



**chewy**

**Q2 2024 Financial Results**

**August 28, 2024**

# 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 share repurchase program, 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.

Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could cause actual results to differ materially from those in such forward-looking statements, including but not limited to, 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 jurisdictions and offerings; successfully respond to business disruptions; 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 the 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; estimating our market share; 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 websites, mobile applications, and network infrastructure; maintain adequate cybersecurity with respect to our systems and retain third-party service providers that 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; utilize net operating loss and tax credit carryforwards, and other tax attributes; 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 new offerings; manage challenges presented by international markets; successfully compete in the pet products and services health and retail industry, especially in the e-commerce sector; comply with the terms of our credit facility; raise capital as needed; and maintain effective internal control over financial reporting.

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” in our Quarterly Report on Form 10-Q from last quarter 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 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 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.

# Key Recent Highlights



**20M Active Customers**  
Positive Sequential Growth



**\$533M Capital Returned  
to Shareholders<sup>1</sup>**

## Financial Metrics

**\$565**  
Net Sales Per  
Active Customer<sup>2</sup>

**78.4%**  
Autoship Customer Sales  
as a % of Net Sales<sup>3</sup>

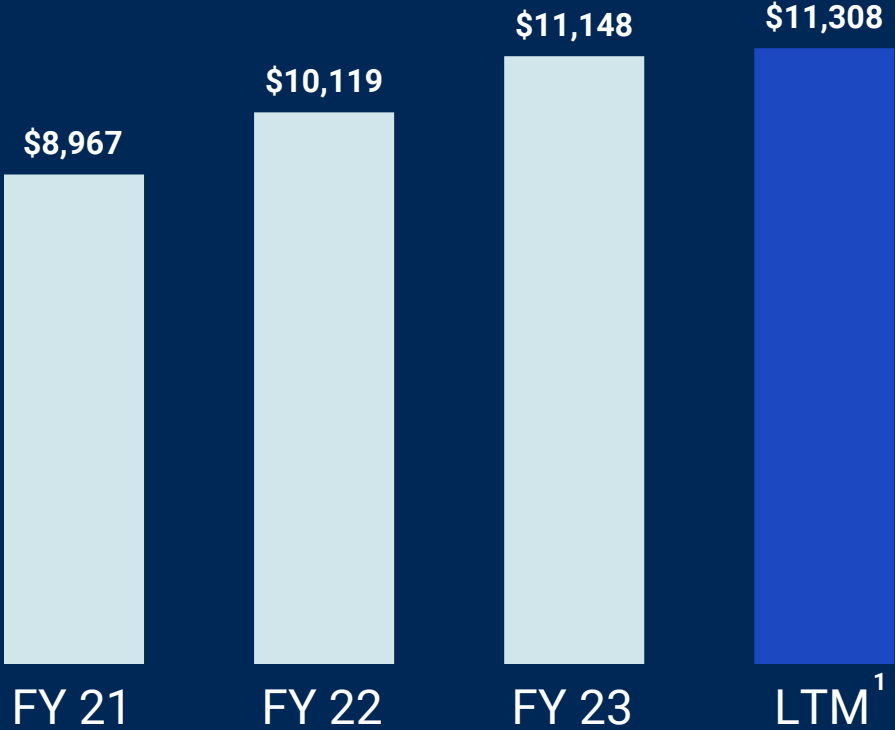
**\$145M**  
Q2 24 Adj. EBITDA  
(5.1% Margin)<sup>4</sup>

(1) Represents executed share repurchases in the quarter.  
(2) Net sales per active customer defined as the aggregate net sales for the preceding four fiscal quarters, divided by the total number of active customers at the end of that fiscal quarter.  
(3) Autoship customers defined as customers in a given fiscal quarter for whom an order has shipped through our Autoship subscription program during the preceding 364-day period. We define Autoship 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.  
(4) Adjusted ("Adj.") EBITDA and adjusted EBITDA margin are non-GAAP financial measures. See "Non-GAAP Financial Measures" for additional information on non-GAAP financial measures and a reconciliation to the most comparable GAAP measures.

# Net Sales

## Full Year

(\$ Millions)

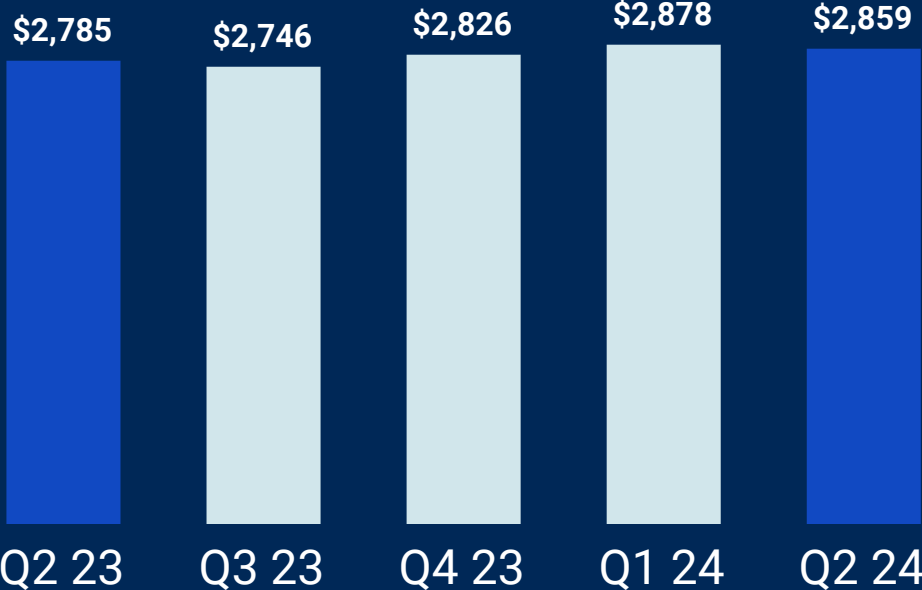


### % YoY Growth<sup>2</sup>

25.5%	12.8%	10.2%	4.5%
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## Quarterly

(\$ Millions)



### % YoY Growth

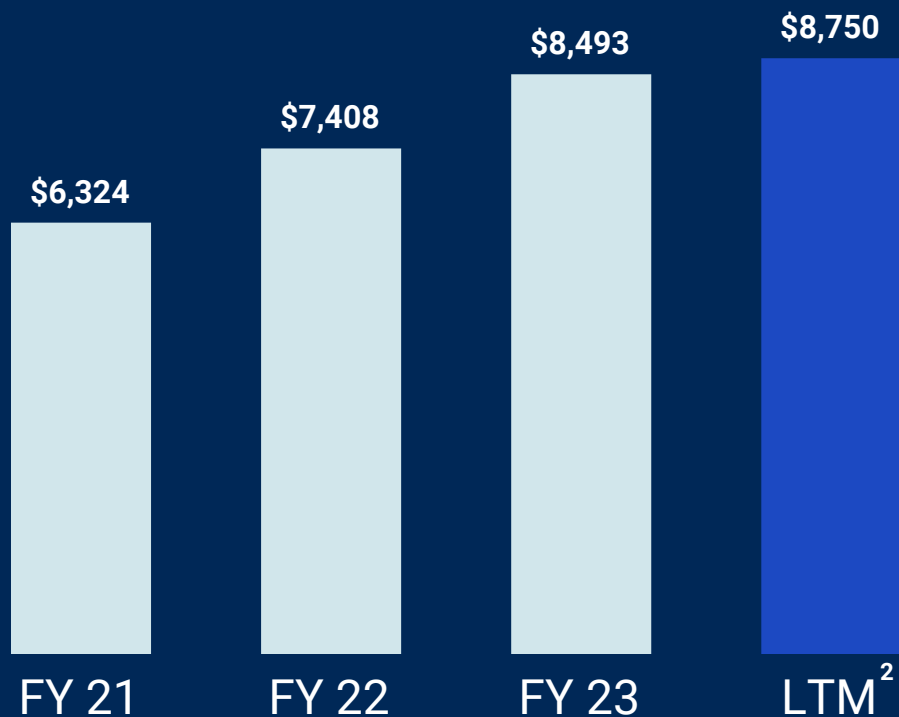
14.3%	8.2%	4.2%	3.1%	2.6%
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(1) "LTM" is defined as Last Twelve Months and reflects the preceding 12 month period as of the end of the current quarter (Q2 24).  
 (2) Consistent with the Company's Annual Report on Form 10-K for its 2023 Fiscal Year, the Company has provided recasted financial information for historical comparative periods to reflect the operations of Chewy Pharmacy KY, LLC beginning with the Company's 2021 Fiscal Year. Any historical comparatives prior to Fiscal Year 2021 are consistent with previously reported financial information.

# Autoship Customer Sales<sup>1</sup>

## Full Year

(\$ Millions)

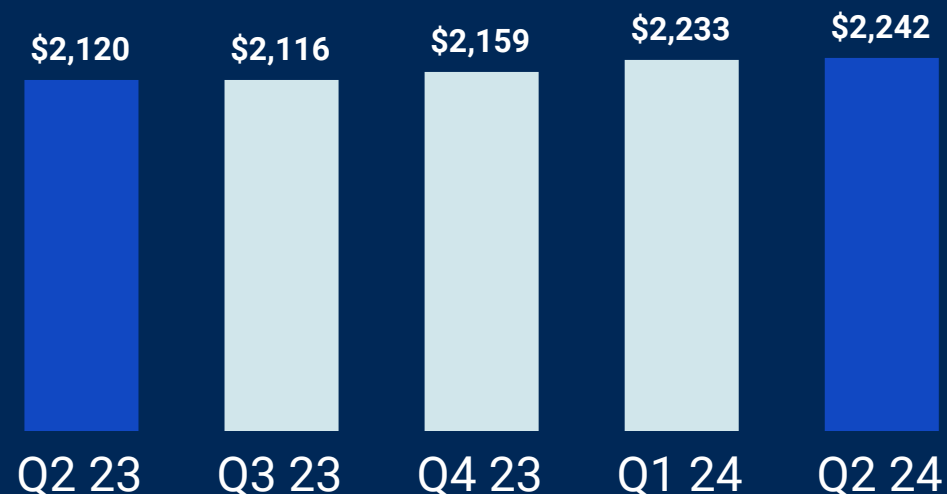


## % YoY Growth<sup>3</sup>



## Quarterly

(\$ Millions)



## % YoY Growth

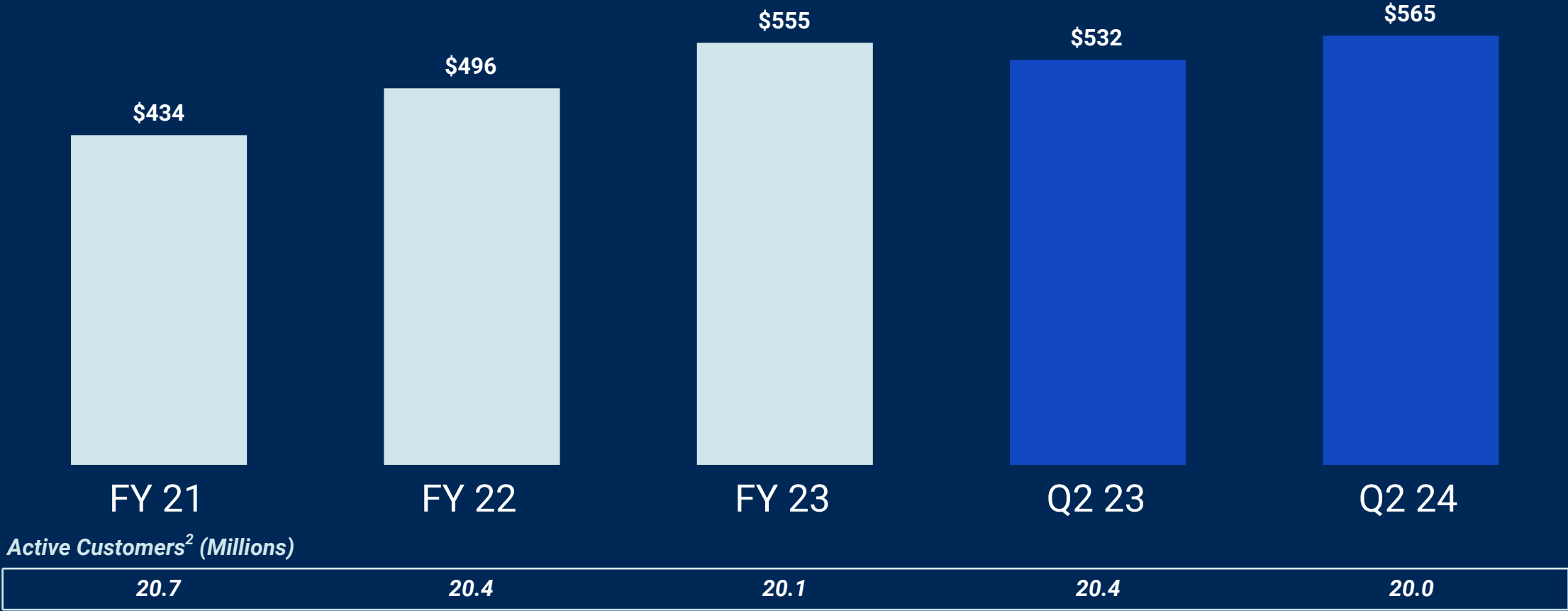


(1) We define Autoship customers as customers in a given fiscal quarter for whom an order has shipped through our Autoship subscription program during the preceding 364-day period.

(2) "LTM" is defined as Last Twelve Months and reflects the preceding 12 month period as of the end of the current quarter (Q2 24).

(3) Consistent with the Company's Annual Report on Form 10-K for its 2023 Fiscal Year, the Company has provided recasted financial information for historical comparative periods to reflect the operations of Chewy Pharmacy KY, LLC beginning with the Company's 2021 Fiscal Year. Any historical comparatives prior to Fiscal Year 2021 are consistent with previously reported financial information.

# Net Sales Per Active Customer (“NSPAC”)¹

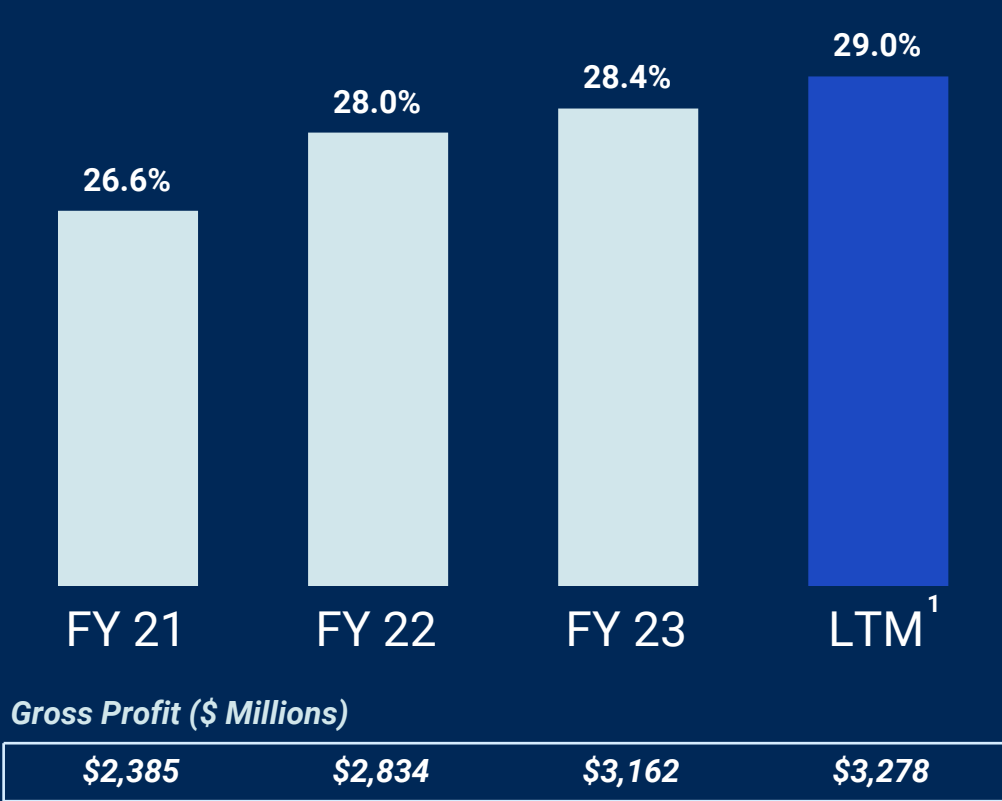


(1) We define net sales per active customer (“NSPAC”) as the aggregate net sales for the preceding four fiscal quarters, divided by the total number of active customers at the end of that fiscal quarter.  
 (2) We define active customers as the total number of customers who have ordered a product or 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.

# Gross Margin

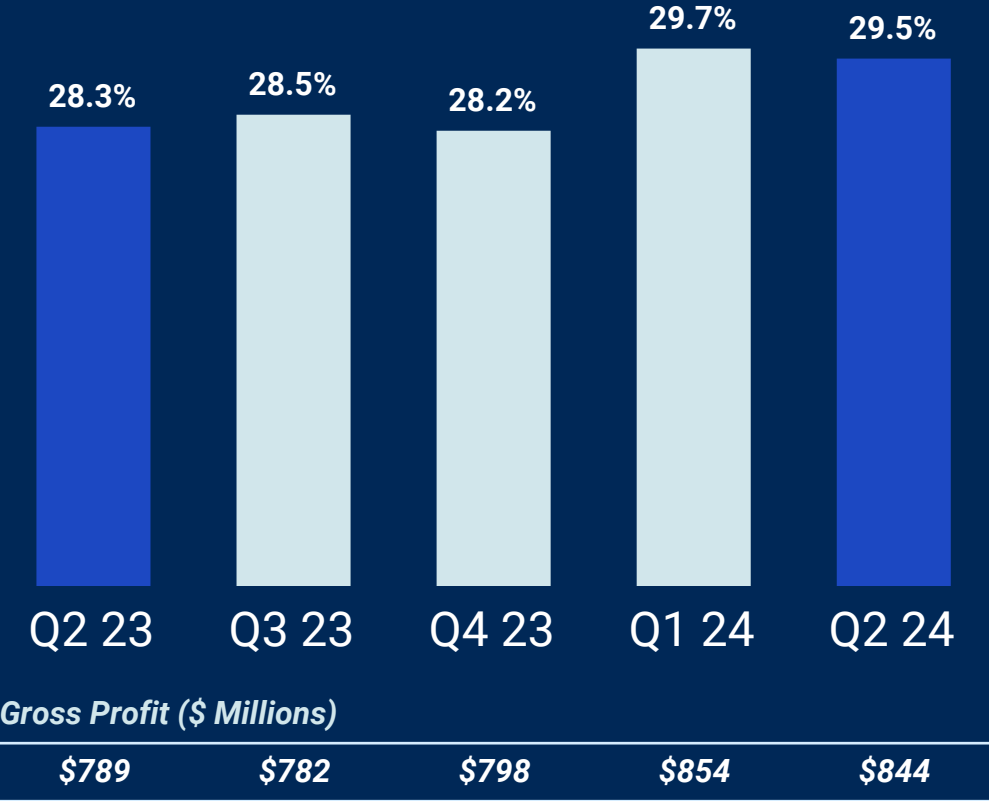
## Full Year

(%)



## Quarterly

(%)

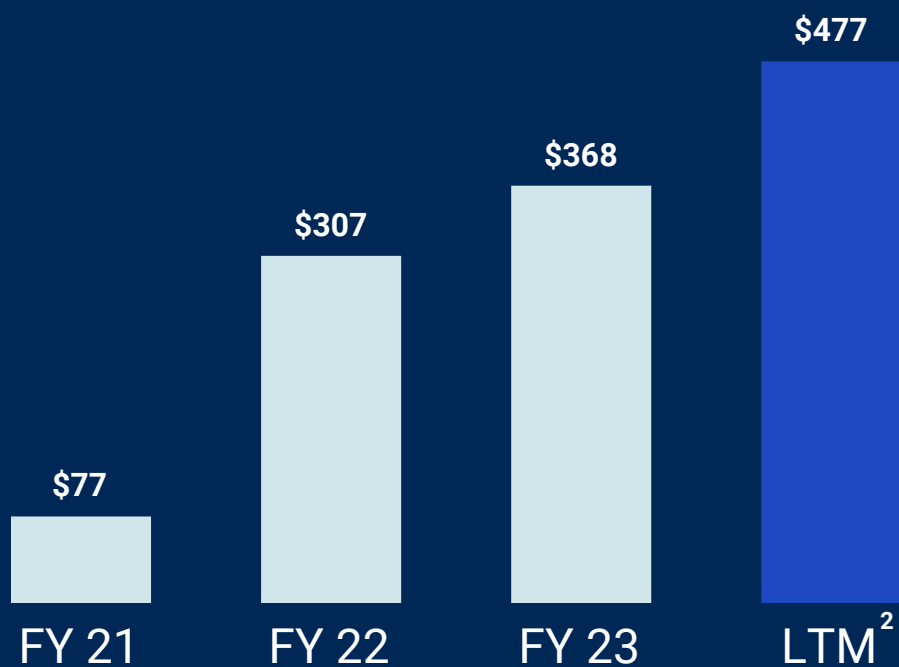


(1) "LTM" is defined as Last Twelve Months and reflects the preceding 12 month period as of the end of the current quarter (Q2 24).

# Adjusted EBITDA<sup>1</sup>

## Full Year

(\$ Millions)

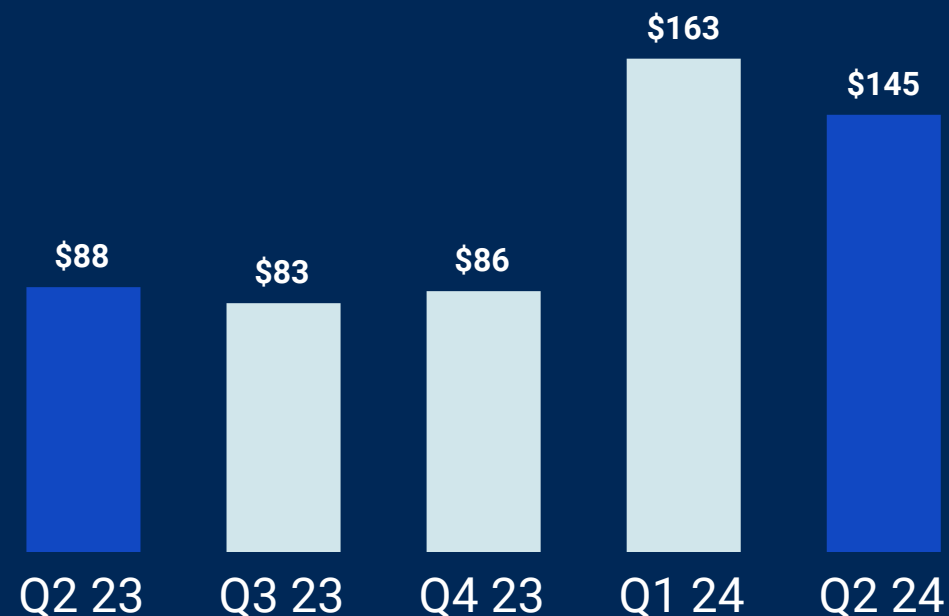


## % Margin<sup>1</sup>



## Quarterly

(\$ Millions)



## % Margin<sup>1</sup>



(1) Adjusted ("Adj.") EBITDA and adjusted EBITDA margin are non-GAAP financial measures. See "Non-GAAP Financial Measures" for additional information on non-GAAP financial measures and a reconciliation to the most comparable GAAP measures.  
 (2) "LTM" is defined as Last Twelve Months and reflects the preceding 12 month period as of the end of the current quarter (Q2 24).



# Free Cash Flow<sup>1</sup>

## Full Year

(\$ Millions)

## Quarterly

(\$ Millions)



**Q2 FY24 Cash Balance: \$694M<sup>3</sup>**

(1) Free cash flow ("FCF") is a non-GAAP financial measure. See "Non-GAAP Financial Measures" for additional information on non-GAAP financial measures and a reconciliation to the most comparable GAAP measures.  
(2) "LTM" is defined as Last Twelve Months and reflects the preceding 12 month period as of the end of the current quarter (Q2 24).  
(3) Reflects total cash and cash equivalents plus marketable securities.

# Guidance



## Fiscal Third Quarter 2024

**Net Sales**

**\$2.84 billion - \$2.86 billion**  
*Approximately 3% - 4% YoY growth*

## Fiscal Year 2024

**Net Sales**

**\$11.6 billion - \$11.8 billion**  
*Approximately 4% - 6% YoY growth*

**Adj. EBITDA Margin<sup>1</sup>**

**4.5% - 4.7%**

(1) Adjusted EBITDA Margin is a non-GAAP financial measure. See "Non-GAAP Financial Measures" for additional information on non-GAAP financial measures. Our Fiscal Year 2024 Net Sales guidance range reflects the impact of a 53-week fiscal year. Our 53rd week will be fully reflected in the fourth quarter of 2024.

Our guidance is based on certain assumptions, including current expectations regarding the impact of general economic conditions, and is subject to various risks and uncertainties applicable to all forward-looking statements in this presentation. See "Forward-Looking Statements" for more information. We have not reconciled our outlook for adjusted EBITDA margin to net margin because we do not provide an outlook for GAAP net income (loss) due to the uncertainty and potential variability of other income, net, and provision for (benefit from) income taxes, which are reconciling items between adjusted EBITDA and GAAP net income (loss). Because such items cannot be reasonably predicted, we are unable to provide a reconciliation of the non-GAAP financial measure outlook to the corresponding GAAP measure. However, such items could have a significant impact on GAAP net income (loss) and net margin.

# Non-GAAP Financial Measures

## Adjusted EBITDA and Adjusted EBITDA Margin

To provide investors with additional information regarding our financial results, we have disclosed 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 (benefit); interest income (expense), net; transaction related costs; changes in the fair value of equity warrants; severance and 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 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 (benefit); interest income (expense), net; transaction related costs; changes in the fair value of equity warrants; and litigation matters and other items which are not components of our core business operations. We believe it is useful to exclude severance and exit costs because these expenses represent temporary initiatives to realign resources and enhance operational efficiency, 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 or initiative and include changes in the fair value of equity warrants, severance and 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.

# Non-GAAP Financial Measures

## Adjusted EBITDA and Adjusted EBITDA Margin

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

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

(in thousands, except percentages)

Reconciliation of Net Income (Loss) to Adjusted EBITDA	13 Weeks Ended					LTM <sup>(1)</sup>	Fiscal Year		
	July 28, 2024	April 28, 2024	January 28, 2024	October 29, 2023	July 30, 2023	July 28, 2024	2023	2022	2021
Net income (loss)	\$ 299,117	\$ 66,897	\$ 31,886	\$ (35,372)	\$ 20,207	\$ 362,528	\$ 39,580	\$ 49,899	\$ (75,207)
Add (deduct):									
Depreciation and amortization	28,455	28,000	27,441	25,540	27,814	109,436	109,693	83,440	55,319
Share-based compensation expense and related taxes	82,467	69,484	60,665	65,799	68,302	278,415	248,543	163,211	85,308
Interest (income) expense, net	(12,921)	(14,523)	(31,384)	(10,173)	(8,928)	(69,001)	(58,501)	(9,290)	1,641
Change in fair value of equity warrants	(1,125)	683	(26,621)	33,800	(29,192)	6,737	(13,079)	13,340	—
Income tax (benefit) provision	(252,604)	11,483	4,639	1,704	1,304	(234,778)	8,650	2,646	—
Severance costs	—	—	14,348	—	—	14,348	14,348	—	—
Exit costs	—	—	—	(778)	5,260	(778)	6,839	—	—
Transaction related costs	481	(10)	4,660	1,041	2,126	6,172	7,827	3,953	2,423
Other	965	910	833	1,020	1,254	3,728	4,168	(460)	7,990
Adjusted EBITDA	\$ 144,835	\$ 162,924	\$ 86,467	\$ 82,581	\$ 88,147	\$ 476,807	\$ 368,068	\$ 306,739	\$ 77,474
Net sales	\$2,858,589	\$2,877,725	\$2,825,904	\$2,745,875	\$2,785,302	\$11,308,093	\$11,147,720	\$10,119,000	\$8,967,407
Net margin	10.5 %	2.3 %	1.1 %	(1.3)%	0.7 %	3.2 %	0.4 %	0.5 %	(0.8)%
Adjusted EBITDA margin	5.1 %	5.7 %	3.1 %	3.0 %	3.2 %	4.2 %	3.3 %	3.0 %	0.9 %

<sup>(1)</sup> "LTM" is defined as Last Twelve Months and reflects the preceding 12 month period as of the end of the current quarter (thirteen weeks ended July 28, 2024).

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

# Non-GAAP Financial Measures

## Free Cash Flow

To provide investors with additional information regarding our financial results, we also disclose 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 websites, mobile applications, 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 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.

<i>(in thousands)</i>	13 Weeks Ended					LTM <sup>(1)</sup>	Fiscal Year		
	July 28, 2024	April 28, 2024	January 28, 2024	October 29, 2023	July 30, 2023	July 28, 2024	2023	2022	2021
<b>Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow</b>									
Net cash provided by operating activities	\$ 123,410	\$ 81,937	\$ 99,547	\$ 79,377	\$ 158,575	\$ 384,271	\$ 486,211	\$ 349,777	\$ 191,743
Deduct:									
Capital expenditures	(31,926)	(29,299)	(32,380)	(31,685)	(57,644)	(125,290)	(143,282)	(230,310)	(183,186)
Free Cash Flow	\$ 91,484	\$ 52,638	\$ 67,167	\$ 47,692	\$ 100,931	\$ 258,981	\$ 342,929	\$ 119,467	\$ 8,557

<sup>(1)</sup> "LTM" is defined as Last Twelve Months and reflects the preceding 12 month period as of the end of the current quarter (thirteen weeks ended July 28, 2024).

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, pharmacy facilities, veterinary clinics, customer service infrastructure, 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.





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