

## Transcript of the 1Q25 Results Videoconference May 09<sup>th</sup>, 2025

### **Sergio Zimmerman (CEO):**

Good morning, everyone who is with us. Thank you for your time. Before we start the presentation, I just have a quick message.

This quarter was once again described by a significant operational recovery, which is not necessarily being translated to numbers. And there's a very clear explanation for that, which is the first highlight of our quarter: the 9% growth of B2C sales with an inflation that once again was 0. And that means that, on average, all items sold on the 1Q25 had the same price they did on the 1Q24.

So when we talk about 9% of growth year over year, which is not such a big number, it becomes extremely relevant when we remember that this nominal value is also a real growth.

What happens is expenses suffer with inflation, which naturally keeps our margins under pressure. And it's also worth highlighting that this quarter in terms of sales, we had a consistent growth over the 3 months. But in operational expenses, this quarter was a little bit more unusual, with some punctual events, especially in logistics and in our DC, which put a lot of pressure in our results from January and February, but with a significant recovery in March.

So when we think about the results perspective, the result was built with growth. March was a much better month than January and February, and we have an expectation for the coming quarters for most of these events to remain consistent, to ensure the profitability at least at the same levels we have right now, or superior.

We are very optimistic, especially because we have seen some signs of price adjustments that certainly need to be transferred to consumers. But at the same time, that will help alleviate the pressure of working with a 0% inflation, which is, of course, very challenging.

Another relevant piece of data comes from our same-store sales growth. We had a 6% growth, which on its own would be a very appropriate number. But when we think again about the fact that we had 0% inflation, we have 6% of real growth of same-store sales, which is very significant. And, in fact, that's why I reinforce that we have operational results that are much stronger than what we see in the numbers because of the dynamics with inflation.

For example, in terms of volume of items, we had almost 11% more volume sold in the 1Q for same-store sales. And that also helps explain the pressure on the DC costs, because, again, distribution center costs are directly connected to the volume of products that we ship and not to the sales price. So the fact that we didn't have any inflation, once again, contributed to the pressure on our operational margin.

When we look at our gross margin, it has remained stable when compared to the previous year with a 7.7% growth year over year, very much in line with our growth in revenue.

Our adjusted EBITDA was R\$56 million with a 5.6% EBITDA margin. And like I mentioned before, for the coming quarters, we have this clear perspective that our EBITDA will be either that or considerably higher. We have a very clear understanding that the EBITDA of the 1Q25 will be the weakest level of 2025.

Still on the highlights, we had a growth on our private label of 31%, which is a major highlight of the quarter. We have been evolving a lot in our private label initiatives. In this quarter, we have already reached 11.3% of share. And if we look at more updated data from the 2Q, we are way beyond 12%. The share keeps on growing, and we had a consistent growth of 1.8 p.p. year over year, which is quite significant.

In terms of subscribers, we are over 554,000 subscribers with almost 20% growth year over year, and they represent almost 30% of our total revenue.

So these are the big highlights of the quarter. And as you can see, they are not necessarily reflected on our financial results, but they are indicators that as soon as we get a better level of inflation, we will be delivering more important results at the financial level as well.

Next. Like I mentioned before, this growth in volume of 11%, a growth in tickets in 7.9%, and items per basket growth of almost 3%. So all operational indicators with a good trend. Later, we will talk about the launch of Seres Saude, which is our health insurance plan for your pets to live longer, with a focus on prevention health. And we also have more traditional health insurance plans offers.

Our private label accessories are growing exceptionally in toys. It's a new line that we have from a brand called Spike. We have doubled our share in toys. In pet beds, their share has tripled. And it's incredible to see, especially in accessories, how much we have been progressing when it comes to our private label.

Another important highlight has to do with a very strong recovery of our physical channel, or of our stores. 10.2% of growth in stores, 8% of growth in digital. In reality, for the past 2 quarters, we already started to see a better balance between the growth in stores and digital channels, something that we hadn't seen for many quarters.

So our stores, which seem to be declining, and we didn't have clarity exactly where that would head, it seems like we have found a good balance. So digital sales are at between 40% and 45% of total sales. And it seems that we have also found a stability there as well, which I am sure you might agree, will help us in this work of improving our margins and expenses.

We also had a 5% growth of the number of active customers, which is quite significant because, again, this is real growth. The remaining of the growth comes from the same

customers shopping at a higher frequency. And here, another highlight on our Clubz, which we launched mid last year and has had a consistent growth. And later, I will talk about the different options we have and what happens with those customers that subscribe to our Clubz.

I have already mentioned about our private label results, but perhaps we could go back one. I just wanted to highlight one more thing about our Selections Dry Food product. It has been really well accepted by consumers. And in the food category, we have also been able to see this consistent level of growth.

Next. This is Clubz. It has a free plan, which is Bronze. All you need to do is share your data. But you also have paid options, Silver, Gold and Diamond. Here, you see the annual fees, so 12 installments of R\$6.90 for Silver, R\$12.90 for Gold, and R\$24.90 for Diamond.

And we are very happy, just like our customers who subscribe to the Clubz because we notice a significant change in their behavior for natural reasons. It's a paid plan that tends to build more loyalty than a free option because customers they now know that it does not make sense to shop anywhere else. And this is truly a win-win scenario because customers who shop more frequently, it is very advantageous for them to pay for the plan. And for us, we compromise our margins a little bit. We are replacing margin for more recurrence, and this is exactly the result we are witnessing.

Talking about our omnichannel initiatives. It continues to be very robust and a main competitive advantage for the Company. And again, an omnichannel customer on average buys 2.5x more than customers shopping on one channel exclusively. So we encourage this omnichannel approach. And a subscription customer shops 60% more than a nonsubscriber customer.

This is Seres, the health plan for your pets to live more. We are still in the pilot phase. We do not have operational data to report because we are still testing it only in the city of São Paulo, in some hospitals located in the state capital. But it is very consistent because there is a focus on prevention and on traditional health insurance plans. Our idea was to include as many categories as possible.

So here, we have 2 options for prevention, one called Essential and one called Full. In the U.S. preventive healthcare is way more developed than in Brazil. So our idea is to highlight the importance of focusing on prevention because not only it is cheaper for tutors, but it also improves the quality of life and the expectancy of life if you have this focus on prevention, just like it is for human.

And again, the fact that pets are seen and treated as people, we need to apply the same concepts to them. We all know that going to an annual checkup and focusing on prevention is important for our own longevity and so too we avoid major health care issues. It's much more expensive to treat and much more painful as well. And the same thing applies for pets. So that is exactly the message we are trying to convey when we offer prevention plans.

And then we have traditional health plans for puppies, for healthy adult pets, for special adult pets, and for elderly dogs, and also for cats. Again, this is live. We are testing. We are doing the pilot and our expectation is to start to roll out this in the coming quarters in a consistent fashion, already sharing some results with you.

This is a quick update on the deal between Petz and Cobasi. I am sure you know the process has been registered. We have provided all the additional information that was requested in February 2025. In April, there was a third stakeholder that was admitted in the process.

We are very confident on the approval and on the technical analysis done by CADE for a very simple reason, the deal, the merge, does not represent any type of commercial issue for consumers. Quite the opposite. The core or the key reason of the deal is to decrease price for consumers. We need to lower our operational costs so we can become more competitive, especially in the physical stores environment where competition is tough and where we need to face a long or a high level of informal and small pet shops, and our benefits of scale have not been sufficient all the time to fight this informal competition. So doing this deal, reducing costs, and becoming more competitive in stores, it's going to be essential.

And again, another reminder. After the conclusion of the deal, we have 10% of market share, which, let's be honest, does not raise any competition concerns. And the market is extremely diverse, a market that keeps on growing. In the past, we had more specific competition coming from supermarkets or specialized pet shops. And now today, we have competition coming from cross-border and from big marketplaces like Amazon or Mercado Livre, which has thousands of pet shops competing against us.

So the competition over the past few years has only grown tougher and it has only grown bigger, which makes it much more challenging remaining competitive in the market. And once again, the key reason behind the deal is precisely that one, we need to lower our cost, become lighter so we can sell at lower prices to consumer.

And just to conclude this explanation, that's exactly why we are very confident on the technical analysis from CADE that we are confident that it will be beneficial to us because we have been providing them with all the data and all the information in that sense.

But anyhow, what we do need to do is to patiently wait for their decision before we can truly advance with this merge. For now, we have an international consultancy with a very much evolved work and with some deliverables. They have pretty much mapped all the relevant processes for both companies, which is extremely important because it saves us a lot of time. They have also delivered a project on value creation, which was basically refining all the more obvious synergy points. This is a very well-executed effort.

And a focus on technology as well. They are focusing on understanding the right architecture of systems and how this new integrated company would look like, which systems would be used. So the idea is to test different systems to understand the ability

to grow databases and to accommodate these new companies, and we are doing that while we wait for the CADE decision.

Now I will hand the floor to Aline, and I will be back for the Q&A session. Thank you.

**Aline Penna (CFO):**

Good morning, everyone. Next, please. So some financial highlights. And after that, I will do a deep dive on each of them.

So our total gross revenue was R\$1 billion in the quarter with a 7.9% growth. And in the bottom, you see the drill down of the growth. On B2C sales, we had a 9% growth. The good news is that we continue to see this level of growth in the beginning of the 2Q. So like we published in the release and like Sergio mentioned, we do see a consistency in this level of growth and the comparison basis tend to get tougher.

In terms of stores and digital, we see similar levels of growth again. In the release, we have explained this. We have implemented a lot of gamification strategies for targets in the stores, which have been helping them a lot to sell more. The sales teams are more engaged because of that.

Our digital channel, even with the adjustments we have made to protect its profitability, it continues to grow at very healthy levels. And again, like Sergio mentioned, a same-store sales of 6% in a 0% inflation scenario represents real growth. And our volume was close to 10% growth in the quarter.

I also want to highlight services. We see a growth again in services. And for B2B, it's not on the slide, but it's important to mention. We saw some retraction. And I would say that as sales of our private label products, whether we are talking about Petix or Zee.Dog products, as they grow in share, it is natural to have a smaller B2B sales with more timid growth. So on the B2B, because of sales windows and everything that we mentioned connected to the distribution center, we didn't see a drop, but the idea is to recover that in the 2Q, and this is exactly what we are seeing so far.

Just to give you an idea, for hygiene pads from Petix, inside pads, there was a 14.5% growth. The Zee.Dog products inside Petz grew 15%, only highlighting the strength of those 2 brands in our ecosystem, which, again, obviously reduces the relevance of our B2B channel. In terms of gross profit, our margin was stable, flattish at 38.9%.

The fact that we grew at similar levels in stores and digital channel help us recover this margin because there is a profitability gap between those 2 channels. So if digital does not grow as much, it's much easier finding that level of stability on the margins. And of course, another effect that could pull our margins down, but it's not actually doing so is the fact that we are being more assertive in our commercial policies.

So we are a little bit more competitive for some product lines in stores, which helps them grow. So we do have more assertive pricing and a focus on cash margin, which is giving this good results in margins.

Talking about EBITDA, we saw a 6.9% drop with a 90 bps pressure on the margins. Later, there's another slide on margins to talk about what are the recurring effects and what are not recurring effects.

Next. Talking about our store performance. Our same-store sales, we are relatively happy with it, 6% in this 0 inflation scenario. We start to see our suppliers doing some price adjustments, and we actually welcome those changes because we are growing a lot on volume, which only adds pressure to freight costs and the DC, and I cannot necessarily transfer all that. So all the results that we get in gross margin do not come from price increases. But now, working together with the industry, we might be able to start increasing prices, starting in the 2Q.

Here, we also see the new stores. So mature stores are around 15% of 4-wall EBITDA, which is a number that we have been presented in the previous quarters. And there's also another piece of good news. Younger stores, 2021, 2022, 2023, showed a positive evolution when it comes to the previous year. So it's almost like they are maturing a little bit better than they were last year. So, another positive news.

Next. In terms of gross margin, there are a couple of elements that help us keep the level we have. Of course, the growth of digital not being so high, that's beneficial. We are focusing much more on cash margin.

And I always like to give this example. Looking just at the percentage perhaps was not the best way to go. So we started looking at the whole basket from customers. So I accept decreasing the percentage margin of a product because I know that, that product would lead to more products in the basket, even accessories, which provide us with better margin. So we are focusing on cash margin, and we have been doing so for 3 quarters, and it has been very successful.

And without a doubt, we have to talk about private labels because there was a 31% growth of private label share in the quarter. The penetration grew 1.8%, so now it's 11.3% of our revenue.

And again, when we talk about private label, we can have some impact on the gross margin, and that tends to grow as quarters go by. We are constantly growing this share, especially with the growth of Selections and dry food options and a lot of new toys, a lot of new bedding, bed products, which tend to help us in the gross margin.

Next. Now on expenses. The negative highlight of the quarter was the pressure of 90 bps on our EBITDA. But I just wanted to separate what is a onetime event and other events that are more routine.

We had the issue with the distribution center. That's a one-off event. We are expanding our Embu distribution center, and we experienced a loss of productivity during the works. We increased a lot the volume of products being shipped. We needed to hire extra labor. And every time the DC is working close to its full capacity, we have this type of pressure of expenses because of additional cost.

So I would say that 40 bps out of the 90 bps were a one-off event. We are not adjusting this as nonrecurring elements, but this is not something that we expect to see in the next quarter.

We have already finished the DC in March. Like Sergio mentioned, January and February had one profile of expenses, but in March, we saw a more positive margin. Sales were really good in all months of this year. But as we have been adjusting expenses, I would say that everything connected to the DC has already been included.

When it comes to sales expenses, of course, we are selling more volume. We are shipping more volumes. So it's important to bring some price adjustments to keep that operational leverage. But more volume generated more freight to stores, and that put pressure on expenses. And also, we keep growing outside the São Paulo-Rio regions. We are growing in the North and the Northeast. And, of course, I need to invest more to ship products to more remote regions, which, of course, has an impact on the freight calculation.

So roughly speaking, this is the message we wanted to give you. And again, once we start to see these price adjustments coming from the industry, because the industry works at suggested prices, so there is this incentive for the whole market to respond to, and that is valid for at least 60% of products, mostly food products, and once that happens, we will have this help to decrease our expenses. Because again, some mature stores have their EBITDA growing in line or a little bit below the same-store sales inflation, but we have rent costs and other costs that grow at the official Brazil inflation.

On our net profit, we had R\$800,000 of accounted net profit. But there are some adjustments here for you to understand the impact on what's cash and what's not cash. I think the big line to be explained. Actually, there are 2 nonrecurring effects, that R\$9 million. We are talking about expenses connected to the transaction. We have a consultancy, the international consultancy that Sergio mentioned, attorneys. So we do have expenses connected to the deal. We also have the payments of the earnouts of the acquired companies. So roughly speaking, we are talking about those 2 lines.

And one other point to highlight, which is totally noncash, is the swap impact. We are reconciling this, but I would like to say that in this quarter, we had a positive impact from swap, R\$8.6 million, on our net profit. And for a reason.

Basically, we had a year when we started with an exchange rate of R\$6.18, and we ended the quarter with an exchange and FX of R\$5.7. Of course, we are not considering that on the adjusted profit because there's no cash effect, but it's important for you to understand that there was a benefit here.



Next. And finally, I think it's important to talk about our operational cash flow, R\$23 million in the period. The operational result was smaller because of the pressure on the EBITDA margin and I would add on our working capital. Because of the DC, we had stock levels that were not optimized. But that was a one-off event, and we have already addressed that issue for the 2Q.

When it comes to investments, we have been consistently reducing our CAPEX level, especially because we are opening fewer stores. We opened 14 stores this quarter, only 1 store. And every new store we open also has a leaner CAPEX model. They are smaller and they spend less per store because of optimization on the layout and the model of the store we are opening.

Just one highlight on technology and digital. We invested more than the previous quarter of the previous years. But again, these are investments connected to the launch of the health insurance plan and all the systems required for that and continuous improvements that we apply on our website, on our app, and on digital security.

And on the right, I just wanted to highlight our leverage, which is still at 0.3x EBITDA. Our net debt is R\$75 million, and we have already distributed dividends in the 4Q of R\$130 million. And this is the reason and the only reason why our debt level is higher, because our focus is to invest only what we can generate in cash, so we do not impact the picture of our cash flow because this is a priority for the Company.

This is what I had for you, and I think we can start our Q&A session. Thank you.

**Felipe Rached, Goldman Sachs:**

Thank you very much. I just wanted to go back to the gross margin. We saw a number of positive dynamics in the quarter, the growth in stores, the growth in share of private labels, but I just wanted to understand what offset that effect. Was it the mix of products, or were you more promotional in a specific category? If you could give us some color on that, it would be very interesting.

**Sergio Zimmerman (CEO):**

Felipe, good morning, and thank you for your question. You are right. When we get to a final gross margin, there are a number of micro dynamics that impact the growth of the gross margin and also the pressure on the gross margin. And in the end, when we combine all those elements, we got to a relatively neutral result. And again, you are absolutely right to realize the different factors that contribute to our gross margin.

And I just wanted to make this link to the deal and the reasons behind the deal. We need to lower operational costs to become more competitive in our stores. But what we have noticed is that in stores, especially in stores, the levels of informal competitors might have grown or something else might have happened because, overall, small pet shops are stronger in promotions, which naturally makes us suffer a little bit more. And at the



same time, we need to try to be more competitive in brick-and-mortars. Even before the deal, we need to do something. We expect to do much more once the deal is finalized.

But in the end of the day, this is the calculation that we need to do. We need to get the benefits from the private label and use those benefits in favor of the consumer.

**Alexandre Namioka, Morgan Stanley:**

Good morning. Thank you for answering my question. Sergio, in your initial remarks today, you mentioned that this quarter was the beginning, or perhaps the turnaround, I forgot the exact term that you used for this operational change in the Company. But this turnaround is still not being translated into numbers. So I wanted to understand, what is missing so that we can really see the operational result being translated into numbers.

**Sergio Zimmerman (CEO):**

Thank you for your question, Alexandre. In a very pragmatic way, what's missing, considering all the improvements we had had on the operational side, we are missing inflation. It's as simple as that. Because imagine this, 5% inflation to sell the same volume. So with no pressure on logistic costs, no pressure on labor, no other pressure, where we would have 5%, and of course, we have taxes and other things, but most of this inflation growth contributes to the result.

Because it is very complex when the nominal growth is equal to real growth because on one side, it shows the strength of the operations. You are growing on volume, on frequency, on number of tickets. But on the other hand, you need to do a big effort on the real growth to fight the cost inflation that you have, the cost inflation in the operation. You have wage increases, you have cost of occupation, energy costs, all those go up. They will go up anyway, and they only add pressure to the margins. But again, with the price adjustments, that could be offset.

**Alexandre Namioka, Morgan Stanley:**

Perfect. Thank you very much, Sergio. So just to make sure I am clear, considering this environment, with more promotions that you have realized now exists in smaller pet shops, for the short term or for the next months, we do not expect to see a growth in inflation.

**Sergio Zimmerman (CEO):**

I think we can expect to see something happening, yes, in the coming months. Especially at the beginning of the 2Q, different suppliers, after a very long period, without price adjustments, they have already announced some price increases around 5%. So inflation is not good for anyone, but not having inflation when everything else is suffering with inflation is also not good.

Ideally, we would always be at the average. At a certain point in time, we were above the average inflation during the pandemic because of raw material issues, which is not good because it really destroys purchasing power for consumers. It's very difficult to work with an inflation rate that's above average, but it's also very difficult to work with such low levels like we have right now.

Ideally, the inflation in our segment would be around the average, especially when it comes to wage increases and rent increases as well. And we have an expectation that now, for the remainder of 2025, this is what we are going to see.

**Eric Huang, Santander:**

Good morning. Thank you for taking our questions. I have 2 on my side, very quickly. The first one, looking at private label, we saw significant progress. You are growing with the dry food option. But considering you have a much broader portfolio, what do you see in terms of potential for the share of private label, and what impact that could have in terms of your relationship with the main suppliers, especially if you think about similar products?

And the second question has to do with the competitive landscape. You mentioned that you would bring accessories and more affordable options. I want to understand the progress of that, and how that might have contributed to fight competition, especially coming from marketplaces.

**Sergio Zimmerman (CEO):**

Thank you, Eric, for both questions. When it comes to the share of private label, indeed we have a promising horizon for the development of private label products. It is very difficult to say, "this is the percentage we want to get to". But in the past, when we mentioned that certain company in England or in the U.K. had 60% or 70% of share of private label products, we thought that was unimaginable for us. And currently, we are above 12% of private label share. So for us, considering the potential that we have to get to 20%, it seems that that's quite feasible.

Considering problems with suppliers, we have tried to be extremely coherent in this dynamic, always focusing more on private labels, on those situations when there is no brand associated issue, which is true for accessories, beds, and toys because other brands are not as relevant. So it gives us an opportunity to be more incisive.

For pet food, we try to protect, and we aim to protect our partnerships. And just to demonstrate how coherent we are, despite the fact that we have a private label, we respect the quality of the brands and the brand that has a partnership in our vet clinics is not our private label because it is a brand that makes a lot of sense for Petz and in that super-premium category, and we do not have a super-premium product.

We do not have a super-premium product, and we might not even have one in the future, because for a super-premium product, there is this technology that the industry uses that

we need to respect. So we are being very precise in our initiatives to preserve the good relationships we have with our suppliers.

When it comes to more affordable accessories, that was a big success we had in different lines, especially for pet beds, pet toys or colors. We were able to better understand what consumers were looking for, and we brought these more affordable options, which also helps explain why sometimes we see this significant growth in volume without the financial results, because we are selling more items at a lower price, but on the other hand, we are closing this gap that had been happening before, which is the loss of share of accessories in the total mix.

This is completely gone. Today, accessories, in a couple of weeks, grow in line with the other categories and in other weeks, even growing above other categories. We are very happy to see the growth resume in accessories.

**Laryssa Sumer, XP:**

Good morning. Thank you for the opportunity. I have just a quick follow-up from the first question from Felipe on gross margin. How can we think about this dynamic from now on? Because we have heard a lot about the positive levers and stores striving to be more competitive. And you mentioned about the expansion of the Clubz program to stores. So is there a connection to this tougher competition in the channel? And how can that impact the gross margin? Thank you.

**Sergio Zimmerman:**

Thank you, Laryssa, for the question. We have a big focus on results. And the 2 major components of the results are operational expenses and gross margin. And today, because our results are a little bit tighter, of course, we are not happy with the EBITDA results we have right now. Our focus is 10%, not 6%. So we are far to the level that, in our understanding, we should be at.

But there is no room for reducing gross margin without reducing expenses. It's as simple as that. Because if you reduce gross margin without reducing expenses, automatically, you would be accepting a lower result of 6% or 5% EBITDA, which is out of the question for us.

So the expectation of being more aggressive or more competitive is directly connected to the Cobasi deal because that would lead us to a lower operational cost and would allow us to reduce our gross margin. And then we would have room to do that.

In the meantime, we have been dealing with this tougher competition in the store channel with the gains we have seen in our gross margin, especially coming from our private label, a better mix of products, the fact that the digital channel is not growing as much and the store channel is growing again. So we are using those dynamics to keep our competitiveness, but we cannot consider reducing the current levels of gross margin we have today.

**Aline Penna (CFO):**

And just adding to that on Clubz, what we have seen, of course, Clubz is recent, especially for the paid versions, but for the new customers that came to our base, immediately after, they started shopping much more. We are not going to give you this data because of competitive issues, but customers, they buy much more from us. Their share of wallet really grows.

So that should not impact the gross margin. It's going to be much more of a cash margin effort. They will buy many more products from us. And when they buy a pet food that's a better price or a hygiene pad that's at a better price, they buy everything else around it. So it is another element that can help us in the cash margin just by increasing frequency. And that offsets the discounts because you do discount in one category, but in their basket, you have way more than just one category.

**Nicolas Larrain, JPMorgan:**

Good morning. Thank you for taking my questions. I actually have 2. The first one is about private label. You have been building quite a robust private label portfolio. And I wanted to understand if you see any opportunities for a specific category that Petz could work with. When you think about new categories for private labels, I think that's what my question is about.

And I wanted to follow up on the questions on accessories. I wanted to know, with this initiative of bringing products that are more affordable, if that had a significant impact on the margin dynamics for the category of accessories.

**Sergio Zimmerman (CEO):**

Thank you, Nicolas. Regarding our portfolio of private label products, yes, we have plan to launch products in categories where we are still not working with, so we can keep growing, and we clearly see more opportunities to improve that.

And here, Nicolas, it's worth highlighting one thing. 12%, or perhaps 11% in the quarter and 12% share of private labels is when you look at the total, total revenue. But when you think about the different categories where we have private label, this share is significantly higher. It's around 30%.

So it has been a very successful effort, and we are working with this group of private label products, and we do see opportunities for many other categories in the coming quarters. So I think you can expect only good news coming from our private label initiatives.

And when it comes to accessories, again, we try to bring more affordable accessories options, but that does not mean that they have a lower margin. Sometimes it's quite the opposite. We were able to do some negotiations with accessories that can be sold at a lower price, but that might have even a higher margin.

And going back to the previous answer on the dynamics of margin, we used this element to make one or other product more competitive whenever necessary. But just so you have a better idea, if we were to look at private label products as a supplier, it would be the second largest supplier for Petz.

And in terms of growth, it would be the first one in growth, by far. It's by far the fastest-growing supplier if we were to group them all together. So Petz growing 10% year over year, private label is growing closer to 50%.

So this new dynamic for private label, we still do not know exactly where we are going to get with it, but we still have a lot of room to grow in terms of share.

**Operator:**

Thank you so much. The Q&A session is now over. We will hand the floor back to Mr. Sergio Zimmerman for the final remarks from the Company. Mr. Zimmerman?

**Sergio Zimmerman (CEO):**

I just wanted to say thank you for your time, thank you for all the questions, and say that we started this year very much in line with the end of 2024. So there was an expectation to resume our operational indicators, and that was what we saw in the 1Q.

We are pretty much mid-2Q now and the operational results from this almost 45 days indicate that we continue on that same trajectory of recovery. And we are doing all the efforts to reduce expenses so we can produce more significant results.

We acknowledge that the financial results were not what anyone expected. We do not want to have an EBITDA level below 6%. It does not make any sense for us. And in the coming months, we will be working to take our EBITDA level to the level we should be delivering.

Thank you so much, and I wish you all a great day and a great weekend. Thank you so much.

**Operator:**

The Petz Group results call is now over. The Department of Investor Relationship is available to answer any further questions you might have. Thank you for your attention, and have a great day.

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