

## Chewy Announces Third Quarter 2023 Financial Results

PLANTATION, Fla., December 6, 2023 (BUSINESS WIRE) — Chewy, Inc. (NYSE: CHWY) (“Chewy”), a trusted destination for pet parents and partners everywhere, has released its financial results for the third quarter of fiscal year 2023 ended October 29, 2023, and posted a letter to its shareholders on its investor relations website at <https://investor.chewy.com>.

### Fiscal Q3 2023 Highlights:

- Net sales of \$2.74 billion improved 8.2 percent year over year
- Gross margin of 28.5 percent increased 10 basis points year over year
- Net loss of \$35.8 million, including share-based compensation expense and related taxes of \$65.8 million
- Net margin of (1.3) percent decreased 140 basis points year over year
- Basic and diluted loss per share of \$0.08, a decrease of \$0.09 year over year
- Adjusted EBITDA<sup>(1)</sup> of \$82.1 million, an increase of \$11.7 million year over year
- Adjusted EBITDA margin<sup>(1)</sup> of 3.0 percent increased 20 basis points year over year
- Adjusted net income<sup>(1)</sup> of \$63.0 million, an increase of \$14.6 million year over year
- Adjusted basic and diluted earnings per share<sup>(1)</sup> of \$0.15, an increase of \$0.04 year over year

“Chewy continues to gain market share, with third quarter net sales increasing 8% against industry growth in the low single digits,” said Sumit Singh, Chief Executive Officer of Chewy. “Our team also continues to execute admirably, as reflected by another strong quarter of 28.5% gross margin and 3.0% adjusted EBITDA margin profitability.”

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

### Chewy Fiscal Third Quarter 2023 Financial Results Conference Call

**When:** Wednesday, December 6, 2023

**Time:** 5:00 pm ET

**Conference ID:** 528484

**Live Call:** 1-844-200-6205 (US Toll-Free), 1-646-904-5544 (US and all other locations)

**Replay:** 1-866-813-9403 (US Toll-Free), 1-929-458-6194 (US and all other locations)

**Replay Access Code:** 798952

(The replay will be available approximately two hours after the completion of the live call until 11:59 pm PT on December 13, 2023)

**Webcast:** <https://investor.chewy.com>

As a reminder, Chewy will hold its Inaugural Investor Day on Thursday, December 14, 2023, at 8:00 am ET in New York City. During the event, Chewy’s leadership team will provide updates on the company’s long-term strategy, followed by Q&A.

A link to a live webcast is available on Chewy’s investor relations website at <https://investor.chewy.com>. Following the conclusion of the event, a replay and presentation materials will be available for at least 90 days.

<sup>(1)</sup> Adjusted EBITDA, adjusted EBITDA margin, adjusted net income, and adjusted basic and diluted earnings per share are non-GAAP financial measures. See “Non-GAAP Financial Measures” for additional information on non-GAAP financial measures and a reconciliation to the most comparable GAAP measures.

### About Chewy

Our mission is to be the most trusted and convenient destination for pet parents and partners everywhere. We believe that we are the preeminent online source for pet products, supplies, and prescriptions as a result of our broad selection of high-quality products and services, which we offer at competitive prices and deliver with an exceptional level of care and a personal touch to build

brand loyalty and drive repeat purchasing. We seek to continually develop innovative ways for our customers to engage with us, as our website and mobile app allow our pet parents to manage their pets' health, wellness, and merchandise needs, while enabling them to conveniently shop for our products. We partner with approximately 3,500 of the best and most trusted brands in the pet industry offering approximately 110,000 products and services offerings, to bring what we believe is a high-bar, customer-centric experience to our customers.

### **Forward-Looking Statements**

This communication contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this communication, including statements regarding our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements.

In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “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 communication 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” included under Part I, Item 1A of our Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission and elsewhere in this communication. 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 communication. 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 communication. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements. The forward-looking statements made in this communication 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 communication to reflect events or circumstances after the date of this communication 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.

### **Non-GAAP Financial Measures**

#### *Adjusted EBITDA and Adjusted EBITDA Margin*

To provide investors with additional information regarding our financial results, we have disclosed in this earnings release 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 earnings release 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	<u>\$ 82,126</u>	<u>\$ 70,399</u>	<u>\$ 279,167</u>	<u>\$ 213,970</u>
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 %

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

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

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

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

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

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

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2023	October 30, 2022	October 29, 2023	October 30, 2022
<b>Reconciliation of Net (Loss) Income to Adjusted Net Income</b>				
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	<u>\$ 63,011</u>	<u>\$ 48,401</u>	<u>\$ 213,576</u>	<u>\$ 156,151</u>
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	1,414	5,227	2,663	5,558
Diluted	<u>432,172</u>	<u>428,125</u>	<u>431,406</u>	<u>427,223</u>
(Loss) earnings per share attributable to common Class A and Class B stockholders				
Basic	<u>\$ (0.08)</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.10</u>
Diluted	<u>\$ (0.08)</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.10</u>
Adjusted basic	<u>\$ 0.15</u>	<u>\$ 0.11</u>	<u>\$ 0.50</u>	<u>\$ 0.37</u>
Adjusted diluted	<u>\$ 0.15</u>	<u>\$ 0.11</u>	<u>\$ 0.50</u>	<u>\$ 0.37</u>

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