

Results 4Q23

March 8th, 2024

Petz

CENTRO VETERINÁRIO
Seres

adotepetz

zee.dog

petix.
o melhor para seu pet

CANSEI
DE SER
GATO

Cão Cidadão



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.

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1 Message from Management

Sergio Zimmerman | Founder and CEO

Main achievements 2023

The year was marked by significant achievements and valuable learning, which strengthened our resilience and ability to adapt



Achievements that consolidate our leading position in the market

30

NEW STORES

We totaled 246 stores in 23 states



NEW APP

Improvements in navigability and UX, integration with services, the launch of Clubz and CashPetz

Petz

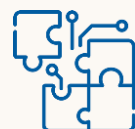
BRAND REFRESH

Strategic movement to update our brand in Aug/23



PRIVATE LABEL

Private label representing ~8.5% of product revenue (+2.1 p.p. y/y)



INTEGRATION

Reducing complexity and operational costs via a asset-light structure, bringing an essential impact on margins and greater speed in decision making

1st

SUSTAINABILITY REPORT

In addition to the publication of the 1st GHG inventory and participation in the CDP



Main achievements 2023 (cont.)

✦ Financial highlights

R\$3.8BI

TOTAL GROSS REVENUE

Growth of +12% y/y, on a significant basis of +36% y/y in 2022



CASH FLOW

Operating cash for the first time, sufficient to cover investments, in addition to a solid cash position and low level of debt

R\$1.3BI

DIGITAL GROSS REVENUE

Growth of +24% y/y, on a significant basis of +41% y/y in 2022



STRONG FOCUS ON EXPENSES

Firm control of expenses via thematic packages with relevant savings vs. budget in 2023

37.7%

DIGITAL PENETRATION

Increase of +3.6 p.p. y/y, with a reduction in the margin gap between channels between 2020 and 2023



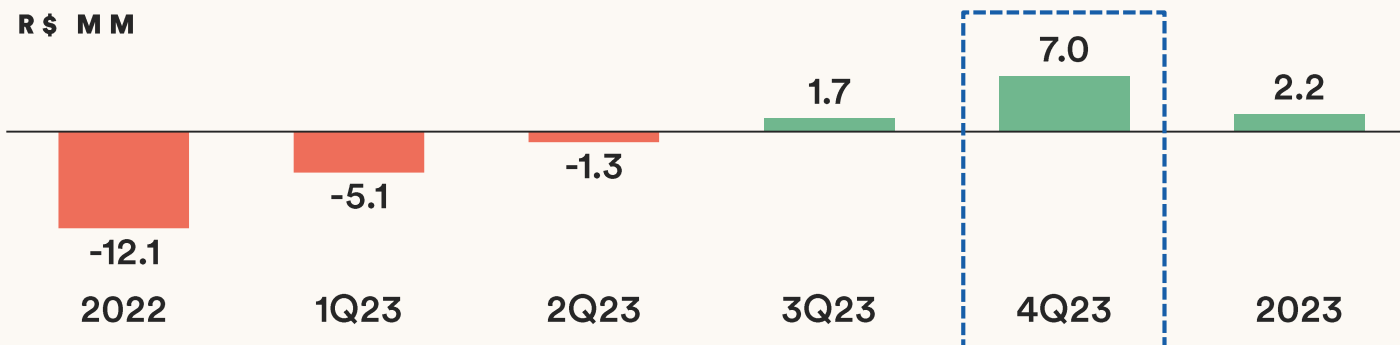
Capturing synergies with Zee.Dog

Significant integration advances in 2023, with benefits from synergies already visible in 4Q23

	2023	1H24	Expected impact
Zee.Dog Kitchen	Demobilization of the Zee.Dog Kitchen factory, with production outsourcing	<ul style="list-style-type: none"> Launch of new packaging Sale of machinery/assets 	<ul style="list-style-type: none"> Improve unit cost Improvement in fixed cost/opex: no personnel expenses and occupancy costs
Zee.Dog International	<p>Asset Light Operation</p> <ul style="list-style-type: none"> USA: exclusive partnership with local operator (B2B and B2C) Europe: only sell via distributors (vs direct distribution previously) 	100% already executed in 2023	<ul style="list-style-type: none"> Expense optimization: variables only Improvement in Opex: no personnel expenses (including expatriates) and occupancy costs Working capital reduction / no inventory risk
Zee.Now	<p>Systemic integration performed:</p> <ul style="list-style-type: none"> Unified supply Integrated management structure +15 new cities served via Petz stores 	<ul style="list-style-type: none"> Closure of 12 of the 15 hubs in operation (4/12 completed) and roll-out of sales to the nearest Petz stores +30 new cities served via Petz stores 	<ul style="list-style-type: none"> Improvement in opex: lower personnel expenses and occupancy costs Possibility to increase assortment at Zee.Now (assortment of Petz stores) Increase in zip codes served

ADJUSTED EBITDA ACQUISITIONS

Significant sequential evolution reflecting restructuring throughout 2023 and acceleration of integration with Petz

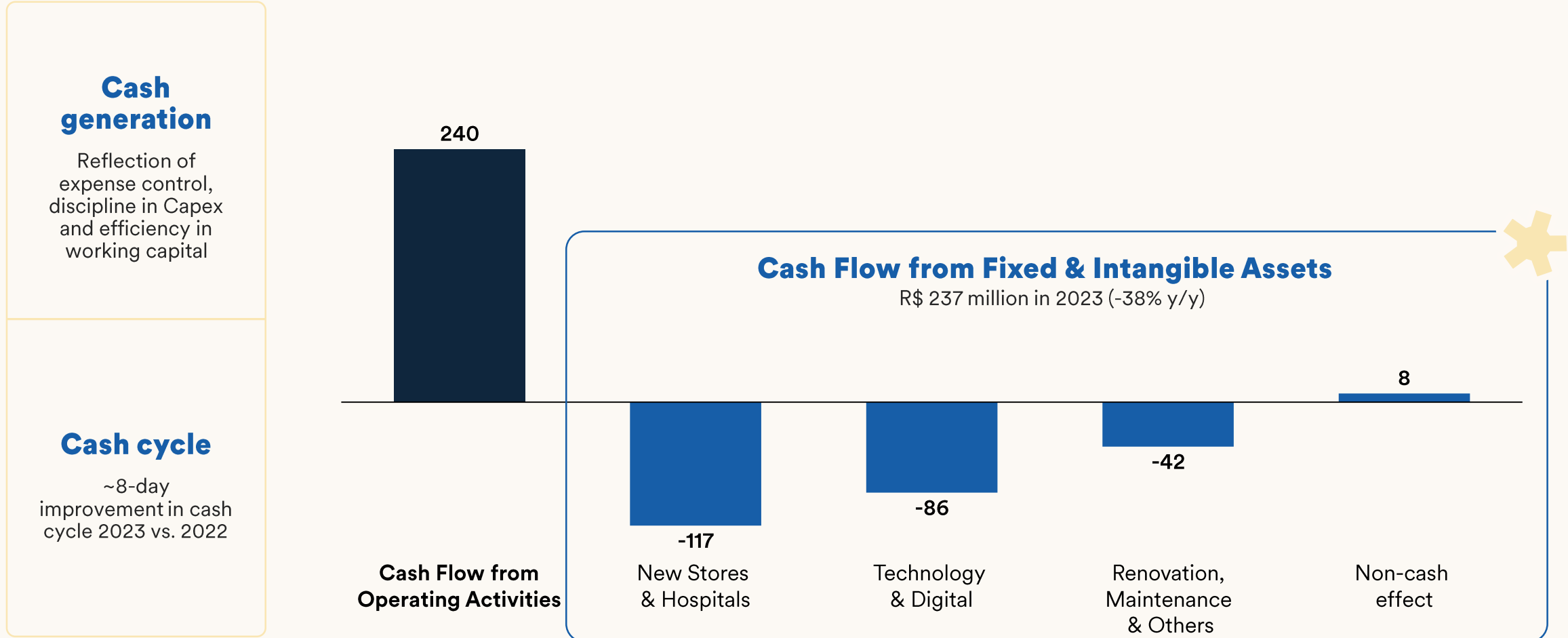


Operating Cash Generation: 2023 vision

Sufficient operating cash to cover our investments for the first time in 2023 after a long consumption season

Cash Flow

R\$ million



Short-term challenges

Sector's moderate growth vs. previous years, in addition to lower consumer disposable income

Conviction in long-term prospects

Tougher competition in 2023, although not homogeneous, with significant variations in performance between categories

Undisputed leadership in the pet segment – with a subtle increase in market share in the year

Recognition of dedication to external issues beyond our control

Execution of internal adjustments and new initiatives to drive the **resumption of growth at levels above the market in a solid, sustainable, and profitable manner**

Segment trends



Pet population increase



Pets Humanization



Content and information

Growth y/y of the category in 2023

+20%

Pharmacy

+16%

Hygiene and cleaning

-0.7%

Accessories

Essential: performance reflecting competitive commercial conditions, service level, and delivery capillarity

Discretionary: greater post-pandemic supply (including marketplaces and crossborder) impacted sales growth

We are more **confident** about this resumption of sales from the **2H24 onwards**, through the combination of a more positive macro scenario with the **beginning of the maturation of our internal initiatives**

2 Priorities / initiatives 2024

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



Our priorities/initiatives for 2024

We remain focused on growing sustainably, improving profitability and consolidating our competitive advantages

Total revenue growth through an increase in items per basket

- CRM: use of data and algorithms to increase customer retention, repurchase, and share of wallet
- Repositioning to facilitate the sale of discretionary products in Zee.Dog's store and store-in-store model



Evolution of the assortment

- Project with international consultancy: differentiated assortment per store, greater sales assertiveness and inventory efficiency
- “Right product in the right store”, with correct store display
- Increase in the addressable market with more specific price points in selected stores



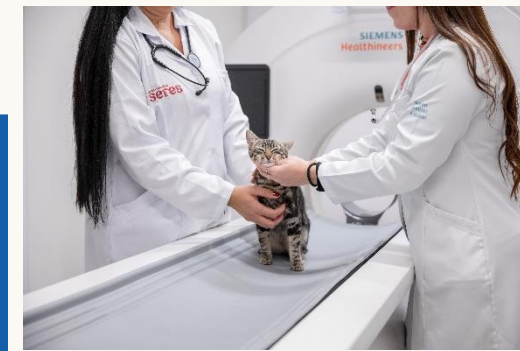
Store Expansion

- Petz: opening of smaller stores (~400 to 500 m²) and greater geographic spread
- Zee.Dog Franchises: a substantial increase in footprint in 2024
- Zee.Now Stores: pilot of neighborhood stores / convenience format, with services



Service Revamp

- Optimization of installed capacity and fixed cost control
- Review of customer-focused processes and quality of service
- Viability study of new models/partnerships (i.e. micro franchises) and development of the health plan



Our priorities/initiatives for 2024 (cont.)

We remain focused on growing sustainably, improving profitability, and consolidating our competitive advantages

Advancement in private label for differentiation

- Increased private label share, through campaigns and product positioning within stores and on the website/App
- Launch of dry food scheduled for 2H24



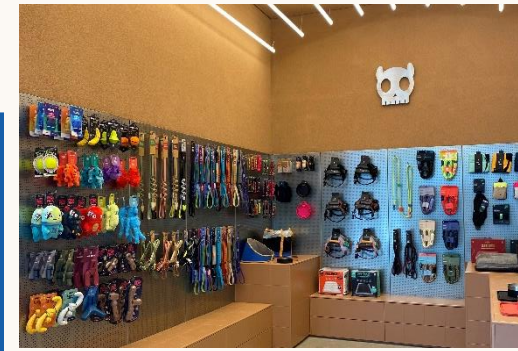
Improvement in the physical store experience

- Frontline staff empowerment
- Intensified training for employees, focusing on excellent customer service
- Specific campaigns and events for the physical store, as well as dedicated space to product tasting
- Better supply of small animal/pets assortment



Discipline in cash management

- Expense control, more rigidity in investment approval, and continuous search for efficiencies
- Maintaining a low level of leverage and investments mostly linked to the year's operating cash generation



Synergy with acquired companies

- Zee.Dog: capturing synergies through restructuring in 2023 and roll-out of Zee.Now hubs for Petz stores already started in Feb/24
- Petix: sequential scale gain and better unit cost per pad, responsible for 80.3% of all dogs pads sold at Petz Group



Petz physical stores

Intensification of initiatives to increase customer flow in the store

Incentives through the APP

Já está liberado no

CLUBZ

Benefícios pra você

Quero ativar



Services



Experience

Differentiated experience in stores 50 stores

- Staff training
- Greater variety of assortment
- Service campaigns and recurring events calendar
- Private label tasting
- Priority and focus on operational indicators

Pick-up



Brand activations



Events







3 Financial Results

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







Financial Highlights | Petz Group 4Q23

4Q23	 Total Gross Revenue (TGR)	 Gross Profit	 Adjusted EBITDA	 Adjusted Net Income
Petz Group	R\$ 983.8 MM +5.2% y/y	R\$ 382.1 MM +4.5% y/y 38.8% RBT (-0.3 p.p. y/y and +0.6 p.p. q/q)	R\$ 66.8 MM -3.5% y/y 6.8% TGR (-0.6 p.p. y/y)	R\$ 19.4 MM -22.0 % y/y 2.0% TGR (-0.7 p.p. y/y)

Highlights

- **Petz Standalone Gross Revenue:** R\$890.3 MM; **+5.1% y/y**
- **Petz Standalone Digital Gross Revenue (PDGR):** R\$352.6 MM; **+15.4% y/y**
- **Same-Store-Sales:** **-1.6% y/y**
- **Petz Standalone Gross Profit:** R\$345.6 MM; **+3.3 y/y**; Gross Profit of **38.8%** of PGR (**-0.7 p.p. y/y**)
- Margin pressure reflecting increased Digital Penetration y/y and PIS/Cofins tax changes that were not included in the comparison basis
- **Petz Group Operating Expenses** R\$315.3 MM; **+6.3% y/y**
- **Petz Standalone Adjusted EBITDA:** R\$59.8 MM; **-18.8% y/y**; Adjusted EBITDA Margin of **+6.7%** of PGR (**-2.0 p.p. y/y**)
- **Acquisitions EBITDA:** **R\$7.0 MM**, an improvement vs. 4Q22 and 3Q23
- **D&A (+16% y/y):** increase in store openings and investments in Tech/Digital in recent years
- **Comparison basis:** loC payment in 4Q22

Financial Highlights | Petz Group 2023

2023	 Total Gross Revenue (TGR)	 Gross Profit	 Adjusted EBITDA	 Operating Cash Generation
Petz Group	R\$ 3.8 BI +12.5% y/y	R\$ 1.5 BI +9.5% y/y 39.1% TGR (-1.0 p.p. y/y)	R\$ 267.1 MM +2.9% y/y 7.1% TGR (-0.7 p.p. y/y)	+R\$ 219.9 MM vs. +R\$36.6MM in 2022

Highlights

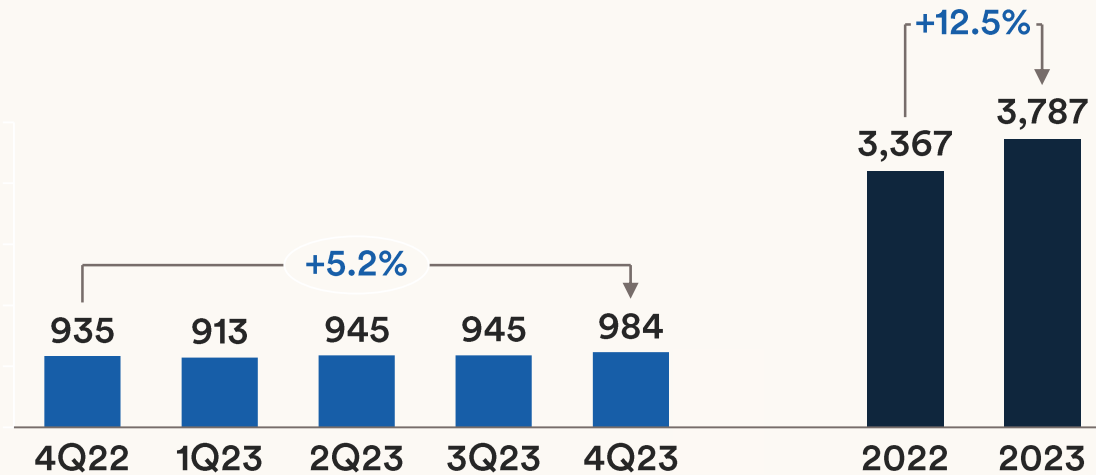
- Petz Standalone Gross Revenue:** R\$3.5 BI; **+12.3% y/y**, with highlight on Products (**+13.2% y/y**)
- Petz Standalone Digital Gross Revenue (PDGR):** R\$1.3 BI; **+24.0% y/y**
- Same-Store-Sales:** **+2.6% y/y**
- Petz Standalone Gross Profit:** R\$1.4 BI; **+9.2 y/y**; Gross Margin of **39.1%** of PGR (**-1.1 p.p. y/y**)
- Petz Group Operating Expenses:** R\$1.2 BI; **+11.1% y/y**
- Petz Standalone Adjusted EBITDA:** R\$264.9 MM; **-2,5% y/y**; Adjusted EBITDA Margin of **7.6%** of PGR (**-1.2 p.p. y/y**)
- Generation of operating cash sufficient to cover our investments, reflecting expense control, discipline in Capex, and working capital efficiency
- ~8 days y/y improvement in cash conversion cycle**

Petz Group Gross Revenue

Highlight for the performance of pharmacy, hygiene & cleaning and food categories

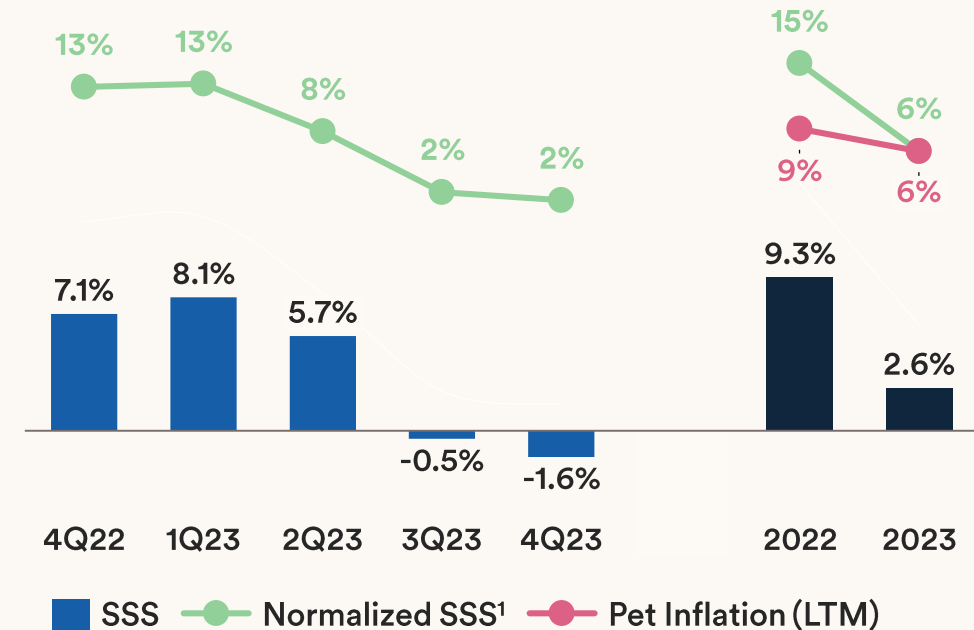
Petz Group Gross Revenue

R\$ millions



Petz Standalone Same-Store-Sales (SSS)

Change %, y/y



R\$ 890.3 MM

Petz Standalone Gross Revenue (+5.1 y/y), with highlight on Products (+6.0% y/y)

-1.6% SSS

Reflection of the challenging macro scenario, cooling in Pet inflation, reduction in Service revenue, and accelerated pace of store expansion

R\$ 115.0 MM

Acquisitions Gross Revenue (+12.8% y/y), positive results from Zee.Dog's Black Friday, Zee.Now's performance and Petix's sales

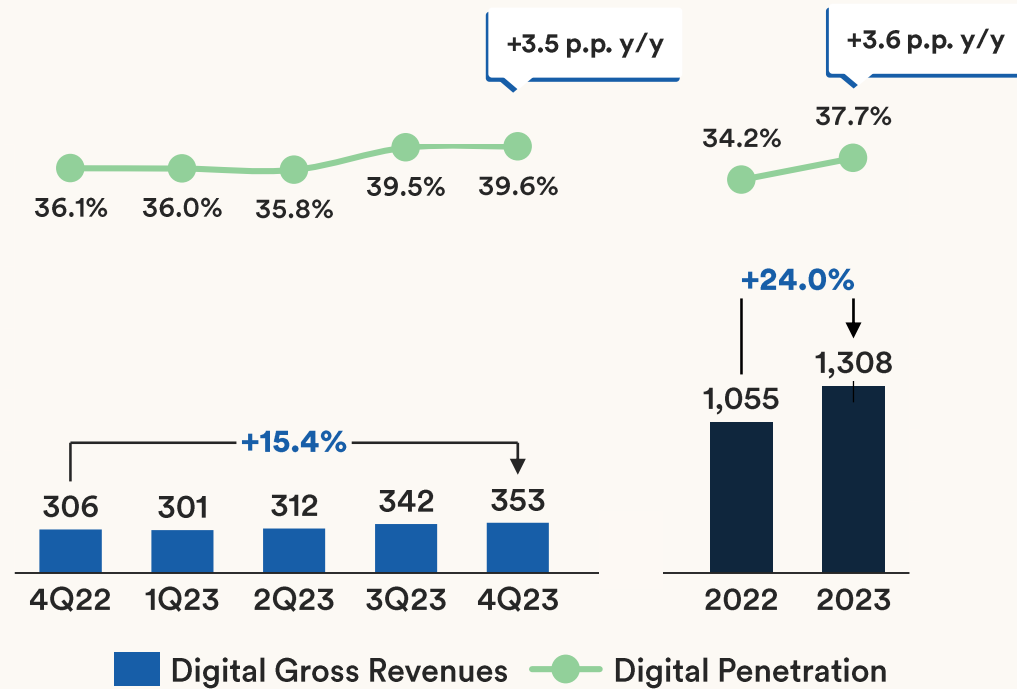
¹ Excluindo as lojas que foram impactadas pela abertura de novas unidades da Petz nas zonas de influência e/ou na mesma cidade.

Petz Standalone Digital channel

Robust growth of +15% y/y (on strong comparison base +43% y/y in 4Q22)

Digital Gross Revenue and Digital Penetration

R\$ millions, % Petz Standalone Gross Revenue



Record Digital Penetration

Increase in share of **3.5 p.p. y/y** and **flat p.p. q/q**



Adjustments to commercial conditions

After 3Q23, with greater investments in competitiveness, we opted for a more balanced 4Q23



Omnichannel Strategy

92.1% of digital sales in 4Q23 (+1.5 p.p. y/y) delivered or collected in physical stores



High level of service

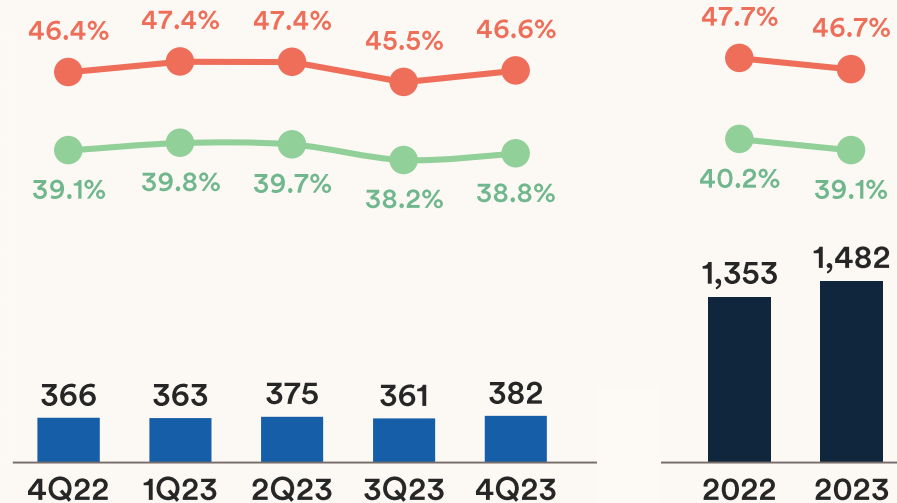
95% of Ship from Store sales delivered within **1 business day**, with **87%** of all Digital orders

Petz Group Gross Margin

Margin pressure is mainly reflected by the Petz Standalone performance

Petz Group Gross Profit

R\$ millions



■ Gross Profit ● % Total Gross Revenues ● % Total Net Revenues



Petz Group Margin
-0.3 p.p. y/y

mainly a reflection of Petz Standalone performance



Petz Standalone Margin
-0.7 p.p. y/y

reflection of increased Digital Penetration y/y and PIS/Cofins tax changes



Petz Group Margin
+0.6 p.p. q/q

Sequential increase with adjustment to the competitiveness strategy

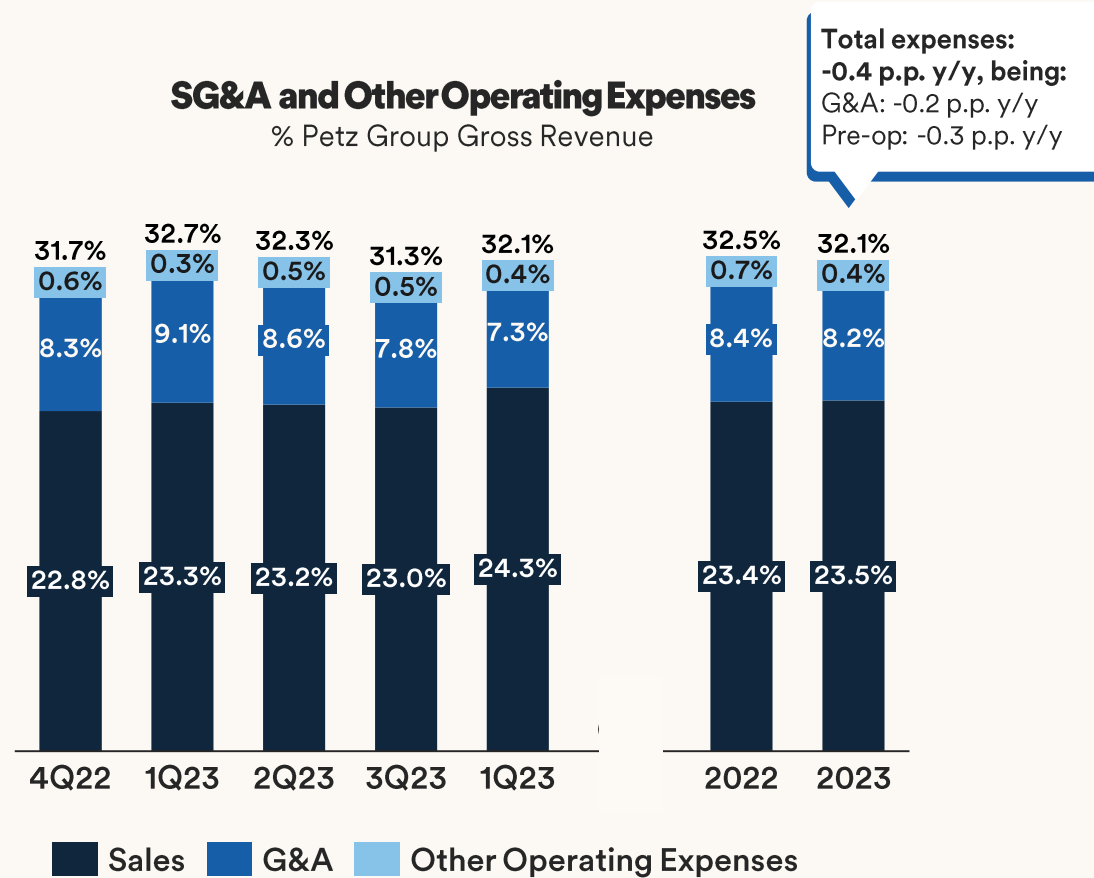


Cooling of pet internal inflation

6% accumulated over 12 months in Dec/23 (vs 9% in Dec/22), reflecting a lower growth in top line and SSS

Petz Group Operating Expenses

The increase reflects lower operating leverage and higher Selling Expenses, offset by a reduction in G&A



Selling expenses +1.6 p.p. y/y

Result of the institutional brand refresh campaign, store openings, and network maturation



G&A -1.0 p.p. y/y

Reflection of synergy capture and restructuring at Zee.Dog and reduction in Petz's corporate expenses



Other Op. Expenses -0.2 p.p. y/y

Reflection of lower opening pace in 2023 vs. 2022 and greater efficiency of pre-operational expenses



Zee.Dog

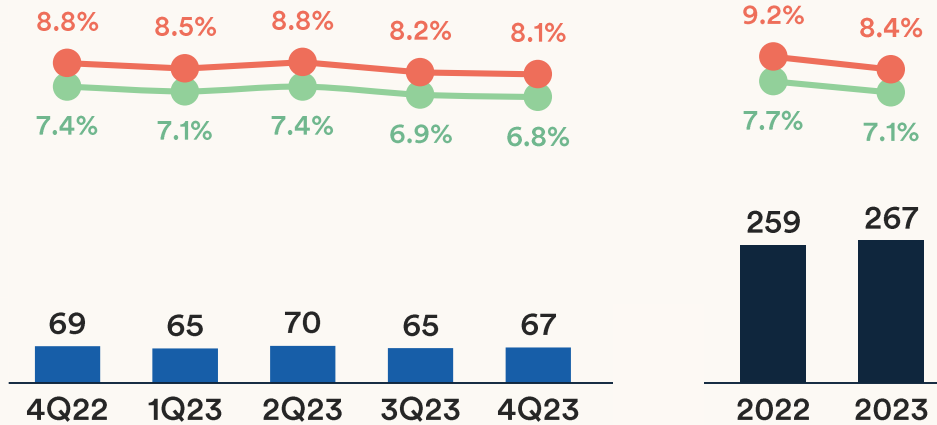
Restructuring to make the operation more asset-light in the international vertical (USA/Europe) and Brazil (hubs and ZDK)

Petz Group Adjusted EBITDA Margin

Positive result from acquisitions, partially offsetting the pressure coming from Petz Standalone

Petz Group Adjusted EBITDA (Pre-IFRS16)

R\$ million, % Petz Group Gross Revenue



■ Adjusted EBITDA ● % Total Gross Revenues ● % Total Net Revenues

4-wall EBITDA (Stores)

% Petz Standalone Gross Revenue

Cohorts	# Stores	4-wall EBITDA (4Q23LTM)
Until 2018	80	17.1%
2019	26	17.0%
2020	28	16.4%
2021	37	14.7%
2022	50	9.8%
2023	30	7.6%



R\$122 MM (+2.5% y/y)

Petz Group IFRS 16 Adjusted EBITDA in 4Q23

6.7% (-2.0 p.p. y/y)

Petz Standalone Adjusted EBITDA Margin, reflecting gross margin pressure, greater share of Digital, lower operational leverage, and brand refresh marketing campaign

+R\$7.0 MM

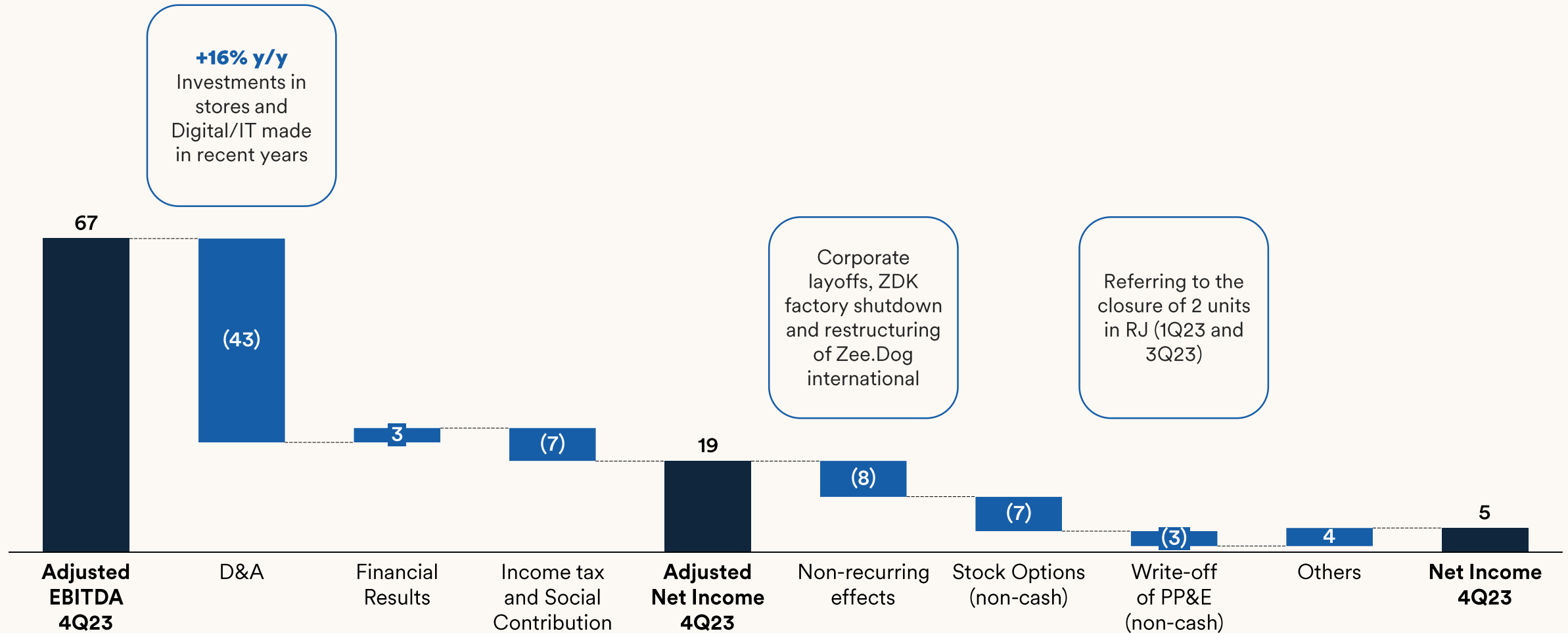
Acquisitions EBITDA, improvement vs. -R\$4.5MM in 4Q22 and R\$1.7MM in 3Q23, reflecting the capture of synergies with Petz and the new asset-light approach at Zee.Dog

Petz Group Adjusted Net Income

Y/y reduction in 4Q23 reflects growth in D&A and comparison basis (IoC payment in 4Q22 vs. no payouts in 4Q23)

Petz Group Adjusted Net Income (Pre-IFRS16)

R\$ million

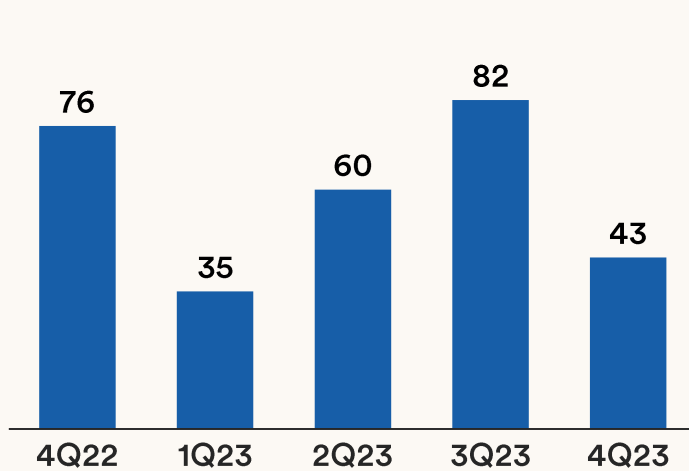


Cash flow, capex and debt

Robust cash position reflecting discipline in approving investments and seeking efficiencies in working capital

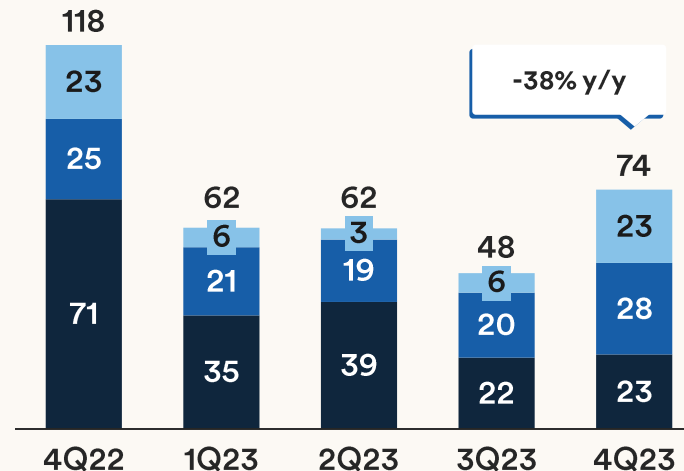
Operating Cash Flow

R\$ million



Capex

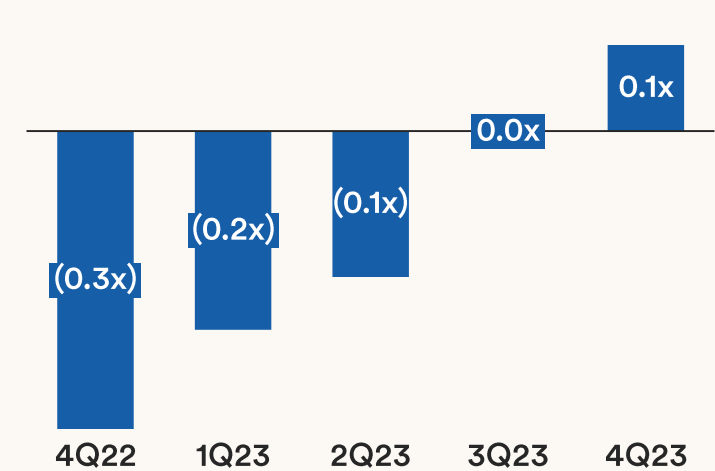
R\$ million



- New Stores & Hospitals
- Technology & Digital
- Renovation, Maintenance & Others¹

Leverage (IAS 17)

Net Debt/Adjusted EBITDA 12M



- **R\$43 MM** of operating cash generation
- **Increase in tactical inventory levels**, mainly due to a higher level of strategic year-end purchases
- **Improvement in the Accounts Receivable mix**, with a more significant share of pix (payment method)

- **-38% y/y** of Total Investments
- **-68% y/y** of New Stores, reflecting the lower pace of openings in 2023, greater efficiency in unit implementation, and lower capex per store, given its smaller size
- **+14% y/y** of Investment in Technology and Digital that reflect mainly innovation, UX and infrastructure

- **R\$19 MM** of Adjusted Net Profit (-22% y/y), reflecting the increase in D&A and basis of comparison (IoC in 4Q22 vs. no payouts in 4Q23)
- **R\$23 MM** of net debt in 4Q23

¹ Includes CAPEX consolidation of acquired companies (Zee.Dog and Petix)

Q&A

PT

- Para fazer perguntas, clique no ícone “Q&A” na parte inferior da tela;
- Escreva seu **nome, empresa e idioma;**
- Ao ser anunciado, uma solicitação para ativar o microfone aparecerá na tela. Você deve ativá-lo para fazer perguntas;
- Orientamos que as perguntas sejam feitas todas de **uma única vez.**

EN

- To ask questions, click on the “Q&A” icon at the bottom of the screen;
- Write your **name, company, and language;**
- When announced, a request to activate the microphone will appear on the screen. You must activate it to ask questions;
- We recommend that all questions be **asked at once**



GRUPO **PETZ**

PETZ
B3 LISTED NM

IBOVESPA B3

IBRX100 B3

IBRA B3

IGC B3

ITAG B3

IGCT B3

IGC-NM B3

ICON B3

SMLL B3

ICO2 B3

IDIVERSA B3

IVBX B3

<https://ri.petz.com.br>
ri@petz.com.br

Aline Penna

VP of Finance, IR/ESG and New Business

Mirele de Aragão

IR Manager

Thaise Furtado

IR Sr. Analyst

Press Office

Marilia Paiotti | petz@novapr.com.br