

3Q25 Earnings Call Transcript November 6th, 2025

Aline Penna – CFO & IRO: Good morning, everyone. I'll share some of our results and talk about our operational and financial performance, and after that, Sergio will bring an update on the Cobasi Deal, updates on the CADE news, and the Q&A session.

The main messages from this quarter include an expressive growth of our private labels, and I have a separate slide for each of them. Another focus is in cash generation. We had a very good cash generation for the period, not only total, but also operational cash flow.

Our omni-channel approach, and its strategic pillar for the group. And Clubz, which is our loyalty program that continues on a very important growth strategy for the Company.

Now, on private labels, we always mention how much we have advanced in that front.

In this quarter, we were able to achieve 12.8% of our sales, which represents a 36% growth versus last year, and as I'm sure you are aware, since the beginning of the year, we also launched a product in the food category. We have the selections brand that is performing quite well.

So again, this is one element of our strategy to help differentiate our Company, especially when it comes to marketplaces. These products can only be found at PETZ, and we have been investing a lot in this strategy. These are high-quality products.

Usually, when we think about private labels, we think about, perhaps products with not the same level of quality. This is not the case for us. They price mid or higher level. We have different price points, and at the same time, we also have brands that we acquired. So, besides the brand we developed internally, we also have the brands we acquired, such as Zee.Dog, Petix, and we are also developing new brands, such as Fuzz.

Which is, mid-price brand that we developed, focusing on cats to respond to the continuous growth of the cat category in our sales results. This is the big highlight.

On the financial perspective, our net cash generation much of this comes from the operational efficiency that we have experienced, not just in terms of DRE. We have an expansion of about 30 bps in our EBITDA margin, but also related to investments that we made this year. We reduced our KPACs this year, we continue to improve our working capital. We saw a significant improvement in suppliers this semester, and this is a little bit of that summary 140 million BRL of total cash generation in this quarter alone.

This is Clubz, as I mentioned before, this is our benefit and loyalty club. We have different tiers available, so we have the bronze version, which is free for subscribers, but we also have silver, gold, and diamond categories. And focusing on the diamond category, which is obviously where we promote the most benefits, this is a 24.90 BRL subscription that you pay monthly.

And very quickly, this is paid out when you consider everything you get, all the benefits, you can access exclusive discounts on our services, you also receive cashbacks. We call it CashPetz here, that you can use for a future purchase. So, in the end, this is a share of wallet, too.

Since I am paying from 6.90 BRL to 24.9 BRL, I tend to use the benefit more and more, so the idea is that these customers, they purchase more frequently with us, and not as much as in other places, such as small pet shops, marketplaces, and supermarkets. And because of the cashback tools, they tend to come back more frequently to our stores, which is something that, for us, was important to improve.

So, a little bit on Clubz. We were able to double, from one quarter to the other, we doubled the number of subscribers, which is a record performance that certainly made us very excited. Now, speaking on our store's performance.

Our same-store sales were 5.6% in this period. When we compare this to the same period from the previous year. We had Group 0 in our LTM, so we continue on this recovery trend.

Still below what we would like to see. We would love to see a double digit here, and on the right-hand side, we see the different store opening periods. And perhaps jumping ahead a little bit, we usually say that the maturation of the stores happens in 4 years. So as stores mature, we tend to see margins that are higher.

And just to explain why we have this 2023 stores that which is less mature, with a better margin than in 2022. This has to do with the original mix of stores the year with the lowest margin is the year where we concentrated more stores in the Northeast, where the digital share is greater. So, when we look at stores individually, the maturation curve is happening as expected, and as we usually present to you.

Now, on total revenue, our gross total revenue was 1 billion BRL. For the Group, we grew 6.9% when we look at B2C, or sales that are performed through pet stores and channels that sell directly to end consumers, such as the Zee.Dog website. We had a 7.3% growth.

In terms of channel, our bricks and mortar stores and digital channels, stores grew 8.1%, so more, and our digital channel grew 6.7%.

And I'm going to give you more details later on, but this result leads to a certain improvement in our gross margin, so every time our stores grow more than the digital channels, automatically we have that carryover.

Another highlight here is for our Services. We grew 13.4% in the third quarter, something that we have been observing for a couple of quarters now. The revamping of this operation and the fact that it is once again, growing, even growing at higher levels than our retail operation.

Looking at our gross margin now, I would say that we have two big elements here. Our private labels, which I mentioned on my first slide, so every time we have a significant growth in private label, 30% in this year, we have this carryover.

On average, I often say that we're talking about a greater range for private label that varies between 5 and 10 percentage points. So, the more we grow on private label, the more we impact we see in the gross margin, and also the fact that our stores are growing at a higher pace. But even with this fast growth in our stores, when we look at the digital channel, we also see an improvement, when compared to the previous year.

But not necessarily this is happening on the gross margin, but also because we are being very efficient in terms of expenses in our digital channel. Because when we think about competitiveness in the digital, this continues to be a difficult channel. We have the presence of many players with a very immediate price comparison.

So, our focus on improving digital is on expenses. We're talking about performance marketing here. We are talking about logistic expenses and delivery to end consumers. Those are our areas of focus. But of course, whatever we can do in terms of competitiveness is also being done. So, we saw a growth of 70 base points in our gross margin in the period.

Now, talking about operational expenses, we consume a little bit of that gross margin I presented before.

We expanded our beta margin in 40 bips in this period. 30 bips were consumed in our operational expenses. Especially sales expenses, which was our biggest, cause here.

We have to remember that we are opening fewer stores, but nevertheless, still opening stores. We opened 9 stores, we still have 9 more stores than the previous years. Of course, that has a consequence in rental and labor, with a lower operational leverage, because these stores are not making their full potential, because they're not mature. And that's why we see this pressure on the margin. We also invested a little bit more on online traffic.

But, for this slide, I would like to highlight our G&A, which is under our control. Since the beginning of the year, I'm sure you know this, we have a number of action plans to control our expenses. So, our G&A grew less than the B2C revenue. The B2C revenue, B2B, or the consolidated results were... 6% or 7%.

And pre-operational expenses of course, we reduced that because we are not opening as many stores. So, the fewer stores are open, the lower my pre-operational expenses, so that's also another gain that we saw.

And finally, our adjusted EBITDA, as a consequence of everything I just presented, we were able to expend 40 base points. Here in the chart, we see EBITDA divided by the revenue, and the gross revenue, different analysts prefer to see these results differently. So, when it comes to the gross revenue, we have 7.7% in the quarter.

Which is a very similar level that we saw in the second quarter. So, we went from 7.8% in the second quarter to 7.7% in the third quarter. And an important reversion when we consider what happened in the first quarter. I'm sure you remember that we had problems in our DC and many other problems that happened as a consequence of the issues in the DC, so we went from 5.6%, resuming that high level that we had before.

Net profits, no major highlights here, the size of the adjustment from the accounting profit for the adjusted one is not as high.

And we have a lower rate this semester, which, of course, gave us a positive effect. Since the first half of the year.

We had a profit base that was quite low, we couldn't use the late domain, and now we have resumed a slightly higher profit base. We can get that benefit because we make a lot of technology investments.

And my final slide, just reinforcing our strong cash generation. Here we're looking just at operational cash. Total was 140 million BRL, operational 176 million BRL, and this is a combination of a better EBITDA, but also lower CAPEX and lower working capitals.

When it comes to investments, we have reduced 10% this year.

Actually, in this quarter, when compared to the previous quarter. But if we look at the year-to-date of this year versus the year-to-date from last year, we dropped pretty much 20% in our CAPEX level, so we're being very diligent.

In this environment of very high interest rates. And our idea, again, is to fund this growth and fund our operations with our own cash generation without raising any more debt in this scenario.

We had a line that of renovations that went up a little bit more than usual. This was a big renovation in a store that had an operational issue with the roofing that required a renovation, so it was pretty much the cost of a new store, but it's a store that's very important for us.

And also, some initiatives that we did for energy, air conditioning, and etc, and in order to reduce our OPEX, we did a slightly higher CAPEX investment with a very fast payback. So, we optimized our air conditioning infrastructure to optimize our energy costs.

And finally, on the right-hand side, we see our leverage, after 3 quarters, and again, in the last quarter of last year, we paid dividends in this context of the merge already, and the following semesters we had a net debt position. Now, we resume our net cash position because we are generating a lot of cash because of the decisions of lowering our investments.

So, that's it on my side. Now, I will hand the floor to Sergio, who will give us an update on the status of the deal with Cobasi, and the discussions that are happening at the CADE, and after that, we'll start our Q&A.

Sergio Zimmerman – CEO: Thank you, Aline, and good morning, everyone who is with us for our results call.

Before talking about the CADE, I just want to reinforce one message to you all, which is exactly what Aline was mentioning about our focus on cash generation, something that we have been adopting as a Company's policy since the beginning of 2023.

We believe we are extremely assertive in this policy for some reasons.

We have 430 million BRL of gross debt, and we have a cash level that varies between 450 and 500 million BRL, so we are sitting on a lot of very high cash level, but with a huge amount of discipline of not spending this money, and not focusing on expansion with this more expensive cash.

And of course, there is a reason that I'm sure you have been following. Yesterday, we saw the COPOM decision to keep the Brazilian interest rate at 15%. We have the highest real interest rates in the world, and for that reason, we refuse to make investments other than using our own resources in such a scenario. So, considering this reality, we understand that this is the best way for us to protect the investor's money.

We have stores that are very diversified, more than 260 stores spread in 24 different states in the union, and this is a policy that is here to stay while the interest rate is capped at those such high levels, which certainly punishes the retail segment.

And because we don't have a net debt scenario, quite the opposite, currently we have a net cash situation, we are not so directly impacted by the high interest rates. But of course, as they impact the whole population of consumers, we are also indirectly affected by that.

So, after this quick message all the importance of our cash flow management. And again, Aline just mentioned, and I will repeat that, because this is truly a big focus for us. In the end of last year, we distributed 130 million BRL in dividends because of the clause in the Cobasi deal, but, at that time, we had a net debt, because that was not a programmed event, but we focused on bringing that down to zero, and we are once again in a net cash scenario.

Having said that, let's talk about the deal and the merger. We are at the final steps of the process, and my goal here, and that's why I asked Aline to do the presentation, so I could focus on the CADE presentation.

Usually, I come and give you some updates in the beginning, but I decided to focus on this part, because this is the last call before the final ruling from the CADE, and it's an opportunity for us to revisit the track record and the history that we had with the Administrative Council for Economic Defense (CADE), because we have analysts and investors who are following this conversation. So, we thought it would be appropriate to focus part of the call on the scenario of the deal and the approval.

First, let's talk a little bit about the history of this process. It's important to remember that in April/24, we announced our MOU, our Memorandum of Understanding with this intent of merging with Cobasi in August/24.

And again, just a reminder, April/24, now we are at the end of 2025, so more than one year and a half since we announced our intentions to merge.

Then, the signing happened in August/24. Now, what happens?

In the CADE, we registered the deal in September 24, so that was quite fast. One month after the signing. And what happened?

The moment we did that, somehow, the market suffered with information, and the CADE superintendents needed to do an analysis with a lack of external information from the market. So, the CADE started, of course, requesting more information, and rightfully so we could share with them different sources of information about the market, because different from the food market or the pharmaceutical market, which is filled with external information, the reality is not the same for the pet segment.

And of course, this whole process only led the acceptance of our registration for the 320 days in February/25, so it took a long time before that process happened, so there is a delay before the pre-registration and the registration, but again, not because of lack of information being provided about the companies, but mostly about lack of information about the market.

This is a highly fragmented market, about 50% of this market is comprised by independent and small moms and pop stores, and of course, this scenario led to a delay in the process of market analysis.

So, we could get the registration of the deal which took place in February/25.

Once that was done in February/25, the CADE, in a very diligent way, started doing their analysis, and then that third interest party appeared, and the third interest party started questioning the merger.

Especially, we're talking about eventual, jeopardize or losses for consumers. This is part of the game, it's normal for a third party to appear. They can raise questions, certainly, and the CADE directors welcomed those considerations and started to consider the issues that were raised at the time.

And of course, as a natural result, we needed to provide them with more elements and more information for those analyzing the case.

From February until June/25, the CADE intensified the analysis process with all the information we provide, and then in June/25, they published a decision. And basically, they mentioned that despite the fact, that in some markets, there will be a concentration with high competitiveness, the high-priced competitiveness with marketplaces and other pet shops, and the arrival of new players in all markets mitigate any concerns that they

might have when it comes to the mergers. And because of that, the merger was approved with no remedies required.

After this decision, we had a 15-day period for anyone to raise any issues, and then Petlove, and the last minute, filed claims against this ruling, which escalated the decision in the CADE.

And what is the central thesis that Petlove has, so you're all aware? What is Petlove claiming as the third party, and what are the resources that they are, presenting against the approval?

Petlove states that we are creating a duopoly in the market, meaning the only competitor that Petz has is Cobasi, and vice versa. And for that reason, this dual poly, once merged, will turn into a monopoly. That's the key thesis, and no one can compete against us, we can price products as we want, because no one could compete against us.

And in the studies that they mentioned that they conducted without knowing the source of that information. This monopoly would lead to a 5% price increase, and the results of this price increase would leave for Petz to be abandoned on the street at rates never seen before in Brazil, leading to a social tragedy in the pet segment, because consumers would no longer be able to afford taking care of their Petz. This is the main thesis that Petlove presented against the merger.

And then, Petlove used a specific NGO, which one of the board members of this NGO is Petlove employee. The NGO receives funding from Petlove, and they are the ones defending this hypothesis of a tragedy being caused by the merger.

And we also saw some congresspeople asking the CADE for a public hearing. Then, for the first time in the history of CADE, granted this public hearing for the discussion of the case.

We were quite surprised to hear that decision, because that was the first time it happened in history. But at the same time, we welcomed this decision, because a public hearing gave us the opportunity to listen to the different stakeholders involved in the merger, so we could become clear who is speaking against the merger, and who is not opposing to it?

That was a very productive day, the day of the public consultation when it comes to animal protection issues, we basically heard from one or perhaps two NGOs, but I only remember one, which is exactly the same NGO that is funded by Petlove, which one of the board members of the NGO is the Petlove founder, and they basically reinforced the thesis I've mentioned before.

And on our side, we had more than 20 NGOs coming to this public consultation, whether to talk about the Cobasi programs, or to talk about the Petz programs, saying that pretty much both companies.

Have the biggest programs in animal protection, and the donation programs that we do, and something that takes place in most of our stores, not to mention the financial support to the NGOs that are part of the programs.

So, we were able to show that companies that are truly supporting the third sector in Brazil are basically Cobasi and Petz.

And another important issue was that despite the efforts being made by the third party to bring suppliers for the public hearing. Not a single supplier attended this event claiming any type of concern, and like mentioned before, more than 90% of the suppliers who answered the CADE questionnaire did not raise any concerns about the deal, which is certainly important, because if there is one stakeholder that could be, worried about the merger, that stakeholder would be our suppliers, of course.

And this was a very important moment for us to present studies that Provokers conducted for us on consumer behavior which shows that even in the markets where we have a higher concentration of Petz and Cobasi stores, and that gave us the opportunity to show how much these consumers fluctuate before digital and physical channels, and between operations, and also including marketplaces, local pet shops, and supermarkets.

So, it's a very fluid market when it comes to the consumer's purchasing decision and at the end of the public consultation, our assessment was that this was a very positive process.

Once again, we praised CADE for this initiative, because it gave us the opportunity to show that neither competitors, neither suppliers, neither consumer protection authorities were opposing the deal. The only opposition in a very focused way, was coming from that third party, which, by chance, is a direct competitor for those companies.

And now, I have to tell you about the core thesis for the merger, that's the increase of the competitive pressure. In a very diversified market, marketplaces promoted a digital inclusion for small retailers.

Small retailers who were limited in the competition against us in the physical world are now our competitors in the digital world as well. Platforms such as MercadoLeavery have more than 30,000 sellers, who are pet shops. I don't know if it's 30 or 20, but it's certainly a very high number of sellers who are pet shops. Maybe 30,000 is the total number between all marketplace platforms, because I'm just getting this data from the top of my head.

Nevertheless, we see a very significant number of small retailers now selling on these marketplaces. So, when we're talking about competing against marketplaces, we are talking about competing against small retailers that are now going digital using these platforms. Many times. These, small retailers work pretty much at zero margin on the digital channel with a focus on volume. And by doing that, they create a huge competitive pressure in our own operations.

There's this issue, saying, "oh, but it's weird, ow can small retailers pressure the big ones?" It's not very traditional or expected for this to happen, but all you have to do is go on your smartphone and search for whatever product you wish, and see the reality of this information.

Small retailers today through the Marketplace platforms, having this tremendous competitive pressure against us. And the other thing that we also verified is that because of that, our margins are on impression, and because of that, our results are under pressure. And how can you become a better competitor? By lowering the price. If you don't lower the price in order to compete, you are sort of eliminated from the game.

What happened in 2024? We had about 8% growth, and in this year, we are going to grow about 7%. But if you look at these growth rates. These growth rates are much below the market rates.

So, even though these are good numbers that we're presenting, even though we have focus on our cash flow, we are trying to do the best we can in the current scenario. It's certainly certain that we are concerned about this scenario.

We have a history of 23 years, and for 22 years, we always grew at the same rate of the market, or at a higher level, that's why we became leaders, but starting 2024, we are growing below the market level, and perhaps in 2025, we're going to see the same results. And of course, that require us to adjust our route.

Retailers work based on trend. We don't like this trend. And because of that, the merger makes the whole a lot of sense, because it brings us a major opportunity to eliminate costs, variable costs, some fixed costs, but essentially, costs that will give us the ability to better compete against the marketplace platforms. That's the key thesis. There is nothing more important than this, in this deal.

And we are absolutely certain, because of all the synergies that we have with Cobasi, that by doing the merger, we will have real costs cutting in order to improve our ability to compete.

After having explained our core thesis, and again, what I am saying here is nothing new for market analysts, all we have to do is, look at what the banks that cover this market have been saying about increase in the competition. That, in 2021, that achieved pretty much \$12 billion BRL in market cap, is being traded at about \$1.8 billion BRL, and with a much greater revenue that we had in 2021.

But what happened? It's basically the perspectives that have changed. And they were not changed by accident. We really saw an increase in the competitive pressure. How some structured data about the market when it comes to the so-called duopoly or monopoly in the market.

Let's see that both companies together, we have under 11% of market share, actually 10.2% of market share of the combined Petz and Cobasi share. If that's a monopoly, that

would be the first monopoly in the world to only control 10% of the market. So, it's truly scary when we see two companies with 10% of market share being called a monopoly.

And still, on the structural data analysis, I just wanted to reinforce that suppliers and competitors do not oppose the deal. In reality, we actually see some competitors opposing, but this was a very interesting moment in the public consultation. They opposed because they believe we will lower price, and that's a legitimate concern.

Competitors, they need to be worried about the merger, because we will lower our prices. This is natural. When it comes to the price, issue that we are only competitors to each other. I just wanted to say one thing about that.

We have stores in about 140 markets in Brazil, and of course, I'm rounding up numbers here, but out of these 140, in 70 of these markets, we have both Petz and Cobasi stores, and in the remaining 70 cities or markets, we either have only pet stores or Cobasi stores. And here we see an interesting piece of data that we gathered prices that Cobasi offers, or the prices that Petz offers are exactly the same if the competition is present or not. So, prices we have in a city without a Cobasi store are exactly the same as the prices we have in a city where a Cobasi store is present, and vice versa.

So, if that thesis that we are only competing against each other, why would we have the same prices? Why wouldn't we use this as an opportunity to improve our margins? For one reason and one reason only, our true competitors, the true competitors for Petz and Cobasi are small retailers, whether through their physical stores, but especially about from their digital presence that happens, again, through the marketplaces. That's the real source of pressure that we have in the market.

Another way to see this is that the third party says the first Cobasi supplier, and the first Petz supplier represents about 20% of our numbers, and both of us, together represent for this supplier between 20% and 25%. I mean, where do this power that we supposedly have come from? Because we're saying that 75% or 80% of sales from our main supplier for both companies is actually selling in other places.

And this is a supplier that doesn't supply to supermarkets, so the remaining 75% are being sold at small pet shops, or in veterinarian clinics, which only reinforces this idea of how fluid and varied this market is.

And another aspect that I would like to highlight is the relationship that we have with the CADE just for you to get that into the context when you hear the issues of the claims of the third party. There are seven board members in that court. So, one is still to be, appointed, so we're gonna be judged by 6. And the current president has two votes currently because of this empty seat. And we were pleasantly surprised to see each of these Board members, presented legitimate concerns about the merger.

In our opinion, this is a very interesting element to see how interest they truly are in protecting competition. So they are really analyzing the claim that Petlove presenting, that this merge will hinder consumers and lead to price increases.

We had similar conversations with all the different board members, and we were really welcomed by them, but at the same time, they were very technical in their conversations with us, they said “we are not convinced yet”, “we need more reports”, “we need more data”, “we need more arguments”. And we are very comfortable with this whole process, because this is all we have. We have the data, the evidence, we have past data and data that cannot escape logic.

And on the other side, the third party has a story that is not based on any real evidence. That is based in a fantasy created by an NGO that, once again, is funded by the Company. One of the board members of this NGO is the Petlove founder, and it's pretty much an empty argument. Perhaps not completely empty because, of course, it's important to value the contributions from the third party, which leads the CADE staff to reflect and think the process through and do deeper analysis. And this is great, because it gives us the ability to show the whole technical team and the different, representatives, what is really happening and what's really behind this deal.

Of course, it is a lot of work, we get very anxious with the deadlines and the dates, but at the same time, we're very happy, very satisfied, because we are being heard, and this is all we need. We need to be heard, we need to be able to demonstrate the material that we have, and the proof we have.

Regarding, deadlines, so you are aware, the deadline is January 2nd, 2026. This is the theoretical date, because they start their leave in December 20th, so there'll be a final session in December 10th. Sometimes there's an extra session on December 17th.

So, in practice, we're saying that by December 17th, we will have the final ruling for this deal. We can no longer ask for a postponement. And the market could ask us “If there's no ruling, the merger is approved”, but it never happened in the history of CADE, and there's no reason it would happen right now. So, there will be a ruling by December 17th.

What is our expectation for the final ruling? We are very positive about this ruling, and we're very positive for a reason. Because we looked in the eye of every CADE board member. We really addressed their legitimate concerns, and we are absolutely comfortable in knowing that every issue or concern that was raised by the CADE board members or technical team were addressed by us with the data.

So, our best expectation today is that the final ruling will grant us full approval with no remedies by December 17th. Like I said in this beginning, this is the last results call that we will do without having that final ruling.

And before we go to a Q&A, I have one final message. It's an invitation for everyone who is watching these results calls to think this through with me: If you were one of our competitors, and if you suspected that this deal it's being done so we can increase our prices. Would you be happy or sad with that? If I were a competitor, I would be very happy, because that would be a great opportunity for me, as a competitor, to gain more market share.

So, a third party claiming with interests that have not been stated, because again, we cannot really imagine that their concern is about a price increase, because they would benefit from that. So in the end, what might concern them which is a legitimate concern. They are concerned that the merger will represent an increase in our power to compete, that we will lower the prices and benefit consumers all over Brazil, raising the bar of the market. That is what is behind the claims presented by the third party.

Thank you very much for the opportunity of bringing you these updates, and now we are going to our Q&A session.

Q&A Session

Daniela Eiger (XP): Hi. Good morning, everyone. Thank you for taking my question. Congratulations on the results. I have a few on my end. First, I think Sergio has already brought some of the dynamics of what you can do regarding the increase in competition, or perhaps greater competition, versus the marketplaces. But I would like you to talk a little more about other initiatives, especially those you are already implementing, that might not depend on the merger, perhaps even negotiation dynamics with the industry. We see in other segments that, after seeing more aggressive or lower prices online, this has also motivated better negotiations with the industry to bring them more into the game. Anyway, if you could share a bit of these initiatives with us, that would be great. And a second, about the potential of private label. It was indeed a positive highlight for the quarter, but it still seems there is a lot of room to be explored in terms of penetration. So, what's your view looking ahead? I recall, in the last call, or one of the most recent calls, we asked about performance across categories. Are you seeing a greater increase in penetration in any category, more room for potential? Maybe pet food itself. If you could bring an update, that would be great.

If I may add a third one, I think it will be more specific on capital structure. There is a lot of discussion about a potential dividend anticipation due to possible taxation. I don't know if you would even have that room because of the deal, right? I think perhaps not, but just to understand whether it could be a strategy on the table. Thank you.

Sergio Zimmerman: Great, Danni, thank you very much for your questions. If I may, before answering them, just one additional data point I would like to add here that I ended up not covering regarding the merger context. Remember that, once the merger is confirmed, we will have a few weeks, probably two weeks, three weeks, to actually close the transaction after approval, and then each holder of a Petz share will receive a share of the new company, which will have a new ticker, and it will be traded at exactly the same value as the last Petz trade plus approximately BRL 0.70, adjusted, for each share held. So, for example, if you are paying today for a share BRL 3.90 to BRL 3.80, on January 1, which is the expected date for all this to happen, you will be receiving a share that will be quoted at the same price, but with BRL 0.70 in cash on top, due to the exchange ratio. Just important to clarify that.

On this matter of increased competition with marketplaces. You ask about other initiatives that do not depend on the merger, honestly, that is what we are doing all the time. We don't stop. Just yesterday, I was in a meeting with another supplier, and we are constantly monitoring, because when we talk about marketplace competition there are several layers of competition.

There is the illegal portion of this competition, which is competition from counterfeit products, pirated products, stolen products, products without an invoice. This is absolutely unfair competition. This is where we try to place the greatest focus, because it is not acceptable that we still have to live with this and that the marketplaces have no responsibility whatsoever for commercializing products in the situation I mentioned here. That is one block of the matter. The other block is competition that is within the rules of the game. This competition, naturally, has nothing wrong with it from a legal standpoint.

This competition, within the rules, is precisely where we need to cut costs and increase efficiency. We also need to ask for the supplier's support so that they understand that, when they launch a product, they won't be able to launch it on a digital platform alone, because you need human contact. So it is important to value the physical store. It is important to value the veterinarian's work. It is important to value the work of the store associate who helps build brands. Because, if you analyze these platforms closely, they sell and compete aggressively with what we help build in the physical world. And if these brands simply let this migrate to the marketplace, which does not build brands, on the day these industries want to launch products, they will have a lot of difficulty. So this is the central argument, and it is what we have been trying to do to somehow mitigate this increase in competitive pressure that is independent of the merger. What the merger will bring is a more important level of cost cutting, which will give us a lot more fuel to be able to compete better with these platforms. On your second question, private label has been going well across practically all categories where we have placed bets on private label potential. Today we are at around 12.5% to 13%. I think Aline presented it, but that is approximately the number today. Our best estimate is that we can reach around 20% share. There comes a point at which there will be a limit, especially because super-premium pet foods are foods prescribed by veterinarians, recommended by veterinarians.

They have a very high reputation, and consumers tend not to switch brands, especially with those foods. They are extremely loyal to brands, and we fully understand that. So it is a scenario in which we will hardly act directly in super-premium foods. So, we will focus more on accessories, hygiene and cleaning items, and on pet food that is less dependent on brand.

On the third question you ask, dividends. You are right. We have been following this, in fact, especially with the approval that took place this week in the Senate regarding the income tax bill. But this is not a pertinent discussion for us, because we will depend on the merger. It will depend on the result of the Cade tribunal's decision. And since this result will happen within this year, that will give us enough time to make a decision. We do not

know if this decision will be made alone or jointly. But there will be a decision about what we will do. Evidently, regardless of merger or no merger, the distribution of a 25% minimum dividend is guaranteed.

Lucca Biasi (UBS): Good morning, Sergio. Good morning, Aline. Thank you for taking our questions; I have two. The first is a follow-up on competition, more focused on the pharmacy category. It would be great if you could comment on why this competition in the pharmacy category started and how it has been evolving so we can try to understand. Could this be an additional source of pressure in the fourth quarter? And still within the pharmacy category, how do you intend to face this greater competition, do you intend to match prices? And the second is about Pet inflation. So if you could share how Pet inflation is? And perhaps a third point: in addition, please comment on how you are thinking about the trade-off between volume growth vs. margin gains. Thank you.

Sergio Zimmerman: Well, Lucca, thank you for the questions regarding competition specific to the pharmacy segment. You are absolutely right. I would say that pharmacy has been the focus chosen by some platforms to penetrate the Pet market. And we know exactly why. Pharmacy has high added value, and it is where the platforms end up being competitive in higher-ticket products. So it is natural that this was happening. As we started to realize that we were losing market share, and one of the sources of this loss of share was coming from pharmacy, this is exactly where we reacted.

That is precisely what will explain some margin fluctuation for the fourth quarter; that is why I say: if third-quarter results were adequate in terms of margin, we cannot keep extending those results, imagining there will be margin gains. Quite the opposite. There will be margin pressure in the fourth quarter. We see margin pressure because competition does not stop increasing. And we need to react to this competition. And sometimes you need to react even before managing to cut all possible costs, for a very simple reason. You cannot stay out of the growth game, and here I will already go a bit into your third question, which is the growth vs. margin trade-off. We cannot grow at any cost, that is, blowing up margins.

But, on the other hand, we cannot maintain margin at any cost, which would mean losing relevance in the market, which is what is happening in 2024 and 2025. Why would that be a mistake? Because margin without sales is an irrelevant retailer. A retailer that does not grow with 260 stores, considering that every year we have wage negotiations, every year rent is adjusted, electricity is adjusted, and other expenses. If we do not grow at a level at least above all this inflation, we really end up in a very delicate situation. So what I would say is that this trade-off for us is a balance: we need to have this minimum growth. It revolves around high-single-digit or low double-digit. That is the minimum growth we need to have.

And from there, see what we can do best in profitability. So what dictates much of this is the level of competition which, as I said, has risen in the last two years. We do not see a 2026 scenario that will cool down this level of competition. It did not come from traditional channels; it came mainly from the advance of digital marketplace platforms, and we do

not see any scenario in which these platforms in 2026 will be less important than they were in 2025. Quite the opposite. So that is why we are extremely attentive and extremely focused on carrying out this merger so that, as quickly as possible, we can sell to consumers at better prices without wrecking our margins, which, as net margin, are already extremely low.

On the second question you asked, about Petz inflation, I will ask Aline to support because I do not have the most up-to-date figure.

Aline Penna: So, over this period, we always look with an LTM lens: it is around four. This year, you will recall that, last year at this same time, we were starting to see some inflation. So we are at four. And just adding to Sergio's point about margin: one important thing is that we began these initiatives to be more aggressive in Pharma, to track the Marketplace more closely, in mid-August. So, obviously, in the fourth quarter, if the same conditions hold, we will have a full quarter of this compared to another quarter in which we had practically 3.5%. So, just to give a bit more context on this topic.

Ruben Couto (Santander): Good morning, Sergio. Good morning, Aline. Thank you. I have two here, quick ones on my side. First, a quicker one regarding the Zee.Dog international B2B channel. I think it remains quite affected. Do you have any expectation of normalization in the short term, and does it make sense to continue with this international effort? The level of resources employed is limited by the distribution strategy. But, anyway, if you could give a bit more color on this.

And Sergio, I wanted to pick up on everything you said, thanks for all the explanation regarding market structure and how it changed because of the small players moving to the Marketplace; very enlightening. But we have a combination of this super-high interest rate level, as you mentioned, and this acceptance by many of them to compete on price but with online participation. Over the course of 2025, at least, have you not noticed any kind of weakness among these smaller players, some giving up on this movement, shutting down, in other words, a greater number of closures, even due to all this competition that has been happening in the sector, which, for companies like yours that are super capitalized, industry leaders, is painful. I imagine that for these smaller players, perhaps in the first year, it is something they can sustain. But in the second, third year, the picture changes. Am I wrong in this perception? How do you see this going forward? Thank you.

Sergio Zimmerman: Thank you, Ruben. Thank you for the questions. Let's go. The first one, the Zee.Dog B2B. We made a move after acquiring Zee.Dog that we understand was absolutely correct. We eliminated all fixed costs we had in this Zee.Dog Global operation, which made any revenue that occurs there a very profitable revenue. So we cannot confuse the fact of possibly selling less with actually being a bad thing. Since in this Global you basically have only variable cost, whatever the level at which we are selling in Global, it is all good. It makes a lot of sense, and Global fulfills an important function of building the brand.

Note that we launched in partnership with Farm. Recently, there is a partnership with Reebok in Reebok stores. Zee.Dog products should now have Zee.Dog products in Reebok stores, including in Japan, where it was stated that Reebok Japan wants Zee.Dog products there, so there is a strategic matter of maintaining this with the world's major players, which is the brand's conceptual proposition, because it is a desired brand, not only in Brazil, it is a desired brand in other markets as well.

And, obviously, there are challenges in selling in other markets, but somehow, even without any fixed cost structure, without any marketing investment in those locations, the brand has a strength that keeps moving forward. So, on the first point, we are quite comfortable, regardless of not following the budget. The second point you raise about a decrease in competition, you ask whether you would be wrong in that perception. I will say both: right and wrong at the same time, because the individual perception is likely close to correct.

Why? If someone will compete without structure, it is simply because they will slash the price, slash for the sake of slashing. They are not doing the math. And suddenly they discover it is unviable for them, and they end up leaving the game, because it does not make sense for them. So here the perception is absolutely correct. What I invite you to reflect upon regarding this same perception is that, as a whole, you have many more people entering to do this than leaving. So that is why competitive pressure is increasing.

Because José leaves, João enters; João leaves, Chico enters; Chico leaves, Pedro enters; Pedro leaves, Paulo enters, and more are entering than leaving. So, the competitive pressure in that sense is strong, and again, I will stress here, there is a part of this competition that is unfair and that we need to combat, including with the support of the courts and the support of government, not only for the Pet segment, but for every segment that is a victim of this illegal portion of the process. And there is the legal portion of the process as well.

The legal portion of the process ranges from people who, as you well said, see that it is unsustainable to do this, but competitive pressure will also continue from those who are competitive here, because they use this as a strategy, for example, to generate volume with the supplier. So they improve their cost in the physical price because they generate volume without making any money online. This happens; it will continue happening. And for that we need to be more competitive. And the only way to be more competitive is by cutting costs.

Aline Penna: Sergio, if I could just complement on the B2B point for Ruben: we grew. Zee.Dog's International B2B last year, in 2023, was a very good year, well above budget. So, actually, we started the year with a channel that was a bit more stocked, because here the sell-in and sell-out dynamics apply, they buy and build inventory. And then, if you have a tougher year macroeconomically in those countries, the sales velocity is lower and they end up ordering less. But, as Sergio said, when we look in terms of percentage margin, since there is no fixed cost, what is left for us is a margin multiple times higher than the

company's margin, because we can mark Zee.Dog with a much higher gross margin. So it is very worthwhile.

We have excellent incremental coming from the international operation. And, of course, we are very attentive to market moves because, despite everything Sergio mentioned about brand effort, about these partnerships, retail as a whole globally has been investing more in private label. We are not the only ones investing very heavily in private label. We have very strong private labels here. And we have seen this among some international partners as well, who used to be large customers and who are now also trying to invest a bit more in private label. So we are always monitoring this, but in fact it is still an excellent channel from a profitability standpoint for us.

Gustavo Fratini (Bank of America): Hi, everyone. Thank you. How are you, Sergio? How are you, Aline? A quick question. I just wanted to understand, you comment that one of the major drivers for this gross margin expansion was, in fact, much higher Private Label penetration, which has been growing quite a lot. Can we think that, basically, almost all of this expansion actually came from Private Label? And how has the performance been within Private Label subcategories? I think growth has been very strong. We wanted to think about how much this can continue helping going forward. Thank you.

Aline Penna: Gustavo, I think we can say, roughly, okay? We do not break it down in detail. But roughly, I am talking about half, okay? There is the physical and digital effect. As I mentioned, there are tax efficiencies. There are a number of other smaller elements. So, roughly, private label accounts for about 30 to 40 bps. And I think one important point is: there are some categories in which we invested a lot this year. So, for example, toys, we had two hundred new toy SKUs; the Selection brand itself, dry kibble. We placed it on shelves at the very end of December last year. So, obviously, the categories that stood out the most were toys and dry kibble. We have also invested, as I mentioned earlier, a lot in cat items.

So, there are some pouches that cats love, which are, in essence, moist treats. So these are the major categories, but without losing sight of categories that have always been very strong, such as, for example, hygiene pads. We bought Petix back in 2021. And today, ninety percent of the entire hygiene pad category we sell, including disposable diapers, etc., 90% of penetration is from brands manufactured today by Petix. So we maintain the consistency of what we invested back then around four years ago, but there are new categories coming in with the margin expansion I mentioned.

Irma Sgarz (Goldman Sachs): Hello. Good morning. Thank you for the question. Most of my questions have already been asked, but I have two more left. I would like to understand a bit how you see the macro and demand moment specifically in categories that might be more sensitive to this issue, and perhaps anything that could differ by store positioning. There are some stores, obviously a little more premium, and some in regions where this might be more sensitive.

And the second question, perhaps, is just a follow-up on the whole discussion about balancing channels and Marketplace competition in digital. We do not have much data on Market Share or on the growth of this sector to track. So I would like to hear a bit from you. From the research you do, how do you think Petz's Market Share developed this year, in the last three? Thank you.

Sergio Zimmerman: Thank you, Irma. Thank you for the questions. Let's go. First, your question, I will split this answer into two aspects.

The first, the more sector-specific aspect. Here, pet humanization continues. Population growth continues, and the information, which is people understanding the advantages of giving higher-quality pet food, the advantages in terms of health gains of applying anti-flea treatments more times per year, etc., all of this continues, and this process is the engine that has sustained this market's growth over all these years and will continue driving growth going forward. So, in that sense, the sector has its own growth dynamic. But I will take advantage of your question to talk about a somewhat broader retail macro-demand.

Evidently, this will benefit not only the Pet sector; it will benefit all retail sectors, which is the approval that happened this week of the income tax bill. This money from salaried workers was being taken away little by little, to the extent that successive governments did not adjust the income tax brackets. It is a way of taking away the consumer's purchasing power. And now, in a somewhat larger gulp, not everything that was taken will be returned, but part of what was taken will be returned, and, from what I understand, starting January 1st, every formal employee subject to withholding at source will have a quite different withholding.

This mass of resources of the middle class should migrate to consumption. It should return from where it was withdrawn, because the government was drawing that away and drying up consumption. Now it should return to consumption. So, in that sense, I see 2026 as a year with a positive perspective regarding increased demand, mainly due to this income tax correction measure, noting only that there is text by Congresswoman Tábata Amaral that provides the government up to one year to institute corrections to this amount.

Why is this very important? It is important that society as a whole remain vigilant regarding this, because otherwise in five years we will be discussing this same problem again. So, it is necessary that these income tax exemptions have the proper adjustments for inflation, since government revenue is also automatically adjusted for inflation. On your second question, which is digital growth. In fact, you are right. The market does not have reliable data.

The data is very scattered here and there. But what, in general, I can tell you is that in 2024 and 2025 we lost share, and I think especially, we lost share in digital. Our digital growth surely does not correspond to what digital growth was in the Pet segment. And it is exactly for this reason that we are presenting, for the second time in a row, a better-quality set of results. The second and third quarters were better. But we are far from saying we are satisfied with these results. Far from it.

Why? Because a retail operator knows that retail is not something that happens overnight, neither for good nor for bad. And here, if we are growing below the market, if we are growing online below what online is growing, we have a concerning future. Of course we do. We cannot ignore this information. So, what we are doing is proposing this merger, waiting with a lot of patience for the entire Cade process, but at the same time with a lot of confidence that the answer will be none other than approval without remedies, because all these questions that you, as analysts, are asking only corroborate what we said at the public hearing and what we said to the councilors and their teams.

And what we keep saying all the time: there is competitive pressure coming from the Marketplace, which is the digitalization of small retail. And we need to know how to address this because we want, starting in 2026, to return to growing in a healthy manner.

Alexandre Namioka (Morgan Stanley): Good afternoon, everyone. Thank you for taking the question here. I think I just wanted to go back, perhaps do a follow-up, on this point between category performances. I think in the little section of the release about gross profit this time you did not comment on positive impacts coming from accessories, whereas in the second quarter you had. I think since the third quarter of last year you have been talking about a recovery in performance or sales of this category. But I just wanted to understand whether you are no longer seeing growth to normalize, 'in quotes', the performance of this category.

And the second question: I would like to explore a bit more the point about the Clubz loyalty program. There you mentioned that the number of users, if I am not mistaken, you said it doubled quarter over quarter. Now, in the third quarter, perhaps if you could give a few more metrics, maybe about the level of repeat purchase for this customer vs. a non-member, and also average ticket, and perhaps a third interesting metric, the penetration over your base of active users. Thank you.

Sergio Zimmerman: Alexandre, thank you for the questions. Let's go. The point you bring up about accessories growth, you are right. There was a moment when we pointed out that accessories were standing out in growth. Today, accessories are closer to a growth in line with the company average, naturally with variations in one subcategory or another, but it is a more aligned growth. Therefore, the increase in accessories or the recovery in accessories share, we understand that, at this moment, it is more stabilized, and that is why it is not highlighted.

Regarding your questions about Clubz, more data, penetration, higher average ticket, higher loyalty, and here, with all due respect, Alexandre, I will apologize to you. But naturally this is business confidential. We really need to keep it that way. These are important differentiators for us. We know it is a very positive movement, but evidently this type of 'which public is which', and we have 60 or 70 thousand competitors watching us, either now or at any time, because this is recorded on the internet, so, sorry, but the detailed breakdown of Clubz cannot be provided.

Alexandre Namioka (Morgan Stanley): All good, but at least directionally, you do see a higher repeat purchase rate than a non-member, I imagine, right.

Sergio Zimmerman: Naturally. Perfect. What remains, although it might sound obvious, I will say this: if we were not seeing value creation in Clubz, we would either change Clubz's path or shut Clubz down. We are seeing value creation, without a doubt. We just do not want to hand out the recipe for where that value creation comes from. That is all.

Nicolas Larrain (J.P. Morgan): Good morning. Good afternoon, Aline. Sergio, thank you for taking my question. Most of them have been answered, but I would like to perhaps pick up something, how do you see yourselves in the services segment now, in the fourth quarter and next year? There has been a good recovery in the services segment now in the third quarter. I would like to understand what your mindset is with this recovery now, toward 2026. Thank you.

Sergio Zimmerman: Nicolas, thank you very much for your question. Services, now more than ever, although we have always understood services to be important, now more than ever we consider services to be a strategic matter for the company, whether it is grooming or veterinary, because it is essential, precisely due to everything we have said here about competition with the digital world. If you have a significant increase in competition in the digital world, one of the strategies to deal with this competition is to have a services network as the major reference in veterinary health in Brazil, and grooming as the place where the consumer will have a good value proposition to take care of their pet's hygiene. That is essential.

Now, what we are trying to do is find the ways in which we compete with this market that has massive traces of informality. It is rare that you take your pet for grooming at some establishment and receive an invoice for it; it is rare that you go through a veterinary consultation and receive an invoice for that consultation, things that, for a public company, are automatic. We are always, evidently, collecting all taxes on the operation. We are assessing, evidently within the law, how we can compete in this market. It is another competitive challenge, but it is a strategic challenge. So, what I can tell you is that we see the services sector as an extremely important sector to grow.

What I can say here is this: we need to grow services above what we grow in products, because we have lost space in services over, perhaps, the past few years. We focused too much on growth in products, on store openings, and it is time to rebalance this and return to growing more in services.

Aline Penna: Complementing Sergio. I think that, in this element of competitiveness, often competing with a certain informality in the provision of services by the thousands of pet shops in the market, our franchise project comes in. We even mentioned it in the release, we continue moving forward with our franchise pilot with significant opportunity for rollout next year because, in the end, according to the franchise structure, under a different tax regime, not real profit but 'Simples', it ultimately eases the profitability of this segment and, eventually, just as we will do with products, be more price-competitive, eventually in

services too. So that is the thinking. We have two big initiatives running in parallel, both the franchise model for grooming and for our veterinary clinic units are underway. We should have more news next year.

And there is also the health plan matter, which we are still at the beginning of. We ended up not adding that much color, perhaps in today's presentation, but it keeps moving forward. Our plan is focused on prevention. And I think the beauty of what we are doing between products and services is making Clubz a major link. So today, if you purchase the Petz health plan, you automatically get our best Clubz tier, which is Clubz Diamond. And if you have Clubz Gold or Diamond, you receive 20% to 30% discounts when using services. So we have been working hard on loyalty and recurrence, integrating products and services.

Operator: The question-and-answer session is now closed. We would like to hand the floor to Mr. Sergio Zimerman for the company's final remarks.

Sergio Zimerman: Well, everyone, thank you very much for staying with us until now. As I said at the beginning, this is the last results call before Cade's decision. I want to take this final message to reinforce confidence in this decision, that we have all the technical elements to have an approval without remedies, and to reinforce that we are extremely satisfied with the technical rigor that Cade has imposed on this transaction. We believe this is, in fact, about protecting the Brazilian consumer, protecting competition in an absolute way.

To conclude this results call, with a sentence that was used in the public hearing but remains for everyone's reflection, the more I learned about Cade over these months, the clearer this became to me: Cade is a regulatory body that exists to defend competition, not to defend the competitor. That is the final message I would like to leave here.

Aline Penna: That's it, everyone. Good afternoon to all. Thank you for staying with us.

Sergio Zimerman: Thanks. Good afternoon.

Operator: The Petz Group videoconference is now closed. The Investor Relations department is available to answer any further questions. We appreciate everyone's participation and wish you a good afternoon.
