PETZ

2Q21 RESULTS CONFERENCE CALL TRANSCRIPT

AUGUST 10TH, 2021

Operator: Good morning and thank you for waiting. Welcome to the Teleconference of Pet Center Comércio e Participações S.A., Petz, for the discussion of the results with reference to the second quarter of 2021. We have with us today Mr. Sergio Zimerman, founder and CEO, Diogo Bassi, CFO and director of relations with investors, and Matheus Nascimento, senior manager of investor management for new business. We inform that this event is being recorded, and that all the participants will be only listening to the teleconference during the presentation of Petz.

Afterwards, we will start the of questions and answers session when more instructions will be supplied. If any of you need any help during the call, please solicit help from an operator typing asterisk zero (*0). This event is also being transmitted simultaneously via the internet through a webcast as a video conference. It can be accessed by www.ri.petz.com.br, where you will see the respective presentation. The replay of this event will be available right after it is closed.

We remind you that all participants in the webcast can register, via website, any questions that they like to send to Petz, which will be answered by the end of the conference by the IR area. We continually like to clarify that any declarations which may be made during this teleconference relative to the perspectives of business of Petz, projections, operational methods, and financial methods are opinions of the company as well as information based on currently available information to Petz. Any predictions of the future are not guarantees and involve risks and uncertainties and premises as they refer to future events and may therefore depend on circumstances which may or may not occur.

Investors and analysts should understand the general conditions, sector conditions and other operational factors can affect the future results of Petz and may lead to results that can differ materially from those expressed in these messages.

I'd like to pass this along now to Mr. Sergio Zimerman, CEO of the company, who will initiate the presentation. Sergio, please go ahead.

Mr. Sergio Zimerman: Good morning everyone. Thank you for your time. We'll report the quarterly earnings. This quarter was very special. We have the privilege of having on the cover of our presentation, Chico, my colleague, CEO of Tired of Being a Cat. The campaign was ended the end of June, and so the brand Cansei de Ser Gato will officially become a part of our ecosystem, and Chico, my colleague as its CEO. Shall we continue. Next slide please.

So, the principal topics that we want to discuss in the second quarter of 2021. We have, the second quarter was marked by the entrance into the last geographic region which we lacked in Brazil, which is the northern region. We entered in two capitals, Tocantins, in Palmas, capital of Tocantins, and Manaus, capital of Amazonas. Both therefore in the states of Tocantins and Amazonas. Now we are present in 18 states, with 143 stores.

This quarter was also marked by the opening of seven new stores totaling over the last 12 months, a record of 35 new store openings. Again, we're breaking a new record and as you can see on the map of Brazil, we are already in most of the national area and we continue with the idea of covering the entire country in the next few years. As far as our expansion plans for 2021, we're very confident in the sense that we will deliver our promise to the market, which was between 30 and 40 stores, and we'll come out in line with our deliveries this year.

As far as the Seres veterinary center, in the month of July we opened two new hospitals, one in Fortaleza and one in the central region of São Paulo, in Santa Cecília neighborhood, so now we have 12 hospitals in 9 different states which shows the consistent route for growth that we have been following in transforming Seres into a national brand in terms of veterinary hospitals.

Here are the highlights of our numbers. Gross sales record is R$ 598 million in the second quarter, growth of 57% compared to second quarter last year. Remembering that, differently from other sectors, our business had already grown a great deal in the second quarter of 2020, so here we're growing 57% on a base which is an already solid base of comparison, and we also had the challenges of the second wave of Covid in this quarter, in this half of the year. So it was a very strong growth, it was the fourth consecutive quarter in which we reported growth and sales above 50% compared to the same quarter of the previous year.

Another new thing is that in the last 12 months we reached R$ 2 billion in 12 months sales. This bill was never before done in the pets’ world in Brazil, in the pets’ market in Brazil. We just want to point out that the digital service reached R$ 180 million in sales, with the growth of 57% compared to the previous year, always pointing out that the previous year was in the middle of the pandemic, the digital had already exploded and so we added this 57% growth on that already high base. The Seres brands grew 50% in relation to 2020. The Seres brand also grew 50%.

So here's some important highlights. For the first time in history we reached a 30% penetration in the digital, specifically 30.3%, which is an extremely significant level. It means that almost one third of our sales are happening on the digital platform. If I had to give a name to this quarter, I would call a quarter of the records, because you're going to see during the presentation, we have reached various records. Here is one more, 86% of omnichannel sales, we had already reported a record of 80%, now once again we break that record. It was already high, was already a benchmark in the Brazilian market, was already one of the highest in the world, and evidently continues with all of this of these qualities and characteristics, 86% of omnichannel sales. Remembering that that means that of every R$ 100 sold on our digital platforms, 86% are expedited through one of our

143 stores, which maybe the store pick-up or ship from store, when we deliver in the house of the client.

Another important data is that 60% of our sales happen through our app. This is a growth that is almost 180% compared to the previous year, showing that the app has been growing absolutely sustainable and in line with the rest. Also interesting is the My Offers a program. What is that program? It is a program that is completely personalized. Offers that the artificial intelligence understood what would be the profile of your purchase, and based on that puts offers that make sense for you. And in this quarter, we more than quadrupled the volume of clients attended by My Offers.

We have still lots of space to grow but we're very happy to perceive clearly that we found a route that is echoing very positively in the mind of our consumers. Another data that shows consistency of our delivery is the fact that 96% of all of our deliveries in the ship from store mode, where this delivery is made from a store, happened within one day, which is a high level of service for digital sales.

Continuing. Here we can see a relevant part which has excited all of us here in Petz and our partners in our ecosystem, it’s the building which we're starting to see with the foundations that we have been talking about in previous months. I always reported here that we respected the investors’ money and we're not going to make announcements just to make announcements. We are not in a hurry to make not announcements just to show to the market that we're making acquisitions. We want to do it in a very selective way, and these first two acquisitions which we informed to the market are very emblematic in the sense that they show how selective we're being. Starting with the Cansei de Ser Gato (tired of being a cat), a reference in the digital platform of content, exclusive products for cats, and we also concluded this transaction now at the end of July and we're very happy to be able to count with Chico as the curator of all the feline area of the Petz group. And the most recent acquisition which we mentioned a few days ago which was the signing with Zee.Dog. This transaction should be concluded by the end of this year. Remembering that Zee.Dog is the most disruptive pet platform in the world, remembering that there's a lot of competencies that this acquisition brings to our ecosystem, the internationalization of the brand, the entrance in the world of manufacturing of natural products. We're very happy and excited about to be able to add, to work together with the work that these folks have done in the market, that Zee.Dog has done in the market.

Here we show how we're going to consolidate this ecosystem and how we are becoming closer to the vision that we built which will be to be recognized worldwide as the best ecosystem in the pets’ system by 2025. Through this type of acquisition and this type of mindset that we believe that we'll be able to reach this objective in 2025.

Here is a little bit more the panorama of how these acquisitions of Cansei de Ser Gato has been completed, as well Zee.Dog will be finished in the next few months. But is situates within our ecosystem. In terms of exclusive products, the Zee.Dog and Petz brands and Cansei de Ser Gato bring a lot more volume to our exclusive brands. In the physical channel, Zee.Dog also grows, in the digital channel you also have beyond the Zee.Dog, also Zee.Now, which is an important express delivery system with an absolutely high level of satisfaction of the clients and we're certain that together we will make this platform become much larger still. Then here starts our small businesses, such as the franchise through the Zee.Dog franchises, as well as the part of services with the esthetics, veterinarian and adoption under the Seres and Adote Petz, respectively.

In the part of content, which is a concern of our ecosystem, being strongly reinforced through this type of acquisition, which we have been making. Remembering here that we are continuing, we're not at the end, we’re still at the beginning, we’re prospecting in the market and every time that we find something that makes sense, we bring together new situations to complete our ecosystem.

Within the personnel area and ESG, people and ESG, the second semester was, the second half, second quarter was marked by a very pleasant event, we had the honor to participate with the group that founded the project MOVER, for racial equality, more than 45 companies in their majority, the principal industries in Brazil. It's a movement which is done starting by the CEOs of these companies and we're very happy to participate in this founding group, MOVER, and here we also have the commitment in the next few years through 2030, have new positions for black people, new positions of leadership and training, for more than… All of the people involved in this project. I'm very energized by this and expecting the adhesion of more and more people, so that this movement can grow more and more each day.

In the Adote Petz partnership, the partnership with Editora MOL reached the incredible… It sells calendars, books and photo albums, and this give us more than on million units sold with a value which is extremely important, so that we strengthen our partner NGOs, so that more and more they can have financial resources as well as working on the capacitation and training of these NGOs, so that their work to find a home for the abandoned pets continues in a more and more professional way, which is very important.

Another important new thing in this quarter is the new member of our board, Irlau Machado, who is the current CEO of NotreDame Intermédica group, he is adding a great deal to the Seres brand, to our projects which we have in our Seres brand, as well as ESG and people, which are three central competencies which Irlau brings to our board. He’s already part of our boards and it's very important to have him on our board.

And finally, a very positive surprise for us. When we were in the market we hired Matheus as senior manager for investor relations, and we had the objective of being among the best companies in relation with investors in the market and in the first ranking that came out of II, we were ranked. We had the very pleasant surprises of seeing that in the category of small caps, which is the category for companies with market caps up to two billion dollars, we came in first place in almost every category, but especially we point out that we were among as the best platform for IR in this category. And when we think about all retailing, not just in the small caps, here we also had a very wonderful surprise of becoming in its second place, in general, in the majority of these categories. So, the second place was our start, for a new company was very, it was a great pleasure and I want to take advantage to thank you for the votes of every investor who has supported and work with us in this, and shared with us in this in this journey, in this work. Next.

I'm going to pass it over to Diogo Bassi, our CFO, to talk again about the numbers, and after that I'll be back to talk about the questions and answers. Thank you very much.

Mr. Diogo Bassi: Thank you, Sergio. It's a great satisfaction to present our results for the second quarter of 2021, a period of solid development, solid growth in acceleration of our growth in EBITDA and gross sales, and also relevant sales above 50% in sales, gross margins, EBITDA and net profit. In the context of the pandemic, we did better than in the last semester and our chronogram during the last few months... However we know the scenario is still one of the great cautions. I want to mention that in our in our presentation we were compared to the… It's the IFRS 17, so we don't talk about the IFRS 16 because it does not well represent our business.

In terms of top line on page 12, I want to look at the second quarter of 2021. We reached R$ 598 million of total revenue, with a strong growth of 57%, growth in same-store sales of 36.6%. The second quarter of 2021 shows us the fourth straight quarter in which we have more than 50% growth in sales and more than 30% of growth in same-store sales.

Our gross revenue in digital, with growth of 86% in relation to the previous year. Even with a solid base of comparison, as the full quarter of the pandemic in the first quarter of 2021. In the quarter we overcame the total of 30% over, versus 29.7%, which was the previous record. Our omnichannel index, which is 85% is in the quarter a new record, compared to 85.4% in the first quarter which was the previous record.

On the next page, on page 13, we're going to talk about profitability. Our gross margin was... the growth of 40% in relation to the previous quarter. With the growth in margin due to the growth of digital sales. The adjusted EBITDA reached R$ 56.2 million, with a margin of 9.4%, also an important growth with a retraction of margin of half a percentage point, also due to the increase of the participation in digital. It's also important to mention, as we have said repeatedly, our CAC is at a very attractive level, which has helped us to invest in the capture of new clients, in margin, and then the net profit was R$ 21.6 million, an evolution of 109% compared to the previous year with a 3.6 margin of gross sales, a growth of 11.4% compared to the previous year. This benefit to the operation was also captured by the IPO, which generated better results than the previous year.

On the next page, 14, we have a slide of portfolio. The stores, as Sergio mentioned, are present in all five areas of the state, with two stores in the north, in Palmas and Manaus. We opened seven stores in these areas. With that, we have a record of inaugurations of new stores in the recent months and which reinforces our plan of expansion, our execution of the expansion plan. During the pandemic up until now, with the licenses and construction of the new stores, we will comply with our plan with our goal of 35 to 40 stores for the year. We still have the second half ahead of us. In terms of number of stores, we compared with the new portfolio with 54% with less than 3 years in operation. Meaning that 25% of that is in less than one year, so these stories have not yet reached the potential for sales. And finally, we continue to have diversify geographically with satisfactory turns into new regions. In this way, we have all turned 36% in the second quarter to 40% of the stores outside of São Paulo in the second quarter of 2021. I would like to reinforce here and say that our backlog of new stores is principally in the state of São Paulo.

On page 15, in relation to sales, R$ 598 million, a 57% growth. As Sergio mentioned, the fourth straight quarter with growth above 50% in relation to the previous quarter. Our sales were the result of the strong growth of our digital sales which grew by 85%, allied with the strong performance in physical stores which grew 46% in the quarter as well. It's also worth mentioning that the base for the second quarter of 2020 was already strong in digital and lower in physical stores due to it was the first full quarter of the pandemic. This expression in the sales, with all the structure in the pet digitalization, which we already have mentioned in our release, the expansion of stores and our base of clients, and the repassing of prices to the client, which has through the IPCA, due to the inflation pressure that we have suffered and also the performance of services which in this case we had a benefit, due to esthetics, services which was still lower than the levels pre-pandemic have a very low base of comparison last year, when it was closed for a relevant part of the second quarter. However, we also want to point out the performance of our veterinary stores which have grown in the second quarter.

Especially in the veterinary area, I would like to point out the growth of about 50% pushed by the maturation of our hospitals and clinics, and also the opening of new units. This is a big care the we have, the owners with theirs pets, which contributes to our new units and also to the older units as well. We want to mention the robust growth of same-store sales, we have we have 36.6% and the fourth straight quarter to present same-store sales above 30% in relation to the previous quarter.

On page 16, we can take a look here at the digital numbers, the digital sales reached R$ 141 million in sales, the first time we ever reach to above 30% increase over the previous record, in the first quarter 2021. It reached 85% above a strong base in the pandemic and has been increased due to our multichannel platform. We point out here the high level of services that we offer to our clients with 96% of our deliveries in ship from store within one day, and 84% of all our deliveries, including shipping and store pick-up, and CD deliveries in one day, and more than half the express deliveries in one hour. We also point out the participation of omnichannel which is 86% compared to 84% in the first period of the previous quarter.

In the digital world, as Sergio mentioned… which represents 60% of our digital sales, we present a growth of... We continue to lead downloads and apps. With the conclusion of the Zee.Dog operation, we hope to grow the digital platform even more and also the apps, and the express delivery mode. Finally, our offerings, which Sergio… through using our AI, we made available in our app, in a proprietary way, the activation of almost four times since the beginning of the year. It's very important, especially in the inflationary scenario, it improves our prices to the consumer, but it develops more on omnichannel usage, and also increases our conversion.

On page 17, looking at our profitability, we have gross margins compared to the overall growth and a growth of 54.6% with the retraction of margin of 0.1% and increase the penetration in the digital was of five percentage points. This retraction due to the express of growth, in the digital growth, which is profitable, but which has lower margins than the physical, is a reflex of a better participation of products as compared to services. Services has had margins inferior to products. Remembering that last year we also closed the esthetic centers during a large part of the period.

Finally, it's worth mentioning the impact of growth in our non-food sales, food has margins close to, but lower than non-food. In the inflationary scenario, we have seen this since the first quarter, with the economy in general and we have impact on margins especially due to the disconnection between our prices channel in which we have a comparison which is imperfect. So, it's worth mentioning that in comparison with the first quarter we're still practically flat in margin, even with the higher participation of digital and the acceleration of inflation.

The adjusted EBITDA reached R$ 56.2 million, with the margin of 9.4%. This slight retraction represented a half percent in relation to the previous sector, when the margin was impacted due to inflation and penetration of digital sales, which beyond pushing our gross margin, also lowers the expenses with sales, they were pressed by 0.8%, especially due to the cost of the acquisition of clients, expenses, cost with freight and packaging, which was impacted by inflation. These three grow by the increased participation in digital sales. We also have increased expenses with transportation, due to the expansion of our stores, which will be more easily diluted as we continue to grow in the north and northeast... 0.7% widget reflecting better operational leverage, in line with what we've observed during recent years. This dilutes more than compensates the proactive initiatives, which we have had with technology, Seres, and new business for the pet solution, as a company that's now listed in the stock market.

Finally our finance situation. The majority refers to new stores. But the concentration of these investments will be in the biggest part in the second part of 2021, as happened last year. It's also worth mentioning that investment in stores are also digital investments, since most of our digital sales are omnichannel. Additionally, this means in digital technology with a focus on user experience, interface, data analytics and services to improve and cross selling of segments and products, and finally to generate productivity for the company.

In relation to leverage, we continue with a level of leverage which is quite low, 0.5% in relation to EBITDA, which leaves us comfortable to continue our expansion. With that, we're going to pass back over for the session of questions and answers.

Q&A SESSION

Operator: Thank you. We will now initiate our section of questions and answers. To make a question, please digit asterisk 1 (*1). And to remove your question, asterisk 2 (*2). Thank you. Our first question comes from Ruben Couto, from Santander, via webcast.

Good morning, folks. Two questions on our side. Can you comment on a little bit about the dynamic of profitability for the second half of this year? Should we expect the same combination of pressure on gross margins compensated by dilution of ESG and M&A? Inflationary effects, which we have felt since the beginning of the year, have already shown any sign of cooling off? Due to the comments in the release, the two store closings in the quarter were the effects of optimization of the portfolio and not necessarily the competitive environment. May you please comment on how is the competition with the other big players specialized in this sector, both in the physical world as well as online? Where do you see any relevant the change in posture of Petlove and Cobasi in the last month, since the last rounds of investments and acquisitions that you’ve done?

Mr. Sergio Zimerman: Ruben, thank you for your question. I'm going to answer the second part, and the first part I'm going to pass it back over to Diogo to answer. Starting with the second part, I want to comment about the closing of two stores, which happened in this quarter. The first one of them is in Rio de Janeiro, was the fruit of a change of one of our partners there in the supermarket chains, who repositioned the format of their store and invited us to relocate our store in another unit nearby, and the clients from that store are being attended by our unit in Avenida das Américas. So, I don't see any type of significant loss in sales with the closing of that store, and the next few months we will have the new unit installed and operating in a better situation than the previous store.

The second store, which happened in Granja Viana, this was an absolutely planned closing. We had here in Granja Viana the tenth store which we opened, it was an experience of a four-story store it was the only store like that we had in our entire park, which had this characteristic of four stories and this wind up showing up to not be functional and it didn't bring the experience that we wanted for our consumers. So we built, next door to it, a store we brought to the Petz standards. Just to give an idea, the new store is already selling 50% more than the previous store sold. So, we're very comfortable we closed that second store, we’re comfortable in both cases.

In the scenario of competition, which you mentioned, we see this in a macro way, that 50% of the market is in the hands small pet shops. In the next ten years, we estimate that it would tend towards closer to 25%, which is level that, for instance, you see in England which is the second largest market with participation of small pet shops. If I say that is going to go down by 25% what does the Petz platform expects? Being the ecosystem with the most capacity to pick up these additional percentage points of market, which absolutely does not mean that other companies who are doing a good job, will also grow. So, here we can cite the case of Cobasi and Petlove, as companies which are doing good jobs, professionalizing their organization, improving their operations, their competitors that we admire greatly, and the only thing that we plan to continue to do is to pick up a bigger part of the market than they do. However, that they will also grow and continue growing in the coming years, we believe in that.

So, which means that we'll have more sustainability in this growth, is the way in which we are building our ecosystem. Here it's worth mentioning that the ecosystem for us is not just plug in companies into a platform at the digital platform and say that we have an ecosystem. It's fundamentally to say to the consumer that we are responsible for what happens within this ecosystem, and not say that we are just the mediation platform. This is the biggest difference between us and the work that we're doing in our ecosystem. Now, talking about the first part of the question, I pass it back over to Diogo.

Mr. Diogo Bassi: As far as the dynamic of the second semester, in terms of margin, we expect the digital to have occupied a relevant part and we have a concentration in the number of our stores, which helps us to have better margins, whether it'd be by opening stores or because the new stores, specially in the in the newest cities, sell more in food, but due to the effect of newness.

When we look at the other lines of products, which we have been doing over all of our history, since 2013, which is constantly diluting these expenses, selling expenses, we have the effect of opening a great number stores, so we have pressure on that. It could pressure us in that area. So, even though we expect the scenario of a cooling of inflation, this has an effect on the IGPM, we have a reduction, which we start to add new stores with these readjustments. So, in general, we expect inflation to head down in terms of IPCA and IGPM in general, and this affected the IGPM, as an important component, which is a little different. However, we continue to expect to deliver a great deal of profitability.

Operator: Our next question comes from Joseph Giordano, from JP Morgan. Please, go ahead.

Mr. Joseph Giordano: Morning everybody, Diogo and Sergio. Congratulations on the results. I wanted to explore two points here. Sergio has talked a little about the competition. How do you see the growth and the maturity of the stores in places where you're coming in, if they reach the expectations, when we look at e-commerce, we see a moment of penetration. I don't know if you can open for us how is the grade of this penetration to understand new cities, new markets, mature markets etc. I understand that these mature markets could have much higher margins, and how does your head think about this acquisition of Zee.Dog, how do you think about M&A, how do you think about this growth going forward.

Mr. Sergio Zimerman: Thank you for your question, for your questions, at least three different questions here. Let's go here. The new stores, especially new stores in new cities, have consistently surprised us positively. We are entering a dynamic which is very interesting, which is that in the first moment, the digital sales become the background for the entrance of the physical store, and then the physical store is supporting the digital. So, it's a very interesting dynamic. We are going to cities that are farther and farther away, such as Manaus or Tocantins. And we perceive that the store arrives already with that brand well established, an expected brand, which eliminates the need for any type of marketing in the region, because the mouth to mouth has been an incredible in those regions, especially due to the work that digital precedes the installation of the physical store. And once the physical store is installed, the level of services in the digital changes in an absolutely disruptive way. The freight costs practically disappear, the level of services which took 10 to 15 days, the delivery happens in 2 hours. So, this abrupt change in the level of services, combined with the disappearance of the costs of freight, has made the digital sales in those new areas in which we enter, becomes very solid in comparison with all the rest of the market.

So, in conclusion, news cities, new stores were very consistently reaching what we expect, in fact overcoming what we expect. Just with the growth of the digital sales, growing in a homogeneous way, evidently when we go to these new cities, the growth is disproportional, because normally when you go into a city in which we have not yet had a physical store, as I mentioned, the level of service is poor. As bad as the rest of the market, whether in relation to our competitors, in relation to our big market places, which has also great difficulties in attending those regions with a good level of service. However when we install our store this disruption that we bring in that indicator means that there's an explosion of these digital sales.

So, I would point out that the in the growth of our digital sales, but when we look at this in general, you can see growth in large cities, growth a little more timid in the interior of São Paulo, which are characteristics of different types of treatment. But on every front, we've had good growth, in every area a good growth, in the growth of our digital sales.

Finally, in terms of M&A, these two acquisitions, as we mentioned, reveal a little bit of how is our mindset for the type of acquisition which we plan to do. We picked up companies which are absolutely references in what they're trying to do.

So, Zee.Dog opens up the avenues of expansion for the entire world for us, now we no longer just think about Brazil, but we can now think about the world. New acquisitions will always follow this logic. What can we add in terms of value to our tutors, for our consumers and eventually acquisition which we call more of the same, we may be picking a more specific store a local network or even a larger chain. But always with the concept which has been working in our competencies and adding more volume, it’s the type of M&A that we consider could happen. However, when we think about closing this ecosystem and making the ecosystem complete, the characteristic of acquisitions that we're looking at is in the style of Cansei de Ser Gato and Zee.Dog. I'm going to pass it over to Diogo if there’s anything he'd like to add.

Mr. Diogo Bassi: When we think about the ecosystem, I think, as Sergio mentioned, we talk about complementary of these acquisitions, is to give a lot of autonomy to these entrepreneurs, and at the same time, try to leverage the maximum amount of synergies that we can extract from these combinations he. Beyond what we've done, we continue to look at the exclusive products, private labels, differential services, technology, to offer to our clients. We have been very active. This work began more importantly at the beginning of the year. And we hope in the future to have more points to add to our ecosystem.

Operator: Our next question comes from Bob Ford, via webcast, from Bank of America.

Congratulations for the quarter I was impressed with the operational leverage following the G&A expenses. Can you discuss the increases of this increase and the best contributors for operational leverage and how should we think about operational leverage going forward?

Mr. Sergio Zimerman: Morning Bob. Thank you for your question, I'm going to let Diogo answer that one.

Mr. Diogo Bassi: Thank you Bob, morning. Look, asking Ruben here, the growth of this revenue will help us to deliver, especially the costs of G&A. Fixed and semi-fixed costs, in this environment we're more cautious in contracting recurring expenses, but always having the care to preserve the long-term goals, as sales expenses.

We have a dilution, not a dilution, but a lack of pressure as we expected, since these openings are small in the first semester, first half. We had five in the first quarter and seven in the second quarter, and we expect to open up to 40, so we have a higher pressure on selling expenses in the second half of the year. And looking at the next years selling expenses will continue as we increase our park of stores, but G&A will continue to evolve favorably.

Operator: One more question coming from the webcast, from Bob Ford, from Bank of America.

How should we think about the costs of acquisition of clients, since as you migrate your people to the app, take advantage of the CRM, and how should we think about the functionality of this app, as you continue to improve the interface.

Mr. Sergio Zimerman: Bob, thank you for this question as well. Look, there are costs of acquisition of clients, naturally. It has this influence of the increase of sales via app, as well as the influence of the expansion of the physical stores. We always affirm that investing in physical stores is investing in omnichannel usage with a CAC, a cost of acquisition of clients, which is the capture of new clients. A lot of which transformed into omnichannel clients as well. So, even though we have these two positive events, we still continue in a very strong competitive environment, due to the dispute for new clients and the need for us to be firm, disputing this market with our social networks, with the other platforms.

So, what we see in general, between factors that pressure our costs and the competition, and factors that reduce costs, such as the opening of new stores and the increase of sales via app, we see a certain amount of neutrality in our cost of acquisition. So, as I mentioned there are factors in favor of and against. As far as the functionalities, yes, we see an evolution, a continuous evolution of how to make the app more and more with less attrition, simpler, easier. I see the evolution that we've done in the subscription. One click, you sign in, with one click you cancel your subscription, and other functions which over time we will incorporate. We're already in a pilot phase of an app for Seres, which will also be very disruptive in the area of health. And so, for us, personnel are fundamental and technology is fundamental, and these two things permeate the entire organization and are the backbone to sustain that type of growth that we have.

So, our commitment that we have with our tutors, with our owners is to frequently, daily, be looking for the question of the usability of the app, of the site, and other situations of navigation in the physical stores, such as self-checkout. Dealing more and more with… generating an experience more and more pleasurable for our users. And complementing this, Bob, it'll be difficult to talk about the reduction of the of the CAC, of the cost of acquisition, with the increase of competition, more aggressive competition. It's important to mention something that we're talking about in the ecosystem. We have 600 thousand followers. Basically growing by organic media, differential products, Zee.Dog, etc., with media reaching this mark, which helps us to optimize the cost of acquisition. It's a big case of dark store. With all the sales, it brings a public which is a very captive public and very faithful public to our stores, to our ecosystem.

Operator: I would like to remind you that to make any questions, all you have to do is type asterisk one (*1). We are now closing the session of questions and answers. I would like to pass the word back over to Sergio for his final thoughts. Sergio, please go ahead.

Mr. Sergio Zimerman: Okay. I would like to thank you all. Each one of you who had the patience to listen to our almost an hour, spent almost an hour with us today and mention that we are completing almost one year as a publicly held company. We're very happy with the first year as a public held company, with the interaction with investors. We have tried to have a very transparent, open dialogue with you all, placing exactly the points that we believe in. Addressing the principled questions and, as I mentioned along the presentation, having this recognition in the ranking of II, Institutional Investor, strengthens us, that we are on the right route in terms of our relationship with the market.

Once again, my thank you and reminding you, reinforcing the fact that in the next quarters we'll be filled with new avenues. A new world is opening to us starting from the moment that we announced the acquisition of the Zee.Dog. Because here I emphasize that it's a platform with a presence in 55 countries, which all by itself gives us interesting challenges to be able to think about expansion, and also in cross selling between the companies which are being acquired.

I would say with a great deal of comfort to you that we have the next quarters next year filled with new challenges and new things which will be important and be challenging. And we certainly will always create the same objectives adding value for our tutors, so that the mothers and fathers of our pets can be better and better attended by a platform which delivers all of the services and products that that pet needs. Thank you very much and have a great day.

Mr. Diogo Bassi: Thank you.

CLOSING

Operator: The video conference of Petz is closed. Thank you all for your participation and have a great day. Thank you for coming from the part of Chorus Call.