses and other current assets	(27,363)	(6,237)
Other non-current assets	(1,337)	(44,220)
Trade accounts payable	47,547	108,635
Accrued expenses and other current liabilities	144,599	42,306
Operating lease liabilities	(19,774)	(15,790)
Other long-term liabilities	1,669	42,847
Net cash provided by operating activities	<u>387,356</u>	<u>249,020</u>
Cash flows from investing activities		
Capital expenditures	(110,898)	(171,841)
Cash paid for acquisition of business, net of cash acquired	(367)	—
Purchases of marketable securities	(876,189)	(296,624)
Proceeds from maturities of marketable securities	750,000	—
Other	—	(1,400)
Net cash used in investing activities	<u>(237,454)</u>	<u>(469,865)</u>
Cash flows from financing activities		
Payments for tax sharing agreement with related parties	(10,279)	(1,040)
Principal repayments of finance lease obligations	(475)	(492)
Payment of debt modification costs	(175)	—
Payments for tax withholdings related to vesting of share-based compensation awards	(5)	(2,475)
Net cash used in financing activities	<u>(10,934)</u>	<u>(4,007)</u>
Net increase (decrease) in cash and cash equivalents	<u>138,968</u>	<u>(224,852)</u>
Cash and cash equivalents, as of beginning of period	<u>330,441</u>	<u>603,079</u>
Cash and cash equivalents, as of end of period	<u>\$ 469,409</u>	<u>\$ 378,227</u>

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 Advisors LP (“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.

On October 30, 2023 (the “Closing Date”), the Company entered into certain transactions (the “Transactions”) with affiliates of BC Partners pursuant to an Agreement and Plan of Merger (the “Merger Agreement”). The Transactions resulted in such affiliates restructuring their ownership interests in the Company and Chewy Pharmacy KY, LLC (“Chewy Pharmacy KY”) becoming an indirect wholly-owned subsidiary of the Company.

Contemporaneously with the execution and delivery of the Merger Agreement, the Company and the BC Partners-affiliated stockholders named therein (the “BCP Stockholder Parties”) entered into an Amended and Restated Investor Rights Agreement (the “A&R Investor Rights Agreement”), which amended and restated in its entirety that certain Investor Rights Agreement, dated as of June 13, 2019, by and among the Company and the stockholders identified therein. The A&R Investor Rights Agreement contains changes to the governing arrangements between the BCP Stockholder Parties and the Company, including (i) the gradual elimination of the Company’s dual class share structure through the conversion of the Company’s Class B common stock (ten votes per share) into Class A common stock (one vote per share), (ii) certain revisions to the BCP Stockholder Parties director nomination rights which will accelerate the step down of their nomination rights as the economic ownership of the BCP Stockholder Parties decreases following the date that such stockholders no longer hold an aggregate of over 50% of the outstanding Class A and Class B common stock of the Company, (iii) the approval of a disinterested and independent committee of the Company’s board of directors for certain change of control transactions, (iv) certain standstill commitments, and (v) additional transfer restrictions.

On the Closing Date, affiliates of BC Partners transferred \$1.9 billion to the Company to be used to fund: (i) tax obligations of its affiliates that were inherited by the Company as a result of the Transactions and (ii) expenses incurred by the Company in connection with the Transactions. The Company is evaluating the related tax obligations and an estimate is currently unavailable. The Merger Agreement requires affiliates of BC Partners to indemnify the Company for certain tax liabilities and includes customary indemnifications related to the Transactions.

**2. Basis of Presentation and Significant Accounting Policies**

**Basis of Presentation**

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

### *Fiscal Year*

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

### **Significant Accounting Policies**

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

### **Use of Estimates**

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

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

### **Accrued Expenses and Other Current Liabilities**

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

	<b>As of</b>	
	<b>October 29, 2023</b>	<b>January 29, 2023</b>
Outbound fulfillment	\$ 488,209	\$ 369,661
Advertising and marketing	107,790	99,593
Payroll liabilities	67,213	66,799
Accrued expenses and other	223,047	202,414
Total accrued expenses and other current liabilities	<u>\$ 886,259</u>	<u>\$ 738,467</u>

### **Stockholders' Equity**

#### *Conversion of Class B Common Stock*

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

### Interest Income (Expense), net

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

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
Interest income	\$ 11,050	\$ 3,392	\$ 29,752	\$ 4,995
Interest expense	(877)	(647)	(2,635)	(1,904)
Interest income, net	\$ 10,173	\$ 2,745	\$ 27,117	\$ 3,091

### Other Income (Expense), net

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

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
Change in fair value of equity warrants	\$ (33,800)	\$ —	\$ (13,542)	\$ —
Change in fair value of equity investments	(33)	—	(47)	—
Foreign currency transaction losses	(289)	—	(179)	—
Other expense, net	\$ (34,122)	\$ —	\$ (13,768)	\$ —

### Recent Accounting Pronouncements

#### Recently Adopted Accounting Pronouncements

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

#### Recently Issued Accounting Pronouncements

*ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.* In November 2023, the FASB issued this ASU to update reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance. This update is effective beginning with the Company's 2024 fiscal year annual reporting period, 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 condensed consolidated financial statements.

### 3. Acquisitions

#### Petabyte Acquisition

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

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

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

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

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

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

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

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

#### 4. Financial Instruments

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

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

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

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

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

Marketable securities are carried at fair value and are classified within Level 1 because they are valued using quoted market prices. Specific to marketable fixed income securities, the Company did not record any gross unrealized gains and losses as fair value approximates amortized cost. The Company did not record any credit losses during the thirteen and thirty-nine weeks ended October 29, 2023. Further, as of October 29, 2023, the Company did not record an allowance for credit losses related to its fixed income securities.

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

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

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash	\$ 469,409	\$ —	\$ —
Cash and cash equivalents	469,409	—	—
U.S. Treasury securities	487,687	—	—
Equity investments	85	—	—
Marketable securities	487,772	—	—
Equity warrants	—	—	8,440
Total financial instruments	\$ 957,181	\$ —	\$ 8,440

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

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

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

	39 Weeks Ended	
	October 29, 2023	October 30, 2022
Beginning balance	\$ 31,622	\$ —
Change in fair value of equity warrants	(23,182)	44,962
Ending balance	\$ 8,440	\$ 44,962

As of October 29, 2023 and January 29, 2023, the deferred credit subject to vesting requirements recognized within other long-term liabilities in exchange for the equity warrants was \$34.9 million and \$45.0 million, respectively.

The following table presents quantitative information about Level 3 significant unobservable inputs used in the fair value measurement of the equity warrants as of October 29, 2023 (in thousands):

	Fair Value	Valuation Techniques	Unobservable Input	Range		Weighted Average
				Min	Max	
Equity warrants	\$8,440	Black-Scholes and Monte Carlo	Probability of vesting	0%	99%	78%
			Equity volatility	35%	80%	76%

## 5. Property and Equipment, net

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

	As of	
	October 29, 2023	January 29, 2023
Furniture, fixtures and equipment	\$ 181,788	\$ 162,296
Computer equipment	77,956	67,535
Internal-use software	172,791	138,123
Leasehold improvements	303,813	245,700
Construction in progress	82,723	93,534
	819,071	707,188
Less: accumulated depreciation and amortization	304,370	228,450
Property and equipment, net	\$ 514,701	\$ 478,738

Internal-use software includes labor and license costs associated with software development for internal use. As of October 29, 2023 and January 29, 2023, the Company had accumulated amortization related to internal-use software of \$78.3 million and \$56.5 million, respectively.

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

For the thirteen weeks ended October 29, 2023 and October 30, 2022, the Company recorded depreciation expense on property and equipment of \$16.6 million and \$16.1 million, respectively, and amortization expense related to internal-use software costs of \$8.0 million and \$6.1 million, respectively. For the thirty-nine weeks ended October 29, 2023 and October 30, 2022, the Company recorded depreciation expense on property and equipment of \$57.5 million, and \$42.1 million, respectively, and amortization expense related to internal-use software costs of \$21.8 million and \$16.0 million, respectively. The aforementioned depreciation and amortization expenses were included within selling, general and administrative expenses in the condensed consolidated statements of operations.

## 6. Commitments and Contingencies

### Legal Matters

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

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

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

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

## 7. Debt

### *ABL Credit Facility*

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

The Company is required to pay a commitment fee of 0.25% per annum with respect to the undrawn portion of the commitments, which is generally based on average daily usage of the facility. Based on the Company's borrowing base as of October 29, 2023, which is reduced by standby letters of credit, the Company had \$759.0 million of borrowing capacity under the ABL Credit Facility. As of October 29, 2023 and January 29, 2023, the Company had no outstanding borrowings under the ABL Credit Facility, respectively.

## 8. Leases

The Company leases all of its fulfillment and customer service centers and corporate offices under non-cancelable operating lease agreements. The terms of the Company's real estate leases generally range from 5 to 15 years and typically allow for the leases to be renewed for up to three additional five-year terms. Fulfillment and customer service centers and corporate office leases expire at various dates through 2038, 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 29, 2023 and January 29, 2023 were not material and were included in property and equipment, net, on the Company's condensed consolidated balance sheets.

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

Leases	Balance Sheet Classification	As of	
		October 29, 2023	January 29, 2023
<b>Assets</b>			
Operating	Operating lease right-of-use assets	\$ 473,529	\$ 423,423
Total operating lease assets		<u>\$ 473,529</u>	<u>\$ 423,423</u>
<b>Liabilities</b>			
<b>Current</b>			
Operating	Accrued expenses and other current liabilities	\$ 28,425	\$ 27,611
<b>Non-current</b>			
Operating	Operating lease liabilities	526,994	471,765
Total operating lease liabilities		<u>\$ 555,419</u>	<u>\$ 499,376</u>

For the thirty-nine weeks ended October 29, 2023 and October 30, 2022, assets acquired in exchange for new operating lease liabilities were \$97.8 million and \$90.3 million, respectively. Lease expense primarily relates to operating lease costs. Lease expense for the thirteen weeks ended October 29, 2023 and October 30, 2022 was \$25.5 million and \$23.7 million, respectively. Lease expense for the thirty-nine weeks ended October 29, 2023 and October 30, 2022 was \$77.8 million and \$68.3 million, respectively. The aforementioned lease expense was included within selling, general and administrative expenses in the condensed consolidated statements of operations.

Cash flows used in operating activities related to operating leases were approximately \$70.1 million and \$58.2 million for the thirty-nine weeks ended October 29, 2023 and October 30, 2022, respectively.

## 9. Share-Based Compensation

### 2022 Omnibus Incentive Plan

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

### Service and Performance-Based Awards

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

### Service and Performance-Based Awards Activity

The following table summarizes the activity related to the Company’s PRSUs for the thirty-nine weeks ended October 29, 2023 (in thousands, except for weighted-average grant date fair value):

	Number of PRSUs	Weighted-Average Grant Date Fair Value	
Unvested and outstanding as of January 29, 2023	2,206	\$	36.22
Granted	232	\$	35.71
Vested	(1,904)	\$	36.03
Forfeited	(193)	\$	37.33
Unvested and outstanding as of October 29, 2023	341	\$	36.32

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

	39 Weeks Ended			
	October 29, 2023		October 30, 2022	
Weighted average grant-date fair value of PRSUs	\$	35.71	\$	43.59
Total fair value of vested PRSUs (in millions)	\$	74.1	\$	61.7

As of October 29, 2023, total unrecognized compensation expense related to unvested PRSUs was \$7.5 million and is expected to be recognized over a weighted-average expected performance period of 2.1 years.

During the thirty-nine weeks ended October 29, 2023 and October 30, 2022, vesting occurred for 93,309 PRSUs, respectively, that were previously granted to an employee of PetSmart. For accounting purposes, the issuance of Class A common stock upon vesting of these PRSUs is treated as a distribution to a parent entity because both the Company and PetSmart are controlled by affiliates of BC Partners.

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

### Service-Based Awards

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

### Service-Based Awards Activity

The following table summarizes the activity related to the Company's RSUs for the thirty-nine weeks ended October 29, 2023 (in thousands, except for weighted-average grant date fair value):

	Number of RSUs	Weighted-Average Grant Date Fair Value	
Unvested and outstanding as of January 29, 2023	10,813	\$	45.56
Granted	11,105	\$	34.25
Vested	(3,894)	\$	46.01
Forfeited	(1,651)	\$	40.75
Unvested and outstanding as of October 29, 2023	16,373	\$	38.27

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

	39 Weeks Ended			
	October 29, 2023		October 30, 2022	
Weighted average grant-date fair value of RSUs	\$	34.25	\$	41.44
Total fair value of vested RSUs (in millions)	\$	142.9	\$	34.3

As of October 29, 2023, total unrecognized compensation expense related to unvested RSUs was \$513.5 million and is expected to be recognized over a weighted-average expected performance period of 2.7 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 29, 2023, there were 28.2 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 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
PRSUs	\$ 954	\$ 2,498	\$ 732	\$ 10,696
RSUs	63,394	43,032	178,165	99,005
Total share-based compensation expense	\$ 64,348	\$ 45,530	\$ 178,897	\$ 109,701

## 10. Income Taxes

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

The Company had a current income tax provision during the thirteen and thirty-nine weeks ended October 29, 2023 of \$1.7 million and \$4.0 million, respectively. 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, respectively. Additionally, the Company maintained a full valuation allowance on its net deferred tax assets.

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

During the thirty-nine weeks ended October 29, 2023, and October 30, 2022, the Company paid \$10.3 million and \$1.0 million, respectively, pursuant to the tax sharing agreement. The tax sharing agreement was effectively terminated for federal income taxes upon tax deconsolidation with PetSmart in February 2021. As of January 29, 2023, the Company had a payable related to the tax sharing agreement of \$5.3 million which was settled as of October 29, 2023. The tax sharing agreement was subsequently terminated by all parties to the agreement on October 30, 2023, in connection with the transaction described in Note 1 - Description of Business.

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

## **11. Earnings per Share**

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

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

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
<b>Basic and diluted earnings per share</b>				
<b>Numerator</b>				
(Loss) earnings attributable to common Class A and Class B stockholders	\$ (35,810)	\$ 2,311	\$ 5,317	\$ 43,128
<b>Denominator</b>				
Weighted-average common shares used in computing (loss) earnings per share:				
Basic	430,758	422,898	428,743	421,665
Effect of dilutive stock-based awards	—	5,227	2,663	5,558
Diluted	430,758	428,125	431,406	427,223
Anti-dilutive stock-based awards excluded from diluted common shares	16,781	6,008	10,868	5,069
<b>(Loss) earnings per share attributable to common Class A and Class B stockholders:</b>				
Basic	\$ (0.08)	\$ 0.01	\$ 0.01	\$ 0.10
Diluted	\$ (0.08)	\$ 0.01	\$ 0.01	\$ 0.10

## 12. Certain Relationships and Related Party Transactions

Certain of the Company's healthcare operations are conducted through Chewy Pharmacy KY, a Delaware limited liability company which was previously a wholly-owned subsidiary of PetSmart, for which the Company and Chewy Pharmacy KY entered into a services agreement, which provided for the payment of a management fee to the Company due from Chewy Pharmacy KY. The Company recognized \$2.4 million and \$6.9 million during the thirteen and thirty-nine weeks ended October 29, 2023, respectively, within net sales in the condensed consolidated statements of operations for the services provided compared to \$1.8 million and \$4.9 million during the thirteen and thirty-nine weeks ended October 30, 2022, respectively. The services agreement between the Company and Chewy Pharmacy KY was subsequently terminated in connection with the transaction described in Note 1 - Description of Business.

As of October 29, 2023 and January 29, 2023, the Company had a net payable to PetSmart of \$3.6 million and \$4.9 million, respectively, which was included in accrued expenses and other current liabilities on the Company's condensed consolidated balance sheets.

## **Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

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

### **Overview**

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

### **Macroeconomic Considerations**

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

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

### **Fiscal Year End**

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

## Key Financial and Operating Data

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

<i>(in thousands, except net sales per active customer, per share data, and percentages)</i>	13 Weeks Ended			39 Weeks Ended		
	October 29, 2023	October 30, 2022	% Change	October 29, 2023	October 30, 2022	% Change
<b>Financial and Operating Data</b>						
Net sales	\$ 2,738,611	\$ 2,532,122	8.2 %	\$ 8,301,055	\$ 7,391,460	12.3 %
Net (loss) income <sup>(1)</sup>	\$ (35,810)	\$ 2,311	n/m	\$ 5,317	\$ 43,128	(87.7)%
Net margin	(1.3)%	0.1 %		0.1 %	0.6 %	
Adjusted EBITDA <sup>(2)</sup>	\$ 82,126	\$ 70,399	16.7 %	\$ 279,167	\$ 213,970	30.5 %
Adjusted EBITDA margin <sup>(2)</sup>	3.0 %	2.8 %		3.4 %	2.9 %	
Adjusted net income <sup>(2)</sup>	\$ 63,011	\$ 48,401	30.2 %	\$ 213,576	\$ 156,151	36.8 %
(Loss) earnings per share, basic and diluted	\$ (0.08)	\$ 0.01	n/m	\$ 0.01	\$ 0.10	(90.0)%
Adjusted earnings per share, basic and diluted <sup>(2)</sup>	\$ 0.15	\$ 0.11	36.4 %	\$ 0.50	\$ 0.37	35.1 %
Net cash provided by operating activities	\$ 80,208	\$ 117,415	(31.7)%	\$ 387,356	\$ 249,020	55.6 %
Free cash flow <sup>(2)</sup>	\$ 48,523	\$ 69,786	(30.5)%	\$ 276,458	\$ 77,179	258.2 %
Active customers	20,266	20,524	(1.3)%	20,266	20,524	(1.3)%
Net sales per active customer	\$ 543	\$ 477	13.8 %	\$ 543	\$ 477	13.8 %
Autoshop customer sales	\$ 2,093,077	\$ 1,855,979	12.8 %	\$ 6,270,985	\$ 5,386,243	16.4 %
Autoshop customer sales as a percentage of net sales	76.4 %	73.3 %		75.5 %	72.9 %	

n/m - not meaningful

<sup>(1)</sup> Includes share-based compensation expense and related taxes of \$65.8 million and \$187.9 million for the thirteen and thirty-nine weeks ended October 29, 2023, compared to \$46.1 million and \$113.0 million for the thirteen and thirty-nine weeks ended October 30, 2022.

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

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

## Non-GAAP Financial Measures

### Adjusted EBITDA and Adjusted EBITDA Margin

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

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

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

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

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

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

(in thousands, except percentages)

Reconciliation of Net (Loss) Income to Adjusted EBITDA	13 Weeks Ended		39 Weeks Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
Net (loss) income	\$ (35,810)	\$ 2,311	\$ 5,317	\$ 43,128
Add (deduct):				
Depreciation and amortization	25,523	23,018	82,195	60,696
Share-based compensation expense and related taxes	65,799	46,090	187,878	113,023
Interest income, net	(10,173)	(2,745)	(27,117)	(3,091)
Change in fair value of equity warrants	33,800	—	13,542	—
Income tax provision	1,704	—	4,011	—
Exit costs	(778)	—	6,839	—
Transaction related costs	1,041	706	3,167	2,101
Other	1,020	1,019	3,335	(1,887)
Adjusted EBITDA	\$ 82,126	\$ 70,399	\$ 279,167	\$ 213,970
Net sales	\$ 2,738,611	\$ 2,532,122	\$ 8,301,055	\$ 7,391,460
Net margin	(1.3)%	0.1 %	0.1 %	0.6 %
Adjusted EBITDA margin	3.0 %	2.8 %	3.4 %	2.9 %

### *Adjusted Net Income and Adjusted Basic and Diluted Earnings per Share*

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

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

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

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

(in thousands, except per share data)

Reconciliation of Net (Loss) Income to Adjusted Net Income	13 Weeks Ended		39 Weeks Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
Net (loss) income	\$ (35,810)	\$ 2,311	\$ 5,317	\$ 43,128
Add (deduct):				
Share-based compensation expense and related taxes	65,799	46,090	187,878	113,023
Change in fair value of equity warrants	33,800	—	13,542	—
Exit costs	(778)	—	6,839	—
Adjusted net income	\$ 63,011	\$ 48,401	\$ 213,576	\$ 156,151
Weighted-average common shares used in computing (loss) earnings per share and adjusted earnings per share:				
Basic	430,758	422,898	428,743	421,665
Effect of dilutive share-based awards <sup>(1)</sup>	1,414	5,227	2,663	5,558
Diluted <sup>(1)</sup>	432,172	428,125	431,406	427,223
(Loss) earnings per share attributable to common Class A and Class B stockholders				
Basic	\$ (0.08)	\$ 0.01	\$ 0.01	\$ 0.10
Diluted <sup>(1)</sup>	\$ (0.08)	\$ 0.01	\$ 0.01	\$ 0.10
Adjusted basic	\$ 0.15	\$ 0.11	\$ 0.50	\$ 0.37
Adjusted diluted <sup>(1)</sup>	\$ 0.15	\$ 0.11	\$ 0.50	\$ 0.37

<sup>(1)</sup> For the thirteen weeks ended October 29, 2023, our calculation of adjusted diluted earnings per share attributable to common Class A and Class B stockholders requires an adjustment to the weighted-average common shares used in the calculation to include the weighted-average dilutive effect of share-based awards.

#### 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)*

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow	13 Weeks Ended		39 Weeks Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
Net cash provided by operating activities	\$ 80,208	\$ 117,415	\$ 387,356	\$ 249,020
Deduct:				
Capital expenditures	(31,685)	(47,629)	(110,898)	(171,841)
Free Cash Flow	\$ 48,523	\$ 69,786	\$ 276,458	\$ 77,179

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 and the outflow of customers who have not made a purchase in the last 364 days. We view the number of active customers as a key indicator of our growth—acquisition and retention of customers—as a result of our marketing efforts and the value we provide to our customers. The number of active customers has grown over time as we acquired new customers and retained previously acquired customers.

### *Net Sales Per Active Customer*

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

### *Autoship and Autoship Customer Sales*

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

### *Autoship Customer Sales as a Percentage of Net Sales*

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

## Components of Results of Consolidated Operations

### *Net Sales*

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

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

### *Cost of Goods Sold*

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

### *Selling, General and Administrative*

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

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

### *Advertising and Marketing*

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

### *Interest Income (Expense), net*

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

### *Other Income (Expense), net*

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

## Results of Consolidated Operations

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

<i>(in thousands, except percentages)</i>	13 Weeks Ended					39 Weeks Ended				
	October 29, 2023	October 30, 2022	% Change	% of net sales		October 29, 2023	October 30, 2022	% Change	% of net sales	
				October 29, 2023	October 30, 2022				October 29, 2023	October 30, 2022
<b>Consolidated Statements of Operations</b>										
Net sales	\$ 2,738,611	\$ 2,532,122	8.2 %	100.0 %	100.0 %	\$ 8,301,055	\$ 7,391,460	12.3 %	100.0 %	100.0 %
Cost of goods sold	1,957,850	1,811,945	8.1 %	71.5 %	71.6 %	5,942,066	5,320,666	11.7 %	71.6 %	72.0 %
Gross profit	780,761	720,177	8.4 %	28.5 %	28.4 %	2,358,989	2,070,794	13.9 %	28.4 %	28.0 %
Operating expenses:										
Selling, general and administrative	611,718	543,532	12.5 %	22.3 %	21.5 %	1,814,586	1,564,798	16.0 %	21.9 %	21.2 %
Advertising and marketing	179,200	177,079	1.2 %	6.5 %	7.0 %	548,424	465,959	17.7 %	6.6 %	6.3 %
Total operating expenses	790,918	720,611	9.8 %	28.9 %	28.5 %	2,363,010	2,030,757	16.4 %	28.5 %	27.5 %
(Loss) income from operations	(10,157)	(434)	n/m	(0.4)%	— %	(4,021)	40,037	110.0 %	— %	0.5 %
Interest income, net	10,173	2,745	n/m	0.4 %	0.1 %	27,117	3,091	n/m	0.3 %	— %
Other expense, net	(34,122)	—	n/m	(1.2)%	— %	(13,768)	—	n/m	(0.2)%	— %
(Loss) income before income tax provision	(34,106)	2,311	n/m	(1.2)%	0.1 %	9,328	43,128	(78.4)%	0.1 %	0.6 %
Income tax provision	1,704	—	n/m	0.1 %	— %	4,011	—	n/m	— %	— %
Net (loss) income	\$ (35,810)	\$ 2,311	n/m	(1.3)%	0.1 %	\$ 5,317	\$ 43,128	(87.7)%	0.1 %	0.6 %

n/m - not meaningful

*Thirteen and Thirty-Nine Weeks Ended October 29, 2023 Compared to Thirteen and Thirty-Nine Weeks Ended October 30, 2022*

### Net Sales

<i>(in thousands, except percentages)</i>	13 Weeks Ended				39 Weeks Ended			
	October 29, 2023	October 30, 2022	\$ Change	% Change	October 29, 2023	October 30, 2022	\$ Change	% Change
Consumables	\$ 1,984,688	\$ 1,804,126	\$ 180,562	10.0 %	\$ 5,993,689	\$ 5,215,097	\$ 778,592	14.9 %
Hardgoods	285,028	291,569	(6,541)	(2.2)%	893,301	898,397	(5,096)	(0.6)%
Other	468,895	436,427	32,468	7.4 %	1,414,065	1,277,966	136,099	10.6 %
Net sales	\$ 2,738,611	\$ 2,532,122	\$ 206,489	8.2 %	\$ 8,301,055	\$ 7,391,460	\$ 909,595	12.3 %

Net sales for the thirteen weeks ended October 29, 2023 increased by \$206.5 million, or 8.2%, to \$2.7 billion compared to \$2.5 billion for the thirteen weeks ended October 30, 2022. This increase was primarily driven by growth in customer spending from both new and existing customers, and the frequency with which customers purchase and subscribe to our Autoship subscription program. Net sales per active customer increased \$66, or 13.8%, in the thirteen weeks ended October 29, 2023 compared to the thirteen weeks ended October 30, 2022, driven by growth across our healthcare and consumables businesses.

Net sales for the thirty-nine weeks ended October 29, 2023 increased by \$909.6 million, or 12.3%, to \$8.3 billion compared to \$7.4 billion for the thirty-nine weeks ended October 30, 2022. This increase was primarily driven by growth in customer spending from both new and existing customers, and the frequency with which customers purchase and subscribe to our Autoship subscription program. Net sales per active customer increased \$66, or 13.8%, in the thirty-nine weeks ended October 29, 2023 compared to the thirty-nine weeks ended October 30, 2022, driven by growth across our consumables and healthcare businesses.

### ***Cost of Goods Sold and Gross Profit***

Cost of goods sold for the thirteen weeks ended October 29, 2023 increased by \$145.9 million, or 8.1%, to \$2.0 billion compared to \$1.8 billion in the thirteen weeks ended October 30, 2022. This increase was primarily due to 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 supply chain efficiency gains across our fulfillment network.

Cost of goods sold for the thirty-nine weeks ended October 29, 2023 increased by \$621.4 million, or 11.7%, to \$5.9 billion compared to \$5.3 billion in the thirty-nine weeks ended October 30, 2022. This increase was primarily due to 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 supply chain efficiency gains across our fulfillment network.

Gross profit for the thirteen weeks ended October 29, 2023 increased by \$60.6 million, or 8.4%, to \$780.8 million compared to \$720.2 million in the thirteen weeks ended October 30, 2022. This increase was primarily due to the year-over-year increase in net sales as described above. Gross profit as a percentage of net sales for the thirteen weeks ended October 29, 2023 increased by 10 basis points compared to the thirteen weeks ended October 30, 2022, primarily due to margin expansion across our healthcare, hardgoods and private brands businesses.

Gross profit for the thirty-nine weeks ended October 29, 2023 increased by \$288.2 million, or 13.9%, to \$2.4 billion compared to \$2.1 billion in the thirty-nine weeks ended October 30, 2022. This increase was primarily due to the year-over-year increase in net sales as described above. Gross profit as a percentage of net sales for the thirty-nine weeks ended October 29, 2023 increased by 40 basis points compared to the thirty-nine weeks ended October 30, 2022, primarily due to margin expansion across our healthcare, hardgoods, and private brands businesses.

### ***Selling, General and Administrative***

Selling, general and administrative expenses for the thirteen weeks ended October 29, 2023 increased by \$68.2 million, or 12.5%, to \$611.7 million compared to \$543.5 million in the thirteen weeks ended October 30, 2022. This was primarily due to an increase of \$27.7 million in facilities expenses and other general and administrative expenses, principally due to business growth and new initiatives as well as the expansion of operations at corporate offices in Plantation, Florida, and Seattle, Washington. This also included an increase of \$20.7 million in fulfillment costs largely attributable to investments to support the overall growth of our business, including the costs associated with the launch of operations in Canada and the opening and operating of fulfillment centers in Reno, Nevada and Nashville, Tennessee, as well as an increase of \$19.8 million in non-cash share-based compensation expense and related taxes.

Selling, general and administrative expenses for the thirty-nine weeks ended October 29, 2023 increased by \$249.8 million, or 16.0%, to \$1.8 billion compared to \$1.6 billion in the thirty-nine weeks ended October 30, 2022. This was primarily due to an increase of \$116.2 million in facilities expenses and other general and administrative expenses, principally due to business growth and new initiatives as well as the expansion of operations at corporate offices in Plantation, Florida, and Seattle, Washington. This also included an increase of \$74.9 million in non-cash share-based compensation expense and related taxes as well as an increase of \$58.7 million in fulfillment costs largely attributable to investments to support the overall growth of our business, including the costs associated with the opening and operating of fulfillment centers in Reno, Nevada and Nashville, Tennessee.

### ***Advertising and Marketing***

Advertising and marketing expenses for the thirteen weeks ended October 29, 2023 increased by \$2.1 million, or 1.2%, to \$179.2 million compared to \$177.1 million in the thirteen weeks ended October 30, 2022. Our marketing expenses increased due to additional investment in our upper funnel marketing channels as well as expansion into new channels, contributing to new customer acquisition and an increase in wallet share from our large and stable customer base.

Advertising and marketing expenses for the thirty-nine weeks ended October 29, 2023 increased by \$82.4 million, or 17.7%, to \$548.4 million compared to \$466.0 million in the thirty-nine weeks ended October 30, 2022. Our marketing expenses increased due to additional investment in our upper funnel marketing channels as well as expansion into new channels, contributing to new customer acquisition and an increase in wallet share from our large and stable customer base.

### ***Interest Income (Expense), net***

Interest income for the thirteen weeks ended October 29, 2023 increased by \$7.4 million, to \$10.2 million compared to interest income of \$2.8 million in the thirteen weeks ended October 30, 2022. This increase was due to interest income generated by cash and cash equivalents and marketable securities exceeding interest expenses incurred.

Interest income for the thirty-nine weeks ended October 29, 2023 increased by \$24.0 million, to \$27.1 million compared to interest income of \$3.1 million in the thirty-nine weeks ended October 30, 2022. This increase was due to interest income generated by cash and cash equivalents and marketable securities exceeding interest expenses incurred.

#### ***Other Income (Expense), net***

Other expense for the thirteen weeks ended October 29, 2023 was \$34.1 million and consisted of changes in the fair value of equity warrants and investments as well as foreign currency transaction losses.

Other expense for the thirty-nine weeks ended October 29, 2023 was \$13.8 million and consisted of changes in the fair value of equity warrants and investments as well as foreign currency transaction losses.

#### **Liquidity and Capital Resources**

We finance our operations and capital expenditures primarily through cash flows generated by operations. Our principal sources of liquidity are expected to be our cash and cash equivalents, marketable securities, and our revolving credit facility. Cash and cash equivalents consist primarily of cash on deposit with banks and investments in money market funds, U.S. Treasury securities, certificates of deposit, and commercial paper. Cash and cash equivalents totaled \$469.4 million as of October 29, 2023, an increase of \$139.0 million from January 29, 2023. Marketable securities consist primarily of U.S. treasury securities, certificates of deposit, and commercial paper and totaled \$487.8 million as of October 29, 2023, an increase of \$140.8 million from January 29, 2023.

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

#### *Cash Flows*

*(\$ in thousands)*

	<b>39 Weeks Ended</b>	
	<b>October 29, 2023</b>	<b>October 30, 2022</b>
Net cash provided by operating activities	\$ 387,356	\$ 249,020
Net cash used in investing activities	\$ (237,454)	\$ (469,865)
Net cash used in financing activities	\$ (10,934)	\$ (4,007)

#### *Operating Activities*

Net cash provided by operating activities was \$387.4 million for the thirty-nine weeks ended October 29, 2023, which primarily consisted of \$5.3 million of net income, non-cash adjustments such as depreciation and amortization expense of \$82.2 million and share-based compensation expense of \$178.9 million, and a cash increase of \$93.6 million from working capital. Cash increases from working capital were primarily driven by an increase in other current liabilities and payables, partially offset by an increase in inventories, receivables, and other current assets.

Net cash provided by operating activities was \$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.

### *Investing Activities*

Net cash used in investing activities was \$237.5 million for the thirty-nine weeks ended October 29, 2023, primarily consisting of \$126.2 million for the purchase of marketable securities, net of maturities and \$110.9 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 \$469.9 million for the thirty-nine weeks ended October 30, 2022, primarily consisting 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.

### *Financing Activities*

Net cash used in financing activities was \$10.9 million for the thirty-nine weeks ended October 29, 2023 and consisted of payments made pursuant to the tax sharing agreement with related parties, principal repayments of finance lease obligations, and payment of debt modification costs.

Net cash used in financing activities was \$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.

### **Other Liquidity Measures**

#### *ABL Credit Facility*

We have a senior secured asset-based credit facility (the “ABL Credit Facility”) which matures on August 27, 2026 and provides for non-amortizing revolving loans in the aggregate principal amount of up to \$800 million, subject to a borrowing base comprised of, among other things, inventory and sales receivables (subject to certain reserves). The ABL Credit Facility provides the right to request incremental commitments and add incremental asset-based revolving loan facilities up to \$250 million, subject to customary conditions. We are required to pay a 0.25% per annum commitment fee with respect to the undrawn portion of the commitments, which is generally based on average daily usage of the facility. Based on our borrowing base as of October 29, 2023, which is reduced by standby letters of credit, we had \$759.0 million of borrowing capacity under the ABL Credit Facility. As of October 29, 2023 and January 29, 2023, we had no outstanding borrowings under the ABL Credit Facility, respectively.

### **Recent Accounting Pronouncements**

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

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

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

### **Item 4. Controls and Procedures**

#### **Management’s Evaluation of Disclosure Controls and Procedures**

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

As of the end of the period covered by this 10-Q Report, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) and 15d-15(e). Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of October 29, 2023.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the thirteen weeks ended October 29, 2023.

#### **Limitations on the Effectiveness of Controls**

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

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

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

### **Item 1A. Risk Factors**

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

### **Item 5. Other Information**

#### *Rule 10b5-1 Plan Elections*

During the thirteen weeks ended October 29, 2023, none of the Company’s directors or officers adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement”, as such terms are defined under Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File No.	Exhibit No.	Filing Date	
2.1	<a href="#">Agreement and Plan of Merger, dated as of October 30, 2023, by and among Chewy, Inc., Chewy Kentucky Holding, LLC, Buddy Chester Sub Parent Holdco, Inc. and, solely for the purposes of certain articles identified therein, Buddy Chester Sub LLC.</a>	8-K	001-38936	2.1	October 30, 2023	
10.1	<a href="#">Amended and Restated Investor Rights Agreement, dated as of October 30, 2023, by and among Chewy, Inc. and certain holders identified therein.</a>	8-K	001-38936	10.1	October 30, 2023	
10.2	* <a href="#">Director Deferred Compensation Plan</a>					X
10.3	* <a href="#">Executive Deferred Compensation Plan</a>					X
31.1	<a href="#">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.</a>					X
31.2	<a href="#">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.</a>					X
32.1	<a href="#">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.</a>					X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

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

## SIGNATURES

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

**CHEWY, INC.**

Date: December 6, 2023

By: /s/ Stacy Bowman

Stacy Bowman

Interim Chief Financial Officer and Chief Accounting Officer

*(Principal Financial Officer and Principal Accounting Officer)*

**CHEWY DEFERRED COMPENSATION PLAN  
FOR NON-EMPLOYEE DIRECTORS**

**Effective January 1, 2024**

**CERTIFICATE**

I, Heather Smedstad, Chief Human Resources Officer of Chewy, Inc., hereby certify that the attached document is a true and correct copy of the Chewy Deferred Compensation Plan for Non-Employee Directors, originally effective as of January 1, 2024.

Dated this 28 day of November, 2023

**CHEWY DEFERRED COMPENSATION PLAN  
FOR NON-EMPLOYEE DIRECTORS  
Effective January 1, 2024**

Effective January 1, 2024, Chewy, Inc. has created this Chewy Deferred Compensation Plan for Non-Employee Directors for the purpose of enhancing the motivational value of the fees paid to non-employee directors, who contribute materially to the development and future business success of the Company, by providing them the opportunity to defer cash compensation. The Plan is intended to aid the Company in attracting and retaining non-employee directors and provide an incentive for their service.

The Company maintains this Plan pursuant to Election Notices completed by Eligible Directors (as that term is defined in the Plan) in advance of each Plan Year. The Plan is intended to be, and shall be administered as, an unfunded plan maintained for the purpose of providing deferred compensation for the Company's Eligible Directors.

**ARTICLE I  
DEFINITIONS**

The following terms shall have the meanings hereinafter set forth.

"Beneficiary." shall have the meaning set forth in Section 8.5 of the Plan.

"Board of Directors" means the Board of Directors of the Company.

"Change in Control" means:

(a) any one "Person" (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act")), including any "group" within the meaning of Section 13(d)(3) under the Exchange Act, or more than one Person acting as a group (as defined under Treasury Regulation Section 1.409A-3(i)(5)(v)(B)), other than the Company, any employee benefit plan sponsored by the Company or BC Partners LLP or any Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the specified Person, becomes the Beneficial Owner (within the meaning of Rule 13d-3 under the Exchange Act) of stock of the Company that, together with stock held by such Person or group, constitutes more than fifty percent (50%) of the total Voting Power of the stock of the Company;

(b) a majority of members of the Board of Directors is comprised of directors whose appointment or election is (i) not endorsed by a majority of the members of the Board of Directors before the date of each appointment or election or (ii) approved in connection with any actual or threatened contest for election to positions on the Board of Directors;

(c) there is consummated an agreement or series of related agreements for the sale or other disposition, directly or indirectly, by the Company of all or substantially all of the Company's assets, other than the sale or other disposition by the Company of all or substantially all of the Company's assets to a Person, at least 50% of the total Voting Power of the outstanding Voting Securities of which are Beneficially Owned by

the holders of the Voting Securities of the Company immediately prior to such sale or other disposition; or

(d) a merger, consolidation, reorganization or similar transaction with or into the Company or in which securities of the Company are issued, as a result of which the holders of Voting Securities of the Company immediately before such event own, directly or indirectly, immediately after such event less than 50% of the combined Voting Power of the outstanding Voting Securities of the surviving company or parent corporation resulting from, or issuing its Voting Securities as part of, such event.

Notwithstanding the foregoing, (i) an event described herein shall be considered a "Change in Control" for distribution or payment purposes only if it constitutes a "change in control event" under Section 409A of the Code, to the extent necessary to avoid adverse tax consequences thereunder and (ii) a "Change in Control" shall be deemed not to have occurred as a result of any transaction or series of integrated transactions following which BC Partners LLP or any Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, BC Partners LLP possesses, directly or indirectly, whether through the ownership of Voting Securities, by contract or otherwise, the power to elect a majority of the Board of Directors or the board of directors or similar body governing the affairs of any successor to the Company.

"Claimant" means any Participant or Beneficiary of a deceased Participant who makes a claim under the Plan.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations and rulings issued thereunder.

"Committee" means Chewy 401(k) Plan Administrative Committee, which the Company has appointed to serve as the administrator of the Plan.

"Company" means Chewy, Inc., and its successors and assigns.

"Deferrable Compensation" shall mean all retainer fees, including committee and chair fees, if applicable, paid in cash to the Eligible Director in consideration for his/her service as an Eligible Director during a Plan Year.

"Deferral Account" means the recordkeeping account maintained for a Participant that reflects the Elective Deferrals credited to such Participant under the Plan, including deemed investment earnings or losses thereon. This account shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant under this Plan.

"Election Notice" means the annual notice delivered by an Eligible Director to the Company in accordance with Article II of the Plan, which shall be in such form and substance satisfactory to and prescribed by the Committee. Each Election Notice shall become irrevocable as of the December 31 immediately preceding the Plan Year to which the Election Notice relates.

"Elective Deferral" means that portion of a Participant's annual Deferrable Compensation paid during a Plan Year which is subject to a deferral election under the Participant's Election Notice for such Plan Year.

"Eligible Director" means a member of the Board of Directors who is not employed by the Company or by any member of the Company's controlled group of corporations.

"Participant" for any Plan Year means any Eligible Director who commences participation in accordance with Article II.

“Plan Entry Date” means January 1 of each Plan Year.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the applicable regulations and rulings issued thereunder.

“Participant” means an Eligible Director who is receiving credits to a Deferral Account under the Plan pursuant to Article III or Eligible Director or former Eligible Director not receiving such credits for whom a Deferral Account has been established under the Plan that remains unpaid in full.

“Participant Deferral” means the amount credited to a Participant's Deferral Account under the Plan pursuant to Section 3.1.

“Plan” means this Chewy Deferred Compensation Plan for Non-Employee Directors, as amended from time to time, including any successor plan.

“Plan Year” means the calendar year.

“Termination of Service.” A Participant will be considered to have a Termination of Service upon cessation of membership on the Board for any reason. The determination of whether a Participant has incurred a Termination of Service shall be based on the facts and circumstances and determined in accordance with Section 409A of the Code.

“Unforeseeable Emergency” means a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152 of the Code, without regard to Section 152(b)(1), 152(b)(2), and 152(d)(1)(B)) thereof; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in accordance with Section 409A(a)(2)(B)(ii) of the Code and Treasury Regulation Section 1.409A-3(i)(3).

“Voting Power” means the number of votes available to be cast (determined by reference to the maximum number of votes entitled to be cast by the holders of Voting Securities upon any matter submitted to shareholders where the holders of all Voting Securities vote together as a single class) by the holders of Voting Securities.

“Voting Securities” means any securities or other ownership interests of an entity entitled, or which may be entitled, to vote on the election of the Board of Directors, or securities or other ownership interests which are convertible into, or exercisable in exchange for, such Voting Securities, whether or not subject to the passage of time or any contingency.

## ARTICLE II

### ELIGIBILITY AND PARTICIPATION

2.1. **Eligibility.** Participation in the Plan shall be limited to Eligible Directors.

2.2. **Enrollment Requirement.** The Committee shall establish from time to time such enrollment requirements as it determines in its sole discretion are necessary, subject to the following:

(a) An Eligible Director may elect to participate in the Plan by filing an Election Notice with the Committee by a date set by the Committee, which date can be any date prior to the start of the Plan Year with respect to which it is made.

(b) Each Election Notice will indicate the amount elected by the Eligible Director to be deferred under the Plan as a percentage of Eligible Compensation in whole percentages not to exceed one hundred percent (100%).

(c) An Election Notice filed by a Participant shall be effective only with respect to the Plan Year to which it relates. An Eligible Director shall be required to file a new Election Notice with the Committee in accordance with this Section of the Plan for each subsequent Plan Year during which the Eligible Director wishes to participate.

2.3. **Commencement of Participation.** Provided an Eligible Director has met all enrollment requirements as set forth by the Committee, the Eligible Director may commence participation in the Plan on the Plan Entry Date that immediately follows the Eligible Director's election to participate in the Plan.

### **ARTICLE III CONTRIBUTIONS**

3.1. **Participant Deferrals.** Each Participant's Deferrable Compensation for a Plan Year shall be reduced on a pre-tax basis by the amount of the Participant Deferrals credited to such Participant under the Plan for the Plan Year. The amount of Elective Deferrals that shall be credited to a Participant's Deferral Account for any Plan Year shall be equal to the Deferrable Compensation amounts elected by such Participant pursuant to Section 2.2 of the Plan. Each Elective Deferral is intended to be an elective compensatory reduction amount which shall be deducted from a Participant's Deferrable Compensation otherwise payable for a Plan Year.

3.2. **Vesting.** A Participant shall be fully vested at all times in all Elective Deferrals credited to the Participant's Deferral Account under the Plan.

### **ARTICLE IV VALUATION AND INVESTMENT OF CONTRIBUTIONS**

4.1. **Crediting of Contributions.** Elective Deferrals shall be credited to a Participant's Deferral Account as soon as is reasonably practicable after the payment of Deferrable Compensation to which the Elective Deferral relates. Deferrable Compensation is paid quarterly, in arrears. Consequently, and for the avoidance of doubt, Deferrable Compensation payable with respect to the quarter ending December 31 of a given Plan Year will be subject to deferral based on the Participant's Election Notice in effect for that Plan Year, even if the Deferrable Compensation itself is actually paid after the end of that Plan Year.

4.2. **Investment of Participant Deferral Accounts.** In accordance with procedures established by the Committee, each Participant shall elect, as part of the initial election process, and each Participant may elect at any time, one or more investment funds that shall be designated by the Committee and that shall be used to measure income, gains, and losses. Participants shall earn a deemed rate of return, credited daily, on their Deferral Accounts under the Plan equal to the rate of return as so determined by the investment fund(s) so elected. The Committee reserves the right to

change such means of crediting a deemed rate of return and such administrative rules and procedures at any time. The Committee may, on a uniform and non-discriminatory basis from time to time, set or change the advance notice requirement for making investment directions, may limit the number of investment direction changes made in a Plan Year, may limit investment directions, if any, which can be made by telephone, electronically or through the internet, may impose blackout periods for changes, may temporarily or permanently suspend the offering of an investment fund, and generally may change any of the investment direction procedures or options from time to time and at any time.

4.3. **Valuation.** A Participant's Deferral Account under the Plan shall be valued daily.

4.4. **Expenses Charged to Deferral Accounts.** Notwithstanding any other provision of the Plan to the contrary, expenses incurred in the administration of the Plan and any rabbi trust may be charged to Deferral Accounts on either a pro rata basis or a per capita basis, and/or may be charged to the Deferral Account of the affected Participant(s) and Beneficiary(ies) (which term is intended to include any alternate payee(s)) on a usage basis (rather than to all Deferral Accounts), as directed by the Committee. Without limiting the foregoing, some or all of the reasonable expenses attendant to the determinations needed with respect to and making of withdrawals, the calculation of benefits payable under different Plan distribution options and the distribution of Plan benefits may be charged directly to the Deferral Account of the affected Participant and Beneficiary, and different rules (i.e., pro rata, per capita, or direct charge to Deferral Accounts) may apply to different groupings of Participants and Beneficiaries.

## ARTICLE V

### PAYMENT EVENTS AND DISTRIBUTIONS

5.1. **Payment Events.** A Participant's Deferral Account shall become distributable in accordance with Section 5.2 of the Plan (a) upon the earliest to occur of any of the following events while serving as an Eligible Director: (i) the Participant's death, (ii) the Participant's Termination of Service as a member of the Board of Directors, and (iii) a Change in Control, or (b) if elected by the Participant as a scheduled payment as described in Section 5.3 of the Plan.

5.2. **General Rules for Distribution.** A Participant's Deferral Account shall be paid to such Participant in a single lump-sum distribution or in consecutive annual installments over a period of between two (2) and ten (10) years (inclusive), as elected by the Participant in the Participant's Election Notice as in effect for a given Plan Year, commencing as soon as administratively practicable following the applicable payment event. In the event that a Participant does not designate a form of payment on an Election Notice, such Participant shall be deemed to have elected that the Deferral Account be paid in a single lump-sum distribution.

5.3. **Time and Form of Payment.** A Participant may elect on an Election Notice to have all or a portion of the Participant's Deferral Account attributable to a given Plan Year's Elective Deferrals distributed as scheduled payments in accordance with this section. The Participant's Election Notice for a specific Plan Year may include the following designations governing the time and form of payment of the portion of the Participant's Account attributable to that Plan Year:

(a) **Timing of Payment.** The Participant may elect whether to commence payment either (1) during a specified calendar year ("Specified Year Election") or (2) upon the Participant's Separation from Service. In the absence of a specific payment timing election, the payment will commence upon the Participant's Separation from Service. With respect to any Specified Year Election, the calendar year of commencement shall be no earlier than two (2) years from the Plan Year to which the Election Notice applies and no later than the calendar year in which the Participant will attain age sixty-five (65).

(b) **Form of Payment.** The Participant may elect whether to receive payment as a single lump sum or in a series of annual installments over a period of between two (2) and ten (10) calendar years. In the absence of a specified form of payment election in the Election Notice, payment will be paid in a single lump sum.

For the avoidance of doubt, if a Participant who made a Specified Year Election has a Separation from Service, the Separation from Service shall not affect the Participant's payments subject to the Specified Year Election, which shall commence at the time, and in the form, elected by the Participant in the applicable Specified Year Election.

5.4. **Death.** Notwithstanding any other provision of this Plan, including any scheduled payment election under Section 5.3, the Participant's death shall cause payment of the Participant's Deferral Account to be accelerated and paid in lump sum. The deceased Participant's Deferral Account shall, to the extent remaining unpaid, be paid to such Participant's Beneficiary as designated in a lump sum within sixty (60) days following the Participant's death; and provided further, that the actual payment date shall in no event be subject to the discretion of the Beneficiary.

5.5. **Payment Amount.**

(a) The amount of a lump-sum payment to or with respect to a Participant shall be determined by reference to the Deferral Account as of the last valuation date immediately preceding the date of payment.

(b) The amount of each periodic installment payment shall be the lesser of:

(i) The quotient obtained by dividing (A) the amount of such Participant's Deferral Account held in the applicable subdivision, determined as though a lump-sum payment were being made as of the last valuation date of the calendar quarter preceding the date of payment of such installment, by (B) the number of installment payments then remaining to be made; or

(ii) The amount of such Deferral Account at such time.

5.6. **Tax Withholdings.** The Company or trustee, as the case may be, may deduct from payments under the Plan such reasonable amount as it shall deem necessary, based upon information provided by the Committee upon which the payor may rely, to pay any federal, state, or local income, employment, or other taxes attributable to the payment or required to be withheld from the payment.

5.7. **Subtractions from Deferral Account.** All distributions (including any tax withholdings) and withdrawals shall be subtracted from a Participant's Deferral Account and the applicable subdivision thereof when made.

5.8. **Resumption of Service.** In the event that a Participant who has begun to receive periodic installment payments because of a Separation from Service again becomes an Eligible Director of the Company (or of a member of the Company's controlled group) or becomes an employee of the Company [(or of a member of the Company's controlled group)], the periodic installments shall continue regardless of whether the Participant is performing services for the Company (whether as a Director or as an employee).

5.9. **New Designation.** A Participant who has made an election in accordance with Section 5.3 of the Plan may file with the Committee an election to defer the time of a scheduled payment. The new designation may only defer the time of a scheduled payment and may not change payment frequency. Notwithstanding the foregoing, any election to defer a scheduled payment under this section shall be disregarded as if it had never been filed unless the election (a) was filed with the Committee at least twelve (12) months prior to the date on which the scheduled payment is to occur and (b) provides for a deferral for a period which is not less than five (5) years from the date such scheduled payment would otherwise have been paid. A new election shall be made in writing upon forms furnished by the Committee and shall conform to such other procedural and substantive rules as the Committee shall establish.

5.10. **Unforeseeable Emergency.** A Participant may apply for and receive a distribution from the Participant's Deferral Account if the Committee determines that such distribution is on account of an Unforeseeable Emergency and the amount of the requested distribution does not exceed the amount reasonably necessary to satisfy the Participant's proven Unforeseeable Emergency (including amounts necessary to pay any applicable income taxes or penalties reasonably anticipated to result from the distribution). Whether a Participant has incurred an Unforeseeable Emergency permitting a distribution under this section will be determined by the Committee based on the relevant facts and circumstances, but, in any case, a distribution on account of Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of Elective Deferrals under this Plan. To receive such a distribution, the Participant must file a written request with the Committee and furnish such supporting documentation as the Committee, in its discretion, may require. In the request, the Participant shall specify the basis for the distribution and the dollar amount to be distributed. If such a distribution is approved by the Committee, payment shall be made as soon as practicable following such approval in a single lump-sum distribution. If a Participant receives payment on account of an Unforeseeable Emergency, the Participant may make no more Elective Deferrals for the remainder of the Plan Year.

5.11. **Distribution of Benefit When Payee Cannot Be Located.** If any payment made under the Plan is returned unclaimed, the payor shall notify the Committee and shall dispose of the payment as the Committee shall direct. The Committee shall make all reasonable attempts to determine the whereabouts of a Participant or Beneficiary entitled to benefits under the Plan, including the mailing by certified mail of a notice to the last known address shown on the Company's or the Committee's records. If the Committee is unable to locate such a Participant or Beneficiary entitled to benefits hereunder, the Company will issue a payment in the appropriate amount and in the name of the Participant or Beneficiary, and the Company will retain such benefit payment on behalf of the Participant or Beneficiary, without any

adjustment for interest or deemed earnings, subject to any applicable statute of escheats not preempted by ERISA.

## ARTICLE VI ADMINISTRATION OF THE PLAN

6.1. **Administration of the Plan.** The Company has appointed the Committee to act as the Plan's administrator. The Committee shall maintain such procedures and records as will enable it to determine the Participants and their Beneficiaries who are entitled to receive a benefit under the Plan and the amounts thereof.

6.2. **General Powers of Administration.** The Committee shall have primary responsibility and authority for the administration of the Plan and to consider and decide conclusively in its sole discretion any questions (whether of fact or otherwise) arising in connection with the administration of the Plan or any claim for benefits arising under the Plan, including the exclusive right, power and authority to interpret, in its sole discretion, any and all of the provisions of the Plan, to authorize distributions under the Plan, to establish and enforce such rules and regulations as it shall deem proper for the administration of the Plan, and to determine the amount of benefits which shall be payable to any person in accordance with the provisions of the Plan. In exercising such powers and authorities, the Committee (or its delegate) shall at all times exercise good faith, apply standards of uniform application and refrain from arbitrary action.

6.3. **Delegation of Authority.** Except to the extent prohibited by applicable laws, the Committee may delegate to one or more individuals the day-to-day administration of the Plan and any of the functions assigned to it in this Plan. Such delegation may be revoked at any time. The acts of such delegates shall be treated as acts of the Committee, and such delegates shall report regularly to the Plan Administrator regarding the delegated duties and responsibilities.

6.4. **Binding Effect of Plan Administrator Decisions.** The finding, decision, determination or action of the Committee (or its delegate) with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon any and all persons having any interest in the Plan, subject only the Plan's claims rules as set forth below in Section 6.5. No findings, decisions or determinations of any kind made by the Committee shall be disturbed unless the Committee has acted in an arbitrary and capricious manner.

6.5. **Claims Procedure.** All inquiries and claims respecting the Plan shall be in writing directed to the Committee at such address as may be specified from time to time.

(a) In the case of a claim respecting benefits paid or payable to a Participant, former Participant or Beneficiary, a written determination allowing or denying the claim shall be furnished to the Claimant within ninety (90) days of the date on which the claim is filed. If special circumstances require a longer period, the Claimant will be notified in writing, prior to the expiration of the ninety (90)-day period, of the reasons for an extension of time; provided, however, that no extensions will be permitted beyond ninety (90) days after expiration of the initial ninety (90)-day period. A denial or partial denial of a claim shall be dated and set forth the following information:

- (i) the specific reason or reasons for the denial;
- (ii) reference to the specific Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) a description of the Plan's appeal procedure and the time limits applicable to such procedure, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following a benefit claim denial on appeal.

(b) If a claim is denied and the Claimant wishes to submit an appeal of the denied claim, the Claimant (or the Claimant's authorized representative) must follow the procedures described below:

- (i) Upon receipt of the denied claim, the Claimant (or the Claimant's authorized representative) may file an appeal in writing with the Committee. This appeal must be filed no later than sixty (60) days after the Claimant has received written notification of the denied claim.
- (ii) The Claimant has the right to submit in writing to the Committee any comments, documents, records, or other information relating to the claim for benefits.
- (iii) A Claimant (or the Claimant's duly authorized representative) has the right to be provided with, upon request and free of charge, reasonable access to and copies of all documents, records, and other information that are relevant to the denied claim.
- (iv) The Committee will take into account all comments, documents, records, and other information that the Claimant submitted relating to the claim, without regard to whether such information was submitted or considered in the initial denial of the claim.

(c) The Committee will provide the Claimant with written notice of its decision within sixty (60) days after the Committee's receipt of the written appeal. There may be special circumstances which require an extension of this sixty (60)-day period. In any such case, the Committee will notify the Claimant in writing within the sixty (60)-day period and the final decision will be made no later than one hundred twenty (120) days after the Committee's receipt of the Claimant's appeal. The Committee's decision on the appeal will be communicated to the Claimant in writing and will state:

- (i) the specific reason or reasons for the denial of the appeal;
- (ii) reference to the specific Plan provisions on which the denial of the appeal is based;
- (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, the Plan

and all documents, records, and other information relevant to the claim for benefits; and

- (iv) a statement describing the Claimant's right to bring an action under Section 502(a) of ERISA no later than one hundred twenty (120) days after the final adverse determination on appeal.

(b) The Committee's decision upon appeal, or the Committee's initial decision if no appeal is taken, shall be final, conclusive, and binding on all parties, subject to review or correction pursuant to a civil action under Section 502(a) of ERISA only to the extent that such decision is shown by clear and convincing evidence to be arbitrary and capricious.

(e) Completion of the claims procedures described in this Section 6.4 is a condition precedent to the commencement of any legal or equitable action in connection with a claim for benefits under the Plan by any current or former Participant or any other person or entity claiming rights in connection with the Plan. After exhaustion of the Plan's claims procedures, any further legal action taken against the Plan for benefits under the Plan shall be filed in a court of law no later than one hundred twenty (120) days after the final adverse determination on appeal. No action at law or in equity shall be brought to recover benefits under this Plan until the appeal rights provided in this Section 6.4 have been exercised and the Plan benefits requested in such appeal have been denied in whole or in part.

6.5. **Indemnification.** No member of the Committee or any designee shall be liable for any action, failure to act, determination or interpretation made in good faith with respect to the Plan except for any liability arising from their own willful malfeasance, gross negligence, or reckless disregard of their duties.

## ARTICLE VII

### AMENDMENT AND TERMINATION

#### 7.1. **Amendment and Termination.**

(a) The Board of Directors reserves the right to alter, amend, modify, or suspend the Plan in any respect and at any time and may do so pursuant to a written resolution of the Board of Directors; provided however, that no alteration, amendment, modification, or suspension of the Plan shall directly or indirectly reduce the amount credited to any Participant's Deferral Account under the Plan as of the effective date of such action, unless the Participant or Beneficiary so affected consents in writing to the amendment or modification.

(b) Notwithstanding the foregoing to the contrary, the Board of Directors may amend the Plan retroactively to the extent the Board of Directors is of the opinion that such an amendment is required (i) to avoid the imposition of additional tax liabilities on a Participant under Section 409A of the Code or (ii) to avoid the application of Section 409A of the Code to benefits hereunder; or (iii) to conform the Plan to the provisions and requirements of any applicable law, provided that no such amendment may reduce any Participant's Deferral Account. No such amendment shall be considered prejudicial to any interest of a Participant or Beneficiary hereunder.

(c) The Committee may adopt minor amendments to the Plan without prior approval by the Board of Directors that (i) are necessary or advisable for purposes of compliance with applicable laws and regulations, (ii) relate to administrative practices, or (iii) have an insubstantial financial effect on Plan benefits and expenses.

(d) The Board of Directors reserves the right to terminate the Plan at any time, provided such termination is consistent with the applicable requirements of Section 409A of the Code.

7.2. **Effect of Plan Termination.** Upon termination of the Plan, distribution of each Participant's Deferral Account under the Plan shall not be accelerated except as permitted under Section 409A of the Code. No additional contributions shall be credited under the Plan, but deemed investment earnings and losses shall continue to be credited hereunder until the full amount has been distributed to the Participant (or the Participant's Beneficiary).

## ARTICLE VIII GENERAL PROVISIONS

8.1. **Participant's Rights Unsecured and Unfunded.** The Plan at all times shall be entirely unfunded. No assets of the Company shall be segregated or earmarked to represent the liability for accrued benefits under the Plan, provided, that the Company may, in its discretion, set aside assets, in a trust or otherwise, to satisfy its obligations under the Plan. Notwithstanding anything herein to the contrary, the right of a Participant (or the Participant's Beneficiary) to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company. All payments under the Plan shall be made from the Company's general funds.

8.2. **No Guarantee of Benefits.** Nothing contained in the Plan shall constitute a guaranty by the Company or any other person or entity that the assets of the Company will be sufficient to pay any benefit hereunder.

8.3. **No Enlargement of Director Rights.** Participation in the Plan shall not be construed to give any Participant the right to be retained in the service as an Eligible Director or interfere in any way with the right of the Board of Directors, or the Company (or the Company's shareholders) to terminate the Participant's service as a Director at any time with or without notice and with or without cause, subject to the terms and conditions of the Company's Articles of Incorporation and Bylaws.

8.4. **Non-Alienation Provision.** No interest of any person or entity in, or right to receive a benefit or distribution under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such interest or right to receive a distribution be taken, either voluntarily or involuntarily for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance and claims in bankruptcy proceedings; provided, that the foregoing restrictions on alienation shall not apply to the extent required to comply with the terms of a "domestic relations order" (as defined in Section 414(p)(1)(B) of the Code).

### 8.5. **Beneficiary Designation.**

(a) Each Participant shall be entitled to designate a Beneficiary to receive any unpaid Deferral Amount hereunder by filing a designation in writing with the Committee on the form provided for such purpose. Any Beneficiary designation shall be effective only if signed and dated by the Participant and delivered to the Committee prior to the time of the Participant's death. Any Beneficiary designation shall remain effective until changed or revoked hereunder.

(b) Any Beneficiary designation may include multiple, contingent, or successive Beneficiaries and may specify the proportionate distribution to each Beneficiary. If multiple Beneficiaries are designated, absent any other provision by the Participant, those named or the survivor of them shall share equally in any amounts payable hereunder.

(c) A Beneficiary designation may be changed by the Participant at any time, or from time to time, by filing a new designation in writing with the Committee.

(d) If a Participant dies without having designated a Beneficiary, or if the Beneficiary so designated has predeceased the Participant or cannot be located by the Committee, then the Participant's surviving spouse or, if none, the executor, or the administrator of the Participant's estate shall be deemed to be the Beneficiary.

(e) If a Beneficiary shall survive the Participant but die before the Participant's remaining benefit under the Plan has been distributed, then, absent any other provision by the Participant, the unpaid balance thereof shall be distributed to such other beneficiary named by the deceased Beneficiary to receive the deceased Beneficiary's interest or, if none, to the estate of the deceased Beneficiary.

8.6. **Applicable Law.** The Plan shall be construed and administered under the internal laws of the State of Florida (without reference to conflict of law principles), except to the extent that such laws are preempted by applicable Federal law.

8.7. **Taxes.** To the extent required by law, amounts credited under the Plan shall be subject to federal social security, Medicare, and unemployment taxes as required by Section 3121(v)(2) of the Code or other applicable law. The Company shall withhold from any distributions made pursuant to the Plan such amounts as may be required by federal, state, or local law.

### 8.8. **Section 409A of the Code.**

(a) It is the Company's intent that the payments and benefits provided under the Plan either be exempt from Section 409A of the Code or be provided in a manner that complies with Section 409A of the Code, and any ambiguity herein shall be interpreted in a manner consistent with the intent of this paragraph. Notwithstanding anything contained herein to the contrary, if a Participant is a "specified employee" as such term is defined under Section 409A of the Code at the time of a Separation from Service and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated recognition of income or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or

benefits hereunder (without any reduction in payments or benefits ultimately paid or provided to the Participant) until the date that is at least six (6) months following the Participant's Separation from Service (or, if earlier, the date of the Participant's death), whereupon the Company will promptly pay the Participant a lump-sum amount equal to the cumulative amounts that would have otherwise been previously paid under the Plan during the period in which such payments or benefits were deferred. Thereafter, payments will resume in accordance with the Plan.

(b) Payment may be delayed for a reasonable period in the event the payment is not administratively practical due to events beyond the recipient's control such as where the recipient is not competent to receive the benefit payment, there is a dispute as to amount due or the proper recipient of such benefit payment, additional time is needed to calculate the payment, or the payment would jeopardize the solvency of the Company.

(c) Payment shall be delayed in the following circumstances:

- (i) Where the Committee reasonably anticipates that a delay in payment is necessary to comply with Federal securities laws or other applicable laws; or
- (ii) Where the Committee reasonably determines that a delay is permissible for other events or conditions under applicable published guidance of the Internal Revenue Service for Section 409A of the Code;

provided that any payment delayed by operation of this Section 8.8(c) will be made at the earliest date at which the Committee reasonably anticipates that the payment will not be limited or will cease to be so delayed.

(d) If any portion of a Deferral Account is required to be included in income by a Participant or Beneficiary prior to receipt due to a failure of the Plan to comply with the requirements of Section 409A of the Code, the Committee may determine that such Participant or Beneficiary shall receive a distribution from the Plan in an amount equal to the lesser of (i) the portion of the Deferral Account required to be included in income as a result of such failure or (ii) the unpaid Deferral Account.

(e) Notwithstanding the foregoing, in no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on a Participant under Section 409A of the Code or any damages for failing to comply with Section 409A of the Code.

**8.9. Distribution in the Event of Taxation.** If, for any reason, all or any portion of a Participant's benefit under this Plan becomes subject to Federal income taxes prior to receipt, that Participant may petition the Committee for a distribution of assets sufficient to meet the Participant's tax liability (including additions to tax, penalties and interest). Upon the grant of such a petition, which grant shall not be unreasonably withheld, the Committee shall distribute to the Participant immediately available funds in an amount equal to that Participant's federal, state and local tax liability associated with such event of taxation (which amount shall not exceed the value of the Participant's Deferral Account), such tax liability shall be measured by using that

Participant's then current highest federal, state and local marginal tax rate, plus the rates or amounts for the applicable additions to tax, penalties and interest. If the petition is granted, the tax liability distribution shall be made within ninety (90) days of the date when the Participant's petition is granted. Such a distribution shall reduce the value of the Participant's Deferral Account.

8.10. **Incompetence or Incapacity of a Recipient.** If the Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Committee may require proof of minority, incompetency, incapacity or guardianship, as it may deem appropriate and/or such indemnification of the Committee and the Company and security, as it deems appropriate, in its sole discretion, prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

8.11. **Usage of Terms and Headings.** Words in the masculine gender shall include the feminine and the singular shall include the plural, and vice versa, unless qualified by the context. Any headings used herein are included for ease of reference only and are not to be construed in a manner which alters the terms hereof.

8.12. **No Warranties.** Neither the Company nor the Committee warrants or represents that the value of any Participant's Deferral Account will increase. Each Participant assumes the risk in connection with the deemed investment of their Deferral Account.

8.13. **Severability.** If any provision of the Plan is held to be invalid, illegal, or unenforceable, whether in whole or in part, such provision shall be deemed modified to the extent of such invalidity, illegality or unenforceability and the remaining provisions shall not be affected.

\* \* \* \* \*

**IN WITNESS WHEREOF**, the Company has executed this Plan as of the date set forth below.

CHEWY, INC.

By: /s/ Heather Smedstad

Name: Heather Smedstad

Title: Chief Human Resources Officer

Date: November 28, 2023

**CHEWY DEFERRED COMPENSATION PLAN**  
**As Amended and Restated**  
**Effective January 1, 2024**

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**CERTIFICATE**

I, Heather Smedstad, Chief Human Resources Officer of Chewy, Inc., hereby certify that the attached document is a true and correct copy of the Chewy Deferred Compensation Plan, amended and restated effective January 1, 2024.

Dated this 28 day of November, 2023

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**CHEWY DEFERRED COMPENSATION PLAN**  
**As Amended and Restated**  
**Effective January 1, 2024**

Effective January 1, 2023, Chewy, Inc. initially created this Chewy Deferred Compensation Plan (the “Plan”) for the purpose of enabling employees of the Employing Companies to defer receipt of base salary and incentive compensation which would otherwise be paid to such employees. This document reflects the amendment and restatement of the Plan, effective for Plan Years commencing on and after January 1, 2024 and, as such, it applies only to the portions of Accounts attributable to Employee Deferrals made on Compensation earned after December 31, 2023. For the avoidance of doubt, the time and form of distribution of Plan Accounts attributable to Employee Deferrals made with respect to the Plan Year ending December 31, 2023 will continue to be governed by Article V of the prior version of this Plan document. The Plan is intended to be, and shall be administered as, an unfunded plan maintained for the purpose of providing deferred Compensation for a select group of management or highly compensated employees (within the meaning of and for purposes of Title I of ERISA).

**ARTICLE I**  
**DEFINITIONS**

The following terms shall have the meanings hereinafter set forth.

“Affiliate” means, for any Plan Year, a corporation which for any part of such year is a member of a controlled group of corporations (as defined in Section 1563(a) of the Code, disregarding Sections 1563(a)(4) and 1563(e)(3)(C) of the Code) of which the Company is a member, any trade or business, whether incorporated or not, which for any part of such year is considered to be under common control with the Company under regulations prescribed by the Secretary of the Treasury pursuant to Section 414(c) of the Code, any organization which for any part of such year is considered under regulations prescribed by the Secretary of the Treasury pursuant to Section 414(m) of the Code to be a member of an affiliated service group of which the Company is a member, and any other entity required to be aggregated with the Company under regulations prescribed by the Secretary of the Treasury pursuant to Section 414(o) of the Code. Any such entity shall be treated as an Affiliate only for the period while it is a member of such controlled group or considered to be in such common control group.

“Annual Incentive” means compensation earned by an Eligible Employee under the Chewy Corporate Short-Term Incentive (STI) plan, as amended from time to time.

“Base Salary” means an Eligible Employee’s annual base salary for a Plan Year paid by the Employing Company, including short term disability payments and that portion of such compensation which is electively deferred under this Plan or any other plan of the Company or its Affiliates, including a Code 401(k) plan for such Plan Year or pursuant to a salary reduction election permitted under Section 125 of the Code, but “Base Salary” shall not include any Annual Incentive, commissions, allowances, expense reimbursements, and benefits not normally paid in cash to an Eligible Employee and shall exclude any such compensation deferred from a prior period.

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"Beneficiary" shall have the meaning set forth in Section 8.5 of the Plan. "Board of Directors" means the Board of Directors of the Company.

"Change in Control" means:

(a) any one "Person" (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act")), including any "group" within the meaning of Section 13(d)(3) under the Exchange Act, or more than one Person acting as a group (as defined under Treasury Regulation Section 1.409A-3(i)(5)(v)(B)), other than the Company, any employee benefit plan sponsored by the Company or BC Partners LLP or any Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the specified Person, becomes the Beneficial Owner (within the meaning of Rule 13d-3 under the Exchange Act) of stock of the Company that, together with stock held by such Person or group, constitutes more than fifty percent (50%) of the total Voting Power of the stock of the Company;

(b) a majority of members of the Board of Directors is comprised of directors whose appointment or election is (i) not endorsed by a majority of the members of the Board of Directors before the date of each appointment or election or (ii) approved in connection with any actual or threatened contest for election to positions on the Board of Directors;

(c) there is consummated an agreement or series of related agreements for the sale or other disposition, directly or indirectly, by the Company of all or substantially all of the Company's assets, other than the sale or other disposition by the Company of all or substantially all of the Company's assets to a Person, at least 50% of the total Voting Power of the outstanding Voting Securities of which are Beneficially Owned by the holders of the Voting Securities of the Company immediately prior to such sale or other disposition; or

(d) a merger, consolidation, reorganization or similar transaction with or into the Company or in which securities of the Company are issued, as a result of which the holders of Voting Securities of the Company immediately before such event own, directly or indirectly, immediately after such event less than 50% of the combined Voting Power of the outstanding Voting Securities of the surviving company or parent corporation resulting from, or issuing its Voting Securities as part of, such event.

Notwithstanding the foregoing, (i) an event described herein shall be considered a "Change in Control" for distribution or payment purposes only if it constitutes a "change in control event" under Section 409A of the Code, to the extent necessary to avoid adverse tax consequences thereunder and (ii) a "Change in Control" shall be deemed not to have occurred as a result of any transaction or series of integrated transactions following which BC Partners LLP or any Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, BC Partners LLP possesses, directly or indirectly, whether through the ownership of Voting Securities, by contract or otherwise, the power to elect a majority of the Board of Directors or the board of directors or similar body governing the affairs of any successor to the Company.

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“Claimant” means any Participant or Beneficiary of a deceased Participant who makes a claim under the Plan.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations and rulings issued thereunder.

“Committee” means Chewy 401(k) Plan Administrative Committee, which the Company has appointed to serve as the Plan Administrator.

“Company” means Chewy, Inc., and its successors and assigns.

“Compensation” means a Participant’s Base Salary and Annual Incentive amounts paid during a Plan Year.

“Deferral Account” means the recordkeeping account maintained for a Participant that reflects the amount of Employee Deferrals credited to such Participant under the Plan, including deemed investment earnings or losses thereon.

“Disability” means a Participant (i) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Employing Company; or (ii) is determined to be totally disabled by the Social Security Administration.

“Election Notice” means the annual notice delivered by an Eligible Employee to the Employing Company in accordance with Article II of the Plan, which shall be in such form and substance satisfactory to and prescribed by the Committee. Each Election Notice shall be irrevocable as of the last day of the periods described in Section 2.2 of the Plan.

“Eligible Employee” means an individual employed as a common law employee of an Employing Company who meets the requirements of Section 2.1 of the Plan.

“Deferral” means the amount credited to a Participant’s Deferral Account under the Plan pursuant to Section 3.1 herein.

“Employing Company” means the Company or an Affiliate which has been designated by the Company as eligible to participate in this Plan.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the applicable regulations and rulings issued thereunder.

“Participant” means an Eligible Employee who is receiving credits to a Deferral Account under the Plan pursuant to Article III or an Eligible Employee or former Eligible Employee not receiving such credits for whom a Deferral Account has been established under the Plan that remains unpaid in full.

“Plan” means this Chewy Deferred Compensation Plan, as amended from time to time, including any successor plan.

“Plan Administrator” has the meaning prescribed to such term under Section 3(16) of ERISA.

“Plan Year” means the calendar year.

“Separation from Service.” A Participant will be considered to have a Separation from Service if the Participant dies, retires, or otherwise has a termination of employment with the Company and its Affiliates, subject to the following:

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A Separation from Service is deemed to occur on the date that a Participant's level of services performed after such date (whether as an employee or independent contractor) permanently decreases to no more than 20% of the average level of services performed (whether as an employee or independent contractor) during the immediately preceding 36-month period.

For purposes of determining whether a Separation from Service has occurred, the employment relationship is treated as continuing intact while the individual is on military leave, sick leave, or other bona fide leave of absence (such as temporary employment by the government) if the period of such leave does not exceed six (6) months, or if longer, so long as the individual's right to reemployment with the Company or any of its Affiliates is provided either by statute or by contract. If the period of leave exceeds six (6) months and the individual's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period.

(c) The determination of whether a Participant has incurred a Separation from Service shall be based on the facts and circumstances and determined in accordance with Section 409A of the Code.

"Unforeseeable Emergency" means a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152 of the Code, without regard to Section 152(b)(1), 152(b)(2), and 152(d)(1)(B)) thereof; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in accordance with Section 409A(a)(2)(B)(ii) of the Code and Treasury Regulation Section 1.409A-3(i)(3).

"Voting Power" means the number of votes available to be cast (determined by reference to the maximum number of votes entitled to be cast by the holders of Voting Securities upon any matter submitted to shareholders where the holders of all Voting Securities vote together as a single class) by the holders of Voting Securities.

"Voting Securities" means any securities or other ownership interests of an entity entitled, or which may be entitled, to vote on the election of the Board of Directors, or securities or other ownership interests which are convertible into, or exercisable in exchange for, such Voting Securities, whether or not subject to the passage of time or any contingency.

## ARTICLE II

### ELIGIBILITY AND PARTICIPATION

2.1. **Eligibility.** The Committee shall, in its sole discretion, select such employees of an Employing Company whose management level is C08 or above to become Eligible Employees as of such dates as determined by the Committee; provided, however, in order to be an Eligible Employee, the employee must be in the "highly compensated group." The term "highly compensated group" means a select group of management or highly compensated employees as described and used in Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA. The Committee shall select such

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employees on a Plan Year by Plan Year basis. An Eligible Employee may elect to become a Participant under the Plan pursuant to the rules under Section 2.2 of the Plan. For the avoidance of doubt, selection for one Plan Year does not entitle an employee to be selected for any subsequent Plan Year, and the Committee may terminate an Eligible Employee's eligibility to participate for a Plan Year, in its sole discretion, upon notice to the Eligible Employee prior to the start of the Plan Year.

## 2.2. Timing and Effect of Election Notices.

(a) An Eligible Employee may elect to participate in the Plan by filing an Election Notice with the Committee at such time prior to the start of the Plan Year with respect to which it is made as the Committee shall determine; provided, that if an Eligible Employee makes a separate election to participate in the Plan which relates solely to a deferral of Annual Incentive amounts, such election shall be made by filing an Election Notice with the Committee on a date within the Plan Year which is at least six (6) months prior to the end of the Plan Year provided Annual Incentive payments qualify as "performance-based compensation" within the meaning of Section 409A(a)(4)(B)(iii) of the Code. Notwithstanding the foregoing, an employee who becomes an Eligible Employee after the start of a Plan Year may elect to participate in the Plan with respect to Compensation to be earned prospectively provided such Eligible Employee files an Election Notice with the Committee within thirty (30) days after first becoming an Eligible Employee, subject to the proviso clause in the preceding sentence.

(b) Each Election Notice will indicate the amount elected by the Eligible Employee to be deferred under the Plan as (i) a percentage of Base Salary in whole percentages not to exceed 50%, and (ii) a percentage of Annual Incentive amounts in whole percentages not to exceed 80%. An Eligible Employee may file separate elections with respect to Base Salary and Annual Incentive amounts.

(c) An Election Notice filed by a Participant shall be effective only with respect to the Plan Year to which it relates and it is irrevocable with respect to that Plan Year. Notwithstanding the foregoing to the contrary, the portion of an Election Notice relating to the deferral of Compensation for a given Plan Year is revocable upon either (i) a Participant's Disability or (ii) a Participant's Unforeseeable Emergency. If a deferral election is revoked pursuant to the previous sentence, to again participate in the Plan, the Participant must submit a new Election Notice, which Election Notice cannot take effect until the Plan Year following the Plan Year in which the deferral election was revoked. An Eligible Employee shall be required to file a new Election Notice with the Committee in accordance with Section 2.2 of the Plan for each subsequent Plan Year. A Participant shall have no unilateral right to change or terminate an Election Notice once the annual filing deadline(s) established by the Committee have passed, which deadlines shall be no later than the dates prescribed in Section 2.2(a) of the Plan.

## ARTICLE III CONTRIBUTIONS

3.1. **Employee Deferrals.** Each Participant's Compensation for a Plan Year shall be reduced on a pre-tax basis by the amount of the Employee Deferrals credited to such Participant under the Plan for the Plan Year. The amount of Employee Deferrals that shall be credited to a Participant's Deferral Account for any Plan Year shall be equal to the Base Salary and Annual Incentive amounts elected by such Participant pursuant to Section 2.2 of the Plan. Each Employee Deferral is intended to be an elective salary

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reduction amount which shall be deducted from a Participant's Compensation otherwise payable for a Plan Year, with Base Salary withheld on a pro rata basis throughout the Plan Year (or remainder of the Plan Year, in the case of an Eligible Employee who first becomes a Participant after the first day of the Plan Year).

3.2. **Vesting.** A Participant shall be fully vested at all times in all Employee Deferrals credited to the Participant's Deferral Account under the Plan.

#### **ARTICLE IV VALUATION AND INVESTMENT OF CONTRIBUTIONS**

4.1. **Crediting of Contributions.** Employee Deferrals shall be credited to a Participant's Deferral Account as soon as is reasonably practicable after the end of each payroll period.

4.2. **Investment of Participant Deferral Accounts.** In accordance with procedures established by the Committee, each Participant shall elect, as part of the initial election process, and each Participant may elect at any time, one or more investment funds that shall be designated by the Committee and that shall be used to measure income, gains, and losses. Participants shall earn a deemed rate of return, credited daily, on their Deferral Accounts under the Plan equal to the rate of return as so determined by the investment fund(s) so elected. The Company reserves the right to change such means of crediting a deemed rate of return and such administrative rules and procedures at any time. The Committee may, on a uniform and non-discriminatory basis from time to time, set or change the advance notice requirement for making investment directions, may limit the number of investment direction changes made in a Plan Year, may limit investment directions, if any, which can be made by telephone, electronically or through the internet, may impose blackout periods for changes, may temporarily or permanently suspend the offering of an investment fund, and generally may change any of the investment direction procedures or options from time to time and at any time.

4.3. **Valuation.** A Participant's Deferral Account under the Plan shall be valued daily.

4.4. **Expenses Charged to Deferral Accounts.** Notwithstanding any other provision of the Plan to the contrary, expenses incurred in the administration of the Plan and any rabbi trust may be charged to Deferral Accounts on either a pro rata basis or a per capita basis, and/or may be charged to the Deferral Account of the affected Participant(s) and Beneficiary(ies) (which term is intended to include any alternate payee(s)) on a usage basis (rather than to all Deferral Accounts), as directed by the Committee. Without limiting the foregoing, some or all of the reasonable expenses attendant to the determinations needed with respect to and making of withdrawals, the calculation of benefits payable under different Plan distribution options and the distribution of Plan benefits may be charged directly to the Deferral Account of the affected Participant and Beneficiary, and different rules (i.e., pro rata, per capita, or direct charge to Deferral Accounts) may apply to different groupings of Participants and Beneficiaries.

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**ARTICLE V**  
**PAYMENT EVENTS AND DISTRIBUTIONS**

5.1. **Payment Events.** With respect to Employee Deferrals attributable to Plan Years beginning on and after January 1, 2024, a Participant's Deferral Account shall become distributable in accordance with Section 5.2 of the Plan (a) upon the earliest to occur of any of the following events while in the employment of an Employing Company: (i) the Participant's death, (ii) the Participant's Disability, (iii) the Participant's Separation from Service, and (iv) a Change in Control, or (b) if elected by the Participant, as a scheduled payment as described in Section 5.3 of the Plan.

5.2. **General Rules for Distribution.** A Participant's Deferral Account shall be paid to such Participant in a single lump-sum distribution or in consecutive annual installments over a period of between two (2) and ten (10) years, as elected by the Participant in an Election Notice as in effect for a given Plan Year, commencing as soon as administratively practicable following the applicable payment event. In the event that a Participant does not make any time or form of payment elections for a given Plan Year, the Deferral Account established for that Plan Year shall be paid in a single sum distribution upon the Participant's Separation from Service. .

5.3. **Time and Form of Payment.** A Participant may elect on an Election Notice to have all or a portion of the Participant's Deferral Account attributable to a given Plan Year's Employee Deferrals distributed as scheduled payments in accordance with this section. The Participant's Election Notice for a given Plan Year may include the designations set forth below governing the time and form of payment of the portion of the Participant's Account attributable to that Plan Year. Each Plan Year, a Participant may make different time and form of payment elections to be applied to the Participant's Employee Deferrals of Base Salary and for the Participant's Employee Deferrals of Annual Incentive compensation.

(a) Timing of Payment. The Participant may elect whether to commence payment either (1) during a specified calendar year (a "Specified Year Election") or (2) upon the Participant's Separation from Service. In the absence of a specific payment timing election, the payment will commence upon the Participant's Separation from Service. With respect to any Specified Year Election, the calendar year of commencement shall be no earlier than two (2) calendar years from the Plan Year to which the Election Notice applies and no later than the calendar year in which the Participant will attain age sixty-five (65).\

(b) Form of Payment. The Participant may elect whether to receive payment as a single lump sum or in a series of annual installments over a period of between two (2) and ten (10) calendar years. In the absence of a specified form of payment election in the Election Notice, payment will be paid in a single lump sum. The Election Notice can provide for a different form of payment to apply depending on whether the payment commences on account of a Specified Year Election or the Participant's Separation from Service.

For the avoidance of doubt, if a Participant who made a Specified Year Election has a Separation from Service, the Separation from Service shall not affect the Participant's

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payments subject to the Specified Year Election, which shall commence at the time, and in the form, elected by the Participant in the applicable Election Notice.

5.4. **Death or Disability.** Notwithstanding any other provision of this Plan, including any scheduled payment election under Section 5.3, the Participant's Disability shall cause payment of the Participant's Deferral Account to be accelerated and paid in lump sum. Similarly, notwithstanding any other provision of this Plan, including any scheduled payment election under Section 5.3, upon the death of a Participant, the Participant's Deferral Account shall, to the extent remaining unpaid, be paid to such Participant's Beneficiary as designated in a lump sum within sixty (60) days following the Participant's death; and provided further, that the actual payment date shall in no event be subject to the discretion of the Beneficiary.

5.5. **Payment Amount.**

(a) The amount of a lump-sum payment to or with respect to a Participant shall be determined by reference to the Deferral Account as of the last valuation date immediately preceding the date of payment.

(b) The amount of each periodic installment payment shall be the lesser of:

(i) The quotient obtained by dividing (A) the amount of such Participant's Deferral Account held in the applicable subdivision, determined as though a lump-sum payment were being made as of the last valuation date of the calendar quarter preceding the date of payment of such installment, by (B) the number of installment payments then remaining to be made; or

(ii) The amount of such Deferral Account at such time.

5.6. **Tax Withholdings.** The Company or trustee, as the case may be, may deduct from payments under the Plan such reasonable amount as it shall deem necessary, based upon information provided by the Committee upon which the payor may rely, to pay any federal, state, or local income, employment, or other taxes attributable to the payment or required to be withheld from the payment.

5.7. **Subtractions from Deferral Account.** All distributions (including any tax withholdings) and withdrawals shall be subtracted from a Participant's Deferral Account and the applicable subdivision thereof when made.

5.8. **Reemployment.** In the event that a Participant who has begun to receive periodic installment payments again becomes an employee of the Company or any of its Affiliates, the periodic installments shall continue regardless of return to employment.

5.9. **New Designation.** A Participant who has made an election in accordance with Section 5.3 of the Plan may file with the Committee an election to defer the time of a scheduled payment. The new designation may only defer the time of a scheduled payment and may not change payment frequency. Notwithstanding the foregoing, any election to defer a scheduled payment under this section shall be disregarded as if it had never been filed unless the election (a) was filed with the Committee at least twelve (12) months prior to the date on which the scheduled payment is to occur and (b) provides for a deferral for a period which is not less than five (5) years from the date such scheduled payment would otherwise have been paid. A new election shall be

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made in writing upon forms furnished by the Committee and shall conform to such other procedural and substantive rules as the Committee shall establish.

5.10. **Unforeseeable Emergency.** A Participant may apply for and receive a distribution from the Participant's Deferral Account if the Committee determines that such distribution is on account of an Unforeseeable Emergency and the amount of the requested distribution does not exceed the amount reasonably necessary to satisfy the Participant's proven Unforeseeable Emergency (including amounts necessary to pay any applicable income taxes or penalties reasonably anticipated to result from the distribution). Whether a Participant has incurred an Unforeseeable Emergency permitting a distribution under this section will be determined by the Committee based on the relevant facts and circumstances, but, in any case, a distribution on account of Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of Employee Deferrals under this Plan. To receive such a distribution, the Participant must file a written request with the Committee and furnish such supporting documentation as the Committee, in its discretion, may require. In the request, the Participant shall specify the basis for the distribution and the dollar amount to be distributed. If such a distribution is approved by the Committee, payment shall be made as soon as practicable following such approval in a single lump-sum distribution. If a Participant receives payment on account of an Unforeseeable Emergency, the Participant may make no more Employee Deferrals for the remainder of the Plan Year.

5.11. **Distribution of Benefit When Payee Cannot Be Located.** If any payment made under the Plan is returned unclaimed, the payor shall notify the Committee and shall dispose of the payment as the Committee shall direct. The Committee shall make all reasonable attempts to determine the whereabouts of a Participant or Beneficiary entitled to benefits under the Plan, including the mailing by certified mail of a notice to the last known address shown on the Employing Employer's or the Committee's records. If the Committee is unable to locate such a Participant or Beneficiary entitled to benefits hereunder, the Company will issue a payment in the appropriate amount and in the name of the Participant or Beneficiary, and the Company will retain such benefit payment on behalf of the Participant or Beneficiary, without any adjustment for interest or deemed earnings, subject to any applicable statute of escheats not preempted by ERISA.

## ARTICLE VI ADMINISTRATION OF THE PLAN

6.1. **Administration of the Plan.** The Company has appointed the Committee to act as the Plan Administrator. The Committee shall maintain such procedures and records as will enable it to determine the Participants and their Beneficiaries who are entitled to receive a benefit under the Plan and the amounts thereof.

6.2. **General Powers of Administration.** The Committee shall have primary responsibility and authority for the administration of the Plan and to consider and decide conclusively in its sole discretion any questions (whether of fact or otherwise) arising in connection with the administration of the Plan or any claim for benefits arising under the

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Plan, including the exclusive right, power and authority to interpret, in its sole discretion, any and all of the provisions of the Plan, to authorize distributions under the Plan, to establish and enforce such rules and regulations as it shall deem proper for the administration of the Plan, and to determine the amount of benefits which shall be payable to any person in accordance with the provisions of the Plan. In exercising such powers and authorities, the Committee shall at all times exercise good faith, apply standards of uniform application and refrain from arbitrary action. Any decision or action of the Committee made in the exercise of its discretionary authority hereunder shall be conclusive and binding on all parties.

6.3. **Delegation of Authority.** Except to the extent prohibited by applicable laws, the Committee may delegate to one or more individuals the day-to-day administration of the Plan and any of the functions assigned to it in this Plan. Such delegation may be revoked at any time. The acts of such delegates shall be treated as acts of the Committee, and such delegates shall report regularly to the Committee regarding the delegated duties and responsibilities.

6.4. **Binding Effect of Plan Administrator Decisions.** The finding, decision, determination or action of the Committee (or its delegate) with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon any and all persons having any interest in the Plan, subject only the Plan's claims rules as set forth below in Section 6.5. No findings, decisions or determinations of any kind made by the Committee shall be disturbed unless the Committee has acted in an arbitrary and capricious manner.

6.5. **Claims Procedure.** All inquiries and claims respecting the Plan shall be in writing directed to the Committee at such address as may be specified from time to time.

(a) In the case of a claim respecting benefits paid or payable to a Participant, former Participant or Beneficiary, a written determination allowing or denying the claim shall be furnished to the Claimant within ninety (90) days of the date on which the claim is filed. If special circumstances require a longer period, the Claimant will be notified in writing, prior to the expiration of the ninety (90)-day period, of the reasons for an extension of time; provided, however, that no extensions will be permitted beyond ninety (90) days after expiration of the initial ninety (90)-day period. A denial or partial denial of a claim shall be dated and set forth the following information:

- (i) the specific reason or reasons for the denial;
  - (ii) reference to the specific Plan provisions on which the denial is based;
  - (iii) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary; and
  - (iv) a description of the Plan's appeal procedure and the time limits applicable to such procedure, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following a benefit claim denial on appeal.
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(b) If a claim is denied and the Claimant wishes to submit an appeal of the denied claim, the Claimant (or the Claimant's authorized representative) must follow the procedures described below:

- (i) Upon receipt of the denied claim, the Claimant (or the Claimant's authorized representative) may file an appeal in writing with the Committee. This appeal must be filed no later than sixty (60) days after the Claimant has received written notification of the denied claim.
- (ii) The Claimant has the right to submit in writing to the Committee any comments, documents, records, or other information relating to the claim for benefits.
- (iii) A Claimant (or the Claimant's duly authorized representative) has the right to be provided with, upon request and free of charge, reasonable access to and copies of all documents, records, and other information that are relevant to the denied claim.
- (iv) The Committee will take into account all comments, documents, records, and other information that the Claimant submitted relating to the claim, without regard to whether such information was submitted or considered in the initial denial of the claim.

(c) The Committee will provide the Claimant with written notice of its decision within sixty (60) days after the Committee's receipt of the written appeal. There may be special circumstances which require an extension of this sixty (60)-day period. In any such case, the Committee will notify the Claimant in writing within the sixty (60)-day period and the final decision will be made no later than one hundred twenty (120) days after the Committee's receipt of the Claimant's appeal. The Committee's decision on the appeal will be communicated to the Claimant in writing and will state:

- (i) the specific reason or reasons for the denial of the appeal;
- (ii) reference to the specific Plan provisions on which the denial of the appeal is based;
- (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, the Plan and all documents, records, and other information relevant to the claim for benefits; and
- (iv) a statement describing the Claimant's right to bring an action under Section 502(a) of ERISA no later than one hundred twenty (120) days after the final adverse determination on appeal.

(c) The Committee's decision upon appeal, or the Committee's initial decision if no appeal is taken, shall be final, conclusive, and binding on all parties, subject to review or correction pursuant to a civil action under Section 502(a) of ERISA only to the extent that such decision is shown by clear and convincing evidence to be arbitrary and capricious.

(e) Completion of the claims procedures described in this Section 6.5 is a condition precedent to the commencement of any legal or equitable

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action in connection with a claim for benefits under the Plan by any current or former Participant or any other person or entity claiming rights in connection with the Plan. After exhaustion of the Plan's claims procedures, any further legal action taken against the Plan for benefits under the Plan shall be filed in a court of law no later than one hundred twenty (120) days after the final adverse determination on appeal. No action at law or in equity shall be brought to recover benefits under this Plan until the appeal rights provided in this Section 6.54 have been exercised and the Plan benefits requested in such appeal have been denied in whole or in part.

6.6. **Indemnification.** No member of the Committee or any designee shall be liable for any action, failure to act, determination or interpretation made in good faith with respect to the Plan except for any liability arising from their own willful malfeasance, gross negligence, or reckless disregard of their duties.

## **ARTICLE VII AMENDMENT AND TERMINATION**

### **7.1. Amendment and Termination.**

(a) The Company reserves the right to alter, amend, modify, or suspend the Plan in any respect and at any time and may do so pursuant to a written resolution of the Compensation Committee of the Board of Directors; provided however, that no alteration, amendment, modification, or suspension of the Plan shall directly or indirectly reduce the amount credited to any Participant's Deferral Account under the Plan as of the effective date of such action, although deemed investment earnings and losses may continue to be adjusted after such alteration, amendment, modification, or suspension.

(b) Notwithstanding the foregoing to the contrary, the Company may amend the Plan retroactively to the extent the Company is of the opinion that such an amendment is required (i) to avoid the imposition of additional tax liabilities on a Participant under Section 409A of the Code or (ii) to avoid the application of Section 409A of the Code to benefits hereunder; or (iii) to conform the Plan to the provisions and requirements of any applicable law, provided that no such amendment may reduce any Participant's Deferral Account. No such amendment shall be considered prejudicial to any interest of a Participant or Beneficiary hereunder.

(c) The Committee may adopt minor amendments to the Plan without prior approval by the Compensation Committee of the Board of Directors that (i) are necessary or advisable for purposes of compliance with applicable laws and regulations, (ii) relate to administrative practices, or (iii) have an insubstantial financial effect on Plan benefits and expenses.

(d) The Company reserves the right to terminate the Plan at any time, provided such termination is consistent with the applicable requirements of Section 409A of the Code.

7.2. **Effect of Plan Termination.** Upon termination of the Plan, distribution of each Participant's Deferral Account under the Plan shall not be accelerated except as permitted under Section 409A of the Code. No additional contributions shall be credited under the Plan, but deemed investment earnings and losses shall continue to be

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credited hereunder until the full amount has been distributed to the Participant (or the Participant's Beneficiary).

## ARTICLE VIII GENERAL PROVISIONS

8.1. **Participant's Rights Unsecured and Unfunded.** The Plan at all times shall be entirely unfunded. No assets of any Employing Company shall be segregated or earmarked to represent the liability for accrued benefits under the Plan, provided, that the Company may, in its discretion, set aside assets, in a trust or otherwise, to satisfy its obligations under the Plan. Notwithstanding anything herein to the contrary, the right of a Participant (or the Participant's Beneficiary) to receive a distribution hereunder shall be an unsecured claim against the general assets of the Employing Company employing, or which previously employed, such Participant. All payments under the Plan shall be made from the general funds of such Employing Company.

8.2. **No Guarantee of Benefits.** Nothing contained in the Plan shall constitute a guaranty by any Employing Company or any other person or entity that the assets of such Employing Company will be sufficient to pay any benefit hereunder.

8.3. **No Enlargement of Employee Rights.** Participation in the Plan shall not be construed to give any Participant the right to be retained in the service of any Employing Company or interfere in any way with the right of the Employing Company to terminate the Participant's employment or service at any time with or without notice and with or without cause.

8.4. **Non-Alienation Provision.** No interest of any person or entity in, or right to receive a benefit or distribution under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such interest or right to receive a distribution be taken, either voluntarily or involuntarily for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance and claims in bankruptcy proceedings; provided, that the foregoing restrictions on alienation shall not apply to the extent required to comply with the terms of a "domestic relations order" (as defined in Section 414(p)(1)(B) of the Code).

### 8.5. **Beneficiary Designation.**

(a) Each Participant shall be entitled to designate a Beneficiary to receive any unpaid Deferral Amount hereunder by filing a designation in writing with the Committee on the form provided for such purpose. Any Beneficiary designation shall be effective only if signed and dated by the Participant and delivered to the Committee prior to the time of the Participant's death. Any Beneficiary designation shall remain effective until changed or revoked hereunder.

(b) Any Beneficiary designation may include multiple, contingent, or successive Beneficiaries and may specify the proportionate distribution to each Beneficiary. If multiple Beneficiaries are designated, absent any other provision by the Participant, those named or the survivor of them shall share equally in any amounts payable hereunder.

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(c) A Beneficiary designation may be changed by the Participant at any time, or from time to time, by filing a new designation in writing with the Committee.

(d) If a Participant dies without having designated a Beneficiary, or if the Beneficiary so designated has predeceased the Participant or cannot be located by the Committee, then the Participant's surviving spouse or, if none, the executor, or the administrator of the Participant's estate shall be deemed to be the Beneficiary.

(e) If a Beneficiary shall survive the Participant but die before the Participant's remaining benefit under the Plan has been distributed, then, absent any other provision by the Participant, the unpaid balance thereof shall be distributed to such other beneficiary named by the deceased Beneficiary to receive the deceased Beneficiary's interest or, if none, to the estate of the deceased Beneficiary.

8.6. **Applicable Law.** The Plan shall be construed and administered under the internal laws of the State of Florida (without reference to conflict of law principles), except to the extent that such laws are preempted by applicable Federal law.

8.7. **Taxes.** To the extent required by law, amounts credited under the Plan shall be subject to federal social security, Medicare, and unemployment taxes as required by Section 3121(v)(2) of the Code or other applicable law. The Company shall withhold from any distributions made pursuant to the Plan such amounts as may be required by federal, state, or local law.

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

(a) It is the Company's intent that the payments and benefits provided under the Plan either be exempt from Section 409A of the Code or be provided in a manner that complies with Section 409A of the Code, and any ambiguity herein shall be interpreted in a manner consistent with the intent of this paragraph. Notwithstanding anything contained herein to the contrary, if a Participant is a "specified employee" as such term is defined under Section 409A of the Code at the time of a Separation from Service and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated recognition of income or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in payments or benefits ultimately paid or provided to the Participant) until the date that is at least six (6) months following the Participant's Separation from Service (or, if earlier, the date of the Participant's death), whereupon the Company will promptly pay the Participant a lump-sum amount equal to the cumulative amounts that would have otherwise been previously paid under the Plan during the period in which such payments or benefits were deferred. Thereafter, payments will resume in accordance with the Plan.

(b) Payment may be delayed for a reasonable period in the event the payment is not administratively practical due to events beyond the recipient's control such as where the recipient is not competent to receive the benefit payment, there is a dispute as to amount due or the proper recipient of such benefit payment, additional time is needed to calculate the payment, or the payment would jeopardize the solvency of the Company.

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(c) Payment shall be delayed in the following circumstances:

- (i) Where the Committee reasonably anticipates that a delay in payment is necessary to comply with Federal securities laws or other applicable laws; or
- (ii) Where the Committee reasonably determines that a delay is permissible for other events or conditions under applicable published guidance of the Internal Revenue Service for Section 409A of the Code;

provided that any payment delayed by operation of this Section 8.8(c) will be made at the earliest date at which the Committee reasonably anticipates that the payment will not be limited or will cease to be so delayed.

(d) If any portion of a Deferral Account is required to be included in income by a Participant or Beneficiary prior to receipt due to a failure of the Plan to comply with the requirements of Section 409A of the Code, the Committee may determine that such Participant or Beneficiary shall receive a distribution from the Plan in an amount equal to the lesser of (i) the portion of the Deferral Account required to be included in income as a result of such failure or (ii) the unpaid Deferral Account.

(e) Notwithstanding the foregoing, in no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on a Participant under Section 409A of the Code or any damages for failing to comply with Section 409A of the Code.

**8.9. Distribution in the Event of Taxation.** If, for any reason, all or any portion of a Participant's benefit under this Plan becomes subject to Federal income taxes prior to receipt, that Participant may petition the Committee for a distribution of assets sufficient to meet the Participant's tax liability (including additions to tax, penalties and interest). Upon the grant of such a petition, which grant shall not be unreasonably withheld, the Committee shall distribute to the Participant immediately available funds in an amount equal to that Participant's federal, state and local tax liability associated with such event of taxation (which amount shall not exceed the value of the Participant's Deferral Account), such tax liability shall be measured by using that Participant's then current highest federal, state and local marginal tax rate, plus the rates or amounts for the applicable additions to tax, penalties and interest. If the petition is granted, the tax liability distribution shall be made within ninety (90) days of the date when the Participant's petition is granted. Such a distribution shall reduce the value of the Participant's Deferral Account.

**8.10. Incompetence or Incapacity of a Recipient.** If the Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Committee may require proof of minority, incompetency, incapacity or guardianship, as it may deem appropriate and/or such indemnification of the Committee and the Company and security, as it deems appropriate, in its sole discretion, prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case

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may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

8.11. **Usage of Terms and Headings.** Words in the masculine gender shall include the feminine and the singular shall include the plural, and vice versa, unless qualified by the context. Any headings used herein are included for ease of reference only and are not to be construed in a manner which alters the terms hereof.

8.12. **No Warranties.** Neither the Employing Company nor the Committee warrants or represents that the value of any Participant's Deferral Account will increase. Each Participant assumes the risk in connection with the deemed investment of their Deferral Account.

8.13. **Severability.** If any provision of the Plan is held to be invalid, illegal, or unenforceable, whether in whole or in part, such provision shall be deemed modified to the extent of such invalidity, illegality or unenforceability and the remaining provisions shall not be affected.

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**IN WITNESS WHEREOF**, the Company has executed this Amended and Restated Plan as of the date set forth below.

CHEWY, INC.

By: /s/ Heather Smedstad

Name: Heather Smedstad

Title: Chief Human Resources Officer

Date: November 28, 2023

**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 6, 2023

/s/ Sumit Singh

Sumit Singh

Chief Executive Officer

*(Principal Executive Officer)*

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

I, Stacy Bowman, certify that:

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

Date: December 6, 2023

/s/ Stacy Bowman

Stacy Bowman

Interim Chief Financial Officer and Chief Accounting Officer

*(Principal Financial Officer and Principal Accounting Officer)*

**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 29, 2023, as filed with the Securities and Exchange Commission (the "Periodic Report"), we, Sumit Singh, Chief Executive Officer of the Company, and Stacy Bowman, Interim Chief Financial Officer and Chief Accounting Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

1. The Periodic Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 6, 2023

*/s/ Sumit Singh*

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Sumit Singh  
Chief Executive Officer  
*(Principal Executive Officer)*

*/s/ Stacy Bowman*

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