

Video Conference

March 8th, 2024 (Friday)

10am Brasília | 8am EST | 1pm GMT

Webcast

Petz

4Q23 Results

March 7th, 2024



petz

CENTRO VETERINÁRIO
seres


adotepetz


zee.dog

petix.
o melhor para seu pet

**CANSEI
DE SER
GATO**


Cão Cidadão



São Paulo, March 7th, 2024 – Pet Center Comércio e Participações S.A. (“Petz Group” or “Company”) (B3: PETZ3) announces its results for the fourth quarter of 2023 (4Q23). It is worth mentioning that the Petz Group results below include the consolidation of (i) Zee.Dog from January 2022 onwards; and (ii) Petix from July 2022 onwards, unless indicated otherwise.

Since 2019, our Financial Statements have been prepared in accordance with IFRS 16. To better represent the current economic reality of the business, **the numbers in this report are presented under the previous reporting standard IAS17/CPC 06. The reconciliation with IFRS 16 in 4Q23 is available on pages 25-27.**

Results | 4Q23

- **Petz Stores: 246 units¹**, with **10 openings** in 4Q23 (**30** in 2023)
- **Petz Group Gross Revenue (GR)²: R\$983.8mm; +5.2% y/y**
 - ✓ **Petz Standalone Product Gross Revenue: R\$860.6mm; +6.0% y/y**
 - ✓ **Petz Standalone Digital Gross Revenue (DGR): R\$352.6mm; +15.4% y/y;**
39.6% of Petz Standalone Gross Revenue (PGR) (+3.5 p.p. y/y)
- **Petz Group Gross Profit: R\$382.1mm; +4.5% y/y;** Gross Margin of **38.8%** of PGR (**-0.3 p.p. y/y and +0.6 p.p. q/q**)
 - ✓ **Petz Standalone Gross Profit: R\$345.6mm; +3.3% y/y;** Gross Margin of **38.8%** of PGR (**-0.7 p.p. y/y and +0.7 p.p. q/q**)
- **Petz Group Adjusted EBITDA³: R\$66.8mm; -3.5% y/y;** Adjusted EBITDA Margin of **6.8%** of GR (**-0.6 p.p. y/y**)
 - ✓ **Petz Standalone Adjusted EBITDA³: R\$59.8mm; -18.8% y/y;** Adjusted EBITDA Margin of **6.7%** of PGR (**-2.0 p.p. y/y**)
 - ✓ **EBITDA Acquisitions³: R\$7.0mm** vs. +R\$1.7mm in 3Q23 and -R\$4.5mm in 4Q22

B3: PETZ3

R\$3.99

Per share

462,523,502

Total Shares

R\$1.8 billion

Market Cap

IR Contact

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

ri@petz.com.br

+55 (11) 3434-7181

Data as of March 7th, 2024

Summary of Results and Indicators (IAS 17)

R\$ thousands, unless otherwise stated	4Q23	4Q22	Var.	2023	2022	Var.
Financial Results Petz Group						
Total Gross Revenue²	983,809	934,820	5.2%	3,786,594	3,366,845	12.5%
Gross Revenue Petz Standalone	890,305	846,973	5.1%	3,463,972	3,084,986	12.3%
Gross Revenue from Acquisitions	115,017	102,004	12.8%	398,119	317,466	25.4%
Digital Gross Revenue Petz Standalone	352,632	305,667	15.4%	1,307,516	1,054,857	24.0%
Digital Penetration (% PGR)	39.6%	36.1%	3.5p.p.	37.7%	34.2%	3.6p.p.
Gross Profit	382,066	365,735	4.5%	1,481,789	1,352,845	9.5%
% Total Gross Revenue	38.8%	39.1%	(0.3p.p)	39.1%	40.2%	(1.0p.p)
Gross Profit Petz Standalone	345,598	334,553	3.3%	1,359,219	1,245,161	9.2%
% Gross Revenue Petz Standalone	38.8%	39.5%	(0.7p.p)	39.2%	40.4%	(1.1p.p)
Adjusted EBITDA³	66,753	69,183	-3.5%	267,094	259,466	2.9%
% Total Gross Revenue	6.8%	7.4%	(0.6p.p)	7.1%	7.7%	(0.7p.p)
Adjusted EBITDA Petz Standalone ³	59,776	73,640	(18.8%)	264,876	271,609	(2.5%)
% Gross Revenue Petz Standalone	6.7%	8.7%	(2.0p.p)	7.6%	8.8%	(1.2p.p)
Adjusted Net Income⁴	19,428	24,899	(22.0%)	77,895	109,450	(28.8%)
% Total Gross Revenue	2.0%	2.7%	(0.7 p.p)	2.1%	3.3%	(1.2 p.p)
Indicadores Operacionais Petz Standalone						
Number of Stores ¹	246	218	28	246	218	28
Store Openings	10	18	(8)	30	50	(20)
Footage (m ²) ¹	212,925	201,510	5.7%	212,924	201,510	5.7%
Seres Veterinary Centers	127	155	(28)	127	155	(28)

1 Considers the closure of Extra Barra da Tijuca unit in 3Q23 and Ayrton Senna unit in 1Q23, both in Rio de Janeiro-RJ. More explanations in the footnote on page 8.

2 Considers the effect of Intercompany Eliminations (details page 9).

3 Does not consider the effect of IFRS 16, in addition to the adjustments explained on page 17.

4 Settings explained on page 18. It does not consider the effect of IFRS 16, therefore it should not be used as a reference for the basis for calculating dividends.

Petz Group Highlights | 4Q23 and 2023

Revenues

Petz Group Gross Revenue of **R\$983.8 MM** in 4Q23, **+5.2% y/y**

Petz Standalone Gross Revenue of **R\$890.3 MM** in 3Q23, **+5.1% y/y**

2023: Petz Group Gross Revenue of **R\$3.8 BI** (**+12.5% a/a**)

Cash Generation

Operating Cash Generation in 2023 sufficient to cover the company's investments, reflecting expense control, discipline in capital expenditures (Capex), and efficiencies in working capital.

Improvement of ~8 days y/y of cash cycle in 2023

Digital

Petz Standalone Digital Gross Revenue of **R\$352.6 MM, +15.4% a/a**, in 4Q23 and **+24.0% y/y** in 2023

Petz Standalone Digital Penetration reached a **record of 39.6%** in 4Q23

Omnichannel Ratio of **92.1%** in 3Q23, **record level and a benchmark in Brazilian and global retail**

Omnichannel customers with an **average monthly spending ~60% higher** vs. physical channel

95% of Ship from Store sales delivered **within 1 business day**

~395 thousand subscribers (+7.2% y/y), representing **27%** of Petz Standalone Gross Revenue in December/2023

Reduction of subscriber churn (**-1.4 p.p. y/y**) in December/23

Store Expansion & Network

10 openings in 4Q23, 5 outside the state of São Paulo

Achieving store opening guidance in 2023

Average area of new stores: **484m²** in 4Q23 vs. **723m²** in 4Q22

Profitability

Petz Group Gross Margin of **38.8%** in 4Q23

Petz Group Adjusted EBITDA of **R\$66.8 MM** in 4Q23 (**-3.5% y/y**) representing 6.8% of TGR (**-0.6 p.p. y/y**)

Petz Standalone EBITDA Margin of **6.7% in 4Q23** (**-2.0 p.p. y/y**)

EBITDA from acquisitions of **+R\$7,0 MM**, a **significant improvement** vs 3Q23 and 4Q22



Integrations/Acquisitions

Gross Revenue from Acquisitions of R\$115.0 MM (**+12.8% y/y**), positive results from Zee.Dog's Black Friday, the performance of Zee.Now, and Petix sales

Restructuring Zee.Dog's USA and Europe vertical (asset light approach)

Disinvestment of the Zee.Dog Kitchen factory, outsourcing the production

Message from Management

The year 2023 marked **significant achievements and valuable lessons** for Petz. Amidst a dynamic environment, we overcame challenges that not only strengthened our resilience and adaptability but also demonstrated the dedication and commitment of the entire team.

Regarding the achievements that further consolidated our leadership position in the market, we highlight the following:

- **The diligent integration of acquired companies - a movement that reduced complexity and operational costs via an asset-light structure, bringing significant benefits to margins and greater speed in decision-making.**
 - **Significant progress in Zee.Dog's integration, having achieved by the end of 2023:** (i) shutdown of the Zee.Dog Kitchen factory, with production outsourcing and better unit cost of the product; and (ii) restructuring of the international vertical, now with an asset-light operation through an exclusive partnership with a local operator (USA) and via distributors only (Europe) vs direct distribution previously. Furthermore, with the systemic integration completed, we increased the number of cities served by Zee.Now and started the closing of 12 hubs (out of the 15 existing ones) – sales that will now be addressed by nearby Petz stores, without changing customer experience, generating a reduction in operational expenses (rent and personnel).
- **30 new stores opened** during the period, totaling 246 units in 23 states.
- **The new Petz App was launched**, consolidating channel and service offerings and improving customer navigation and shopping experience. This version also includes Clubz (Petz's new benefits program) and brings convenience to customers through scheduling grooming and veterinary services (which already represent approximately 60% and 20% of service bookings as of Dec/2023, respectively).
- **Petz brand refresh**, a strategic move to update our brand. It represents the Company's progress in consolidating its ecosystem of products and services, enhanced by acquisitions.
- **Launch of new private label products and categories**, representing ~8.5% of gross product revenue in Dec/2023 (+2.1 p.p. y/y). The expansion of the private label portfolio highlights our capacity for innovation and differentiation compared to the competition (specialized or not).
- Advancements in our ESG agenda include conducting our **first Greenhouse Gas (GHG) Inventory**, our **first Annual Sustainability Report** and participation in the **CDP questionnaire**.

Regarding the financial highlights of the year:

- **Total Gross Revenue of R\$ 3.8 billion, representing a growth of +12% y/y**, performance achieved vs. a significant growth base of 36% y/y in 2022.
- **In the Digital channel, Gross Revenue amounted to R\$ 1.3 billion, a growth of +24% y/y** vs. a substantial growth base of +41% y/y in 2022. Digital Penetration reached 37.7%, representing an increase of +3.6 p.p. y/y. Despite the significant advance in online share, we **significantly reduced the margin gap between physical and digital channels** between 2020 and 2023 by implementing strategic initiatives (such as service fee charging) and operational efficiency in performance marketing, shipping and packaging.
- **Strong focus on expenses** through firm controls via thematic packages with relevant savings vs. budget in 2023.
- **Operational cash generation sufficient to fund our investments – for the first time –** reflecting our commitment to expense control and capex discipline, but also a significant improvement in the cash cycle/working capital. Additionally, the Company maintains a **solid cash position and low debt levels**, even after raising R\$400 million in long-term financing in 1H23.

Even with the Company's significant achievements throughout the year, we are closely monitoring the scenario in the pet segment, acknowledging short-term challenges. Firstly, we noticed more **moderate growth in the sector compared**

to previous years and lower consumer disposable income. However, our conviction in the long-term prospects remains strong, driven by population growth and the growing trend towards pet humanization, associated with a growing consumption of content and information by the pet owners.

Secondly, we also notice a **slightly fiercer** competition in 2023, although the **dynamics in the sector are not homogeneous, with significant performance variations among categories.** For example, we observed that discretionary products – such as accessories – suffered a substantial increase in supply, a category that did not grow y/y in Petz Standalone. On the other hand, recurring and essential categories such as Pharmacy, Hygiene & Cleaning and Food continue to show healthy growth levels.

Despite these factors, **we continue to be the undisputed leader in the pet segment – with a slight increase in market share during the year** through our differentiated value proposition and the flexibility/adaptability of our team. Even with this positive result, Petz is not satisfied with growth close to the market average – **we are committed to achieving higher levels of growth, in accordance with our history.** Therefore, in 2024, we are directing our focus further within the Company, executing internal adjustments and new initiatives to accomplish this objective in a **solid, sustainable, and profitable way.** We present more details about these opportunities in the following section. It is important to highlight that **we are confident about this resumption of sales from the 2H24 onwards through the combination of a more favorable macro scenario with the beginning of the maturation of our internal initiatives.**

Last, **we continue to be guided by one of our non-negotiable values since our founding: delighting our customers and placing them at the center of all decisions.** Our commitment to competitive pricing and exceptional service remains solid without compromising operational efficiency and cost control. This approach and the initiatives we have been working on over the last few months are fundamental to consolidating our leadership position and strengthening our customers' loyalty. With this, we arrived in 2024 with great learnings from the previous year and confident in our strategic positioning and our team's dedication to achieving consistent results.

Sergio Zimmerman

Our priorities/initiatives for 2024

We remain focused on growing sustainably, improving our profitability, and consolidating our competitive advantages through the following pillars:

Growth in total revenue through an increase in items per basket

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



Assortment evolution

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

Store expansion

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

Service restructuring

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



Private label differentiation improvement

- Increased private brand share, through campaigns and product positioning within stores and on the website/App
- Launch of dry food scheduled for second half of the year

Improvement of physical store experience

- Frontline staff empowerment and intensified training for employees, with a focus on excellent customer service
- Carrying out specific campaigns and events for the physical store, as well as dedicated space to product tasting
- Better supply of small animals/pets assortment

Discipline in cash management

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

Synergy with acquired companies

- Zee.Dog: capture of synergies through restructuring carried out in 2023 (closure of the ZDK factory, international asset light operation, systemic integration) and roll-out of Zee.Now hubs for Petz stores already started in Feb/24 (total of 12 hubs)
- Petix: sequential scale gain and better unit cost per dog pad unit, responsible for 80,3% of all dog pads sold at Petz Group

Petz Group Income Statement

Petz Group	4Q23	4Q22	Change	2023	2022	Change
R\$ thousands, unless otherwise stated						
Gross Revenue from Products and Services	983,809	934,820	5.2%	3,786,594	3,366,845	12.5%
Taxes and other Deductions	(163,219)	(146,798)	11.2%	(613,353)	(532,311)	15.2%
Net Revenue from Products and Services	820,590	788,022	4.1%	3,173,241	2,834,534	11.9%
Cost of Goods Sold and Services Rendered	(438,524)	(422,287)	3.8%	(1,691,452)	(1,481,689)	14.2%
Gross Profit	382,066	365,735	4.5%	1,481,789	1,352,845	9.5%
Operating Revenue (Expenses)	(315,313)	(296,552)	6.3%	(1,214,695)	(1,093,379)	11.1%
Selling	(239,425)	(212,781)	12.5%	(888,892)	(787,480)	12.9%
General & Administrative	(71,678)	(77,789)	(7.9%)	(309,235)	(281,249)	10.0%
Other Operating Income (expenses), net	(4,210)	(5,982)	(29.6%)	(16,568)	(24,650)	(32.8%)
Adjusted EBITDA	66,753	69,183	(3.5%)	267,094	259,466	2.9%
Non-Recurring Results ¹	(7,647)	(6,210)	23.1%	(16,104)	(15,646)	2.9%
Stock Option Plan ²	(7,300)	(3,070)	137.8%	(17,310)	(26,819)	(35.5%)
Write-off of Fixed Assets	(3,171)	-	-	(3,186)	(235)	1255.7%
Depreciation & Amortization	(43,381)	(37,318)	16.2%	(165,363)	(127,101)	30.1%
Operating Profit before Financial Income	5,254	22,585	(76.7%)	65,131	89,665	(27.4%)
Financial Results	2,313	13,022	(82.2%)	(9,233)	22,317	n/a
Financial Income	24,588	24,284	1.3%	83,180	64,333	29.3%
Financial Expenses	(22,275)	(11,262)	97.8%	(92,413)	(42,016)	119.9%
Earnings before Income Tax and Social Contribution	7,567	35,607	(78.7%)	55,898	111,982	(50.1%)
Income Tax and Social Contribution	(2,416)	(11,869)	(79.6%)	(19,916)	(36,694)	(45.7%)
SOP, M&A, Non-Recurring and tax effects	14,277	1,161	n/a	41,912	34,162	22.7%
Adjusted Net Income	19,428	24,899	(22.0%)	77,895	109,450	(28.8%)
EBITDA	48,635	59,903	(18.8%)	230,494	216,766	6.3%
Adjusted EBITDA IFRS 16³	122,425	119,447	2.5%	483,852	446,087	8.5%

Petz Standalone Income Statement

Petz Standalone	4Q23	4Q22	Change	2023	2022	Change
R\$ thousands, unless otherwise stated						
Gross Revenue from Products and Services	890,305	846,973	5.1%	3,463,972	3,084,986	12.3%
Taxes and other Deductions	(138,265)	(123,080)	12.3%	(527,196)	(468,864)	12.4%
Net Revenue from Products and Services	752,040	723,894	3.9%	2,936,776	2,616,122	12.3%
Cost of Goods Sold and Services Rendered	(406,442)	(389,341)	4.4%	(1,577,557)	(1,370,961)	15.1%
Gross Profit	345,598	334,553	3.3%	1,359,219	1,245,161	9.2%
Operating Revenue (Expenses)	(285,822)	(260,912)	9.5%	(1,094,343)	(973,552)	12.4%
Adjusted EBITDA	59,776	73,641	(18.8%)	264,876	271,610	(2.5%)

¹ Non-recurring effects explained on page 17.

² Non-cash effect and accounted for from the moment the grants are distributed, taking into account the vesting period of each option. In this sense, it is worth mentioning that most of these expenses refer to the second stock option plan approved at the time of the IPO, and calculated based on the share price in July/August 2021 (~R\$ 23/share).

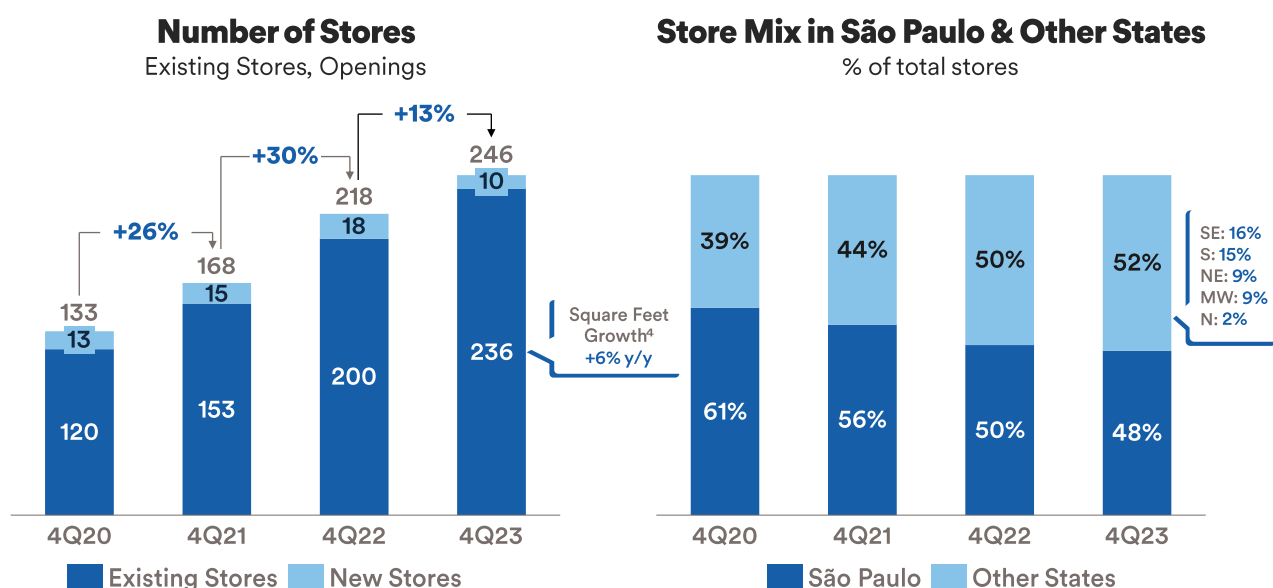
³ More information on the Appendix II on page 25.

Petz Store Network and Seres Veterinary Centers

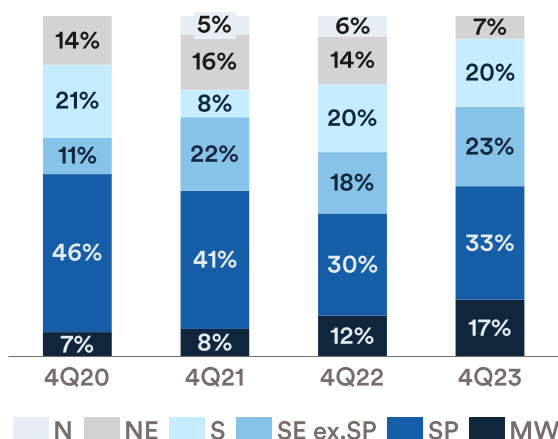
10 stores opened in 4Q23, 5 outside the state of São Paulo and 3 in new cities: Botucatu - SP, Santa Maria - RS, and Divinópolis - MG. We ended the quarter with **52% of units outside São Paulo** (compared to 50% in 4Q22).

In 2023, we reached a milestone of 30 openings in 12 states, fulfilling our guidance of opening 30-40 stores for the year. We ended 4Q23 with 246 stores⁴ in 23 states across the 5 regions of Brazil, strengthening our leadership position as the largest Pet ecosystem in the country in terms of revenue and the number of units and geographic coverage. It's worth noting that **about 47% of the stores have not yet completed their third year of operation (with 12% still in their first year)**, meaning they have yet to reach their full expected potential in revenue and profitability.

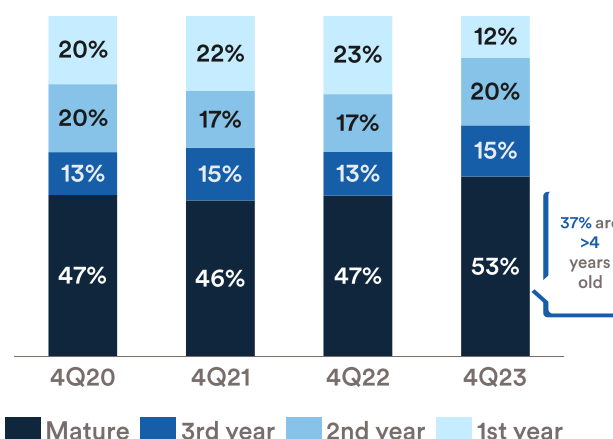
Finally, regarding the "Seres" brand, we ended the period with 127 Veterinary Centers, including 15 hospitals - these are present in 11 states.



Mix of Stores Opening by Region
% of total stores opening LTM



Distribution by Age
% of total stores



⁴ Considers the closure of the Extra Barra da Tijuca and Ayrton Senna units, both in Rio de Janeiro-RJ (further explanations in the 3Q23 and 1Q23 Earnings Release, respectively).

Total Gross Revenue

R\$ thousands, unless otherwise stated	4Q23	4Q22	Change	2023	2022	Change
Gross Revenue Petz Standalone⁵	890,305	846,973	5.1%	3,463,972	3,084,986	12.3%
Products	860,559	811,628	6.0%	3,335,930	2,948,026	13.2%
Physical Stores	507,927	505,961	0.4%	2,028,414	1,893,169	7.1%
Digital	352,632	305,667	15.4%	1,307,516	1,054,857	24.0%
Services & Others	29,746	35,345	(15.8%)	128,042	136,960	(6.5%)
Gross Revenue from Acquisitions⁶	115,017	102,004	12.8%	398,119	317,466	25.4%
Intercompany ⁷	(21,514)	(14,158)	-	(75,497)	(35,608)	-
Gross Revenue Petz Group	983,809	934,820	5.2%	3,786,594	3,366,845	12.5%

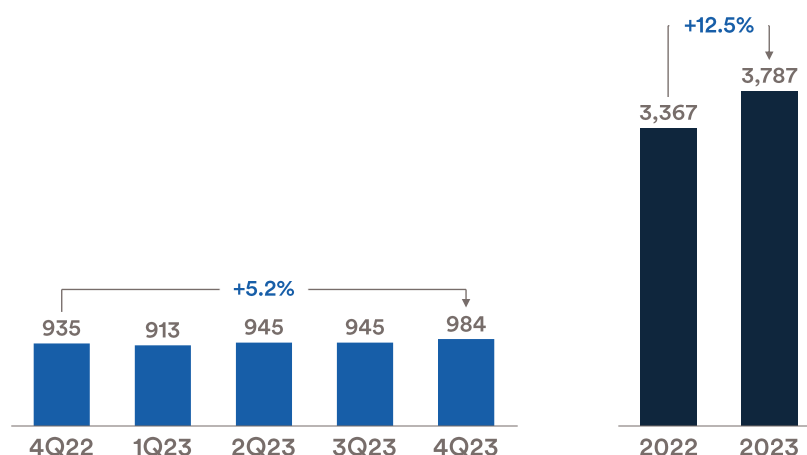
The Petz Group Gross Revenue includes sales from (i) Petz Standalone: products and services carried out in the physical Petz store network, and also sales of products originating from Petz's digital channels, which consider Omnichannel sales (Pick-up and Ship from Store) and E-commerce (sales shipped directly to the customer from the distribution center); (ii) Zee.Dog: sales of exclusive and third-party products on the Zee.Now App, exclusive products in Zee.Dog Brazil (B2B, physical retail, and E-commerce), in Zee.Dog International (B2B and E-commerce), as well as Zee.Dog Kitchen, the Zee.Dog line of natural pet food (E-commerce and physical retail); and (iii) Petix: sales of exclusive products in Brazil (B2B and International (B2B and E-commerce)).

Petz Group Gross Revenue

In 4Q23, Petz Group Gross Revenue was R\$983.8 million, an increase of +5.2% y/y, highlighting the performance of Petz Standalone Products (+6.0% y/y). We ended 2023 with Petz Group's Gross Revenue of R\$3.8 billion, a growth of 12.5% y/y.

Gross Revenue

R\$ million



⁵ Includes revenues from Cansei de Ser Gato and Cão Cidadão.

⁶ Includes Zee.Dog's revenue as of January 2022 and Petix as of July 2022.

⁷ Effect of sales of Petix and Zee.Dog products made from this to Petz, to supply Petz's physical stores and digital channels.

Petz Standalone Gross Revenue

In 4Q23, Petz Standalone Gross Revenue was R\$890.3 million, a growth of 5.1% y/y, vs. a solid comparison basis of +22.0% y/y in 4Q22.

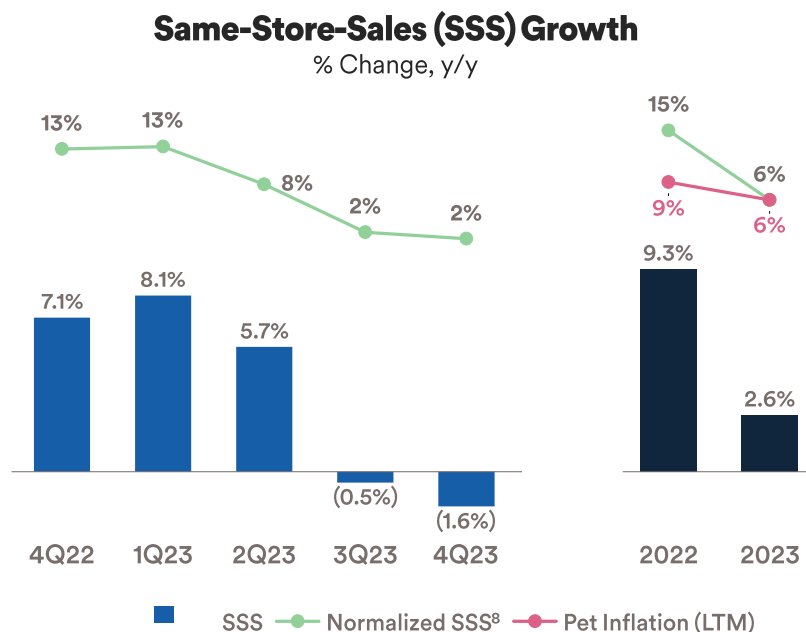
Sales from Petz Standalone in 4Q23 were driven by the product segment (+6.0% y/y), with **notable growth in Digital revenue, totaling R\$352.6 million, a 15.4% y/y increase**. Thus, Digital Penetration over Gross Revenue reached a **record level of 39.6%, up by +3.5 p.p. y/y and flat compared to 3Q23** - a result explained in the Digital Performance section of Petz Standalone on page 12.

On the other hand, **the Services and Others segment decreased 15.8% y/y**, mainly reflecting strategic changes in the services vertical, including adjustments in pricing tables aimed at greater competitiveness, as well as the temporary closure of veterinary clinics and grooming centers during 1Q23 due to network resizing studies. In this regard, it is worth reinforcing our strategic focus on revitalizing services through the optimization of installed capacity and cost control, process review with a focus on customer and service quality, feasibility studies of new models/partnerships (i.e., micro-franchises), and development of health plans.

We ended 2023 with a Gross Revenue from Petz Standalone of R\$3.5 billion, a growth of 12.3% compared to the previous year – vs. a comparison base of +24.8% in 2022.

Petz Standalone Same-Store-Sales (SSS)

Petz Standalone Same-Store-Sales presented a performance of **-1.6% y/y in 4Q23** (vs. +7.1% in 4Q22 and -0.5% in 3Q23) as a result of (i) the challenging macroeconomic scenario in retail and in Brazil; (ii) cooling of internal inflation in the Pet segment; (iii) a decrease in Services revenue; and (iv) the accelerated pace of store expansion. **For 2023, SSS was +2.6%** (vs. +9.3% in 2022), for the same reasons mentioned above.



⁸ Excluding stores impacted by the opening of new Petz units in areas of influence and/or in the same city.

Petz Standalone Product Gross Revenue

Gross Revenue from Petz Standalone Products grew 6.0% y/y, highlighting the **Food category (+7.2% y/y), which represented 59.5% of Petz Standalone product sales in 4Q23 (+0.3 p.p. y/y)**. The maintenance of Food levels mainly reflects (i) **the scenario of inflationary pressure**, negatively impacting the consumption of discretionary items and (ii) **the increased penetration of Digital in the Company's sales, which structurally has a higher share of Food**. In 2023, the Gross Revenue from Petz Standalone Products totaled R\$3.3 billion, a growth of 13.2% year-on-year. In this context, the Food category represented 60.4% of the Gross Revenue from Petz Standalone products during the period, an increase of 0.6 p.p. y/y.

Within Non-Food, product categories present different performances, with essential items (Pharmacy and Hygiene & Cleaning) growing above Food, despite the competitive scenario, which includes marketplaces. This reflects the strength of our Omnichannel value proposition.

+20.0%

Growth y/y in the **Pharmacy** category in 2023

+16.0%

Growth y/y in the **Hygiene and Cleaning** category in 2023

-0.7%

Decline y/y in the **Accessories** category in 2023

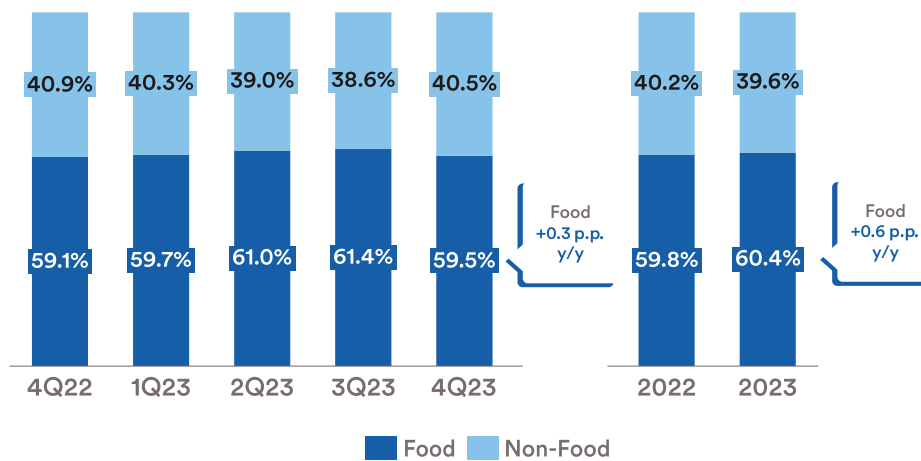
Essential categories

Growth at Petz vs. market reflects our competitive commercial conditions, in addition to excellence and consistency in service level and delivery capillarity

Discretionary

Greater post-pandemic supply (including marketplaces and cross border) impacted Petz sales growth

Gross Revenue from Products % by category



Petz Standalone Digital Performance

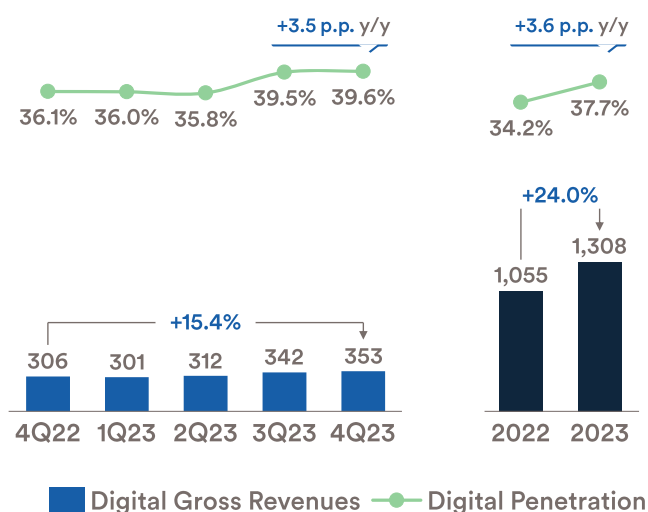
Petz Standalone Digital totaled R\$352.6 million in 4Q23, a growth of 15.4% y/y, a performance already based on a strong basis of comparison in 4Q22 (+42.5% y/y). Thus, Digital Penetration reached 39.6% of Petz Standalone Gross Revenue, an increase of 3.5 p.p. y/y and stable q/q. It is worth noting that throughout 3Q23, we had higher margin investments in competitiveness, a dynamic that we chose to pursue with less intensity in 4Q23.

Overall, the performance of Digital Petz Standalone reflects (i) the Omnichannel strategy (sales made through Pick-up and Ship from Store), reaching an Omnichannel Index of 92.1% (compared to 90.6% in 4Q22), a record and benchmark level in Brazilian and global retail; (ii) excellence and consistency in service levels, with 95% of sales made through the Ship from Store mode delivered within 1 business day (87% of all Digital orders); (iii) improvements in customer navigation and shopping experience, especially with the new version of the Petz app; (iv) a vast and complete assortment; (v) efficient management of product out-of-stock rates; and (vi) competitive commercial conditions, such as the Subscription Program, which already has over 395,000 subscribers (+7.2% y/y).

In 2023, Petz Standalone had Digital revenues of R\$1.3 billion (+24.0% y/y), representing a Digital penetration of 37.7% of total revenue (+3.6 p.p. y/y).

Digital Gross Revenue and Digital Penetration

R\$ million, % Petz Standalone Gross Revenue



~2.7 MM
Omnichannel active clients at Petz (+8.9% y/y), with an average spending +60% vs. physical channel

~395 K
Subscribers (+7.2% y/y), representing 27% of the Gross Revenue in December/23

-1.4 p.p. y/y
Reduction in subscriber churn, which continues at healthy levels, in December/23

Gross Revenue from Acquisitions

In 4Q23, Gross Revenue from Acquisitions was R\$115.0 million (+12.8% y/y).

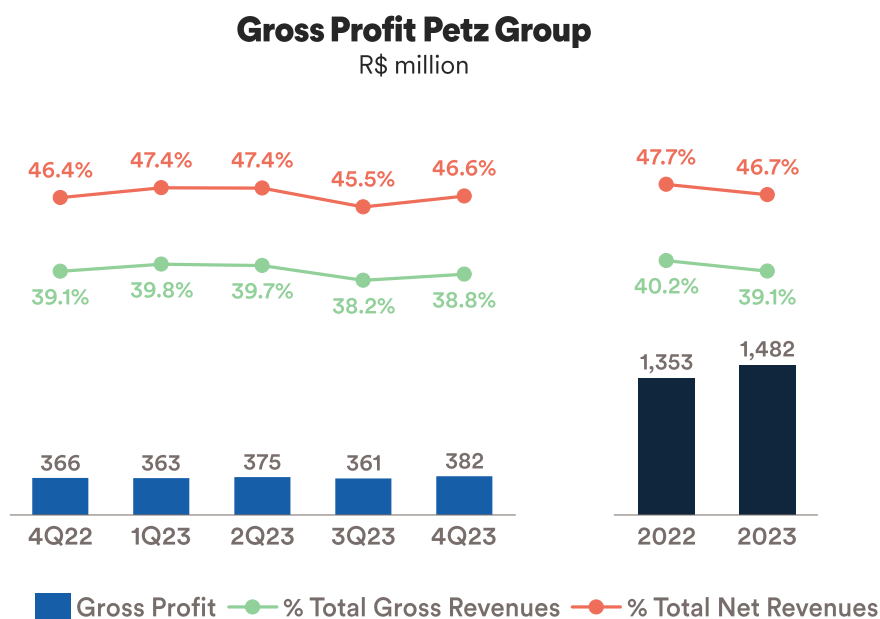
In 4Q23, Zee.Dog’s Gross Revenue totaled R\$72.6 million (+12.5% y/y), mainly reflecting the performance of Zee.Dog Brasil, driven by the positive results of Black Friday and Zee.Now, due to the implementation of initiatives such as (i) expansion of zip codes served via Petz stores; (ii) launch of the Zee.Now website; and (iii) payment via PIX.

In 4Q23, Petix’s Gross Revenue was R\$42.5 million (+13.1% y/y), with performance driven by the growth of the slim dog pad category. It is worth noting that in 1Q23, Petix started producing the entire line of private label dog pads, including Petz, Zee.Dog, and Fresh Pads, as well as Super Secão - the segment leader in all channels. The share of private label in the dog pads category reached 80.3% in the quarter, compared to 56.9% in 4Q22 (+23.5 p.p. y/y).

Petz Group Gross Profit

Petz Group Gross Profit totaled R\$382.1 million in 4Q23 (+4.5% y/y), representing a gross margin of 38.8%, -0.3 p.p. y/y and +0.6 p.p. q/q when compared to 3Q23. This result y/y is mainly a reflection of Petz Standalone performance, as explained below. In 2023, Petz Group Gross Profit totaled R\$1.5 billion (+9.5% y/y), representing a gross margin of 39.1% (-1.0 p.p. y/y).

Petz Standalone gross margin was 38.8% in 4Q23, with a slight pressure of 0.7 p.p. y/y and an improvement of 0.7 p.p. q/q compared to 3Q23. The variation y/y is mainly explained by: (i) the relevant increase in Digital Penetration (+3.5 p.p. y/y); and (ii) PIS/Cofins tax changes, which were not in the comparison basis. In 2023, Petz Standalone Gross Profit was R\$1.4 billion (+9.2% y/y), representing a gross margin of 39.2%, a drop of 1.1 p.p. y/y a, given the abovementioned factors.



Petz Group Operating Expenses

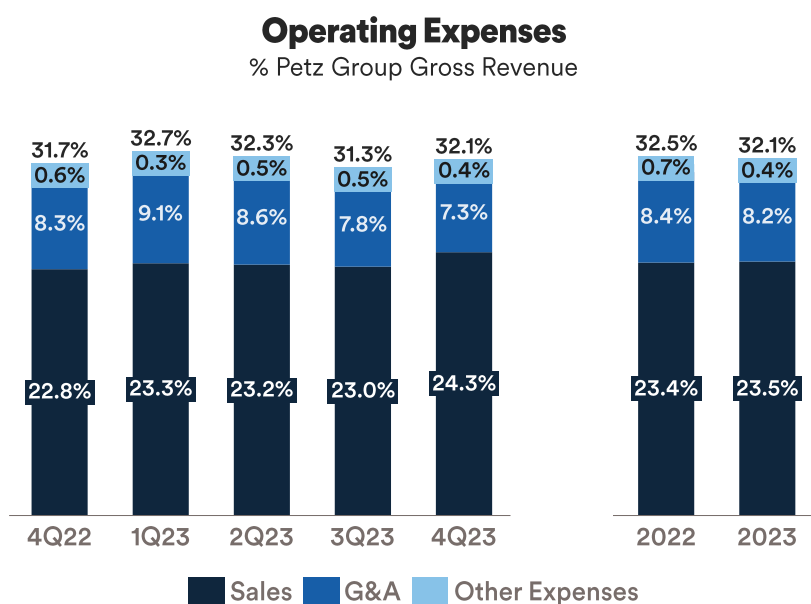
Petz Group R\$ thousands, unless otherwise stated	4Q23	4Q22	Change	2023	2022	Change
General and Administrative Expenses (G&A)	311,103	290,570	7.1%	1,198,127	1,068,729	12.1%
% Total Gross Revenue	31.6%	31.1%	0.5 p.p.	31.6%	31.7%	(0.1 p.p.)
Selling Expenses	239,425	212,781	12.5%	888,892	787,480	12.9%
% Total Gross Revenue	24.3%	22.8%	1.6 p.p.	23.5%	23.4%	0.1 p.p.
General & Administrative Expenses	71,678	77,789	(7.9%)	309,235	281,249	10.0%
% Total Gross Revenue	7.3%	8.3%	(1.0 p.p.)	8.2%	8.4%	(0.2 p.p.)
Others Operating Expenses	4,210	5,982	(29.6%)	16,568	24,650	-32.8%
% Total Gross Revenue	0.4%	0.6%	(0.2 p.p.)	0.4%	0.7%	(0.3 p.p.)
Total Operating Expenses	315,313	296,552	6.3%	1,214,695	1,093,379	11.1%
% Total Gross Revenue	32.1%	31.7%	0.3 p.p.	32.1%	32.5%	(0.4 p.p.)

Petz Group Operating Expenses totaled R\$315.3 million in 4Q23 (+6.3% y/y), representing a level of 32.1% of the Petz Group Gross Revenue (+0.3 p.p. y/y). This is a reflection of lower operating leverage and higher Sales Expenses in the period. These effects were partially offset by efficiency gains in General & Administrative Expenses and in the Other Operating Expenses line.

Petz Group Selling Expenses were R\$239.4 million in 4Q23, +12.5% y/y, representing 24.3% of Gross Revenue (+1.6 p.p. y/y). This performance reflects of marketing expenses due to the national institutional campaign in 4Q23 – which includes broadcast TV and out-of-home media – within the context of refreshing the Petz brand. Furthermore, it is worth mentioning the opening stores, taking into account that the store takes, on average, 6 months to reach breakeven and maturation of the existing network in the context of lower operating leverage; which mainly reflects in lower percentage dilution of expenses with (i) personnel; (ii) rental; and (iii) transport, impacted by the greater geographical diversification of the store network.

Petz Group General & Administrative Expenses (G&A) totaled R\$71.7 million in 4Q23, a reduction of 7.9% y/y, representing 7.3% of Petz Group Gross Revenue (-1.0 p.p. y/y). This performance is mainly a reflection of (i) restructuring at Zee.Dog to make the operation more asset-light in the international vertical (use of exclusive partners and distributors) and in Brazil (reduction in corporate personnel expenses, rent expenses, IT/ supplies/ means of payment contractual unification); and (ii) reduction in travel expenses.

In 4Q23, Other Operating Expenses totaled R\$4.2 million (-29.6% y/y), representing 0.4% of total revenue (-0.2 p.p. y/y), reflecting the slower pace of opening stores in 2023 vs. 2022 and greater efficiency in pre-operational expenses.



Petz Group Adjusted EBITDA (Pre-IFRS 16)

Petz Group R\$ thousands, unless otherwise stated	4Q23	4Q22	Change	2023	2022	Change
Adjusted Net Income	19,428	24,899	(22.0%)	77,895	109,450	(28.8%)
(+) Stock Option Plan (SOP) ¹⁰	(7,300)	(3,070)	137.8%	(17,310)	(26,819)	(35.5%)
(+) Non-Recurring Effects Adjusted on EBITDA	(7,647)	(6,210)	23.1%	(16,104)	(15,646)	2.9%
(+) Write-off of PP&E	(3,171)	-	-	(3,186)	-	-
(+) Interest in accounts payable to selling shareholders	(725)	11,766	n/a	(10,071)	4,445	n/a
(+) Tax effects	4,566	(3,647)	n/a	4,759	3,858	23.4%
Net Income⁹	5,151	23,738	(78.3%)	35,982	75,288	(52.2%)
(-) Income Tax & Social Contribution	2,416	11,869	(79.6%)	19,916	36,694	(45.7%)
(-) Depreciation & Amortization	43,381	37,318	16.2%	165,363	127,101	30.1%
(-) Financial Results	(2,313)	(13,022)	(82.2%)	9,233	(22,317)	n/a
EBITDA	48,635	59,903	(18.8%)	230,494	216,766	6.3%
(-) Stock Option Plan (SOP) ¹⁰	7,300	3,070	137.8%	17,310	26,819	(35.5%)
(-) Write-off of PP&E	3,171	-	n/a	3,186	235	1255.7%
(-) Non-recurring results	7,647	6,210	23.1%	16,104	15,646	2.9%
(-) Non-recurring income	-	-	-	(3,743)	-	0.0%
(-) Non-recurring expenses	7,647	6,210	23.1%	19,847	15,646	26.9%
Adjusted EBITDA	66,753	69,183	(3.5%)	267,094	259,466	2.9%
<i>Adjusted EBITDA / Total Gross Revenues</i>	<i>6.8%</i>	<i>7.4%</i>	<i>(0.6 p.p)</i>	<i>7.1%</i>	<i>7.7%</i>	<i>(0.7 p.p)</i>
Adjusted EBITDA IFRS 16	122,425	119,447	2.5%	483,852	446,087	8.5%
<i>Adjusted EBITDA IFRS 16 / Total Gross Revenues</i>	<i>12.4%</i>	<i>12.8%</i>	<i>(0.3 p.p)</i>	<i>12.8%</i>	<i>13.2%</i>	<i>(0.5 p.p)</i>

Petz Group Adjusted EBITDA was R\$66.8 million in 4Q23 (-3.5% y/y), representing 6.8% of Gross Revenue (-0.6 p.p. y/y), as explained below.

Petz Standalone Adjusted EBITDA totaled R\$59.8 million in 4Q23, a reduction of 18.8% y/y. The Adjusted EBITDA margin in the quarter was 6.7%, -2.0 p.p. vs. 4Q22, reflecting (i) gross margin pressure; (ii) increase in Digital Penetration; (iii) lower operating leverage; and (iv) higher Sales Expenses (mainly with Petz brand refresh marketing campaign). These movements were partially offset by efficiency initiatives in G&A Expenses and the Other Operating Expenses line.

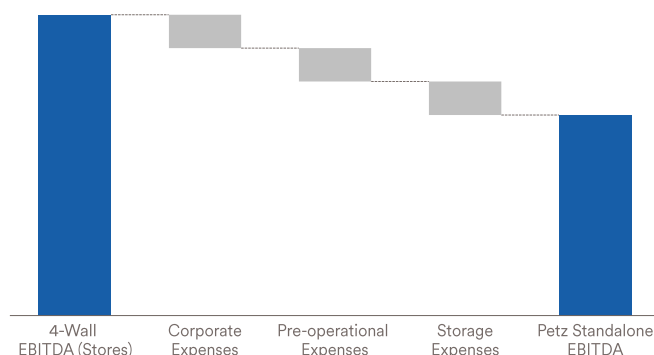
4-Wall EBITDA (Stores) 2023

% Petz Standalone Gross Revenue

Cohorts	# Stores	4-wall EBITDA (2023)
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%

EBITDA "4-Wall"

Graphic Representation (Illustrative character)



⁹ In 4Q22, Net income included the non-cash effect of R\$14.2 million related to the adjustment to fair value of the installments based on Petz's share price in the context of the acquisition of Cão Cidadão, due to the devaluation of the shares in the period in question since the closing of the transaction (out/21). Disregarding this effect, Net Income would have reduced by 74.7%.

¹⁰ Non-cash effect and accounted for from the moment the grants are distributed, taking into account the vesting period of each option. In this sense, it is worth mentioning that most of these expenses refer to the second stock option plan approved at the time of the IPO, and calculated based on the share price in July/August 2021 (~R\$ 23/share). Furthermore, in 4Q22 the Stock Option Plan line contains the full effect of cancellation of options, recognized from the moment the grant is distributed, referring to executives benefiting from the plan who left the Company throughout 2022.

EBITDA “Acquisitions” was R\$7.0 million in 4Q23 (an improvement compared to R\$1.7 million in 3Q23), mainly reflecting the capture of synergies between companies acquired with Petz, primarily through the significant advance with Zee.Dog integration, as well as some structural adjustments to the business.

By the end of 2023, we executed: (i) **Zee.Dog Kitchen factory shut down**, outsourcing the production and better unit cost of the product; and (ii) **restructuring of the international vertical**, now with an asset-light operation (lower fixed expenses and inventory risk) through an exclusive partner (USA) and through distributors only (Europe) vs. direct distribution previously. Furthermore, with the systemic integration completed, it was possible to implement strategic initiatives within **Zee.Now**, such as (i) **payment via pix**; (ii) **expansion of Zip Codes served by Petz stores**; and more recently, (iii) the **process of closing the Zee.Now hubs** –both sales will be handled by Petz stores, without changing the customer experience, generating operations expenses reduction (rent and personal of the hubs that ceased to exist).

It is also worth mentioning that **we doubled the production capacity of the diaper pulper machine at Petix**, which processes discarded diapers from the industry and extracting the absorbent gel and cellulose fluff (subsequently used in the manufacturing of sanitary pads). This advancement represents margin improvements through recycled inputs and scale gains, in addition to being a more sustainable practice.

R\$ thousands (Pre-IFRS 16) unless otherwise stated	4Q23			4Q22		
	Grupo Petz ¹¹	Petz “Standalone”	Aquisições ¹²	Grupo Petz ¹¹	Petz “Standalone”	Aquisições ¹²
Total Gross Revenue	983,809	890,305	115,017	934,820	846,973	102,004
Adjusted EBITDA	66,753	59,776	6,977	69,183	73,641	(4,458)
<i>Adjusted EBITDA /Total Gross Revenues</i>	6.8%	6.7%	6.1%	7.4%	8.7%	(4.4%)

R\$ thousands (Pre-IFRS 16) unless otherwise stated	2023			2022		
	Grupo Petz ¹¹	Petz “Standalone”	Aquisições ¹²	Grupo Petz ¹¹	Petz “Standalone”	Aquisições ¹²
Total Gross Revenue	3,786,594	3,463,972	398,119	3,366,845	3,084,986	317,466
Adjusted EBITDA	267,094	264,876	2,218	259,466	271,609	(12,143)
<i>Adjusted EBITDA /Total Gross Revenues</i>	7.1%	7.6%	0.6%	7.7%	8.8%	(3.8%)

In 4Q23, the Petz Group's Non-Recurring Result totaled R\$7.6 million, mainly explained by (i) terminations linked to the resizing of Petz's corporate structure; and (ii) the Zee.Dog integration process, which includes the shutdown of the Zee.Dog Kitchen factory and restructuring of Zee.Dog's international vertical (both bring future benefits in terms of personnel and occupancy costs). It is worth mentioning that the Non-Recurring Result also includes the recognition (non-cash) of the earnout portion of the Zee.Dog transaction in the amount of R\$1.5 million.

Furthermore, in 4Q23, we had a non-cash effect from the Write-off of PP&E related to the closure of Extra Barra da Tijuca and Ayrton Senna units, both in Rio de Janeiro-RJ (further explanations in the 3Q23 and 1Q23 Earnings Release, respectively).

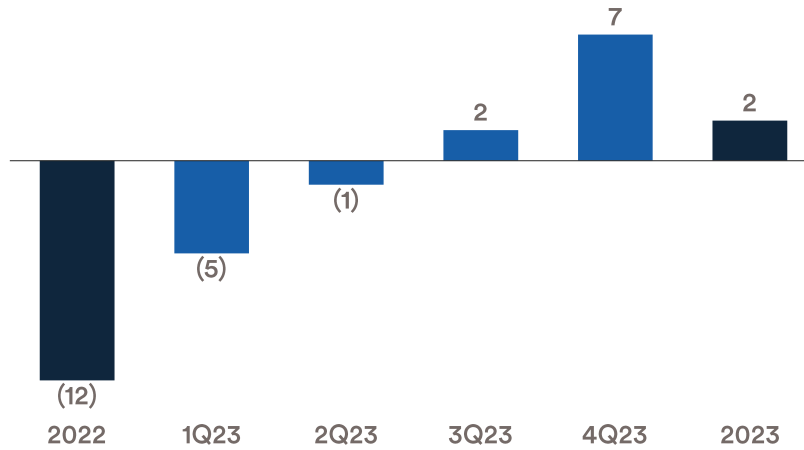
It is worth highlighting that in 4Q22 the Stock Option Plan line contains the full effect of cancellation of options, recognized from the moment the grant is distributed, referring to executives benefiting from the plan who left the Company throughout 2022.

¹¹ Considers the effect of Intercompany Eliminations (details page 9).

¹² Includes revenue from Zee.Dog from January 2022 and Petix from July 2022.

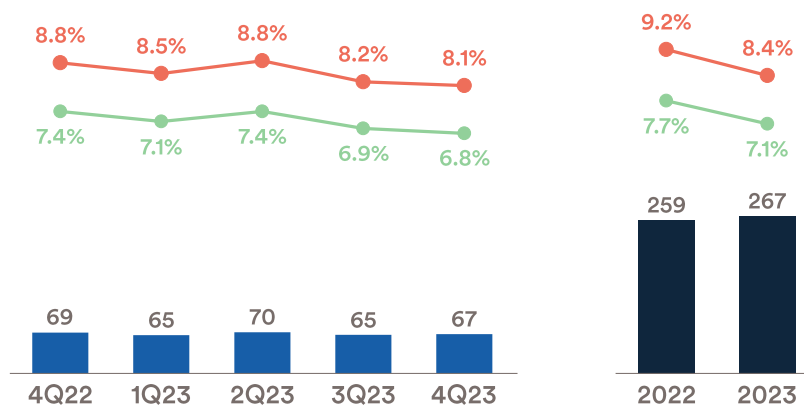
Acquisitions Adjusted EBITDA

R\$ million



Adjusted EBITDA (Pre-IFRS 16)

R\$ million



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

Depreciation & Amortization, Financial Result and Income Tax and Social Contribution

Depreciation & Amortization expenses in 4Q23 totaled R\$43.4 million, a growth of 16.2% y/y. **The evolution is explained by the relevant investments made by the Company in recent years**, mainly (i) in the expansion of the Petz store network, most of whose units still have less than three years of operation; (ii) in the Digital channel, to improve our customers’ navigability and purchasing experience (UX) and seek more efficiency in sales conversion; and (iii) strengthening/modernizing the IT infrastructure, ensuring scalability and robustness of the business.

The Financial Result in 4Q23 represented revenue of R\$2.3 million vs. R\$13.0 million recorded in 4Q22, explained by higher financial expenses **related to the entry of two long-term financings during 1H23**. It is worth mentioning that in 4Q22, Financial Revenue included the non-cash effect of R\$14.2 million, referring to the adjustment to fair value of installments based on the Petz share price in the context of the acquisition of Cão Cidadão, due to the devaluation of shares in the period in question since the closing of the transaction. In 4Q23, this effect was only R\$ 2.3 million.

The Financial Result for the year represented an expense of R\$9.2 million, explained by the entry of long-term financing in 1H23 vs. revenue of R\$22.3 million in 2022, driven by resources raised in the 2021 follow-on that were invested in Financial applications.

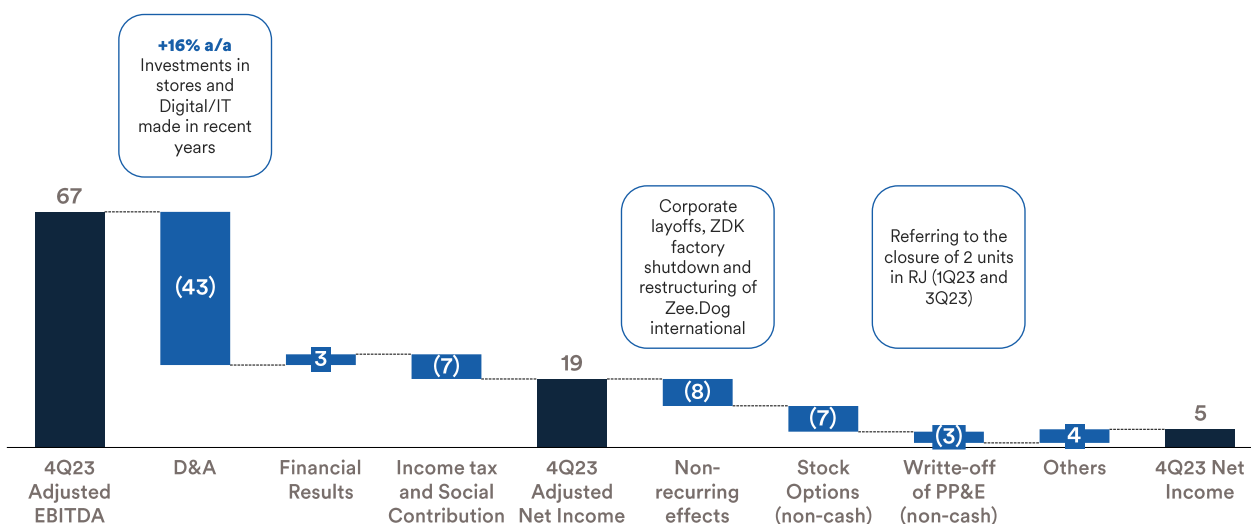
Income Tax and Social Contribution expenses totaled R\$2.4 million in 4Q23, compared to R\$11.9 million in the same period of the previous year. Taking into account the effects detailed in the following section, **the effective rate was 26.4% in 4Q23 (vs. 24.8% in 4Q22)**.

We also highlight that in 2024, with due approval at the Extraordinary General Meeting, we will be able to enjoy the **tax benefit of the goodwill¹³ from the acquisition of Zee.Dog** – in the amount of R\$132.4 million (R\$45.0 million regarding tax benefits to be used throughout 60 months).

Adjusted Net Income

4Q23 EBITDA and Adjusted Net Income Bridge

R\$ million



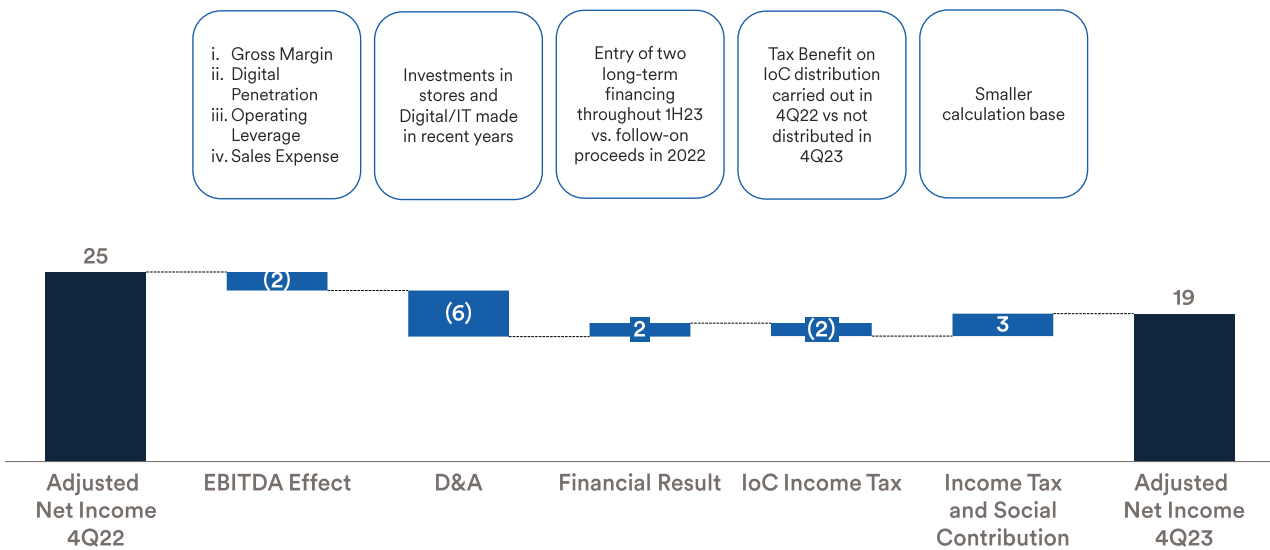
¹³ More information in Explanatory Note 11 in 4Q23 Financial Statements

Petz Group's Adjusted Net Income in 4Q23 totaled R\$19.4 million, a reduction of 22.0% y/y, reflecting (i) lower operating leverage; (ii) growth in Depreciation & Amortization; and (iii) 4Q22 comparison base, which includes loC payment. Regarding the year, besides the effects abovementioned, the Adjusted Net Income was impacted by the reduction of Financial Results in 2023 vs. 2022 (higher financial leverage in 2023 vs. follow-on proceeds in 2022 in Cash and Cash Equivalents).

The adjustments made to Net Profit were the exclusion of: (i) non-recurring expenses, already explained in the Adjusted EBITDA section; (ii) Stock Option plan line (non-cash) and currently "out of the money"; (iii) write-off of PP&E; and (iv) financial expenses / interest on amounts to be paid in the future to shareholders of acquired companies (non-cash). It is important to mention that to calculate these adjustments, the exclusion of the effects on IR/CS is carried out considering the rate of 34%. The effective IR/CS rate also considers the impact of 34% on the EBT of subsidiaries.

4Q23 vs 4Q22 Adjusted Net Income Bridge

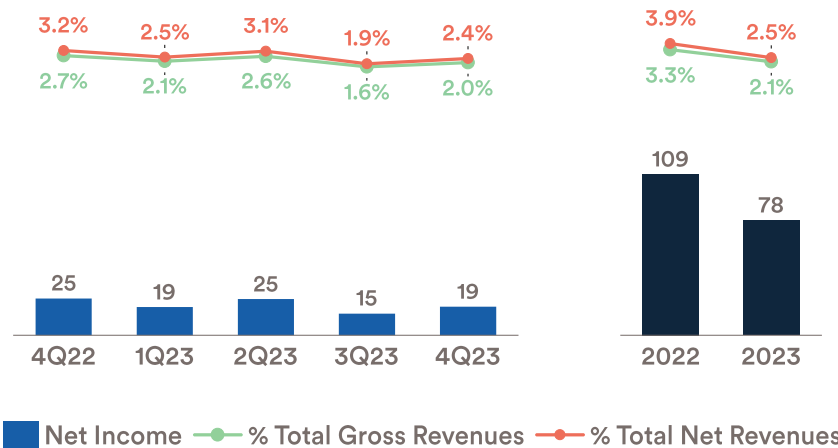
R\$ million



- i. Gross Margin
 - ii. Digital Penetration
 - iii. Operating Leverage
 - iv. Sales Expense
- Investments in stores and Digital/IT made in recent years
- Entry of two long-term financing throughout 1H23 vs. follow-on proceeds in 2022
- Tax Benefit on loC distribution carried out in 4Q22 vs not distributed in 4Q23
- Smaller calculation base

Adjusted Net Income

R\$ million



■ Net Income ● % Total Gross Revenues ● % Total Net Revenues

Ajusted Cash Flow¹⁴

Petz Group R\$ thousands, unless otherwise stated	4Q23	4Q22	Change	2023	2022	Change
Adjusted EBITDA	66,753	69,183	(3.5%)	267,094	259,466	2.9%
Non-recurring Result	(7,647)	(6,210)	23.1%	(16,104)	(15,646)	2.9%
Income Tax (34% x EBIT)	(1,786)	(7,679)	(76.7%)	(22,145)	(30,486)	(27.4%)
Assets	57,320	55,294	3.7%	228,846	213,334	7.3%
Accounts Receivables	3,114	(5,838)	n/a	(22,339)	(65,716)	(66.0%)
Inventory	(41,684)	(7,003)	495.2%	(13,416)	(81,231)	(83.5%)
Suppliers	43,649	55,084	(20.8%)	29,837	27,849	7.1%
Other Assets/Liabilities	(19,442)	(21,590)	(9.9%)	(3,008)	(57,620)	(94.8%)
Cash Flow from Operating Activities	42,956	75,947	(43.4%)	219,920	36,616	500.6%
Cash Flow from Investing Activities	(71,397)	(123,854)	(42.4%)	(246,322)	(411,071)	(40.1%)
Cash Flow from Financing Activities	(16,869)	(29,075)	(42.0%)	267,426	(128,472)	n/a
Borrowings and Financing	-	8,409	(100.0%)	400,000	8,409	4656.8%
Repayment of borrowings and financing	(11,808)	(24,009)	(50.8%)	(79,774)	(130,798)	(39.0%)
Capital increase	-	56	n/a	983	1,205	(18.4%)
Share Buyback	-	-	-	(62,068)	-	n/a
Dividends	-	(11,131)	n/a	(12,008)	(18,116)	(33.7%)
Others	(5,061)	(2,400)	110.9%	20,293	10,829	87.4%
Cash Flow Generation	(45,310)	(76,982)	(41.1%)	241,024	(502,926)	(147.9%)
Financial applications ¹⁵	(370,230)	(20)	n/a	(370,210)	14,665	n/a
Net Cash Flow	(415,540)	(77,002)	n/a	(129,186)	(488,261)	(73.5%)

Operating Cash Flow in 4Q23 generated R\$43.0 million vs. R\$75.9 million in the same period of the previous year, highlighting (i) an increase in inventory tactical levels, mainly due to more strategic purchases at the end of the year when compared the same period of the previous year; partially offset by a (ii) improvement in the Accounts Receivable mix, with a higher share of PIX payment in Petz's sales channels. As a result of these effects, in 2023 the cash cycle improved by ~8 days y/y.

In terms of Cash Flow Generation, the Company consumed R\$45.3 million in 4Q23 vs. R\$77.0 million in the same period of the previous year, mainly explained by lower Investments in 4Q23 (R\$71.4 million vs. R\$123.9 million in 4Q22).

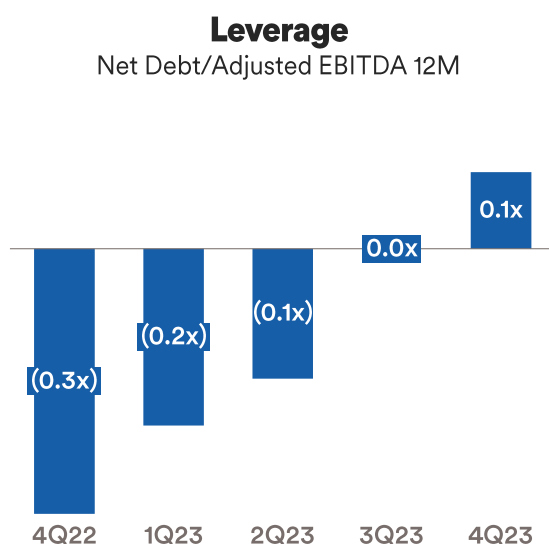
¹⁴ The Company understands that, to better represent its Cash Flow, the effects of the capital structure on the Operating Cash Flow must be disregarded, in addition to using the theoretical income tax rate (34%) on EBIT. For Financing Cash Flow, the effects of the capital structure must be considered, in addition to the income tax on the Financial Result.

¹⁵ Refers to the reclassification of cash and cash equivalents for financial investments in the balance sheet, based on the expected use of cash within 90 days, as required by accounting standards.

Debt

Petz Group R\$ thousands, unless otherwise stated	4Q23	4Q22	Change
Gross Debt	449,644	113,101	297.6%
Current Loans and Financing	47,023	86,269	(45.5%)
Noncurrent Loans and Financing	402,621	26,832	1400.5%
Cash & Cash Equivalents and Financial Investments	426,455	185,411	130.0%
Cash & Cash Equivalents	56,225	185,411	(69.7%)
Financial applications	370,230	-	0.0%
Net Debt	23,189	(72,310)	(132.1%)
Adjusted EBITDA (LTM)	267,094	259,466	2.9%
<i>Net Debt/Adjusted EBITDA (LTM)</i>	<i>0.1x</i>	<i>(0.3x)</i>	<i>0.4x</i>

The Company ended 4Q23 with a **Net Debt of R\$23.2 million, which represents 0.1x Adjusted EBITDA of the last 12 months** (vs. -0.3x in the same period of the previous year), reflecting the resources raised with the issuance of debentures and long-term financing occurred during 1H23, in addition to discipline in approving investments and continuous search for efficiencies in working capital.



Investments / Capex

Petz Group	4Q23	4Q22	Change	2023	2022	Change
R\$ thousands, unless otherwise stated						
New Stores & Hospitals	22,982	70,743	(67.5%)	117,164	242,538	(51.7%)
Technology & Digital	28,173	24,749	13.8%	85,804	69,800	22.9%
Renovation, Maintenance & Others	22,603	22,805	(0.9%)	42,162	57,153	(26.2%)
Total Investments	73,758	118,297	(37.7%)	245,130	369,491	(33.7%)
Non-Cash Effect	(8,432)	1,663	(607.0%)	(8,342)	13,052	(163.9%)
Cash Flow from Fixed & Intangible Assets	65,326	119,960	(45.5%)	236,788	382,543	(38.1%)

Investments totaled R\$73.8 million in 4Q23, a drop of 37.7% y/y. In line with our expansion strategy, R\$23.0 million were invested in the construction of new stores (-67.5% a/a), **given the lower pace of openings in 2023.** In addition, **greater efficiency in implementing new units and a reduction in capex per store**, given its smaller size versus the previous year, were also implemented.

We invested R\$28.2 million in Technology and Digital in 4Q23 (+13.8% y/y), mainly concentrated in (i) **investments in technology to improve the omnichannel experience**; (ii) **improvement in navigability and purchasing journey of customers**, including scheduling services - bathing & grooming and veterinary appointments - within the new Petz app; (iii) **launch of the new loyalty program** and improvements in customer service and communication functionalities (iv) **investments in the data & information structure**; (v) **systemic integration of acquired companies** and Zee.Dog and Zee.Now's digital channels; and (vi) **improvement in the group's IT infrastructure and support.**

Renovations, Maintenance, and Others totaled R\$22.6 million in 4Q23 (flat y/y), with investments in maintaining the current store network and some upgrades within the Brand Refresh initiative (new Petz brand concept).

Balance Sheet

Petz Group R\$ thousands, unless otherwise stated	4Q23	3Q23	2Q23	1Q23	4Q22
ASSETS					
Current Assets	1,379,857	1,369,956	1,386,838	1,187,696	1,090,432
Cash & Cash Equivalents	56,225	471,765	506,721	329,359	185,411
Financial applications	370,230	-	-	-	-
Accounts Receivable	364,273	351,530	337,975	330,503	328,299
Inventories	441,509	399,824	391,455	383,697	428,092
Recoverable Taxes and Contributions	119,798	117,003	121,730	118,355	121,212
Other Credits	27,822	29,834	28,957	25,782	27,418
Noncurrent Assets	1,676,836	1,659,463	1,635,103	1,610,656	1,589,877
Other Credits -LT	36,564	34,544	32,640	30,882	28,743
Recoverable Taxes and Contributions -LT	39,683	38,538	28,446	22,174	22,797
Deferred Income Tax and Social Contribution	12,325	24,318	19,752	17,645	19,815
Property, Plant and Equipment	824,558	812,657	813,398	808,941	800,700
Intangible Assets	763,706	749,406	740,867	731,014	717,822
Total Assets	3,056,693	3,029,419	3,021,941	2,798,352	2,680,309
LIABILITIES & SHAREHOLDERS' EQUITY					
Current Liabilities	649,906	613,916	568,619	548,479	637,290
Suppliers	409,066	341,180	309,900	289,258	366,585
Loans, Financing and Debentures ¹⁶	47,023	62,410	66,536	72,202	86,269
Payroll and Related Taxes	84,560	100,797	90,441	86,527	76,078
Taxes Payable	52,203	49,208	47,272	39,001	42,988
Dividends Payable	3,905	2,653	2,653	12,018	12,027
Accounts payable for the acquisition of subsidiaries	3,517	8,587	9,453	11,537	12,798
Other Payable	48,703	47,789	40,404	36,159	37,404
Loyalty Program	929	1,292	1,960	1,777	3,141
Non-current Liabilities	522,657	526,330	513,517	323,360	130,758
Loans, Financing and Debentures	402,621	406,354	400,833	214,391	26,832
Accounts payable for the acquisition of subsidiaries	101,251	99,991	95,317	91,322	86,789
Other Payable	3,280	3,770	1,182	1,237	1,043
Provisions for Civil and Labor Risks	15,505	16,215	16,185	16,410	16,094
Shareholders' Equity	1,884,130	1,889,173	1,939,805	1,926,513	1,912,261
Capital	1,725,427	1,725,427	1,725,365	1,725,365	1,724,444
Capital Reserves	39,505	39,505	39,505	39,505	39,505
Reserve for Options Granted	58,984	51,685	47,087	47,904	41,675
Share Buyback	(62,068)	(62,068)	-	-	-
Special Goodwill Reserve	24,825	24,825	24,825	24,825	24,825
Equity adjustment	(129,594)	(129,594)	(129,594)	(129,594)	(129,594)
Profit Reserves	227,051	239,393	232,617	218,508	211,406
Total Liabilities and Shareholders' Equity	3,056,693	3,029,419	3,021,941	2,798,352	2,680,309

¹⁶ Includes the value of derivative instrument (SWAP) in the amount of R\$14.9 million on December 31, 2023. More information in the footnote 15.3 of the 4Q23 financial statements.

Cash Flow – Indirect Method

Petz Group	4Q23	4Q22	2023	2022
R\$ thousands, unless otherwise stated				
Cash Flow from Operating Activities	37,895	73,547	240,213	48,418
Operating Profit before income tax	7,567	35,607	55,898	111,982
CAT-42 tax refund effect	-	-	-	-
Depreciation & Amortization	43,446	37,384	163,527	127,365
Allowance for Inventory Losses	13	136	(45)	141
Recognized options granted	7,299	3,070	17,309	26,819
Interest on Loans and Financing	8,219	4,649	40,920	21,606
PP&E Write-off	3,199	530	3,298	1,252
Loyalty Program	(363)	466	(2,212)	(195)
Provision for Civil and Labor Risks	671	280	792	1,225
Interest from Financial Applications	-	-	-	(153)
Interest in accounts payable to selling shareholders	724	(11,766)	10,070	(4,445)
Depreciation & Amortization - Refund of Improvements	(66)	(66)	(265)	(265)
Working Capital Variation	(32,814)	3,257	(49,079)	(236,914)
ASSETS				
Accounts Receivables	3,114	(5,838)	(22,339)	(65,716)
Inventory	(41,697)	(7,139)	(13,371)	(81,372)
Recoverable Taxes and Contributions	(8,128)	(24,550)	(23,258)	(75,313)
Other Credits	3,023	(5,437)	(7,414)	(23,210)
LIABILITIES				
Suppliers	43,649	55,084	29,837	27,849
Payroll and Related Taxes	(16,238)	(15,161)	8,482	(289)
Taxes Payable	715	1,058	5,641	12,728
Accounts Payable	520	16,738	19,086	21,546
Income Tax and Social Contribution Paid	(2,241)	(7,620)	(21,140)	(33,202)
Interest Paid on Borrowings and Financing	(15,531)	(3,878)	(24,603)	(19,935)
Cash flow from investing activities	(441,627)	(123,874)	(616,532)	(396,406)
Financial applications	(370,230)	(20)	(370,210)	14,665
Investments	(6,070)	(3,904)	(9,535)	(28,527)
Purchase of Property, Plant and Equipment	(65,327)	(119,950)	(236,787)	(382,544)
Cash Flow from Financing Activities	(11,808)	(26,675)	247,133	(140,273)
Borrowings and Financing	-	8,409	400,000	8,409
Repayment of borrowings and financing	(11,808)	(24,009)	(79,774)	(130,798)
Capital increase	-	56	983	1,205
Share Buyback	-	-	(62,068)	-
Transaction costs of shares issuance	-	-	-	(973)
Dividends	-	(11,131)	(12,008)	(18,116)
Net Cash Flow	(415,540)	(77,002)	(129,186)	(488,261)
Cash BoP	471,765	262,413	185,411	673,672
Cash EoP	56,225	185,411	56,225	185,411

Appendix I: IFRS 16 Impact – Income Statement

Petz Group R\$ thousands, unless otherwise stated	4Q23		Change
	IAS 17	IFRS 16	
Gross Revenue from Products and Services	983,809	983,809	-
Taxes and other Deductions	(163,219)	(163,219)	-
Net Revenue from Products and Services	820,590	820,590	-
Cost of Goods Sold and Services Rendered	(438,524)	(438,524)	-
Gross Profit	382,066	382,066	-
Operating Revenue (Expenses)	(376,812)	(358,730)	(18,082)
Selling	(274,086)	(259,684)	(14,402)
General & Administrative	(80,398)	(78,835)	(1,563)
Other Operating Income (expenses), net	(22,328)	(20,211)	(2,117)
Operating Profit before Financial Income	5,254	23,336	(18,082)
Financial Results	2,313	(21,436)	23,749
Financial Income	24,588	24,588	-
Financial Expenses	(22,275)	(46,024)	23,749
Earnings before Income Tax and Social Contribution	7,567	1,900	5,667
Income Tax and Social Contribution	(2,416)	(590)	(1,826)
Net profit	5,151	1,310	3,841

Appendix II: EBITDA Reconciliation – Financial Statements vs. Adjusted EBITDA

Petz Group R\$ thousands, unless otherwise stated	4Q23	4Q22	2023	2022
Earnings Before Interest Tax (EBIT)	23,336	35,183	128,087	135,670
(+) Depreciation & Amortization	42,837	37,318	163,262	127,100
(+) Depreciation – Right of Use (CPC 06 (R2)/IFRS 16)	40,937	37,759	159,637	140,877
EBITDA	107,110	110,260	450,987	403,647
(+) Rent Expenses	(55,672)	(50,264)	(216,757)	(186,622)
EBITDA ex./ IFRS 16	51,438	59,996	234,230	217,025
(-) Stock Option Plan (SOP)	7,300	3,071	17,310	26,819
(-) PP&E Write-off	3,171	-	3,186	235
(-) Right of use (CPC 06 (R2)/IFRS 16) Write-off	(2,803)	(94)	(3,735)	(260)
(-) Non-recurring results	7,647	6,210	16,104	15,646
(-) Non-recurring income	-	(7,743)	(3,743)	(7,743)
(-) Non-recurring expenses	7,647	13,953	19,847	23,389
Adjusted EBITDA	66,753	69,183	267,095	259,465

Appendix III: IFRS 16 Impact – Balance Sheet

Petz Group R\$ thousands, unless otherwise stated	4Q23		Change
	IAS 17	IFRS 16	
ASSETS			
Current Assets	1,379,857	1,378,657	1,200
Cash & Cash Equivalents	56,225	56,225	-
Financial applications	370,230	370,230	-
Accounts Receivable	364,273	364,273	-
Inventories	441,509	441,509	-
Recoverable Taxes and Contributions	119,798	119,798	-
Other Credits	27,822	26,622	1,200
Noncurrent Assets	1,676,836	2,616,754	(939,918)
Other Credits - LT	36,564	36,564	-
Recoverable Taxes and Contributions	39,683	39,683	-
Deferred Income Tax and Social Contribution	12,325	74,731	(62,406)
Property, Plant and Equipment	824,558	1,714,769	(890,211)
Intangible Assets	763,706	751,007	12,699
Total Assets	3,056,693	3,995,411	(938,718)
LIABILITIES & SHAREHOLDERS' EQUITY			
Current Liabilities	649,906	760,020	(110,114)
Suppliers	409,066	409,066	-
Loans, Financing and Debentures	47,023	47,023	-
Payroll and Related Taxes	84,560	84,560	-
Taxes Payable	52,203	52,203	-
Dividends Payable	3,905	3,905	-
Accounts payable for the acquisition of subsidiaries	3,517	3,517	-
Other Payable	48,703	24,113	24,590
Loyalty Program	929	929	-
Leasing Right of Use Payable (IFRS 16)	-	134,704	(134,704)
Non-current Liabilities	522,657	1,426,498	(903,841)
Loans, Financing and Debentures	402,621	402,621	-
Accounts payable for the acquisition of subsidiaries	101,251	101,251	-
Other Payable	3,280	3,280	-
Provisions for Civil and Labor Risks	15,505	15,505	-
Leasing Right of Use Payable (IFRS 16)	-	903,841	(903,841)
Shareholders' Equity	1,884,130	1,808,893	75,237
Capital	1,725,427	1,725,427	-
Capital Reserves	39,505	39,505	-
Reserve for Options Granted	58,984	58,984	-
Share Buyback	(62,068)	(62,068)	-
Special Goodwill Reserve	24,825	24,825	-
Equity adjustment	(129,594)	(129,594)	-
Profit Reserves	227,051	151,814	75,237
Total Liabilities and Shareholders' Equity	3,056,693	3,995,411	(938,718)

Appendix IV: IFRS 16 Impact – Cash Flow

Petz Group R\$ thousands, unless otherwise stated	4Q23		Change
	IAS 17	IFRS 16	
Cash Flow from Operating Activities	37,895	86,531	(48,640)
Profit Before Income Tax and Social Contribution	7,567	1,900	5,667
Depreciation & Amortization	43,446	42,902	544
Depreciation – Right of Use (CPC 06 (R2)/IFRS 16)	-	40,937	(40,937)
Interest Expenses – Right of use (CPC 06 (R2)/IFRS 16)	-	25,676	(25,676)
Allowance for Inventory Losses	13	13	-
Recognized options granted	7,299	7,299	-
Interest on Loans and Financing	8,219	8,219	-
PP&E Write-off	3,199	3,199	-
Right of use (CPC 06 (R2)/IFRS 16) Write-off	-	(2,908)	2,908
Loyalty Program	(363)	(363)	-
Provision for Civil and Labor Risks	671	671	-
Interest from Financial Applications	-	-	-
Interest in accounts payable to selling shareholders	724	724	-
Depreciation & Amortization - Refund of Improvements	(66)	(66)	-
ASSETS			
Accounts Receivables	3,114	3,114	-
Inventory	(41,697)	(41,697)	-
Recoverable Taxes and Contributions	(8,128)	(8,128)	-
Other Credits	3,023	3,023	-
LIABILITIES			
Suppliers	43,649	43,649	-
Payroll and Related Taxes	(16,238)	(16,238)	-
Taxes Payable	715	715	-
Accounts Payable	520	1,167	(647)
Income Tax and Social Contribution Paid	(2,241)	(2,241)	-
Interest Paid on Borrowings and Financing	(15,531)	(15,531)	-
Interest Paid on Right of Use (CPC 06 (R2)/IFRS 16)	-	(9,501)	9,501
Cash flow from investing activities	(441,627)	(441,627)	-
Financial applications	(370,230)	(370,230)	-
Investments	(6,070)	(6,070)	-
Purchase of Property, Plant and Equipment	(65,327)	(65,327)	-
Cash Flow from Financing Activities	(11,808)	(60,448)	48,640
Debt Capitalization	-	-	-
Repayment of borrowings and financing	(11,808)	(11,808)	-
Capital increase	-	-	-
Share Buyback	-	-	-
Dividends	-	-	-
Payment of Right of Use (CPC 06 (R2)/IFRS 16)	-	(48,640)	48,640
Free Cash Flow, Net	(415,540)	(415,540)	-
Cash BoP	471,765	471,765	-
Cash EoP	56,225	56,225	-

Glossary

Operational Metrics Petz Standalone

Petz Standalone refers to Petz metrics, including the acquisitions Cansei de Ser Gato and Cão Cidadão (unless otherwise stated).

- **Same-Store-Sales (SSS)** – SSS includes (i) sales of products and services by physical stores functioning for more than 12 months, (ii) Omnichannel sales (Pick-up and Ship-from-Store) of physical stores operating for over 12 months and (iii) e-commerce sales (shipped from the DC directly to the customer).
- **Digital Gross Revenue** – Considers all sales made on the Petz website and mobile app, as well as sales through partner marketplaces and super apps
- **Omnichannel Sales** – All Pick-up and Ship-from-Store sales.
- **Pick-up** – Sales made through the digital channel in which the customer chooses to pick up at physical stores.
- **Ship from Store** – Sales made through digital channels that are shipped to the customer's home from one of our physical stores
- **Omnichannel Ratio** – This ratio considers Omnichannel Sales as a percentage of Digital Gross Revenue
- **E-commerce Sales** – Include all sales shipped from our DC directly to the customer
- **Food Category** – Includes pet products such as prescription pet food, super premium, premium, and standard pet food, wet food, snacks and more.
- **Non-Food Category** – Includes products such as accessories, hygiene, cleaning products, drugs, and others.

Non-Accounting Measures

- **Adjusted EBITDA and Adjusted EBITDA Margin** – Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is a non-accounting measurement disclosed by the Company in compliance with CVM Instruction 527/12. EBITDA is adjusted to exclude non-recurring effects and, for comparison purposes, the effect of the adoption of CPC 06/IFRS 16, effective on January 1, 2019, is excluded as well, resulting in Adjusted EBITDA. Non-recurring affects are characterized by extraordinary effects that impact the Company's result. Since these amounts are not a recurring portion of the result, the Company chooses to make such adjustment so that Adjusted EBITDA considers only recurring numbers. The Company uses Adjusted EBITDA as a performance measure for managerial purposes and for comparison with peers.
- **Net Debt** - Results from the sum of short- and long-term loans, registered under Current and Non-Current Liabilities, minus the sum of Cash and Cash Equivalents with Marketable Securities, registered under Current and Non-Current Assets.
- The Company understands that the **Net Debt/Adjusted EBITDA ratio** helps to determine leverage and liquidity. Last Twelve Months (LTM) **Adjusted EBITDA** is the sum of Last Twelve Months EBITDA and also represents an alternative to operating cash generation.
- **Adjusted EBITDA, Adjusted Net Income, Net Debt, Net Debt/LTM Adjusted EBITDA and Operating Cash Generation** presented in this document are not measurements of profit in accordance with the accounting principles adopted in Brazil and do not represent cash flows in the periods presented. Therefore, they are not alternative measures of results or cash flows.
- **Operating Cash Generation** presented here is a managerial measurement resulting from the cash flow from operational activities presented in the Statement of Cash Flow, adjusted by the "Right-of-use Lease" which, after the adoption of CPC 06/IFRS 16, began to be accounted for in the Statement of Cash Flow as a financing activity.

Disclaimer

Statements contained in this document regarding business prospects, projections of operating and financial results and growth prospects for Petz are merely projections and, as such, based exclusively on expectations of the Management regarding the future of the business. These expectations substantially depend on market conditions, performance of the Brazilian economy, the industry and international markets and, therefore, are subject to change without prior notice. All changes presented herein are calculated based on numbers in thousands of Brazilian 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 expectations. Non-accounting data was not reviewed by the Company's independent auditors.

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