UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019.

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 001-38134

Blue Apron Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**81-4777373**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
28 Liberty Street, New York, New York	**10005**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code **(347) 719-4312**

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

Title of Each Class	Trading Symbol	Name of Exchange on Which Registered
Class A Common Stock, $0.0001 par value per share	APRN	New York Stock Exchange LLC

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

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

Non-accelerated filer ☐

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 by Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

Based on the closing price of the Registrant's Class A Common Stock on the last business day of the Registrant's most recently completed second fiscal quarter, which was June 28, 2019, the aggregate market value of its Class A Common Stock and Class B Common Stock (based on a closing price of $6.76 per share on June 28, 2019 as reported on the New York Stock Exchange) held by non-affiliates was approximately $57.2 million.

As of January 31, 2020 there were 8,152,853 shares of Class A Common Stock, 5,114,327 shares of Class B Common Stock and 0 shares of Class C Capital Stock outstanding.

Documents Incorporated by Reference:

Portions of the proxy statement to be filed pursuant to Regulation 14A of the Exchange Act no later than 120 days after the end of this fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III of this Form 10-K.

BLUE APRON HOLDINGS, INC.

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Unless the context otherwise requires, we use the terms "Blue Apron", the "Company", "we", "us", and "our" in this Annual Report, to refer to Blue Apron Holdings, Inc. and, where appropriate, our consolidated subsidiaries.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Key Financial and Operating Metrics" for the definitions of the following terms used in this Annual Report: "Orders", "Customers", "Average Order Value", "Orders per Customer", and "Average Revenue per Customer".

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. All statements other than statements of historical fact contained in this Annual Report on Form 10-K, including statements regarding our future results of operations and financial position, business strategy and plans, and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties, and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue,” or the negative of these terms or other similar expressions. The forward-looking statements in this Annual Report on Form 10-K are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K and are subject to a number of risks, uncertainties and assumptions described in the “Risk Factors” section and elsewhere in this Annual Report on Form 10-K. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations include:

- our expectations regarding our expenses and revenue, our ability to maintain and grow adjusted EBITDA and to achieve profitability, the sufficiency of our cash resources, our needs for additional financing, our ability to effectively manage expenses and cash flows, and our ability to remain in compliance with financial and other covenants under our indebtedness;

- our ability, including the timing and extent, to obtain additional financing and sufficiently manage costs and to fund investments in our operations in amounts necessary to support the execution of our growth strategy;

- our ability, including the timing and extent, to successfully execute our growth strategy, cost-effectively attract new customers and retain existing customers, and to expand our direct-to-consumer product offerings;

- our ability to identify, consummate and realize the anticipated benefits of strategic alternatives and the structure, terms and specific risks and uncertainties associated with any such potential strategic alternatives;

- our expectations regarding the benefits and expected costs and charges associated with our plan to close our Arlington, Texas fulfillment center, together with any potential disruption to our workforce and operations associated with such closure and related transfer of production volume to our Linden, New Jersey and Richmond, California fulfillment centers;

- our ability to maintain and grow the value of our brand and reputation;

- our expectations regarding, and the stability of, our supply chain, including potential shortages or interruptions in the supply or delivery of ingredients;

- our ability to maintain food safety and prevent food-borne illness incidents;

- changes in consumer tastes and preferences or in consumer spending;

- our ability to effectively compete;
- our ability to attract and retain qualified employees and key personnel;
- our ability to comply with modified or new laws and regulations applying to our business;
- our vulnerability to adverse weather conditions or natural disasters; and
- our ability to obtain and maintain intellectual property protection.

While we may elect to update these forward-looking statements at some point in the future, whether as a result of any new information, future events, or otherwise, we have no current intention of doing so except to the extent required by applicable law.

PART I

ITEM 1. BUSINESS.

Blue Apron creates incredible experiences. Founded in 2012, we are building a consumer lifestyle brand that symbolizes the emotional human connections that are formed through the cooking experiences we create.

Our core product is the meal experience we help our customers create. These experiences extend from discovering new recipes, ingredients, and cooking techniques to preparing meals with families and loved ones to sharing photos and stories of culinary triumphs. Central to these experiences are the original recipes we design and send along with fresh, seasonally inspired ingredients directly to our customers. We also sell wine, which can be paired with our meals, and we sell a curated selection of cooking tools, utensils, pantry items, and add-on products for different culinary occasions, which are tested and recommended by our culinary team. Our customers span ages, geographies, income brackets, and levels of culinary expertise. They include recent college graduates, young couples, families, singles, and empty nesters. Our passionate community of home cooks tell us, through emails, phone calls, and social media, how much Blue Apron has changed their lives.

Central to our operations, we have developed an integrated ecosystem that employs technology and expertise across many disciplines. Our supply-demand coordination activities—demand planning, recipe creation, recipe merchandising, fulfillment operations, and marketing—drive our end-to-end value chain.

Our Products

Meals

On our direct-to-consumer platform, we currently offer two meal plans: a 2-Serving Plan and a 4-Serving Plan. For each plan, customers have the flexibility to choose any combination of the recipes offered each week. This includes any two or three recipes from eleven choices on the 2-Serving Plan and any two, three, or four recipes from six choices on the 4-Serving Plan. Based on the number of Orders in 2019 per plan type, 82% of our meal Orders were for the 2-Serving Plan and 18% were for the 4-Serving Plan. Our customers can tailor their orders to complement their individual tastes and lifestyles. Some customers prefer to let our recipe recommendation algorithm choose their recipes based on the food preferences they have provided to us, while other customers actively choose, several weeks in advance of delivery, which recipes to receive. Customers can choose to receive orders each week, or less frequently if that better suits their schedules. Customers can make their order selections on our website or through our mobile application.

For all of our products, our culinary team, including chefs who are alumni of some of the best restaurants in the world, such as Michelin-starred Per Se and Blue Hill at Stone Barns, begins the recipe creation process with various seasonal ingredients grown by our farm suppliers. Our chefs apply to these raw ingredients their expertise and insights from our customer feedback and recipe ratings to create our recipe offerings, with an eye towards what is delicious and accessible for individuals and families to eat week-in and week-out.

We merchandise our recipes through various campaigns geared toward seasonality, taste preferences, ingredients, or health. Our approach to menu design seeks to balance ingredient supply and cost while appealing to a variety of customer lifestyles and cooking attitudes across a broad range of demographics and taste profiles.

On our direct-to-consumer platform, we offer at least seventeen recipes per week between our 2-Serving and 4-Serving Plans, striving for a balanced mix of ingredients, cuisines, familiarity, discovery, and preparation times. We are focused on offering a variety of choices every week, including a range of recipes designed for a healthy lifestyle, so that customers can make selections based on their individual or household needs and preferences.

We are committed to sourcing fresh, high-quality ingredients year-round from our supplier network that includes farmers, ranchers, and fisheries. Our recipes change every week based on the season and often feature specialty ingredients not readily available elsewhere. By merchandising these ingredients into carefully crafted recipes, we are able to introduce our customers to ingredients they may have never experienced before. We also collaborate with suppliers to create ingredients specifically for our recipes, such as custom sauces, unique spice blends, or, for example, bespoke ramen noodles from a third-generation noodle maker.

Our ingredient standards are critically important to us and our customers. We source only ingredients certified by our suppliers as non-GMO (genetically modified organism) and buy certain ingredients from certified organic producers. All of our beef, poultry, and pork comes from animals given exclusively vegetarian feed and not treated with added hormones or sub-therapeutic antibiotics. Similarly, we source high-quality seafood consistent with the standards established by Monterey Bay Aquarium Seafood Watch, one of the world's most respected sustainable seafood organizations.

Wine

Blue Apron Wine, our direct-to-consumer wine delivery service, uses an integrated supply chain and direct sourcing relationships to deliver high-quality wines at compelling values. We work directly with vineyards and acclaimed winemakers to create custom Blue Apron wines that are specially crafted for our customers and are not available elsewhere. Our wines pair with our meals and are sized for a dinner for two (in 500ml bottles, rather than traditional 750ml bottles). Customers have the flexibility to customize their box, choosing six bottles from a monthly selection of wines, that best meet their taste preferences. Our wine offerings include custom red and white wines (and seasonally available rosé), tasting notes, pairing tips, and the story behind each wine. We are a licensed winery, and currently ship directly to customers in 31 states and Washington, D.C. As with our meals, customers may choose to actively manage their wine orders by adjusting deliveries to fit their schedules, or they may simply sign up and receive a delivery each month. In addition to our monthly wine service, during 2019 we launched a wine a la carte option, giving customers the ability to order a wine bundle outside of the monthly subscription model.

Market

Blue Apron Market, our e-commerce market, features a curated selection of cooking tools, utensils, pantry items, and add-on products for different culinary occasions, which are tested and recommended by our culinary team. Many of these items are not available elsewhere, and we have focused on expanding our exclusive items and partnerships. All of our recipe cards feature cooking tools and utensils from Blue Apron Market, creating an integrated brand experience for our community of home cooks and repeated merchandising opportunities for our company. Our recently launched wine a la carte option is also sold on the Blue Apron Market website.

Digital Experience

Customers can find recipes, register their preferences, manage their accounts, and make purchases on our site or on our iOS and Android mobile applications. Our digital customer experience is immersive: we offer how-to cooking videos, stories about our suppliers, and our collection of thousands of recipes that customers can access on their own.

How We Do It

We have created an integrated ecosystem that enables us to source high-quality, differentiated ingredients, design original recipes around those ingredients, and combine them into meaningful cooking experiences that we deliver to customers across the United States. Our interconnected end-to-end value chain allows us to execute cost-effectively and at scale. Coordination between our culinary team, marketing practices, and technology tools helps us pair customer demand with supply, as well as to work with our suppliers to deliver high-quality food at compelling values. Our fulfillment and logistics operations are built to support our ongoing product innovation.

Supply-Demand Coordination

Our supply-demand coordination activities include demand planning, recipe creation, recipe merchandising, and marketing. We use near-term and long-term demand forecasting based on proprietary data and software to inform decisions along our value chain, from decisions about fulfillment center capacity to predicting our supply needs to ingredient purchasing. This process continues through recipe creation and merchandising, as we craft recipes around available ingredients, and have the ability to make adjustments up to just a few weeks prior to fulfillment. We have also tailored our marketing strategies based on these demand forecasts and planning to optimize our marketing return-on-investment.

Supplier Relationships

Our deep supplier relationships provide us access to a supply of high-quality ingredients. This enables us to optimize yield to reduce waste and cost while minimizing our supply chain footprint. Blue Apron aims to work directly with farmers whenever practicable to ensure customers receive high-quality, seasonally inspired produce directly from the source and at optimal freshness. We collaborate with farmers, ranchers, fisheries, and other suppliers to source meat, seafood, and poultry products that meet our animal welfare standards, enabling us to provide premium ingredients to our customers such as grass-fed beef and eggs from pasture-raised chickens.

Operations

Our purchasing, production, fulfillment, and logistics operations are integrated with our demand management and supplier relationships. Successfully integrating these disparate activities requires us to possess a variety of competencies: a team with deep, ingredient-specific expertise; a technology-enabled platform that connects our end-to-end operations; and a scalable architecture that adapts to surges in demand as well as variations in available supply. Our enhanced planning and process-driven strategies enable us to make informed purchasing decisions and provide opportunities to better manage food costs, allocate labor and reduce waste in our fulfillment centers.

Informed Purchasing

While we work directly with our suppliers months in advance to plan our supply needs, we place purchase orders closer to the expected fulfillment, after coordinating supply and demand through processes such as recipe merchandizing and analyzing the outputs of our demand planning and forecasting tools.

Production and Fulfillment

As of December 31, 2019, we operated three fulfillment centers. Our fulfillment centers are designed to effectively manage our variable, high-throughput, perishable inventory as well as flexible production and labor needs. We have invested extensively in our fulfillment centers, including by launching our Linden, New Jersey center in 2017 and implementing automation equipment in each of our fulfillment centers, and continue to optimize our network with a focus on maximizing efficiencies. Following a review of our fulfillment center network structure and improvements in sourcing, production and logistics, on February 18, 2020, we announced the planned closure of our Arlington, Texas fulfillment center and the consolidation of production volume into our Linden, New Jersey and Richmond, California fulfillment centers. Through this action, we believe we can more efficiently continue to service our national footprint while also enabling us to redirect financial resources into other parts of the business, including growth initiatives.

Because we prep and ship perishable products, our fulfillment centers must adhere to stringent food and safety standards, temperature protocols, and regulatory guidelines. We also station quality managers from our culinary team, many of whom are former professional chefs, in our fulfillment centers to ensure that our ingredients adhere to our quality standards. Each fulfillment center is certified under the Safe Quality Food (SQF) Food Safety Code for Manufacturing nationwide, a globally recognized, independent food safety standard administered by the Safe Quality Food Institute.

To support our fulfillment operations, we have developed proprietary technology for every step of the process, from using our proprietary inventory management tools to assess incoming ingredients for quality to a proprietary kitchen prep software that demonstrates to fulfillment associates how to prep ingredients for each recipe, and provides instructions on selecting the correct type of packaging for each ingredient.

Logistics

Our logistics team designs, manages, and optimizes a ground-based delivery network comprised of several third-party partners capable of delivering to geographies covering over 99% of the U.S. population. We analyze outbound logistics on a zip code by zip code basis to enable cost-effective and timely delivery of orders, while also adjusting the packaging of our ingredients and other components of our fulfillment operations based on the expected delivery route, weather, or ultimate destination. All of our packaging materials are chosen with environmental impact in mind. We select packaging that is recyclable or biodegradable whenever practicable. Our packaging innovation team, with the support of third-party sustainability experts, is focused on innovating to improve our packaging design, lower overall costs, and reduce our carbon footprint.

Our Brand and Marketing

We are continuing to build a consumer lifestyle brand that inspires, connects, and brings memorable experiences to homes across the country. Several nights a week, our customers invite us into their homes. We take part in some of the most joyful parts of their days, helping them create a meal for themselves, their families and their loved ones. Their challenges are opportunities for us to learn together, and their accomplishments are among our proudest achievements. We hear their success stories every day. Unlike a purely transactional e-commerce platform, we believe the emotional connection that customers have with our brand will enable us to have a more meaningful role in their lives.

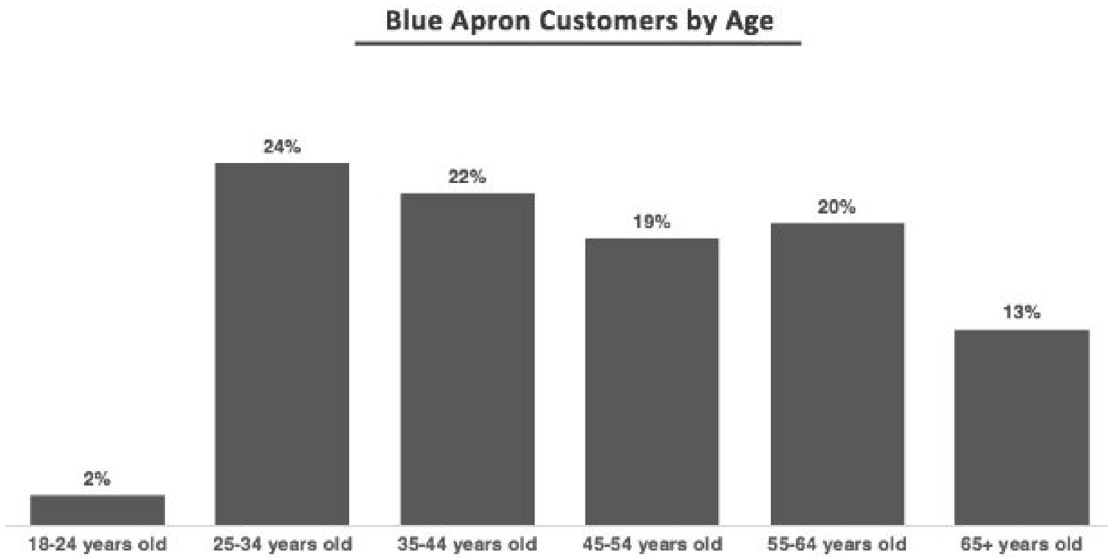
We believe in utilizing a strategic mix of marketing channels to efficiently add new customers as well as to engage and create value for our existing customers. This includes a diverse mix of online and offline channels, as well as strategic partnerships that enable us to expand our brand to new segments of customers. We deliberately focus on the marketing channels we believe to be the most efficient and on customer segments that have demonstrated stronger affinity and retention. We believe our customers continue to be some of our best marketers, and we see them share their Blue Apron moments through social media, blogs, and referrals. We also have a customer referral program through which certain existing customers may invite others to receive a complimentary meal delivery.

For all of our products, we use a combination of paid, earned, and owned media to increase the awareness of our brand and attract new customers. Our content enables customers to connect and interact with our brand even when they are not cooking with us. For example, we leverage both our digital channels and printed content within deliveries to highlight specific ingredients, provide general cooking tips and techniques and foster conversation within our community of home cooks.

Finally, strategic brand partnerships are an important opportunity for us to leverage the platform we are building to add value for our existing customers and showcase our brand to new customer segments.

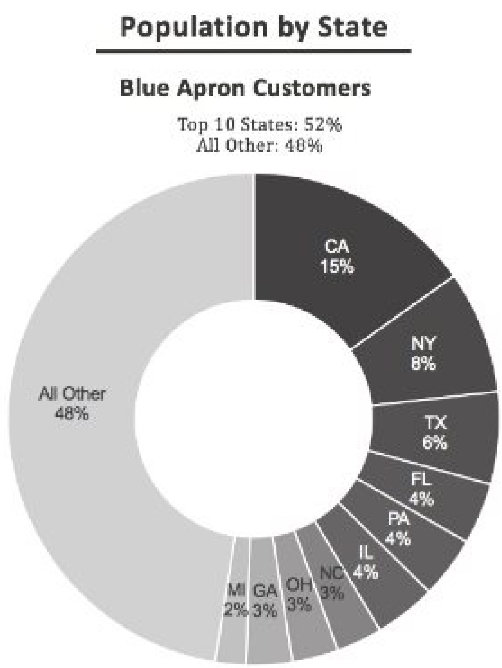
Our Customers

Our customers represent a broad range of demographics including a wide range of age groups and incomes. Customers of all kinds are able to successfully incorporate Blue Apron into a wide variety of lifestyles.



Source: Customer email survey of Blue Apron account holders, December 2019, with 3,087 respondents.

We also believe our customers roughly mirror the general geographical population distribution of the United States. According to the 2015 Current Population Survey by the U.S. Census Bureau, the top ten states account for 54% of total U.S. households. Similarly, we estimate that these states accounted for 52% of our customers for the fourth quarter of 2019.



Source: Blue Apron Customers for the quarter ended December 31, 2019.

Our Competition

The markets in which we compete are rapidly evolving and intensely competitive, and we face an array of competitors from many different industry sectors. Our current and potential competitors include: (1) other food and meal delivery companies; (2) the supermarket industry; (3) a wide array of food retailers, including natural and organic, specialty, conventional, mass, discount, and other food retail formats; (4) conventional supermarkets; (5) other food retailers; (6) online supermarket retailers; (7) casual dining and quick-service restaurants and other food service businesses in the restaurant industry; (8) online wine retailers, wine specialty stores, and retail liquor stores; and (9) food manufacturers, consumer packaged goods companies, providers of logistics services, and other food and ingredient producers.

We believe that the principal competitive factors upon which we compete include: marketing; variety and flexibility of product offering; brand, reputation, and customer satisfaction; price; product quality and safety; value perception; convenience; customer service; and reliable and timely fulfillment.

Employees

As of January 31, 2020, we had 1,612 full-time employees, of which approximately 68% were engaged in fulfillment operations. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

Intellectual Property

Our ability to protect our intellectual property rights, including our proprietary technology and our customer data, will be an important factor in our strategy and the success of our business. We seek to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret protection, and other intellectual property protections under applicable law. We register domain names, trademarks and service marks in the United States and abroad. We also seek to protect and avoid disclosure of our intellectual property through confidentiality, non-disclosure and invention assignment agreements with our employees, and through appropriate agreements with our suppliers and others. We have one registered patent and have filed two patent applications related to product packaging.

Government Regulation

Our business is subject to a variety of federal, state, and local regulatory requirements, including regulation of our food and wine operations.

Government Regulation of Foods and Food Companies

Food companies, such as Blue Apron, are subject to extensive government regulation. Federal statutes applicable to food production include, for example, the Federal Food, Drug, and Cosmetic Act, the Federal Meat Inspection Act, the Poultry Products Inspection Act, the Perishable Agricultural Commodities Act, the Nutrition Labeling and Education Act, the Food Allergen Labeling and Consumer Protection Act, the FDA Food Safety Modernization Act, and the Federal Trade Commission Act. Federal regulators have promulgated extensive regulatory schemes to implement these and other relevant statutes. These evolving regulatory structures govern matters including manufacturing, formulating, labeling, advertising, packaging, storing, and implementing safety measures for our food products. Legal changes and uncertainty regarding the regulation of food products have accelerated in recent years. In particular, the Food and Drug Administration, or FDA, has been implementing the FDA Food Safety Modernization Act by promulgating substantial numbers of new regulations and introducing multiple versions of non-binding, draft guidance documents suggesting new compliance measures for the food industry. Understanding within the food industry of how to apply these regulations and the suggestions offered in FDA guidance documents continues to evolve.

State and local jurisdictions also regulate U.S. food manufacturing facilities. For example, we currently produce and fulfill products in the states of California, New Jersey, and Texas. State and local governments exert regulatory authority over our operations in these jurisdictions. The states and localities in which a food production facility is located can impose registration, licensing, and inspection requirements in addition to those imposed by federal law. Some also enforce significant consumer protection-focused statutory schemes, which can impose additional costs and complexity on food producers.

Food companies in the U.S. are subject to government inspection with or without notice at any time, with concomitant responsibility to provide access to facilities and equipment, produce extensive operational documentation, and furnish product, packaging, and labeling samples for governmental examination. Federal, state, and local governmental agencies enjoy extensive discretion to determine whether, when and how to conduct these activities. Food companies are therefore vulnerable to unexpected business interruptions and publicity.

All food companies in the United States bear legal responsibility for any violation of applicable food laws or regulations, whether that violation is negligent, non-negligent, or deliberate. Any U.S. company found to have violated food laws or regulations may have its products seized, its operations enjoined, its goods recalled from the market and destroyed, and its business exposed to significant adverse publicity. It is also possible that new laws or regulations, or changes in the enforcement of existing requirements, might require us to change our compliance policies, incur additional cost, or result in unexpected liabilities that could be significant.

Food Safety and Quality Assurance

We maintain a food safety and quality program to verify that the food products supplied to our customers are processed in a safe and sanitary environment and are in compliance with applicable regulatory requirements and our internal food quality and safety standards. All meat and poultry products that we source are processed in facilities inspected by the U.S. Department of Agriculture, or USDA, or by the equivalent agencies in countries deemed eligible by USDA for exporting meat and poultry to the United States. Accordingly, these products must conform to USDA requirements. All food and packaging suppliers are prequalified and have agreed to comply with our requirements. While we perform supplier inspections and conduct product audits to evaluate suppliers and products for compliance with our company standards and specifications, we may not be able to prevent individual suppliers from failing to comply with food safety laws or our requirements, and we may not be able to locate each failure to comply with food safety laws or our requirements prior to receiving food products. We operate a toll-free customer call center to capture and address telephonic and electronic customer complaints, including complaints about the quality of our food products.

Government Regulation of Our Wine Business

The production, sale, and shipment of wine in the United States are each regulated by the federal government and by each state government. There is not uniformity among state laws, so business models that are national in scope must account for the state-by-state rules to achieve compliance.

Our wholly-owned subsidiary BAW, Inc., or BAW, is a licensed California winery, and must comply with federal and California law controlling winery operations. Various regulations control production, excise tax, labeling, alcohol content and recordkeeping. In addition, the promotion and marketing of wine, including pricing, is subject to federal or state regulations. For example, wine marketing cannot be targeted to children, and some states restrict excessive discounts on wine. To assist with federal and state regulatory compliance, BAW relies on various internal and external personnel with relevant experience.

Alcohol distribution in the United States is traditionally conducted through a "three-tier" system, in which alcohol passes from manufacturer to wholesaler to retailer in each state, before it can be sold to a consumer. However, applicable state regulations permit manufacturers to ship wine directly to consumers around the country. As a licensed California winery, BAW relies on such regulations to sell and ship wine to the residents of 31 states plus the District of Columbia. Each state permit held by BAW has specific compliance requirements, such as monthly reporting, limits on the amount of wine that can be shipped to a given household, and obtaining an adult signature on delivery.

Our Corporate Information

Our principal executive offices are located at 28 Liberty Street, New York, New York 10005, and our telephone number at that address is (347) 719-4312. Our website address is www.blueapron.com.

We make available, free of charge, on or through our Internet website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments thereto that we have filed or furnished with the U.S. Securities and Exchange Commission (the "SEC"), as soon as reasonably practicable after we electronically file them with the SEC. We are not, however, including the information contained on our website, or information that may be accessed through links on our website, as part of, or incorporating such information by reference into, this annual report on Form 10-K.

ITEM 1A. RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. Certain factors may have a material adverse effect on our business, financial condition, and results of operation. You should carefully consider the risks and uncertainties described below, together with all of the other information included in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes, and in our other filings with the SEC. Our business, financial condition, operating results, cash flow and prospects could be materially and adversely affected by any of these risks or uncertainties. In that case, the trading price of our Class A common stock could decline, and you may lose all or part of your investment. On June 13, 2019, the Board of Directors of the Company approved a reverse stock split of the Company's Class A Common Stock and Class B Common Stock at a ratio of 1-for-15 shares (the "Reverse Stock Split"), which Reverse Stock Split became effective on June 14, 2019. Accordingly, all common share, equity award, and per share amounts have been adjusted to reflect the Reverse Stock Split for all prior periods presented.

Risks Related to Our Business and Industry

We have a history of losses, and we may be unable to achieve or sustain profitability.

We have experienced net losses in each year since our inception. In the years ended December 31, 2019, 2018 and 2017, we incurred net losses of $61.1 million, $122.1 million and $210.1 million, respectively. We anticipate that we will continue to incur substantial operating expenses in the foreseeable future as we continue to invest to attract new customers, invest in our distribution and fulfillment capabilities, expand our direct-to-consumer product offerings, and enhance our technology and infrastructure. These efforts may prove more expensive than we anticipate, and we may not succeed in increasing our revenue and margins sufficiently to offset these expenses or at all, which may require us to reduce certain expenditures that could be important to maintaining or increasing our revenue and margins. We incur significant expenses in obtaining and storing ingredients and other products, marketing the products we offer, developing our technology, and building out our fulfillment centers. In addition, many of our expenses, including the costs associated with our existing fulfillment centers, are fixed. Accordingly, we may not be able to achieve or maintain profitability, and we may incur significant losses for the foreseeable future.

We may require additional capital to fund our existing operations and will require additional capital to fund any future expansion of our business, including our strategic plan to return to revenue growth, and our inability to obtain such capital, or to adequately manage our existing capital resources, could make it difficult for us to comply with certain covenants in our revolving credit facility and could materially adversely affect our business, financial condition and operating results.

To support our existing operations or any future expansion of our business, including our ability to execute our strategic plan to return to revenue growth, we must have sufficient capital to continue to make investments and to fund our operations. We also must maintain sufficient additional capital to comply with certain covenants in our revolving credit facility, which requires us and our subsidiaries to maintain minimum aggregate amounts of liquidity (defined to include our and our subsidiaries' unrestricted cash and cash equivalents) and, in the event we have positive consolidated total net debt, maintain minimum quarterly consolidated adjusted EBITDA in excess of certain specified thresholds. We cannot assure you that our existing cash and cash equivalents, together with cash generated from operations, will be sufficient to allow us to fund our existing operations or any growth or to do so while maintaining compliance with these certain covenants in our revolving credit facility. If cash flows from operations are not sufficient or if we fail to adequately manage our available cash and working capital, or sufficiently manage expenses, we may need additional equity or debt financing to provide the funds required to operate our business and we will need additional capital to fund any future expansion of our business. If such financing is not available, or we are unable to refinance our revolving credit facility, on satisfactory terms or at all, we may be unable to operate our business, develop new business or execute on our strategic plan to return to revenue growth, in each case at the rate desired or at all, and our operating results would suffer. Debt financing increases expenses, may contain covenants that restrict the operation of our business, and must be repaid regardless of operating results. For example, covenants contained in our revolving credit facility include limitations on our ability to pay dividends; create, incur or assume indebtedness or liens; consummate a merger, sale, disposition or similar transaction; engage in transactions with affiliates; and make investments. Our revolving credit facility also requires us to use a portion of the proceeds of certain equity issuances to repay indebtedness outstanding under the revolving credit facility. Equity financing, or debt financing that is convertible into equity, could result in dilution to our existing stockholders.

Our inability to obtain adequate capital resources, whether in the form of equity or debt, to adequately manage our existing capital resources, or to fund our business and strategies would require us to delay, scale back or eliminate some or all of our operations or any future expansion of our business, which could materially adversely affect our business, financial condition and operating results. In addition, if we are unable to deliver results from our growth strategy or otherwise effectively manage expenses and cash flows, we may not be able to maintain compliance with the financial covenants in our revolving credit facility in future periods which would result in an event of default. Upon an event of default, the lenders could declare all outstanding principal and interest to be due and payable immediately, terminate their commitments to loan money and foreclose against the assets securing the borrowings. Given our current liquidity position, upon an event of default, if we are unable to obtain a waiver or successfully renegotiate the terms of our revolving credit facility, the lenders under the revolving credit facility may enforce one or more of their rights upon default. In that case, we may not be able to meet our current obligations and could be forced to react by commencing a bankruptcy or taking other action to maximize the value of our assets, which would materially adversely affect our business, financial condition and operating results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

Our exploration and pursuit of strategic alternatives may not be successful.

On February 18, 2020, we announced that our Board of Directors is evaluating a range of strategic alternatives to maximize stockholder value, including to support the execution of our growth strategy. Our exploration of strategic alternatives, including, among other things, a strategic business combination, a capital raise through the public or private markets, a transaction that results in private ownership or sale of the company or our assets, or some combination of these, may not result in the identification or consummation of any transaction and may not yield additional value for our stockholders. In addition, we may incur substantial expenses associated with identifying and evaluating potential strategic alternatives. The process of exploring and executing strategic alternatives may be time consuming and disruptive to our business operations, and if we are unable to effectively manage the process, our business, financial condition and results of operations could be adversely affected. Any potential transaction and the related valuation would be dependent upon a number of factors that may be beyond our control, including, among other factors, market conditions, industry trends, the interest of third parties in our business and the availability of financing to potential buyers on reasonable terms. In the event of a business combination, we may face difficulties in incorporating supply or distribution channels, technology and rights into our existing product offerings, and we may experience unanticipated expenses relating to these and other integration processes.

We may be unable to successfully execute our growth strategy. If we fail to retain our existing customers, cost-effectively acquire new customers, or increase the number of customers we serve, or if we fail to derive profitable revenue from our customers, our business would be materially adversely affected.

Our growth strategy, and our ability to resume revenue growth and operate profitably, will require additional financing and, together with cost optimization initiatives, will depend largely on our ability to retain existing customers, to cost-effectively acquire new customers, and to keep customers engaged so that they continue to purchase products from us. If we are unable to retain our existing customers, cost-effectively acquire new customers, or keep customers engaged, or increase the number of customers we serve, our business, financial condition and operating results would be materially adversely affected. For example, the number of our Customers declined to approximately 351,000 in the three months ended December 31, 2019 from approximately 557,000 in the three months ended December 31, 2018, and our revenue declined to \$94.3 million from \$140.7 million in those same periods.

We have historically spent significant amounts on advertising and other marketing activities, such as television, digital and social media, direct mail, radio and podcasts, and email, to acquire new customers, retain and engage existing customers, and promote our brand, but in 2019 we deliberately reduced marketing expenditure, which had a negative impact on 2019 revenues. While we reduced our marketing expenditures in 2019 from historic levels, we expect our marketing expenses to continue to comprise a significant portion of our operating expenses. For 2019, 2018, and 2017, our marketing expenses were \$48.1 million, \$117.5 million, and \$154.5 million, respectively, representing approximately 10.6%, 17.6%, and 17.5% of net revenue, respectively. If we are unable to deliver results from our growth strategy, or otherwise effectively manage expenses and cash flows, we intend to reduce spending, particularly in marketing and capital expenditures, to the extent needed in order to comply with the financial covenants in our revolving credit facility, which will negatively and materially impact net revenue and our ability to execute our growth strategy. As a result of our existing and any future reduced marketing activities, we may fail to identify cost-efficient marketing opportunities as we adjust our investments in marketing or fail to fully understand or estimate the conditions, characteristics and behaviors that drive customer behavior. As we continue to refine our marketing strategy to strategically prioritize customer acquisition channels that we believe will be more successful at attracting high affinity customers, as a result of which we have deliberately and meaningfully reduced our marketing expenses, we may fail to identify channels that accomplish this objective or fail to understand or mitigate continuing and new negative effects of reducing our marketing expenses or of limiting our investment in historical marketing channels. Any of these failures may adversely impact our ability to attract or retain potential customers, including by making us less competitive relative to competitors who are not reducing their marketing expenses or limiting their marketing channels. Additionally, our decision to strategically invest in new and existing customers who we believe have high potential to be valuable to the business may fail to properly identify such customers or retain customers who generate the value that we anticipate. If any of our marketing activities prove less successful than anticipated in attracting new customers or retaining existing customers, we may not be able to recover our marketing spend, our cost to acquire new customers may increase, and our existing customers may reduce the frequency or size of their purchases from us. In addition, our third-party marketing partners may not provide adequate value for their services. Any of the foregoing events could materially adversely affect our business, financial condition and operating results.

Our net revenue in any period is essentially a function of our ability to attract and retain customers and the frequency and size of the orders placed by those customers. If customers do not perceive our product offerings to be of sufficient value and quality, or if we fail to offer new and relevant product offerings, we may not be able to attract or retain customers or engage existing customers so that they continue to purchase products from us. Many of our new customers originate from referrals from existing customers, and therefore we must ensure that our existing customers remain loyal to us in order to continue receiving those referrals. Our new customers typically evaluate whether our product offerings fit their lifestyles, tastes and preferences before deciding whether to continue purchasing our product offerings and, if so, the frequency at which they make purchases. While an increase in order frequency or size could potentially offset losses of customers and, similarly, an increase in the number of customers could potentially offset a reduction in the frequency or size of the orders placed by our customers, our continued failure to attract and retain customers would materially adversely affect our business, financial condition and operating results.

In addition, if we are unable to deliver results from our growth strategy or otherwise effectively manage expenses and cash flows, we may not be able to maintain compliance with the financial covenants in our revolving credit facility in future periods which would result in an event of default. Upon an event of default, the lenders could declare all outstanding principal and interest to be due and payable immediately, terminate their commitments to loan money and foreclose against the assets securing the borrowings. Given our current liquidity position, upon an event of default, if we are unable to obtain a waiver or successfully renegotiate the terms of our revolving credit facility, the lenders under the revolving credit facility may enforce one or more of their rights upon default. In that case, we may not be able to meet our obligations and could be forced to react by commencing a bankruptcy or taking other action to maximize the value of our assets, which would materially adversely affect our business, financial condition and operating results. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources.”

If we fail to resume revenue growth or to effectively manage our revenue or any future growth, or if we fail to effectively manage costs, our business could be materially adversely affected.

Our net revenue decreased from $881.2 million in 2017 to $667.6 million in 2018 to $454.9 million in 2019. The number of our full-time employees decreased from 4,163 at December 31, 2017 to 2,356 at December 31, 2018 and to 1,635 at December 31, 2019 as orders and customers declined. If we fail to resume revenue growth or if our revenues continue to further decline, or if we do not effectively manage our costs, or fail to accurately forecast revenue to plan operating expenses, our business, financial condition and operating results would be materially adversely affected. In addition, any future growth and expansion of our business and our product offerings will place significant demands on our management and operations teams and require significant additional management, financial, operational, technological and other resources to meet our needs, which may not be available in a cost-effective manner or at all. We are also required to manage relationships with various suppliers and other third parties, and expend time and effort to integrate new suppliers into our fulfillment operations. If we do not resume revenue growth or if we do not effectively manage any future growth or costs, we may not be able to execute on our business plan, respond to competitive pressures, take advantage of market opportunities, satisfy customer requirements, maintain high-quality product offerings, or maintain compliance with certain covenants in our revolving credit facility. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources.”

In addition, changes to our actual or projected operating results may indicate that the carrying value of our long-lived assets may not be recoverable, which may require us to recognize impairment charges on any of our assets, or require us to reduce investment in the business or engage in additional business restructurings and incur additional restructuring charges. These changes may include any deterioration of operating results, changes in business plans or changes in anticipated cash flows. Any significant shortfall, now or in the future, in revenue resulting from our inability to resume revenue growth or to effectively manage our revenue or any future growth could lead to an indication that the carrying value of our long-lived assets may not be recoverable, which could result in an impairment. Any such charges could materially adversely affect our business, financial condition and operating results.

We have implemented significant reorganization activities in our business, including the recently announced adoption of a plan to close our fulfillment center in Arlington, Texas and reduce the size of our organization. These and other reorganization activities could have long-term adverse effects on our business, including additional attrition in personnel and the failure to achieve the anticipated benefits and savings from these activities.

We have implemented significant reorganization activities in our business to adjust our cost structure, and we may engage in similar reorganization activities in the future. In February 2020, we announced a plan to close our fulfillment center in Arlington, Texas, transferring the production volume from our Arlington, Texas fulfillment center to our Linden, New Jersey fulfillment center and our Richmond, California fulfillment center. In the first quarter of 2019 we transferred a substantial portion of production volume from our Arlington, Texas fulfillment center to our Linden, New Jersey fulfillment center. In November 2018, we implemented a reduction in the number of our employees by approximately 4%, which included departures of members of our management team, and in October 2017 we implemented a company-wide realignment of personnel that resulted in a reduction of approximately 6% of our total workforce across our corporate offices and fulfillment centers. These actions resulted and will continue to result in the loss of employees across various functions, the loss of institutional knowledge and expertise and the reallocation and combination of certain roles and responsibilities across our organization, all of which could adversely affect our operations. In addition, there is a risk of reduced employee morale and, as a result, we may face further employee attrition. We may also be unable to efficiently transition the production volume between our fulfillment centers or maintain our production efficiencies during or after the transfer.

These and any other reorganization activities in which we may engage in the future, as well as other ongoing or future cost reduction activities, will reduce our available talent, assets, capabilities and other resources and could slow improvements in our products and services, adversely affect our ability to respond to competition and limit our ability to satisfy customer demands. As a result, our management may need to divert a disproportionate amount of its attention away from our day-to-day strategic and operational activities, and devote a substantial amount of time to managing the organizational changes brought about by the reorganization. Due to our limited resources, we may not be able to effectively manage the changes in our business operations resulting from the reorganization, which may result in weaknesses in our operations, risks that we may not be able to comply with legal and regulatory requirements, loss of business opportunities, loss of employees and reduced productivity among remaining employees. If we are unable to effectively manage these activities, our expenses may be higher than expected, and we may not be able to implement our business strategy or achieve the anticipated benefits and savings from any such activities.

We may also determine to take additional measures to reduce costs, which could result in further disruptions to our operations and present additional challenges to the effective management of our company. For example, if we are unable to deliver results from our growth strategy, or otherwise effectively manage expenses and cash flows, we intend to reduce spending, particularly in marketing and capital expenditures, to the extent needed in order to comply with the financial covenants in our revolving credit facility, which will negatively and materially impact net revenue and our ability to execute our growth strategy. In addition, delays in implementing planned restructuring activities, unexpected costs or the failure to meet targeted improvements may diminish the operational or financial benefits we realize from such actions. Any of the circumstances described above could materially adversely affect our business and operating and financial results.

Our indebtedness could materially adversely affect our business and financial condition. Furthermore, restrictive covenants in our revolving credit facility may limit our ability to pursue our business strategies, which would materially adversely affect our operating results, and the failure to comply with such restrictions could materially adversely affect our business.

As of January 31, 2020, we had $54.7 million in outstanding borrowings and $0.3 million in issued letters of credit under our revolving credit facility. Our debt could have important consequences for our business, including: making it more difficult for us to satisfy our obligations to our trade or other creditors; increasing our vulnerability to adverse economic or industry conditions; limiting our ability to obtain additional financing to fund our existing operations or any future expansion of our business, including our strategic plan to return to revenue growth, particularly when the availability of financing in the capital markets may be limited; requiring a substantial portion of our cash flow from operations for the payment of interest on our debt and thus reducing our ability to use our cash flow to fund working capital, capital expenditures, acquisitions and general corporate requirements; limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate; and placing us at a competitive disadvantage to less-leveraged competitors.

Because we are required to maintain a minimum cash balance under the revolving credit facility, we cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to repay our indebtedness or fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, on or before its maturity. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. For example, the October 2019 amendment to our revolving credit facility, among other things, further increased the interest rates applicable to loans under the revolving credit facility and made certain changes to the financial covenants that require us to continue to maintain minimum quarterly consolidated adjusted EBITDA in excess of certain specified thresholds, in the event we have positive consolidated total net debt. If we are unable to sufficiently deliver results from our growth strategy and/or effectively manage expenses and cash flows, we may not be able to comply with the minimum liquidity, adjusted EBITDA, and other covenants contained in our revolving credit facility, which would materially adversely affect our business. Further, if we cannot make scheduled payments on our debt or if we fail to comply with the covenants under our revolving credit facility, we will be in default and the lenders could declare all outstanding principal and interest to be due and payable immediately, terminate their commitments to loan money and foreclose against the assets securing the borrowings. In that event, we could be forced to react by commencing a bankruptcy or taking other action to maximize the value of our assets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance and the condition of the debt and capital markets, which are subject to prevailing economic, industry and competitive conditions, as well as certain financial, business, legislative, political, regulatory and other factors beyond our control. If our cash flow and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems, be forced to reduce or delay capital expenditures, strategic acquisitions, investments and partnerships, dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We cannot assure you that any such actions, if necessary, could be effected on commercially reasonable terms or at all, or on terms that would be advantageous to our stockholders or on terms that would not require us to breach the terms and conditions of our existing or future debt agreements, and our financial position and results of operations could be materially adversely affected.

The restrictions contained in the revolving credit facility could limit our ability to plan for or react to market conditions, meet capital needs or make acquisitions or could otherwise restrict our business and strategies, including our strategic plan to return to revenue growth, which could materially adversely affect our business, financial condition and operating results.

If we fail to successfully improve our customer experience, including by developing new product offerings and enhancing our existing product offerings, our ability to retain existing customers and attract new customers, our business, financial condition and operating results, may be materially adversely affected.

Our customers have a wide variety of options for purchasing food, including traditional and online grocery stores and restaurants, and consumer tastes and preferences may change from time to time. Our ability to retain existing customers, attract new customers and increase customer engagement with us will depend in part on our ability to successfully improve our customer experience, including by creating and introducing new product offerings, improving upon and enhancing our existing product offerings and strengthening our customers' digital interactions with our brand and products, including online and mobile. As a result, we may introduce significant changes to our existing product offerings, develop and introduce new and unproven product offerings, offer our products through new distribution channels and/or revise our customers' digital experiences. If our new or enhanced product offerings are unsuccessful, including because they fail to generate sufficient revenue or operating profit to justify our investments in them, our business and operating results could be materially adversely affected. Furthermore, new customer demands, tastes or interests, superior competitive offerings or a deterioration in our product quality or our ability to bring new or enhanced product offerings to market quickly and efficiently could negatively affect the attractiveness of our products and the economics of our business and require us to make substantial changes to and additional investments in our product offerings or business model. In addition, we frequently experiment with and test different product offerings and marketing and pricing strategies, as well as our customers' digital experiences, including by updating our online and mobile platforms. If these experiments, tests and updates are unsuccessful, or if the product offerings and strategies we introduce based on the results of such experiments, tests and updates do not perform as expected, our ability to retain existing customers, attract new customers, and increase customer engagement may be adversely affected.

Developing and launching new product offerings or enhancements to our existing product offerings involves significant risks and uncertainties, including risks related to the reception of such product offerings by our existing and potential future customers, increases in operational complexity, unanticipated delays or challenges in implementing such offerings or enhancements, increased strain on our operational and internal resources (including an impairment of our ability to accurately forecast demand and related supply), inability to adequately support new offerings or enhancements with sufficient marketing investment and negative publicity in the event such new or enhanced product offerings are perceived to be unsuccessful. We have previously scaled our business rapidly, and significant new initiatives have in the past resulted in, and in the future may result in, operational challenges affecting our business. In addition, developing and launching new product offerings and enhancements to our existing product offerings may involve significant upfront capital investments and such investments may not prove to be justified. Any of the foregoing risks and challenges could materially adversely affect our ability to attract and retain customers as well as our visibility into expected operating results, and could materially adversely affect our business, financial condition and operating results.

Food safety and food-borne illness incidents or advertising or product mislabeling may materially adversely affect our business by exposing us to lawsuits, product recalls or regulatory enforcement actions, increasing our operating costs and reducing demand for our product offerings.

Selling food for human consumption involves inherent legal and other risks, and there is increasing governmental scrutiny of and public awareness regarding food safety. Unexpected side effects, illness, injury or death related to allergens, food-borne illnesses or other food safety incidents (including food tampering or contamination) caused by products we sell, or involving suppliers that supply us with ingredients and other products, could result in the discontinuance of sales of these products or our relationships with such suppliers, or otherwise result in increased operating costs or harm to our reputation. Shipment of adulterated products, even if inadvertent, can result in criminal or civil liability. Such incidents could also expose us to product liability, negligence or other lawsuits, including consumer class action lawsuits. Any claims brought against us may exceed or be outside the scope of our existing or future insurance policy coverage or limits. Any judgment against us that is in excess of our policy limits or not covered by our policies or not subject to insurance would have to be paid from our cash reserves, which would reduce our capital resources.

The occurrence of food-borne illnesses or other food safety incidents could also adversely affect the price and availability of affected ingredients, resulting in higher costs, disruptions in supply and a reduction in our sales. Furthermore, any instances of food contamination, whether or not caused by our products, could subject us or our suppliers to a food recall pursuant to the Food Safety Modernization Act of the United States Food and Drug Administration, or FDA, and comparable state laws. The risk of food contamination may be also heightened further due to changes in government funding or a government shutdown. Our meat and poultry suppliers may operate only under inspection by the United States Department of Agriculture, or USDA. While USDA meat and poultry inspections are considered essential services, a government shutdown or lapse in funding may increase the risk that inspectors perform their duties inadequately, fail to report for work, or leave their positions without prompt replacement, potentially compromising food safety. Food recalls could result in significant losses due to their costs, the destruction of product inventory, lost sales due to the unavailability of the product for a period of time and potential loss of existing customers and a potential negative impact on our ability to retain existing customers and attract new customers due to negative consumer experiences or as a result of an adverse impact on our brand and reputation.

In addition, food companies have been subject to targeted, large-scale tampering as well as to opportunistic, individual product tampering, and we could be a target for product tampering. Forms of tampering could include the introduction of foreign material, chemical contaminants and pathological organisms into consumer products as well as product substitution. Beginning in July 2019, FDA requirements require companies like us to analyze, prepare and implement “food defense” mitigation strategies specifically to address tampering designed to inflict widespread public health harm. If we do not adequately address the possibility, or any actual instance, of product tampering, we could face possible seizure or recall of our products and the imposition of civil or criminal sanctions, which could materially adversely affect our business, financial condition and operating results.

Increased competition presents an ongoing threat to the success of our business.

We expect competition in food sales generally, and with companies providing food delivery in particular, to continue to increase. We compete with other food and meal-delivery companies, the supermarket industry, a wide array of food retailers (including natural and organic, specialty, conventional, mass, discount and other food retail formats), conventional supermarkets, and online supermarket retailers. We also compete with a wide array of casual dining and quick-service restaurants and other food service businesses in the restaurants industry, as well as a broad range of online wine retailers, wine specialty stores and retail liquor stores. In addition, we compete with food manufacturers, consumer packaged goods companies, providers of logistics services, and other food and ingredient producers. Any future international expansion of our business would present additional challenges from competition unique to each new market, compounded by the fact that we currently do not have experience offering our products outside of the United States.

We believe that our ability to compete depends upon many factors both within and beyond our control, including:

- the size and composition of our customer base;
- our reputation and brand strength relative to our competitors;
- consumer tastes and preferences;

- the flexibility and variety of our product offerings relative to our competitors;
- our selling and marketing efforts;
- the quality and price of products offered by us and our competitors;
- our ability to comply with, and manage the costs of complying with, laws and regulations applicable to our business;
- the convenience of the experience that we provide; and
- our ability to cost-effectively source, market and distribute the products we offer and to manage our operations.

Some of our current competitors have, and potential competitors may have, longer operating histories, larger or more efficient fulfillment infrastructures, greater technical capabilities, significantly greater financial, marketing and other resources and larger customer bases than we do. In addition, business combinations and consolidation in and across the industries in which we compete could further increase the competition we face and result in competitors with significantly greater resources and customer bases than us. Further, some of our other current or potential competitors may be smaller, less regulated, and have a greater ability to reposition their product offerings than companies that, like us, operate at a larger scale. These factors may allow our competitors to derive greater sales and profits from their existing customer base, acquire customers at lower costs, respond more quickly than we can to changes in consumer demand and tastes, or otherwise compete with us effectively, which may adversely affect our business, financial condition and operating results. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to build larger customer bases or generate additional sales more effectively than we do.

Our business depends on a strong and trusted brand, and any failure to maintain, protect or enhance our brand, including as a result of events outside our control, could materially adversely affect our business.

We have developed a strong and trusted brand, and we believe our future success depends on our ability to maintain and grow the value of the Blue Apron brand. Maintaining, promoting and positioning our brand and reputation will depend on, among other factors, the success of our food safety, quality assurance, marketing and merchandising efforts and our ability to provide a consistent, high-quality customer experience. Any negative publicity, regardless of its accuracy, could materially adversely affect our business. Brand value is based in large part on perceptions of subjective qualities, and any incident that erodes the loyalty of our customers or suppliers, including adverse publicity or a governmental investigation or litigation, could significantly reduce the value of our brand and significantly damage our business.

We believe that our customers hold us and our products to a high food safety standard. Therefore, real or perceived quality or food safety concerns or failures to comply with applicable food regulations and requirements, whether or not ultimately based on fact and whether or not involving us (such as incidents involving our competitors), could cause negative publicity and lost confidence in our company, brand or products, which could in turn harm our reputation and sales, and could materially adversely affect our business, financial condition and operating results.

In addition, in recent years, there has been a marked increase in the use of social media platforms and other forms of Internet-based communications that provide individuals with access to broad audiences, and the availability of information on social media platforms is virtually immediate, as can be its impact. Many social media platforms immediately publish the content their participants post, often without filters or checks on accuracy of the content posted. Furthermore, other Internet-based or traditional media outlets may in turn reference or republish such social media content to an even broader audience. Information concerning us, regardless of its accuracy, may be posted on such platforms at any time. Information posted may be adverse to our interests or may be inaccurate, each of which may materially harm our brand, reputation, performance, prospects and business, and such harm may be immediate and we may have little or no opportunity to respond or to seek redress or a correction.

The value of our brand also depends on effective customer support to provide a high-quality customer experience, which requires significant personnel expense. If not managed properly, this expense could impact our profitability. Failure to manage or train our own or outsourced customer support representatives properly could compromise our ability to handle customer complaints effectively.

Changes in consumer tastes and preferences or in consumer spending and other economic or financial market conditions could materially adversely affect our business.

Our operating results may be materially adversely affected by changes in consumer tastes and preferences. Our future success depends in part on our ability to anticipate the tastes, eating habits and lifestyle preferences of consumers and to offer products that appeal to consumer tastes and preferences. Consumer tastes and preferences may change from time to time and can be affected by a number of different trends and other factors that are beyond our control. For example, our sales could be materially adversely affected by changes in consumer demand in response to nutritional and dietary trends, dietary concerns regarding items such as calories, sodium, carbohydrates or fat, or concerns regarding food safety. Our competitors may react more efficiently and effectively to these changes than we can. We cannot provide any assurances regarding our ability to respond effectively to changes in consumer health perceptions or our ability to adapt our product offerings to trends in eating habits. If we fail to anticipate, identify or react to these changes and trends, or to introduce new and improved products on a timely basis, or if we cease offering such products or fail to maintain partnerships that react to these changes and trends, we may experience reduced demand for our products, which could materially adversely affect our business, financial condition and operating results.

In addition, the business of selling food products over the Internet is dynamic and continues to evolve. The market segment for food delivery has grown significantly, and this growth may not continue or may decline, including specifically with respect to the meal solutions sector. If customers cease to find value in this model or otherwise lose interest in our product offerings or our business model generally, we may not acquire new customers in numbers sufficient to resume growth in our business or retain existing customers at rates consistent with our business model, and our business, financial condition and operating results could be materially adversely affected.

Furthermore, preferences and overall economic conditions that impact consumer confidence and spending, including discretionary spending, could have a material impact on our business. Economic conditions affecting disposable consumer income such as employment levels, business conditions, slower growth or recession, market volatility and related uncertainty, negative financial news, changes in housing market conditions, the availability of credit, interest rates, tax rates, new or increased tariffs, fuel and energy costs, the effect of natural disasters or acts of terrorism, and other matters could reduce consumer spending or cause consumers to shift their spending to lower-priced alternatives, each of which could materially adversely affect our business, financial condition and operating results.

In addition to an adverse impact on demand for our products, uncertainty about, or a decline in, economic conditions could have a significant impact on our suppliers, logistics providers and other business partners, including resulting in financial instability, inability to obtain credit to finance operations and insolvency. Certain of our suppliers, and their manufacturing and assembly activities, are located outside the United States, and as a result our operations and performance depend on both global and regional economic conditions. These and other economic factors could materially adversely affect our business, results of operations, financial condition and growth.

If we do not successfully maintain, operate and optimize our fulfillment centers and logistics channels, including by expanding our use of automation, and manage our ongoing real property and operational needs, our business, financial condition and operating results could be materially adversely affected.

In February 2020, we announced the planned closure of our fulfillment center in Arlington, Texas and the consolidation of production volume from that facility to our fulfillment centers in Linden, New Jersey and Richmond, California. If we do not successfully maintain, operate and optimize our Linden and Richmond fulfillment centers, or if we redeploy these facilities for other uses or vacate these facilities, we may experience insufficient or excess fulfillment capacity, increased costs, impairment charges or other harm to our business. We have encountered in the past, and may encounter in the future, difficulty in hiring a sufficient number of employees to adequately staff our fulfillment centers, requiring us to use temporary workers through third parties at greater cost and with lower levels of performance. If we do not have sufficient fulfillment capacity or experience problems or delays in fulfilling orders, our customers may experience delays in receiving their meal deliveries and/or receive deficient orders, which could harm our reputation and our customer relationships and could materially adversely affect our business, financial condition and operating results. In addition, any disruption in, or the loss of operations at, one or more of our fulfillment centers, even on a short-term basis, could delay or postpone production of our products, which could materially adversely affect our business, financial condition and operating results. For example, unexpected complexities and costs arose with the launch of our Linden, New Jersey fulfillment center in late 2017, which adversely affected our revenue expectations, the rollout of our new product offerings, and our ability to acquire and retain new customers. Similarly, in connection with the planned closure of our Arlington, Texas fulfillment center and the transfer of the production volume from our Arlington, Texas fulfillment center to our Linden, New Jersey and Richmond, California fulfillment centers, we may encounter disruptions to our operations at some or all of our facilities or other unanticipated challenges arising in connection with this transition, which could adversely affect our fulfillment operations and production efficiency, cause delays in fulfilling customer orders and negatively impact our business and financial condition.

As a result of the planned closure of the Arlington, Texas fulfillment center, we expect to incur approximately $1.5 million of restructuring charges and approximately $5.0 million to $8.0 million of asset-related charges in the first half of 2020, and in 2019 we incurred approximately $0.6 million of restructuring charges resulting from the transfer of a substantial portion of the production volume from our Arlington, Texas fulfillment center to our Linden, New Jersey fulfillment center. In addition, if events or circumstances indicate that the carrying value of our long-lived assets may not be recoverable, we may be required to recognize impairment charges on any of our assets. For example, in 2017 we recorded impairment charges of $9.5 million on long-lived assets primarily related to the transition of all of our Jersey City fulfillment center operations to our fulfillment center in Linden, New Jersey, as well as our decision to no longer pursue the planned build-out of the Fairfield, California facility. As a result of our decision to no longer pursue the build-out of the Fairfield facility, we are pursuing alternatives for this property. If we are unable to timely identify a suitable alternative for this property, we will continue to incur significant financial costs. We also rely on fixed duration leases for our other real properties, including for our new headquarters in New York, New York, which we entered into in October 2019 and expires in December 2024. If we are unable to timely enter into suitable lease agreements or extensions for any of our real properties, we may incur additional unanticipated costs associated with identifying and securing an alternative premises, suffer disruptions to our operations as a result of any necessary transition, face employee attrition or experience other harm to our business. In connection with the planned closure of the Arlington fulfillment center, we also plan to sublease that facility, but there is no assurance that we will be able to enter into a sublease on favorable terms, if at all, and therefore we may continue to incur costs relating to that facility.

We have designed and built our own fulfillment center infrastructure, including customizing third-party inventory and package handling software systems, which is tailored to meet the specific needs of our business. Furthermore, we are continuing to expand the use of automated production equipment and processes in our fulfillment centers. To the extent we add capacity, capabilities and automated production equipment and processes to our fulfillment centers, our fulfillment operations will become increasingly complex and challenging. Any failure to hire, train or retain employees capable of operating our fulfillment centers could materially adversely affect our business, financial condition and operating results. We also may be unable to procure and implement automated production equipment and processes on a timely basis, and they may not operate as intended or achieve anticipated cost efficiencies. For example, suppliers could miss their equipment delivery schedules, new production lines and operations could improve less rapidly than expected, or not at all, the equipment or processes could require longer design time than anticipated or redesigning after installation, and new production technology may involve equipment and processes with which we are not fully experienced. Difficulties we experience in further automating our fulfillment processes could impair our ability to reduce costs and could materially adversely affect our business, financial condition and operating results. Furthermore, we currently, and may in the future continue to, contract with third parties to conduct certain of our fulfillment processes and operations on our behalf. Interruptions or failures in these services, or operational impacts arising from transitioning between these third party providers, could delay or prevent the delivery of our products and adversely affect our ability to fulfill our customers' orders. In addition, any disruption in the operation of our fulfillment centers, including due to factors such as earthquakes, weather, fires, floods, power losses, telecommunications failures, acts of war or terrorism, human errors and similar events or disruptions, could materially adversely affect our business, financial condition and operating results.

We expect to incur future capital expenditures in our fulfillment centers in order to optimize and drive efficiency in our operations. For a discussion of our projected future capital expenditures and risks related to such capital expenditures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." If we resume growth or continue to expand our product offerings, we may be unable to effectively expand our fulfillment operations and increase our fulfillment capacity or to effectively control expansion-related expenses, or if we grow faster than we anticipate, we may exceed our fulfillment center capacity sooner than we anticipate, we may experience problems fulfilling orders in a timely manner or in a manner our customers expect, or our customers may experience delays in receiving their purchases, any of which could harm our reputation and our relationships with our customers. Many of the expenses and investments with respect to our fulfillment centers are fixed, and any expansion of such fulfillment centers will require additional investment of capital. We expect to continue to incur certain capital expenditures in the future for our fulfillment center operations. We may incur such expenses or make such investments in advance of expected sales, and such expected sales may not occur. The timing and amount of our projected capital expenditures is dependent upon a number of factors, and may vary significantly from our estimates. We cannot assure you that we will have sufficient capital resources to fund future capital expenditures or if any future capital expenditures will be timely or effectively integrated into our existing operations, any adjustments to production volume, including transitions between fulfillment centers, will be completed on an efficient and timely basis without adversely impacting our operations, that our fulfillment software systems will continue to meet our business needs, or that we will be able to execute on our strategic plans or recruit qualified managerial and operational personnel necessary to support our strategic plans. In addition, we intend to reduce spending on capital expenditures, to the extent needed, if we are unable to deliver results from our growth strategy, or otherwise effectively manage expenses and cash flows, in order to comply with the financial covenants in our revolving credit facility, which will negatively and materially impact net revenue and our ability to execute our growth strategy. Any changes to our overall fulfillment capacity or existing fulfillment center operations will put pressure on our managerial, financial, operational, technological and other resources.

Our ability to source quality ingredients and other products is critical to our business, and any disruption to our supply or supply chain could materially adversely affect our business.

We depend on frequent deliveries of ingredients and other products from a variety of local, regional, national and international suppliers, and some of our suppliers may depend on a variety of other local, regional, national and international suppliers to fulfill the purchase orders we place with them. The availability of such ingredients and other products at competitive prices depends on many factors beyond our control, including the number and size of farms, ranches, vineyards and other suppliers that provide crops, livestock and other raw materials that meet our quality and production standards.

We rely on our suppliers, and their supply chains, to meet our quality and production standards and specifications and supply ingredients and other products in a timely and safe manner. We have developed and implemented a series of measures to ensure the safety and quality of our third party-supplied products, including using contract specifications, certificates of identity for some products or ingredients, sample testing by suppliers and sensory based testing. However, no safety and quality measures can eliminate the possibility that suppliers may provide us with defective or out-of-specification products against which regulators may take action or which may subject us to litigation or require a recall. Suppliers may provide us with food that is or may be unsafe, food that is below our quality standards or food that is improperly labeled. In addition to a negative customer experience, we could face possible seizure or recall of our products and the imposition of civil or criminal sanctions if we incorporate a defective or out-of-specification item into one of our deliveries.

Furthermore, there are many factors beyond our control which could cause shortages or interruptions in the supply of our ingredients and other products, including adverse weather, environmental factors, natural disasters, unanticipated demand, labor or distribution problems, changes in law or policy, food safety issues by our suppliers and their supply chains, and the financial health of our suppliers and their supply chains. Production of the agricultural products used in our business may also be materially adversely affected by drought, water scarcity, temperature extremes, scarcity of agricultural labor, changes in government agricultural programs or subsidies, import restrictions, scarcity of suitable agricultural land, crop conditions, crop or animal diseases or crop pests. Failure to take adequate steps to mitigate the likelihood or potential effect of such events, or to effectively manage such events if they occur, may materially adversely affect our business, financial condition and operating results, particularly in circumstances where an ingredient or product is sourced from a single supplier or location.

In addition, unexpected delays in deliveries from suppliers that ship directly to our fulfillment centers or increases in transportation costs (including through increased fuel costs) could materially adversely affect our business, financial condition and operating results. Labor shortages or work stoppages in the transportation industry, long-term disruptions to the national transportation infrastructure, reduction in capacity and industry-specific regulations such as hours-of-service rules that lead to delays or interruptions of deliveries could also materially adversely affect our business, financial condition and operating results.

We currently source certain of our ingredients from suppliers located outside of the United States. Any event causing a disruption or delay of imports from suppliers located outside of the United States, including weather, drought, crop-related diseases, the imposition of import or export restrictions, restrictions on the transfer of funds or increased tariffs, destination-based taxes, value-added taxes, quotas or increased regulatory requirements, could increase the cost or reduce the supply of our ingredients and the other materials required by our product offerings, which could materially adversely affect our business, financial condition and operating results. Furthermore, our suppliers' operations may be adversely affected by political and financial instability, resulting in the disruption of trade from exporting countries, restrictions on the transfer of funds or other trade disruptions, each of which could adversely affect our access or ability to source ingredients and other materials used in our product offerings on a timely or cost-effective basis.

If we lose key management or fail to meet our need for qualified employees with specialized skills, our business, financial condition and operating results could be materially adversely affected.

Our future success is dependent upon our ability to retain key management. Our executive officers and other management personnel are employees "at will" and could elect to terminate their employment with us at any time. For example, in April 2019, Bradley J. Dickerson resigned as our president and chief executive officer and as a director of the company effective upon the commencement of employment of Linda F. Kozlowski as our new president and chief executive officer and as director of the company. In addition, in May 2019, Ilia M. Papas resigned as chief technology officer of the company and in June 2019, Irina Krechmer joined as our new chief technology officer. Similarly, in November 2017, Matthew B. Salzberg resigned as our president and chief executive officer and transitioned to the role of executive chairman. In December 2018, Mr. Salzberg ceased to be an employee, but remains chairman of our board of directors. We do not maintain "key person" insurance on the lives of any of our executive officers.

Our future success is also dependent upon our ability to attract, retain and effectively deploy qualified employees, including management, possessing a broad range of skills and expertise. We may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future, and, to attract top talent, we must offer competitive compensation packages before we have the opportunity to validate the productivity and effectiveness of new employees. Additionally, we may not be able to hire new employees quickly enough or if we do not return to revenue growth, we may not have adequate resources to meet our hiring needs, and we must effectively deploy our workforce in order to efficiently allocate our internal resources. If we fail to meet our hiring needs, successfully integrate our new hires or effectively deploy our existing personnel, our efficiency and ability to meet our forecasts, our ability to successfully execute on our strategic plan to return to revenue growth and our employee morale, productivity and retention could all suffer. Any of these factors could materially adversely affect our business, financial condition and operating results.

Changes in food costs and availability could materially adversely affect our business.

The future success of our business depends in part on our ability to anticipate and react to changes in food and supply costs and availability. We are susceptible to increases in food costs as a result of factors beyond our control, such as general economic conditions, market changes, increased competition, general risk of inflation, exchange rate fluctuations, seasonal fluctuations, shortages or interruptions, weather conditions, changes in global climates, global demand, food safety concerns, generalized infectious diseases, changes in law or policy, declines in fertile or arable lands, product recalls and government regulations. In particular, deflation in food prices could reduce the attractiveness of our product offerings relative to competing products and thus impede our ability to maintain or increase overall sales, while food inflation, particularly periods of rapid inflation, could reduce our operating margins as there may be a lag between the time of the price increase and the time at which we are able to increase the price of our product offerings. We generally do not have long-term supply contracts or guaranteed purchase commitments with our food suppliers, and we do not hedge our commodity risks. In limited circumstances, we may enter into strategic purchasing commitment contracts with certain suppliers, but many of these contracts are relatively short in duration and may provide only limited protection from price fluctuations, and the use of these arrangements may limit our ability to benefit from favorable price movements. As a result, we may not be able to anticipate, react to or mitigate against cost fluctuations which could materially adversely affect our business, financial condition and operating results.

Any increase in the prices of the ingredients most critical to our recipes, or scarcity of such ingredients, such as vegetables, poultry, beef, pork and seafood, would adversely affect our operating results. Alternatively, in the event of cost increases or decrease of availability with respect to one or more of our key ingredients, we may choose to temporarily suspend including such ingredients in our recipes, rather than paying the increased cost for the ingredients. Any such changes to our available recipes could materially adversely affect our business, financial condition and operating results.

Our past revenue growth masked seasonal fluctuations in our operating results. As our revenue declines or if it begins to increase at a more moderate rate, or as seasonal patterns become more pronounced, seasonality could have a material impact on our results.

Our business is seasonal in nature, which impacts the levels at which customers engage with our products and brand, and, as a result, the trends of our revenue and our expenses fluctuate from quarter to quarter. For example, we anticipate that the first quarter of each year will generally represent our strongest quarter in terms of customer engagement. Conversely, during the summer months and the end of year holidays, when people are vacationing more often or have less predictable weekly routines, we generally anticipate lower customer engagement. In addition, our marketing strategies and expenditures, which may be informed by these seasonal trends, will impact our quarterly results of operations. These trends may cause our revenue and our cash requirements to vary from quarter to quarter depending on the variability in the volume and timing of sales. We believe that these seasonal trends have affected and will continue to affect our quarterly results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our past revenue growth masked the impact of seasonality, but as our revenue declines or if it begins to increase at a more moderate rate, or as seasonal spending by our customers becomes more pronounced, seasonality could have a more significant impact on our operating results from period to period.

We rely on our proprietary technology and data to forecast customer demand and to manage our supply chain, and any failure of this technology could materially adversely affect our business, financial condition and operating results.

We rely on our proprietary technology and data to forecast demand and predict our customers' orders, determine the amounts of ingredients and other supply to purchase, and to optimize our in-bound and out-bound logistics for delivery and transport of our supply to our fulfillment centers and of our product offerings to customers. If this technology fails or produces inaccurate results at any step in this process—such as if the data we collect from customers is insufficient or incorrect, if we over or underestimate future demand, or if we fail to optimize delivery routes to our customers—we could experience increased food waste or shortages in key ingredients, the operational efficiency of our supply chain may suffer (including as a result of excess or shortage of fulfillment center capacity) or our customers may experience delays or failures in the delivery of our product offerings, for example by missing ingredients. Moreover, forecasts based on historical data, regardless of any historical patterns or the quality of the underlying data, are inherently uncertain, and unforeseen changes in consumer tastes or external events could result in material inaccuracy of our forecasts, which could result in disruptions in our business and our incurrence of significant costs and waste. Furthermore, any interruptions or delays in our ability to use or access our proprietary technology could lead to interruptions or delays in our supply chain. The occurrence of any of the foregoing risks could materially adversely affect our business, financial condition and operating results.

The reliable and cost‑effective storage, transport and delivery of ingredients and other products and our product offerings is critical to our business, and any interruptions, delays or failures could materially adversely affect our reputation, business, financial condition and operating results.

We maintain arrangements with third parties to store ingredients and other products, to deliver ingredients and other products from our suppliers to our fulfillment centers and to transport ingredients and other products between our fulfillment centers. Interruptions or failures in these services could delay or prevent the delivery of these ingredients and other products to us and therefore adversely affect our ability to fulfill our customers' orders. These interruptions may be due to events that are beyond our control or the control of the third parties with whom we contract. In addition, we are in the process of refining our internal capabilities with respect to storing ingredients and other products and transporting ingredients and other products both from our suppliers to our storage locations and fulfillment centers and between our storage locations and fulfillment centers. These efforts may fail to meet our expectations and may not prove to be cost‑effective or as operationally efficient as our current arrangements with third parties, each of which could materially adversely affect our business, financial condition and operating results.

We also maintain arrangements with third party transport carriers to deliver the food products we sell to our customers. Interruptions, delays or failures in these carrier services could prevent the timely or proper delivery of these products, which may result in significant product inventory losses given the highly perishable nature of our food products. These interruptions may be due to events that are beyond our control or the control of these carriers, including adverse weather and natural disasters. If we are not able to maintain acceptable pricing and other terms with these carriers or they experience performance problems or other difficulties, we may not be able to deliver orders in a timely manner and meet customer expectations, and our business and reputation could suffer.

We rely on third party transport carriers for the delivery of our wines to our customers. State and federal laws regulate the ability of transport carriers to transport wine, and carriers may be required to obtain licenses in order to deliver wine to our customers. Changes in our access to those carriers, including changes in prices or changes in our relationships with those carriers, changes in the laws allowing third party transport of wine, or regulatory discipline against licenses held by those carriers, could materially adversely affect our wine business.

Delivery of the products we sell to our customers could also be affected or interrupted by the merger, acquisition, insolvency, or government shutdown of the carriers we engage to make deliveries. If the products we sell are not delivered in proper condition or on a timely basis, our business and reputation could suffer.

Any failure to adequately store, maintain and deliver quality perishable foods could materially adversely affect our business, financial condition and operating results.

Our ability to adequately store, maintain and deliver quality perishable foods is critical to our business. We store food products, which are highly perishable, in refrigerated fulfillment centers and ship them to our customers inside boxes that are insulated with thermal or corrugate liners and frozen refrigerants to maintain appropriate temperatures in transit and use refrigerated third party delivery trucks to support temperature control for shipments to certain locations. Keeping our food products at specific temperatures maintains freshness and enhances food safety. In the event of extended power outages, natural disasters or other catastrophic occurrences, failures of the refrigeration systems in our fulfillment centers or third party delivery trucks, failure to use adequate packaging to maintain appropriate temperatures, or other circumstances both within and beyond our control, our inability to store highly perishable inventory at specific temperatures could result in significant product inventory losses as well as increased risk of food‑borne illnesses and other food safety risks. Improper handling or storage of food by a customer—without any fault by us—could result in food‑borne illnesses, which could nonetheless result in negative publicity and harm to our brand and reputation. Further, we contract with third parties to conduct certain fulfillment processes and operations on our behalf. Any failure by such third party to adequately store, maintain or transport perishable foods could negatively impact the safety, quality and merchantability of our products and the experience of our customers. The occurrence of any of these risks could materially adversely affect our business, financial condition and operating results.

Disruptions in our data and information systems could harm our reputation and our ability to run our business.

We rely extensively on data and information systems for our supply chain, order processing, fulfillment operations, financial reporting, human resources and various other operations, processes and transactions. Furthermore, a significant portion of the communications between, and storage of personal data of, our personnel, customers and suppliers depends on information technology. Our data and information systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches (including breaches of our transaction processing or other systems that could result in the compromise of confidential customer data), catastrophic events, data breaches and usage errors by our employees or third party service providers. Our data and information technology systems may also fail to perform as we anticipate, and we may encounter difficulties in adapting these systems to changing technologies or expanding them to meet the future needs of our business. If our systems are breached, damaged or cease to function properly, we may have to make significant investments to fix or replace them, suffer interruptions in our operations, incur liability to our customers and others or face costly litigation, and our reputation with our customers may be harmed. We also rely on third parties for a majority of our data and information systems, including for third party hosting and payment processing. If these facilities fail, or if they suffer a security breach or interruption or degradation of service, a significant amount of our data could be lost or compromised and our ability to operate our business and deliver our product offerings could be materially impaired. In addition, various third parties, such as our suppliers and payment processors, also rely heavily on information technology systems, and any failure of these systems could also cause loss of sales, transactional or other data and significant interruptions to our business. Any material interruption in the data and information technology systems we rely on, including the data or information technology systems of third parties, could materially adversely affect our business, financial condition and operating results.

Our business is subject to data security risks, including security breaches.

We, or our third party vendors on our behalf, collect, process, store and transmit substantial amounts of information, including information about our customers. We take steps to protect the security and integrity of the information we collect, process, store or transmit, but there is no guarantee that inadvertent or unauthorized use or disclosure will not occur or that third parties will not gain unauthorized access to this information despite such efforts. Security breaches, computer malware, computer hacking attacks and other compromises of information security measures have become more prevalent in the business world and may occur on our systems or those of our vendors in the future. Large Internet companies and websites have from time to time disclosed sophisticated and targeted attacks on portions of their websites, and an increasing number have reported such attacks resulting in breaches of their information security. We and our third party vendors are at risk of suffering from similar attacks and breaches. Although we take steps to maintain confidential and proprietary information on our information systems, these measures and technology may not adequately prevent security breaches and we rely on our third party vendors to take appropriate measures to protect the security and integrity of the information on those information systems. Because techniques used to obtain unauthorized access to or to sabotage information systems change frequently and may not be known until launched against us, we may be unable to anticipate or prevent these attacks. In addition, a party who is able to illicitly obtain a customer’s identification and password credentials may be able to access the customer’s account and certain account data.

Any actual or suspected security breach or other compromise of our security measures or those of our third party vendors, whether as a result of hacking efforts, denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering or otherwise, could harm our reputation and business, damage our brand and make it harder to retain existing customers or acquire new ones, require us to expend significant capital and other resources to address the breach, and result in a violation of applicable laws, regulations or other legal obligations. Our insurance policies may not be adequate to reimburse us for direct losses caused by any such security breach or indirect losses due to resulting customer attrition.

We rely on email and other messaging services to connect with our existing and potential customers. Our customers may be targeted by parties using fraudulent spoofing and phishing emails to misappropriate passwords, payment information or other personal information or to introduce viruses through Trojan horse programs or otherwise through our customers’ computers, smartphones, tablets or other devices. Despite our efforts to mitigate the effectiveness of such malicious email campaigns through product improvements, spoofing and phishing may damage our brand and increase our costs. Any of these events or circumstances could materially adversely affect our business, financial condition and operating results.

Higher labor costs due to statutory and regulatory changes could materially adversely affect our business, financial condition and operating results.

Various federal and state labor laws govern our relationships with our employees and affect operating costs. These laws include employee classifications as exempt or non-exempt, minimum wage requirements, unemployment tax rates, workers' compensation rates, overtime, family leave, workplace health and safety standards, payroll taxes, citizenship requirements and other wage and benefit requirements for employees classified as non-exempt. As our employees are paid at rates set at, or above but related to, the applicable minimum wage, further increases in the minimum wage could increase our labor costs. Significant additional government regulations could materially adversely affect our business, financial condition and operating results.

We are subject to risks associated with payments to us from our customers and other third parties, including risks associated with fraud.

Nearly all of our customers' payments are made by credit card or debit card. We currently rely exclusively on one third party vendor to provide payment processing services, including the processing of payments from credit cards and debit cards, and our business would be disrupted if this vendor becomes unwilling or unable to provide these services to us and we are unable to find a suitable replacement on a timely basis. We are also subject to payment brand operating rules, payment card industry data security standards and certification requirements, which could change or be reinterpreted to make it more difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from customers, which would make our services less convenient and attractive to our customers and likely result in a substantial reduction in revenue. We may also incur losses as a result of claims that the customer did not authorize given purchases, fraud, erroneous transmissions and customers who have closed bank accounts or have insufficient funds in their accounts to satisfy payments owed to us.

We are subject to, or voluntarily comply with, a number of other laws and regulations relating to the payments we accept from our customers and third parties, including with respect to money laundering, money transfers, privacy, and information security, and electronic fund transfers. These laws and regulations could change or be reinterpreted to make it difficult or impossible for us to comply. If we were found to be in violation of any of these applicable laws or regulations, we could be subject to civil or criminal penalties and higher transaction fees or lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers or facilitate other types of online payments, which may make our services less convenient and less attractive to our customers and diminish the customer experience.

Unionization activities may disrupt our operations and adversely affect our profitability.

Although none of our employees is currently covered under a collective bargaining agreement, our employees may elect to be represented by labor unions in the future. For example, in April 2018, a local labor union filed an election petition with the National Labor Relations Board seeking to represent certain employees at our Linden, New Jersey facility; however, such employees subsequently voted to not be represented by the union. If a significant number of our employees were to become unionized and collective bargaining agreement terms were to deviate significantly from our current compensation and benefits structure, our business, financial condition and operating results could be materially adversely affected. In addition, a labor dispute involving some or all of our employees may harm our reputation, disrupt our operations and reduce our revenues, and the resolution of labor disputes may increase our costs.

The termination of, or material changes to, our relationships with key suppliers or vendors could materially adversely affect our business, financial condition and operating results.

We currently depend on a limited number of suppliers for some of our key ingredients. We strive to work with suppliers that engage in certain growing, raising or farming standards that we believe are superior to conventional practices and that can deliver products that are specific to our quality, food safety and production standards. Currently, there are a limited number of meat and seafood suppliers that are able to simultaneously meet our standards and volume requirements. As such, these suppliers could be difficult to replace if we were no longer able to rely on them. We also work with suppliers that produce specialty or unique ingredients for us. It can take a significant amount of time and resources to identify, develop and maintain relationships with certain suppliers, including suppliers that produce specialty or unique products for us. In the event of any disruptions to our relationships with our suppliers of specialty products, the ingredients they produce for us would be difficult to replace. The termination of, or material changes to, arrangements with key suppliers or vendors, disagreements with key suppliers or vendors as to payment or other terms, or the failure of a key supplier or vendor to meet its contractual obligations to us may require us to contract with alternative suppliers or vendors. For example, the failure of a key supplier to meet its obligations to us or otherwise deliver ingredients at the volumes that meet our quality and production standards could require us to make purchases from alternative suppliers or make changes to our product offerings. If we have to replace key suppliers or vendors, we may be subject to pricing or other terms less favorable than those we currently enjoy, and it may be difficult to identify and secure relationships with alternative suppliers or vendors that are able to meet our volume requirements, food safety and quality or other standards. If we cannot replace or engage suppliers or vendors who meet our specifications and standards in a short period of time, we could encounter increased expenses, shortages of ingredients and other items, disruptions or delays in customer shipments or other harm. In this event, we could experience a significant reduction in sales and incur higher costs for replacement goods and customer refunds during the shortage or thereafter, any of which could materially adversely affect our business, financial condition and operating results.

In our wine business, we rely on the use of third party alternating proprietorship winemaking facilities. We rely on the host or owner of such facilities to ensure that the facilities are operational and maintained in good condition. Changes in those facilities or our access to those facilities, including changes in prices or changes in our relationships with the third parties who own and operate those facilities, or regulatory discipline against licenses held by those third parties, or any failure by such third parties to maintain their facilities in good condition, may impair our ability to produce wines at such facilities and could materially adversely affect our wine business.

Our results could be adversely affected by natural disasters, public health crises, political crises or other catastrophic events.

Natural disasters, such as hurricanes, tornadoes, floods, earthquakes, droughts and other adverse weather and climate conditions; unforeseen public health crises, such as pandemics and epidemics; crop or animal diseases; crop pests; political crises, such as terrorist attacks, war and other political instability or uncertainty; or other catastrophic events, whether occurring in the United States or internationally, could disrupt our operations or the operations of one or more of our suppliers. In particular, these types of events could impact our supply chain from or to the impacted region given our dependency on frequent deliveries of ingredients and other products from a variety of local, regional and national suppliers. In addition, these types of events could adversely affect consumer spending in the impacted regions or our ability to deliver our products to our customers safely, cost-effectively or at all. To the extent any of these events occur, our business, financial condition and operating results could be materially and adversely affected.

Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

As a public company, we are required to comply with the rules of the SEC implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which requires management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. We are required to disclose changes made in our internal controls and procedures on a quarterly basis and to make annual assessments of our internal control over financial reporting pursuant to Section 404. As an emerging growth company, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the date we are no longer an emerging growth company. At such time, our independent registered public accounting firm, and management, may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating.

To comply with the requirements of being a public company, we have undertaken various actions, and may need to take additional actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. Testing and maintaining internal control can divert our management's attention from other matters that are important to the operation of our business. Additionally, when evaluating our internal control over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify any material weaknesses in our internal control over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting once we are no longer an emerging growth company, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock could be materially adversely affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

The elimination of LIBOR could adversely affect our business, results of operations or financial condition.

In July 2017, the head of the United Kingdom Financial Conduct Authority announced plans to phase out the use of LIBOR by the end of 2021. Although the impact is uncertain at this time, the elimination of LIBOR could have an adverse impact on our business, results of operations, or financial condition. We may incur significant expenses to amend our LIBOR-indexed loans and other applicable financial or contractual obligations, including our revolving credit facility, to a new reference rate, which may differ significantly from LIBOR. Accordingly, the use of an alternative rate could result in increased costs, including increased interest expense on our revolving credit facility, and increased borrowing costs in the future. At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR and we are unable to predict the effect of any such alternatives on our business, results of operations or financial condition.

Risks Related to Our Intellectual Property

We may be accused of infringing or violating the intellectual property rights of others.

Other parties have claimed or may claim in the future that we infringe or violate their trademarks, patents, copyrights, domain names, publicity rights or other proprietary rights. Such claims, regardless of their merit, could result in litigation or other proceedings and could require us to expend significant financial resources and attention by our management and other personnel that otherwise would be focused on our business operations, result in injunctions against us that prevent us from using material intellectual property rights, or require us to pay damages to third parties. We may need to obtain licenses from third parties who allege that we have infringed or violated their rights, but such licenses may not be available on terms acceptable to us or at all. In addition, we may not be able to obtain or use on terms that are favorable to us, or at all, licenses or other rights with respect to intellectual property that we do not own, which would require us to develop alternative intellectual property. To the extent we rely on open source software, we may face claims from third parties that claim ownership of the open source software or derivative works that were developed using such software, or otherwise seek to enforce the terms of the applicable open source license. Similar claims might also be asserted regarding our in-house software. These risks have been amplified by the increase in intellectual property claims by third parties whose sole or primary business is to assert such claims. As knowledge of our business expands, we are likely to be subject to intellectual property claims against us with increasing frequency, scope and magnitude. We may also be obligated to indemnify affiliates or other partners who are accused of violating third parties' intellectual property rights by virtue of those affiliates or partners' agreements with us, and this could increase our costs in defending such claims and our damages. Furthermore, such affiliates and partners may discontinue their relationship with us either as a result of injunctions or otherwise. The occurrence of these results could harm our brand or materially adversely affect our business, financial position and operating results.

We may not be able to adequately protect our intellectual property rights.

We regard our customer lists and other consumer data, trademarks, service marks, domain names, copyrights, trade dress, trade secrets, know-how, proprietary technology and similar intellectual property as critical to our future success. We cannot be sure that our intellectual property portfolio will not be infringed, violated or otherwise challenged by third parties, or that we will be successful in enforcing, defending or combatting any such infringements, violations, or challenges. We also cannot be sure that the law might not change in a way that would affect the nature or extent of our intellectual property ownership.

We rely on patent, registered and unregistered trademark, copyright and trade secret protection and other intellectual property protections under applicable law to protect these proprietary rights. While we have taken steps toward procuring trademark registration for several of our trademarks in key countries around the world and have entered or may enter into contracts to assist with the procurement and protection of our trademarks, we cannot assure you that our common law, applied-for, or registered trademarks are valid and enforceable, that our trademark registrations and applications or use of our trademarks will not be challenged by known or unknown third parties, or that any pending trademark or patent applications will issue or provide us with any competitive advantage. Effective intellectual property protection may not be available to us or may be challenged by third parties. Furthermore, regulations governing domain names may not protect our trademarks and other proprietary rights that may be displayed on or in conjunction with our website and other marketing media. We may be unable to prevent third parties from acquiring or retaining domain names that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights.

We also rely on confidentiality, supplier, license and other agreements with our employees, suppliers and others. There is no guarantee that these third parties will comply with these agreements and refrain from misappropriating our proprietary rights. Misappropriation of our proprietary rights could materially adversely affect our business, financial position and operating results.

We may not be able to discover or determine the extent of any unauthorized use or infringement or violation of our intellectual property or proprietary rights. Third parties also may take actions that diminish the value of our proprietary rights or our reputation. The protection of our intellectual property may require the expenditure of significant financial and managerial resources. Moreover, the steps we take to protect our intellectual property may not adequately protect our proprietary rights or prevent third parties from continuing to infringe or misappropriate these rights. We also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or other intellectual property rights, which could materially adversely affect our business, financial condition and operating results.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to obtain and use information that we regard as proprietary. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Such litigation could be costly, time-consuming and distracting to management, result in a diversion of resources, the impairment or loss of portions of our intellectual property and could materially adversely affect our business, financial condition and operating results. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. These steps may be inadequate to protect our intellectual property. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to use information that we regard as proprietary to create product offerings that compete with ours.

We currently operate only in the United States. To the extent that we determine to expand our business internationally in the future, we will encounter additional risks, including different, uncertain or more stringent laws relating to intellectual property rights and protection.

Risks Related to Government Regulation of Our Food Operations

We are subject to extensive governmental regulations, which require significant expenditures and ongoing compliance efforts.

We are subject to extensive federal, state and local regulations. Our food processing facilities and products are subject to inspection by the U.S. Department of Agriculture, or USDA, the FDA and various state and local health and agricultural agencies. Applicable statutes and regulations governing food products include rules for labeling the content of specific types of foods, the nutritional value of that food and its serving size, as well as rules that protect against contamination of products by food-borne pathogens and food production rules addressing the discharge of materials and pollutants and animal welfare. Many jurisdictions also provide that food producers adhere to good manufacturing or production practices (the definitions of which may vary by jurisdiction) with respect to processing food. Recently, the food safety practices and procedures in the meat processing industry have been subject to more intense scrutiny and oversight by the USDA, and future outbreaks of diseases among cattle, poultry or pigs could lead to further governmental regulation of our business or of our suppliers. In addition, our fulfillment centers are subject to various federal, state and local laws and regulations relating to workplace safety and workplace health. Failure to comply with all applicable laws and regulations could subject us or our suppliers to civil remedies, including fines, injunctions, product recalls or seizures and criminal sanctions, any of which could have a material adverse effect on our business, financial condition and operating results. Furthermore, compliance with current or future laws or regulations could require us to make significant expenditures or otherwise materially adversely affect our business, financial condition and operating results.

Even inadvertent, non-negligent or unknowing violations of federal, state or local regulatory requirements could expose us to adverse governmental action and materially adversely affect our business, financial condition and operating results.

The Federal Food, Drug, and Cosmetic Act, or FDCA, which governs the shipment of foods in interstate commerce, generally does not distinguish between intentional and unknowing, non-negligent violations of the law's requirements. Most state and local laws operate similarly. Consequently, almost any deviation from subjective or objective requirements of the FDCA or state or local law leaves us vulnerable to a variety of civil and criminal penalties. In the future, we may deploy new equipment, update our facilities or occupy new facilities. These activities require us to adjust our operations and regulatory compliance systems to meet rapidly changing conditions. Although we have adopted and implemented systems to prevent the production of unsafe or mislabeled products, any failure of those systems to prevent or anticipate an instance or category of deficiency could result in significant business interruption and financial losses to us. The occurrence of events that are difficult to prevent completely, such as the introduction of pathogenic organisms from the outside environment into our facilities, also may result in the failure of our products to meet legal standards. Under these conditions we could be exposed to civil and criminal regulatory action.

In some instances we may be responsible or held liable for the activities and compliance of our third party vendors and suppliers, despite limited visibility into their operations. Although we monitor and carefully select our third party vendors and suppliers, they may fail to adhere to regulatory standards, our safety and quality standards or labor and employment practices, and we may fail to identify deficiencies or violations on a timely basis or at all. In addition, a statute in California called the Transparency in Supply Chains Act of 2010 requires us to audit our suppliers with respect to certain risks related to slavery and human trafficking and to mitigate any such risks in our operations, and any failure to disclose issues or other non-compliance could subject us to action by the California Attorney General.

We cannot assure you that we will always be in full compliance with all applicable laws and regulations or that we will be able to comply with any future laws and regulations. Failure to comply with these laws and regulations could materially adversely affect our business, financial condition and operating results.

Changes to law, regulation or policy applicable to foods could leave us vulnerable to adverse governmental action and materially adversely affect our business, financial condition and operating results.

The food industry is highly regulated. We invest significant resources in our efforts to comply with the local, state and federal food regulatory regimes under which we operate. However, we cannot assure you that existing laws and regulations will not be revised or that new, more restrictive laws, regulations, guidance or enforcement policies will not be adopted or become applicable to us, our suppliers or the products we distribute. We also operate under a business model that is relatively new to the food industry, in which we rapidly source, process, store and package meal ingredients—including fresh fruits and vegetables, and poultry, beef and seafood, each of which may be subject to a unique regulatory regime—and ship them directly to consumers in the course of e-commerce transactions. Our business model leaves our business particularly susceptible to changes in and reinterpretations of compliance policies of the FDA and other government agencies, and some of our competitors may interpret the applicability of the same or similar laws and regulations to their businesses differently than we interpret them. Furthermore, it is unclear how the FDA may interpret and enforce certain recently promulgated regulations, such as the requirements regarding food defense mitigation strategies, which present considerable future uncertainty. Under the current administration, recent and ongoing changes in senior federal government officials and policy priorities create additional uncertainty.

Our existing compliance structures may be insufficient to address the changing regulatory environment and changing expectations from government regulators regarding our business model. This may result in gaps in compliance coverage or the omission of necessary new compliance activity. Furthermore, if we determine to expand our business internationally in the future, we would be required to comply with foreign laws and regulations, including those related to food safety, employment and health and safety, each of which may be materially different than the laws and regulations applicable to us in the United States. In addition, and regardless of our prospective compliance status, our business, financial condition and operating results could be materially adversely affected by future changes in applicable law and regulations.

Our facilities and operations are governed by numerous and sometimes conflicting registration, licensing and reporting requirements.

Our fulfillment centers are required to be registered with the federal government and, depending on their location, are also subject to the authority of state and local governments. In some cases, disparate registration and licensing requirements lead to legal uncertainty, inconsistent government classifications of our operations and unpredictable governmental actions. Regulators may also change prior interpretations of governing licensing and registration requirements. Our relatively new business model leaves us particularly susceptible to these factors. If we misapply or misidentify licensing or registration requirements, fail to maintain our registrations or licenses or otherwise violate applicable requirements, our products may be subject to seizure or recall and our operations subject to injunction. This could materially adversely affect our business, financial condition and operating results.

Similarly, we are required to submit reports to the FDA's Reportable Food Registry in the event that we determine a product may present a serious danger to consumers. The reporting requirement may be triggered based on a subjective assessment of incomplete and changing facts. Our inventory moves very rapidly throughout our supply and distribution chain. Should we fail, in a timely fashion, to identify and report a potentially reportable event which, subsequently, is determined to have been reportable, government authorities may institute civil or criminal enforcement actions against us, and may result in civil litigation against us or criminal charges against certain of our employees. This could materially adversely affect our business, financial condition and operating results.

Good manufacturing process standards and food safety compliance metrics are complex, highly subjective and selectively enforced.

The federal regulatory scheme governing food products establishes guideposts and objectives for complying with legal requirements rather than providing clear direction on when particular standards apply or how they must be met. For example, FDA regulations referred to as Hazard Analysis and Risk-Based Preventive Controls for Human Food require that we evaluate food safety hazards inherent to our specific products and operations. We must then implement "preventive controls" in cases where we determine that qualified food safety personnel would recommend that we do so. Determining what constitutes a food safety hazard, or what a qualified food safety expert might recommend to prevent such a hazard, requires evaluating a variety of situational factors. This analysis is necessarily subjective, and a government regulator may find our analysis or conclusions inadequate. Similarly, the standard of "good manufacturing practice" to which we are held in our food production operations relies on a hypothesis regarding what individuals and organizations qualified in food manufacturing and food safety would find to be appropriate practices in the context of our operations. Our business model, and the scale and nature of our operations, have relatively few meaningful comparisons among traditional food companies. Government regulators may disagree with our analyses and decisions regarding the good manufacturing practices appropriate for our operations.

Decisions made or processes adopted by us in producing our products are subject to after-the-fact review by government authorities, sometimes years after the fact. Similarly, governmental agencies and personnel within those agencies may alter, clarify or even reverse previous interpretations of compliance requirements and the circumstances under which they will institute formal enforcement activity. It is not always possible accurately to predict regulators' responses to actual or alleged food-production deficiencies due to the large degree of discretion afforded regulators. We may be vulnerable to civil or criminal enforcement action by government regulators if they disagree with our analyses, conclusions, actions or practices. This could materially adversely affect our business, financial condition and operating results.

Packaging, labeling and advertising requirements are subject to varied interpretation and selective enforcement.

We operate under a novel business model in which we source, process, store and package meal ingredients and ship them directly to consumers. Most FDA requirements for mandatory food labeling are decades old and were adopted prior to the advent of large-scale, direct-to-consumer food sales and e-commerce platforms. Consequently, we, like our competitors, must make judgments regarding how best to comply with labeling and packaging regulations and industry practices not designed with our specific business model in mind. Government regulators may disagree with these judgments, leaving us open to civil or criminal enforcement action. This could materially adversely affect our business, financial condition and operating results.

We are subject to detailed and complex requirements for how our products may be labeled and advertised, which may also be supplemented by guidance from governmental agencies. Generally speaking, these requirements divide information into mandatory information that we must present to consumers and voluntary information that we may present to consumers. Packaging, labeling, disclosure and advertising regulations may describe what mandatory information must be provided to consumers, where and how that information is to be displayed physically on our materials or elsewhere, the terms, words or phrases in which it must be disclosed, and the penalties for non-compliance.

Voluntary statements made by us or by certain third parties, whether on package labels or labeling, on websites, in print, in radio, on social media channels, or on television, can be subject to FDA regulation, Federal Trade Commission, or FTC, regulation, USDA regulation, state and local regulation, or any combination of the foregoing. These statements may be subject to specific requirements, subjective regulatory evaluation, and legal challenges by plaintiffs. FDA, FTC, USDA and state- and local-level regulations and guidance can be confusing and subject to conflicting interpretations. Guidelines, standards and market practice for, and consumers' understandings of, certain types of voluntary statements, such as those characterizing the nutritional and other attributes of food products, continue to evolve rapidly, and regulators may attempt to impose civil or criminal penalties against us if they disagree with our approach to using voluntary statements. Furthermore, in recent years the FDA has increased enforcement of its regulations with respect to nutritional, health and other claims related to food products, and plaintiffs have commenced legal actions against a number of companies that market food products positioned as "natural" or "healthy," asserting false, misleading and deceptive advertising and labeling claims, including claims related to such food being "all natural" or that they lack any genetically modified ingredients. Should we become subject to similar claims or actions, consumers may avoid purchasing products from us or seek alternatives, even if the basis for the claim is unfounded, and the cost of defending against any such claims could be significant. The occurrence of any of the foregoing risks could materially adversely affect our business, financial condition and operating results.

Risks Related to Government Regulation of our Wine Business

If we do not comply with the specialized regulations and laws that regulate the alcoholic beverage industry, our business could be materially adversely affected.

Alcoholic beverages are highly regulated at both the federal and state levels. Regulated areas include production, importation, product labeling, taxes, marketing, pricing, delivery, ownership restrictions, prohibitions on sales to minors, and relationships among alcoholic beverage producers, wholesalers and retailers. We cannot assure you that we will always be in full compliance with all applicable regulations or laws, that we will be able to comply with any future regulations and laws, that we will not incur material costs or liabilities in connection with compliance with applicable regulatory and legal requirements, or that such regulations and laws will not materially adversely affect our wine business. We rely on various internal and external personnel with relevant experience complying with applicable regulatory and legal requirements, and the loss of personnel with such expertise could adversely affect our wine business.

Licenses issued by state and federal alcoholic beverage regulatory agencies are required in order to produce, sell and ship wine. We have state and federal licenses, and must remain in compliance with state and federal laws in order to keep our licenses in good standing. Compliance failures can result in fines, license suspension or license revocation. In some cases, compliance failures can also result in cease and desist orders, injunctive proceedings or other criminal or civil penalties. If our licenses do not remain in good standing, our wine business could be materially adversely affected.

Our wine business relies substantially on state laws that authorize the shipping of wine by out-of-state producers directly to in-state consumers. Those laws are relatively new in many states, and it is common for the laws to be modified or regulators to change prior interpretations of governing licensing requirements. Adverse changes to laws or their interpretation allowing a producer to ship wine to consumers across state lines could materially adversely affect our wine business.

Other Risks Related to Government Regulation

Government regulation of the Internet, e-commerce and other aspects of our business is evolving, and we may experience unfavorable changes in or failure to comply with existing or future regulations and laws.

We are subject to a number of regulations and laws that apply generally to businesses, as well as regulations and laws specifically governing the Internet and e-commerce and the marketing, sale and delivery of goods and services over the Internet. Existing and future regulations and laws may impede the growth and availability of the Internet and online services and may limit our ability to operate our business. These laws and regulations, which continue to evolve, cover taxation, tariffs, privacy and data protection, data security, pricing, content, copyrights, distribution, mobile and other communications, advertising practices, electronic contracts, sales procedures, automatic subscription renewals, credit card processing procedures, consumer protections, the provision of online payment services, unencumbered Internet access to our services, the design and operation of websites, and the characteristics and quality of product offerings that are offered online. We cannot guarantee that we have been or will be fully compliant in every jurisdiction, as it is not entirely clear how existing laws and regulations governing issues such as property ownership, sales and other taxes, consumer protection, libel and personal privacy apply or will be enforced with respect to the Internet and e-commerce, as many of these laws were adopted prior to the advent of the Internet and e-commerce and do not contemplate or address the unique issues they raise. Moreover, as e-commerce continues to evolve, increasing regulation and enforcement efforts by federal and state agencies and the prospects for private litigation claims related to our data collection, privacy policies or other e-commerce practices become more likely. In addition, the adoption of any laws or regulations, or the imposition of other legal requirements, that adversely affect our ability to market, sell, and deliver our products could decrease our ability to offer, or customer demand for, our offerings, resulting in lower revenue, and existing or future laws or regulations could impair our ability to expand our product offerings, which could also result in lower revenue and make us more vulnerable to increased competition. Future regulations, or changes in laws and regulations or their existing interpretations or applications, could also require us to change our business practices, raise compliance costs or other costs of doing business and materially adversely affect our business, financial condition and operating results.

Failure to comply with privacy-related obligations, including federal and state privacy laws and regulations and other legal obligations, or the expansion of current or the enactment of new privacy-related obligations could materially adversely affect our business.

A variety of federal and state laws and regulations govern the collection, use, retention, sharing, transfer and security of customer data. We also may choose to comply with, or may be required to comply with, self-regulatory obligations or other industry standards with respect to our collection, use, retention, sharing or security of customer data.

We strive to comply with all applicable laws, regulations, self-regulatory requirements, policies and legal obligations relating to privacy, data usage, and data protection. It is possible, however, that these laws, regulations and other obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and which may conflict with other rules or requirements or our practices. We cannot guarantee that our practices have complied, comply, or will comply fully with all such laws, regulations, requirements and obligations.

We have posted our privacy policy which describes our practice related to the collection, use and disclosure of customer data on our website and in our mobile application. Any failure, or perceived failure, by us to comply with our posted privacy policy or with any federal or state laws, regulations, self-regulatory requirements, industry standards, or other legal obligations could result in claims, proceedings or actions against us by governmental entities, customers or others, or other liabilities, or could result in a loss of customers, any of which could materially adversely affect our business, financial condition and operating results. In addition, a failure or perceived failure to comply with industry standards or with our own privacy policy and practices could result in a loss of customers and could materially adversely affect our business, financial condition and operating results.

Additionally, existing privacy-related laws, regulations, self-regulatory obligations and other legal obligations are evolving and are subject to potentially differing interpretations. Various federal and state legislative and regulatory bodies may expand current laws or enact new laws regarding privacy matters, and courts may interpret existing privacy-related laws and regulations in new or different manners. For example, the State of California enacted legislation in June 2018, the California Consumer Privacy Act of 2018 (the "CCPA"), which came into effect on January 1, 2020, and, among other things, requires companies that process information on California residents to provide new disclosures to California consumers, allows such consumers to opt out of data sharing with third parties and provides a new cause of action for data breaches. While we have invested and may continue to invest in readiness to comply with the applicable legislation, the effects of these new and evolving laws, regulations, and other obligations potentially are far-reaching and may require us to further modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. In addition, if we choose to expand our business internationally in the future we may be subject to non-U.S. privacy, data protection, consumer protection and other laws and regulations, which in some cases are more restrictive than those in the United States. For example, the European Union traditionally has imposed stricter obligations under such laws than the United States. Consequently, any future expansion of our operations internationally may require changes to the ways we collect and use consumer information.

Changes in privacy-related laws, regulations, self-regulatory obligations and other legal obligations, or changes in industry standards or consumer sentiment, could require us to incur substantial costs or to change our business practices, including changing, limiting or ceasing altogether the collection, use, sharing, or transfer of data relating to consumers. Any of these effects could materially adversely affect our business, financial condition and operating results.

If government regulations relating to the Internet or other areas of our business change, we may need to alter the manner in which we conduct our business, or incur greater operating expenses, which could materially adversely affect our business.

The adoption or modification of laws or regulations relating to the Internet or other areas of our business could limit or otherwise adversely affect the manner in which we currently conduct our business. In addition, the continued growth and development of the market for e-commerce may lead to more stringent consumer protection laws, which may impose additional burdens on us. If we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause us to incur additional expenses or alter our business model, which could materially adversely affect our business, financial condition and operating results.

Our failure to collect state or local sales, use or other similar taxes could result in substantial tax liabilities, including for past sales, as well as penalties and interest, and our business could be materially adversely affected.

In general, we have not historically collected state or local sales, use or other similar taxes in any jurisdictions in which we do not have a tax nexus, in reliance on court decisions or applicable exemptions that restrict or preclude the imposition of obligations to collect state and local sales, use and other similar taxes with respect to online sales of our products. In addition, we have not historically collected state or local sales, use or other similar taxes in certain jurisdictions in which we do have a physical presence in reliance on applicable exemptions. On June 21, 2018, the U.S. Supreme Court decided, in *South Dakota v. Wayfair, Inc.*, that state and local jurisdictions may, at least in certain circumstances, enforce a sales and use tax collection obligation on remote vendors that have no physical presence in such jurisdiction. A number of states have already begun, or have positioned themselves to begin, requiring sales and use tax collection by remote vendors and/or by online marketplaces. The details and effective dates of these collection requirements vary from state to state. It is possible that one or more jurisdictions may assert that we have liability for periods for which we have not collected sales, use or other similar taxes, and if such an assertion or assertions were successful it could result in substantial tax liabilities, including for past sales as well as penalties and interest, which could materially adversely affect our business, financial condition and operating results.

Changes in tax treatment of companies engaged in e-commerce could materially adversely affect the commercial use of our sites and our business, financial condition and operating results.

The decision of the U.S. Supreme Court in *South Dakota v. Wayfair, Inc.*, discussed above, permits state and local jurisdictions, in certain circumstances, to impose sales and use tax collection obligation on remote vendors, and a number of states have already begun imposing such obligations on Internet vendors and online marketplaces. In addition, due to the global nature of the Internet, it is possible that various states or, if we choose to expand internationally in the future, foreign countries, might attempt to impose additional or new regulation on our business or levy additional or new sales, income or other taxes relating to our activities. Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in e-commerce. New or revised international, federal, state or local tax regulations may subject us or our customers to additional sales, income and other taxes. New or revised taxes and, in particular, sales taxes, value-added taxes and similar taxes (including sales and use taxes that we may be required to collect as a result of the *Wayfair* decision) are likely to increase costs to our customers and increase the cost of doing business online (including the cost of compliance processes necessary to capture data and collect and remit taxes), and such taxes may decrease the attractiveness of purchasing products over the Internet. Any of these events could materially adversely affect our business, financial condition and operating results.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations which could subject our business to higher tax liability.

We may be limited in the portion of net operating loss carryforwards that we can use in the future to offset taxable income for U.S. federal and state income tax purposes. As of December 31, 2019 and 2018, we had U.S. federal net operating loss carryforwards of $364.0 million and $319.0 million, respectively, and state net operating loss carryforwards of $136.1 million and $143.7 million, respectively, that are available to offset future tax liabilities. Our federal net operating loss carryforwards generated prior to 2018 and our state net operating loss carryforwards will expire at various dates beginning in 2033, if not utilized. Our net operating loss carryforwards may expire unutilized or underutilized, which could prevent us from offsetting future taxable income. In addition, under the Tax Cuts and Jobs Act, or the U.S. Tax Act, the use of federal net operating loss carryforwards arising in taxable years beginning after December 31, 2017 is limited to 80% of our taxable income in any future taxable year, although such losses may be carried forward indefinitely. Furthermore, Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, limits the ability of a company that undergoes an “ownership change” (generally defined as a greater than 50 percentage point cumulative change (by value) in the equity ownership of certain stockholders over a rolling three-year period) to utilize net operating loss carryforwards and tax credit carryforwards and certain built-in losses recognized in years after the ownership change.

Future changes in our stock ownership, some of which may be outside of our control, could result in an ownership change under Section 382 of the Code. In addition, Section 383 of the Code generally limits the amount of tax liability in any post-ownership change year that can be reduced by pre-ownership change tax credit carryforwards. If we were to undergo an "ownership change," it could materially limit our ability to utilize our net operating loss carryforwards and other deferred tax assets.

Risks Related to Our Class A Common Stock

The market price of our Class A common stock has been and may continue to be volatile, which could result in substantial losses for investors purchasing our shares.

The market price of our Class A common stock has been and could continue to be subject to significant fluctuations. For example, since our initial public offering in June 2017, the market price of our Class A common stock has ranged from a high of $165.00 to a low of $3.62. Some of the factors that may cause the market price of our Class A common stock to fluctuate include:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes in our earnings or fluctuations in our operating results or in the expectations of securities analysts;
- announcements of new service offerings, strategic alliances or significant agreements by us or by our competitors;
- departure of key personnel;
- litigation involving us or that may be perceived as having an adverse effect on our business;
- changes in general economic, industry and market conditions and trends;
- investors' general perception of us;
- sales of large blocks of our stock; and
- announcements regarding industry consolidation.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. For example, we are subject to several putative class action lawsuits alleging federal securities law violations in connection with our IPO. Because of the past and the potential future volatility of our stock price, we may become the target of additional securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

Our quarterly operating results or other operating metrics may fluctuate significantly, which could cause the trading price of our Class A common stock to continue to decline.

Our quarterly operating results and other operating metrics have fluctuated in the past and may in the future fluctuate as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including:

- the level of demand for our service offerings and our ability to maintain and increase our customer base;
- the timing and success of new service introductions by us or our competitors or any other change in the competitive landscape of our market;

- the mix of products sold;
- order rates by our customers;
- pricing pressure as a result of competition or otherwise;
- delays or disruptions in our supply chain;
- our ability to reduce costs;
- errors in our forecasting of the demand for our products, which could lead to lower revenue or increased costs;
- seasonal or other variations in buying patterns by our customers;
- changes in and timing of sales and marketing and other operating expenses that we may incur;
- levels of customer credits and refunds;
- adverse litigation judgments, settlements or other litigation-related costs;
- food safety concerns, regulatory proceedings or other adverse publicity about us or our products;
- costs related to the acquisition of businesses, talent, technologies or intellectual property, including potentially significant amortization costs and possible write-downs;
- changes in consumer tastes and preferences; and
- general economic conditions.

Any one of the factors above or the cumulative effect of some or all of the factors above may result in significant fluctuations in our operating results.

The variability and unpredictability of our quarterly operating results or other operating metrics could result in our failure to meet our expectations or those of any analysts that cover us or investors with respect to revenue or other operating results for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our Class A common stock could continue to fall substantially, and we could face costly lawsuits, including securities class action suits.

If securities or industry analysts cease publishing research or reports about us, our business or our market, or if they publish negative evaluations of our stock or the stock of other companies in our industry, the price of our stock and trading volume could decline.

The trading market for our Class A common stock is influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If one or more of the analysts covering our business downgrade their evaluations of our stock or the stock of other companies in our industry, the price of our stock could decline. Since December 31, 2018, 10 of the analysts who formerly covered our stock have ceased to cover our stock and we currently have only three analysts covering our stock. If one or more of the remaining analysts cease to cover our stock, we could lose additional visibility in the market for our stock, which in turn could cause our stock price to decline further.

Because we do not expect to pay any dividends on our Class A common stock for the foreseeable future, investors may never receive a return on their investment.

You should not rely on an investment in our Class A common stock to provide dividend income. We have never paid cash dividends to holders of our Class A common stock and do not anticipate that we will pay any cash dividends to holders of our Class A common stock in the foreseeable future. Instead, we plan to retain any earnings to maintain and support our existing operations. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any return on their investment. As a result, investors seeking cash dividends should not purchase our Class A common stock.

Our tri-class capital structure has the effect of concentrating voting control with our chairman, Matthew B. Salzberg, who beneficially owns shares representing a majority of the combined voting power of our outstanding common stock. This structure will limit or preclude your ability to influence corporate matters, including a change of control, and might affect the market price of our Class A common stock.

Our capital structure consists of three classes of stock: Class B common stock, with ten votes per share; Class A common stock, with one vote per share; and non-voting Class C capital stock. As of January 31, 2020, stockholders who held shares of Class B common stock, including employees and directors and their affiliates, together held approximately 86.3% of the voting power of our outstanding capital stock; our executive officers, directors, 5% stockholders and their respective affiliates together held approximately 77.2% of the voting power of our outstanding capital stock; and our chairman, Matthew B. Salzberg held approximately 53.3% of the voting power of our outstanding capital stock. Because Mr. Salzberg controls a majority of the combined voting power of our outstanding common stock, he will be able to control all matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets, so long as the outstanding shares of Class B common stock represent at least 9.1% of the total number of outstanding shares of Class A common stock and Class B common stock. This concentrated control will limit or preclude your ability to influence corporate matters, including a change of control of our company, for the foreseeable future, and might affect the market price of our Class A common stock.

Sales and/or other transfers by holders of Class B common stock result in those shares converting into Class A common stock, with limited exceptions and permitted transfers described in our restated certificate of incorporation. In addition, each outstanding share of Class B common stock held by a stockholder who is a natural person, or held by the permitted transferees of such stockholder, converts automatically into one share of Class A common stock upon the death or permanent and total disability of such stockholder, subject to a conversion delay of nine months in the event of the death or permanent and total disability of one of our founders, Matthew B. Salzberg, Ilia M. Papas or Matthew J. Wadiak. The conversion of additional shares of Class B common stock into Class A common stock will have the effect of further increasing the voting power of Mr. Salzberg and those holders of Class B common stock who retain their shares of Class B common stock.

Matthew B. Salzberg controls a majority of the combined voting power of our outstanding common stock, which means we are a "controlled company" and which could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

Mr. Salzberg controls a majority of the combined voting power of our Class A and Class B common stock. As a result, we are a "controlled company" under the rules of NYSE. Under these rules, a company of which more than 50% of the voting power is held by an individual, a group or another company is a "controlled company" and, as such, can elect to be exempt from certain corporate governance requirements, including requirements that:

- a majority of the board of directors consist of independent directors;
- the board maintain a nominations committee with prescribed duties and a written charter; and
- the board maintain a compensation committee with prescribed duties and a written charter and comprised solely of independent directors.

As a "controlled company," we may elect to rely on some or all of these exemptions. Accordingly, should the interests of Mr. Salzberg differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance standards. Even if we do not avail ourselves of these exemptions, our status as a controlled company could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

Substantial sales of shares of our Class A common stock could cause the market price of our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock in the public market, or the perception that these sales might occur, could reduce the market price of our Class A common stock and could impair our ability to raise capital through the sale of additional equity or other securities. We are unable to predict the effect that such sales may have on the prevailing market price of our Class A common stock.

As of January 31, 2020, an aggregate of 1,301,793 shares of our common stock remained available for future grants under our equity incentive plans. Shares registered under our registration statements on Form S-8 are available for sale in the public market subject to vesting arrangements and exercise of options, and the restrictions of Rule 144 under the Securities Act. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our Class A common stock could decline.

Additionally, as of January 31, 2020, the holders of an aggregate of approximately 5 million shares of our common stock have rights, subject to certain conditions, to require us to file one or more registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. If we were to register these shares for resale, they could be freely sold in the public market. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our Class A common stock could decline.

The exclusion of our Class A common stock from major stock indexes could adversely affect the trading market and price of our Class A common stock.

Several major stock index providers exclude from their indexes the securities of companies with unequal voting rights, such as ours. Exclusion from stock indexes could make it more difficult, or impossible, for some fund managers to buy the excluded securities, particularly in the case of index tracking mutual funds and exchange traded funds. The exclusion of our Class A common stock from major stock indexes could adversely affect the trading market and price of our Class A common stock.

We may not be able to remain in compliance with the New York Stock Exchange's requirements for the continued listing of our Class A common stock on the exchange.

On May 17, 2019, we were notified by the New York Stock Exchange (the "NYSE") that we were no longer in compliance with the NYSE's continued listing standards because the average closing price of our Class A common stock had fallen below $1.00 per share over a period of 30 consecutive trading days.

We notified the NYSE on May 20, 2019 that we intended to cure the deficiency. On June 14, 2019, we filed a certificate of amendment to our restated certificate of incorporation that, among other things, effected a 1-for-15 reverse stock split of our Class A common stock. On July 1, 2019, we were notified by the NYSE that our Class A common stock had a closing share price of at least $1.00 and an average closing share price of at least $1.00 over the 30 trading-day period ending on June 30, 2019, and therefore we had regained compliance with the applicable NYSE continued listing standard. However, we cannot assure you that the stock price of our Class A common stock will continue to remain in compliance with this standard or that we will remain in compliance with any of the other applicable NYSE continued listing standards. The stock price of our Class A common stock may be adversely affected due to, among other things, our financial results, market conditions and market perception of our business.

In addition, the NYSE requires us to maintain an average global market capitalization over a consecutive 30 trading-day period in excess of $50.0 million or, at the same time, stockholders' equity equal or greater than $50.0 million. As a result of declines in the price of our Class A common stock, we may be unable to meet the requirement.

Any further failure to remain in compliance with the NYSE's continued listing standards, and any subsequent failure to timely resume compliance with the NYSE's continued listing standards within the applicable cure period, could result in delisting from the NYSE and negatively impact our company and holders of our Class A common stock, including by reducing the willingness of investors to hold our Class A common stock because of the resulting decreased price, liquidity and trading of our Class A common stock, limited availability of price quotations, and reduced news and analyst coverage. These developments may also require brokers trading in our Class A common stock to adhere to more stringent rules and may limit our ability to raise capital by issuing additional shares of Class A common stock in the future. Delisting may adversely impact the perception of our financial condition, cause reputational harm with investors, our employees and parties conducting business with us, and limit our access to debt and equity financing. The perceived decrease in value of employee equity incentive awards may reduce their effectiveness in encouraging performance and retention.

Anti-takeover provisions in our restated certificate of incorporation and our amended and restated bylaws, as well as provisions of Delaware law, might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the trading price of our Class A common stock.

Our restated certificate of incorporation and amended and restated bylaws and Delaware law contain provisions that may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our Class A common stock. These provisions may also prevent or delay attempts by our stockholders to replace or remove our management. Our corporate governance documents include provisions:

- establishing a classified board of directors with staggered three-year terms so that not all members of our board are elected at one time;
- providing that directors may be removed by stockholders only for cause and only with a vote of the holders of at least 66-2/3% of the votes that all our stockholders would be entitled to cast for the election of directors;
- limiting the ability of our stockholders to call and bring business before special meetings and to take action by written consent in lieu of a meeting;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;
- authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our Class A common stock; and
- limiting the liability of, and providing indemnification to, our directors and officers.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders holding shares representing more than 15% of the voting power of our outstanding voting stock from engaging in certain business combinations with us. Any provision of our restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our Class A common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your Class A common stock in an acquisition.

Our restated certificate provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for substantially all disputes between us and our stockholders. Our restated certificate of incorporation further provides that the federal district courts of the United States of the America are the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. These choice of forum provisions could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of our company, (2) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee or stockholder of our company to us or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the General Corporation Law or as to which the General Corporation Law of the State of Delaware confers jurisdiction on the Court of Chancery or (4) any action asserting a claim governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find this choice of forum provision contained in our restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and operating results.

Our restated certificate of incorporation further provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act (the "Federal Forum Clause"). We are subject to a shareholder derivative action filed in the Delaware Court of Chancery in which the plaintiff seeks a declaratory judgment challenging the validity of the Federal Forum Clause. On December 19, 2018, the Court entered summary judgment in favor of the plaintiff. On July 8, 2019, the court entered an award of attorneys' fees and expenses in favor of the plaintiff. We believe that we have strong defenses and intend to vigorously defend against this lawsuit. We have appealed the Court's ruling on the underlying merits and the fee award. We are unable to provide any assurances as to the ultimate outcome of this lawsuit or that an adverse resolution of this lawsuit would not have a material adverse effect on our consolidated financial position or results of operations. If this decision is not reversed on appeal, holders of our Class A common stock and Class B common stock and Class C capital stock would, if applicable requirements are met, be permitted to file complaints asserting a cause of action arising under the Securities Act against us in either state or federal court. We may incur additional costs associated with resolving such action in other jurisdictions, which could also materially adversely affect our business, financial condition and operating results.

Our management team has limited experience managing a public company.

Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors and/or complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently continue to manage being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the scrutiny of securities analysts and investors. These obligations and constituents require significant attention from our management team and could divert their attention away from the day-to-day management of our business, which could materially adversely affect our business, financial condition and operating results.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we are subject to the reporting requirements of the Exchange Act, the listing requirements of the NYSE and other applicable securities rules and regulations. Compliance with these rules and regulations may continue to increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly, and increase demand on our systems and resources, particularly after we are no longer an emerging growth company. Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and operating results and maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire even more employees in the future, which will increase our costs and expenses.

We are currently evaluating our internal controls, identifying and remediating any deficiencies in those internal controls and documenting the results of our evaluation, testing and remediation. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting that we are unable to remediate before the end of the same fiscal year in which the material weakness is identified, we will be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, or if our auditors are unable to attest to management's report on the effectiveness of our internal controls, which will be required after we are no longer an emerging growth company, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our Class A common stock to decline.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expense and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

As a result of being a public company and the accompanying rules and regulations, it is more expensive for us to obtain director and officer liability insurance, and in the future we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

We are an "emerging growth company," and the reduced disclosure requirements applicable to emerging growth companies may make our Class A common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"), and may remain an emerging growth company until the last day of our fiscal year following the fifth anniversary of our IPO, subject to specified conditions. For so long as we remain an emerging growth company, we are permitted, and intend, to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. We would cease to be an emerging growth company if we have more than $1.07 billion in annual revenue, we have more than $700 million in market value of our stock held by non-affiliates (and we have been a public company for at least 12 months and have filed one annual report on Form 10-K) or we issue more than $1 billion of non-convertible debt securities over a three-year period. These exemptions include reduced disclosure obligations regarding executive compensation and exemptions from the requirements to hold non-binding advisory votes on executive compensation and golden parachute payments, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, and not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements. We cannot predict whether investors will find our Class A common stock less attractive if we rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this exemption from new or revised accounting standards and, therefore, while we are an emerging growth company we will not be subject to new or revised accounting standards at the same time that they become applicable to other public companies that are not emerging growth companies. Accordingly, we will incur additional costs in connection with complying with the accounting standards applicable to public companies at such time or times as they become applicable to us.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our principal executive office is located in New York, New York, where we lease approximately 25,000 square feet of space pursuant to a lease that expires in 2024. Our customer service operations and certain back-office functions are based in Austin, Texas, where we lease approximately 65,000 square feet of space pursuant to a lease expiring in 2022, with an option to extend the term for one five-year period.

Our current fulfillment centers occupy leased facilities in Richmond, California, Linden, New Jersey, and Arlington, Texas. Our fulfillment center in Richmond, California occupies approximately 165,000 square feet of space pursuant to a lease expiring in 2022; our fulfillment center in Linden, New Jersey occupies approximately 495,000 square feet of space pursuant to a lease expiring in 2026 with an option to extend the term for two consecutive five-year periods, and our fulfillment center in Arlington, Texas occupies approximately 104,000 square feet of space pursuant to a lease expiring in 2024. In connection with the planned closure of the Arlington fulfillment center, we plan to sublease that facility, but there is no assurance that we will be able to enter into a sublease on favorable terms, if at all. We believe that our Linden and Richmond fulfillment centers are adequate to meet our immediate needs.

We also lease approximately 431,000 square feet of warehouse space in Fairfield, California pursuant to a lease expiring in 2028, with an option to extend the term for two consecutive five-year periods. We do not intend to occupy this facility and, as a result, we are continuing to evaluate potential alternatives for the property.

For additional information on our lease obligations, see Note 9 to the Consolidated Financial Statements of this Annual Report on Form 10-K.

ITEM 3. LEGAL PROCEEDINGS.

The Company is subject to a consolidated putative class action lawsuit in the U.S. District Court for the Eastern District of New York alleging federal securities law violations in connection with the Company’s June 2017 initial public offering, or the IPO. The amended complaint alleges that the Company and certain current and former officers and directors made material misstatements or omissions in the Company’s registration statement and prospectus that caused the stock price to drop. Pursuant to a stipulated schedule entered by the parties, defendants filed a motion to dismiss the amended complaint on May 21, 2018. Plaintiffs filed a response on July 12, 2018 and defendants filed a reply on August 13, 2018. The motion to dismiss remains pending before the Court. The Company is also subject to two putative class action lawsuits filed in New York Supreme Court alleging federal securities law violations in connection with the IPO, which are substantially similar to the above-referenced federal court action. The parties have entered into stipulations staying the state court actions pending resolution of the motion to dismiss filed in the federal court action. The Company is unable to provide any assurances as to the ultimate outcome of any of these lawsuits or that an adverse resolution of any of these lawsuits would not have a material adverse effect on the Company’s consolidated financial position or results of operations.

The Company is subject to a shareholder derivative action filed in the Delaware Court of Chancery. The plaintiff seeks a declaratory judgment challenging the validity of a provision of the Company’s restated certificate of incorporation that requires shareholders to bring claims under the Securities Act of 1933 solely in federal court. On December 19, 2018, the Court entered summary judgment in favor of the plaintiff. On July 8, 2019, the court entered an award of attorneys' fees and expenses in favor of the plaintiff. The Company believes that it has strong defenses and intends to vigorously defend against this lawsuit, and it has appealed the Court's ruling on the underlying merits and fee award. The hearing on the Company's appeal was held on January 8, 2020. The Company is unable to provide any assurances as to the ultimate outcome of this lawsuit or that an adverse resolution of this lawsuit would not have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company is subject to a lawsuit filed in California Superior Court under the Private Attorneys General Act on behalf of certain non-exempt employees in the Company's Richmond, California fulfillment center. The complaint was filed on October 16, 2017, and alleges that the Company failed to pay wages and overtime, provide required meal and rest breaks, provide suitable resting facilities and provide accurate wage statements, to non-exempt employees in violation of California law. Plaintiffs' counsel filed a separate class action lawsuit alleging largely the same claims, but covering a longer period, which is now pending in the United States District Court for the Northern District of California. A mediation was held on November 20, 2019, at which time the cases were not resolved. On December 16, 2019, Plaintiff filed a motion for class certification in federal court. On December 18, 2019, the parties entered into a Memorandum of Understanding which, if finalized and approved by the court, will resolve both actions in their entirety. The parties are working toward finalizing a settlement agreement and the court has set the deadline for Plaintiff to file a motion for preliminary approval of the settlement on March 2, 2020 and has vacated all other deadlines in the class-action case, including the due date for the Company's opposition to the motion for class certification. The court is scheduled to hold a hearing on the final settlement agreement on April 16, 2020. If the parties do not finalize the settlement agreement or if the court does not approve the settlement agreement, the cases will continue.

If the settlement agreement is not finalized or approved by the court, the Company is currently unable to provide any assurances as to the ultimate outcome of these lawsuits or that adverse resolution of these lawsuits would not have a material adverse effect on the Company's consolidated financial position or results of operations.

On July 20, 2018, one of the Company's suppliers, West Liberty Foods, L.L.C., (i) made an arbitration demand against the Company with JAMS, and (ii) together with certain related entities, filed a lawsuit against the Company in Iowa state court. The arbitration demand alleged breach of contract, fraud, and other common law claims in connection with, among other things, a dispute under the supply agreement between the parties related to the purchase of certain beef and poultry inventory of the supplier. The lawsuit, which was removed to the U.S. District Court for the Southern District of Iowa, alleged breach of oral contract and other common law claims in connection with a purported agreement between the Company and the supplier relating to the supplier's acquisition of another company. On December 28, 2018, the Court denied the Company's motion to dismiss the plaintiffs' amended complaint. The parties settled both matters on January 31, 2020, and on February 4, 2020, both the Iowa lawsuit and the arbitration were dismissed with prejudice.

In addition, from time to time the Company may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. Although the results of such litigation and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on its business, operating results, financial condition or cash flows. Regardless of the outcome, any such litigation and claims can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

For additional information on our legal contingencies, see Note 9 to the Consolidated Financial Statements of this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Certain Information Regarding the Trading of Our Common Stock

Our Class A common stock has been traded on the New York Stock Exchange (the "NYSE") under the symbol "APRN" since June 29, 2017. Prior to that time, there was no public market for our Class A common stock. Our Class B common stock is not listed or traded on any stock exchange.

Holders of Our Common Stock

As of January 31, 2020, there were approximately 30 holders of record of shares of our Class A common stock and approximately 81 holders of record of shares of our Class B common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, whose shares are held of record by banks, brokers, and other financial institutions.

Dividends

We have never declared or paid cash dividends on our capital stock. We anticipate that we will retain all of our future earnings to finance the operation of our business and do not anticipate declaring or paying any cash dividends on our capital stock in the foreseeable future. Any future determination to declare and pay cash dividends, if any, will be made at the discretion of our board of directors and will depend on a variety of factors, including applicable laws, our financial condition, results of operations, contractual restrictions, capital requirements, business prospects, general business or financial market conditions, and other factors our board of directors may deem relevant. In addition, our revolving credit facility contains covenants that could restrict our ability to pay cash dividends.

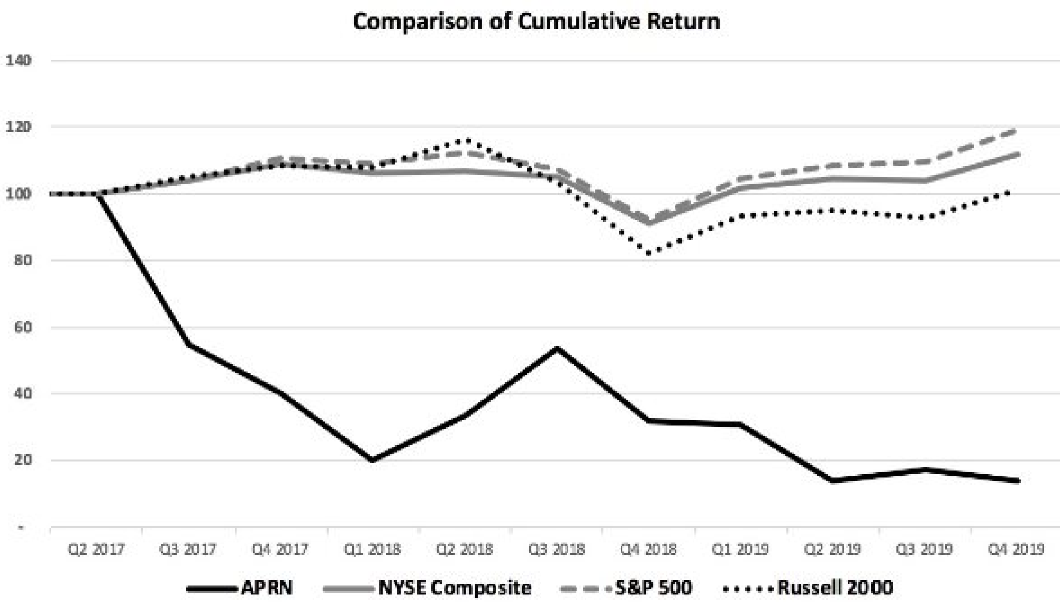
Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item will be set forth in the definitive proxy statement we will file in connection with our 2020 Annual Meeting of Stockholders and is incorporated by reference herein.

Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the U.S. Securities and Exchange Commission (the "SEC") for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that section, and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.

The graph set forth below compares cumulative total return on the Class A common stock with the cumulative total return of the S&P 500, the NYSE Composite Index, and the Russell 2000 Index resulting from an initial investment of $100 in each and, assuming the reinvestment of any dividends, based on closing prices. Measurement points are from our initial public offering to the last trading day of each quarter for the period from June 29, 2017 (the date our Class A common stock began trading on the NYSE) through December 31, 2019.



Note: Stock price performance shown in the Stock Price Performance Graph for the Class A common stock is historical and not necessarily indicative of future price performance.

Recent Sales of Unregistered Securities

None.

Use of Proceeds from Public Offering of Common Stock

On June 28, 2017, the Registration Statement on Form S-1 (File No. 333-218425) for our initial public offering of our Class A common stock was declared effective by the SEC. Shares of our Class A common stock began trading on the NYSE on June 29, 2017.

The underwriters of our initial public offering were Goldman, Sachs & Co., Morgan Stanley & Co. LLC, Citigroup Global Markets Inc., Barclays Capital Inc., Barclays Capital Inc., RBC Capital Markets, LLC, SunTrust Robinson Humphrey, Inc., Stifel, Nicolaus & Company, Incorporated, Canaccord Genuity Inc., Needham & Company, LLC, Oppenheimer & Co. Inc., Raymond James & Associates, Inc., and William Blair & Company, L.L.C. The offering commenced on June 28, 2017 and did not terminate until the sale of all of the shares offered.

We paid to the underwriters of our initial public offering an underwriting discount totaling approximately $16.5 million. In addition, we incurred expenses of approximately $5.5 million which, when added to the underwriting discount, amount to total expenses of approximately $22.0 million. Thus, the net offering proceeds, after deducting underwriting discounts and offering expenses, were approximately $278.0 million. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning 10.0% or more of any class of our equity securities or to any other affiliates.

There has been no material change in the use of IPO proceeds from that described in the final prospectus filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act on June 29, 2017.

Issuer Purchases of Equity Securities

We did not purchase any of our registered equity securities during the period covered by this Annual Report on Form 10-K.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA.

The following table sets forth our selected consolidated financial data. The consolidated statement of operations data for the years ended December 31, 2019, 2018, and 2017 and the selected consolidated balance sheet data as of December 31, 2019 and 2018 are derived from our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The consolidated statement of operations data for the years ended December 31, 2016 and 2015 and the selected consolidated balance sheet data as of December 31, 2017, 2016, and 2015 are derived from our audited consolidated financial statements and related notes that are not included in this Annual Report on Form 10-K. The following tables also show certain unaudited operational and non-GAAP financial measures as well as a reconciliation between certain GAAP and non-GAAP measures. Our historical results are not necessarily indicative of the results to be expected in any future period. You should read the following selected consolidated financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2019	**2018**	**2017**	**2016**	**2015**
	(In thousands, except share and per-share numbers)				
Consolidated Statements of Operations Data:					
Net revenue	$ 454,868	$ 667,600	$ 881,191	$ 795,416	$ 340,803
Operating expenses:					
Cost of goods sold, excluding depreciation and amortization	279,135	433,496	627,964	532,682	263,271
Marketing	48,133	117,455	154,529	144,141	51,362
Product, technology, general, and administrative	144,925	194,340	247,907	165,179	70,151
Depreciation and amortization	31,200	34,517	26,838	8,217	2,917
Other operating expense	3,571	2,170	12,713	—	—
Total operating expenses	506,964	781,978	1,069,951	850,219	387,701
Income (loss) from operations	(52,096)	(114,378)	(188,760)	(54,803)	(46,898)
Interest income (expense), net	(8,943)	(7,683)	(6,384)	25	(6)
Other income (expense), net	—	—	(14,984)	—	—
Income (loss) before income taxes	(61,039)	(122,061)	(210,128)	(54,778)	(46,904)
Benefit (provision) for income taxes	(42)	(88)	(15)	(108)	(61)
Net income (loss)	$ (61,081)	$ (122,149)	$ (210,143)	$ (54,886)	$ (46,965)
Net income (loss) per share attributable to Class A common, Class B common, and Class C capital stockholders*:					
Basic	$ (4.67)	$ (9.51)	$ (24.62)	$ (12.58)	$ (13.78)
Diluted	$ (4.67)	$ (9.51)	$ (24.62)	$ (12.58)	$ (13.78)
Weighted-average shares used to compute net income (loss) per share attributable to Class A common, Class B common, and Class C capital stockholders*:					
Basic	13,089,908	12,845,261	8,537,156	4,361,707	3,409,160
Diluted	13,089,908	12,845,261	8,537,156	4,361,707	3,409,160

* *Reflects the 1-for-15 reverse stock split that became effective on June 14, 2019. Refer to Note 2 to the Consolidated Financial Statements of this Annual Report on Form 10-K for further information.*

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(In thousands)				
Other Financial Data:					
Adjusted EBITDA (1)	$ (8,355)	$ (61,371)	$ (137,939)	$ (43,621)	$ (42,876)
Net cash from (used in) operating activities	$ (16,466)	$ (76,900)	$ (152,442)	$ (23,545)	$ (26,396)
Free cash flow (2)	$ (21,686)	$ (91,922)	$ (276,684)	$ (86,372)	$ (38,337)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(In thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 43,531	$ 95,615	$ 228,514	$ 81,468	$ 126,860
Working capital (3)	$ (26,240)	$ (21,152)	$ (36,474)	$ (58,108)	$ (27,581)
Total assets	$ 266,065	$ 354,899	$ 517,709	$ 273,407	$ 164,973
Total liabilities	$ 198,066	$ 235,597	$ 293,859	$ 211,938	$ 52,038
Long-term obligations (4)	$ 54,733	$ 83,783	$ 125,315	$ 45,434	$ 468
Convertible preferred stock	$ —	$ —	$ —	$ 194,869	$ 194,869
Total stockholders' equity (deficit)	$ 67,999	$ 119,302	$ 223,850	$ (133,400)	$ (81,934)

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" for information regarding our use of adjusted EBITDA and a reconciliation of adjusted EBITDA to its most directly comparable GAAP equivalent.

(2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" for information regarding our use of free cash flow and a reconciliation of free cash flow to its most directly comparable GAAP equivalent.

(3) We define working capital as current assets (excluding cash and cash equivalents) less current liabilities.

(4) Long-term obligations includes outstanding borrowings under the revolving credit facility and capital leases.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion of our financial condition and results of operations together with our consolidated financial statements and the related notes and other financial information included elsewhere in this Annual Report on Form 10-K. The following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in the section titled "Risk Factors." In this discussion, we use financial measures that are considered non-GAAP financial measures under Securities and Exchange Commission rules. These rules require supplemental explanation and reconciliation, which is included elsewhere in this Annual Report on Form 10-K. Investors should not consider non-GAAP financial measures in isolation from or in substitution for, financial information presented in compliance with U.S. generally accepted accounting principles. In the below discussion, we use the term basis points to refer to units of one-hundredth of one percent. On June 13, 2019, the Board of Directors of the Company approved the Reverse Stock Split, which Reverse Stock Split became effective on June 14, 2019. Accordingly, all common share, equity award, and per share amounts have been adjusted to reflect the Reverse Stock Split for all prior periods presented.

Overview

Blue Apron creates incredible experiences. Founded in 2012, we are building a consumer lifestyle brand that symbolizes the emotional human connections that are formed through the cooking experiences we create.

Our core product is the meal experience we help our customers create. These experiences extend from discovering new recipes, ingredients, and cooking techniques to preparing meals with families and loved ones to sharing photos and stories of culinary triumphs. Central to these experiences are the original recipes we design and send along with fresh, seasonally inspired ingredients directly to our customers. We do this by employing technology and expertise across many disciplines – demand planning, recipe creation, recipe merchandising, and marketing – to drive our end-to-end value chain. We offer our customers two flexible plans—our 2-Serving Plan and our 4-Serving Plan. We also sell wine, which can be paired with our meals, through Blue Apron Wine, our direct-to-consumer wine delivery service. Through Blue Apron Market, our e-commerce market, we sell a curated selection of cooking tools, utensils, pantry items, and add-on products for different culinary occasions, which are tested and recommended by our culinary team.

On July 5, 2017, we completed our initial public offering (the "IPO"), in which we issued and sold 2,000,000 shares of our Class A common stock at a public offering price of $150.00 per share for aggregate gross proceeds of $300.0 million. We received approximately $278.0 million in net proceeds after deducting $16.5 million of underwriting discounts and commissions and approximately $5.5 million in offering costs. Upon the closing of the IPO, all of the outstanding shares of our convertible preferred stock automatically converted into 5,679,370 shares of Class B common stock at the applicable conversion rates then in effect. Subsequent to the closing of the IPO, there were no shares of preferred stock outstanding. Upon the closing of the IPO, all of our outstanding convertible notes automatically converted into 468,213 shares of Class B common stock at the applicable conversion rate then in effect. Subsequent to the closing of the IPO, there were no convertible notes outstanding.

Key Financial and Operating Metrics

We use the following key financial and operating metrics to evaluate our business and operations, measure our performance, identify trends affecting our business, project our future performance, and make strategic decisions. You should read the key financial and operating metrics in conjunction with the following discussion of our results of operations and financial condition together with our consolidated financial statements and the related notes and other financial information included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Net revenue	$ 454,868	$ 667,600	$ 881,191
Adjusted EBITDA	$ (8,355)	$ (61,371)	$ (137,939)
Net cash from (used in) operating activities	$ (16,466)	$ (76,900)	$ (152,442)
Free cash flow	$ (21,686)	$ (91,922)	$ (276,684)

	Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
2019				
Orders *(in thousands)*	2,482	2,048	1,726	1,622
Customers *(in thousands)*	550	449	386	351
Average Order Value	$ 57.15	$ 58.16	$ 57.60	$ 58.14
Orders per Customer	4.5	4.6	4.5	4.6
Average Revenue per Customer	$ 258	$ 265	$ 258	$ 269
2018				
Orders *(in thousands)*	3,474	3,122	2,647	2,418
Customers *(in thousands)*	786	717	646	557
Average Order Value	$ 56.58	$ 57.34	$ 56.79	$ 58.12
Orders per Customer	4.4	4.4	4.1	4.3
Average Revenue per Customer	$ 250	$ 250	$ 233	$ 252
2017				
Orders *(in thousands)*	4,273	4,033	3,605	3,196
Customers *(in thousands)*	1,036	943	856	746
Average Order Value	$ 57.23	$ 58.81	$ 58.16	$ 57.99
Orders per Customer	4.1	4.3	4.2	4.3
Average Revenue per Customer	$ 236	$ 251	$ 245	$ 248

Orders

We define Orders as the number of paid orders by our Customers across our meal, wine and market products sold on our e-commerce platforms in any reporting period, inclusive of orders that may have eventually been refunded or credited to customers. Orders, together with Average Order Value, is an indicator of the net revenue we expect to recognize in a given period. We view Orders delivered as a key indicator of our scale and financial performance. Orders has limitations as a financial and operating metric as it does not reflect the product mix chosen by our customers or the purchasing behavior of our customers. Because of these and other limitations, we consider, and you should consider, Orders in conjunction with our other metrics, including net revenue, net income (loss), adjusted EBITDA, net cash from (used in) operating activities, free cash flow, Average Order Value and Orders per Customer.

Customers

We determine our number of Customers by counting the total number of individual customers who have paid for at least one Order from Blue Apron across our meal, wine or market products sold on our e-commerce platforms in a given reporting period. For example, the number of Customers in the quarter ended December 31, 2019 was determined based on the total number of individual customers who paid for at least one Order across our meal, wine or market products in the quarter ended December 31, 2019. We view the number of Customers as a key indicator of our scale and financial performance. Customers has limitations as a financial and operating metric as it does not reflect the product mix chosen by our customers, Order frequency, or the purchasing behavior of our customers. Because of these and other limitations, we consider, and you should consider, Customers in conjunction with our other metrics, including net revenue, net income (loss), adjusted EBITDA, net cash from (used in) operating activities, free cash flow, Orders per Customer and Average Revenue per Customer.

Average Order Value

We define Average Order Value as our net revenue from our meal, wine and market products sold on our e-commerce platforms in a given reporting period divided by the number of Orders in that period. We view Average Order Value as a key indicator of the mix of our product offerings chosen by our customers, the mix of promotional discounts, and the purchasing behavior of our customers.

Orders per Customer

We define Orders per Customer as the number of Orders in a given reporting period divided by the number of Customers in that period. We view Orders per Customer as a key indicator of our customers' purchasing patterns, including their repeat purchase behavior.

Average Revenue per Customer

We define Average Revenue per Customer as our net revenue from our meal, wine and market products sold on our e-commerce platforms in a given reporting period divided by the number of Customers in that period. We view Average Revenue per Customer as a key indicator of our customers' purchasing patterns, including their repeat purchase behavior.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure defined by us as net income (loss) before interest income (expense), net, other operating expense, other income (expense), net, benefit (provision) for income taxes, depreciation, amortization and share-based compensation expense. We have presented adjusted EBITDA in this Annual Report on Form 10-K because it is a key measure used by our management and board of directors to understand and evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, we believe that the exclusion of certain items in calculating adjusted EBITDA can produce a useful measure for period-to-period comparisons of our business. Accordingly, we believe that adjusted EBITDA provides useful information in understanding and evaluating our operating results. Please see "Non-GAAP Financial Measures" for a discussion of the use of non-GAAP financial measures and for a reconciliation of adjusted EBITDA to net income (loss), the most directly comparable measure calculated in accordance with GAAP.

Free Cash Flow

Free cash flow is a non-GAAP financial measure that is calculated as net cash from (used in) operating activities less purchases of property and equipment. We have presented free cash flow in this Annual Report on Form 10-K because it is used by our management and board of directors as an indicator of the amount of cash we generate or use and to evaluate our ability to satisfy current and future obligations and to fund future business opportunities. Accordingly, we believe that free cash flow provides useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our ability to satisfy our financial obligations and pursue business opportunities, and allowing for greater transparency with respect to a key financial metric used by our management in their financial and operational decision-making. Free cash flow is not a measure of cash available for discretionary expenditures since we have certain non-discretionary obligations such as debt repayments or capital lease obligations that are not deducted from the measure. Additionally, other companies, including companies in our industry, may calculate free cash flow differently, which reduces its usefulness as a comparative measure. Please see "Non-GAAP Financial Measures" for a discussion of the use of non-GAAP financial measures and for a reconciliation of free cash flow to net cash from (used in) operating activities, the most directly comparable measure calculated in accordance with GAAP.

Key Factors Affecting Our Performance

We believe that our performance and future success depends on a number of factors that present significant opportunities but also pose risks and challenges, including those discussed below and under "Risk Factors."

Marketing and Customer Lifecycle Management

Our performance and future success will depend in large part on our ongoing ability to invest in marketing to sufficiently support our growth strategy and cost-effectively launch marketing campaigns that attract, retain, and engage customers. We use various online paid advertising channels (such as digital and social media and email), strategic brand partnerships, and offline paid advertising channels (such as television, direct mail, radio, and podcasts). We typically complement our paid advertising channels by offering promotional discounts to new customers for use on their first Order. We also attract new customers by word of mouth, including through our customer referral program, through which certain existing customers may invite others to receive a complimentary meal delivery. We intend to continue investing in marketing and offering promotional discounts to drive customer acquisition with a deliberate focus on the marketing channels we believe to be the most efficient and customer segments that demonstrate stronger affinity and retention. By prioritizing customer segments that demonstrate stronger affinity and retention, we believe we will strengthen our customer base and improve our ability to achieve profitable revenue. We also intend to continue using marketing to drive customer retention, customer engagement and brand awareness.

In addition to marketing, we continue to invest in our products, brand and overall customer experience, each of which further drives customer acquisition, customer retention and customer engagement and encourages repeat purchases. We also engage with our customers through social media, our website, blog, in-box content and mobile application, including through how-to videos and visual imagery, to deepen our customers' connection with our brand. Our flexible platform allows customers to interact with us by either actively managing or passively receiving orders, and we believe this flexibility drives higher customer engagement, loyalty and retention over the long term. Our ability to efficiently acquire new customers, retain existing customers and drive customer engagement through marketing investment and other business initiatives significantly impacts our revenue and results of operations. For example, in order to maintain compliance with the financial covenants under our revolving credit facility, we may be required to reduce marketing expenditures, which would negatively impact revenue, our growth strategy, and our business. See "Liquidity and Capital Resources" below for further discussion.

Product Offerings

Our ability to enhance our existing products and introduce new products impacts our revenue and results of operations. We make ongoing changes to our products intended to enhance the customer experience. To accommodate various customer lifestyles, we offer both a 2-Serving Plan and a 4-Serving Plan for our meals, each with flexibility in recipe selection. We are focused on offering a variety of choices every week, including a range of recipes designed for a healthy lifestyle so that customers can make selections based on their individual household needs and preferences. We are also focused on brand extensions that are complementary to our meal experience, such as Blue Apron Wine and Blue Apron Market. We believe that by introducing new products and by increasing the choices available, we will better attract, engage and retain customers. Our customers' choices from among our product offerings will impact our revenue and results of operations, and as we introduce additional products and increase flexibility in our existing products, our customers' behavior and engagement with us may change.

Operational Execution

Our ability to effectively coordinate supply and demand and execute across our end-to-end value chain impacts our customer experience and our operating results. We begin by working with our suppliers, often months in advance of creating our menus. We then continue to forecast demand as well as monitor and evaluate our expected supply of ingredients, retaining flexibility to finalize recipes in the weeks leading up to fulfillment. As of January 31, 2020, we operated three technology-enabled, refrigerated fulfillment centers that collectively employed approximately 1,095 employees. Each fulfillment center includes an operation that portions ingredients into exact quantities for each week's recipes using a combination of automated methods, manual labor, and warehousing, packaging and shipping operations. We utilize a company-managed, third party delivery network that optimizes outbound logistics, including packing materials and the choice of carrier, on a zip code by zip code basis to ensure cost-effective, timely and safe delivery of our orders. In February 2020, we announced the planned closure of our Arlington, Texas fulfillment center and the consolidation of production volume from our Arlington, Texas fulfillment center into our Linden, New Jersey and Richmond, California fulfillment centers. Through this action, we believe we can more efficiently continue to service our national footprint while also enabling us to redirect financial resources into other parts of the business, including growth initiatives. See Note 18 to the Consolidated Financial Statements of this Annual Report on Form 10-K for additional information.

Capital Investment to Support our Strategic Initiatives

Our strategic investments in our fulfillment center operations will continue to significantly impact our ability to successfully execute on our strategy, introduce new products, increase variety to customers, and create efficiencies in our cost structure. We made significant investments to scale our operations and support the expansion of our business, including the build-out of our fulfillment center in Linden, New Jersey which we completed in 2017, which have contributed to meaningful efficiencies in our fulfillment operations. In the future, we plan to further invest in capital expenditures primarily related to implementing our growth strategy and to further optimize and drive efficiency in our operations. However, in order to maintain compliance with the financial covenants under our revolving credit facility, we may be required to reduce capital expenditures, which would negatively impact revenue, our growth strategy, and our business. See “Liquidity and Capital Resources” below for further discussion.

Seasonality

We experience seasonality in our business that impacts the level at which customers engage with our products and brand and our quarterly results of operations. We anticipate that the first quarter of each year will generally represent our strongest quarter in terms of customer engagement. Conversely, during the summer months and the end of year holidays, when people are vacationing more often or have less predictable weekly routines, we generally anticipate lower customer engagement. Our marketing strategies, which may be informed by these seasonal trends, will also impact our quarterly results of operations.

Components of Our Results of Operations

Net Revenue

We generate net revenue primarily from the sale of meals to customers through our 2-Serving and 4-Serving Plans. We also generate net revenue through sales of Blue Apron Wine, which we began offering in September 2015, and through sales on Blue Apron Market, which we launched in November 2014. For each of the years ending December 31, 2019, 2018 and 2017, we derived substantially all of our net revenue from sales of our meals through our direct-to-consumer platform. We deduct promotional discounts, actual customer credits and refunds as well as customer credits and refunds expected to be issued to determine net revenue. Customers who receive a damaged meal or wine order or are dissatisfied with a meal or wine order and contact us within seven days of receipt of the order may receive a full or partial refund, full or partial credit against future purchase, or replacement, at our sole discretion. Credits only remain available for customers who maintain a valid account with us. Customers who return an unused, undamaged Blue Apron Market product within 30 days of receipt receive a full refund.

Our business is seasonal in nature and, as a result, our revenue and expenses and associated revenue trends fluctuate from quarter to quarter. For example, we anticipate that the first quarter of each year will generally represent our strongest quarter in terms of customer engagement. Conversely, during the summer months and the end of year holidays, when people are vacationing more often or have less predictable weekly routines, we generally anticipate lower customer engagement. In addition, our net revenue is impacted by our marketing strategies, including the timing and amount of paid advertising and promotional activity. For example, our deliberate reduction in marketing expenses to focus on the marketing channels we believe to be the most efficient and target consumers that we believe will exhibit higher affinity and retention has negatively impacted our net revenue. We also anticipate that our net revenue will be impacted by the timing and success of our ongoing product and channel expansion.

Credit card charges are recorded in deferred revenue until the criteria for revenue recognition have been met. Because we generally charge credit cards in advance of shipment and, historically, customers have most frequently requested delivery of their meals earlier in the week, our deferred revenue balance at the end of a financial reporting period may fluctuate significantly based on the day of the week on which that period ends. Consequently, large changes in deferred revenue at any particular time are not meaningful indicators of our financial results or future revenue trends.

Cost of Goods Sold, excluding Depreciation and Amortization

Cost of goods sold, excluding depreciation and amortization, consists of product and fulfillment costs. Product costs include the cost of food, packaging for food that is portioned prior to delivery to customers, labor and related personnel costs incurred to portion food for our meals, inbound shipping costs, and cost of products sold through Blue Apron Wine and Blue Apron Market. Fulfillment costs consist of costs incurred in the shipping and handling of inventory including the shipping costs to our customers, labor and related personnel costs related to receiving, inspecting, warehousing, picking inventory, and preparing customer orders for shipment, and the cost of packaging materials and shipping supplies. Over time, we expect such expenses to decrease as a percentage of net revenue as we continue to focus on operational improvements and optimizing our fulfillment center operations.

Marketing

Our marketing expenses consist primarily of costs incurred to acquire new customers, retain existing customers and build our brand awareness through various online and offline paid channels, including digital and social media, television, direct mail, radio and podcasts, email, brand activations, and certain variable and fixed payments to strategic brand partnerships. Also included in marketing expenses are the costs of orders through our customer referral program, in which certain existing customers may invite others to receive a complimentary meal delivery, as well as costs paid to third parties to market our products. The cost of the customer referral program is based on our costs incurred for fulfilling a complimentary meal delivery, including product and fulfillment costs.

We expect marketing expenses to continue to comprise a significant portion of our operating expenses in support of our growth strategy while also continuing to focus on efficiency and our customer acquisition strategy to target consumers that we believe will exhibit high affinity and retention through marketing channels we believe to be the most efficient. We anticipate that our marketing strategies, including the timing and extent of our marketing investments, will be informed by our strategic priorities including our ability to implement our growth strategy, the sufficiency of our cash resources, the seasonal trends in our business, and the competitive landscape of our market, and will fluctuate from quarter-to-quarter and have a significant impact on our quarterly results of operations.

Product, Technology, General and Administrative

Product, technology, general and administrative expenses consist of costs related to the development of our products and technology, general and administrative expenses, and overhead expenses, which include: payroll and related expenses for employees involved in the application, production, and maintenance of our platform and other technology infrastructure costs; payroll and related expenses for employees performing corporate and other managerial functions; facilities costs such as occupancy and rent costs for our corporate offices and fulfillment centers; and payment processing fees, professional fees, and other general corporate and administrative costs. Over time, we expect such expenses to decrease as a percentage of net revenue as we realize the savings from the planned closure of our Arlington facility and we continue to focus on cost optimization.

Depreciation and Amortization

Depreciation and amortization consists of depreciation expense for our property and equipment and amortization expense for capitalized software development costs.

Other Operating Expense

Other operating expense consists of a charge for an estimated legal settlement in 2019, impairment losses on long-lived assets in 2019 and 2017, and restructuring costs related to the Arlington facility restructuring announced in January 2019 and workforce reductions in November 2018 and October 2017.

Interest Income (Expense), Net

Interest income and expense consists primarily of interest expense associated with our revolving credit facility, capital lease financings, and build-to-suit lease financings offset by interest income on cash and cash equivalents balances.

Other Income (and Expense)

Other income and expense consists of the mark-to-market loss on the debt derivative related to our convertible notes, as well as the loss upon the automatic conversion and settlement of the convertible notes in July 2017.

Benefit (Provision) for Income Taxes

On December 22, 2017, the U.S. Tax Act was enacted into law. The U.S. Tax Act contains several key provisions including the reduction of the corporate income tax rate to 21% as well as a variety of other changes including the limitation of the tax deductibility of interest expense, acceleration of expensing of certain business assets, and reductions in the amount of executive pay that could qualify as a tax deduction. We reasonably estimated the effects of the U.S. Tax Act and recorded provisional amounts in our financial statements as of December 31, 2017. In 2018, we completed our determination of the accounting implications of the U.S. Tax Act and recorded no adjustments to the provisional amounts.

Our benefit (provision) for income taxes and our effective tax rates are affected by permanent differences between GAAP and statutory tax laws, certain one-time items, and the impact of valuation allowances. For each of the years ending December 31, 2019, 2018 and 2017, our benefit (provision) for income taxes was $(0.0) million, $(0.1) million, and $(0.0) million, respectively, resulting in an effective tax rate of (0.07)%, (0.07)% and (0.01)%, respectively. We continue to maintain a valuation allowance for federal and certain state tax jurisdictions. Our tax provision results from state taxes in certain jurisdictions in which we do not have net operating losses.

As of December 31, 2019, we had U.S. federal net operating loss carryforwards of $364.0 million and state net operating loss carryforwards of $136.1 million. The federal net operating loss carryforwards generated through the year ended December 31, 2017 may be subject to limitations under applicable tax laws and will expire at various dates beginning in 2033, if not utilized. The use of the federal net operating loss carryforwards generated during the years ended December 31, 2019 and 2018 are limited to 80% of our taxable income in any future taxable year, although such losses may be carried forward indefinitely. The state net operating loss carryforwards may be subject to limitations under applicable tax laws and will expire at various dates beginning in 2033, if not utilized.

Results of Operations

The following sets forth our consolidated statements of operations data for each of the periods indicated.

	Year Ended December 31, 2019	2018	2017
	(In thousands)		
Net revenue	$ 454,868	$ 667,600	$ 881,191
Operating expenses:			
Cost of goods sold, excluding depreciation and amortization	279,135	433,496	627,964
Marketing	48,133	117,455	154,529
Product, technology, general and administrative	144,925	194,340	247,907
Depreciation and amortization	31,200	34,517	26,838
Other operating expense	3,571	2,170	12,713
Total operating expenses	506,964	781,978	1,069,951
Income (loss) from operations	(52,096)	(114,378)	(188,760)
Interest income (expense), net	(8,943)	(7,683)	(6,384)
Other income (expense), net	—	—	(14,984)
Income (loss) before income taxes	(61,039)	(122,061)	(210,128)
Benefit (provision) for income taxes	(42)	(88)	(15)
Net income (loss)	$ (61,081)	$ (122,149)	$ (210,143)

The following table sets forth our consolidated statements of operations data as a percentage of net revenue for each of the periods indicated.

	Year Ended December 31, 2019	2018	2017
	(as a percentage of net revenue)		
Net revenue	100.0 %	100.0 %	100.0 %
Operating expenses:			
Cost of goods sold, excluding depreciation and amortization	61.4 %	64.9 %	71.3 %
Marketing	10.6 %	17.6 %	17.5 %
Product, technology, general and administrative	31.9 %	29.1 %	28.1 %
Depreciation and amortization	6.9 %	5.2 %	3.0 %
Other operating expense	0.8 %	0.3 %	1.4 %
Total operating expenses	111.5 %	117.1 %	121.4 %
Income (loss) from operations	(11.5)%	(17.1)%	(21.4)%
Interest income (expense), net	(2.0)%	(1.2)%	(0.7)%
Other income (expense), net	— %	— %	(1.7)%
Income (loss) before income taxes	(13.4)%	(18.3)%	(23.8)%
Benefit (provision) for income taxes	(0.0)%	(0.0)%	(0.0)%
Net income (loss)	(13.4)%	(18.3)%	(23.8)%

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Net Revenue

	Year Ended December 31, 2019	2018	% Change
	(In thousands)		
Net revenue	$ 454,868	$ 667,600	(32)%

Net revenue decreased by $212.7 million, or 32%, to $454.9 million for 2019 from $667.6 million for 2018. The decrease in net revenue was primarily due to a decrease in Customers during the year ended December 31, 2019 as we deliberately reduced marketing spend while we continue to strategically invest in the marketing channels we believe to be the most efficient and target consumers that we believe will exhibit higher affinity and retention.

Operating Expenses

Cost of Goods Sold, excluding Depreciation and Amortization

	Year Ended December 31,		
	2019	2018	% Change
	(In thousands)		
Cost of goods sold, excluding depreciation and amortization	$ 279,135	$ 433,496	(36)%
% of net revenue	*61.4 %*	*64.9 %*	

Cost of goods sold, excluding depreciation and amortization, decreased by $154.4 million, or 36%, to $279.1 million for 2019 from $433.5 million for 2018. This decrease was primarily driven by a decrease in Orders and improvements in operational efficiencies. As a percentage of net revenue, cost of goods sold, excluding depreciation and amortization, decreased to 61.4% for 2019 from 64.9% in 2018. The decrease in cost of goods sold, excluding depreciation and amortization, as a percentage of net revenue was primarily due to:

- a decrease of 280 basis points in food and product packaging costs driven by enhanced planning and procurement strategies, as well as improvements in our fulfillment center operations;
- a decrease of 140 basis points in labor largely due to process improvements in our fulfillment center operations; partially offset by
- an increase of 70 basis points in shipping and fulfillment packaging costs largely due to rate increases from shipping carriers.

Marketing

	Year Ended December 31,		
	2019	2018	% Change
	(In thousands)		
Marketing	$ 48,133	$ 117,455	(59)%
% of net revenue	*10.6 %*	*17.6 %*	

Marketing expenses decreased by $69.3 million, or 59%, to $48.1 million for 2019 from $117.5 million for 2018. The decrease was seen across various offline and online paid channels as well as in our customer referral program. As a percentage of net revenue, marketing expenses decreased to 10.6% for 2019 from 17.6% for 2018. This decrease as a percentage of net revenue included a decrease of 430 basis points in offline paid channels, a decrease of 180 basis points in online paid channels and a decrease of 90 basis points in our customer referral program primarily driven by a decrease in the mix of customer referral orders versus total Orders. The deliberate reduction in marketing expenses was consistent with our strategy to invest in the marketing channels we believe to be the most efficient and target consumers that we believe will exhibit higher affinity and retention.

Product, Technology, General and Administrative

	Year Ended December 31,		
	2019	2018	% Change
	(In thousands)		
Product, technology, general and administrative	$ 144,925	$ 194,340	(25)%
% of net revenue	*31.9 %*	*29.1 %*	

Product, technology, general and administrative expenses decreased by $49.4 million, or 25%, to $144.9 million for 2019 from $194.3 million for 2018. This decrease was primarily due to increased focus on expense management, including:

- a decrease of $27.6 million in personnel costs primarily driven by lower headcount in corporate and other managerial positions reflecting in part the workforce reduction implemented in November 2018;
- a decrease of $13.3 million in corporate overhead and administrative costs, which includes a decrease of $4.3 million in payment processing fees driven by lower net revenue; and
- a decrease of $8.1 million in facilities costs for our corporate offices and fulfillment centers, including occupancy and rent.

As a percentage of net revenue, product, technology, general and administrative expenses increased to 31.9% for 2019 from 29.1% for 2018 primarily driven by investments to support our business and execute on key business initiatives.

In February 2020, we announced the planned closure of our Arlington, Texas fulfillment center and the consolidation of production volume from our Arlington, Texas fulfillment center to our Linden, New Jersey and Richmond, California fulfillment centers. As a result, we expect to incur approximately $1.5 million in cash restructuring costs, including approximately $0.8 million of employee-related costs, primarily severance payments, and approximately $0.7 million of other exit costs. In addition, we expect to incur non-cash asset-related charges in the range of $5.0 million to $8.0 million. The majority of the charges will be incurred in the first half of 2020. We expect annual savings of approximately $8.0 million beginning in the second quarter of 2020.

Depreciation and Amortization

	Year Ended December 31,		
	2019	2018	% Change
	(In thousands)		
Depreciation and amortization	$ 31,200	$ 34,517	(10)%
% of net revenue	*6.9 %*	*5.2 %*	

Depreciation and amortization decreased by $3.3 million, or 10%, to $31.2 million for 2019 from $34.5 million for 2018. This decrease was primarily driven by lower investments as well as impairment charges and write-offs on long-lived assets. As a percentage of net revenue, depreciation and amortization increased to 6.9% in 2019 from 5.2% in 2018.

Other Operating Expense

Other operating expense for 2019 and 2018 was $3.6 million and $2.2 million, respectively. Other operating expense for 2019 includes a $2.1 million charge related to an estimated legal settlement, $1.3 million of non-cash impairment charges on long-lived assets primarily related to the reprioritization of initiatives to support our growth strategy, and $0.2 million of employee-related expenses consisting of severance payments relating to the Arlington facility downsizing announced in January 2019. Other operating expense for 2018 includes restructuring costs of $2.2 million associated with the workforce reduction in November 2018 to support our strategic priorities.

Income (Loss) from Operations

	Year Ended December 31, 2019	Year Ended December 31, 2018	% Change
	(In thousands)		
Income (loss) from operations	$ (52,096)	$ (114,378)	(54)%
% of net revenue	*(11.5)%*	*(17.1)%*	

Income (loss) from operations for 2019 and 2018 was $(52.1) million and $(114.4) million, respectively. This change was due to a decrease in operating expenses of $275.0 million, partially offset by the decrease in net revenue of $212.7 million. As a percentage of net revenue, income (loss) from operations was (11.5)% and (17.1)% for 2019 and 2018, respectively. This improvement was primarily driven by decreases as a percentage of net revenue in marketing expense and cost of goods sold, excluding depreciation and amortization, partially offset by an increase in product, technology, general and administrative expense, depreciation and amortization, and other operating expense as a percentage of net revenue.

Interest Income (Expense), Net

Interest income (expense), net for 2019 and 2018 was $(8.9) million and $(7.7) million, respectively. This increase in interest income (expense), net was primarily due to a decrease in interest income on cash and cash equivalents of $1.2 million.

Benefit (Provision) for Income Taxes

The provision for income taxes recorded in 2019 and 2018 reflects state income taxes in certain jurisdictions in which net operating losses were not available to offset our tax obligations.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Net Revenue

	Year Ended December 31, 2018	Year Ended December 31, 2017	% Change
	(In thousands)		
Net revenue	$ 667,600	$ 881,191	(24)%

Net revenue decreased by $213.6 million, or 24%, to $667.6 million for 2018 from $881.2 million for 2017. The decrease in net revenue was primarily due to a decrease in Customers during the year ended December 31, 2018 as we remained deliberate in our marketing investments while we implemented our multi-product, multi-channel strategy. Net revenue was also impacted, in part, by our decision in the second half of 2017 to deliberately prioritize operational stability and effectiveness.

Operating Expenses

Cost of Goods Sold, excluding Depreciation and Amortization

	Year Ended December 31,		
	2018	2017	% Change
	(In thousands)		
Cost of goods sold, excluding depreciation and amortization	$ 433,496	$ 627,964	(31)%
% of net revenue	*64.9 %*	*71.3 %*	

Cost of goods sold, excluding depreciation and amortization, decreased by $194.5 million, or 31%, to $433.5 million for 2018 from $628.0 million for 2017. This decrease was primarily driven by a decrease in Orders and improvements in operational efficiencies. As a percentage of net revenue, cost of goods sold, excluding depreciation and amortization, decreased to 64.9% for 2018 from 71.3% in 2017. The decrease in cost of goods sold, excluding depreciation and amortization, as a percentage of net revenue was primarily due to:

- a decrease of 360 basis points in food and product packaging costs driven by enhanced planning and procurement strategies as well as improved pricing with suppliers;
- a decrease of 200 basis points in labor largely due to process improvements in our fulfillment center operations; and
- a decrease of 80 basis points in shipping and fulfillment packaging costs largely due to process improvements in our fulfillment center operations, including enhancements in fulfillment packaging and expense management.

Marketing

	Year Ended December 31,		
	2018	2017	% Change
	(In thousands)		
Marketing	$ 117,455	$ 154,529	(24)%
% of net revenue	*17.6 %*	*17.5 %*	

Marketing expenses decreased by $37.1 million, or 24%, to $117.5 million for 2018 from $154.5 million for 2017. The decrease was primarily driven by decreased investment in various offline paid advertising channels and our customer referral program, partially offset by an increase in online paid advertising channels. As a percentage of net revenue, marketing expenses increased to 17.6% for 2018 from 17.5% for 2017. This slight increase as a percentage of net revenue included an increase of 50 basis points in online paid advertising channels as we focused on our most efficient channels, partially offset by a decrease of 30 basis points in our offline paid advertising channels and a decrease of 10 basis points in our customer referral program primarily driven by a decrease in the mix of customer referral orders versus total Orders.

Product, Technology, General and Administrative

	Year Ended December 31, 2018	Year Ended December 31, 2017	% Change
	(In thousands)		
Product, technology, general and administrative	$ 194,340	$ 247,907	(22)%
% of net revenue	*29.1 %*	*28.1 %*	

Product, technology, general and administrative expenses decreased by $53.6 million, or 22%, to $194.3 million for 2018 from $247.9 million for 2017. This decrease was primarily due to increased focus on expense management, including:

- a decrease of $23.0 million in facilities costs for our corporate offices and fulfillment centers, including occupancy and rent;
- a decrease of $20.6 million in personnel costs primarily driven by lower headcount in corporate and other managerial positions as a result of the company-wide realignment in October 2017; and
- a decrease of $9.7 million in corporate overhead and administrative costs, which includes a decrease of $4.4 million in payment processing fees driven by lower net revenue.

As a percentage of net revenue, product, technology, general and administrative expenses increased to 29.1% for 2018 from 28.1% for 2017 primarily driven by investments to support our business and execute on key business initiatives, such as our ongoing product and distribution channel expansion.

In November 2018, we implemented a workforce reduction to support our strategic priorities, which resulted in a reduction of approximately 4% of our total workforce. As a result, we incurred approximately $1.6 million in employee-related expenses, primarily consisting of severance payments, substantially all of which will result in cash expenditures. We expect annual savings beginning in 2019 of approximately $16.0 million, including $15.0 million to product, technology, general and administrative expenses and $1.0 million to cost of goods sold, excluding depreciation and amortization.

Depreciation and Amortization

	Year Ended December 31, 2018	Year Ended December 31, 2017	% Change
	(In thousands)		
Depreciation and amortization	$ 34,517	$ 26,838	29 %
% of net revenue	*5.2 %*	*3.0 %*	

Depreciation and amortization increased by $7.7 million, or 29%, to $34.5 million for 2018 from $26.8 million for 2017. This increase was primarily driven by investment in our property and equipment in our fulfillment centers to support key business initiatives, such as fulfillment center and other operational improvements and our ongoing product and distribution channel expansion. As a percentage of net revenue, depreciation and amortization increased to 5.2% in 2018 from 3.0% in 2017.

Other Operating Expense

Other operating expense for 2018 and 2017 was $2.2 million and $12.7 million, respectively. Other operating expense includes restructuring costs of $2.2 million and $3.1 million associated with the workforce reductions in November 2018 and October 2017 to support our strategic priorities. In addition, other operating expense in 2017 reflects $9.5 million of non-cash impairment charges on long-lived assets primarily related to the transition of all of our Jersey City, New Jersey fulfillment center operations to our fulfillment center in Linden as well as our decision to no longer pursue the planned build-out of the Fairfield, California facility.

Income (Loss) from Operations

	Year Ended December 31, 2018	Year Ended December 31, 2017	% Change
	(In thousands)		
Income (loss) from operations	$ (114,378)	$ (188,760)	(39)%
% of net revenue	*(17.1)%*	*(21.4)%*	

Income (loss) from operations for 2018 and 2017 was $(114.4) million and $(188.8) million, respectively. This change was due to a decrease in operating expenses of $288.0 million, partially offset by the decrease in net revenue of $213.6 million. As a percentage of net revenue, income (loss) from operations was (17.1)% and (21.4)% for 2018 and 2017, respectively. This change as a percentage of net revenue was primarily driven by operational efficiencies and expense management.

Interest Income (Expense), Net

Interest income (expense), net for 2018 and 2017 was $(7.7) million and $(6.4) million, respectively. This increase in interest expense was primarily due to an increase of $3.1 million of interest associated with our build-to-suit lease financings and an increase of $1.8 million of interest incurred on outstanding borrowings under our revolving credit facility, partially offset by increased interest income on cash and cash equivalents of $1.5 million in 2018 and a decrease of $2.3 million of non-cash discount amortization related to our convertible notes in 2017.

Other Income (Expense), Net

Other income (expense), net for 2018 and 2017 was $0.0 million and $(15.0) million, respectively. Other income (expense), net for 2017 reflects a net non-cash loss related to the automatic conversion and settlement of the convertible notes upon the closing of the IPO on July 5, 2017.

Benefit (Provision) for Income Taxes

The provision for income taxes recorded in 2018 and 2017 reflects state income taxes in certain jurisdictions in which net operating losses were not available to offset our tax obligations.

Non-GAAP Financial Measures

To provide additional information regarding our financial results, we monitor and have presented within this Annual Report on Form 10-K adjusted EBITDA and free cash flow, which are non-GAAP financial measures. These non-GAAP financial measures are not based on any standardized methodology prescribed by U.S. generally accepted accounting principles, or GAAP, and are not necessarily comparable to similarly-titled measures presented by other companies.

We define adjusted EBITDA as net income (loss) before interest income (expense), net, other operating expense, other income (expense), net, benefit (provision) for income taxes, depreciation and amortization and share-based compensation expense. We have presented adjusted EBITDA in this Annual Report on Form 10-K because it is a key measure used by our management and board of directors to understand and evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, we believe that the exclusion of certain items in calculating adjusted EBITDA can produce a useful measure for period-to-period comparisons of our business.

We use adjusted EBITDA to evaluate our operating performance and trends and make planning decisions. We believe adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects, and allowing for greater transparency with respect to key financial metrics used by our management in its financial and operational decision-making.

Our adjusted EBITDA is not prepared in accordance with GAAP, and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of adjusted EBITDA rather than net income (loss), which is the most directly comparable GAAP equivalent. Some of these limitations are:

- adjusted EBITDA excludes share-based compensation expense, as share-based compensation expense has recently been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- adjusted EBITDA excludes depreciation and amortization expense and, although these are non-cash expenses, the assets being depreciated may have to be replaced in the future;
- adjusted EBITDA excludes other operating expense, as other operating expense represents a charge for an estimated legal settlement, non-cash impairment charges on long-lived assets, and restructuring costs;
- adjusted EBITDA does not reflect interest expense, or the cash requirements necessary to service interest, which reduces cash available to us;
- adjusted EBITDA excludes other expense, as other expense represents a one-time loss on the extinguishment of convertible notes;
- adjusted EBITDA does not reflect income tax payments that reduce cash available to us; and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

We define free cash flow as net cash from (used in) operating activities less purchases of property and equipment. We have presented free cash flow in this Annual Report on Form 10-K because it is used by our management and board of directors as an indicator of the amount of cash we generate or use and to evaluate our ability to satisfy current and future obligations and to fund future business opportunities. Accordingly, we believe that free cash flow provides useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our ability to satisfy our financial obligations and pursue business opportunities, and allowing for greater transparency with respect to a key financial metric used by our management in their financial and operational decision-making.

Our free cash flow is not prepared in accordance with GAAP, and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of free cash flow rather than net cash from (used in) operating activities, which is the most directly comparable GAAP equivalent. Some of these limitations are:

- free cash flow is not a measure of cash available for discretionary expenditures since we have certain non-discretionary obligations such as debt repayments or capital lease obligations that are not deducted from the measure; and
- other companies, including companies in our industry, may calculate free cash flow differently, which reduces its usefulness as a comparative measure.

Because of these limitations, we consider, and you should consider, adjusted EBITDA and free cash flow together with other financial information presented in accordance with GAAP. The following table presents a reconciliation of these non-GAAP measures to the most directly comparable measure calculated in accordance with GAAP, for each of the periods presented:

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(In thousands)				
Reconciliation of net income (loss) to adjusted EBITDA					
Net income (loss)	$ (61,081)	$ (122,149)	$ (210,143)	$ (54,886)	$ (46,965)
Share-based compensation	8,970	16,320	11,270	2,965	1,105
Depreciation and amortization	31,200	34,517	26,838	8,217	2,917
Other operating expense	3,571	2,170	12,713	—	—
Interest (income) expense, net	8,943	7,683	6,384	(25)	6
Other (income) expense, net	—	—	14,984	—	—
Provision (benefit) for income taxes	42	88	15	108	61
Adjusted EBITDA	$ (8,355)	$ (61,371)	$ (137,939)	$ (43,621)	$ (42,876)

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Reconciliation of net cash from (used in) operating activities to free cash flow			
Net cash from (used in) operating activities	$ (16,466)	$ (76,900)	$ (152,442)
Purchases of property and equipment	(5,220)	(15,022)	(124,242)
Free cash flow	$ (21,686)	$ (91,922)	$ (276,684)

Quarterly Results of Operations and Other Financial and Operations Data

The following tables set forth selected unaudited quarterly consolidated statements of operations data and other financial and operating data for each of the eight quarters beginning with the three months ended March 31, 2018, as well as, where applicable, the percentage of net revenue for each line item shown. The information for each of these quarters has been prepared on the same basis as the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K and in the opinion of our management, reflects all normal recurring adjustments necessary for the fair statement of our consolidated results of operations for these periods. This data should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

These quarterly results of operations are not necessarily indicative of our results of operations to be expected for any future period.

	Three Months Ended							
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
	(In thousands)							
Consolidated Statements of Operations Data:								
Net revenue	$ 141,890	$ 119,166	$ 99,490	$ 94,322	$ 196,690	$ 179,556	$ 150,621	$ 140,733
Operating expenses:								
Cost of goods sold, excluding depreciation and amortization	82,704	71,473	67,393	57,565	129,332	116,156	102,406	85,602
Marketing	14,234	9,713	12,127	12,059	39,329	34,581	23,251	20,294
Product, technology, general and administrative	39,148	35,118	35,333	35,326	49,488	51,100	48,345	45,407
Depreciation and amortization	8,604	8,372	7,303	6,921	8,404	8,685	8,599	8,829
Other operating expense	230	—	1,261	2,080	—	—	—	2,170
Total operating expenses:	144,920	124,676	123,417	113,951	226,553	210,522	182,601	162,302
Income (loss) from operations	(3,030)	(5,510)	(23,927)	(19,629)	(29,863)	(30,966)	(31,980)	(21,569)
Interest income (expense), net	(2,232)	(2,226)	(2,260)	(2,225)	(1,777)	(1,848)	(1,943)	(2,115)
Income (loss) before income taxes	(5,262)	(7,736)	(26,187)	(21,854)	(31,640)	(32,814)	(33,923)	(23,684)
Benefit (provision) for income taxes	(13)	(12)	(9)	(8)	(25)	(22)	(19)	(22)
Net income (loss)	$ (5,275)	$ (7,748)	$ (26,196)	$ (21,862)	$ (31,665)	$ (32,836)	$ (33,942)	$ (23,706)
Net income (loss) per share attributable to Class A, Class B, and Class C common stockholders:								
Basic	$ (0.41)	$ (0.59)	$ (1.99)	$ (1.66)	$ (2.48)	$ (2.56)	$ (2.64)	$ (1.83)
Diluted	$ (0.41)	$ (0.59)	$ (1.99)	$ (1.66)	$ (2.48)	$ (2.56)	$ (2.64)	$ (1.83)
	(As a percentage of net revenue)							
Net revenue	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:								
Cost of goods sold, excluding depreciation and amortization	58.3 %	60.0 %	67.7 %	61.0 %	65.8 %	64.7 %	68.0 %	60.8 %
Marketing	10.0 %	8.2 %	12.2 %	12.8 %	20.0 %	19.3 %	15.4 %	14.4 %
Product, technology, general and administrative	27.6 %	29.5 %	35.5 %	37.5 %	25.2 %	28.5 %	32.1 %	32.3 %
Depreciation and amortization	6.1 %	7.0 %	7.3 %	7.3 %	4.3 %	4.8 %	5.7 %	6.3 %
Other operating expense	0.2 %	— %	1.3 %	2.2 %	— %	— %	— %	1.5 %
Total operating expenses:	102.1 %	104.6 %	124.0 %	120.8 %	115.2 %	117.2 %	121.2 %	115.3 %
Income (loss) from operations	(2.1)%	(4.6)%	(24.0)%	(20.8)%	(15.2)%	(17.2)%	(21.2)%	(15.3)%
Interest income (expense) and other income (expense), net	(1.6)%	(1.9)%	(2.3)%	(2.4)%	(0.9)%	(1.0)%	(1.3)%	(1.5)%
Income (loss) before income taxes	(3.7)%	(6.5)%	(26.3)%	(23.2)%	(16.1)%	(18.3)%	(22.5)%	(16.8)%
Benefit (provision) for income taxes	(0.0)%	(0.0)%	(0.0)%	(0.0)%	(0.0)%	(0.0)%	(0.0)%	(0.0)%
Net income (loss)	(3.7)%	(6.5)%	(26.3)%	(23.2)%	(16.1)%	(18.3)%	(22.5)%	(16.8)%
Other Financial and Operations Data:								
Orders *(in thousands)*	2,482	2,048	1,726	1,622	3,474	3,122	2,647	2,418
Customers *(in thousands)*	550	449	386	351	786	717	646	557
Average Order Value	$ 57.15	$ 58.16	$ 57.60	$ 58.14	$ 56.58	$ 57.34	$ 56.79	$ 58.12
Orders per Customer	4.5	4.6	4.5	4.6	4.4	4.4	4.1	4.3
Average Revenue per Customer	$ 258	$ 265	$ 258	$ 269	$ 250	$ 250	$ 233	$ 252
Adjusted EBITDA (in thousands) (1)	$ 8,639	$ 4,484	$ (13,151)	$ (8,327)	$ (17,244)	$ (17,510)	$ (18,812)	$ (7,805)
Free cash flow (in thousands) (2)	$ 3,404	$ (4,011)	$ (8,866)	$ (12,213)	$ (25,816)	$ (22,996)	$ (18,091)	$ (25,019)

(1) Adjusted EBITDA is a non-GAAP financial measure defined by us as net income (loss) before interest income (expense), net, other operating expense, other income (expense), net, benefit (provision) for income taxes, depreciation and amortization and share-based compensation expense. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a discussion of the use of non-GAAP financial measures. The following table presents a reconciliation of adjusted EBITDA to net income (loss), the most directly comparable measure calculated in accordance with GAAP.

(2) Free cash flow is a non-GAAP financial measure that is calculated as net cash from (used in) operating activities less purchases of property and equipment. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for a discussion of the use of non-GAAP financial measures. The following table presents a reconciliation of free cash flow to net cash from (used in) operating activities, the most directly comparable measure calculated in accordance with GAAP.

	Three Months Ended							
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
	(In thousands)							
Reconciliation of net income (loss) to adjusted EBITDA								
Net income (loss)	$ (5,275)	$ (7,748)	$ (26,196)	$ (21,862)	$ (31,665)	$ (32,836)	$ (33,942)	$ (23,706)
Share-based compensation	2,835	1,622	2,212	2,301	4,215	4,771	4,569	2,765
Depreciation and amortization	8,604	8,372	7,303	6,921	8,404	8,685	8,599	8,829
Other operating expense	230	—	1,261	2,080	—	—	—	2,170
Interest (income) expense, net	2,232	2,226	2,260	2,225	1,777	1,848	1,943	2,115
Provision (benefit) for income taxes	13	12	9	8	25	22	19	22
Adjusted EBITDA	$ 8,639	$ 4,484	$ (13,151)	$ (8,327)	$ (17,244)	$ (17,510)	$ (18,812)	$ (7,805)

	Three Months Ended							
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
	(In thousands)							
Reconciliation of net cash from (used in) operating activities to free cash flow								
Net cash from (used in) operating activities	$ 5,138	$ (2,921)	$ (7,790)	$ (10,893)	$ (20,739)	$ (18,421)	$ (14,840)	$ (22,900)
Purchases of property and equipment	(1,734)	(1,090)	(1,076)	(1,320)	(5,077)	(4,575)	(3,251)	(2,119)
Free cash flow	$ 3,404	$ (4,011)	$ (8,866)	$ (12,213)	$ (25,816)	$ (22,996)	$ (18,091)	$ (25,019)

Our business is seasonal in nature and, as a result, our revenue and expenses and associated revenue trends fluctuate from quarter to quarter. For example, we anticipate that the first quarter of each year will generally represent our strongest quarter in terms of customer engagement and marketing investment. Conversely, during the summer months and the end of year holidays, when people are vacationing more often or have less predictable weekly routines, we generally anticipate lower customer engagement and marketing investment. In addition to the seasonal trends impacting our net revenue and marketing expenses, the higher outside temperatures of the summer months impact cost of goods sold as more expensive fulfillment packaging for our meals is required in order to maintain the proper temperature during delivery to the customer. In the summer months, we also have increased access to seasonal produce for use in our recipes, including specialty ingredients, which is expected to result in increased food and product packaging costs during such period.

Liquidity and Capital Resources

Our cash requirements are principally for working capital and capital expenditures to support our business, including investments at our fulfillment centers. Prior to 2017, we financed our operations through private sales of equity securities and payments received from customers. We raised a total of $194.9 million from the sale of convertible preferred stock, net of costs associated with such financings. In 2016, we entered into a revolving credit facility, which we amended and refinanced, most recently, in October 2019. In 2017, we issued and sold $64.6 million in aggregate principal amount of convertible notes. In 2017, we also closed our IPO of 2,000,000 shares of Class A common stock, generating proceeds of $278.0 million, net of the underwriting discount and other offering expenses. The proceeds from the IPO are being used for working capital, capital expenditures and general corporate purposes. Upon the completion of the IPO, all outstanding convertible preferred stock and the outstanding aggregate principal amount of, and all accrued and unpaid interest on, our outstanding convertible notes each automatically converted into shares of our Class B common stock. Subsequent to the closing of the IPO, there were no convertible notes outstanding.

Total debt, net of debt issuance costs, was $53.5 million as of December 31, 2019 and $82.6 million as of December 31, 2018, which includes a fully-drawn revolving credit facility, entered into in August 2016 under a revolving credit and guaranty agreement (the "revolving credit facility") that was subsequently amended, most recently, in October 2019. As of December 31, 2019, we had $54.7 million in outstanding borrowings and $0.3 million in issued letters of credit under the revolving credit facility. The remaining borrowing capacity on the revolving credit facility is $0.0 million. The revolving credit facility contains certain restrictive covenants, financial covenants, and affirmative and financial reporting covenants restricting our and our subsidiaries' activities. Financial covenants include a requirement for us to maintain a minimum aggregate liquidity balance of $20.0 million as of each quarter end and $10.0 million at any liquidity test date other than at quarter end, and in the event we have positive consolidated total net debt, maintain minimum quarterly consolidated adjusted EBITDA in excess of certain specified thresholds as defined in the revolving credit and guaranty agreement. Non-compliance with the covenants would result in an event of default upon which the lenders could declare all outstanding principal and interest to be due and payable immediately, terminate their commitments to loan money and foreclose against the assets securing the borrowings. As of December 31, 2019, and

December 31, 2018, we were in compliance with all of the covenants under the revolving credit facility. See “Revolving Credit Facility” below for further discussion on the revolving credit facility.

Cash and cash equivalents consist of cash on hand, money market accounts, and amounts held by third party financial institutions for credit and debit card transactions, which generally settle within three business days. Because we generally charge credit cards in advance of shipment and, historically, customers have most frequently requested delivery of their meals earlier in the week, amounts due for credit and debit card transactions as of the end of a financial reporting period may fluctuate significantly based upon the day of the week on which that period ends. Total cash and cash equivalents was $43.5 million as of December 31, 2019 and $95.6 million as of December 31, 2018.

Total restricted cash was $2.9 million as of December 31, 2019 and $1.7 million as of December 31, 2018. Restricted cash reflects pledged cash deposited into savings accounts that is used as security primarily for fulfillment centers and office space leases. As of December 31, 2019 and December 31, 2018, $2.9 million and $1.7 million, respectively, of our restricted cash is classified as a long-term asset.

We define working capital as the difference between our current assets (excluding cash and cash equivalents) and current liabilities. Our working capital was $(26.2) million as of December 31, 2019 and $(21.2) million as of December 31, 2018.

We have experienced significant net losses including $61.1 million, $122.1 million and $210.1 million and negative operating cash flows of $16.5 million, $76.9 million, and $152.4 million, for the years ended December 31, 2019, 2018, and 2017, respectively. We have also made significant investments in capital expenditures to support our business including $5.2 million, $15.0 million, and $124.2 million for the years ended December 31, 2019, 2018, and 2017, respectively. While trends in net loss and operating cash flow have improved, and we have reduced spending on capital expenditures, we have continued to experience reductions in our Cash and cash equivalents, including a reduction to $43.5 million at December 31, 2019 from $95.6 million at December 31, 2018, which also reflects a paydown of debt of $28.9 million in connection with the October 2019 amendment of the revolving credit facility. In addition, we have continued to see significant negative trends in our Net revenue including year-over-year declines of 32% and 24% for the years ended December 31, 2019 and 2018, respectively.

We are currently pursuing a strategy to drive customer and revenue growth, and our Board of Directors is evaluating a range of strategic alternatives to maximize shareholder value, which together with cost optimization initiatives, is being undertaken to provide additional liquidity to support the execution of our growth strategy and continued investments in our business. Our ability, including the timing and extent, to successfully execute our growth strategy is inherently uncertain and is dependent on our ability to raise capital, and to implement the initiatives and deliver the results as forecasted, among other factors. Due to this uncertainty, if we are unable to sufficiently deliver results from our strategy and/or effectively manage expenses and cash flows, we may not be able to maintain compliance with our financial covenants in future periods resulting in an event of default under our revolving credit facility. Given our current liquidity position, upon an event of default, if we were unable to obtain a waiver or successfully renegotiate the terms of our revolving credit facility with our lenders, and the lenders enforced one or more of their rights upon default, we would be unable to meet our current obligations.

However, if we are unable to sufficiently implement our growth strategy, we believe we have plans to effectively manage expenses and cash flows in order to maintain compliance with our debt covenants. This includes significant expense reductions in areas that we have identified in product, technology, general and administrative costs, marketing expenses, and capital expenditures. A significant portion of our costs is discretionary in nature and, if needed, we have the ability to reduce or delay spending in order to reduce expenses and cash outflows. While reductions in spending, particularly marketing and capital expenditures, will negatively impact our net revenue and our ability to execute our growth strategy, we plan to execute such reductions to the extent needed in order to comply with our debt covenants and to achieve savings to reinvest in the business.

For example, in February 2020, we announced the planned closure of our Arlington, Texas fulfillment center and the consolidation of production volume from the Arlington, Texas fulfillment center into our Linden, New Jersey and Richmond, California fulfillment centers, which is expected to generate annual savings beginning in the second quarter of 2020 of approximately $8.0 million.

We have also previously demonstrated an ability to implement various cost reduction initiatives. For example, in January 2019, we implemented a downsizing and transfer of a substantial portion of the production volume from our Arlington, Texas fulfillment center to our Linden, New Jersey fulfillment center to further optimize fulfillment center efficiencies. In November 2018 and October 2017, we implemented workforce reductions to generate savings in Product, technology, general and administrative expenses, and Cost of goods sold, excluding depreciation and amortization. As a result of these actions, along with other cost optimization initiatives, we have reduced our Product, technology, general and administrative expenses by approximately 25% or $49.4 million and 22% or $53.6 million, respectively, for the years ended December 31, 2019 and 2018. In addition, we reduced our year-over-year Marketing expenses by $69.3 million and $37.1 million, respectively, in the years ended December 31, 2019 and 2018. While year-over-year Marketing expenses decreased by 59% and 24%, respectively, in the years ended December 31, 2019 and 2018, year-over-year Net revenue decreased by 32% and 24%, respectively, in the same periods. We also reduced our year-over-year spending on capital expenditures in the years ended December 31, 2019 and 2018 by 65% or $9.8 million and 88% or $109.2 million, respectively.

Based on the current facts and circumstances, our financial planning process, and our historical ability to implement cost reductions, we believe we can effectively manage expenses and cash flows in order to maintain compliance with the financial covenants under our revolving credit facility for at least the next 12 months. As a result, we believe that our existing cash and cash equivalents, together with cash generated from operations, will be sufficient to meet our anticipated cash needs for at least the next 12 months. Our future capital requirements and the availability and accessibility to additional funds will depend on many factors, including our ability to remain compliant with the covenants of our revolving credit facility and those described in the section titled “Risk Factors” under Part I, Item 1A.The following table presents the major components of net cash flows from and used in operating, investing, and financing activities for the periods indicated.

	Year Ended December 31,		
	2019	**2018**	**2017**
		(In thousands)	
Net cash from (used in) operating activities	$ (16,466)	$ (76,900)	$ (152,442)
Net cash from (used in) investing activities	(4,481)	(14,289)	(125,282)
Net cash from (used in) financing activities	(29,917)	(42,389)	423,175
Net increase (decrease) in cash, cash equivalents, and restricted cash	(50,864)	(133,578)	145,451
Cash, cash equivalents, and restricted cash–beginning of period	97,307	230,885	85,434
Cash, cash equivalents, and restricted cash–end of period	$ 46,443	$ 97,307	$ 230,885

Net Cash from (used in) Operating Activities

Net cash from (used in) operating activities consists of net income adjusted for certain non‑cash items and changes in operating assets and liabilities.

In 2019, net cash from (used in) operating activities was $(16.5) million and consisted of net income (loss) of $(61.1) million, non‑cash items of $42.2 million and a net change in operating assets and liabilities of $2.5 million. Changes in operating assets and liabilities were primarily driven by decreases in inventory, prepaid expenses and other current assets, and receivables of $11.9 million and an increase in accounts payable of $1.7 million, partially offset by decreases in accrued expenses and other current liabilities, deferred revenue, and other noncurrent assets and liabilities of $11.2 million.

In 2018, net cash from (used in) operating activities was $(76.9) million and consisted of net income (loss) of $(122.1) million, non‑cash items of $52.8 million and a net change in operating assets and liabilities of $(7.6) million. Changes in operating assets and liabilities were primarily driven by decreases in receivables and inventory of $11.1 million and an increase in other noncurrent assets and liabilities of $5.9 million, offset by decreases in accounts payable and deferred revenue of $21.9 million and increases in prepaid expenses and other current assets of $2.7 million.

In 2017, net cash from (used in) operating activities was $(152.4) million and consisted of net income (loss) of $(210.1) million, non-cash items of $67.1 million and a net change in operating assets and liabilities of $(9.4) million. Changes in operating assets and liabilities were primarily driven by decreases in accounts payable and accrued expenses and other current liabilities of $12.7 million, partially offset by an increase in deferred revenue of $3.4 million.

Net Cash from (used in) Investing Activities

Net cash from (used in) investing activities primarily relates to capital expenditures to support our business initiatives and drive efficiency in fulfillment center operations and investment in software development.

In 2019, net cash from (used in) investing activities was $(4.5) million and consisted primarily of $(5.2) million for purchases of property and equipment, of which approximately $(2.6) million relates to capitalized software costs, partially offset by $0.7 million of proceeds from the sale of fixed assets. Cash paid for capital expenditures in 2019 was primarily driven by acquisition of fixed assets and development of software to support business initiatives and ongoing product expansion. In the future we expect to incur capital expenditures primarily related to implementing our growth strategy and to further optimize and drive efficiency in our operations and capitalized software costs. As of December 31, 2019, our projected capital expenditures are expected to amount to approximately $8.0 million to $12.0 million in the aggregate for 2020. The timing and amount of our projected expenditures is dependent upon a number of factors, including our ability to successfully execute our growth strategy, and may vary significantly from our estimates.

In 2018, net cash from (used in) investing activities was $(14.3) million and consisted primarily of $(15.0) million for purchases of property and equipment, including capitalized software costs, and a $(0.3) million payment for an acquisition holdback, partially offset by $1.0 million of proceeds from the sale of fixed assets. Cash paid for capital expenditures in 2018 was driven by the continued investments in automation equipment at our fulfillment centers, the acquisition of fixed assets to support business initiatives and ongoing product expansion and software capitalization.

In 2017, net cash from (used in) investing activities was $(125.3) million and consisted primarily of $(124.2) million for purchases of property and equipment, including capitalized software costs, and $(1.2) million of cash paid for an acquisition. Cash paid for capital expenditures in 2017 was driven by the continued construction and investments in automation equipment at our fulfillment centers and the acquisition of fixed assets to support business initiatives and ongoing product expansion.

Net Cash from (used in) Financing Activities

Net cash from (used in) financing activities primarily relates to proceeds from our initial public offering, issuance of convertible preferred stock, and our net borrowings under our revolving credit facility.

In 2019, net cash from (used in) financing activities was $(29.9) million and consisted primarily of a $(28.9) million repayment of debt under our revolving credit facility, $(0.8) million in payments of debt issuance costs, and $(0.3) million in principal payments on capital lease obligations, slightly offset by proceeds from the exercise of stock options.

In 2018, net cash from (used in) financing activities was $(42.4) million and consisted primarily of a $(41.4) million repayment of debt under our revolving credit facility, $(0.9) million in payments of debt issuance costs, and $(0.3) million in principal payments on capital lease obligations, slightly offset by proceeds from the exercise of stock options and vesting of restricted stock units.

In 2017, net cash from (used in) financing activities was $423.2 million and consisted primarily of $278.0 million in proceeds from our initial public offering, net of the underwriting discount and other offering expenses, $80.0 in borrowings under our revolving credit facility net of issuance costs, and $64.4 million in proceeds from convertible notes, net of issuance costs. The proceeds from borrowing under the revolving credit facility have primarily been used to finance our capital expenditures. See Item 5 of this Annual Report on Form 10-K for discussion of use of proceeds from our initial public offering.

Free Cash Flow

We define free cash flow as net cash from (used in) operating activities less purchases of property and equipment. Our free cash flow was $(21.7) million, $(91.9) million, and $(276.7) million for the years ended December 31, 2019, 2018, and 2017, respectively. In 2019, free cash flow consisted of $(16.5) million of net cash from (used in) operating activities and $(5.2) million for purchases of property and equipment, of which approximately $(2.6) million relates to capitalized software costs. In 2018, free cash flow consisted of $(76.9) million of net cash from (used in) operating activities and $(15.0) million for purchases of property and equipment, including capitalized software costs. In 2017, free cash flow consisted of $(152.4) million of net cash from (used in) operating activities and $(124.2) million for purchases of property and equipment, including capitalized software costs. Please see "Non-GAAP Financial Measures" for a discussion of the use of non-GAAP financial measures and for a reconciliation of free cash flow to net cash from (used in) operating activities, the most directly comparable measure calculated in accordance with GAAP.

Revolving Credit Facility

As discussed above, in August 2016, we entered into the revolving credit facility with a maximum amount available to borrow of $150.0 million. The borrower under the revolving credit facility is the Company's wholly-owned subsidiary, Blue Apron, LLC. In May 2017 and June 2017, we executed amendments to the agreement that each increased the total commitments by $25.0 million, resulting in a total commitment of $200.0 million. In October 2018, we amended and refinanced the revolving credit facility (the "2018 credit facility refinancing") to, among other things, reduce the aggregate lender commitments from $200.0 million to $85.0 million and extend the final maturity date of the revolving credit facility from August 26, 2019 to February 26, 2021. In connection with the 2018 credit facility refinancing, we repaid $41.4 million of indebtedness. In October 2019, we further amended and refinanced the revolving credit facility (the "2019 credit facility refinancing") to, among other things, further reduce the aggregate lender commitments from $85.0 million to $55.0 million and extend the final maturity date of the revolving credit facility to August 26, 2021. In connection with the 2019 credit facility refinancing, we repaid $28.9 million of indebtedness in October 2019.

As of December 31, 2019 and December 31, 2018, we had $54.7 million and $83.6 million, respectively, in outstanding borrowings under the revolving credit facility and $0.3 million and $1.4 million, respectively, in issued letters of credit under the revolving credit facility.

Prior to the 2019 credit facility refinancing, borrowings under the revolving credit facility bore interest, at our option, at (1) a base rate based on the highest of prime rate, the federal funds rate plus 0.50% and an adjusted LIBOR rate for a one-month interest period plus 1.00% (the "base rate"), plus in each case a margin of 3.00%, or (2) an adjusted LIBOR rate (the "eurodollar rate") plus a margin of 4.00%. Subsequent to the 2019 credit facility refinancing, base rate loans bear interest at a rate equal to the base rate plus a margin of 3.25% and eurodollar rate loans bear interest at a rate equal to the eurodollar rate plus a margin of 4.25%. We are also obligated under the revolving credit facility to pay certain customary fees, including an unused commitment fee on undrawn amounts of 0.15%.

The obligations under the revolving credit facility are guaranteed by Blue Apron Holdings, Inc. Obligations under the revolving credit facility are secured by substantially all of the assets of the guarantor and its subsidiaries. The revolving credit facility contains certain restrictive covenants, financial covenants, and affirmative and financial reporting covenants restricting our and our subsidiaries' activities. Restrictive covenants include limitations on the incurrence of indebtedness and liens, restrictions on affiliate transactions, restrictions on the sale or other disposition of collateral, and limitations on dividends and stock repurchases. As of December 31, 2018, financial covenants required us to maintain a minimum aggregate liquidity balance of $50.0 million and, in the event we had positive consolidated total net debt, maintain minimum quarterly consolidated adjusted EBITDA in excess of certain specified thresholds as defined in the revolving credit and guaranty agreement. As a result of the 2019 credit facility refinancing, the minimum aggregate liquidity balance has been reduced to $20.0 million as of each quarter end and $10.0 million at any liquidity test date other than at quarter end. The 2019 credit facility refinancing also resulted in changes to the minimum quarterly consolidated adjusted EBITDA thresholds, which are required to be maintained in the event we have positive consolidated total net debt. Non-compliance with the covenants under the revolving credit facility would result in an event of default upon which the lenders could declare all outstanding principal and interest to be due and payable immediately, terminate their commitments to loan money and foreclose against the assets securing the borrowings. As of December 31, 2019 and December 31, 2018, we were in compliance with all of the covenants under the revolving credit facility. Our future compliance with the covenants under the revolving credit facility will be dependent on, among other factors, our ability to maintain positive consolidated total net debt or generate sufficient quarterly consolidated adjusted EBITDA. Failure to comply with any covenants under the revolving credit facility could have a material adverse effect on our business, financial condition, and results of operation. See "Liquidity and Capital Resources" above and the section titled "Risk Factors" under Part I, Item 1A.

Contractual Obligations

At December 31, 2019, our debt and certain other significant contractual financial obligations that will affect our future liquidity were as follows.

	2020	2021	2022	2023	2024	Thereafter	Total
				(In thousands)			
Revolving credit facility (1)	$ 3,458	$ 56,926	$ —	$ —	$ —	$ —	$ 60,384
Operating lease obligations (2)	11,647	11,173	7,228	6,396	5,954	7,425	49,823
Capital lease obligations (3)	169	41	23	4	—	—	237
Build-to-suit lease obligations (4)	4,913	5,036	5,162	5,292	5,425	14,960	40,788
Total	$20,187	$ 73,176	$12,413	$11,692	$11,379	$ 22,385	$151,232

(1) Includes estimated interest payments based on currently effective interest rates as of December 31, 2019, timing of scheduled payments, and the maturity date of our revolving credit facility. Estimated interest payments are subject to change due to the variable nature of the interest rates under our revolving credit facility as described in "Revolving Credit Facility" above.

(2) Includes non-cancelable operating leases for office space in New York, New York including our headquarters, and Austin, Texas and fulfillment centers in Linden, New Jersey, Richmond, California and Arlington, Texas. We also have various non-cancelable operating leases for certain equipment. In 2019, we entered into an agreement to sublease space at our Arlington facility. In 2018, we entered into an agreement to sublease space at our corporate office. In 2017, we entered into an agreement to sublease the remainder of our Jersey City facility. The subleases continue through the duration of the existing leases for each location and entitle us to future minimum sublease payments of approximately $9.8 million as of December 31, 2019. The sublease payments are not reflected in the above table.

(3) Includes lease payments for capital lease obligations, including estimated interest payments attributable to our capital lease obligations, all of which have fixed interest rates.

(4) Includes lease payments for fulfillment centers in Linden and Fairfield for which we are deemed to be the owner for accounting purposes under build-to-suit accounting and capitalize the fair value of the buildings and direct construction costs incurred along with a corresponding facility financing liability. We do not intend to occupy the Fairfield facility and, as a result we are continuing to evaluate potential alternatives for the property.

Off-Balance Sheet Arrangements

As of December 31, 2019, and December 31, 2018, we did not have any off-balance sheet arrangements, except for operating leases and letters of credit entered into in the normal course of business as discussed above.

Critical Accounting Policies and Significant Estimates

In preparing our consolidated financial statements in accordance with GAAP, we are required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue, costs and expenses, and disclosure of contingent assets and liabilities that are reported in the consolidated financial statements and accompanying disclosures. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements because they involve the most difficult, subjective or complex judgments about the effect of matters that are inherently uncertain. Therefore, we consider these to be our critical accounting policies. Accordingly, we evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates and assumptions. See Note 2 to the Consolidated Financial Statements of this Annual Report on Form 10-K for information about these critical accounting policies, as well as a description of our other accounting policies.

Revenue Recognition

We adopted Accounting Standard Update No. 2014-09 ("ASU 2014-09"), *Revenue from Contracts with Customers (Topic 606)*, as of January 1, 2019. We primarily generate revenue from the sale of our products to customers, including meals, wine and kitchen tools. For the years ended December 31, 2019, 2018, and 2017, we derived substantially all of our Net revenue from sales of our meals.

Our revenue contracts represent a single performance obligation to sell our products to our customers. We recognize revenue upon transfer of control, including passage of title to the customer and transfer of risk of loss related to the products, in an amount that reflects the consideration we expect to be entitled to. In general, we charge credit cards in advance of shipment. Transfer of control generally passes upon delivery to the customer. Sales taxes imposed on our sales are presented on a net basis in the Consolidated Statements of Operations, and therefore do not impact Net revenue or Cost of goods sold, excluding depreciation and amortization.

We deduct promotional discounts, actual customer credits and refunds as well as credits and refunds expected to be issued to determine Net revenue. Customers who receive a damaged meal or wine order or are dissatisfied with an order and contact us within seven days of receipt of the order may receive a full or partial refund, full or partial credit against future purchase, or replacement, at our sole discretion. Credits only remain available for customers who maintain a valid account with us. Customers who return an unused, undamaged Blue Apron Market product within 30 days of receipt receive a full refund. We estimate and record expected credits and refunds based on prior history, recent trends, and projections for credits and refunds on sales in the current period. Reserves for credits and refunds are included within Accrued expenses and other current liabilities on the Consolidated Balance Sheet.

We periodically enter into agreements with third parties to market our products. We record revenue from such arrangements at the gross amount as we are the principal in these arrangements as we are primarily responsible for fulfilling the goods to customers, provide primary customer service for such products sold on its website, have latitude in establishing price and selecting such products sold on our website, and maintain inventory risk.

We have two types of contractual liabilities: (i) cash collections from our customers prior to delivery of products purchased, which are included in Deferred revenue on the Consolidated Balance Sheet, and are recognized as revenue upon transfer of control of our products, and (ii) unredeemed gift cards and other prepaid orders, which are included in Deferred revenue on the Consolidated Balance Sheet, and are recognized as revenue when gift cards are redeemed and the products are delivered. Certain gift cards are not expected to be redeemed, also known as breakage, and are recognized as revenue over the expected redemption period, subject to requirements to remit balances to governmental agencies.

We adopted ASU 2014-09 using a modified retrospective approach and recognized $0.3 million cumulative-effect adjustment to reduce Accumulated deficit as of January 1, 2019. The cumulative-effect adjustment to Accumulated deficit was due to breakage of gift cards to the extent there is no requirement for remitting balances to governmental agencies. Under the modified retrospective approach, prior period balances are not retrospectively adjusted.

Inventories, Net

Inventories, net consist primarily of bulk and prepped food, products available for resale, packaging, containers, and wine products which are stated at the lower of cost or net realizable value. Inventory costs consist of product costs, inbound shipping and handling costs and applicable direct labor costs. Inventories are valued on a first-in, first-out cost basis. We record an inventory valuation reserve when applicable, based on currently available information, about the likely method of disposition, such as through sales to individual customers, donations or liquidations, and expected recoverable values of each inventory category.

Leases

We categorize lease agreements at their inception as either operating or capital leases. For operating leases, we recognize rent expense on a straight-line basis over the term of the lease. For capital leases, we record a leased asset with a corresponding liability. Payments are recorded as reductions to the liability with an interest charge recorded based on the remaining liability.

We review leases for which we are involved in construction to determine if we are considered to be the owner for accounting purposes during the construction period. If we are determined to be the owner for accounting purposes, we follow build-to-suit accounting and capitalize the fair value of the building and direct construction costs incurred along with a corresponding facility financing liability. At the end of the construction period we assess whether these arrangements qualify for sales recognition under sale-leaseback accounting guidance. If upon completion of construction, the arrangement does not meet the sale-leaseback criteria, we will continue to be considered the owner of the building for accounting purposes.

Upon substantial completion of the construction phase of the facilities we lease in Linden and Fairfield in June 2017 and December 2017, respectively, we performed a sale-leaseback analysis pursuant to Accounting Standards Codification ("ASC") 840 – *Leases*, to determine the appropriateness of removing the previously capitalized assets from the consolidated balance sheets. We concluded that components of "continuing involvement" were evident as a result of this analysis, thereby failing the sale-leaseback tests which precludes the derecognition of the related assets from the consolidated balance sheets. In conjunction with the leases, we also recorded a facility financing obligation equal to the fair market value of the assets received from the landlord. At the end of the lease terms, including exercise of any renewal options, the difference between the remaining facility financing obligation and the net carrying value of the fixed assets will be recognized as a non-cash gain or loss on sale of the properties. We do not report rent expense for the leases. Rather, rental payments under the leases are recognized as a reduction of the financing obligation and interest expense and the associated assets capitalized throughout the construction projects are depreciated over the determined useful life.

Recoverability of Long-Lived Assets

Our long-lived assets consist of property, equipment and capitalized software development costs. We periodically evaluate whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. These factors may include a significant deterioration of operating results, changes in business plans, or changes in anticipated cash flows. Recoverability is measured by comparing the carrying amount of an asset group to future undiscounted net cash flows expected to be generated from the use of the asset and its eventual disposition, where applicable. If future undiscounted cash flows are less than the carrying value, an impairment is recognized in earnings to the extent that the carrying value exceeds fair value. In determining future cash flows, we use industry accepted valuation models and engage third party valuation specialists, as needed. When multiple valuation methodologies are used, the results are weighted appropriately. In addition to the recoverability assessment, we routinely review the remaining estimated useful lives of our long-lived assets. If we reduce the estimated useful life assumption for any asset, the remaining balance would be depreciated over the revised estimated useful life.

For the year ended December 31, 2019, we recorded impairment charges of $1.3 million on long-lived assets primarily related to the reprioritization of initiatives to support our growth strategy. For the year ended December 31, 2018, there were no impairments of long-lived assets. For the year ended December 31, 2017, we recorded impairment charges of $9.5 million on long-lived assets primarily related to the transition of all our Jersey City fulfillment center operations to our fulfillment center in Linden, as well as our decision to no longer pursue the planned build-out of the Fairfield facility. In July 2017, we performed an impairment test related to our long-lived assets at the Jersey City facility. The carrying amount of the long-lived assets at the Jersey City facility was $11.5 million and the fair value was $7.1 million as of the impairment date, resulting in an impairment of $4.4 million, primarily consisting of leasehold improvements and equipment. The fair value was primarily determined based on estimated market prices. In October 2017, we performed an impairment test related to our long-lived assets at the Fairfield facility. The carrying amount of the long-lived assets at the Fairfield facility was $37.1 million and the fair value was $33.9 million as of the impairment date, resulting in an impairment of $3.2 million, primarily consisting of the building, leasehold improvements and equipment. The fair value was primarily determined based on a third party appraisal for real property using the Income Capitalization Approach. See Note 5 to the Consolidated Financial Statements of this Annual Report on Form 10-K for further discussion.

Contingencies

We record accruals for loss contingencies associated with legal matters when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. If a probable loss is not reasonably estimable, or we determine that a loss is reasonably possible, but not probable, we disclose the matter, and the amount or range of the possible losses, if estimable, in the notes to the Consolidated Financial Statements.

Emerging Growth Company Status

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies." We may take advantage of these exemptions until we are no longer an "emerging growth company." Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. We have elected to use the extended transition period for complying with new or revised accounting standards and as a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates. We may take advantage of these exemptions up until the last day of the fiscal year following the fifth anniversary of the IPO or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1.07 billion in annual revenue, we have more than $700.0 million in market value of our stock held by non-affiliates (and we have been a public company for at least 12 months and have filed one annual report on Form 10-K) or we issue more than $1.0 billion of non-convertible debt securities over a three-year period.

Recent Accounting Pronouncements

For information about recent accounting pronouncements, see Note 2 to the Consolidated Financial Statements of this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to certain market risks in the ordinary course of our business. These risks primarily consist of interest rates, food prices and inflation as follows:

Interest Rates

Our cash and cash equivalents consist of cash, money market accounts, and amounts held by third party financial institutions for credit and debit card transactions. The primary objective of our investment activities is to preserve principal while maximizing return without significantly increasing risk. Because our cash and cash equivalents have a relatively short maturity, the fair value of our portfolio of cash and cash equivalents is not particularly sensitive to interest rate changes.

We are subject to interest rate risk in connection with our revolving credit facility, which we do not believe has had a material effect on our business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources—Revolving Credit Facility" above.

Food Prices

Our profitability is dependent on, among other things, our ability to anticipate and react to food costs. We have been able to effectively manage cost variations resulting from a number of factors, including market conditions, shortages or interruptions in supply due to weather or other conditions beyond our control and inflation, through our recipe creation process. We typically begin working with our suppliers months in advance to plan our supply needs, while maintaining flexibility to adjust our recipes, and therefore our ingredients, in the weeks leading up to shipment. However, substantial increases in food prices could impact our operating results to the extent that such increases cannot be mitigated through our recipe planning. Alternatively, deflation in food prices could also reduce the attractiveness of our product offerings relative to competing products and thus impede our ability to maintain or increase our overall sales.

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations, or financial condition. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, results of operations and financial condition.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item is incorporated herein by reference to the financial statements set forth in Item 15. "Exhibits and Financial Statement Schedules."

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined by Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2019. Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2019 at the reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel 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 and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013). Based on its assessment, our management believes that, as of December 31, 2019, our internal control over financial reporting was effective based on those criteria.

Previously Identified Material Weaknesses in Internal Control Over Financial Reporting

None.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Annual Report on Form 10-K that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this item will be included under the caption “Directors, Executive Officers and Corporate Governance” in our Proxy Statement for the 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2019, which we refer to as our 2020 Proxy Statement, and is hereby incorporated by reference into this Annual Report on Form 10-K.

Our board of directors has adopted a Code of Conduct and Ethics applicable to all officers, directors and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the code is available at the Investor Relations section of our website, located at investors.blueapron.com, under “Corporate Governance—Governance Documents.” We intend to make all required disclosures regarding any amendments to, or waivers from, any provisions of the code at the same location of our website.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item will be included under the caption Executive Compensation in our 2020 Proxy Statement and is hereby incorporated by reference into this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this item will be included under the caption Security Ownership of Management and Certain Beneficial Owners and Management and Related Stockholder Matters in our 2020 Proxy Statement and is hereby incorporated by reference into this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item will be included under the caption Certain Relationships and Related Transactions, and Director Independence in our 2020 Proxy Statement and is hereby incorporated by reference into this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item will be included under the caption Principal Accounting Fees and Services in our 2020 Proxy Statement and is hereby incorporated by reference into this Annual Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE.

(a) Financial Statements and Financial Statement Schedule

See “Index to Consolidated Financial Statements.”

(b) Exhibits

See “Exhibit Index.”

ITEM 16. Form 10-K Summary.

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File Number	Exhibit	Filing Date	Filed Herewith
3.1	Restated Certificate of Incorporation of Blue Apron Holdings, Inc., as amended	10-Q	001-38134	3.1	08/06/2019	
3.2	Amended and Restated Bylaws of Blue Apron Holdings, Inc.	S-1/A	333-218425	3.4	06/19/2017	
4.1	Specimen stock certificate evidencing shares of Class A common stock	S-1/A	333-218425	4.1	06/19/2017	
4.2	Description of Registered Securities					X
10.1	Third Amended and Restated Investors' Rights Agreement, dated as of May 18, 2015, by and among the Registrant and the other parties thereto	S-1	333-218425	10.1	06/01/2017	
10.2	Form of Indemnification Agreement with directors and executive officers	S-1/A	333-218425	10.2	06/19/2017	
10.3*	2012 Equity Incentive Plan	S-1	333-218425	10.3	06/01/2017	
10.4*	Form of Incentive Stock Option Agreement under 2012 Equity Incentive Plan	S-1	333-218425	10.4	06/01/2017	
10.5*	Form of Non-Qualified Stock Option Agreement under 2012 Equity Incentive Plan	S-1	333-218425	10.5	06/01/2017	

10.6*	Form of Restricted Stock Agreement under 2012 Equity Incentive Plan	S-1	333-218425	10.6	06/01/2017
10.7*	2017 Equity Incentive Plan	S-1/A	333-218425	10.7	06/19/2017
10.8*	Form of Stock Option Agreement under 2017 Equity Incentive Plan	S-1/A	333-218425	10.8	06/19/2017
10.9*	Form of Restricted Stock Unit Agreement under 2017 Equity Incentive Plan	S-1/A	333-218425	10.9	06/19/2017
10.10	Lease, dated as of July 15, 2013, as amended, by and between Dreisbach Enterprises, Inc. and Blue Apron, LLC (formerly known as Blue Apron, Inc.)	S-1	333-218425	10.12	06/01/2017
10.11	Sixth Amendment to Lease, dated as of July 15, 2013, by and between Dreisbach Enterprises, Inc. and Blue Apron, LLC (formerly known as Blue Apron, Inc.), dated as of January 29, 2019	10-K	001-38134	10.11	02/25/2019
10.12	Standard Industrial/Commercial Single-Tenant Lease, dated as of August 1, 2014, by and between DF/Hilltop, LLC and Blue Apron, LLC (formerly known as Blue Apron, Inc.)	S-1	333-218425	10.16	06/01/2017
10.13	Lease, dated as of March 21, 2016 by and between Duke Linden, LLC and Blue Apron, LLC (formerly known as Blue Apron, Inc.)	S-1	333-218425	10.18	06/01/2017

10.14	Lease Agreement, dated as of August 23, 2016, by and between Gateway 80 Industrial, LLC and Blue Apron, LLC (formerly known as Blue Apron, Inc.)	S-1	333-218425	10.20	06/01/2017
10.15	Revolving Credit and Guaranty Agreement, dated as of August 26, 2016, by and among Blue Apron, LLC (formerly known as Blue Apron, Inc.), Morgan Stanley Senior Funding, Inc., and the other parties thereto, as amended by Amendment No. 1 thereto, dated as of May 3, 2017, and Amendment No. 2 thereto, dated as of May 11, 2017	S-1	333-218425	10.21	06/01/2017
10.16	Amendment No. 3 to the Revolving Credit and Guaranty Agreement, dated as of August 26, 2016, by and among Blue Apron, LLC (formerly known as Blue Apron, Inc.), Morgan Stanley Senior Funding, Inc. and the other parties thereto, dated as of June 23, 2017	S-1/A	333-218425	10.22	06/23/2017

10.17	Amendment No. 4 to the Revolving Credit and Guaranty Agreement, dated as of August 26, 2016, by and among Blue Apron, LLC (formerly known as Blue Apron, Inc.), Morgan Stanley Senior Funding, Inc. and the other parties thereto, dated as of October 9, 2018	8-K	001-38134	10.1	10/10/2018	
10.18	Amendment No. 5 to the Revolving Credit and Guaranty Agreement, dated as of August 26, 2016, by and among Blue Apron, LLC (formerly known as Blue Apron, Inc.), Morgan Stanley Senior Funding, Inc. and the other parties thereto, dated as of October 25, 2019	8-K	001-38134	10.1	10/31/2019	
10.19*	Blue Apron Holdings, Inc. Executive Severance Benefits Plan	10-Q	001-38134	10.1	05/03/2018	
10.20*	Offer Letter for Timothy S. Bensley	10-Q	001-38134	10.1	08/02/2018	
10.21*	Offer Letter for Linda F. Kozlowski	8-K	001-38134	99.2	04/02/2019	
21.1	List of Subsidiaries	10-K	001-38134	21.1	02/22/2018	
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm					X

31.1	Certification of 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	X
31.2	Certification of 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	X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
101.INS	XBRL Instance 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

* Indicates management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BLUE APRON HOLDINGS, INC.

Dated: February 18, 2020	/s/ Linda F. Kozlowski
	Linda F. Kozlowski
	President, Chief Executive Officer, and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 18th of February 2020.

/s/ Linda F. Kozlowski	President, Chief Executive Officer, and Director
Linda F. Kozlowski	(Principal Executive Officer)
/s/ Timothy S. Bensley	Chief Financial Officer and Treasurer
Timothy S. Bensley	(Principal Financial and Accounting Officer)
/s/ Julie M.B. Bradley	Director
Julie M.B. Bradley	
/s/ Tracy Britt Cool	Director
Tracy Britt Cool	
/s/ Gary R. Hirshberg	Director
Gary R. Hirshberg	
/s/ Elizabeth J. Huebner	Director
Elizabeth J. Huebner	
/s/ Brian P. Kelley	Director
Brian P. Kelley	
/s/ Matthew B. Salzberg	Director and Chairman
Matthew B. Salzberg	

BLUE APRON HOLDINGS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors
Blue Apron Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Blue Apron Holdings, Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, convertible preferred stock and stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2015.

New York, New York
February 18, 2020

BLUE APRON HOLDINGS, INC.

Consolidated Balance Sheets

(In thousands, except share and per-share data)

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 43,531	$ 95,615
Accounts receivable, net	248	494
Inventories, net	25,106	33,634
Prepaid expenses and other current assets	8,864	12,259
Total current assets	77,749	142,002
Restricted cash	2,912	1,692
Property and equipment, net	181,806	209,515
Other noncurrent assets	3,598	1,690
TOTAL ASSETS	$ 266,065	$ 354,899
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 23,972	$ 22,573
Accrued expenses and other current liabilities	30,366	32,594
Deferred revenue	6,120	12,372
Total current liabilities	60,458	67,539
Long-term debt	53,464	82,603
Facility financing obligation	71,689	71,696
Other noncurrent liabilities	12,455	13,759
TOTAL LIABILITIES	198,066	235,597
Commitments and contingencies (Note 9)		
STOCKHOLDERS' EQUITY (DEFICIT):		
Class A common stock, par value of $0.0001 per share — 1,500,000,000 shares authorized as of December 31, 2019 and December 31, 2018; 7,799,093 and 5,240,073 shares issued and outstanding as of December 31, 2019 and December 31, 2018, respectively*	1	1
Class B common stock, par value of $0.0001 per share — 175,000,000 shares authorized as of December 31, 2019 and December 31, 2018; 5,464,196 and 7,714,036 shares issued and outstanding as of December 31, 2019 and December 31, 2018, respectively*	1	1
Class C common stock, par value of $0.0001 per share — 500,000,000 shares authorized as of December 31, 2019 and December 31, 2018; 0 shares issued and outstanding as of December 31, 2019 and December 31, 2018	—	—
Additional paid-in capital	599,976	590,538
Accumulated deficit	(531,979)	(471,238)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	67,999	119,302
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 266,065	$ 354,899

* *Reflects the 1-for-15 reverse stock split that became effective on June 14, 2019. Refer to Note 2 - Summary of Significant Accounting Policies for further information.*

The accompanying notes are an integral part of these Consolidated Financial Statements.

BLUE APRON HOLDINGS, INC.

Consolidated Statements of Operations

(In thousands, except share and per-share data)

	Year Ended December 31,		
	2019	**2018**	**2017**
Net revenue	$ 454,868	$ 667,600	$ 881,191
Operating expenses:			
Cost of goods sold, excluding depreciation and amortization	279,135	433,496	627,964
Marketing	48,133	117,455	154,529
Product, technology, general and administrative	144,925	194,340	247,907
Depreciation and amortization	31,200	34,517	26,838
Other operating expense	3,571	2,170	12,713
Total operating expenses	506,964	781,978	1,069,951
Income (loss) from operations	(52,096)	(114,378)	(188,760)
Interest income (expense), net	(8,943)	(7,683)	(6,384)
Other income (expense), net	—	—	(14,984)
Income (loss) before income taxes	(61,039)	(122,061)	(210,128)
Benefit (provision) for income taxes	(42)	(88)	(15)
Net income (loss)	$ (61,081)	$ (122,149)	$ (210,143)
Net income (loss) per share attributable to Class A, Class B, and Class C common stockholders*:			
Basic	$ (4.67)	$ (9.51)	$ (24.62)
Diluted	$ (4.67)	$ (9.51)	$ (24.62)
Weighted-average shares used to compute net income (loss) per share attributable to Class A, Class B, and Class C common stockholders*:			
Basic	13,089,908	12,845,261	8,537,156
Diluted	13,089,908	12,845,261	8,537,156

** Reflects the 1-for-15 reverse stock split that became effective on June 14, 2019. Refer to Note 2 - Summary of Significant Accounting Policies for further information.*

The accompanying notes are an integral part of these Consolidated Financial Statements.

BLUE APRON HOLDINGS, INC.

Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)

(In thousands, except share data)

	Convertible Preferred Stock		Class A Common Stock *		Class B Common Stock *		Class C Common Stock *		Additional Paid-In	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	(Deficit)
Balance — December 31, 2016	14,500,938	$ 194,869	—	$ —	4,473,009	$ 0	—	$ —	$ 5,153	$ (138,554)	$ (133,401)
Conversion from Class B to Class A common stock	—	—	490,157	0	(490,157)	0	—	—	—	—	—
Exchange from Class C to Class A common stock	—	—	2,846	0	—	—	(2,846)	(0)	—	—	—
Issuance of common stock upon acquisition	—	—	—	—	—	—	2,846	0	373	—	373
Issuance of common stock upon conversion of convertible notes	—	—	—	—	468,213	0	—	—	62,085	—	62,085
Issuance of common stock upon conversion of Series A, B, C, and D convertible preferred stock	(14,500,938)	(194,869)	—	—	5,679,370	1	—	—	194,869	—	194,870
Issuance of common stock upon exercise of stock options and vesting of restricted stock	—	—	17,507	0	118,047	0	—	—	1,008	—	1,008
Issuance of common stock upon initial public offering, net of offering costs	—	—	2,000,000	0	—	—	—	—	278,010	—	278,010
Issuance of convertible notes	—	—	—	—	—	—	—	—	19,568	—	19,568
Share-based compensation	—	—	—	—	—	—	—	—	11,480	—	11,480
Net income (loss)	—	—	—	—	—	—	—	—	—	(210,143)	(210,143)
Balance — December 31, 2017	—	$ —	2,510,510	$ 0	10,248,482	$ 1	—	$ —	$ 572,546	$ (348,697)	$ 223,850
Conversion from Class B to Class A common stock	—	—	2,556,650	0	(2,556,650)	(0)	—	—	—	—	—
Issuance of common stock upon exercise of stock options and vesting of restricted stock	—	—	172,227	1	22,204	0	—	—	214	—	215
Share-based compensation	—	—	—	—	—	—	—	—	17,386	—	17,386
Impact of adoption of accounting standard update	—	—	—	—	—	—	—	—	392	(392)	—
Settlement of acquisition holdback	—	—	686	0	—	—	—	—	—	—	—
Net income (loss)	—	—	—	—	—	—	—	—	—	(122,149)	(122,149)
Balance — December 31, 2018	—	$ —	5,240,073	$ 1	7,714,036	$ 1	—	$ —	$ 590,538	$ (471,238)	$ 119,302
Conversion from Class B to Class A common stock	—	—	2,277,388	0	(2,277,388)	(0)	—	—	—	—	—
Issuance of common stock upon exercise of stock options and vesting of restricted stock	—	—	281,696	0	27,583	0	—	—	53	—	53
Share-based compensation	—	—	—	—	—	—	—	—	9,385	—	9,385
Impact of adoption of accounting standard update	—	—	—	—	—	—	—	—	—	340	340
Other	—	—	(64)	(0)	(35)	(0)	—	—	—	—	—
Net income (loss)	—	—	—	—	—	—	—	—	—	(61,081)	(61,081)
Balance — December 31, 2019	—	$ —	7,799,093	$ 1	5,464,196	$ 1	—	$ —	$ 599,976	$ (531,979)	$ 67,999

** Reflects the 1-for-15 reverse stock split that became effective on June 14, 2019. Refer to Note 2 - Summary of Significant Accounting Policies for further information.*

The accompanying notes are an integral part of these Consolidated Financial Statements.

BLUE APRON HOLDINGS, INC.

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (61,081)	$ (122,149)	$ (210,143)
Adjustments to reconcile net income (loss) to net cash from (used in) operating activities:			
Depreciation and amortization of property and equipment	31,200	34,517	26,838
Loss (gain) on disposal of property and equipment	273	1,624	(25)
Loss on impairment	1,261	—	9,456
Changes in reserves and allowances	(140)	(1,247)	1,870
Share-based compensation	8,970	16,320	11,270
Non-cash interest expense	601	1,595	2,719
Loss (gain) on convertible notes	—	—	14,984
Changes in operating assets and liabilities:			
Accounts receivable	324	1,306	579
Inventories	8,618	9,786	451
Prepaid expenses and other current assets	3,005	(2,688)	(827)
Accounts payable	1,661	(6,605)	(4,770)
Accrued expenses and other current liabilities	(2,190)	(2)	(7,923)
Deferred revenue	(5,912)	(15,274)	3,368
Other noncurrent assets and liabilities	(3,056)	5,917	(289)
Net cash from (used in) operating activities	(16,466)	(76,900)	(152,442)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash paid for acquisition	—	(250)	(1,177)
Purchases of property and equipment	(5,220)	(15,022)	(124,242)
Proceeds from sale of property and equipment	739	983	137
Net cash from (used in) investing activities	(4,481)	(14,289)	(125,282)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from debt issuances	—	—	144,349
Repayments of debt	(28,900)	(41,422)	—
Payments of debt issuance costs	(812)	(908)	—
Proceeds from exercise of stock options	51	215	1,010
Principal payments on capital lease obligations	(256)	(274)	(194)
Net proceeds from public offering	—	—	283,500
Payments of public offering costs	—	—	(5,490)
Net cash from (used in) financing activities	(29,917)	(42,389)	423,175
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(50,864)	(133,578)	145,451
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — Beginning of period	97,307	230,885	85,434
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — End of period	$ 46,443	$ 97,307	$ 230,885
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for income taxes, net of refunds	$ 60	$ 110	$ 70
Cash paid for interest, net of amounts capitalized	$ 9,951	$ 8,317	$ 4,675
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING INFORMATION:			
Acquisition (disposal) of property and equipment financed under capital lease obligations	$ —	$ 184	$ 39
Non-cash additions to property and equipment	$ 415	$ 1,065	$ 20,458
Purchases of property and equipment in Accounts payable and Accrued expenses and other current liabilities	$ 320	$ 582	$ 1,950

The accompanying notes are an integral part of these Consolidated Financial Statements.

BLUE APRON HOLDINGS, INC.

Notes to Consolidated Financial Statements

1. Organization and Description of Business

When used in these notes, Blue Apron Holdings, Inc. and its subsidiaries are collectively referred to as the "Company."

The Company creates original recipes, which are sent along with fresh, high-quality, seasonally inspired ingredients, directly to customers for them to prepare, cook, and enjoy. The Company creates meal experiences around original recipes every week based on what's in-season with farming partners and other suppliers. Customers can choose which recipes they would like to receive in a given week, and the Company delivers those recipes to their doorsteps along with the pre-portioned ingredients required to cook those recipes.

In addition to meals, the Company sells wine through Blue Apron Wine, a direct-to-consumer wine delivery service launched in September 2015. The Company also sells a curated selection of cooking tools, utensils, pantry items, and add-on products for different culinary occasions through Blue Apron Market, an e-commerce market launched in November 2014.

In connection with the Corporate Reorganization as discussed in Note 10, Blue Apron Holdings, Inc. was incorporated in Delaware in December 2016, and Blue Apron, Inc., the parent company prior to the Corporate Reorganization, converted into Blue Apron, LLC and became a direct, wholly-owned subsidiary of Blue Apron Holdings, Inc. The Company's headquarters are in New York, New York.

On July 5, 2017, the Company completed an initial public offering ("IPO"), in which the Company issued and sold 2,000,000 shares of its Class A common stock at a public offering price of $150.00 per share. The Company received approximately $278.0 million in net proceeds after deducting $16.5 million of underwriting discounts and commissions and approximately $5.5 million in offering costs. Upon the closing of the IPO, all of the outstanding shares of convertible preferred stock automatically converted into 5,679,370 shares of Class B common stock at the applicable conversion rates then in effect. Subsequent to the closing of the IPO, there were no shares of preferred stock outstanding. Upon the closing of the IPO, the aggregate principal amount of $64.6 million and all accrued and unpaid interest outstanding on the convertible notes discussed in Note 8 automatically converted into 468,213 shares of Class B common stock at the conversion rate then in effect. Subsequent to the closing of the IPO, there were no convertible notes outstanding. The Consolidated Financial Statements as of December 31, 2019 and 2018, including share and per share amounts, give effect to the IPO, conversion of the convertible notes, and the conversion of the convertible preferred stock, as the IPO and such conversions were completed on July 5, 2017.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of Blue Apron Holdings, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The Company prepares its Consolidated Financial Statements and related disclosures in conformity with accounting principles generally accepted in the United States ("GAAP"). Certain reclassifications were made to prior year amounts to conform to current year presentation.

Liquidity and Going Concern Evaluation

As of December 31, 2019, the Company had Cash and cash equivalents of $43.5 million and Long-term debt of $53.5 million, net of unamortized debt issuance costs. Long-term debt includes a fully-drawn revolving credit facility, entered into by the Company in August 2016 under a revolving credit and guaranty agreement (the "revolving credit facility") that was subsequently amended, most recently, in October 2019. As of December 31, 2019, the Company had

$54.7 million in outstanding borrowings and $0.3 million in issued letters of credit under the revolving credit facility. The remaining borrowing capacity on the revolving credit facility is $0.0 million.

The revolving credit facility contains certain restrictive covenants, financial covenants, and affirmative and financial reporting covenants restricting the Company and the Company’s subsidiaries’ activities. Financial covenants include a requirement to maintain a minimum aggregate liquidity balance of $20.0 million as of each quarter end and $10.0 million at any liquidity test date other than at quarter end, and in the event the Company has positive consolidated total net debt, maintain minimum quarterly consolidated adjusted EBITDA in excess of certain specified thresholds as defined in the revolving credit and guaranty agreement. Non-compliance with the covenants would result in an event of default upon which the lenders could declare all outstanding principal and interest to be due and payable immediately, terminate their commitments to loan money and foreclose against the assets securing the borrowings. As of December 31, 2019 and December 31, 2018, the Company was in compliance with all of the covenants under the revolving credit facility. See Note 8 for further discussion on the revolving credit facility.

The Company has experienced significant net losses including $61.1 million, $122.1 million, and $210.1 million and negative operating cash flows of $16.5 million, $76.9 million, and $152.4 million, for the years ended December 31, 2019, 2018, and 2017, respectively. The Company has also made significant investments in capital expenditures to support its business including $5.2 million, $15.0 million, and $124.2 million for the years ended December 31, 2019, 2018, and 2017, respectively. While trends in net loss and operating cash flows have improved, and the Company has reduced spending on capital expenditures, it has continued to experience reductions in its Cash and cash equivalents, including a reduction to $43.5 million at December 31, 2019 from $95.6 million at December 31, 2018, which also reflects a paydown of debt of $28.9 million in connection with the October 2019 amendment of the revolving credit facility. In addition, the Company has continued to see significant negative trends in its Net revenue including year-over-year declines of 32% and 24% for the years ended December 31, 2019 and 2018, respectively.

The Company is currently pursuing a strategy to drive customer and revenue growth, and its Board of Directors is evaluating a range of strategic alternatives to maximize shareholder value, which together with cost optimization initiatives, is being undertaken to provide additional liquidity to support the execution of its growth strategy and continued investments in its business. The Company’s ability, including the timing and extent, to successfully execute its growth strategy is inherently uncertain and is dependent on its ability to raise capital, and to implement the initiatives and deliver the results as forecasted, among other factors. Due to this uncertainty, if the Company is unable to sufficiently deliver results from its strategy and/or effectively manage expenses and cash flows, the Company may not be able to maintain compliance with its financial covenants in future periods resulting in an event of default under its revolving credit facility. Given the Company’s liquidity position, upon an event of default, if the Company were unable to obtain a waiver or successfully renegotiate the terms of its revolving credit facility with its lenders, and the lenders enforced one or more of their rights upon default, the Company would be unable to meet its current obligations.

However, if the Company is unable to sufficiently implement its growth strategy, it believes it has plans to effectively manage expenses and cash flows in order to maintain compliance with its debt covenants. This includes significant expense reductions in areas identified by the Company in product, technology, general and administrative costs, marketing expenses, and capital expenditures. A significant portion of the Company’s costs is discretionary in nature and, if needed, the Company has the ability to reduce or delay spending in order to reduce expenses and cash outflows. While reductions in spending, particularly marketing and capital expenditures, will negatively impact net revenue and the Company’s ability to execute its growth strategy, the Company plans to execute such reductions to the extent needed to comply with debt covenants and to achieve savings to reinvest in the business.

For example, in February 2020, the Company announced the planned closure of its Arlington, Texas fulfillment center and the consolidation of production volume from its Arlington, Texas fulfillment center into its Linden, New Jersey and Richmond, California fulfillment centers, which is expected to generate annual savings beginning in the second quarter of 2020 of approximately $8.0 million.

The Company has also previously demonstrated an ability to implement various cost reduction initiatives. For example, in January 2019, the Company implemented a downsizing and transfer of a substantial portion of the production volume from its Arlington, Texas fulfillment center to its Linden, New Jersey fulfillment center to further optimize fulfillment center efficiencies. In November 2018 and October 2017, the Company implemented workforce reductions to generate savings in Product, technology, general, and administrative expenses and Cost of goods sold, excluding depreciation and amortization. As a result of these actions, along with other cost optimization initiatives, the Company's Product, technology, general, and administrative expenses reduced by approximately 25% or $49.4 million and 22% or $53.6 million, respectively, for the years ended December 31, 2019 and 2018. In addition, the Company reduced its year-over-year Marketing expenses by $69.3 million and $37.1 million, respectively, in the years ended December 31, 2019 and 2018. While year-over-year Marketing expenses decreased by 59% and 24%, respectively, for the years ended December 31, 2019 and 2018, year-over-year Net revenue decreased by 32% and 24%, respectively, in the same periods. The Company also reduced its year-over-year spending on capital expenditures in the years ended December 31, 2019 and 2018 by 65% or $9.8 million and 88% or $109.2 million, respectively.

Based on the current facts and circumstances, the Company's financial planning process and its historical ability to implement cost reductions, the Company believes it is probable it can effectively manage expenses and cash flows in order to maintain compliance with the financial covenants under its revolving credit facility for at least the next 12 months. As a result, the Company has concluded, that after consideration of management's plans, it has sufficient liquidity to meet its obligations within one year after the issuance date of the Consolidated Financial Statements, and it does not have substantial doubt about its ability to continue as a going concern.

Reverse Stock Split

On June 13, 2019, the Board of Directors of the Company approved a Certificate of Amendment to the Company's Certificate of Incorporation (the "Certificate of Amendment") that provided for a 1-for-15 reverse stock split of the Company's Class A Common Stock and Class B Common Stock (the "Reverse Stock Split"), which Reverse Stock Split became effective upon the Company's filing of the Certificate of Amendment with the Secretary of State of the State of Delaware on June 14, 2019. At the effective time of the Reverse Stock Split, every 15 issued and outstanding shares of the Company's Class A Common Stock and Class B Common Stock were automatically combined into one issued and outstanding share of Class A Common Stock or Class B Common Stock, respectively, without any change in the par value per share. Stockholders who would have otherwise been entitled to fractional shares of Class A Common Stock or Class B Common Stock as a result of the Reverse Stock Split received a cash payment in lieu of receiving fractional shares. All common share, equity award, and per share amounts contained in this Annual Report on Form 10-K and the accompanying Consolidated Financial Statements have been adjusted to reflect the Reverse Stock Split for all prior periods presented.

Use of Estimates

In preparing its Consolidated Financial Statements in accordance with GAAP, the Company is required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue, costs, and expenses, and disclosure of contingent assets and liabilities which are reported in the Consolidated Financial Statements and accompanying disclosures. The accounting estimates that require the most difficult and subjective judgments include revenue recognition, inventory valuation, leases, recoverability of long-lived assets, and the recognition and measurement of contingencies. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results could materially differ from the Company's estimates and assumptions.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less at the date of purchase are considered to be cash equivalents. Cash and cash equivalents are stated at cost plus accrued interest and consist of cash on hand, money market accounts, and amounts held by third party financial institutions for credit and debit card transactions. Cash and cash equivalents as of December 31, 2019 and 2018 was $43.5 million and $95.6 million, respectively, and consist of qualifying money market accounts and amounts due from third party institutions which generally settle within three business days, of $6.4 million and $7.8 million as of December 31, 2019 and 2018, respectively.

Accounts Receivable

Accounts receivable primarily represent amounts due from third parties that market the Company's products and other trade receivables. Accounts receivable are recorded at invoiced amounts, net of allowances for doubtful accounts if applicable, are unsecured, and do not bear interest. The allowance for doubtful accounts was $0.1 million as of December 31, 2019 and 2018.

Certain Risks and Concentrations

Financial instruments that subject the Company to significant concentrations of credit risk consist of cash, cash equivalents, and restricted cash. All of the Company's cash, cash equivalents, and restricted cash are held at financial institutions in the United States that management believes to be of high credit quality. Deposits held in the United States with these financial institutions exceed federally insured limits.

The primary focus of the Company's investment strategy is to preserve capital and meet liquidity requirements. The Company's investment policy addresses the level of credit exposure by limiting the concentration in any one corporate issuer or sector and establishing a minimum allowable credit rating.

No individual customer accounted for 10% or more of the Company's total Net revenue for the years ended December 31, 2019, 2018, and 2017. There are no significant concentration risks within the Company's Accounts receivable as of December 31, 2019 and 2018.

For the years ended December 31, 2019, 2018, and 2017, an individual shipping carrier accounted for 14.9%, 11.7% and 10.2% of the Company's total Cost of goods sold, excluding depreciation and amortization, respectively. No individual supplier accounted for 10% or more of total Accounts payable as of December 31, 2019 and 2018.

Inventories, Net

Inventories, net consist primarily of bulk and prepped food, products available for resale, packaging, containers, and wine products which are stated at the lower of cost or net realizable value. Inventory costs consist of product costs, inbound shipping and handling costs, and applicable direct labor costs. Inventories are valued on a first in, first out cost basis. The Company records an inventory valuation reserve when applicable based on currently available information about the likely method of disposition, such as through sales to individual customers, donations, or liquidations and expected recoverable values of each inventory category.

Leases

The Company categorizes lease agreements at their inception as either operating or capital leases. For operating leases, the Company recognizes rent expense on a straight-line basis over the term of the lease. For capital leases, the Company records a leased asset with a corresponding liability. Payments are recorded as reductions to the liability with an interest charge recorded based on the remaining liability. Sublease payments received by the Company are recorded as income against the associated rent expense.

The Company reviews leases for which it is involved in construction to determine if it is considered to be the owner for accounting purposes during the construction period. If the Company is determined to be the owner for accounting purposes, the Company follows build-to-suit accounting and capitalizes the fair value of the building and direct construction costs incurred along with a corresponding facility financing liability. At the end of the construction period, the Company assesses whether these arrangements qualify for sales recognition under sale-leaseback accounting guidance. If upon completion of construction, the arrangement does not meet the sale-leaseback criteria, the Company will continue to be considered the owner of the building for accounting purposes.

Property and Equipment, Net

Property and equipment, net, including leasehold improvements, are stated at cost and are depreciated using a straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Computer equipment	2 - 3 years
Capitalized software	2 years
Fulfillment equipment	5 - 7 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of expected useful life or lease term
Buildings	30 years

Capitalized Software Development Costs

The Company capitalizes qualifying internally-developed software development costs that are incurred during the application development stage so long as management with the relevant authority authorizes the project, it is probable the project will be completed, and the software will be used to perform the function intended. Capitalized costs are amortized on a straight-line basis over their expected useful lives which is approximately two years. Costs incurred for enhancements that are expected to result in additional significant functionality are capitalized and amortized over the estimated useful life of the enhancement. Costs related to preliminary project activities and post-implementation operation activities, including training and maintenance, are expensed as incurred. Capitalized software development costs net of accumulated amortization are included as a component of Property and equipment, net in the accompanying Consolidated Balance Sheets.

Recoverability of Long-Lived Assets

Long-lived assets consist of the Company’s property, equipment, and capitalized software development costs. The Company periodically evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. These factors may include a significant deterioration of operating results, changes in business plans, or changes in anticipated cash flows. Recoverability is measured by comparing the carrying amount of an asset group to future undiscounted net cash flows expected to be generated. If future undiscounted cash flows are less than the carrying value, an impairment is recognized in earnings to the extent that the carrying value exceeds fair value.

For the year ended December 31, 2019, the Company recorded impairment charges of $1.3 million in Other operating expense on long-lived assets primarily related to the reprioritization of initiatives to support its growth strategy. For the year ended December 31, 2018, there were no impairments of long-lived assets. For the year ended December 31, 2017, the Company recorded impairment charges of $9.5 million in Other operating expense on long-lived assets primarily related to the Jersey City and Fairfield facilities.

Fair Value Estimates

The fair value of financial instruments and non-financial instruments is determined based on assumptions that market participants would use when pricing an asset or liability at the balance sheet date. Certain assets are categorized based on the following fair value hierarchy of market participant assumptions:

- Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 — Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

- Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value of the asset or liability and supported by little or no market activity.

The Company uses observable market data when available, and minimizes the use of unobservable inputs when determining fair value.

Cash and cash equivalents, restricted cash, receivables, accounts payable, and accrued liabilities are stated at carrying amounts as reported in the Consolidated Financial Statements, which approximates fair value due to their short-term nature. The fair value of the long-term debt approximates its carrying value based on the variable nature of interest rates and current market rates available to the Company.

Revenue Recognition

The Company adopted ASU 2014-09 as of January 1, 2019. The Company primarily generates revenue from the sale of its products to customers, including meals, wine and kitchen tools. For the years ended December 31, 2019, 2018, and 2017, the Company derived substantially all of its Net revenue from sales of its meals.

The Company's revenue contracts represent a single performance obligation to sell its products to its customers. The Company recognizes revenue upon transfer of control, including passage of title to the customer and transfer of risk of loss related to the products, in an amount that reflects the consideration the Company expects to be entitled to. In general, the Company charges credit cards in advance of shipment. Transfer of control generally passes upon delivery to the customer. Sales taxes imposed on the Company’s sales are presented on a net basis in the Consolidated Statements of Operations, and therefore do not impact Net revenue or Cost of goods sold, excluding depreciation and amortization.

The Company deducts promotional discounts, actual customer credits and refunds as well as credits and refunds expected to be issued to determine Net revenue. Customers who receive a damaged meal or wine order or are dissatisfied with an order and contact the Company within seven days of receipt of the order may receive a full or partial refund, full or partial credit against future purchase, or replacement, at the Company's sole discretion. Credits only remain available for customers who maintain a valid account with the Company. Customers who return an unused, undamaged Blue Apron Market product within 30 days of receipt receive a full refund. The Company estimates and records expected credits and refunds based on prior history, recent trends, and projections for credits and refunds on sales in the current period. Reserves for credits and refunds are included within Accrued expenses and other current liabilities on the Consolidated Balance Sheet.

The Company periodically enters into agreements with third parties to market the Company’s products. The Company records revenue from such arrangements at the gross amount as the Company is the principal in these arrangements as it is primarily responsible for fulfilling the goods to customers, provides primary customer service for such products sold on its website, has latitude in establishing price and selecting such products sold on its website, and maintains inventory risk.

The Company has two types of contractual liabilities: (i) cash collections from its customers prior to delivery of products purchased, which are included in Deferred revenue on the Consolidated Balance Sheet, and are recognized as revenue upon transfer of control of its products, and (ii) unredeemed gift cards and other prepaid orders, which are included in Deferred revenue on the Consolidated Balance Sheet, and are recognized as revenue when gift cards are redeemed and the products are delivered. Certain gift cards are not expected to be redeemed, also known as breakage, and are recognized as revenue over the expected redemption period, subject to requirements to remit balances to governmental agencies.

Contractual liabilities included in Deferred revenue on the Consolidated Balance Sheets were $6.1 million and $12.4 million as of December 31, 2019 and December 31, 2018, respectively. During the year ended December 31, 2019, the Company recognized $11.3 million to Net revenue from the Deferred revenue at December 31, 2018.

The Company adopted ASU 2014-09 using a modified retrospective approach and recognized $0.3 million cumulative-effect adjustment to reduce Accumulated deficit as of January 1, 2019. The cumulative-effect adjustment to Accumulated deficit was due to breakage of gift cards to the extent there is no requirement for remitting balances to governmental agencies. Under the modified retrospective approach, prior period balances are not retrospectively adjusted.

Cost of Goods Sold, Excluding Depreciation and Amortization

Cost of goods sold, excluding depreciation and amortization consists of product and fulfillment costs. Product costs include the cost of food, packaging for food that is portioned prior to delivery to customers, labor and related personnel costs incurred to portion food for the Company's meals, inbound shipping costs, and cost of products sold through Blue Apron Wine, and Blue Apron Market. Fulfillment costs consist of costs incurred in the shipping and handling of inventory including the shipping costs to the Company's customers, labor and related personnel costs related to receiving, inspecting, warehousing, picking inventory, and preparing customer orders for shipment, and the cost of packaging materials and shipping supplies.

Advertising Costs

Advertising costs are charged to Marketing expense in the accompanying Consolidated Statements of Operations. Advertising costs were $41.4 million, $97.2 million, and $115.7 million for the years ended December 31, 2019, 2018, and 2017, respectively. The Company recognizes advertising costs the first time the advertising takes place. Deferred advertising, marketing, and promotional costs, which principally relate to advertisements that have not yet been exhibited or services that have not yet been received, were $0.0 million and $0.2 million as of December 31, 2019 and 2018, respectively, and are recorded within prepaid expenses and other current assets in the accompanying Consolidated Balance Sheets.

Product, Technology, General, and Administrative

Product, technology, general, and administrative expenses consist of costs related to the development of the Company's products and technology, general and administrative expenses, and overhead expenses, which include: payroll and related expenses for employees involved in the application, production, and maintenance of the Company's platform and other technology infrastructure costs; payroll and related expenses for employees performing corporate and other managerial functions; facilities costs such as occupancy and rent costs for the Company's corporate offices and fulfillment centers; and payment processing fees, professional fees, and other general corporate and administrative costs.

Share-Based Compensation

The Company recognizes share-based compensation for share-based awards, including stock options and restricted stock units, based on the estimated fair value of the awards on a straight-line basis over the period in which the employee is required to provide services, generally up to four years. The Company estimates the fair value of stock options on the grant date generally using the Black-Scholes option-pricing model. The fair value of restricted stock units is determined based on the closing price of the Company's Class A common stock on the New York Stock Exchange on the grant date. Prior to the adoption of ASU 2016-09, *Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, the Company estimated the forfeiture rate based on an analysis of actual forfeitures and evaluated the adequacy of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover behavior and other factors. The impact from any forfeiture rate adjustment would be recognized in full in the period of adjustment and if the actual number of future forfeitures differed from its estimates, the Company would assess if an adjustment to share-based compensation was necessary. Upon adoption of ASU 2016-09 as of January 1, 2018, the Company recognizes forfeitures as they occur.

Other Operating Expense

Other operating expense consists of a charge for an estimated legal settlement in 2019, impairment losses on long-lived assets in 2019 and 2017, and restructuring costs related to the Arlington facility restructuring announced in January 2019 and workforce reductions in November 2018 and October 2017.

Interest Income (Expense), Net

Interest income and expense consists primarily of interest expense associated with the revolving credit facility, capital lease financings, and build-to-suit lease financing offset by interest income on cash and cash equivalents.

Other Income (Expense), Net

Other income and expense consists of the mark-to-market loss on the debt derivative related to the convertible notes, as well as the loss upon the automatic conversion and settlement of the convertible notes.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Management makes an assessment of the likelihood that the resulting deferred tax assets will be realized. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. In evaluating the ability to recover deferred tax assets in the jurisdiction from which they arise, the Company considers all available positive and negative evidence. In evaluating the objective evidence that historical results provide, the Company considers three years of cumulative operating income (loss). Based on the Company's historical operating losses, the Company has recorded a full valuation allowance against its federal and state net operating loss carryforwards and other deferred tax assets.

The Company recognizes uncertain income tax positions at the largest amount that is more likely than not to be sustained upon audit in accordance with ASC 740, *Income Taxes*. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Changes in recognition or measurement are reflected in the period in which judgment occurs. The Company's policy is to recognize interest and penalties related to the underpayment of income taxes as a component of provision for income taxes.

Segments

Operating segments are defined as components of an entity for which discrete financial information is available and that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company has determined it operates in one operating segment and one reportable segment, as the CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance.

Emerging Growth Company Status

The Company is an "emerging growth company," as defined in the Jumpstart Our Business Startups (the "JOBS" Act), and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies." The Company may take advantage of these exemptions until the Company is no longer an "emerging growth company." Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. The Company has elected to use the extended transition period for complying with new or revised accounting standards and as a result of this election, its financial statements may not be comparable to companies that comply with public company effective dates. The Company may take advantage of these exemptions up until the last day of the fiscal year following the fifth anniversary of its initial public offering (the "IPO") on July 5, 2017, or such earlier time that it is no longer an emerging growth company. The Company would cease to be an emerging growth company if it has more than $1.07 billion in annual revenue, has more than $700.0 million in market value of its stock held by non-affiliates (and it has been a public company for at least 12 months, and has filed one annual report on Form 10-K), or it issues more than $1.0 billion of non-convertible debt securities over a three-year period.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued its final standard on lease accounting, Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, which supersedes Topic 840, Leases. The new accounting standard requires the recognition of right-of-use assets and lease liabilities for all long-term leases, including operating leases, on the balance sheet. The new standard also provides additional guidance on the measurement of the right-of-use assets and lease liabilities and will require enhanced disclosures about the Company's leasing arrangements. In September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments*, to add SEC paragraphs pursuant to an SEC Staff Announcement made at the July 20, 2017 Emerging Issues Task Force ("EITF") meeting. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases,* and ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements,* to improve and clarify certain aspects of ASU No. 2016-02. In January 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842): Codification Improvements*, to improve and clarify aspects of ASU No. 2016-02. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, to defer the effective date of ASU No. 2016-02 for certain entities. For the Company, the new standard is effective for annual periods beginning January 1, 2021. Upon adoption of this standard, the Company expects to recognize, on a discounted basis, its minimum commitments under non-cancelable operating leases on the Consolidated Balance Sheets resulting in the recording of right-of-use assets and lease obligations. The Company is currently evaluating any additional impacts this guidance will have on its Consolidated Financial Statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15 ("ASU 2018-15"), *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* The standard is intended to clarify the accounting for implementation costs of a hosting arrangement that is a service contract. For the Company, the amendments in ASU 2018-15 are effective for annual periods beginning January 1, 2021. The Company is evaluating the impact this new guidance may have on its Consolidated Financial Statements.

In December 2019, the FASB issued Accounting Standards Update No. 2019-12 ("ASU 2019-12"), *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The standard is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740, as well as improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. For the Company, the amendments in ASU 2019-12 are effective for annual periods beginning January 1, 2022. The Company is evaluating the impact this new accounting guidance may have on its Consolidated Financial Statements.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, which affects any entity that enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The new guidance supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The new standard also includes enhanced disclosures which are significantly more comprehensive than those in existing revenue standards. In March 2016, the FASB issued ASU No. 2016-08, R*evenue from Contracts with Customers (Principal versus Agent Considerations)*, to clarify the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Identifying Performance Obligations and Licensing)*, to clarify the implementation guidance on identifying performance obligations and licensing. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Narrow-Scope Improvements and Practical Expedients)*, to clarify the implementation guidance on assessing collectibility, presentation of sales taxes, noncash consideration and completed contracts, and contract modifications at transition. In December 2016, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, (Revenue from Contracts with Customers)*, to clarify the guidance or to correct unintended application of guidance. In September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting* *and Rescission of Prior SEC Staff Announcements and Observer Comments*, to add SEC paragraphs pursuant to an SEC Staff Announcement made at the July 20, 2017 EITF meeting. The Company adopted the new standard as of January 1, 2019, using a modified retrospective approach and recognized $0.3 million cumulative-effect adjustment to reduce Accumulated deficit as of January 1, 2019.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18 ("ASU 2016-18"), *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. The standard is intended to eliminate diversity in practice in the treatment of restricted cash in the statement of cash flows and requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company adopted ASU 2016-18 for the annual period beginning January 1, 2019 using a retrospective approach. The adoption of this guidance did not have a material impact on the Company's Consolidated Financial Statements.

3. Inventories, Net

Inventories, net consist of the following:

	December 31,	
	2019	2018
	(In thousands)	
Fulfillment	$ 2,741	$ 3,050
Product	22,365	30,584
Inventories, net	$ 25,106	$ 33,634

Product inventory primarily consists of bulk and prepped food, containers, products available for resale, and wine products. Fulfillment inventory consists of packaging used for shipping and handling. Product and fulfillment inventories are recognized as components of Cost of goods sold, excluding depreciation and amortization in the accompanying Consolidated Statements of Operations when sold**.**

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	December 31,	
	2019	2018
	(In thousands)	
Prepaid insurance	$ 5,755	$ 6,374
Other current assets	3,109	5,885
Prepaid expenses and other current assets	$ 8,864	$ 12,259

5. Property and Equipment, Net

Property and equipment, net consists of the following:

	December 31, 2019	December 31, 2018
	(In thousands)	
Computer equipment	$ 11,453	$ 10,969
Capitalized software	18,516	15,701
Fulfillment equipment	54,059	54,187
Furniture and fixtures	3,725	3,724
Leasehold improvements	41,735	41,408
Buildings[(1)]	148,507	148,507
Construction in process[(2)]	1,803	2,207
Property and equipment, gross	279,798	276,703
Less: accumulated depreciation and amortization	(97,992)	(67,188)
Property and equipment, net	$ 181,806	$ 209,515

(1) Includes build-to-suit lease arrangements in Linden, New Jersey and Fairfield, California where the Company is considered the owner for accounting purposes, of which $62.1 million was included in Buildings as of December 31, 2019 and December 31, 2018. Costs incurred directly by the Company relating to these arrangements were $82.3 million as of December 31, 2019 and 2018.

(2) Construction in process includes all costs capitalized related to projects that have not yet been placed in service.

Depreciation and amortization related to the Company's Property and equipment, net for the years ended December 31, 2019, 2018, and 2017 was $31.2 million, $34.5 million, and $26.8 million, respectively.

The Company capitalized the cost of interest for construction projects related to build-to-suit lease arrangements based on the applicable capitalization rate for the project. Capitalized interest was $4.2 million as of December 31, 2019 and December 31, 2018.

As of December 31, 2019 and 2018, total equipment financed under capital leases was $1.2 million, with related accumulated depreciation of $0.9 million and $0.7 million, respectively. For the years ended December 31, 2019, 2018, and 2017 depreciation expense related to property and equipment under capital leases was $0.2 million.

For the years ended December 31, 2019, 2018, and 2017 the Company capitalized software development costs of $3.1 million, $7.1 million, and $5.8 million including share-based compensation of $0.4 million, $1.1 million, and $0.2 million, respectively. As of December 31, 2019 and 2018, the net book value of capitalized software development costs was $4.3 million and $7.6 million, respectively. Amortization expense for capitalized software development costs recognized in Depreciation and amortization in the accompanying Consolidated Statements of Operations for the years ended December 31, 2019, 2018, and 2017 was $5.5 million, $4.9 million and $3.1 million, respectively.

In September 2019, the Company recorded impairment charges of $1.3 million, primarily related to abandoned capital projects due to the reprioritization of initiatives to support its growth strategy.

In July 2017, the Company approved a plan to transition all of its Jersey City fulfillment center operations to its fulfillment center in Linden. The Company concluded that this change in operations represented a triggering event with respect to its long-lived assets at the Jersey City facility and therefore performed an impairment test in accordance with ASC 360, *Property, Plant, and Equipment*. The carrying amount of the Company's long-lived assets at the Jersey City facility was $11.5 million and the fair value was $7.1 million as of the impairment date, resulting in an impairment of $4.4 million, primarily consisting of leasehold improvements and equipment. The fair value was primarily determined based on estimated market prices of the assets and represented a Level 3 valuation in the fair value hierarchy. In October

2017, upon completion of the transition to the Linden fulfillment center, the Company's long-lived assets at the Jersey City facility have primarily been sold or relocated to the Company's other fulfillment centers.

As an additional step in the 2017 company-wide realignment discussed in Note 17, the Company performed a review of its real estate needs and decided to no longer pursue its planned build-out of the Fairfield facility. As a result, the Company is evaluating potential alternatives for the leased Fairfield property, which the Company took possession of in December 2017 upon completion of the building structure by the landlord. The Company performed an impairment test in accordance with ASC 360, *Property, Plant, and Equipment* on its long-lived assets at the Fairfield facility resulting in an impairment of $3.2 million, primarily consisting of the building, leasehold improvements, and equipment. The fair value was primarily determined based on a third party appraisal for real property using the Income Capitalization Approach. Other methodologies were also considered by the Company in the valuation, including the Cost Approach and the Sales Approach. The valuation represented a Level 3 valuation in the fair value hierarchy.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	December 31,	
	2019	2018
	(In thousands)	
Accrued compensation	$ 11,967	$ 12,909
Accrued credits and refunds reserve	1,208	1,180
Accrued marketing expenses	5,268	6,027
Accrued shipping expenses	2,034	1,910
Other current liabilities	9,889	10,568
Accrued expenses and other current liabilities	$ 30,366	$ 32,594

7. Deferred Revenue

Deferred revenue consists of the following:

	December 31,	
	2019	2018
	(In thousands)	
Cash received prior to fulfillment	$ 3,205	$ 7,029
Gift cards, prepaid orders, and other	2,915	5,343
Deferred revenue	$ 6,120	$ 12,372

8. Long-term Debt

Revolving Credit Facility

In August 2016, the Company entered into a revolving credit and guaranty agreement (the "revolving credit facility") with a maximum amount available to borrow of $150.0 million. The borrower under the revolving credit facility is the Company's wholly-owned subsidiary, Blue Apron, LLC. In May 2017 and June 2017, the Company executed amendments to the agreement that each increased the total commitments by $25.0 million, resulting in a total commitment of $200.0 million. In October 2018, the Company amended and refinanced the revolving credit facility (the "2018 credit facility refinancing") to, among other things, reduce the aggregate lender commitments to $85.0 million and extend the maturity date of the facility to February 2021. In connection with the 2018 credit facility refinancing, the Company repaid $41.4 million of indebtedness. In October 2019, the Company further amended and refinanced the revolving credit facility (the "2019 credit facility refinancing") to, among other things, further reduce the aggregate lender commitments to $55.0 million and extend the maturity date of the facility to August 2021. In connection with the 2019 credit facility refinancing, the Company repaid $28.9 million of indebtedness.

As of December 31, 2019 and December 31, 2018, the Company had $54.7 million and $83.6 million, respectively, in outstanding borrowings under the revolving credit facility, and $0.3 million and $1.4 million, respectively, in issued letters of credit under the revolving credit facility. The remaining amount available to borrow as of December 31, 2019 and December 31, 2018 was $0.0 million. The Company incurred and capitalized $0.5 million in deferred financing costs in long-term debt in connection with the revolving credit facility in August 2016. In conjunction with the 2019 credit facility refinancing and 2018 credit facility refinancing, the Company incurred and capitalized $0.8 million and $0.9 million, respectively, in deferred financing costs in long-term debt, which will be amortized over the new term. As of December 31, 2019 and December 31, 2018, the total unamortized deferred financing costs in long-term debt was $1.2 million and $1.0 million, respectively.

As of December 31, 2019 and December 31, 2018, outstanding borrowings in long-term debt consisted of the following:

	Maturity Date	December 31, 2019	December 31, 2018
		(In thousands)	
Revolving credit facility	August 2021	$ 54,678	$ 83,578
Weighted average interest rate		*6.22 %*	*6.41 %*

Prior to the 2019 credit facility refinancing, borrowings under the revolving credit facility bore interest, at the Company's option, at (1) a base rate based on the highest of prime rate, the federal funds rate plus 0.50% and an adjusted LIBOR rate for a one-month interest period plus 1.00%, (the "base rate"), plus in each case a margin of 3.00% or (2) an adjusted LIBOR rate (the "eurodollar rate") plus a margin of 4.00%. Subsequent to the 2019 credit facility refinancing, base rate loans bear interest at a rate equal to the base rate plus a margin of 3.25% and eurodollar rate loans bear interest at a rate equal to the eurodollar rate plus a margin of 4.25%. As of December 31, 2019 and 2018, the Company had $54.7 million and $83.6 million, respectively, in outstanding borrowings under the revolving credit facility utilizing the eurodollar rate and $0.0 million utilizing the base rate. The Company is also obligated under the revolving credit facility to pay customary fees, including an unused commitment fee on undrawn amounts of 0.15%.

The obligations under the revolving credit facility are guaranteed by Blue Apron Holdings, Inc. Obligations under the revolving credit facility are secured by substantially all of the assets of the guarantor and its subsidiaries. The revolving credit facility contains certain restrictive covenants, financial covenants, and affirmative and financial reporting covenants restricting the Company and the Company's subsidiaries' activities. Restrictive covenants include limitations on the incurrence of indebtedness and liens, restrictions on affiliate transactions, restrictions on the sale or other disposition of collateral, and limitations on dividends and stock repurchases. As of December 31, 2018, financial covenants included a requirement to maintain a minimum aggregate liquidity balance of $50.0 million and, in the event the Company had positive consolidated total net debt, maintain minimum quarterly consolidated adjusted EBITDA in excess of certain specified thresholds as defined in the revolving credit and guaranty agreement. The 2019 credit facility refinancing made certain changes to affirmative and financial reporting covenants and various negative covenants restricting the activities of the Company and its subsidiaries. As of December 31, 2019, financial covenants included a requirement to maintain a minimum aggregate liquidity balance of $20.0 million as of each quarter end and $10.0 million at any liquidity test date other than at quarter end, and in the event the Company has positive consolidated total net debt, maintain minimum quarterly consolidated adjusted EBITDA in excess of certain revised specified thresholds as defined in the revolving credit and guaranty agreement.

Non-compliance with the covenants under the revolving credit facility would result in an event of default upon which the lenders could declare all outstanding principal and interest to be due and payable immediately, terminate their commitments to loan money and foreclose against the assets securing the borrowings. As of December 31, 2019 and December 31, 2018, the Company was in compliance with all of the covenants under the revolving credit facility.

Convertible Note

In May 2017 and June 2017, the Company issued and sold $63.5 million and $1.1 million, respectively, in aggregate principal amount of convertible promissory notes (the "convertible notes"). The total net proceeds from the convertible notes, after deducting initial debt issuance costs of $0.2 million, was approximately $64.4 million. The convertible notes were unsecured general obligations and were subordinated to all of the Company's current or future senior debt, including indebtedness under the revolving credit facility. The convertible notes were set to mature on May 3, 2019 and bore interest at a rate of 3.5% per annum, compounded annually.

At the issuance date, in accordance with accounting guidance on beneficial conversion features, the Company recorded the portion of the debt proceeds equal to the intrinsic value of the optional conversion feature upon maturity, and recorded $19.6 million as a beneficial conversion feature in stockholders' equity. The Company also fair valued and bifurcated the automatic conversion features from the respective host debt instrument, and recorded a debt derivative of $15.4 million at date of issuance. The derivative liability was revalued at each reporting date with changes in fair value recorded as a component of Other income and expense. The resulting debt discount from the derivative liability and beneficial conversion feature was amortized to interest expense using the effective interest rate method. During the year ended December 31, 2017, the Company incurred $2.3 million of interest expense related to amortization of debt discount and initial debt issuance costs prior to the note conversion.

On July 5, 2017, upon the closing of the IPO, the outstanding principal amount and all accrued and unpaid interest on the convertible notes were automatically converted into 468,213 shares of Class B common stock. The conversion and settlement of the convertible notes, the outstanding principal, derivative, accrued interest, and discount resulted in a net loss of $(15.0) million recorded in Other income (expense), net for the year ended December 31, 2017. The fair value of the shares issued upon conversion is recorded in stockholders' equity (deficit).

Facility Financing Obligation

As of December 31, 2019 and 2018, the Company had a facility financing obligation of $71.7 million related to leased facilities in Linden and Fairfield under the build-to-suit accounting guidance. See Note 9 for further discussion.

9. Commitments and Contingencies

Lease and Other Commitments

The Company leases fulfillment centers and office space under non-cancelable operating lease arrangements that expire on various dates through 2028. These arrangements require the Company to pay certain operating expenses, such as taxes, repairs, and insurance, and contain renewal and escalation clauses. The Company recognizes rent expense under these arrangements on a straight-line basis over the term of the lease. As of December 31, 2019 and 2018, deferred rent amounted to $4.8 million and $6.0 million, respectively, included in Other noncurrent liabilities and $1.1 million and $0.8 million, respectively, included in Accrued expenses and other current liabilities in the accompanying Consolidated Balance Sheets.

In addition, the Company leases certain equipment under capital lease arrangements that expire at various dates through 2023.

In 2019, the Company entered into an agreement to sublease a portion of its Arlington fulfillment center. The sublease continues through the duration of the Company's existing lease and entitles the Company to future minimum sublease payments of approximately $2.7 million as of December 31, 2019.

In 2018, the Company entered into an agreement to sublease a portion of its corporate office. The sublease continues through the duration of the Company's existing lease and entitles the Company to future minimum sublease payments of approximately $2.9 million as of December 31, 2019.

In July 2017, the Company approved a plan to transition all of its Jersey City fulfillment center operations to its fulfillment center in Linden. The Company's Jersey City facility was occupied pursuant to a sublease expiring in 2018 and a lease expiring in 2025. In October 2017, the Company terminated its sublease expiring in 2018 with no material termination costs. Additionally, in November 2017, the Company entered into an agreement to sublease the remainder of its Jersey City facility. The sublease continues through the duration of the Company's existing lease for the facility and entitles the Company to future minimum sublease payments of approximately $4.2 million as of December 31, 2019.

The Company has non-cancelable future minimum lease payments of approximately $3.9 million to the original lessor of the facility as of December 31, 2019.

In March 2016, the Company signed a lease for a fulfillment center in Linden and in August 2016 the Company signed a lease for a fulfillment center in Fairfield, which expire in 2026 and 2028, respectively. As a result of the nature of the Company's involvement in the construction of these leased fulfillment centers, the Company is considered to be the owner during the construction period for accounting purposes. The Company follows build-to-suit accounting for these arrangements and capitalized the fair value of the buildings and direct construction costs incurred along with a corresponding facility financing liability. At the end of the construction period, the Company assessed whether these arrangements qualify for sales recognition under sale-leaseback accounting guidance. Upon substantial completion of the construction phase of the new facilities in New Jersey and California in June 2017 and December 2017, respectively, the Company performed a sale-leaseback analysis pursuant to Accounting Standards Codification ("ASC") 840 – *Leases*, to determine the appropriateness of removing the previously capitalized assets from the Consolidated Balance Sheets. The Company concluded that components of "continuing involvement" were evident as a result of this analysis, thereby failing the sale-leaseback tests which precludes the derecognition of the related assets from the Consolidated Balance Sheets. In conjunction with the leases, the Company also recorded a facility financing obligation equal to the fair market value of the assets received from the landlords. At the end of the lease terms, including exercise of any renewal options, the difference between the remaining facility financing obligation and the net carrying value of the fixed assets will be recognized as a non-cash gain or loss on sale of the properties. The Company does not report rent expense for the leases. Rather, rental payments under the leases are recognized as a reduction of the financing obligation and interest expense and the associated assets capitalized throughout the construction projects are depreciated over the determined useful life.

As an additional step in the 2017 company-wide realignment discussed in Note 17, the Company performed a review of its real estate needs and decided to no longer pursue its planned build-out of the Fairfield facility. As a result, the Company is evaluating potential alternatives for the leased property, which the Company took possession of in December 2017 upon completion of the building structure by the landlord. The Company has future non-cancelable minimum lease payments of $33.8 million through 2028 as of December 31, 2019.

As of December 31, 2019, the aggregate future non-cancelable minimum lease payments consist of the following:

Years Ended December 31:	**Capital Leases**	**Build-to-Suit Leases**	**Operating Leases**
		(In thousands)	
2020	$ 169	$ 4,913	$ 11,647
2021	41	5,036	11,173
2022	23	5,162	7,228
2023	4	5,292	6,396
2024	—	5,425	5,954
Thereafter	—	14,960	7,425
	$ 237	$ 40,788	$ 49,823
Less: amount representing interest and taxes	(11)		
Lease obligations net of interest and taxes	226		
Less: current portion of capital lease obligations	(168)		
Noncurrent portion of capital lease obligations	$ 58		

Rent expense was $9.0 million, $10.3 million and $14.0 million for the years ended December 31, 2019, 2018, and 2017, respectively, and is recognized in Product, technology, general, and administrative expenses in the accompanying Consolidated Statements of Operations.

As of December 31, 2019, 2018 and 2017, the current portion of the Company's capital lease obligations is a component of Accrued expenses and other current liabilities on the Consolidated Balance Sheets and the noncurrent portion of the Company's capital lease obligations is a component of Other noncurrent liabilities on the Consolidated Balance Sheets.

Letters of Credit

As of December 31, 2019 and 2018, the Company had $2.2 million and $3.1 million, respectively, in letters of credit issued. The letters of credit serve as security primarily for fulfillment centers and office space leases entered into by the Company. As of December 31, 2019 and 2018, the letters of credit were collateralized by noncurrent restricted cash of $1.9 million and $1.7 million, respectively. As of December 31, 2019 and 2018 the beneficiaries of the letters of credit had not drawn upon any of the letters of credit.

Legal Proceedings

The Company records accruals for loss contingencies associated with legal matters when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. If the Company determines that a loss is reasonably possible, the Company discloses the matter, and, if estimable, the amount or range of the possible loss in the notes to the Consolidated Financial Statements. As of December 31, 2019, the Company recorded an accrual of $2.1 million for an estimated legal settlement for which the Company concluded the loss is probable and reasonably estimable.

The Company is subject to a consolidated putative class action lawsuit in the U.S. District Court for the Eastern District of New York alleging federal securities law violations in connection with the Company's June 2017 initial public offering, or the IPO. The amended complaint alleges that the Company and certain current and former officers and directors made material misstatements or omissions in the Company's registration statement and prospectus that caused the stock price to drop. Pursuant to a stipulated schedule entered by the parties, defendants filed a motion to dismiss the amended complaint on May 21, 2018. Plaintiffs filed a response on July 12, 2018 and defendants filed a reply on August 13, 2018. The motion to dismiss remains pending before the Court. The Company is also subject to two putative class action lawsuits filed in New York Supreme Court alleging federal securities law violations in connection with the IPO, which are substantially similar to the above-referenced federal court action. The parties have entered into stipulations staying the state court actions pending resolution of the motion to dismiss filed in the federal court action. The Company is unable to provide any assurances as to the ultimate outcome of any of these lawsuits or that an adverse resolution of any of these lawsuits would not have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company is subject to a shareholder derivative action filed in the Delaware Court of Chancery. The plaintiff seeks a declaratory judgment challenging the validity of a provision of the Company's restated certificate of incorporation that requires shareholders to bring claims under the Securities Act of 1933 solely in federal court. On December 19, 2018, the Court entered summary judgment in favor of the plaintiff. On July 8, 2019, the court entered an award of attorneys' fees and expenses in favor of the plaintiff in the amount of $1.0 million against the Company. The Company believes that it has strong defenses and intends to vigorously defend against this lawsuit, and it has appealed the Court's ruling on the underlying merits and fee award. The hearing on the Company's appeal was held on January 8, 2020. The Company is unable to provide any assurances as to the ultimate outcome of this lawsuit or that an adverse resolution of this lawsuit would not have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company is subject to a lawsuit filed in California Superior Court under the Private Attorneys General Act on behalf of certain non-exempt employees in the Company's Richmond, California fulfillment center. The complaint was filed on October 16, 2017, and alleges that the Company failed to pay wages and overtime, provide required meal and rest breaks, provide suitable resting facilities and provide accurate wage statements, to non-exempt employees in violation of California law. Plaintiffs' counsel filed a separate class action lawsuit alleging largely the same claims, but covering a longer period, which is now pending in the United States District Court for the Northern District of California. A mediation was held on November 20, 2019, at which time the cases were not resolved. On December 16, 2019, Plaintiff filed a motion for class certification in federal court. On December 18, 2019, the parties entered into a Memorandum of Understanding which, if finalized and approved by the court, will resolve both actions in their entirety. The parties are working toward finalizing a settlement agreement and the court has set the deadline for Plaintiff to file a motion for preliminary approval of the settlement on March 2, 2020 and has vacated all other deadlines in the class-action case, including the due date for the Company's opposition to the motion for class certification. The court is scheduled to hold a hearing on the final settlement agreement on April 16, 2020. If the parties do not finalize the settlement agreement or if the court does not approve the settlement agreement, the cases will continue.

If the settlement agreement is not finalized or approved by the court, the Company is currently unable to provide any assurances as to the ultimate outcome of these lawsuits or that adverse resolution of these lawsuits would not have a material adverse effect on the Company's consolidated financial position or results of operations.

On July 20, 2018, one of the Company's suppliers, West Liberty Foods, L.L.C., (i) made an arbitration demand against the Company with JAMS, and (ii) together with certain related entities, filed a lawsuit against the Company in Iowa state court. The arbitration demand alleged breach of contract, fraud, and other common law claims in connection with, among other things, a dispute under the supply agreement between the parties related to the purchase of certain beef and poultry inventory of the supplier. The lawsuit, which was removed to the U.S. District Court for the Southern District of Iowa, alleged breach of oral contract and other common law claims in connection with a purported agreement between the Company and the supplier relating to the supplier's acquisition of another company. On December 28, 2018, the Court denied the Company's motion to dismiss the plaintiffs' amended complaint. The parties settled both matters on January 31, 2020 and on February 4, 2020, both the Iowa lawsuit and the arbitration were dismissed with prejudice.

Although the Company believes that it is reasonably possible that it may incur losses in these cases, the Company is currently unable to estimate the amount of such losses, except as noted above, due to the early stages of certain of the litigations, among other factors.

In addition, from time to time the Company may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. Although the results of such litigation and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on its business, operating results, financial condition or cash flows.

Sales Tax

On June 21, 2018, the U.S. Supreme Court decided, in *South Dakota v. Wayfair, Inc.*, that state and local jurisdictions may, at least in certain circumstances, enforce a sales and use tax collection obligation on remote vendors that have no physical presence in the jurisdiction. A number of states have already begun, or have positioned themselves to begin, requiring sales and use tax collection by remote vendors and/or by online marketplaces. The details and effective dates of these collection requirements vary from state to state. It is possible that one or more jurisdictions may assert that the Company has liability for periods for which it has not collected sales, use or other similar taxes, and if such an assertion or assertions were successful it could result in substantial tax liabilities, including for past sales as well as penalties and interest, which could materially adversely affect the Company's business, financial condition and operating results.

10. Common Stock

Blue Apron Holdings, Inc., was incorporated in Delaware in December 2016 to enable Blue Apron, Inc. to implement a holding company organizational structure, effected by a merger conducted pursuant to Section 251(g) of the General Corporation Law of the State of Delaware, as described below. The Company refers to this transaction as its "Corporate Reorganization."

Immediately prior to the Corporate Reorganization, Blue Apron Holdings, Inc. was a direct, wholly-owned subsidiary of Blue Apron, Inc., and Blue Apron Merger Sub, Inc., a Delaware corporation, which is referred to as "Merger Sub", was a direct, wholly-owned subsidiary of Blue Apron Holdings, Inc. Both Blue Apron Holdings, Inc. and Merger Sub were organized for the sole purpose of implementing the Corporate Reorganization. In December 2016, Merger Sub merged with and into Blue Apron, Inc., with Blue Apron, Inc. continuing as the surviving corporation. Each issued and outstanding share of common stock of Blue Apron, Inc. was converted into one share of common stock of Blue Apron Holdings, Inc. and each issued and outstanding share of preferred stock of Blue Apron, Inc. was converted into one share of preferred stock of Blue Apron Holdings, Inc. The separate corporate existence of Merger Sub ceased and all of the issued and outstanding shares of Blue Apron Holdings, Inc. owned by Blue Apron, Inc. were automatically canceled and retired. As a result of the Corporate Reorganization, each stockholder of Blue Apron, Inc. became a stockholder of Blue Apron Holdings, Inc., holding the same proportional equity interests as immediately prior to the Corporate Reorganization, and Blue Apron, Inc. became a direct, wholly-owned subsidiary of Blue Apron Holdings, Inc. The certificate of incorporation and bylaws of Blue Apron Holdings, Inc. were amended and restated in order to be identical to those of Blue Apron, Inc. prior to the Corporate Reorganization, and the initial directors and executive officers of Blue Apron Holdings, Inc. were the same individuals who were directors and executive officers of Blue Apron, Inc. immediately prior to the Corporate Reorganization. In December 2016, immediately after the merger, Blue Apron, Inc. converted into Blue Apron, LLC, a Delaware limited liability company.

In connection with the Corporate Reorganization, Blue Apron Holdings, Inc. assumed the 2012 Equity Incentive Plan, as previously amended, and then amended and restated the plan in its entirety. The Company refers to the Restated Blue Apron, Inc. 2012 Equity Incentive Plan, as so amended and restated, as the Blue Apron Holdings, Inc. 2012 Equity Incentive Plan, or the 2012 Equity Incentive Plan. Blue Apron Holdings, Inc. also assumed Blue Apron, LLC's obligations under the various investor agreements that had been entered into in connection with the Series D preferred stock financing of Blue Apron, Inc. in May 2015. The other liabilities of Blue Apron, LLC, including under its revolving credit facility, were not assumed by Blue Apron Holdings, Inc. in the Corporate Reorganization and therefore continue to be obligations of Blue Apron, LLC, and the assets of Blue Apron, LLC were not transferred to Blue Apron Holdings, Inc. and continue to be assets of Blue Apron, LLC.

In connection with the Corporate Reorganization, the Company also implemented a tri-class capital structure consisting of two classes of voting common stock, Class A common stock and Class B common stock, and one class of non-voting stock, Class C capital stock ("Class C common stock"). To implement the tri-class capital structure, all then-outstanding shares of common stock, having one vote per share, were reclassified into shares of Class B common stock, having ten votes per share, and all then-outstanding securities convertible or exercisable for common stock became convertible or exercisable for Class B common stock. Class A common stock will be entitled to one vote per share. Each outstanding share of Class B common stock will convert automatically into one share of Class A common stock upon any transfer, whether or not for value and whether voluntary or involuntary or by operation of law, except for certain exceptions and permitted transfers, or other events as described in the Company's restated certificate of incorporation.

In May 2017, the Company issued 2,846 shares of Class A common stock in exchange for an equal number of shares of outstanding Class C common stock and agreed to hold back an additional 686 shares of Class A common stock as security for potential claims for indemnification related to its acquisition of certain assets of BN Ranch, LLC, rather than an equal number of shares of Class C common stock. The acquisition hold back was settled in Class A common stock in June 2018.

In connection with the IPO, the Company's board of directors adopted the 2017 Equity Incentive Plan as discussed in Note 12. Additionally, in connection with the IPO, on July 5, 2017, the Company issued 2,000,000 shares of Class A common stock and all outstanding shares of convertible preferred stock converted into Class B common stock, as discussed in Note 11.

11. Convertible Preferred Stock

In connection with the IPO, on July 5, 2017, all outstanding shares of convertible preferred stock converted into Class B common stock. As of December 31, 2019 and December 31, 2018, the Company had 10,000,000 shares of preferred stock, $0.0001 par value per share, authorized for issuance, with none issued or outstanding. The following table summarizes the Company's authorized, issued and outstanding convertible preferred stock as of December 31, 2016:

		December 31, 2016				
	Shares Authorized	Shares Issued and Outstanding	Net Proceeds	Liquidation Price Per Share	Aggregate Liquidation Preference	Conversion Price Per Share
Convertible Preferred Stock:		(In thousands, except share and per-share data)				
Series A	742,409	742,409	$ 2,974	$ 4.0751	$ 3,025	$ 0.0815
Series B	455,220	455,220	4,939	10.9837	5,000	0.2197
Series C	3,001,448	3,001,448	49,824	16.6586	50,000	3.3317
Series D	13,172,325	10,301,861	137,132	13.3269	137,292	13.3269
Convertible preferred stock	17,371,402	14,500,938	$ 194,869		$ 195,317	

The Company recorded the convertible preferred stock at fair value on the dates of issuance, net of issuance costs. The Company classified its convertible preferred stock outside of Stockholders' equity (deficit) because, in the event certain circumstances occurred in connection with certain liquidation events, the shares would become redeemable at the option of the holders. The Company did not adjust the carrying values of the convertible preferred stock to the deemed liquidation values of such shares since a liquidation event was not probable at the balance sheet dates.

Prior to the conversion of all outstanding shares of convertible preferred stock into Class B common stock in connection with the IPO, the holders of the Company's preferred stock had various rights, preferences, and privileges as follows:

Conversion Rights

Each share of the Company's Series A convertible preferred stock ("Series A"), Series B convertible preferred stock ("Series B"), Series C convertible preferred stock ("Series C"), and Series D convertible preferred stock ("Series D") was convertible, at the option of the holder, at any time and without the payment of additional consideration, into Class B common stock determined by dividing the original issue price by the applicable conversion price, as described below. The original issue price per share was $4.0751 for the Series A, $10.9837 for the Series B, $16.6586 for the Series C, and $13.3269 for the Series D (in each case, as adjusted for certain recapitalizations, splits, combinations, common stock dividends, or similar events). At December 31, 2016, the conversion prices per share were $0.0815 for the Series A, $0.2197 for the Series B, $3.3317 for the Series C, and $13.3269 for the Series D. As of December 31, 2016, at the conversion ratio, the Series A would have converted on a 50-for-1 basis into Class B common stock, the Series B would have converted on a 50-for-1 basis into Class B common stock, the Series C would have converted on a 5-for-1 basis into Class B common stock, and the Series D would have converted on a 1-for-1 basis into Class B common stock.

All of the Company's shares of convertible preferred stock would automatically convert into Class B common stock at the respective conversion price effective immediately prior to the earlier of: (a) the closing of an underwritten initial public offering of the Company's common stock resulting in at least $50.0 million of gross proceeds to the Company and the listing of its common stock on an internationally recognized stock exchange, and (b) a date specified by vote or written consent of the holders of the majority of the Company's then outstanding shares of convertible preferred stock (voting together as a single class on an as-converted to common stock basis), provided, however, that the conversion of the Series C and Series D also required the consent of the holders of a majority of the shares of the Series C and Series D, respectively.

Conversion Price Adjustments

The conversion price per share of the Series A, Series B, Series C, and Series D would have been reduced if the Company issued additional stock or rights to acquire stock (subject to certain limitations) without consideration or for consideration per share less than the Series A, Series B, Series C, and Series D conversion price in effect for that series.

Voting Rights

Each share of Class B common stock is entitled to ten votes. Each holder of preferred stock was entitled to ten votes for each whole share of Class B common stock into which the shares of preferred stock held by such holder was convertible. The holders of the Series B, voting exclusively and as a separate class, had the right to elect one director.

The holders of the Series C, voting exclusively and as a separate class, had the right to elect one director. The holders of the Class B common stock, voting exclusively and as a separate class, had the right to elect four directors. The board of directors, by majority vote, had the right to elect the one remaining director.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, including a Deemed Liquidation Event (as defined below), the holders of the Series D then outstanding were entitled to be paid out of the assets available for distribution to the Company's stockholders, before any payment would be made to the holders of Series A, Series B, Series C, or common stock by reason of their ownership thereof, an amount per share equal to the greater of (i) the Series D original issue price, plus any dividend declared but unpaid thereon, and (ii) such amount per share as would have been payable had all shares of Series D been converted into Class B common stock immediately prior to such liquidation, dissolution or winding-up (or such Deemed Liquidation Event).

After the payment of the liquidation amounts to the holders of Series D, the holders of the Series A, Series B, and Series C then outstanding would be entitled to be paid on a pari passu basis out of the remaining assets available for distribution to the Company's stockholders, before any payment was to be made to the holders of common stock by reason of their ownership thereof, an amount per share equal to the greater of (i) the applicable original issue price, plus any dividend declared but unpaid thereon, and (ii) such amount per share as would have been payable had all shares of the applicable series of Series A, Series B, and Series C had been converted into Class B common stock immediately prior to such liquidation, dissolution or winding-up (or Deemed Liquidation Event). As of December 31, 2016, the liquidation amount was $4.0751 per share for the Series A, $10.9837 per share for the Series B, $16.6586 per share for the Series C, and $13.3269 per share for the Series D.

After the payment of the liquidation amounts to the holders of the Series A, Series B, and Series C, the remaining assets available for distribution to the Company's stockholders would be distributed among the holders of the common stock, pro rata based on the number of shares held by each such holder.

A "Deemed Liquidation Event" was defined for this purpose as any acquisition of the Company by means of merger or other form of corporate reorganization in which the Company's outstanding shares were exchanged for securities or other consideration issued, or caused to be issued, by the acquiring corporation or its subsidiary (other than a reincorporation transaction) or a sale of all or substantially all of the Company's assets.

Dividend Rights

The convertible preferred stockholders were entitled to receive dividends at a rate of $0.326 per annum for each share of Series A, $0.879 per annum for each share of Series B, $1.333 per annum for each share of Series C, and $1.06615 per annum for each share of Series D (in each case, as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations, or the like). Such dividends were payable out of assets legally available therefore, were payable only when, as, and if declared by the board of directors and are not cumulative. No dividends were to be paid on the Series A, Series B, Series C, or common stock until the Series D received its dividend preference. After payment of the foregoing dividends to the holders of the Series D, no dividends were to be paid on the common stock until the Series A, Series B, and Series C received their dividend preference which would be distributed in proportion to the number of shares of Class B common stock that would be held by each stockholder if all shares of preferred stock were converted to Class B common stock. After the payment of the foregoing dividends to the holders of convertible preferred stock, any additional dividends declared by the board of directors out of funds legally available were to be shared equally among all outstanding shares on an as-converted basis. No dividends have been declared to date.

Redemption Rights

The Company's convertible preferred stock did not contain any fixed or determinable redemption features, except in connection with a Deemed Liquidation Event.

12. Share-based Compensation

The Company recognized share-based compensation for share-based awards of $9.0 million, $16.3 million, and $11.3 million during the years ended December 31, 2019, 2018, and 2017, respectively. Share-based compensation was recognized in Cost of goods sold, excluding depreciation and amortization, and Product, technology, general and administrative expenses as follows:

	Year Ended December 31,		
	2019	2018	2017
		(In thousands)	
Cost of goods sold, excluding depreciation and amortization	$ 193	$ 1,108	$ 735
Product, technology, general, and administrative	8,777	15,212	10,535
Total share-based compensation	$ 8,970	$ 16,320	$ 11,270

Determination of Fair Value

The fair value of each stock option granted under the 2012 Equity Incentive Plan and the 2017 Equity Incentive Plan, except for a portion of the performance stock options as discussed below, was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Year Ended December 31,		
	2019	2018	2017
Expected term (in years)	—	6.00	3.49 - 6.12
Risk-free interest rate	— %	2.71 %	1.79 - 2.27 %
Expected volatility	— %	51.34 %	46.35 - 60.15 %
Dividend rate	—	—	—

The Company determined the assumptions for the Black-Scholes option-pricing model as discussed below. Each of these inputs is subjective and generally requires significant judgment to determine. The Company did not grant any options for the year ended December 31, 2019.

Expected Term — The expected term represents the period that the share-based awards are expected to be outstanding. The expected term of stock options granted has been determined using the simplified method, which uses the midpoint between the vesting date and the contractual term.

Risk-Free Interest Rate — The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant for zero-coupon U.S. Treasury constant maturity notes with terms approximately equal to the share-based awards' expected term.

Expected Volatility — Prior to the Company's initial public offering in July 2017, the Company did not have a trading history of its common stock. The expected volatility was derived from the average historical stock volatilities of several public companies within the Company's industry that the Company considered to be comparable to the business over a period equivalent to the expected term of the share-based awards. Since the initial public offering, the trading history of common stock is not yet commensurate with the expected term of the share-based awards. The expected volatility has been derived using a combination the Company's historical stock volatility, and the historical stock volatilities of several public companies within the Company's industry that the Company considers to be comparable to the business over a period equivalent to the expected term of the share-based awards.

Dividend Rate — The expected dividend is zero as the Company has not paid and does not anticipate paying any dividends in the foreseeable future.

Prior to the adoption of ASU 2016-09, the Company estimated its forfeiture rate based on an analysis of its actual forfeitures and evaluated the adequacy of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover behavior and other factors. The impact from any forfeiture rate adjustment would be recognized in full in the period of adjustment and if the actual number of future forfeitures differed from the Company's estimates, the Company assessed if an adjustment to share-based compensation was necessary. Upon adoption of ASU 2016-09 as of January 1, 2018, the Company recognizes stock compensation expense with forfeitures recognized as they occur.

Performance Stock Awards

In 2019, the Company granted 54,740 performance stock units of its Class A common stock to certain employees, including the Company's executive officers. Such units were subject to vesting conditions that were tied to the achievement of certain financial targets through December 31, 2019. A portion of the financial target options would have, subject to certain conditions, accelerated in connection with a change in control event based on the time that had elapsed from the commencement of the applicable measurement period through the date of such change in control. As of December 31, 2019, the financial targets were not achieved and the awards were forfeited.

In 2018, the Company granted performance stock options to purchase 156,125 shares of its Class A common stock with a weighted-average exercise price of $44.55 to certain employees, including the Company's executive officers. Such options are subject to vesting conditions that are tied to the achievement of certain stock price targets through June 30, 2020 and financial targets through December 31, 2019. A portion of the financial target options may, subject to certain conditions, accelerate in connection with a change in control event based on the time that has elapsed from the commencement of the applicable measurement period through the date of such change in control. The fair value of the financial target options was determined utilizing the Black-Scholes option-pricing model resulting in a total grant date fair value of $1.9 million to be recognized as expense over the derived service period of approximately two years to the extent it is probable that the performance condition will be achieved. As of December 31, 2019, the financial targets were not achieved and the options were forfeited. The fair value of the stock price target options was determined utilizing the Monte Carlo simulation valuation model resulting in a total grant date fair value of $0.5 million to be recognized as expense over the derived service period of approximately two years.

Equity Incentive Plan

In connection with the IPO, the Company's board of directors adopted the 2017 Equity Incentive Plan for the purpose of granting incentive stock options, non-qualified stock options, restricted stock, restricted stock units, and other share-based awards to employees, directors, and consultants. Options may be granted at a price per share not less than 100% of the fair market value at the date of grant. If, at the time the Company grants an incentive stock option, the optionee owns stock that holds more than 10% of the total combined voting power of all classes of the Company's stock ("10% stockholder"), the exercise price must be at least 110% of the fair value of the common stock on the grant date. Options granted are exercisable over a maximum term of ten years from the date of grant, or five years from the date of grant for a 10% stockholder and generally vest over a period of four years.

In August 2012, the Company's board of directors adopted the 2012 Equity Incentive Plan for the purpose of granting incentive stock options, non-qualified stock options, restricted stock, and restricted stock units to employees, directors, and consultants. Options may be granted at a price per share not less than 100% of the fair market value at the date of grant. If, at the time the Company grants an incentive stock option, the optionee owns stock that holds more than 10% of the total combined voting power of all classes of the Company's stock ("10% stockholder"), the exercise price must be at least 110% of the fair value of the common stock on the grant date. Options granted are exercisable over a maximum term of ten years from the date of grant, or five years from the date of grant for a 10% stockholder and generally vest over a period of four years. In August 2016, the Company's stockholders approved an increase of 280,000 Class B common stock shares available in the Plan.

In connection with the Corporate Reorganization as discussed in Note 10, Blue Apron Holdings, Inc. assumed Blue Apron, Inc.'s Restated 2012 Equity Incentive Plan, as previously amended, and then amended and restated the plan in its entirety. Following the assumption of the 2012 Equity Incentive Plan, outstanding options to purchase Blue Apron, Inc.'s common stock were automatically converted into options to purchase an equal number of shares of Class B common stock of Blue Apron Holdings, Inc. with no change in the applicable exercise price, vesting schedule, or term. Upon completion of the Corporate Reorganization and adoption of the 2017 Equity Incentive Plan, 3,177,114 shares of

Class A and Class B common stock were reserved for issuance. Following the adoption and effectiveness of the 2017 Equity Incentive Plan, no additional awards have been granted under the 2012 Equity Incentive Plan.

As of December 31, 2019, 2018 and 2017, 1,305,944, 1,820,882 and 1,374,160 shares of Class A common stock remained available for future grants under the 2017 Equity Plan. Under the 2017 Equity incentive plan an annual increase to the number of shares of Class A common stock issuable is added on the first day of each fiscal year, beginning with the fiscal year ending December 31, 2018 and continuing for each fiscal year until, and including the fiscal year ending December 31, 2027. The increase is equal to the lesser of 666,667 shares of Class A common stock, 5% of the outstanding shares of Class A common stock, Class B common stock, and Class C capital stock, and an amount determined by the Board of Directors.

Executive Severance Benefits Plan

During 2018, the Company adopted an executive severance benefits plan covering certain designated eligible executive officers of the Company, which provides for, among other things, severance benefits upon certain termination events, including full accelerated vesting of the executive officer's unvested, time-based equity awards if such executive officer is terminated without cause, or terminates his or her employment for good reason, within 12 months following a change in control of the Company.

Restricted Stock Units

The following table summarizes outstanding restricted stock units, which were granted under the 2017 Equity Incentive Plan:

	Number of Shares		Weighted-Average Grant Date Fair Value
Unvested — December 31, 2018	481,029	$	64.65
Granted	1,922,939		12.55
Vested	(291,885)		39.96
Forfeited / canceled	(502,170)		37.50
Unvested — December 31, 2019	1,609,913	$	15.37

For the years ended December 31, 2019, 2018, and 2017, 291,885, 173,408, and 17,551 shares of restricted stock units vested and were released to employees under the 2017 Equity Incentive Plan. These shares primarily vest over a period of four years. Compensation expense related to the restricted stock units is recognized using the grant date fair value recognized evenly over the service period.

As of December 31, 2019, 2018 and 2017, the unrecognized share-based compensation related to unvested restricted stock units was $22.5 million, $26.2 million, and $34.3 million, respectively. As of December 31, 2019, 2018 and 2017, these costs are expected to be recognized over a weighted-average period of 3.27, 2.80, and 3.34 years.

Stock Options

The following table summarizes outstanding options, which were granted under the 2012 Equity Incentive Plan and 2017 Equity Incentive Plan:

	Number of Options		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)		Aggregate Intrinsic Value of Outstanding Options (In thousands)
Outstanding — December 31, 2018	491,569	$	124.65	4.76	$	331
Granted	—		-			
Exercised	(27,581)		3.92			
Forfeited / canceled	(249,629)		186.41			
Outstanding — December 31, 2019	214,359	$	68.06	2.73	$	6
Exercisable — December 31, 2019	175,874	$	66.37	2.67	$	-

The weighted-average grant date fair value of options granted for the years ended December 31, 2019, 2018, and 2017 was $0.00, $14.70 and $72.60, respectively. The total intrinsic value of options exercised was $0.5 million, $0.7 million and $14.4 million for the years ended December 31, 2019, 2018, and 2017, respectively. The total grant date fair value of options vested for the years ended December 31, 2019, 2018, and 2017 was $4.0 million, $6.4 million and $11.2 million, respectively. For the years ended December 31, 2019, 2018, and 2017 the Company received $0.1 million, $0.3 million, and $1.0 million, respectively, from the exercise of share options granted under share-based payment arrangements. There was no tax benefit realized from stock options exercised during these periods.

As of December 31, 2019 and 2018, total unrecognized share-based compensation related to unvested options was $1.0 million and $7.1 million, respectively. As of December 31, 2017, total unrecognized share-based compensation related to unvested options was $11.1 million, net of estimated forfeitures for the year ended December 31, 2017. As of December 31, 2019, 2018, and 2017, the weighted-average recognition period was 1.01 years, 1.48 years, and 2.75 years, respectively.

Restricted Shares

The following table summarizes outstanding restricted shares, which were granted under the 2012 Equity Incentive Plan:

	Number of Shares		Weighted-Average Grant Date Fair Value
Unvested — December 31, 2018	917	$	52.05
Granted	—		—
Exercised	—		—
Forfeited / canceled	(917)		52.05
Vested	—		—
Unvested — December 31, 2019	—	$	—

In November 2015, the Company issued 4,000 shares of restricted stock to a nonemployee director of the Company. These shares vest over a period of four years. Compensation expense related to the restricted shares is recognized using the grant date fair value recognized evenly over the service period.

As of December 31, 2019 and 2018 the unrecognized share-based compensation related to unvested shares of restricted stock was $0.0 million.

Award Modifications

In April 2019, the Company modified the vested stock options and unvested restricted stock units held by two of its departing executives. The modifications extend the exercise period for certain vested stock options and result in continued vesting of certain unvested restricted stock units for a specified period of time following the departure of the executives. These award modifications did not have a material impact on the Company's Consolidated Financial Statements.

During 2017, the Company modified the vested stock options for employees terminated as part of the company-wide realignment in order to extend the exercise period from 90 days to 12 months after termination. In addition, the Company modified the unvested equity awards of an executive of the Company to include accelerated vesting upon a change in control of the Company. These award modifications did not have a material impact on the Company's Consolidated Financial Statements.

13. Earnings per Share

Basic net income (loss) per share attributable to common stockholders is computed by dividing the net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding for the period.

Diluted net income (loss) per share attributable to common stockholders is computed by dividing the diluted net income (loss) attributable to common stockholders by the weighted average number of common shares, including potential dilutive common shares assuming the dilutive effect of outstanding common stock options and convertible preferred stock. For periods in which the Company has reported net loss, diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders, because dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

Upon the closing of the Company's IPO on July 5, 2017, all of the outstanding shares of convertible preferred stock automatically converted into 5,679,370 shares of Class B common stock at the applicable conversion rates then in effect. Subsequent to the closing of the IPO, there were no shares of preferred stock outstanding. Accordingly, the two-class method is not applicable for the years ended December 31, 2019, 2018, and 2017 as the participating securities had previously converted into Class B common stock.

The rights, including the liquidation and dividend rights, of the Class A, Class B, and Class C common stock are substantially the same, other than voting rights. For the years ended December 31, 2019 and 2018, the Company did not have any outstanding shares of Class C common stock.

All common share, equity award, and per share amounts have been adjusted to reflect the Reverse Stock Split for all prior periods presented, as discussed in Note 2.

(In thousands, except share and per-share data)	Year Ended December 31, 2019 Class A	2019 Class B	2018 Class A	2018 Class B	2017 Class A	2017 Class B	2017 Class C
Numerator:							
Net income (loss)	$ (31,930)	$ (29,151)	$ (40,135)	$ (82,014)	$ (25,675)	$ (184,452)	$ (16)
Undistributed earnings reallocated to convertible preferred stock	—	—	—	—	—	—	—
Net income (loss) attributable to common stockholders	$ (31,930)	$ (29,151)	$ (40,135)	$ (82,014)	$ (25,675)	$ (184,452)	$ (16)
Denominator:							
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders—basic	6,842,752	6,247,156	4,220,617	8,624,644	1,043,057	7,493,436	663
Effect of dilutive securities	—	—	—	—	—	—	—
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders—diluted	6,842,752	6,247,156	4,220,617	8,624,644	1,043,057	7,493,436	663
Net income (loss) per share attributable to common stockholders—basic [1]	$ (4.67)	$ (4.67)	$ (9.51)	$ (9.51)	$ (24.62)	$ (24.62)	$ (24.62)
Net income (loss) per share attributable to common stockholders—diluted [1]	$ (4.67)	$ (4.67)	$ (9.51)	$ (9.51)	$ (24.62)	$ (24.62)	$ (24.62)

(1) Net income (loss) per share attributable to common stockholders — basic and net income (loss) per share attributable to common stockholders — diluted may not recalculate due to rounding.

The following have been excluded from the computation of diluted net income (loss) per share attributable to common stockholders as their effect would have been antidilutive:

	Year Ended December 31, 2019 Class A	2019 Class B	2018 Class A	2018 Class B	2017 Class A	2017 Class B	2017 Class C
Stock options	65,022	254,138	107,460	474,508	—	677,475	—
Restricted shares	—	450	—	1,453	—	2,453	—
Restricted stock units	1,159,923	—	714,829	—	215,681	—	—
Total anti-dilutive securities	1,224,945	254,588	822,289	475,961	215,681	679,928	—

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14. Income Taxes

The components of the provision for income taxes are as follows:

	Year Ended December 31,		
	2019	2018	2017
		(In thousands)	
Current provisions for income taxes:			
Federal	$ —	$ —	$ —
State	42	88	15
Total current	42	88	15
Deferred tax benefit:			
Federal	—	—	—
State	—	—	—
Total deferred	—	—	—
Provision for income taxes	$ 42	$ 88	$ 15

On December 22, 2017, the Tax Cuts and Jobs Acts was enacted into law (the "U.S. Tax Act"). The U.S. Tax Act contains several key provisions including the reduction of the corporate income tax rate to 21% as well as a variety of other changes including the limitation of the tax deductibility of interest expense, acceleration of expensing of certain business assets, and reductions in the amount of executive pay that could qualify as a tax deduction. The Company reasonably estimated the effects of the U.S. Tax Act and recorded provisional amounts in our financial statements as of December 31, 2017. In 2018, the Company completed our determination of the accounting implications of the U.S. Tax Act and recorded no adjustments to the provisional amounts.

A reconciliation of the provisions (benefits) for income taxes to the amounts computed by applying the statutory federal income tax rate to income (loss) before income taxes is shown as follows:

	Year Ended December 31,		
	2019	2018	2017
Tax at statutory federal rate	21.00 %	21.00 %	35.00 %
State tax — net of federal benefit	(0.09)%	(0.09)%	(0.03)%
Change in valuation allowance	(17.26)%	(20.29)%	(9.27)%
Effect of U.S. tax law change	— %	— %	(21.52)%
Share-based compensation	(3.47)%	(0.47)%	(1.63)%
Charitable contributions	— %	— %	0.81 %
Convertible note	— %	— %	(2.88)%
Other	(0.25)%	(0.22)%	(0.49)%
Provision for income taxes	(0.07)%	(0.07)%	(0.01)%

The tax effects of cumulative temporary differences that give rise to significant deferred tax assets and deferred tax liabilities are as follows:

	December 31, 2019	December 31, 2018
	(In thousands)	
Deferred tax assets:		
Tax attribute carryforwards	$ 102,827	$ 92,837
Inventories	3,652	3,323
Accruals, reserves, and other	13,851	13,614
Gross deferred tax assets	120,330	109,774
Valuation allowance	(120,330)	(109,774)
Total deferred tax assets	$ —	$ —

Recognition of deferred tax assets is appropriate when realization of these assets is more likely than not. Each reporting period the Company assesses the recoverability of its deferred tax assets and are required to establish a valuation allowance for any portion of the assets that the Company concludes is not more likely than not realizable. Based upon the weight of available evidence, which includes the Company's historical operating performance and the recorded cumulative net losses in prior fiscal periods, the Company recorded a valuation allowance of $120.3 million and $109.8 million against the net U.S. deferred tax assets as of December 31, 2019 and 2018, respectively. The valuation allowance increased by $10.5 million and $28.5 million during 2019 and 2018, respectively. The increases in valuation allowances during 2019 and 2018 are primarily a result of additional losses generated.

As of December 31, 2019 and 2018, the Company had U.S. federal net operating loss carryforwards of $364.0 million and $319.0 million, respectively, and state net operating loss carryforwards of $136.1 million and $143.7 million, respectively. The federal net operating loss carryforwards generated through the year ended December 31, 2017 may be subject to limitations under applicable tax laws and will expire at various dates beginning in 2033, if not utilized. The federal net operating loss carryforwards generated during the years ended December 31, 2019 and 2018 are limited to 80% of our taxable income in any future taxable year, although such losses may be carried forward indefinitely. The state net operating loss carryforwards may be subject to limitations under applicable tax laws and will expire at various dates beginning in 2033, if not utilized.

The Company's tax attributes may be limited by the ownership provisions of Section 382 of the Internal Revenue Code. As a result, if the Company experienced an "ownership change" during any three-year period, its use of these tax attributes may be limited. The Company has not performed a detailed analysis to determine if an ownership change has occurred.

Uncertain Tax Positions

As of December 31, 2019 and 2018, the Company had gross unrecognized tax benefits of $0.0 million and $1.4 million, respectively, none of which would materially impact the effective tax rate if realized during the year due to the Company's full valuation allowance position. The Company's policy for classifying interest and penalties associated with unrecognized income tax benefits is to include such items in the provision for income tax.

The activity related to the unrecognized tax benefits is as follows:

	Year Ended December 31, 2019	2018	2017
	(In thousands)		
Gross unrecognized tax benefits—beginning balance	$ 1,367	$ 1,554	$ 855
Increases related to tax positions taken in prior years	—	977	323
Decreases related to tax positions taken in prior years	—	(377)	(1)
Increase related to tax positions taken during current year	—	—	377
Decreases related to settlements	(1,174)	(787)	—
Decrease related to lapse of statute of limitations	(193)	—	—
Gross unrecognized tax benefits—ending balance	$ —	$ 1,367	$ 1,554

The Company is subject to taxation in the United States and various states. All tax years remain open and are subject to examinations by the appropriate governmental agencies in all of the jurisdictions where the Company files tax returns. Certain US federal income tax returns are currently under examination, the resolution of which is not expected to have a material adverse effect on the Company's results of operations, cash flows or financial condition.

15. Fair Value Measurements

Financial Instruments

The fair value of financial instruments is determined based on assumptions that market participants would use when pricing an asset or liability at the balance sheet date. The Company uses observable market data when available, and minimizes the use of unobservable inputs when determining fair value.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018, respectively, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2) and significant unobservable inputs (Level 3):

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Financial Assets:				
Money market accounts	$ 36,846	$ —	$ —	$ 36,846
Total financial assets	$ 36,846	$ —	$ —	$ 36,846

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Financial Assets:				
Money market accounts	$ 88,509	$ —	$ —	$ 88,509
Total financial assets	$ 88,509	$ —	$ —	$ 88,509

As of December 31, 2019 and 2018, the Company had $36.8 million and $88.5 million, respectively, in financial assets held in money market accounts, all of which were classified as Level 1 in the fair value hierarchy. The Company measured the money market accounts at fair value. The Company classified its money market accounts as Level 1 because the values of these assets are determined using unadjusted quoted prices in active markets for identical assets. During the years ended December 31, 2019, 2018 and 2017, the Company did not have net realized gains or losses related to its financial assets.

As of December 31, 2019 and 2018, the Company did not have any assets or liabilities classified as Level 2 or Level 3 in the fair value hierarchy.

Embedded Debt Derivative

In 2017, the Company issued and sold $64.6 million in principal amount of convertible promissory notes (the “convertible notes”). At issuance, the Company fair valued and bifurcated the automatic conversion features from the respective host debt instrument, and recorded a level 3 debt derivative of $15.4 million. To derive the fair value of the embedded derivative, the Company estimated the fair value of the convertible notes with and without the embedded derivative using a discounted cash flow approach. The difference between the “with” and “without” convertible note prices determined the fair value of the embedded derivative at issuance. Key inputs for this valuation were the stated interest rate of the convertible notes, the assumed cost of debt, assessment of the likelihood and timing of conversion, and the discount upon conversion of the notes into equity. For the year ended December 31, 2017, the Company recorded a total gain of $6.0 million in Other income (expense), net due to the change in value of the derivative liability during the period.

On July 5, 2017, upon the closing of the IPO, the outstanding principal amount and all accrued and unpaid interest on the convertible notes were automatically converted into 468,213 shares of Class B common stock. Upon conversion and the settlement of the convertible notes, the derivative liability was reduced to $0.0 million. The loss recognized from the settlement of the convertible notes was $21.0 million in Other income (expense), net, resulting in a total net loss of $15.0 million on the extinguishment of the convertible notes during the year ended December 31, 2017. During the years ended December 31, 2019 and 2018, the Company had no derivative liabilities.

Non-Financial Assets

Certain non-financial assets, such as long-lived assets, are only recorded at fair value if an impairment loss is recognized. Impairment losses recognized for the years ended December 31, 2019, 2018, and 2017 were $1.3 million, $0.0 million, and $9.5 million, respectively. The following tables present non-financial assets that were measured and recorded at fair value on a non-recurring basis and the total impairment losses recorded during the years ended December 31, 2019, 2018, and 2017 on those assets. Non-recurring fair value measurements for the years ended December 31, 2019, 2018, and 2017 included the following:

	Year Ended December 31, 2019		
	Carrying value before impairment	Fair value (Level 3)	Impairment Loss
Non-financial assets (in thousands)			
Long-lived assets	$ 1,514	$ 253	$ 1,261

	Year Ended December 31, 2018		
	Carrying value before impairment	Fair value (Level 3)	Impairment Loss
Non-financial assets (in thousands)			
Long-lived assets	$ —	$ —	$ —

	Year Ended December 31, 2017		
	Carrying value before impairment	Fair value (Level 3)	Impairment Loss
Non-financial assets (in thousands)			
Long-lived assets	$ 51,602	$ 42,146	$ 9,456

See Note 5 for further discussion on the long-lived assets impairment losses.

16. Acquisition

In February 2017, the Company acquired certain assets of BN Ranch, LLC, a premium supplier of sustainable poultry, beef and lamb. The transaction has been accounted for as a purchase of a business. The purchase price was allocated to the tangible assets acquired and liabilities assumed in the Company's Consolidated Financial Statements. This acquisition did not have a material impact on the Company's Consolidated Financial Statements.

17. Restructuring Costs

In January 2019, the Company announced that it was transferring a substantial portion of the production volume from its Arlington, Texas fulfillment center to its Linden, New Jersey fulfillment center. As a result of the action the Company recorded approximately $0.6 million in total restructuring costs, including $0.2 million of employee-related expenses, substantially all of which resulted in cash expenditures in Other operating expense, and $0.4 million of accelerated depreciation in Depreciation and amortization, all of which were recorded during the first half of 2019. In February 2020, the Company announced the planned closure of its Arlington, Texas fulfillment center and the consolidation of production volume from the Arlington, Texas fulfillment center to the Company's fulfillment centers in Linden, New Jersey and Richmond, California. For additional information on the planned closure of the Arlington fulfillment center, see Note 18 Subsequent Events.

In November 2018, the Company implemented a workforce reduction to support its strategic priorities, which resulted in a reduction of approximately 4% of the Company's total workforce. As a result, the Company recorded $2.2 million in total restructuring costs in Other operating expense, including employee-related expenses, substantially all of which resulted in cash expenditures, and asset write offs related to abandoned capital projects, all of which were recorded during the three months ended December 31, 2018.

In October 2017, the Company implemented a company-wide realignment of personnel to support its strategic priorities. This realignment resulted in a reduction of approximately 6% of the Company's total workforce across both the Company's corporate offices and fulfillment centers. As a result of the realignment, the Company recorded $3.1 million in employee-related expenses in Other operating expense, primarily consisting of severance payments, substantially all of which resulted in cash expenditures.

The following table summarizes the activity for the restructuring charges discussed above and the related accruals recorded in Accrued expenses and other current liabilities:

	Employee-Related Costs	Incremental Depreciation	Total
		(In thousands)	
Balance — December 31, 2016	$ —	$ —	$ —
Charges	3,100	—	3,100
Cash payments	(2,425)	—	(2,425)
Balance — December 31, 2017	$ 675	$ —	$ 675
Charges	1,600	—	1,600
Cash payments	(1,426)	—	(1,426)
Other	(134)	—	(134)
Balance — December 31, 2018	$ 715	$ —	$ 715
Charges	230	359	589
Cash payments	(901)	—	(901)
Charges against assets	—	(359)	(359)
Other	(44)	—	(44)
Balance — December 31, 2019	$ —	$ —	$ —

18. Subsequent Events

On February 18, 2020, the Company announced the planned closure of its fulfillment center in Arlington, Texas and the consolidation of production volume from the Arlington, Texas fulfillment center to the Company's fulfillment centers in Linden, New Jersey and Richmond, California in order to more efficiently continue to service the Company's national footprint while also enabling the Company to redirect financial resources into other parts of the business, including growth initiatives. The Company expects to incur approximately $1.5 million in restructuring costs, including approximately $0.8 million of employee-related costs, primarily severance payments, and approximately $0.7 million of other exit costs, all of which are expected to result in cash expenditures. In addition, the Company expects to incur non-cash asset-related charges in the range of $5.0 million to $8.0 million. The majority of the charges will be incurred in the first half of 2020.

Schedule II: Valuation and Qualifying Accounts

	Balance at Beginning of Period	Additions: Charges to Costs and Expenses	Additions: Other	Reductions	Balance at End of Period
	(In thousands)				
Deferred Tax Asset Valuation Allowance:					
Fiscal year ended December 31, 2019	$ 109,774	$ -	$ 10,556	$ -	$ 120,330
Fiscal year ended December 31, 2018	81,252	-	28,522	-	109,774
Fiscal year ended December 31, 2017	56,354	-	70,109	(45,211)(1)	81,252
Inventory Valuation Reserve:					
Fiscal year ended December 31, 2019	$ 1,565	$ 1,708	$ -	$ (1,799)	$ 1,474
Fiscal year ended December 31, 2018	3,057	3,241	-	(4,733)	1,565
Fiscal year ended December 31, 2017	1,033	3,390	-	(1,366)	3,057
Credits and Refund Reserve:					
Fiscal year ended December 31, 2019	$ 1,094	$ 13,466	$ -	$ (13,388)	$ 1,172
Fiscal year ended December 31, 2018	1,003	25,213	-	(25,123)	1,094
Fiscal year ended December 31, 2017	1,235	32,072	-	(32,304)	1,003

(1) The carrying value of the deferred tax assets is determined by the enacted US corporate federal and state income tax rate. The Company remeasured the deferred tax assets as of December 31, 2017 based on the rates at which they are expected to reverse in the future, which is generally at the corporate income tax rate of 21%. This resulted in a $45.2 million decrease in the deferred tax assets and corresponding decrease to the valuation allowance.

Exhibit 4.2

DESCRIPTION OF REGISTERED SECURITIES

General

Blue Apron Holdings, Inc.'s (the "Company") authorized capital stock consists of 1,500,000,000 shares of Class A common stock, par value $0.0001 per share, 175,000,000 shares of Class B common stock, par value $0.0001 per share, 500,000,000 shares of Class C capital stock, par value $0.0001 per share, and 10,000,000 shares of preferred stock, par value $0.0001 per share. The following description of the Company's capital stock and provisions of the Company's restated certificate of incorporation, as amended (the "Certificate of Incorporation"), and its amended and restated bylaws (the "Bylaws") are summaries and are qualified by reference to the Certificate of Incorporation and the Bylaws, each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part.

Class A, Class B and Class C Stock

Dividend Rights

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of Class A common stock, Class B common stock and Class C capital stock are entitled, equally, identically and ratably on a per share basis, to receive dividends out of funds legally available if the board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that the Company's board of directors may determine. The board of directors may pay or make a disparate dividend or distribution per share of Class A common stock, Class B common stock or Class C capital stock if such disparate dividend or distribution is approved in advance by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock, Class B common stock and Class C capital stock, each voting separately as a class.

Voting Rights

Holders of Class A common stock are entitled to one vote for each share of Class A common stock held on all matters submitted to a vote of stockholders, holders of Class B common stock are entitled to ten votes for each share of Class B common stock held on all matters submitted to a vote of stockholders, and holders of Class C capital stock are not entitled to vote on any matter that is submitted to a vote of stockholders, except as otherwise required by law. Holders of Class A common stock and Class B common stock vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, unless otherwise required by law. The Certificate of Incorporation and Bylaws provide for a classified board of directors consisting of three classes of approximately equal size, each serving staggered three-year terms. The Certificate of Incorporation does not provide for cumulative voting for the election of directors.

No Preemptive or Similar Rights

Holders of Class A common stock, Class B common stock and Class C capital stock are not entitled to preemptive rights, and are not subject to conversion, redemption or sinking fund provisions, except for the conversion provisions with respect to the Class B common stock and Class C capital stock described below.

Right to Receive Liquidation Distributions

If the Company becomes subject to a liquidation, dissolution or winding-up, the assets legally available for distribution to the Company's stockholders would be distributable ratably among the holders of Class A common stock, Class B common stock and Class C capital stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock and unless an affirmative vote of the holders of a majority of the outstanding shares of Class A common stock, Class B common stock and Class C capital stock, each voting separately as a class, approve in advance different treatment of the shares of each such class with respect to distributions.

Right to Receive Merger Distributions

The Certificate of Incorporation provides that, in the event of a consolidation or merger of the Company with or into any other entity, the distribution or payment in respect of the shares of Class A common stock, Class B common stock and Class C capital stock shall be made ratably on a per share basis among the holders of Class A common stock, Class B common stock and Class C capital stock as a single class, unless the only difference in the per share consideration between the holders of different classes of Class A common stock, Class B common stock or Class C capital stock is that any securities distributed to the holder of a share of Class B common stock have ten times the voting power of any securities distributed to the holder of a share of Class A common stock and that any securities distributed to the holder of a share of Class C capital stock have no voting rights or power.

Third-Party Tender or Exchange Offers

The Certificate of Incorporation provides that the Company may not enter into any agreement pursuant to which a third party may by tender or exchange offer acquire any shares of Class A common stock, Class B common stock or Class C capital stock, and neither the Company nor the board of directors may recommend that holders tender shares of Class A common stock, Class B common stock or Class C capital stock into any third-party tender or exchange offer, unless the holders of each of Class A common stock, Class B common stock or Class C capital stock have the right to receive the same amount of consideration on a per share basis as the other classes, unless the only difference in the per share consideration between the holders of different classes of Class A common stock, Class B common stock or Class C capital stock is that any securities distributed to the holder of a share of Class B common stock have ten times the voting power of any securities distributed to the holder of a share of Class A common stock and that any securities distributed to the holder of a share of Class C capital stock have no voting rights or power.

Conversion

Each outstanding share of Class B common stock will convert automatically into one share of Class A common stock upon its transfer, whether or not for value and whether voluntary or involuntary or by operation of law, except for certain exceptions and permitted transfers described in the Certificate of Incorporation, including certain transfers by a stockholder to (1) family members of the stockholder, so long as the stockholder retains voting control over the transferred shares; (2) certain trusts and other permitted entities owned by or for the benefit of the stockholder or family members, so long as the stockholder, or a fiduciary who is selected by such stockholder and whom such stockholder has the power to remove and replace, retains voting control over the transferred shares; and (3) certain foundations and charities, so long as the stockholder, or a fiduciary who is selected by such stockholder and whom such stockholder has the power to remove and replace, retains voting control over the transferred shares. In addition, each outstanding share of Class B common stock held by a stockholder who is a natural person, or held by the permitted transferees of such stockholder, will convert automatically into one share of Class A common stock upon the death or permanent and total disability of such stockholder, subject to a conversion delay of the earlier of (1) nine months in the event of the death or permanent and total disability of one of the Company's founders, Matthew B. Salzberg, Ilia M. Papas or Matthew J. Wadiak or (2) the date upon which such founder's permitted transferees cease to hold such shares or to exercise voting control over such shares.

As a result of the conversion provisions described above, unless one of the specified exceptions applies, a holder of Class B common stock cannot transfer shares of Class B common stock without the loss of the higher voting rights associated with the Class B common stock (ten votes per share) as compared to the Class A common stock (one vote per share), which may make the value of such holder's investment in the Company lower than it would be if such holder were permitted to transfer shares of Class B common stock without the conversion of the transferred shares into Class A common stock. The conversion of Class B common stock into Class A common stock, whether upon a transfer of Class B common stock or the death of a holder of Class B common stock, will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares of Class B common stock. In addition, because of the conversion delay described above, a founder (or such founder's estate or the persons to whom such founder's shares are transferred upon his death, as applicable) will be able to retain such founder's shares of Class B common stock (and the higher voting rights associated with such shares) for a period of nine months after the death or permanent and total disability of such founder.

Each share of Class B common stock is convertible at any time, at the option of the holder thereof, into one share of Class A common stock. A holder who voluntarily elects to convert shares of Class B common stock into Class A common stock will lose the higher voting rights associated with the Class B common stock (ten votes per share) as compared to the Class A common stock (one vote per share), which may make the value of such holder's investment in the Company lower than it would be if such holder continued to hold Class B common stock.

All outstanding Class B common stock will convert automatically into Class A common stock, on a share-for-share basis, (1) upon the date which is nine months after the death or disability of Matthew B. Salzberg or (2) when the voting power of all outstanding shares of Class B common stock represent less than 5% of the combined voting power of the outstanding shares of Class A common stock and Class B common stock. All outstanding Class C capital stock will convert automatically into Class A common stock, on a share-for-share basis, on the date fixed therefor by the board of directors that is between 31 and 90 days following the conversion of all outstanding shares of Class B common stock into shares of Class A common stock. Upon the conversion of all outstanding shares of Class B common stock and Class C capital stock into Class A common stock, all stockholders will have one vote per share, which will reduce the ability of the holders of Class B common stock to exercise voting control over the Company.

Each share of Class B common stock or Class C capital stock that is converted into Class A common stock will thereupon automatically be retired and not be available for reissuance. If the Company subsequently wishes to issue more shares of Class B common stock or Class C capital stock than are then authorized for issuance, the Company would first have to amend its Certificate of Incorporation with the approval of the board of directors and stockholders in accordance with the Delaware General Corporation Law.

Preferred Stock

Under the terms of the Certificate of Incorporation, the Company’s board of directors is authorized to direct the Company to issue shares of preferred stock in one or more series without stockholder approval. The board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock.

The purpose of authorizing the board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of the Company’s outstanding voting stock.

Anti-Takeover Provisions

Delaware Anti-Takeover Law

The Company is subject to Section 203 of the Delaware General Corporation Law. Subject to certain exceptions, Section 203 prevents a publicly held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for three years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of the board of directors or unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger or consolidation involving the Company and the "interested stockholder" and the sale of more than 10% of the Company's assets. In general, an "interested stockholder" is any entity or person beneficially owning shares representing 15% or more of the voting power of the Company's outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

Staggered Board; Removal of Directors

The Certificate of Incorporation and the Bylaws divide the board of directors into three classes with staggered three-year terms. In addition, a director may be removed only for cause and only by the affirmative vote of the holders of at least 66-2/3% of the votes that all stockholders would be entitled to cast for the election of directors. Any vacancy on the board of directors, including a vacancy resulting from an enlargement of the board of directors, may be filled only by vote of a majority of directors then in office.

The classification of the board of directors and the limitations on the removal of directors and filling of vacancies could make it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of the Company.

Supermajority Voting

The Delaware General Corporation Law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. The Bylaws may be amended or repealed by a majority vote of the board of directors or the affirmative vote of the holders of at least 66-2/3% of the votes that all stockholders would be entitled to cast for the election of directors. In addition, the affirmative vote of the holders of at least 66-2/3% of the votes that all stockholders would be entitled to cast for the election of directors is required to amend, repeal, or adopt any provisions inconsistent with any of the provisions of the Certificate of Incorporation with respect to the staggered board, quorum of directors, and removal of directors and the provisions of the Certificate of Incorporation with respect to special meetings of the stockholders.

Stockholder Action; Special Meeting of Stockholders; Advance Notice Requirements for Stockholder Proposals and Director Nominations

The Certificate of Incorporation provides that any action required or permitted to be taken by stockholders must be effected at a duly called annual or special meeting of such stockholders and may not be effected by any consent in writing by such stockholders. The Certificate of Incorporation and the Bylaws also provide that special meetings of stockholders can only be called by the chairman of the board, the chief executive officer or the board of directors. In addition, the Bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of candidates for election to the board of directors. Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors, or by a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has delivered timely written notice in proper form to the secretary of the stockholder's intention to bring such business before the meeting. These provisions could have the effect of delaying until the next stockholder meeting stockholder actions that are favored by the holders of a majority of the voting power of the Company's outstanding voting securities. These provisions also could discourage a third party from making a tender offer for the Company's capital stock, because even if it acquired a majority of the voting power of the Company's outstanding voting stock, it would be able to take action as a stockholder, such as electing new directors or approving a merger, only at a duly called stockholders meeting and not by written consent.

Choice of Forum

The Certificate of Incorporation provides that unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of the Company, (2) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee or stockholder of the Company to it or its stockholders, (3) any action asserting a claim arising pursuant to any provision of the General Corporation Law or as to which the General Corporation Law of the State of Delaware confers jurisdiction on the Court of Chancery, or (4) any action asserting a claim governed by the internal affairs doctrine. The Certificate of Incorporation further provides that unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended (the “Federal Forum Clause”). The Company is subject to a shareholder derivative action filed in the Court of Chancery of the State of Delaware in which the plaintiff seeks a declaratory judgment challenging the validity of the Federal Forum Clause. On December 19, 2018, the court entered summary judgment in favor of the plaintiff. The Company has appealed the Court’s ruling.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-219030) pertaining to the 2017 Equity Incentive Plan and Blue Apron Holdings, Inc. 2012 Equity Incentive Plan,

(2) Registration Statement (Form S-8 No. 333-224659) pertaining to the 2017 Equity Incentive Plan, and

(3) Registration Statement (Form S-8 No. 333-231139) pertaining to the 2017 Equity Incentive Plan;

of our report dated February 18, 2020, with respect to the consolidated financial statements of Blue Apron Holdings, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2019, and the financial statement schedule of Blue Apron Holdings, Inc. included herein.

/s/ Ernst & Young LLP

New York, New York
February 18, 2020

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Linda F. Kozlowski, certify that:

1. I have reviewed this Annual Report on Form 10-K of Blue Apron Holdings, 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(s) 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 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(s) 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: February 18, 2020

/s/ Linda F. Kozlowski
Linda F. Kozlowski
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy S. Bensley, certify that:

1. I have reviewed this Annual Report on Form 10-K of Blue Apron Holdings, 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(s) 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 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(s) 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: February 18, 2020

/s/ Timothy S. Bensley
Timothy S. Bensley
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE 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 this Annual Report on Form 10-K of Blue Apron Holdings, Inc. (the “Company”) for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Annual Report”), the undersigned, Linda F. Kozlowski, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge on the date hereof:

1. The Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 18, 2020

/s/ Linda F. Kozlowski
Linda F. Kozlowski
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

**CERTIFICATION OF 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 this Annual Report on Form 10-K of Blue Apron Holdings, Inc. (the “Company”) for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Annual Report”), the undersigned, Timothy S. Bensley, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge on the date hereof:

1. The Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 18, 2020

/s/ Timothy S. Bensley
Timothy S. Bensley
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)