

1Q23 Results

May 5th, 2023



CENTRO VETERINÁRIO
seres



petix.
o melhor para seu pet

CANSEI DE
SER GATO



Disclaimer

The statements contained in this document regarding outlooks for the business, forecasts of operations, financial results, and growth outlooks for Petz are mere projections. They are solely based on the expectations of management regarding the future of the business. These expectations substantially depend on market conditions, performance of Brazilian economy, the industry and international markets. Therefore expectations are subject to change without prior notice. All changes presented herein are calculated based on figures in thousands of reais, as well as rounded numbers.

This performance report includes accounting and non-accounting data, such as operational, pro-forma financial data, and forecasts based on management's expectations. Non-accounting data was not reviewed by the company's independent auditors.

1Q23 Results Video Conference Agenda

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Message from
Management

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1Q23
Results

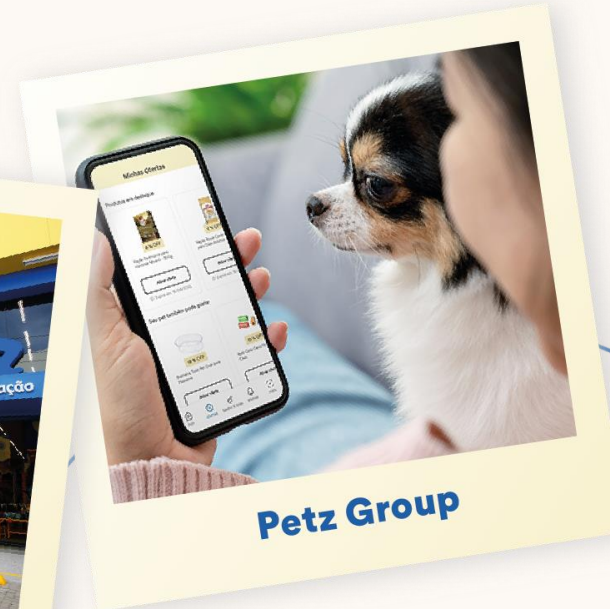
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Q&A

1 Message from Management

Sergio Zimerman | Founder and CEO

2023: A new phase for Petz Group



3 phases of the Company

2002 - 2013

- ✓ **Inauguration of the first store in São Paulo-SP**, with the Pet Center Marginal brand
- ✓ **Entrepreneurial** management profile
- ✓ **Not very structured** processes

2014 - 2022

- ✓ Beginning of professionalization, with **Private Equity investment**
- ✓ **Governance structuring**, with KPIs and creation of committees
- ✓ **IPO**: first company in the pet segment listed on B3 – New Market entry
- ✓ **New strategic vision + M&As** for the formation of a complete ecosystem

2023

- ✓ **Larger and more complex company**, geographic diversification, digital participation & integration of acquisitions
- ✓ **Focus on finding the best balance** between growth, profitability and innovation
- ✓ Competitiveness & investments in building an Ecosystem: **sustainable growth** so that we continue to be the main consolidator of the pet segment in Brazil

Key Messages 1Q23

Optimistic feeling

Despite the uncertainties in the retail segment and consumer environment in Brazil, we work with **assumptions of a solid growth pace in 2023** for the Pet segment and Petz Group:

- Business **resilience** and **distinctive positioning** with a unique value proposition
- **More normalized growth scenario, which ensures greater visibility for the management and control of the cost and expense structure**



Discipline and agility, seeking for the best balance between growth, profitability and innovation

Maintenance of the competitiveness level in retail and investments in the main projects of the **Ecosystem construction**, which allows us to continue **growing sustainably** being the great **consolidator of the segment**



Reinforcement of the governance structure with the creation of dedicated committees for the main business fronts and generation of short and long-term value

More strenght and cohesion between Petz Group teams: forums have the participation of the main business areas and a **multidisciplinary approach to decision making**

- **Productivity and efficiency gains** agendas as part of the Company's culture, guided by data-driven decisions and constant mapping of opportunities



2023 Focus: profitability & cash generation

1. Improve profitability levels of Petz “Standalone” Digital

Initiatives are being implemented **gradually over the last few months:**

- Value building balance **above inicial expectations**
- Caution point: recent movements that **require more analysis time**
 - **Example: pick-up service fee withdrawal in São Paulo (SP)** in the beginning of April

Other profitability initiatives:

- **Network Resizing:** Increase productivity in veterinary and grooming services
- **Searches for efficiency levers in store expansion and operation:** new formats, headcount/store optimization, rent renegotiation, etc.

2. Accelerate capture of synergies in the process of integrating acquired companies

Main initiatives:

- **Systemic and corporate integration in Zee.Now and Zee.Dog:** 100% unified Zee.Now Hubs Supply
- **Zee.Now Highlights:** More integrated management structure with Petz Digital
- **Petix Pads & Zee.Dog Kitchen:** start of Zee.Pad production and ongoing ZDK go-to-market strategy
- **Product design, sourcing and import:** launch of private label accessories with different value propositions



3. Search for dynamic cash flow generation and more efficient capital structure

Long-term funding of R\$ 200MM at attractive conditions

Inventory management **efficiency:**

- **Normalization** in the national supply chain with lower stockout
- **Greater efficiency** in the flow of imports and increase in sell out
- **Reduction in the accumulation of tax credits** with Goiás DC



1. Improve profitability levels of Petz Standalone Digital

Digital profitability initiatives – building value

4Q22

1Q23

2Q23

November

- **Service fee charge pilot** in 5 states (one in each region of the country). Rates between R\$4.90 and R\$9.90
- **Free shipping** policy adjustment¹

December

- Beginning of the month: 1st service fee pilot expansion
- End of the month: 2nd service fee pilot expansion
- Starting the monitoring of states control group

January

- Implementation of **service fee in SP**
- **Pick-up discount elimination** (in all cities)

February

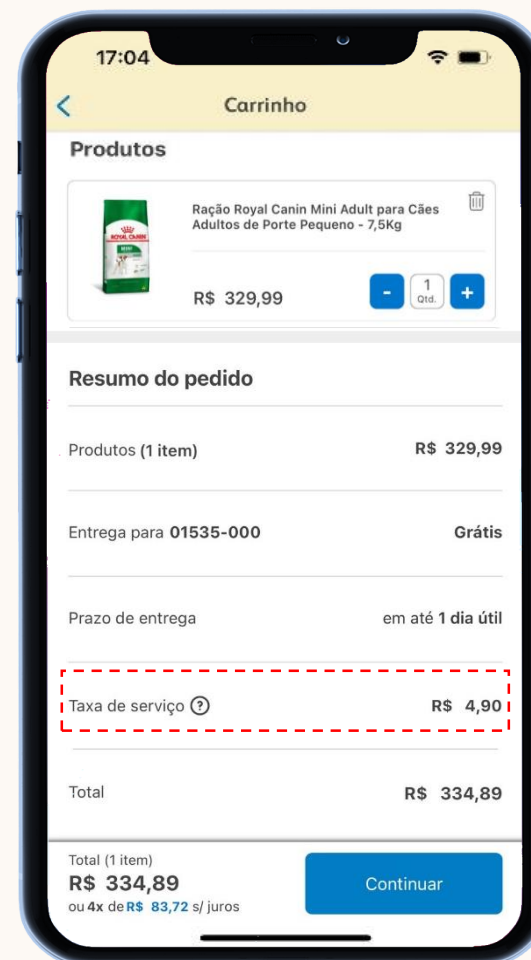
- Return of Pick-up discount in São Paulo city (SP)

March

- Pick-up discount elimination in São Paulo city (SP)

April

- **Reduction in the collection of service fee in Pick-up in São Paulo**



Leader's responsibility:

importance of leading initiatives in favor of greater rationality and better profitability in the segment

We observe adjustments in commercial initiatives (free shipping policy and reduction of cumulative discounts) **by the main competitors**

Region	Minimum Purchase
South and Southeast	>R\$149
North, Northeast and Midwest	>R\$299
Medicines throughout Brazil	>R\$99

¹ Condições em vigência em 1 de maio de 2023.

2. Accelerate capture of synergies in the process of integrating acquired companies

✱ Completed
 ✱ On going
 ✱ Not started

Main levers

Systemic and corporate integration

- ✱ **Unified supply:** 100% of Zee.Now hubs benefiting from Petz robust commercial conditions
- ✱ **Zee.Now expansion:** Petz stores as Hubs, with pilot scheduled to 2H23
- ✱ **Corporate merger** of Zee.Dog, with future use of goodwill

Zee.Now highlights

- ✱ **Management structure** integrated with Petz Digital
- ✱ **Strategic planning:** commercial, performance mkt, IT
- ✱ **Indicators standardization**



Petix Dog Pads & Zee.Dog Kitchen (ZDK)

- ✱ **Super Secão Slim line:** launch in Feb/23
- ✱ **New exclusive brand: Dog pads "Fresh Pads",** launch in Apr/23
- ✱ **Zee.Pad production:** start of production in Apr/23, synergy gain expected for 2H23
- ✱ **ZDK go-to-market strategy,** with greater integration with Petz structure
- ✱ **Slim dog pads line launch** in the US
- ✱ **Greater integration** of Zee.Dog and Petix

Products design, Sourcing & Importation

Brand positioning¹

GOOD	BETTER	BEST
Spike	Petz	Zee.Dog
		
60	100	160

- ✱ Launch of **private label accessories** with diferente value propositions
- ✱ Zee.Dog **structure** optimized for **Petz and Petix private label import**
- ✱ **Unified supply:** improvement of the logistics network

Others

- ✱ **Cansei de Ser Gato** incorporation
- ✱ **Launch of new dog training landing page** (Petz website)
- ✱ **Contractual unification** of IT, supplies, banking and facilities
- ✱ **Zee.Dog payroll unification**
- ✱ **Tax efficiency:** improvement in the process of calculating credits and fiscal/tax theses
- ✱ **Franchise project studies:** Petz expertise for choosing location, operation and supply

¹ 100 base sale price on May 4, 2023 at Petz website (size P)

3. Seek more efficiency in cash generation dynamics and capital structure

Cash position reinforcement

- ✦ **R\$200MM long-term funding** in March
- ✦ **Attractive cost - lower than the previously announced in the beginning of the year**, despite the uncertain macro scenario and challenges of the retail segment

Working capital





- ✦ **Improvement in inventory levels:** efficiency in the flow of imported goods and increase in *sell out*, in addition to a more normalized scenario in the supply chain
- ✦ **Tax efficiency gains** with the DC in Hidrolândia-GO (reduction in the accumulation of tax credits)



2 1Q23 Results

Aline Penna | VP of Finance, RI/ESG
and New Business

Finnancial Highlights | Petz Group 1Q23

1Q23	 Total Gross Revenue (TGR)	 Gross Profit	 Adjusted EBITDA	 Operating Cash Generation
Petz Group	R\$ 912.9 MM +22.3% y/y	R\$ 363.5 MM +19.5% y/y 39.8% TGR (-0.9 p.p. y/y)	R\$ 65.0 MM +24.9% y/y 7.1% TGR (+0.1 p.p. y/y)	+R\$ 34.5 MM vs. -R\$63.9 MM in 1Q22

Highlights

- **Petz Standalone Digital Gross Revenue (PDGR):** R\$300.7mm; **+36.7% y/y**;
- **Petz Standalone Same-Store-Sales (SSS) :** **+8.1% y/y**
- **Normalized SSS¹:** **~13% y/y**
- **Petz Standalone Gross Profit:** R\$337.6mm; **+20.6% y/y**; Gross Margin of **40.4%** of PGR (**flat** y/y)
- **Petix:** Consolidated figures since 3Q22, business model (factory, B2B) that presents a gross margin of around **15%**
- **EBITDA Margin improvement** for Group and Petz Standalone after **4 quarters of y/y pressure**
- **Petz Standalone Adjusted EBITDA:** R\$70.1mm; **+27.6% y/y**; Adjusted EBITDA Margin of **8.4%** of TGR (**+0.5 p.p. y/y**)
- Mainly a reflection of the **reduction in inventory levels**
- **Significant improvement from 7 days** to the Petz Standalone crate cycle
- **Reinforcement of the cash position in March/23** with R\$ 200 MM of long-term funding

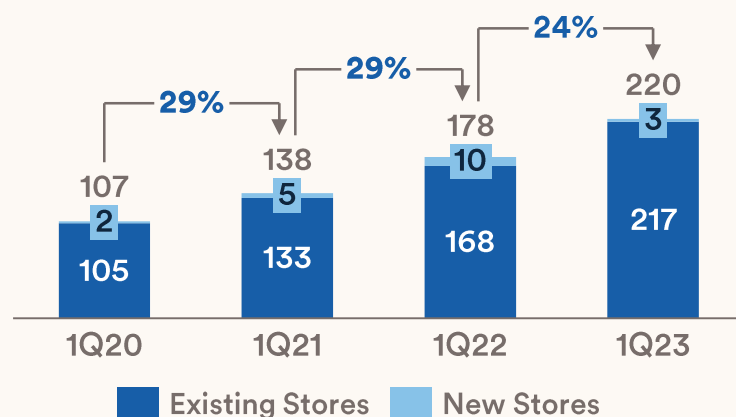
¹ Excluding stores that were impacted by the opening of new Petz units in areas of influence and/or in the same city.

Petz Store Network

3 openings in the 1Q23, 43 in the last 12 months – confidente with the *guidance* of 30-40 stores to 2023

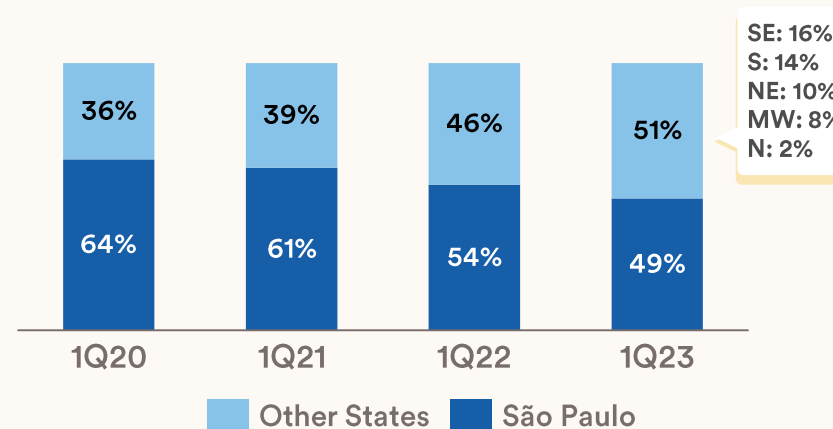
Number of Stores¹

Existing stores, openings



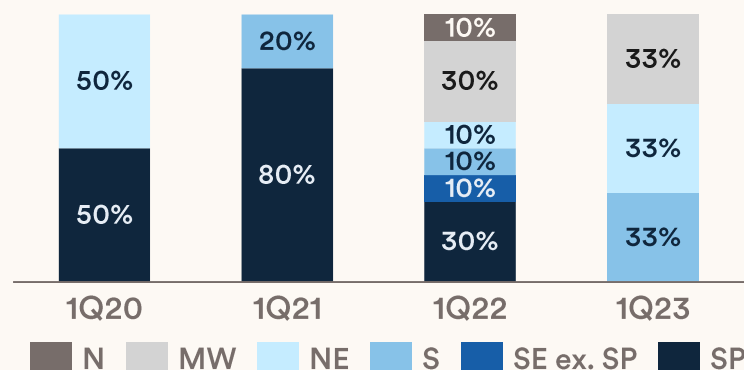
Store Mix in SP & Other States

% of total stores



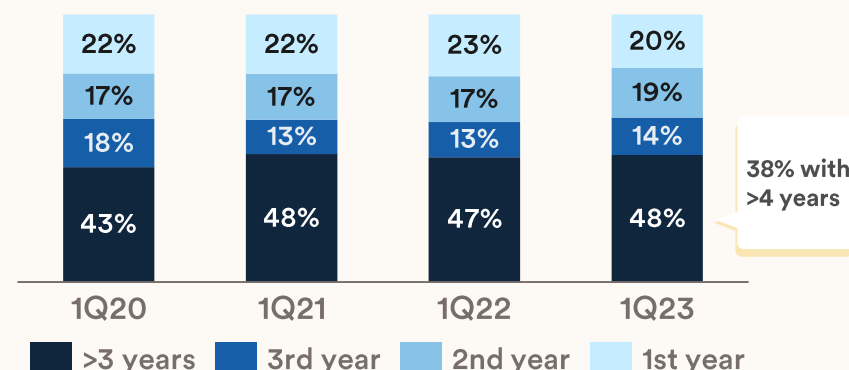
Mix of store openings by region

% of total openings



Distribution by age

% of total stores



Area Growth

of 16% y/y in 1Q23, one of the biggest retail area growths in Brazil retail

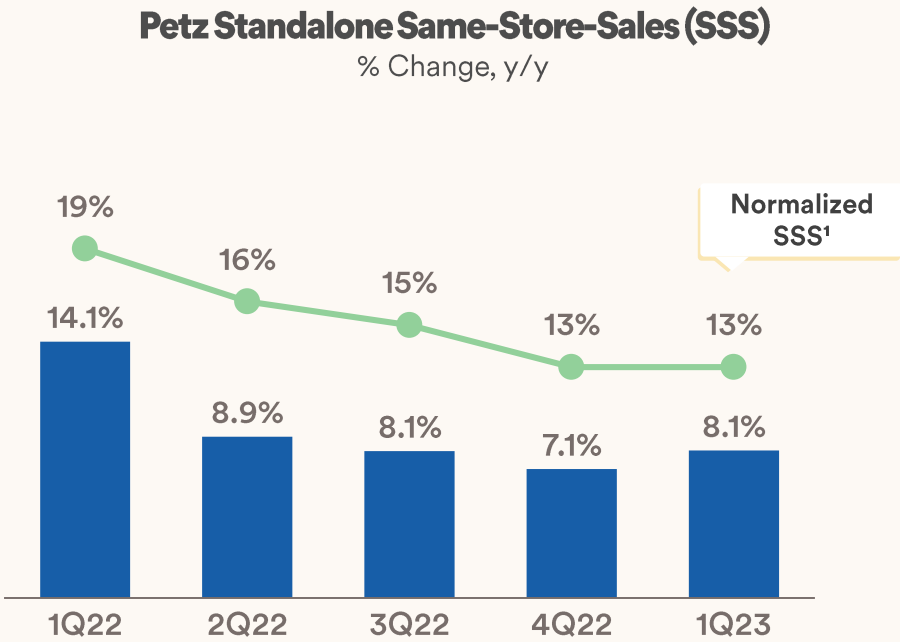
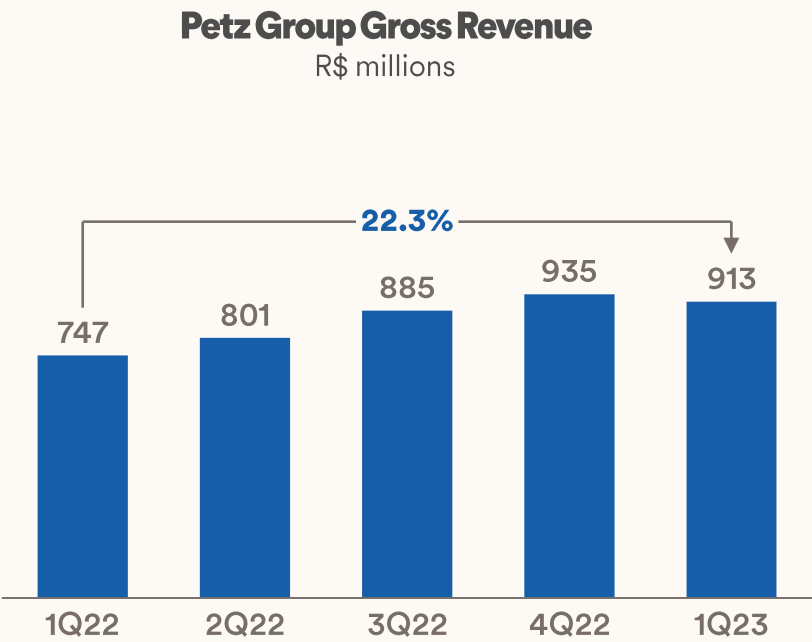
52% of the stores

have not yet completed their 3rd year of operation, with 20% in their 1st year

¹ Considers the closure of the Ayrton Senna unit, Rio de Janeiro-RJ in 1Q23. More information in the 1Q23 release (pg 9)

Solid Petz Group sales growth

Highlight for another expressive performance by Digital and slight acceleration of Petz Standalone Same-Store-Sales (SSS)



+22.3% y/y

Petz Group revenue, **highlight to Petz Standalone** (+20.6% y/y) and **Petix consolidation** (since 3Q22)

SSS of 8.1% (13% normalized¹)

Slight acceleration vs. 4Q22 ramp-up of stores, despite the challenging macro scenario – **highlight for volume growth (coupons) for the second consecutive quarter**

R\$ 90 MM

Gross revenue from Acquisitions (Zee.Dog + Petix)

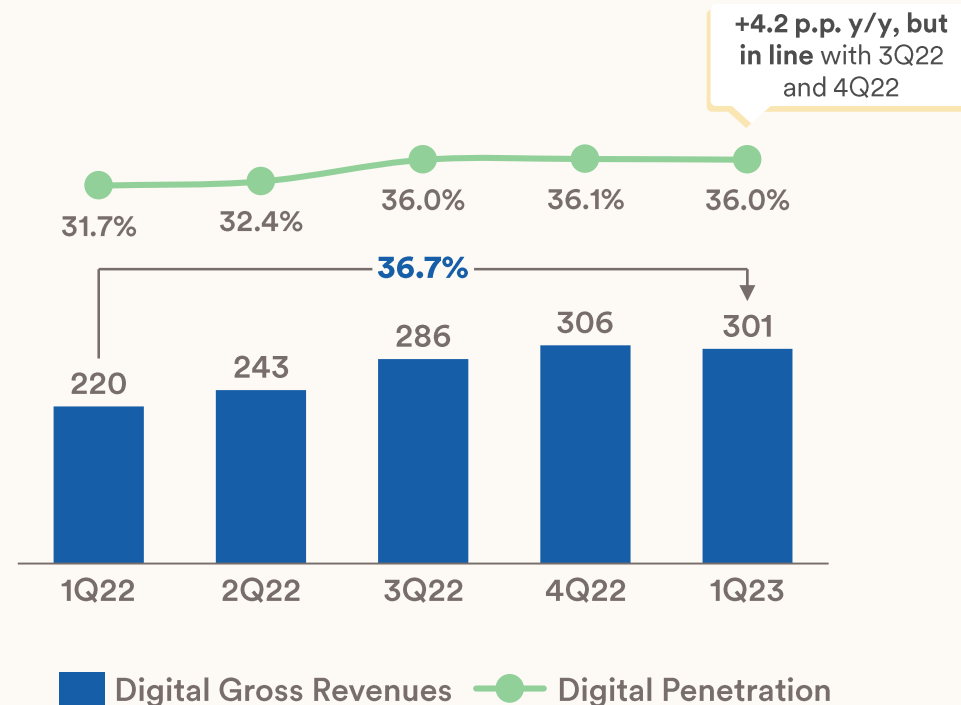
¹ Excluding stores impacted by new Petz stores in the zones of influence and/or in the same city

Petz Standalone Digital Platform with an expressive growth

Growth of +36.7% y/y (on a strong comparison basis of +41% y/y in 1Q22), representing 36.0% of Gross Revenue

Digital Gross Revenue and Digital Penetration

R\$ millions, % Petz "Standalone" Gross Revenue



Digital Penetration +4.2 p.p. y/y

but a q/q stabilization, reflecting the changes implemented in commercial conditions **to improve channel profitability**



Petz App ~70% of Digital sales

of Petz Standalone, with **+1MM Monthly Active Users** in March/23



~2.6MM Omnichannel active customers

in Petz base (**+17% y/y**), with average monthly spend of **+60%** vs. physical channel customer

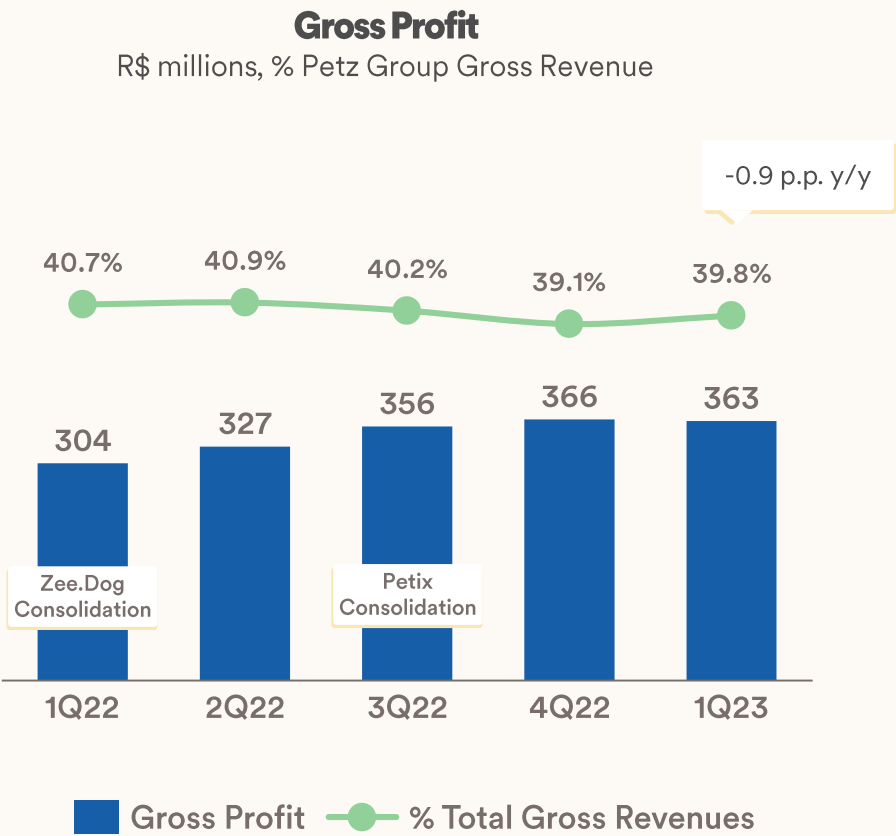


~380K subscribers

(**+33% y/y**), representing **29%** of Petz Standalone Gross Revenue in March/23 (**+4 p.p. y/y**)

Petz Group Gross Margin slightly pressured...

... mainly reflecting the consolidation of Petix, despite the y/y stabilization of the Petz Standalone margin



Petz Standalone margin flat y/y...

in 1Q23, reflecting the gradual implementation of new initiatives to improve the Digital margin + continuous work in search of opportunities in the commercial and operations areas



...despite the challenges

increase in Digital Penetration, growth in the Food category and ramp-up in the use of Hidrolândia-GO DC¹



Petix Consolidation

Since the 3Q22, with a business model (factory, B2B) that has a **gross margin of around 15%**



Pet internal inflation

still at high levels, but stable q/q

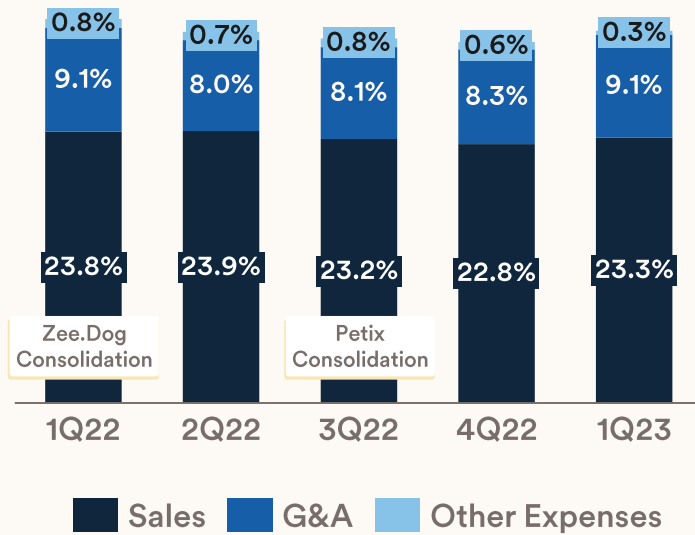
¹ Ramp-up of the DC evolved sequentially as mentioned in the 4Q22 result.

Solid growth of 25% y/y of Petz Group Adjusted EBITDA...

... reflection of the Petz Standalone gross margin flat y/y, and efficiencies in Selling Expenses and Other Expenses

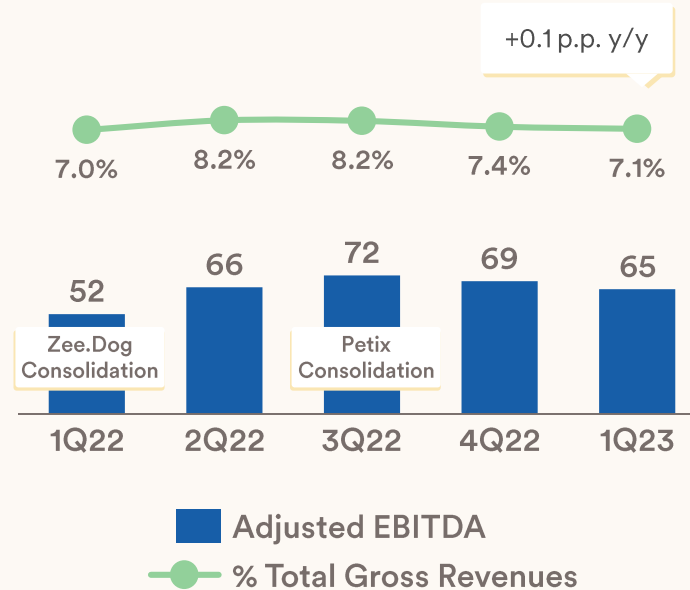
SG&A and Other Expenses

% Petz Group Gross Revenue



Adjusted EBITDA

R\$ million, % Petz Group Gross Revenue



"4-wall" EBITDA (Stores)

% Petz Standalone Gross Revenue

Cohorts	# Stores	"4-wall" EBITDA (1T23LTM)
Until 2018	80	18.8%
2019	26	18.7%
2020	28	16.9%
2021	37	14.9%
2022*	50	9.7%
2023	3	-1.0%



+27.6% y/y

Petz Standalone EBITDA, totaling R\$ 70MM, a **margin expansion of 0.5 p.p. y/y**, after 4 quarters of pressure y/y

+19.6% y/y

of **Sales Expenses**, result of efficiency in utilities, digital variable expenses and store personnel

Acquisitions EBITDA (-R\$ 5.1 MM)

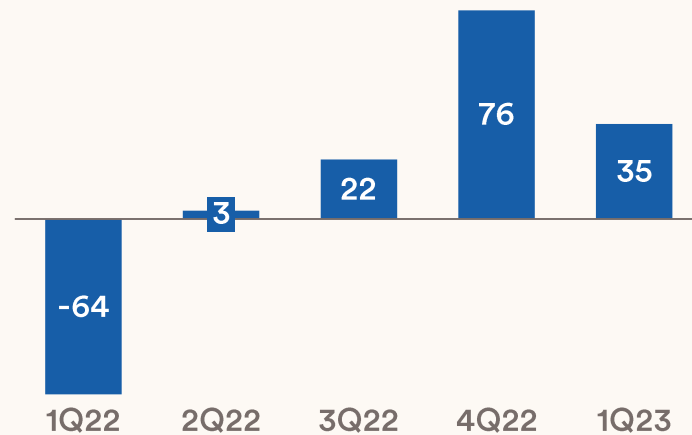
reflection of the ramp-up of ZDK & slim dog pad machine and Zee Internacional operational deleveraging, greater participation of business units in maturation and/or different profitability profile (Zee.Now and ZDK)

More efficient cash generation and capital structure

Strong operating cash generation in 1Q23 and cash reinforcement with R\$200 MM of long-term debt

Operating Cash Flow

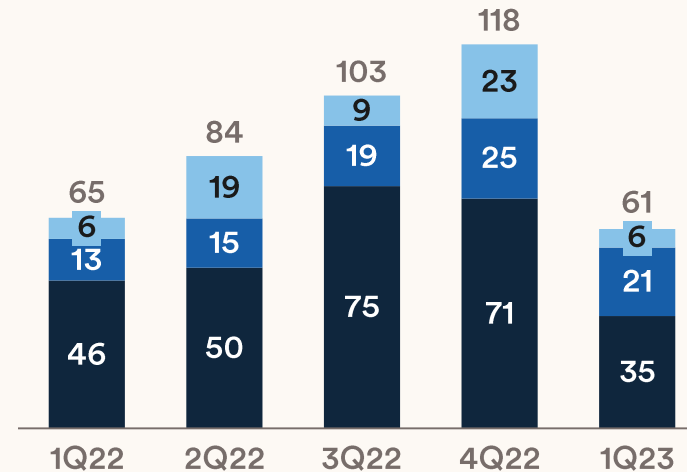
R\$ millions



R\$35 MM in operating cash generation, highlighting the **7-day improvement y/y in the Petz Standalone cash cycle**, mainly due to the reduction in inventory levels and tax efficiency gains with the DC in Goiás (less tax credits accumulation)

Capex

R\$ millions



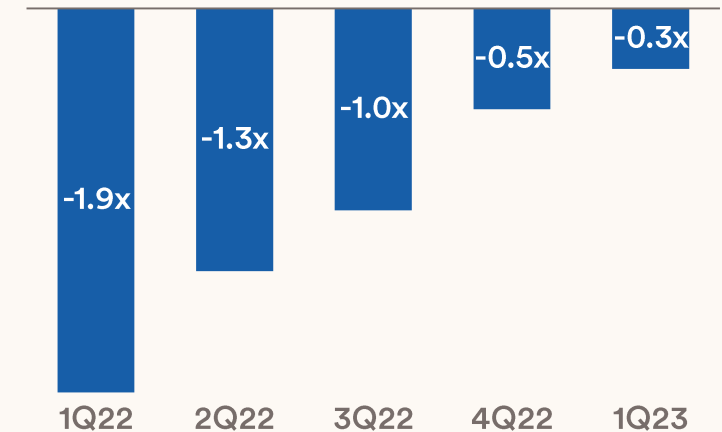
■ New Stores and Hospitals ■ Renovation, Maintenance and Others¹
■ Technology and Digital

-5.2% y/y of Total Investments, reflecting the **reduction of 24,1% y/y** in investments in new stores given the slower pace of openings in 2023 and greater efficiency in new units

Investments in Technology and Digital **(+65.0% y/y)**, reflecting innovation (super App), UX and IT infrastructure

Leverage (IAS 17)

Net Debt/Adjusted EBITDA 12M



Net Cash of R\$43 MM in 1Q23

~R\$ 100MM of tax credits on the balance sheet with monetization potential for 2023

¹ Includes the consolidation of the acquired companies' capex.

3 Q&A



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PETZ
B3 LISTED NM

IBOVESPA B3

IBRX100 B3

IBRA B3

IGC B3

ITAG B3

IGCT B3

IGC-NM B3

ICON B3

SMLL B3