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Team 11

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BARKING A WIN!

CFA Research Challenge Team 11

Recommendation: Buy

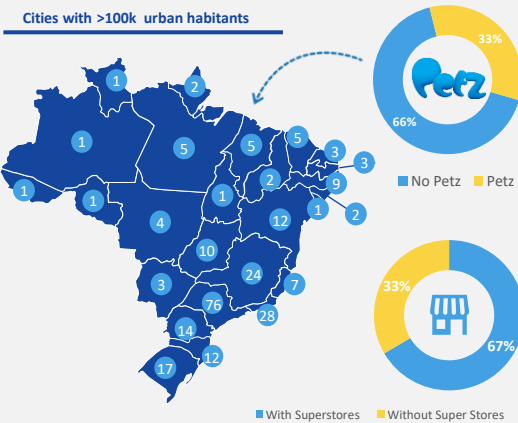
Date	November 8 th , 2021
Current Price	19.61 BRL
Target price	26.59 BRL
Upside	35.62%
Industry	Retail
Sector	Pet Care
Ticker	PETZ3
Stock Exchange	B3
Market Cap	7,840.2 bn

Exhibit 1 // Scoreboard Petz vs Competition



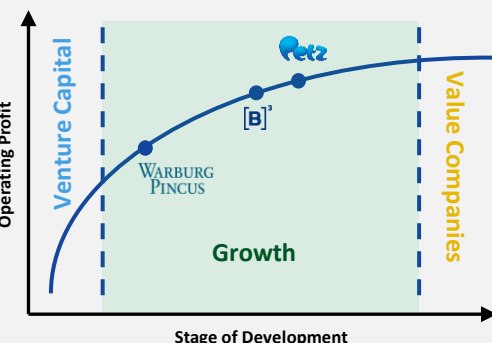
Source: Team 11

Exhibit 2 // Room for expansion



Source: Petz IR, Team 11

Exhibit 3 // Petz's growth stage



Source: Team 11

Petz is a leading company in the Brazilian pet care market, offering food, products, veterinary, and grooming services. Under its superstore model, the company provides an all-in-one solution for pet owners. In addition, Petz counts with a top-notch omnichannel structure enabling lower delivery times as well as greater reach and customer satisfaction, making us believe that its current price is far away from where it should be.

Investment Summary

We issue a **BUY** recommendation for Petz (PETZ3), with a 35.62% upside and a one-year target price of R\$26.59 per share. The valuation was based on the Discounted Cash Flow methodology, along with a sensitivity analysis and five main thesis: (1) Long growth run-way for the pet category based on a wide range of drivers; (2) First mover advantage resulting in strategic positioning to consolidate the Brazilian pet care market (3) Huge potential for both digital and physical growth leveraged by tight omnichannel integration; (4) Powerful value proposition alongside with continuous expansion of product and service portfolio through M&A activity; and (5) Rare opportunity to invest in a major growth thesis in the Brazilian stock market.



BRAZIL IS CLOSING THE GAP TO INTERNATIONAL BENCHMARKS

The Brazilian pet sector is fast-growing and resilient, being able to endure and outperform during times of crisis. This is mainly due to the humanization of pets, sustaining this growth through the increased consumption of premium and non-food products. Concerning other countries, it is undeniable that Brazil still lags behind, with undeveloped distribution channels and low E-Commerce penetration. We expect fast-paced development for the Brazilian market in the following years, with increased pet superstores and digital participation.



PETZ TO DRIVE THE CONSOLIDATION OF A STILL FRAGMENTED MARKET

Despite being founded after its main competitors, Petz quickly attracted interest from investors, having received backing from international private equity firm Warburg Pincus in 2014, while peers Cobasi and Petlove lagged, undergoing relevant investment rounds only in 2020 and 2021. Since then, the company rapidly scaled up, professionalizing its management and investing heavily in its digital operations, a path that resulted in the company being the first in the sector to go through an IPO. As a consequence, the company boasts market leadership on most front (Exhibit 1), along with a strong presence and brand recognition, justifying our vision of Petz being the best-positioned player to take advantage of the sector consolidation opportunity, arriving at an implicit market-share of 11.7% in 2025, doubling its share in the market in 4 years.



LEVERAGING GROWTH THROUGH OMNICHANNEL INTEGRATION

The tight integration between physical and digital sales is one of Petz's key competitive advantages, as these two channels complement each other. When entering a new location, opening a physical store reduces freight rates and delivery times because of the omnichannel integration, increasing convenience as well as customer awareness and demand. This effect has the added benefit of sustaining a successful national expansion. As a result, we see a massive opportunity for the company (Exhibit 2), since it is present only in 1/3 of the cities with more than 100k urban inhabitants (Appendix J).



COMPELLING ECOSYSTEM AS THE BACK-BONE OF GROWTH PROSPECT

Petz's whole value proposal involves offering a one-stop-shop for pet owners. By combining a wide array of services alongside a growing assortment of products in a tightly integrated omnichannel platform, the company boosts customer recurrence and spending, which is further enhanced by a growing physical and digital footprint. Moreover, with the acquisitions of Zee.Dog and CDSG, the company has grown its portfolio, and with new M&As on the horizon, Petz will be able to enhance its value proposition in the pet category.



GROWTH INVESTMENT THESIS BACKED BY NUMBERS

We see Petz as a clear growth case (Exhibit 3), since its operations are still in aggressive expansion and does not generate cash (CFO). Despite this, Petz's managed to build a solid financial basis with outstanding profitability and operational efficiency, presenting historical grow in its ROE (23.6% CAGR₁₇₋₂₀) and ROIC (13.9% CAGR₁₇₋₂₀) and increasing its Adj. EBITDA margin (9.9 p.p.₁₇₋₂₀). Therefore, we built our assumptions perpetuating this conditions, reaching a R\$26.59 price which represents a 35.62% upside. Moreover, our relative analysis backs our findings, resulting in an attractive EV/EBITDA x Revenue combination compared to peers.

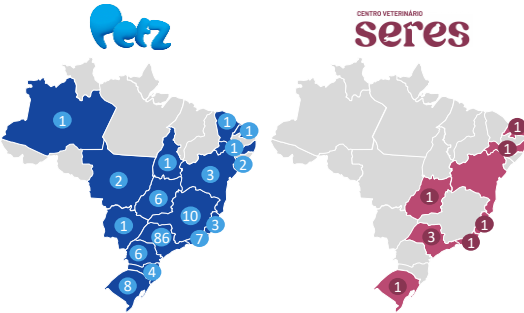
Graphs

Exhibit 4 // Store breakdown by type

	Standard	Express
Size	~1,000 m ²	~500 m ²
Assortment	8-12k SKUs	6-8k SKUs
Value Proposition	Complete experience	Practical experience
Services	Vet, grooming and adoption	Grooming

Source: Petz IR

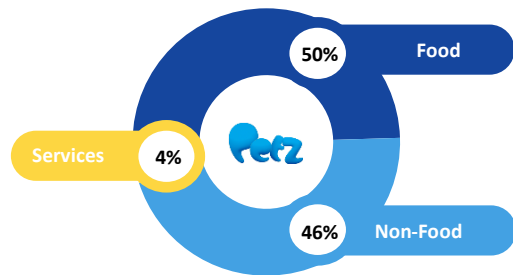
Exhibit 5 // National footprint



Source: Petz IR

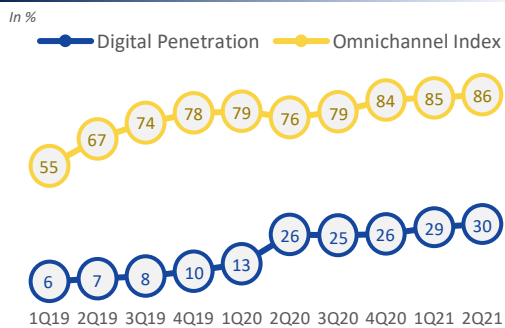
Exhibit 6 // Gross Revenue Breakdown

2020



Source: Petz IR

Exhibit 7 // Omnichannel index and digital penetration



Source: Petz IR

Exhibit 8 // Petz's sale channel



Source: Petz IR

Business Description

Founded in 2002 by CEO Sergio Zimmerman, Petz is Brazil's largest, most integrated, and fastest-growing pet solutions platform. With 143 stores (2Q21), Petz offers over 15 thousand SKUs and several pet-related services. Additionally, under the "Seres" brand, Petz also owns 120 veterinary clinics. This vast structure enabled Petz's R\$ 1.4 billion net revenue for 2020.

BUSINESS SEGMENTS & GEOGRAPHIC REACH

Physical retail isn't dead: Petz operates a large B&M operation in Brazil with a substantial expansion track record. Its stores can be broken down into two main categories: Standard and Express. The first type offers products and services for many different pet species, along with events and entertaining areas (Petz Play). At the same time, express stores are more agile, focusing on dog and cat products (Exhibit 4). The store base is also young, with only 46% older than 3 years, implying that the company has a lot to grow through maturation by itself.

Robust digital footprint: Petz quickly realized the vast opportunity e-commerce had to offer in the Brazilian pet market, launching its digital operations in 2015 complementing it with Android and IOS apps in 2018. This allowed them to reach 30.3% digital penetration in 2Q21 (Exhibit 7). This early adoption provided Petz a powerful tool, whose integration with the B&M operations makes it more competitive, sustains its expansion and provides a key competitive advantage.

Omnichannel approach, the best of both worlds: Since the implementation of its digital sales channels, Petz has strived to integrate its B&M structure with e-commerce. With subscription services, in-store pick-ups, and ship-from-store (turning stores into small DC's), solved the "last mile" challenge and reported an 86% omnichannel index for 2Q21 (Exhibit 7). This approach is central to the company's business model, since a physical point of sale leverages the e-commerce performance, especially in new regions, as it is shown in their sale channel (Exhibit 9).

Wrapping up with services: In addition to the retail operations, Petz also offers an extensive array of pet care, hygiene, animal aesthetics, and adoption services, which accounted for 5% of revenue in 2020 (Exhibit 6). In 2018, Petz launched Seres brand (Appendix L), its proprietary veterinary clinic chain, which now has 120 locations in 7 states (10 of which are hospitals), making it the largest in Brazil. By also offering these services, Petz boosts revenue through cross-selling and increased customer frequency, doubling customer spending with products and tripling it as a whole.

Nationwide footprint: As of October 2021, its 143 stores are located in 18 states (Exhibit 5), with a big focus in the state of São Paulo (60% of total stores). Given the solid and consistent results obtained, Petz has adopted a scattering strategy and is addressing new markets, opening its first store in the North region in 2Q21. Since stores operate as small DCs, the company's strong capillarity enables the solid omnichannel platform, a cornerstone of Petz's value proposal.

DIVERSE PRODUCT PORTFOLIO

Feeding the top line: Out of the total 2020 gross revenue, 50% is attributed to food, including rations and other treats. The inelastic nature of this category means that a large chunk of the company's revenue is recurring and enables Petz to pass on price adjustments. Digital penetration has driven the advancement of the food segment participation in the product mix.

The other half: The non-food component of the product revenue mix comprises accessories, hygiene products, medications, etc. Sales in this segment, which represented 46% of total gross revenue in 2020, are non-recurring but offer a slightly higher margin than the food category.

Doing it themselves: Following other industry leaders, such as Pets at Home and Petco, Petz also offers its own product brand, selling around 300 SKUs in categories such as HPC and toys. With a ~2% participation in total sales, 5 to 10% lower average ticket, and higher gross margins, the company is looking to boost its private-label brand. They aim to reach a 10% share in total sales by 2025, whose penetration not only benefits profitability but also provides more bargaining power with suppliers.

COMPANY STRATEGY AND RECENT DEVELOPMENTS

On the path to becoming a complete pet ecosystem: Petz's long-term vision includes being recognized worldwide as the best pet ecosystem by 2025. To achieve this goal, the company bets on its strong value proposal: being a one-stop-shop for everything pet related, which is enabled by the expansion of its store and Seres chains, along with the continuous development of its top-of-class omnichannel platform and additions to its product and service portfolio. This last part is being accelerated through a robust M&A agenda, initiated with the acquisition of CDSG (Appendix M) and Zee.Dog (Appendix K).

Zee.Dog: After acquiring CDSG, Petz set its sight on what is regarded as the most disruptive pet platform in the world. With a presence in over 45 countries, Zee.Dog opens the door for an international expansion—furthermore, the company offers expertise in brand management sourcing, technology, and exclusive product development (including its own pet food brand), while Petz provides a benchmark omnichannel platform and far-reaching distribution channel.

What's next?: According to Petz management, the company's future acquisitions will follow the

Graphs

Exhibit 9 // Brazilian Pet Care market growth with GDP

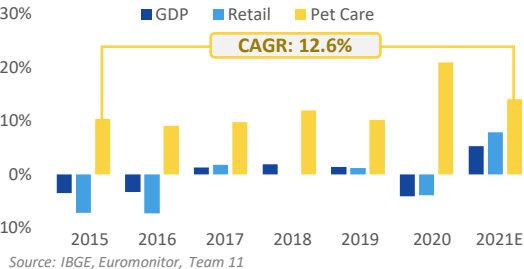


Exhibit 10 // Pet markets and amount spent per pet

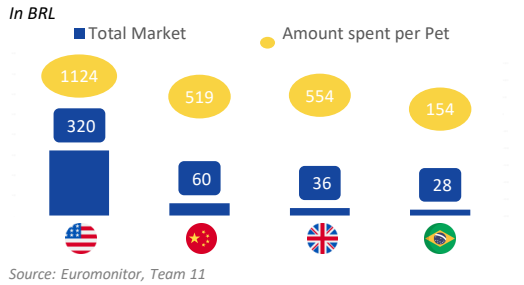


Exhibit 11 // Channel distribution per country

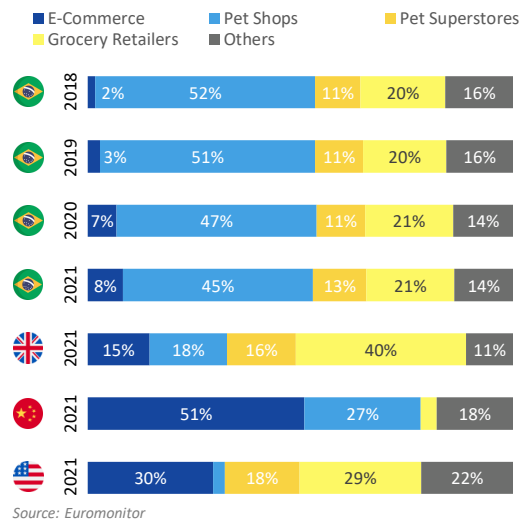


Exhibit 12 // Food and Non-Food distribution

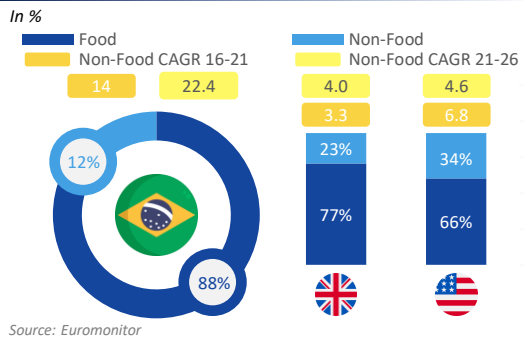
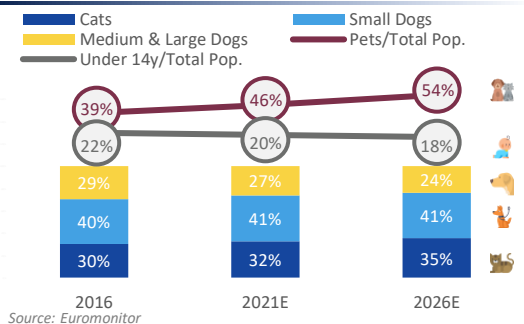


Exhibit 13 // Food and Non-Food distribution



same logic as CDSG and Zee.Dog, pushing to complete its ecosystem. In this sense, the targets include companies offering exclusive products and/or differentiated services that combine technology and excellent user experience, like PetLove's acquisition of Dog Hero and Cobasi's acquisition of Pet Anjo. We wrap up business analysis with a SWOT Analysis (Appendix N).

Industry Overview

The pet care sector has been a solid and resilient market in the past years in the whole world, but primarily in Brazil (Appendix O). That's shown through its historical growth compared to the Brazilian GDP and Retail growth, outpacing and performing even in the 2015 and Covid-19 crisis (Exhibit 9). We believe it should continue to develop, as the pet market is evaluated at R\$31.7 billion for 2021E, expecting to reach R\$66.6 billion in 2026P at a 15.7% CAGR.

GLOBAL BENCHMARKS POINTS TO A BRIGHT FUTURE OF BRAZIL'S PET SECTOR

A market that is remarked globally: The Brazilian pet market is the fourth globally in market size, behind the USA, China and UK, however, it's still far behind them in terms of amount spent per pet (Exhibit 10). This is mainly due to the low average income of the Brazilians, receiving R\$2,500 per month, while in the USA it is around US\$4,000 (BLS) and in the UK it is £2,621 (Statista), allowing them to spend more on their pets, and because of a series of drivers that already happened abroad a long go and in Brazil are still developing themselves.

The distribution is still concentrated in Pet Shops: Brazil is not as well-developed in terms of channel distribution as other countries. A comparison with the USA, UK and China shows that it has a concentrated percentage of revenue coming from Pet Shops, (Exhibit 11), that is also shown through the physical stores, as Pet Shops represents 79.6% in units and Pet Superstores only 0.5%. However, there has been an evolution, with Pet Shops lowering their participation by 7 pp in 3 years and E-Commerce representing 6 pp more. Looking abroad indicates that we should expect a strong transition to sales through Pet Superstores in the next years. Today, Petz and Cobasi have a combined market share of 12.7%, while in the USA PetSmart and PETCO together have 48.7% of market share, and Pets at Home has 40% in the UK, exemplifying the huge consolidation opportunity that exists.

E-Commerce is key to the expansion: Superstores stand out for their variety of products and services, but E-Commerce is an essential point for their growth. We believe there is a massive margin for growth in this segment, as today Brazil is the only country from the top 10 pet markets of the world where the percentage of total retail e-commerce (13.9%) is higher than the percentage of e-commerce on the pet sector (8.3%). Along with that, 5 years ago e-commerce in the US represented only 8.1% of the pet market, so we expect Brazil should follow its path that in the following years as it's still a far less developed and mature market than in the US.

Foreign tendencies point to vets: Brazil has the highest number of vet clinics (46,662 in 2020) and is second in the number of vets globally (117,034 in 2020), with a R\$7.3 billion revenue in 2020. However, US and UK drivers indicate to us that it is still a sub-explored market, as the insurance pet market hasn't arrived in Brazil strongly and is growing a lot outside the country. This enables the advance of veterinary care making it more affordable and, consequently, enhancing the range of healthcare options. Along with that, we should expect growth in the telehealth segment, as it's also growing in foreign countries.

CHANGES CAN ALREADY BE SEEN ON THE INSIDE

From ownership to parenting: The humanization of pets is a pivotal driver of the pet care segment, as owners are treating their pets as children. This leads them to constantly want to be more informed about the food and services their pets take part, willing to expend more on them (Appendix R). This can be seen through the premium pet food suppliers' revenue, as premium dog food has grown at an 18.2% CAGR since 2016, and it's expected to grow at a 17.9% CAGR until 2026, while the economic grew at 12.2% and should continue to grow at 11.7% for the following years, having the same outcome expected for cats. The growth of non-food consumption in the pet care sector also exemplifies it, and it's expected to reach higher rates than food consumption in the next years, getting to US and UK (Exhibit 12).

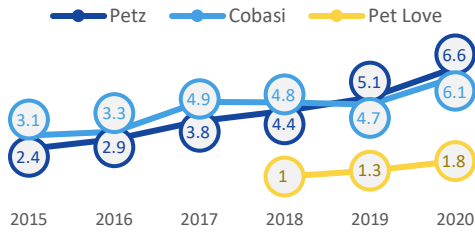
Structural change in the traditional Brazilian house: The number of children in the Brazilian families is diminishing, as there is a low in the marriage and birth rates, along with women getting pregnant at older ages and older people looking for pets as a company (Appendix I). Being replaced for pets, today 46.1% of the houses in Brazil have at least one dog and 19.3% one cat according to IBGE, and the disparity between 14-year-old children and pets is growing YoY and is expected to be even higher (Exhibit 13). This happens due to the Brazilian population growing at lower rates than LatAm and World, with the aforementioned macroeconomic variables getting even worse.

Imminent rural exodus driving urbanization: The last census brought that in Brazil there is an 84.4% urbanization rate, driving away from being a rural country. We believe that this has a significant impact on the pet sector, as it increases people's purchasing power, making pets more affordable and obliging people to live in smaller houses that are more accommodating for cats and small dogs, growing more than larger dogs (Exhibit 13). This should explain why 43.3% of urban houses today in Brazil has a dog and 16.6% a cat, with 25% of all pets being

Graphs

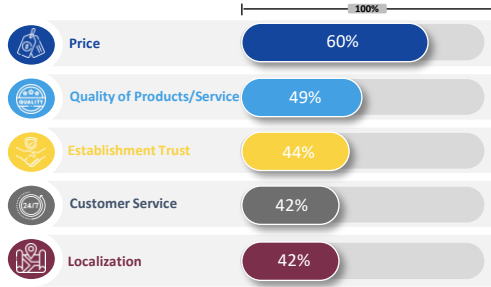
Exhibit 14 // Pet care market share

In % of total market



Source: Euromonitor, Team 11

Exhibit 15 // Customer preferences in the pet sector



Source: CNDL & SPC Brasil

Exhibit 16 // Price and Shipping comparison

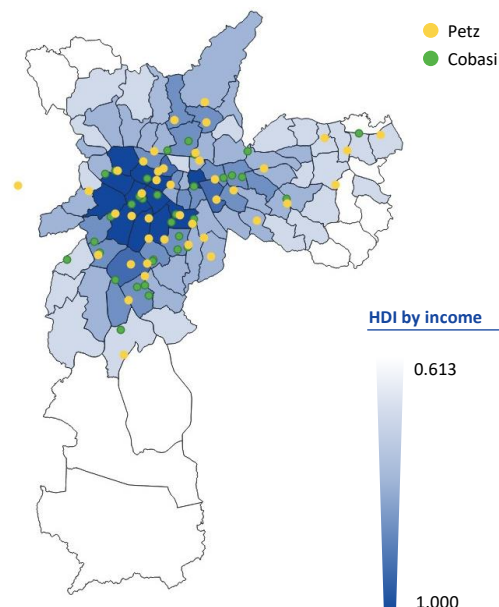


Free Shipping By Region (all states)

Price	R\$ 153.99	R\$ 153.90	R\$ 153.90
North	✓	✗	✗
Northeast	✓	✗	✗
Mid-West	✓	✓	✓
Southeast	✓	✓	✓
South	✓	✓	✓

Source: Team 11

Exhibit 17 // Petz and Cobasi overlap in São Paulo



Source: Team 11

concentrated in São Paulo and 47.7% in the Southeast, the most urban and richest areas of the country with an urbanization rate of 95.9% and 93%, respectively. However, this number can be even higher, as in the US 70% of the households own a pet, being 53.3% a dog and 35% a cat.

Competitive Positioning

We believe Petz is best positioned to take advantage of the sector consolidation opportunity (Exhibit 1), mastering the key components to unlock the sector potential, betting on omnichannel integration, complete ecosystem, and best in class value proposition (Appendix P).

A FRAGMENTED MARKET DRIVEN BY SOLID FACTORS

Competition is high and diverse: Despite being extremely fragmented, we identify four main business models: (1) Pet Superstores; (2) E-Commerce; (3) Pet Shops and (4) Marketplaces. Within the first category, Petz and Cobasi compete among themselves, which extends to the second category, including Petlove as a niche player. As for pet shops, there is a wide array of neighborhood players, with the addition of Petland (Appendix Q). Finally, there are marketplaces such as Magazine Luiza, Mercado Livre, Americanas, and Amazon, which have increased their investments in the pet care wing.

Price and convenience as key determinants: According to a research conducted by CNDL and SPC Brasil, there are five main factors to determine where to buy a product/service for your pet: (1) Price; (2) Quality of products/service; (3) Establishment trust; (4) Localization and (5) Customer service (Exhibit 15). To cross-check, we made our own field research with 166 answers, finding that results that were aligned and trustable (Appendix R).

CONVERGING IN PRICING BUT DIVERGING IN QUALITY

Pricing dynamics: To analyze the pricing policy of the sector, we formed a standard products basket containing eight items across Food, Pharmacy, Hygiene & Gardening for Petz, Cobasi, Petlove, and the four aforementioned marketplaces (Appendix S). Disregarding subscription, we find that prices are homogenous between Petz, Cobasi, and Petlove. As for marketplaces, the prices are more heterogeneous, with some of them being cheaper than the pet players. However, these lower price tags come at the expense of higher freight rates, making the total basket more expensive. Adding their free subscription plans, the prices of Petz, Cobasi, and Petlove remain the same among them, with a 10% discount on the basket and lower than all marketplaces. In relation to shipping, Petz stands out with exclusive offers (Exhibit 16), but when it comes to express delivery, it is the only one to charge a R\$5.90 fee. In contrast, Cobasi and Petlove offer it at no additional cost.

Quality of products and services: Regarding products, most of its offering is standardized, but Petz differentiates itself through its exclusive assortment of proprietary SKU's (Private Label & Zee.Dog). As to physical services, Petz has its own veterinary and grooming portfolio wholly integrated within the ecosystem, while Cobasi offers them through third-party companies. However, Petz still lacks dog sitting services, falling behind Cobasi (Kinea backed) and Petlove (US\$278,8M funding), who recently acquired Pet Anjo and DogHero, respectively. Concerning pet shops, they combine lower assortments of products and services, resulting in a much weaker value proposition when compared to other players. In respect to online services, Petz and Cobasi offer express delivery, depending on product availability, within 4 hours to all cities that has stores through their omnichannel platforms, while Petlove only to greatest São Paulo area. In the case of stock-out, Petz offers the best delivery times (1 day vs 2 days for Cobasi vs 3 days for Petlove), as was the case with our product basket, indicating that it's an ordinary circumstance. Marketplaces don't offer express deliveries under these conditions, but there are other benefits, such as specific digital payment methods, like Mercado Pago and Ame.

GEOSPATIAL ANALYSIS BRING OTHER PERSPECTIVES

One market, different strategies: Using the QGIS software, we conducted a geospatial analysis of all Petz and Cobasi stores in the greater São Paulo area, cross-coding their addresses with data from IBGE data of 2010 census through google maps API Key (Exhibit 17) and, according to our analysis, they present a high overlap. When considered radii of 0.5 and 1km, 19% and 33% stores overlap, with many being located in highways and medium to high-class neighborhoods (Appendix T). These locations provide the companies with increased traffic flows and customers with higher disposable income, improving sale metrics. The strategy for pet shops is different, betting on final customer proximity, as seen by the footprint comparison between Petland, Petz and Cobasi. Even though these last 2 have a 12.7% combined market share, the first boasts a more significant number of stores, with 279 PoS in 22 states vs. Petz's 143 superstores in 18 states and Cobasi's +100 superstores in 11 states.

Location matters: When offering groom and bath services, the proximity to other points of sale becomes a decisive factor in the purchase decision making process. Visiting Petz's stores and talking to customers, we uncovered that the proximity to gyms, schools, churches, malls, markets, and beauty saloons was key to their choice (Appendix T). Using 250m and 500m radii around Petz and Cobasi stores, we were able to observe that the first outpaces the second in this front, with higher proximity to almost all the sale points, analyzed (Exhibit 18). However, Cobasi also has notable partnerships, such as with Pão de Açúcar where they have four stores located in their parking lots.

Graphs

exhibit 18// Proximity of POS to Petz and Cobasi stores

In % of POS present in the store's radius

Point of Sale	Radius	Petz	Cobasi
Gym	250m	43%	42%
	500m	79%	67%
School	250m	60%	44%
	500m	93%	81%
Church	250m	33%	19%
	500m	76%	44%
Mall	250m	26%	19%
	500m	33%	31%
Market	250m	60%	58%
	500m	86%	89%

Source: Team 11

exhibit 19// Automobile's flow at Petz and Cobasi stores

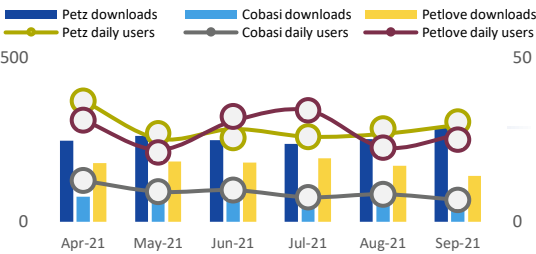
In number of automobile's in the peak hour of each period

	Petz Morning	Petz Afternoon	Cobasi Morning	Cobasi Afternoon
Store of highest flow	4,223	4,261	5,668	6,541
Avg. flow of the Top 5	2,713	2,577	3,775	3,970
Flow of the Top 5	13,564	12,886	18,876	19,850

Source: CET, Team 11

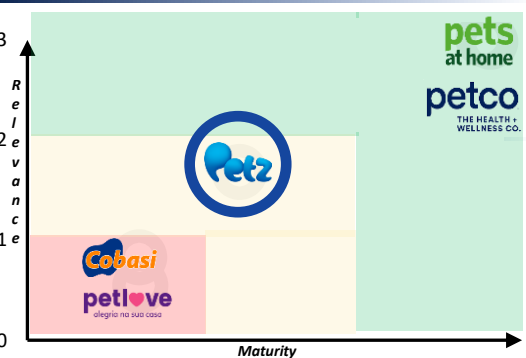
Exhibit 20// US websites used to buy pet utilities

In downloads per month and average users daily



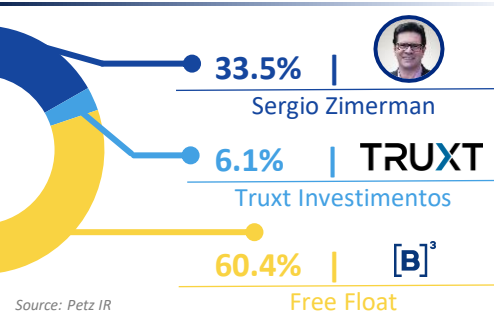
Source: SimilarWeb

Exhibit 21// ESG Index



Source: Team 11

Exhibit 22// Ownership Structure



Source: Petz IR

Flow is also important: Petz and Cobasi superstore business model benefits heavily from the traffic flow. Based on CET data, we found that, combined, 10 of their stores are located in 9 out of the 30 avenues with the highest automobile flow in São Paulo, having five each (Appendix U). Crunching the number showed that during morning and afternoon peak hours, Cobasi presented a higher automobile flow (Exhibit 19), which can be a setback for Petz.

Localization as a driver of brand recognition: Being well-located and with a vast footprint comes with the advantage of creating brand awareness and recognition. This contrasts drastically with pet shops, which operate on a much more fragmented and smaller scale, creating difficulties in generating the same benefits as superstores. Even though Petland also counts with large capillarity, we see Petz time in the market and a much more powerful value proposal of offering a one-stop-shop for pets as crucial factors, which can be seen through its reduced churn in 2Q21. Despite operating in the same standards and being older, Cobasi isn't present in as many states as Petz, failing to generate the same nation-wide identification and having difficulties for expansion, since Petz has already marked its spot in most available destinations. This acknowledgment translates to the digital environment, with Petz leading even Petlove in downloads and daily app usage figures recently (Exhibit 20).

Customer service can't be undermined: Finally, to better understand the company's relationship with its customers, we compared the pet players Reclame Aqui's online customer satisfaction index. Petz has a respectful 8.5 LTM rating, beating Cobasi's 8.0, marketplaces average of 8.2, and Petland's 8.4. However, there still is room for improvement, as Petlove has a 9.0 score. The company is tackling this issue through their personalization of offers in their app that aims to improve efficiency in converting new sails, upsell, cross-sell and rebuy, which has improved customer participation in offers almost 4x in 1S21, boosting their NPS.

PETZ STILL NEEDS TO KEEP AN EYE ON THE COMPETITION

Seres with fierce competition in vet front: With the US\$225.8M injection after several rounds of investment along with the acquisition of PortoVet, Petlove have great prospects to be one of the main players in the vet segment. They will lead the unexplored pet insurance market and will integrate them with their own veterinary services. As for Petland, it can also be a threat, as they recently acquired 50% of Vetsign (vet content website), planning to use its base of 45k vets and monetize them through a paid content subscription service.

International threats: Amazon launched its first private-label pet brand "Wag", which is dominating the American digital market. The Wag brand offers dry food, the highest moving category, exclusively to its Prime members. The brand isn't available in Brazil until now, but its existence reinforces the importance of a consolidated digital platform and client loyalty. Besides Amazon, we don't believe there's room for other American players such as Petsmart, Petco and Chewy, as we believe the Brazilian players have the edge over them having already a big presence nationwide, with compelling know-how and recognition. Regarding the British player Pets at Home, management has already voiced they have no intention of expanding abroad.

ESG Analysis

Petz is a fast-growing company, still far from its most tremendous potential, and according to our analysis, the ESG positioning of the corporation follows this same rationale. To get to this conclusion, we developed an environmental, social, and governance scoreboard, comparing Petz ESG criteria with its main national and international peers (Exhibit 21). Throughout this analysis, we ranked these companies by the maturity on ESG Criteria and the relevance given by the board, which represents the company's public agenda. In this sense, we believe that Petz is doing an excellent job on Social and Governance initiatives, creating a competitive advantage against its Brazilian peers. Still, the undeveloped Environmental plan keeps it apart from the best international peers (Appendix Y).

SOCIAL: ROLE MODEL ON COMMUNITY IMPACT

Positively impacting the pet society: One of its pillars is its operational growth and its positive impact on its chain. In this sense, through "Adopt Petz", the largest pet adoption program in Brazil, it has already benefited more than 50k pets, contributing more than R\$ 500k to its more than 95 partners NGOs from the "Movimento Arredondar" with Editora MOL. These initiatives are expected within the sector; however, Petz differentiates itself due to the large scale of its projects and the greater relevance it already has in the market, being one of the founders of MOVER, a movement that is committed to seeking racial equity in Brazil.

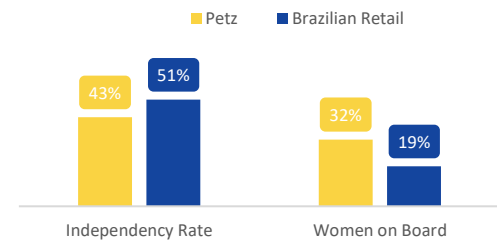
Good track record on employee ethics, but still have room to grow: Through its Code of Conduct, Petz performs complete management of all its stakeholders, and its priority is to work with companies that share the same ethical pillars. As a result, it has no history of strikes or shutdowns of its employees and has received 5x the maximum quality seal of the "RA1000", showing its high customer satisfaction rate. However, the company does not disclose information regarding the gender diversity of its employees, so there is still room for evolution in this regard.

GOVERNANCE: GOOD JOB ON MITIGATING RISKS

Strategic executives run the business: Beginning with the founder and CEO, Sergio Zimmerman is

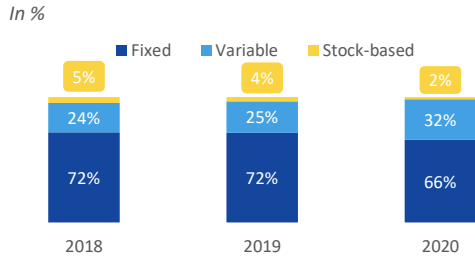
Graphs

Exhibit 23// Board of Directors Analysis



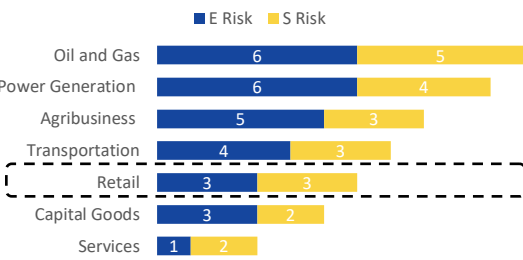
Source: Petz IR

Exhibit 24// Compensation Structure



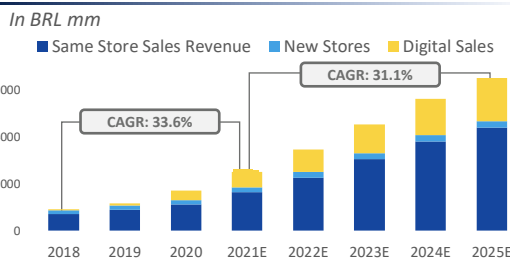
Source: Petz IR

Exhibit 25// ESG S&P Risk Atlas (Score 1 to 6)



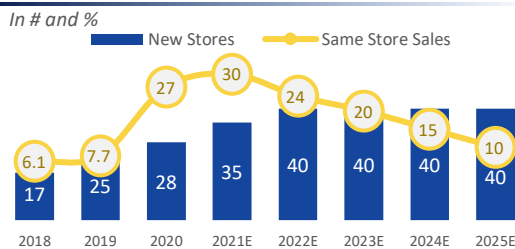
Source: S&P

Exhibit 26// Gross Revenue



Source: Petz IR, Team 11

Exhibit 27// Revenue Build-Up Assumptions



Source: Petz IR, Team 11

a serial entrepreneur and retail expert. While children, Zimerman used to sell products in front of his father's retail store. Later on, he founded his first business, and despite some years of expansion, it went bankrupt. Regardless of the failure, he decided to make a successful bet on the pet segment. By Sergio's side on Petz's board, some key people can aggregate to the company, with honorable mention to Claudio Ely (former Drogasil CEO) and Irlau Filho (former GNDI CEO), since both lead their companies through consolidation processes on its segments.

Solid governance standards: According to our evaluation, Petz practices are according to the best bars in the Brazilian pet retail segment. The company is listed in the highest level of corporate governance in the Brazilian stock market, which is called "Novo Mercado." Moving on to the ownership structure (Exhibit 22), we see the presence of the founder as a great indicator that the company has room to grow. On the other hand, it is also a risk having much of the company's expertise focused on a key person. When looking for gender diversity and independence rate on Petz board, we see that the company is above the Brazilian retail average on the percentage of women on board but above the average on its independence rate. Even though the company just went through its IPO process, we consider 43% of IR low (Exhibit 23), mainly because the founder is still a key person. In this sense, we are closely monitoring the recent board moves and expect this ratio to increase in the next few years (Appendix X).

Keeping its leaders motivated: Petz defines its workers fixed compensation considering the best practices in the retail segment. It can be readjusted by the company's directors or according to the roles syndicate. Moving on to the variable compensation, according to the compensation policy, the directors have collective targets that are defined based on key indicators of the company. We are optimistic about the current compensation structure (Exhibit 24) since the percentage of variable compensation grew approximately 17% in the past three years, demonstrating the management's alignment of interests.

ENVIRONMENTAL: WAY TO GO TO ACHIEVE A RECOGNIZED POSITIONING

A huge environmental impact sector: Even though the retail sector is not considered among those with the highest ESG impact by the S&P ESG Risk Atlas (Exhibit 25), the pet care sector has a high impact on the environment. A study conducted by Gregory Okin, a professor at UCLA, pointed out that pets have high carbon "pawprints", creating 64 million CO2 in the US, which is equivalent to the climate impact that 13.6 million cars make in a year. The most significant damage to pets is in the wake of the animal origin of pet food, in addition to a large amount of waste and feces discarded. However, it is still possible to be a pet care company with good sustainable practices, such as Pets at Home and PetCo (Appendix AA).

Slow transition, but with great potential: The company is still transitioning to achieve better sustainable practices. As it recently held its IPO, it is in the development phase of new processes, and for that reason, it still does not produce a Sustainability Report. Thus, we believe there is a lot to grow, but the management has already demonstrated that it prioritizes being a company with the best market practices. Taking this into account, it already has plans to create a sustainability strategy, develop a materiality matrix and follow the leading market indicators.

Building an ESG ecosystem: Sustainable initiatives have already started to be implemented with its new acquisitions to mitigate its sustainable risk. The latest development of ZeeDog, the "Zee.Dog Kitchen" was created highly aligned with the ESG criteria, having an entire sustainable value chain, through the adoption of the policy of not using plastics in packaging and production of natural pet food (Appendix K).

Financial Analysis

BRIGHT FUTURE OUTLOOK FOR TOP-LINE EXPANSION

Replicating a successful track record: Petz's gross revenue has grown at a 33.6% CAGR₂₀₁₇₋₂₀₂₀, reaching R\$1,707 mm by 2020. This increase was achieved on the back of its omnichannel platform, combining its substantial organic expansion (99 store openings from 1Q17 to 2Q21) and increasing digital penetration (from 3.2% to 30.3%) (Appendix A). Looking forward,

Exhibit 28// Financial Highlights

*International peers average: Pets at Home and PetCo

Key Financials (IFRS-16)	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Net Revenue	767.9	986.1	1.436.8	2,113.4	2,925.8	3,828.8	4,735.0	5,556.0
Gross Margin (%)	45.8	48.3	48.3	48.4	49.2	49.7	50.3	50.8
Adjusted EBITDA Margin (%)	9.9	19.6	17.9	16.1	17.1	18.9	20.7	22.3
ROE (%)	18.5	13.2	16.9	17.7	21.5	28.3	33.8	35.8
ROIC (%)	8.0	9.7	10.2	10.3	13.6	18.5	23.5	28.0
Multiples								
EPS	0.03	0.09	0.15	0.25	0.35	0.55	0.84	1.16
PEG Ratio (x)	-	-	0.9	0.8	1.6	0.7	0.5	0.5
EV/EBITDA (x)	-	-	30.0	40.3	26.4	17.5	12.5	9.5
Operational Ratios								
Same Store Sales (%)	6.1	7.7	26.5	30.0	24.0	20.0	15.0	10.0
Pet Care Market Share (%)	4.4	5.1	6.1	7.9	9.4	10.5	11.2	11.4
Pet Care E-commerce Market Share	9.3	13.4	20.9	25.1	26.3	27.5	28.7	30.0

Graphs

Exhibit 29 // EBITDA Margin (Excl. IFRS-16)

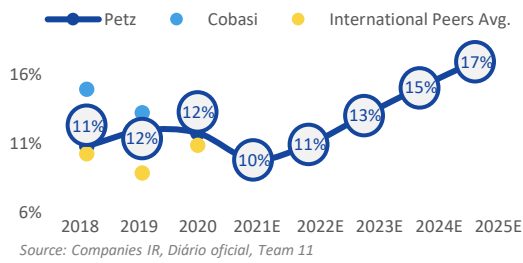


Exhibit 30 // 4-Wall EBITDA Margin

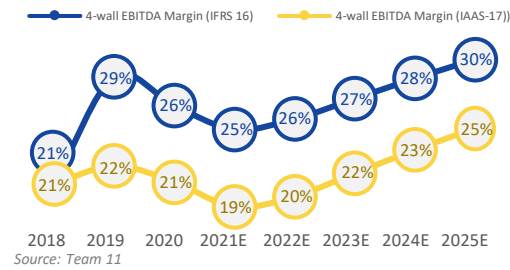


Exhibit 31 // Net Debt/EBITDA (Excl. IFRS-16)

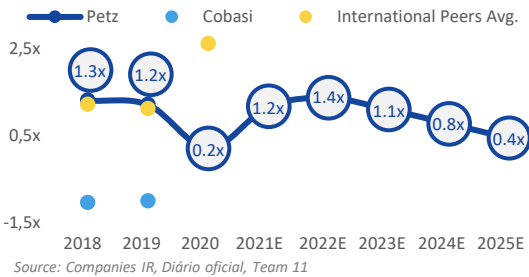


Exhibit 32 // Liquidity Analysis (IFRS-16)

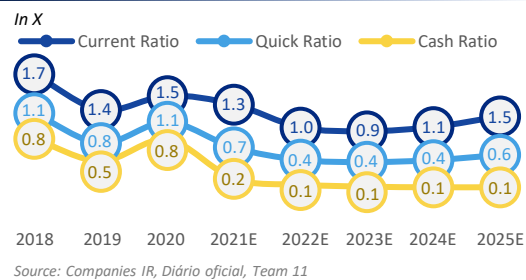


Exhibit 33 // Cash Conversion Cycle (Excl. IFRS-16)

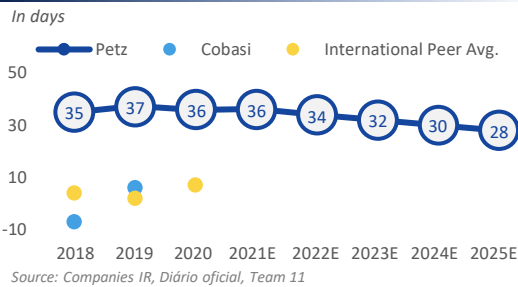
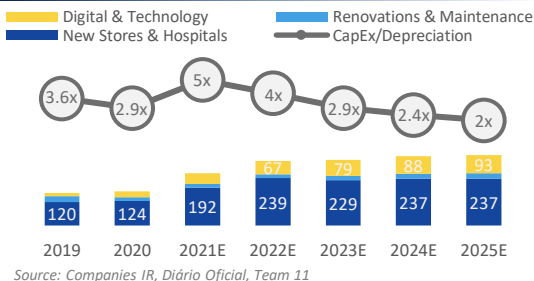


Exhibit 34 // Capex breakdown (IFRS-16)



we believe the company will intensify this growth strategy, focusing on addressing new states and scattering its footprint. As a result, we believe revenue will grow at a 31.1% CAGR₂₀₂₀₋₂₀₂₅, arriving at a figure of R\$ 6,602 mm by 2025 (Exhibit 26).

Same Store Sales: Because of its powerful omnichannel platform, one-stop shop value proposal, and store maturation ramp-up, Petz's boasts a high SSS figure (26.5% for 2020). We believe the continuous development of these three drivers will keep performance up, boosting revenues of existing stores. Based on the total SSS, we broke down the forecasted revenue into two components: physical (B&M), comprised of in-store sales of products and services, and digital.

B&M Sales: This revenue stream presented a 23.7% CAGR₂₀₁₇₋₂₀₂₀, while also reducing its share in total revenue from 96.8% to 76.8%. To capture this growth, we calculated the SSS excluding e-commerce and omnichannel revenue based on greater ecosystem integration and brand awareness (Appendix C). We also assumed 23 stores openings by YE2021 and 40 stores per year until 2025 with a 60% base productivity rate, arriving at a 23.7% CAGR₂₀₂₀₋₂₀₂₅ (Exhibit 27).

Digital Sales: Considerable investments in its digital operations have transformed Petz into an online pet market powerhouse, posting digital revenue growth at a 157.2% CAGR₂₀₁₇₋₂₀₂₀. Benchmarking with Pets at Home, we see Petz reaching 36% online market share by 2030, growing at a 37.2% CAGR₂₀₂₀₋₂₀₂₅ (Appendix C).

DESPITE IMPROVEMENTS, MARGINS STILL HAVE A LONG WAY TO GO

More than healthy margins: In the recent past, the company's gross margin has grown 3.1 p.p., driven by increased participation of pet products, non-food items, and private label brands in the sales mix. Even though higher digital penetration pressures margins, we believe Petz will post a 2.5 p.p. margin expansion by 2025 backed by increased scale, relevance, and further private label insertion. As for EBITDA margin, the company has been gaining operational efficiency through the dilution of fixed expenses due to its consolidation within the market and, looking forward, we see the company outperforming its main peers, reaching an EBITDA Margin (Excl. IFRS-16) of 17.7% in 2025 (Exhibit 29).

4-Wall EBITDA: The 4-wall EBITDA is a crucial measure to evaluate the efficiency of a retail company's operation, considering only the expenses directly related to the stores. In this sense, we realized that, when dismissing Petz's overhead expenses, the company's EBITDA (Excl. IFRS-16) improves by nine p.p. in 2020, which is an excellent indicator that once Petz gets a broader scale and increases its productivity, the EBITDA margin should improve significantly (Exhibit 30).

IFRS-16 Impacts: Changes in accounting standards as the start of the IFRS-16 regime in 2019 positively impacted the company's EBITDA, as rent expenses are now classified as leasing contracts, thus affecting financial expenses. In this way, analyzing Petz 4-Wall EBITDA Margin, we observe a 5.5% gain in the ratio in 2020 comparing the IFRS-16 regime against IAAS-17 (Exhibit 30). However, the impact on Net Income is negative as leasing expenses started to be deducted after EBT, presenting a Net Margin 0.9 p.p. lower in 2020 in the new model (Appendix V). The company's management prefers to report its statements using the old model since they consider that it analyzes its operation data more reliably.

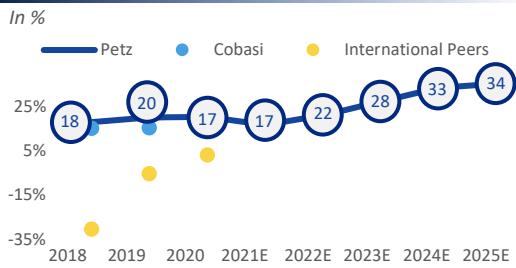
LEVERAGING AND WORKING CAPITAL DYNAMICS SHOWS GREAT PROSPECTS

Financing is low but fundamental: Petz went through an expansion of its operations in the past decade and needed to finance this growth. The first driver of its capital structure was Warburg Pincus investment, which raised a significant amount of money. However, to keep growing at high rates, Petz needed to start exploring debt instruments. In 2018 and 2019, the company raised a total amount of BRL 400M through debentures. These two debts are the main weights in Petz's current capital structure, and we are optimistic with this scenario since both of them are under the covenants of the company's Net Debt/EBITDA stay below 2,5x. On the other hand, these debentures are indexed to Brazil's "CDI", which should grow with the country's booming inflation. At this moment, we can see that Petz has healthy liquidity and leverage situation since its Net Debt/EBITDA (ex IFRS-16 impacts) is lower than its international peers (Exhibit 31) and its current, quick, and cash ratio indicates great short-term solvency (Exhibit 32). Moreover, due to Petz's historical incapacity of generating positive cash flow without financing, the company constantly raises ST debt. Therefore, we forecast debt through a revolver method, which captures debt for the generation of minimum cash set by us of 2.5% of the year's revenue, ensuring that the company generates cash achieving a 0.4x Net Debt/EBITDA in 2025. Along with it we projected the financial expense of the loans and the revolver, adding circularity to the model for an addition of it in the P&L.

Gains of working capital with scale: Petz current cash conversion cycle pays the price of an expressive and sometimes ineffective growth. Now, we expect that they should start to absorb the benefits of its nationwide scale and consequently increase its bargain power with its suppliers (Exhibit 33). Through this assumption, we see a growth in their DPO dynamics, increasing it 2% a year. Still, the DSO should remain at same levels of 2020, since we analyzed the consequences of the increase of credit card receivables and concluded that it should not substantially affect it. Moreover, we are following the same dynamics to the DIO forecast, since the effects of the growth of non-durable products (mainly from Zee.Dog acquisition) in Petz product mix should be offset with the increase of services and the production of its private

Graphs

Exhibit 35 // Return on Equity (Excl. IFRS-16)



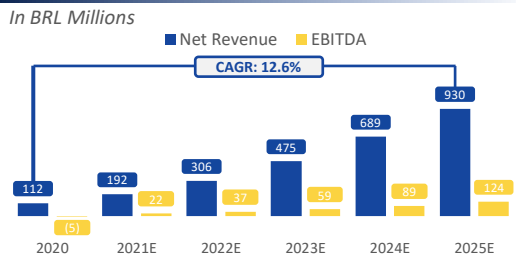
Source: Companies IR, Diário Oficial, Team 11

Exhibit 36 // Dupont Analysis (pre-COVID basis)

Index	Petz	Cobasi	International Peers
ROE	19.7%	15.4%	8.4%
Financial Leverage	4.2x	1.3x	3.2x
Asset Turnover	1.5x	1.3x	0.7x
Net Margin	3.2%	8.7%	3.6%

Source: Companies IR, Diário Oficial, Team 11

Exhibit 37 // Zee.Dog Forecasts



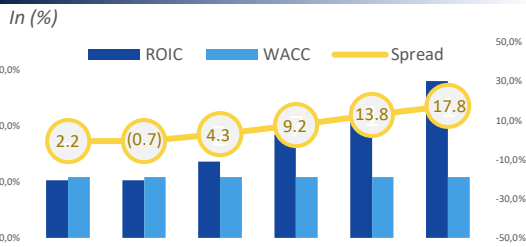
Source: Capital IQ, Team 11

Exhibit 38 // Football Field



Source: Team 11

Exhibit 39 // ROIC X WACC (Excl. IFRS-16)



Source: Team 11

label. Therefore, following this path we believe in a development of Petz CCC getting to the best pets' superstores in the world in the long term, driving away from its past results.

CAPEX GROWS WITH STORES AND HOSPITALS EXPANSION

Along with the expansion bonus, comes the burden: With a high level of expansion in the past years, going from 46 stores in 2017 to 143 now, the cost of New Stores and Hospitals has been dominant in the CapEx structure, representing 70%. However, the growth also came strong in Digital and Technology, with an upside of 90.2% in 2020. For the next years, we don't expect a lower pace in both fronts, forecasting the New Stores and Hospitals in tune with the forecast made for the revenue, but also growing the Cost/M² with IPCA as well for the Cost/M² of Renovations and Maintenance costs. The CapEx of Digital and Technology is expected to represent more from the gross revenue YoY, going from 1.8% in 2020 to 2.9% in 2025E (Exhibit 34) due to the tremendous E-Commerce expansion that the pet sector and Petz is going through. Along with the CapEx, we forecasted the Depreciation through a Waterfall Schedule, using 10 years because it was the weighted average useful life of Petz assets, achieving a total D&A of BRL 237.8M in 2025E. The Capex/Depreciation, even though was high in 2019 at 3.6x, with its expressive expansion plan should decrease YoY, achieving 1 at perpetuity.

PETZ BRIGHT PROFITABILITY STANDS OUT

Generating value for shareholders: To analyze the relevance of these indicators, we compared Petz's numbers with Cobasi and international peers. Moreover, we are considering the financials on a pre-pandemic basis since we believe that the COVID-19 outbreak impacted the dynamics of the sector. When looking through this analysis, it is clear that Petz outstands its competitors, with a 19.7% ROE vs. 15.4% of Cobasi and 7.3% of international peers (Exhibit 35). Furthermore, to understand the main drivers of Petz's ROE dynamics, we decomposed it through a Dupont Analysis (Exhibit 36), which showed that the high levels of the asset turnover ratio (1.5x) and financial leverage (4.2x) were conducting Petz to have better profitability to its stakeholders. In addition, we expect Petz to expand its ROE for the future, mainly driven by an expansion of the net margin (8.5% in 2025) and asset turnover (2.2x in 2025). Still, the financial leverage component of the ROE should get compressed (2.0x in 2025) since we expect a deleverage of Petz's capital structure.

ZEE.DOG DELIVERS HIGH GROWTH PERSPECTIVE

Revenue: Standalone, Zee.Dog is a company that has posted significant revenue growth in recent years, with management contemplating R\$ 228 million in gross revenues for 2021 and ~R\$1 billion in the next 4 to 5 years. We expect this trend to continue in the future (Exhibit 37), being boosted by the integration of Zee. Now with Petz's vast B&M capillarity and omnichannel platform, which provides the company with a fast delivery service and more significant addressable market, pointing towards a 2021-2030 32% revenue CAGR.

Operating Margins: Zee.Dog is already a profitable company whose gross margin are expected to replicate the ones of Petz according to our analysis and management expectations. Regarding the EBITDA margin, we base our estimates on the R\$ 22 million post synergies figure voiced by Petz, implying an 11.5% margin. For the future, we are pricing in a 3% expansion through 2030. For working capital and CapEx, we are considering 19.85% and 5% of net revenues, in line with past years' average. As a result, we arrive at an equity value of R\$ 1,729 billion.

Valuation

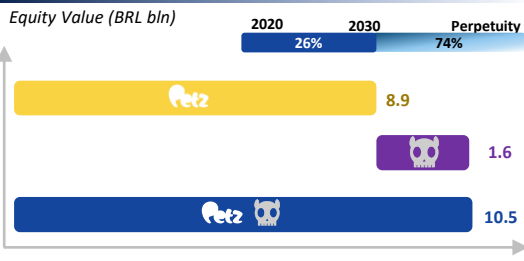
We reiterate our **BUY** recommendation for PETZ3, with a YE22 target price of R\$ 26.59, representing a 35.62% upside from the closing price of 08/11/2021. To evaluate the dimension of Petz's future growth, we built a 10y DCF model both for the company and for Zee.Dog, latest acquisition, reaching positive FCF in 2023 (Exhibit 42). Moreover, to cross-check our results, we made a Monte Carlo analysis, tested different scenarios, and compared Petz's multiples with national and international peers. In conclusion, combining all these analyses in a football field, it is clear that Petz's intrinsic value is far from its current price (Exhibit 38).

Exhibit 40// Scenario analysis

Scenario	Bear Case	Base Case	Bull Case
New Stores (Total 21E-25E)	Expansion plan failed	Company Guideline	Achieve 50% of superstores market share in 2025 (400 stores)
Same Store Sales (Average 21E-25E)	Drop in store productivity and loss of customer loyalty	Growth following historical trend and maturation of stores	Premium for greater customer loyalty and opening in new states
E-commerce Market Share (2030E)	Lower market share gain due to the large penetration of marketplaces in the market	Achieve 36% market share in 2030 with Pets at Home as benchmarks	Achieve 36% market share in 2025 with Pets at Home as benchmarks
Target Price	R\$ 16.84	R\$ 26.59	R\$ 33.0
Upside/Downside	(14.15%)	35.62%	68.27%

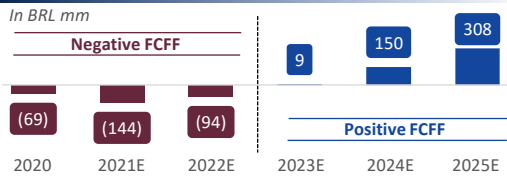
Graphs

Exhibit 41 // Equity Value Combined vs Without Zee.dog



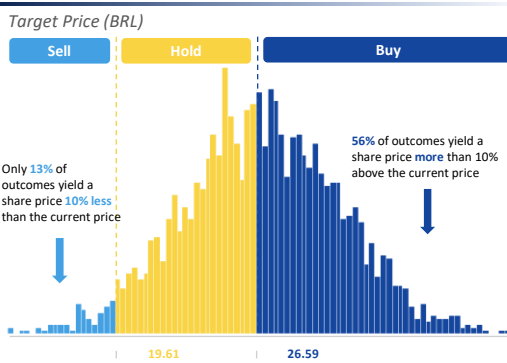
Source: Team 11

Exhibit 42 // Free cash flow to firm



Source: Team 11

Exhibit 43 // Monte Carlo Analysis



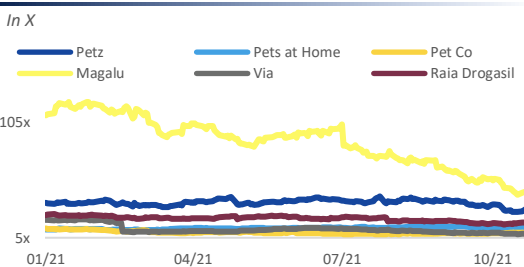
Source: Team 11

Exhibit 44 // Sensitivity Analysis: WACC x G

Target Price (BRL)	G (Long-Term Growth Rate)				
	4.0%	4.5%	5.0%	5.5%	6.0%
12.0%	20.99	21.84	22.81	23.93	25.23
11.5%	22.36	23.37	24.54	25.90	27.51
11.0%	23.96	25.17	26.59	28.27	30.29
10.5%	25.84	27.32	29.07	31.18	33.75
10.0%	28.08	29.91	32.10	34.79	38.15

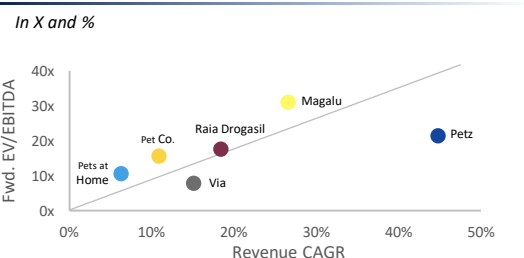
Source: Refinitiv, Team 11

Exhibit 45 // Historic Fwd. EV/EBITDA



Source: Refinitiv

Exhibit 46 // Fwd. EV/EBITDA vs. Revenue CAGR₂₀₂₀₋₂₀₂₂



Source: Refinitiv, Team 11

DCF METHODOLOGY

WACC: We estimate a 2021 WACC of 9.6% for Petz. To arrive at the 6.55% post tax cost of debt, we calculated the weighted average of the interest rate paid in the company's current loans outstanding and considered a 34% marginal tax rate. As for the 11.5% cost of equity, it was first calculated in dollar terms through the CAPM formula and then brought to Brazilian reais using the inflation differential, based on long term estimates of the Brazil's and USA consumer price indexes. The 2.3% risk free rate used reflects the 5-year average of the US 10-year Treasury Bond yield, and both the 6.17% Equity Risk Premium and the 3.91% Brazilian country risk premium were calculated by Aswald Damodaran, with the addition of a 1% premium to this last one based on recent CDS appreciation. The 0.51 beta considered is a re-levered beta from industry peers, using an average D/E ratio of 1x. Our calculated WACC varies year by year with the changes in the Petz's projected capital structure (Appendix E).

Terminal Growth: We expect the G to stabilize at 5.2% for the perpetuity period based on the GDP growth forecasted of 2.2% summed to the long-term inflation rate of 3%. Based on this assumptions, we derive a 4.9x EV/EBITDA implied exit multiple.

Zee Dog Valuation: In order to arrive at the fair value of Zee.Dog, we applied a DCF model assuming a 11% cost of equity and 5.2% perpetuity growth rate, the same as Petz. As a result, we obtained a R\$ 1,609M equity value, implying in R\$ 4.1 per Petz share. The R\$ 10,615M value of the combined company represents the sum of Zee.Dog's and Petz's valuations (Exhibit 41).

BUY RECOMMENDATION IS REINFORCED WITH SENSITIVITY ANALYSIS

Bull and Bear Case: As future scenarios are always uncertain, we also considered 2 additional projections for Petz, one optimistic and one pessimistic. Varying our assumptions for yearly store openings, SSS growth, E-Commerce market share, and gross margin, we reached a target price of R\$ 33 with an 68.27% upside for the bull case, forecasting a vast and well-executed expansion of Petz B&M structure, improved operational efficiency, and market leadership, replicating Pets at Home current digital market share by 2025. As for the bear case, we price in a failure in Petz expansion and capability of extending market leadership and efficiency as a byproduct of the stronger than predicted penetration of marketplaces and other e-commerce players, resulting in an R\$ 16.84 target price a -14.15% upside (Exhibit 40).

Sensitivity Analysis: To simulate the sensitivity of our buy recommendation on extreme scenarios, we conducted a Monte Carlo Analysis. After running 10,000 iterations, we reached the same buy conclusion (Exhibit 43). In addition, we performed a sensitivity analysis of WACC versus Long-Term Growth Rate, which reinforced our buy recommendation, since 100% of valuation scenarios considering Zee Dog found an upside on the current price (Exhibit 44).

HIGH MULTIPLES JUSTIFIED BY A STRONG GROWTH

Attractive value for growth: In order to add to our analysis, we compared Petz's multiples to other firms with similar segments, operations, and risk profiles (Exhibit 45). We broke down these comparable companies into 2 groups: international pet industry peers and domestic retail firms. Even though we see a pricey company at first glance, with a FWD. EBITDA of 21.45 we find a reasonable valuation when considering future top line expansion (Exhibit 46). Moreover, we see Petz priced similarly to other Brazilian high growth retail companies (Appendix H) making an even more compelling case to justify its pricing and upside potential since the company leverages different sector tailwinds alongside a robust value proposal and growth prospects.

In conclusion, it's all about growth: We acknowledge that Petz's EV/EBITDA ratio is on the pricier side, but we justify it through our conviction that the company represents a rare growth case in the Brazilian stock market. Sustaining this, we have 5 main pillars: (1) practical solution to a market with a huge TAM in Brazil, as pets are growing at high rates and there are solid tailwinds; (2) Young store base, with less than 50% being fully matured and an aggressive expansion plan already put in place; (3) There still is room to grow in terms of efficiency despite recent margin expansion unlocked by Warburg Pincus; (4) Healthy liquidity and debt ratios provides a solid backup to the organic expansion, allowing for inorganic moves to complement the company's ecosystem; (5) Top-notch management, that shares the same interests as shareholders, through a well structured governance and compensation model..

Company Risks

Petz risks can be broken down into three major topics: macroeconomic risks, operational risks and competition risks. Between all the risks two must be highlighted: Key Person risk and Image Risk, both of them classified as operational, the riskiest category. To evaluate valuation impact, we conducted a Tornado Analysis (Exhibit 47).

A. MACROECONOMICS RISKS

A1. Inflation: Probability: High | Impact: Medium | Change on prior year: High

Description: Inflation pressure from 2020 to 2021 is high, the impact of which will likely be seen throughout the next few years. The Brazilian government measures to combat inflation

Graphs

Exhibit 47 // Tornado Analysis

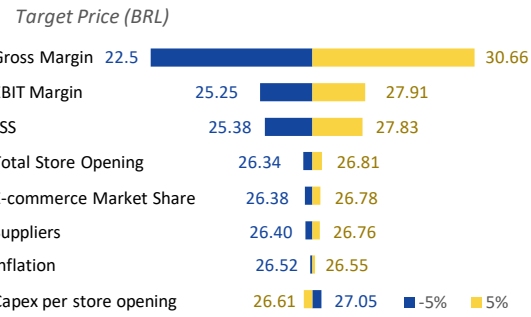


Exhibit 48 // Macro Risks Heat Map

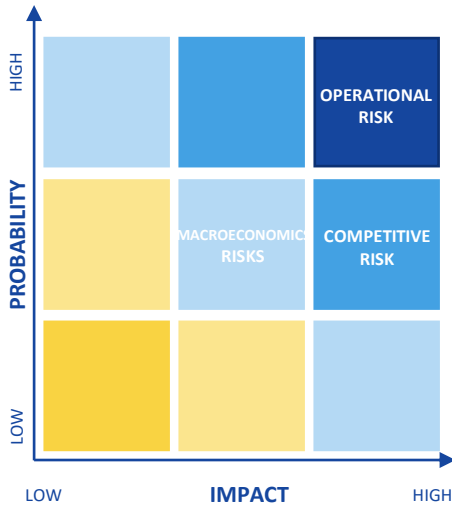


Exhibit 49 // Micro Risks Heat Map

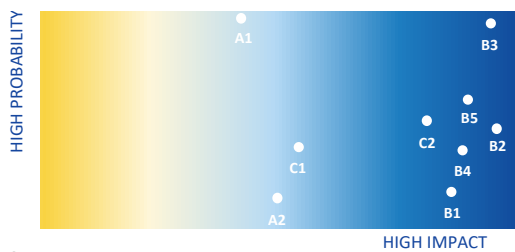


Exhibit 50 // Change on prior year table

Risk	Impact	Change
1. Inflation	Low	↑
2. Natural Disaster	Low	↓
3. One DC	Medium	↔
4. Key Person	Medium	↔
5. Image	Medium	↔
6. Specif Suppliers	Medium	↔
7. Lack of M&A Integration	Medium	↑
8. Fiercer Competition	Medium	↔
9. New Entrants	Medium	↔

Source: Team 11

hikes along with market expectations of future policies directly impact suppliers and Petz's operations.

Mitigation: With 50% participation in the revenue composition, the food product category and its inelastic nature will help the company pass on price adjustments to customers. Alongside with this, the penetration of the private label brand will help the company control prices.

A2. Natural Disaster: Probability: Low | Impact: Medium | Change on prior year: Low

Description: Petz and its suppliers are susceptible to financial and operational disruptions or interruptions due to economic downturn, market volatility, natural disasters or new pandemics. Creating a risk of interruption in the operations.

Mitigation: During the COVID 19 crisis, Petz managed to remain resilient and maintain its operations. This experience would help the company in a similar case.

B. OPERATIONAL RISKS

B1. One distribution Center: Probability: Low | Impact: High | Change on prior year: Stable

Description: A disruption in the operation of Petz's sole distribution would result in serious adverse effects, as 92.8% of the 2020 product gross revenue is distributed from this DC. Moreover, new DCs are needed to sustain the company's digital and physical expansion.

Mitigation: Petz's growth strategy includes opening new stores as well as expanding digital, which places high on the demand list to find suitable new locations to establish new distribution centers, so we believe this can be resolved soon.

B2. Key Person: Probability: Medium | Impact: High | Change on prior year: Stable

Description: Founder and CEO Sergio Zimerman played a huge role in shaping Petz to what it is today. We believe his step down from the day-to-day running of operations would be seen negatively by market participants.

Mitigation: Sergio Zimerman was able to institute a strong culture in the company also building a strong and professional management team which would be prepared in case of a departure.

B3. Image: Probability: High | Impact: High | Change on prior year: Stable

Description: Any Petz may be liable for sale of contaminated food, defective products or animal handling in the provision of services. The Company also sells a selection of small mammals, fish, rodents and birds and this could bring negative publicity.

Mitigation: Petz is very strict in hiring its employees and provides good training for everyone. In addition, the products are stored correctly, reducing the risk of spoilage.

B4. Specific Suppliers: Probability: Medium | Impact: High | Change on prior year: Stable

Description: Suppliers and their operations may impose some risks, including supply chain and manufacturing disruptions, regulations, product standard and increased bargaining power (Appendix W)

Mitigation: We see the company's growing scale, omnichannel platform, low supplier dependency, private label development and Zee.Dog acquisition as major mitigation factors.

B5. Lack of M&A integration: Probability: Medium | Impact: High | Change on prior year: High

Description: Not being able to integrate new acquisitions in its portfolio means Petz's long term goal of becoming a complete pet ecosystem will not be achieved, leaving space for competitors to grow market share and take advantage of new opportunities.

Mitigation: In its Board, Petz counts with Claudio Ely and Irlau Filho, ex Drogasil CEO and GNDI CEO respectively. Overseeing companies with highly active M&A activity, both have acquired great experience in the field.

C. COMPETITIVE RISKS

C1. Fiercer Competition: Probability: Low | Impact: High | Change on prior year: Stable

Description: Prices in different stores are the same and companies excel in other factors such as shipping and location of stores. If any store obtains some benefit to lower its prices, this is characterized as a great risk for Petz's demand.

Mitigation: Petz is one of the stores with the largest scale in the Brazilian market, therefore, in a scenario of greater bargaining with suppliers, it should also obtain benefits.

C2. New Entrants: Probability: Medium | Impact: High | Change on prior year: Stable

Description: The PetCare market has few barriers to entry, in addition to being poorly consolidated, creating space for new players. A big threat is Amazon, with its own brand, in the United States has already dominated a large part of the Market Share.

Mitigation: The Petz brand is already consolidated in most of the Brazilian territory, so its expertise and reputation should help it to continue to stand out even with new players in the market. Another help is its very well-integrated omnichannel platform.

Appendix A: Petz Financial Statements

Income Statement (BRL Millions)													
	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028P	2029E	2030E
Gross Revenue	913	1,164	1,707	2,511	3,477	4,550	5,627	6,602	7,586	8,562	9,514	10,421	11,266
Taxes and Other Deductions	(146)	(178)	(270)	(398)	(551)	(721)	(892)	(1,046)	(1,202)	(1,357)	(1,508)	(1,652)	(1,785)
% of Gross Revenue	(15.9%)	(15.3%)	(15.8%)	(15.8%)	(15.8%)	(15.8%)	(15.8%)	(15.8%)	(15.8%)	(15.8%)	(15.8%)	(15.8%)	(15.8%)
Net Revenue	768	986	1,437	2,113	2,926	3,829	4,735	5,556	6,384	7,205	8,006	8,770	9,481
% of Gross Revenue	84.1%	84.7%	84.2%	84.2%	84.2%	84.2%	84.2%	84.2%	84.2%	84.2%	84.2%	84.2%	84.2%
Cost Of Goods Sold	(416)	(510)	(743)	(1,090)	(1,487)	(1,926)	(2,355)	(2,735)	(3,121)	(3,490)	(3,840)	(4,166)	(4,458)
% of Net Revenue	(54.2%)	(51.7%)	(51.7%)	(51.6%)	(50.8%)	(50.3%)	(49.7%)	(49.2%)	(48.9%)	(48.4%)	(47.5%)	(47.0%)	(47.0%)
Gross Profit	352	476	694	1,023	1,439	1,903	2,380	2,821	3,262	3,715	4,165	4,604	5,023
Gross Margin (%)	45.8%	48.3%	48.3%	48.4%	49.2%	49.7%	50.3%	50.8%	51.1%	51.6%	52.0%	52.5%	53.0%
SG&A	(276)	(283)	(437)	(684)	(938)	(1,178)	(1,400)	(1,579)	(1,742)	(1,902)	(2,092)	(2,268)	(2,428)
SG&A Margin (%)	(35.9%)	(28.7%)	(30.4%)	(32.4%)	(32.1%)	(30.8%)	(29.6%)	(28.4%)	(27.3%)	(26.4%)	(26.1%)	(25.9%)	(25.6%)
Sale Expenses	(192)	(195)	(313)	(500)	(692)	(870)	(1,033)	(1,163)	(1,283)	(1,405)	(1,561)	(1,710)	(1,848)
General & Administrative Expenses	(74)	(82)	(116)	(167)	(225)	(286)	(345)	(394)	(439)	(481)	(519)	(551)	(577)
Other Operating Income (Expenses), Net	(10)	(11)	(13)	(17)	(21)	(21)	(22)	(23)	(19)	(16)	(12)	(8)	(3)
Adjusted EBITDA	76	193	257	339	501	725	981	1,241	1,521	1,814	2,074	2,336	2,594
Adjusted EBITDA Margin (%)	9.9%	19.6%	17.9%	16.1%	17.1%	18.9%	20.7%	22.3%	23.8%	25.2%	25.9%	26.6%	27.4%
D&A	(30)	(44)	(61)	(107)	(137)	(170)	(205)	(241)	(276)	(309)	(338)	(363)	(385)
EBIT	53	86	124	134	229	378	557	743	948	1,171	1,365	1,566	1,770
EBIT Margin (%)	6.9%	8.7%	8.6%	6.3%	7.8%	9.9%	11.8%	13.4%	14.9%	16.3%	17.1%	17.9%	18.7%
EBITDA	83	130	185	242	366	548	761	984	1,225	1,480	1,703	1,929	2,155
EBITDA Margin (%)	10.8%	13.2%	12.9%	11.4%	12.5%	14.3%	16.1%	17.7%	19.2%	20.5%	21.3%	22.0%	22.7%
Financial Result	(6)	(50)	(54)	14	(21)	(47)	(55)	(52)	(32)	6	41	89	149
% of Net Revenue	(0.8%)	(5.0%)	(3.8%)	0.6%	(0.7%)	(1.2%)	(1.2%)	(0.9%)	(0.5%)	0.1%	0.5%	1.0%	1.6%
Financials Revenue	10	9	14	42	7	5	4	4	4	6	41	89	149
Financials Expenses	(15)	(58)	(68)	(28)	(27)	(52)	(59)	(56)	(37)	-	-	-	-
EBT	47	36	70	148	208	331	502	691	916	1,177	1,406	1,655	1,919
EBT Margin (%)	6.2%	3.7%	4.9%	7.0%	7.1%	8.6%	10.6%	12.4%	14.3%	16.3%	17.6%	18.9%	20.2%
Income Tax and Social Contribution on Profit	(16)	(13)	(12)	(50)	(71)	(113)	(171)	(235)	(311)	(400)	(478)	(563)	(653)
% of EBT	(33.7%)	(35.1%)	(16.5%)	(34.0%)	(34.0%)	(34.0%)	(34.0%)	(34.0%)	(34.0%)	(34.0%)	(34.0%)	(34.0%)	(34.0%)
Net Income	31	24	58	98	137	218	331	456	605	777	928	1,092	1,267
Net Margin (%)	4.1%	2.4%	4.1%	4.6%	4.7%	5.7%	7.0%	8.2%	9.5%	10.8%	11.6%	12.5%	13.4%
Balance Sheet (BRL Millions)													
	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028P	2029E	2030E
Total Assets	597	1,243	1,893	1,853	2,231	2,623	2,993	3,319	3,600	4,309	5,125	6,056	7,108
Current Assets	352	441	886	668	858	1,068	1,277	1,464	1,673	2,374	3,247	4,298	5,530
Cash & Equivalents	161	169	444	63	63	63	63	63	83	600	1,296	2,180	3,259
Financial Applications	-	-	44	44	44	44	44	44	44	44	44	44	44
Accounts Receivable	76	96	161	236	327	428	530	621	714	806	895	981	1,060
Inventories	97	133	186	272	371	481	588	683	780	872	960	1,041	1,114
Recoverable Taxes and Contributions	9	35	42	42	42	42	42	42	42	42	42	42	42
Other Credits	8	8	11	11	11	11	11	11	11	11	11	11	11
Non-Current Assets	245	802	1,007	1,185	1,373	1,554	1,717	1,855	1,928	1,935	1,878	1,759	1,578
Other Credits	1	1	3	3	3	3	3	3	3	3	3	3	3
Recoverable Taxes and Contributions	0	2	2	2	2	2	2	2	2	2	2	2	2
Deferred Income Tax and Social Contribution	13	15	24	24	24	24	24	24	24	24	24	24	24
PP&E	216	743	921	1,100	1,288	1,469	1,631	1,770	1,842	1,850	1,793	1,674	1,493
Intangible	16	41	57	57	57	57	57	57	57	57	57	57	57
Liabilities + Equity	597	1,243	1,893	1,853	2,231	2,623	2,993	3,319	3,600	4,309	5,125	6,056	7,108
Current Liabilities	213	381	654	541	940	1,243	1,389	1,372	1,200	1,326	1,446	1,558	1,660
Suppliers	99	131	196	287	399	527	658	779	890	994	1,094	1,187	1,270
Loans, Financing and Debentures ST	57	111	274	-	-	-	-	-	-	-	-	-	-
Labor and Social Security Obligations	27	36	54	54	54	54	54	54	54	54	54	54	54
Tax Obligations	12	25	37	54	74	97	120	141	162	183	204	223	241
Dividends Payable	8	6	14	14	14	14	14	14	14	14	14	14	14
Accounts Payable	8	3	6	6	6	6	6	6	6	6	6	6	6
Loyalty Program	2	2	3	3	3	3	3	3	3	3	3	3	3
Leases Right of Use Payable (IFRS 16)	-	67	72	72	72	72	72	72	72	72	72	72	72
Revolver	-	-	-	52	319	470	462	303	-	-	-	-	-
Non-Current Liabilities	203	685	724	724	599	525	501	501	501	501	501	501	501
Loans, Financing and Debentures LT	201	287	222	222	98	23	-	-	-	-	-	-	-
Provision for Civil, Labor and Tax Risk	2	2	2	2	2	2	2	2	2	2	2	2	2
Leases Right of Use Payable (IFRS 16) - NC	-	396	500	500	500	500	500	500	500	500	500	500	500
Total Equity	182	176	515	588	691	855	1,103	1,445	1,899	2,481	3,177	3,996	4,946
Share Capital	51	51	387	387	387	387	387	387	387	387	387	387	387
Capital Reserve	80	80	55	55	55	55	55	55	55	55	55	55	55
Reserve for Granted Option	1	1	2	2	2	2	2	2	2	2	2	2	2
Special Goodwill Reserve	25	25	25	25	25	25	25	25	25	25	25	25	25
Retained Earnings	25	20	46	120	223	386	635	977	1,430	2,013	2,709	3,528	4,478
Cash Flow (BRL Millions)													
	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028P	2029E	2030E
Operational Cash Flow	61	107	176	148	214	326	478	650	820	1,024	1,206	1,397	1,597
Net Income	31	24	58	98	137	218	331	456	605	777	928	1,092	1,267
(+) D&A	30	44	61	104	134	167	202	238	273	305	334	360	381
Δ Working Capital	-	(87)	(86)	(54)	(57)	(59)	(55)	(44)	(58)	(58)	(57)	(55)	(51)
Investments Flow	161	(161)	(219)	(283)	(322)	(348)	(364)	(376)	(346)	(313)	(278)	(240)	(201)
(-) CAPEX	-	(161)	(177)	(283)	(322)	(348)	(364)	(376)	(346)	(313)	(278)	(240)	(201)
Financing Flow	-	48	307	(246)	107	22	(114)	(273)	(454)	(194)	(232)	(273)	(317)
Δ Debt	-	-	-	(274)	(125)	(75)	(23)	-	-	-	-	-	-
Δ Revolver	-	-	-	52	266	152	(8)	(159)	(303)	-	-	-	-
Dividends Paid	-	-	-	(24)	(34)	(55)	(83)	(114)	(151)	(194)	(232)	(273)	(317)
Cash Generation in Period	222	8	276	(381)	-	-	-	-	20	517	696	884	1,080
Cash BoP	61	161	169	444	63	63	63	63	63	83	600	1,296	2,180
Cash EoP	161	169	444	63	63	63	63	63	83	600	1,296	2,180	3,259

Appendix

Appendix C: Petz Valuation Assumptions

Revenue Build-Up (BRL Millions)		2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028P	2029E	2030E
Gross Revenue		913	1,164	1,707	2,511	3,477	4,550	5,627	6,602	7,586	8,562	9,514	10,421	11,266
YoY Growth (%)		27.6%	27.5%	46.6%	47.1%	38.4%	30.9%	23.7%	17.3%	14.9%	12.9%	11.1%	9.5%	8.1%
B&M Sales		876	1,075	1,311	1,850	2,508	3,313	4,074	4,680	5,277	5,872	6,477	7,102	7,756
% of Gross Revenue		96.0%	92.3%	76.8%	73.7%	72.1%	72.8%	72.4%	70.9%	69.6%	68.6%	68.1%	68.1%	68.8%
Digital Sales		37	90	396	661	968	1,237	1,553	1,922	2,309	2,690	3,037	3,320	3,511
% of Gross Revenue		4.0%	7.7%	23.2%	26.3%	27.9%	27.2%	27.6%	29.1%	30.4%	31.4%	31.9%	31.9%	31.2%
E-commerce		26	26	80	93	136	173	217	269	323	377	425	465	491
Omnichannel		11	64	316	569	833	1,064	1,336	1,653	1,986	2,313	2,612	2,855	3,019
Revenue Breakdown (BRL Millions)		2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028P	2029E	2030E
B&M Sales		876	1,075	1,311	1,850	2,508	3,313	4,074	4,680	5,277	5,872	6,477	7,102	7,756
YoY Growth (%)		26.5%	22.6%	22.0%	41.1%	35.6%	32.1%	23.0%	14.9%	12.8%	11.3%	10.3%	9.6%	9.2%
Same Store Sales Revenue		725	905	1,118	1,639	2,256	3,052	3,805	4,403	5,041	5,681	6,333	7,008	7,715
YoY Growth (%)		18.2%	24.9%	23.5%	46.6%	37.6%	35.3%	24.7%	15.7%	14.5%	12.7%	11.5%	10.7%	10.1%
New Stores Revenue		152	170	193	212	253	261	269	277	236	192	144	94	40
YoY Growth (%)		11.8%	11.8%	13.7%	9.6%	19.5%	3.3%	3.1%	3.1%	(15.0%)	(18.8%)	(24.7%)	(34.9%)	(57.1%)
Revenue / sqm New Stores		8.8	6.9	8.5	6.0	6.3	6.5	6.7	6.9	7.1	7.4	7.6	7.8	8.1
Revenue / sqm New Stores		9.3	9.0	9.2	10.1	10.5	10.9	11.2	11.6	11.9	12.3	12.7	13.0	13.4
Total New Area		17,245	24,752	22,597	35,000	40,000	40,000	40,000	40,000	33,000	26,000	19,000	12,000	5,000
Digital Sales		37	90	396	661	968	1,237	1,553	1,922	2,309	2,690	3,037	3,320	3,511
YoY Growth (%)		58.8%	142.5%	341.8%	67.1%	46.5%	27.8%	25.5%	23.8%	20.1%	16.5%	12.9%	9.3%	5.8%
Pet Care E-commerce Total Market Brazil		396	667	1,181	2,633	3,679	4,494	5,404	6,418	7,410	8,310	9,043	9,542	9,752
YoY Growth (%)		18.2%	68.2%	183.6%	39.3%	39.7%	22.1%	20.3%	18.8%	15.5%	12.1%	8.8%	5.5%	2.2%
Petz Market Share		9.3%	13.4%	20.9%	25.1%	26.3%	27.5%	28.7%	30.0%	31.2%	32.4%	33.6%	34.8%	36.0%
YoY Growth (%)		34.3%	44.2%	55.8%	20.0%	4.8%	4.6%	4.4%	4.2%	4.0%	3.9%	3.7%	3.6%	3.5%
Omnichannel Revenue		11	64	316	569	833	1,064	1,336	1,653	1,986	2,313	2,612	2,855	3,019
YoY Growth (%)		3723.3%	496.7%	396.2%	80.0%	46.5%	27.8%	25.5%	23.8%	20.1%	16.5%	12.9%	9.3%	5.8%
Omnichannel Index (as % of Digital Revenue)		28.9%	71.1%	79.8%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%
Digital (except Omnichannel)		26	26	80	93	136	173	217	269	323	377	425	465	491
YoY Growth (%)		14.3%	(1.4%)	208.3%	16.0%	46.5%	27.8%	25.5%	23.8%	20.1%	16.5%	12.9%	9.3%	5.8%
B&M + Omnichannel		887	1,138	1,627	2,419	3,341	4,377	5,409	6,333	7,263	8,185	9,088	9,957	10,775
YoY Growth (%)		28.0%	28.3%	42.9%	48.7%	38.1%	31.0%	23.6%	17.1%	14.7%	12.7%	11.0%	9.6%	8.2%
New Store Omnichannel Productivity		75%	75%	75%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%
Omnichannel Sales / sqm		124	594	2,415	3,563	4,226	4,488	4,821	5,214	5,616	6,039	6,439	6,780	7,028
New Store Omnichannel Sales		1.6	11.0	40.9	81.1	109.9	116.7	125.3	135.6	120.5	102.1	79.5	52.9	22.8
Same Store Omnichannel Sales		9	53	275	487	723	947	1,210	1,518	1,865	2,211	2,532	2,802	2,996
Revenue Assumptions		2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028P	2029E	2030E
Same Store Sales		6.1%	7.7%	26.5%	30.0%	24.0%	20.0%	15.0%	10.0%	9.5%	9.0%	8.5%	8.0%	7.5%
Same Store Physical Sales		4.6%	3.2%	4.0%	25.0%	21.9%	21.7%	14.8%	8.1%	7.7%	7.8%	8.2%	8.6%	8.6%
Same Store Physical Sales + Omnichannel		5.9%	7.9%	22.4%	30.7%	23.1%	19.7%	14.6%	9.4%	9.0%	8.7%	8.3%	7.9%	7.6%
New Stores Opening		17	25	28	35	40	40	40	33	26	19	12	5	0
Average New Store Size		1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
New Store Productivity		95.2%	76.2%	92.6%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Store Maturation Curve														
Year 1 60%														
Year 2 80%														
Year 3 90%														
Year 4 or more 100%														
Capex and D&A Assumptions (BRL Millions)		2018	2019	2020A	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P	2029P	2030P
PP&E BoP		147	216	743	921	1,100	1,288	1,469	1,631	1,770	1,842	1,850	1,793	1,674
YoY Growth (%)			46.9%	244.9%	23.9%	19.4%	17.1%	14.1%	11.0%	8.5%	4.1%	0.4%	(3.1%)	(6.7%)
(+) CapEx		87	161	177	283	322	348	364	376	316	313	278	240	201
YoY Growth (%)		34.6%	84.3%	9.9%	60.1%	13.8%	8.1%	4.6%	3.4%	(8.1%)	(9.5%)	(11.2%)	(13.5%)	(16.5%)
% of Gross Revenue		9.5%	13.8%	10.3%	11.3%	9.3%	7.6%	6.5%	5.7%	4.6%	3.7%	2.9%	2.3%	1.8%
(-) Depreciation		10.2			(104.2)	(133.8)	(166.7)	(201.5)	(237.8)	(273.2)	(305.5)	(334.5)	(359.8)	(381.5)
Old PP&E		921.4			(90.3)	(90.3)	(90.3)	(90.3)	(90.3)	(90.3)	(90.3)	(90.3)	(90.3)	(90.3)
2021		282.8			(13.9)	(27.7)	(27.7)	(27.7)	(27.7)	(27.7)	(27.7)	(27.7)	(27.7)	(27.7)
2022		321.7				(15.8)	(31.5)	(31.5)	(31.5)	(31.5)	(31.5)	(31.5)	(31.5)	(31.5)
2023		347.9					(17.1)	(34.1)	(34.1)	(34.1)	(34.1)	(34.1)	(34.1)	(34.1)
2024		363.8						(35.7)	(35.7)	(35.7)	(35.7)	(35.7)	(35.7)	(35.7)
2025		376.2						(37.1)	(37.1)	(37.1)	(37.1)	(37.1)	(37.1)	(37.1)
2026		345.7						(35.7)	(35.7)	(35.7)	(35.7)	(35.7)	(35.7)	(35.7)
2027		312.9						(33.9)	(33.9)	(33.9)	(33.9)	(33.9)	(33.9)	(33.9)
2028		277.8						(30.7)	(30.7)	(30.7)	(30.7)	(30.7)	(30.7)	(30.7)
2029		240.3						(27.2)	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)
2030		200.7						(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)
PP&E EoP			216	743	921	1,100	1,288	1,469	1,631	1,770	1,842	1,850	1,793	1,674
Working Capital		78	113	165	218	275	335	390	434	492	550	607	662	713
Δ Working Capital		13	35	51	54	57	59	55	44	58	58	57	55	51
Cash conversion cycle		35	37	36	36	34	32	30	28	28	28	28	28	28
Assets		191	272	399	561	751	962	1,170	1,357	1,546	1,730	1,907	2,074	2,227
Accounts Receivable		76	96	161	236	327	428	530	621	714	806	895	981	1,060
DSO		36	36	41	41	41	41	41	41	41	41	41	41	41
Inventories		97	133	186	272	371	481	588	683	780	872	960	1,041	1,114
DII		86	95	91	91	91	91	91	91	91	91	91	91	91
Liabilities		113	158	234	343	476	627	780	923	1,054	1,180	1,300	1,412	1,514
Suppliers		99	131	196	287	399	527	658	779	890	994	1,094	1,187	1,270
Days		87	94	96	96	98	100	102	104	104	104	104	104	104
Tax Obligations		11,831	25,385	36,556	53,772	74,442	97,418	120,475	141,363	162,421	183,324	203,698	223,136	241,224
% of Revenue		1.5%	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Debt Assumptions - Revolver		2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028P	2029E	2030E
Loans BoP			</											

Appendix E: Valuation Methodology

Cost of Equity (Ke)	Value	Source
Risk Free Rate	2.30%	Média de 3 anos USA 10Y Treasury Yield
Equity Risk Premium USA	6.17%	Tabela Damodaran Prêmios de Risco
Country Risk Premium BR	3.91%	CRP Damodaran
5Y Beta	0.51	Re-levered Beta
Cost of Equity (Ke, em USD nominal)	9.35%	
Brazil 10Y Treasury Yield	3.50%	3y Average
USA 10Y Treasury Yield	2.00%	3y Average
Inflation Differential	1.47%	
Cost of Equity (Ke, em BRL nominal)	10.96%	

Target Capital Structure										
Peers	Beta (5y month)	Effective Tax Rate	Unlevered Beta	Debt	Equity	Debt/Equity	Wd	We		
PETZ				1,048.60	557.70	1.9x	65.3%	37.7%		
PETS: LSE	0.22	14.9%	0.15	510.10	993.70	0.5x	33.9%	66.1%		
WOOF: NasdaqGS	0.94	29.5%	0.47	3,000.50	2,159.40	1.4x	58.2%	41.8%		
Capital Structure Projection	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028P	2029E	2030E
Wd	0.33	0.42	0.42	0.35	0.24	0.07	0.00	0.00	0.00	0.00
We	0.67	0.58	0.58	0.65	0.76	0.93	1.00	1.00	1.00	1.00
WACC	9.6%	9.3%	9.3%	9.7%	10.2%	11.0%	11.0%	11.0%	11.0%	11.0%

Equity (BRL mm)	Value
Equity (BRL mm)	-
Debt (BRL mm)	496
Total Capital (BRL mm)	496
Ke	11.0%
We	34.7%
Kd	9.9%
Wd	65.3%
Tax Rate	34.0%
Nominal WACC	8.1%

Cost of Debt (Kd)						
Debt	Index	Spread	Effective Interest	Principal (BRL)	Total Weight	Weighted Interest
Empréstimo Bancário	Selic	+3.49% a.a.	11.24%	148.9	29.99%	3.37%
Nota Promissória	Selic	+2.9% a.a.	10.65%	59.8	12.05%	1.28%
1a Emissão de debêntures	Selic	+1.4% a.a.	9.15%	125.1	25.21%	2.31%
2a Emissão de debêntures	Selic	+1.3% a.a.	9.05%	162.6	32.75%	2.96%
Selic Rate (EoP)	7.75%				Cost of Debt (Kd)	9.92%

Appendix F: Zee Dog Valuation

Source: Team 11, Damodaran, Focus, Refinitiv

Projection Deck (%)	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028P	2029E	2030E
Expenses	-	-	-	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Gross Margin	-	-	-	42.7%	43.8%	45.0%	46.1%	47.3%	48.4%	49.5%	50.7%	51.8%	53.0%
SG&A Margin	-	-	-	43.0%	43.0%	42.0%	41.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
EBITDA Margin	-	-	-	11.5%	11.9%	12.3%	12.7%	13.1%	13.4%	13.8%	14.2%	14.6%	15.0%
Tax Rate	-	-	-	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
CAPEX as % of Gross Revenue	-	-	-	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

FCFF - Zee Dog (BRL Millions)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028P	2029E	2030E	Perp.
EBIT	21.3	35.6	57.3	88.4	128.9	178.1	238.5	309.0	390.4	476.4	476.4
Tax Rate	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%
(-) NOPAT	14.0	23.5	37.8	58.4	85.0	117.5	157.4	203.9	257.7	314.4	314.4
(+) D&A	0.6	1.0	1.6	2.4	3.7	5.4	7.7	10.6	14.1	18.4	18.4
(-) Change in NWC	14.7	(22.7)	(33.0)	(45.4)	(56.3)	(65.4)	(76.9)	(86.1)	(95.3)	(96.0)	(96.0)
(-) Capex	(2.9)	(4.6)	(7.1)	(10.5)	(14.7)	(19.7)	(25.5)	(32.0)	(39.1)	(46.4)	(46.4)
(-) FCFE	26.5	(2.8)	(0.7)	4.9	17.7	37.9	62.7	96.5	137.3	190.4	3,846.6
KE	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
DATE	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030	31/12/2031
Time steps	0.15	1.15	2.15	3.15	4.15	5.15	6.15	7.15	8.15	9.15	10.15
g (Inflation Rate)											5.0%
(-) PV of FCFE	26.1	(2.5)	(0.6)	3.5	11.5	22.2	33.1	45.8	58.8	73.5	1,338.2

NPV of 10Y Explicit Period	271.6
As % of Enterprise Value	17%
NPV of Terminal Value	1,338.2
As % of Enterprise Value	83%

Enterprise Value	1,609.7
Net Debt	-
Enterprise Value	1,609.7
Equity Value / Share	4.1

Source: Team 11

Appendix G: Valuation Output

FCFF - PETZ3 (BRL Millions)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028P	2029E	2030E	Perp.
EBIT	134.2	228.8	378.1	556.6	742.8	948.4	1,171.0	1,365.2	1,566.3	1,770.2	1,770.2
Tax Rate	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%
(-) NOPAT	88.6	151.0	249.6	367.4	490.3	625.9	772.8	901.1	1,033.7	1,168.4	1,168.4
(+) D&A	104.2	133.8	166.7	201.5	237.8	273.2	305.5	334.5	359.8	381.5	381.5
(-) Change in NWC	(53.8)	(57.0)	(59.5)	(55.1)	(44.4)	(57.9)	(58.0)	(56.9)	(54.6)	(51.1)	(51.1)
(-) Capex	(282.8)	(321.7)	(347.9)	(363.8)	(376.2)	(345.7)	(312.9)	(277.8)	(240.3)	(200.7)	(381.5)
(-) FCFE	(143.8)	(93.9)	8.9	150.0	307.5	495.5	707.4	900.9	1,098.7	1,298.0	19,674.2
WACC	9.6%	9.3%	9.3%	9.7%	10.2%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
DATE	30/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030	31/12/2031
Time steps	0.14	1.15	2.15	3.15	4.15	5.15	6.15	7.15	8.15	9.15	10.15
g (Inflation Rate)											5.0%
(-) PV of FCFE	(142.0)	(84.8)	7.3	112.2	205.5	290.0	373.2	428.2	470.6	501.0	6,844.3

NPV of 10Y Explicit Period	2,161.3
As % of Enterprise Value	24%
NPV of Terminal Value	6,844.3
As % of Enterprise Value	76%

Enterprise Value	10,615.3
Net Debt	134.4
Equity Value	10,481.0
# of Shares (in millions)	394.1
Target Price	26.59
Actual Price	19.61
Upside	35.62%

Appendix H: Trading Comps

Source: Team 11 and Petz IR

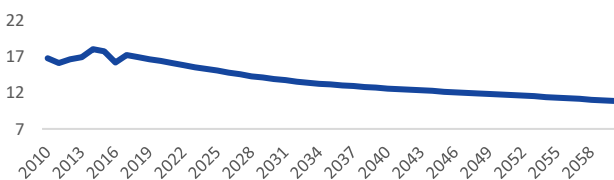
Tier 1: International Peers																	
Company	Ticker	EV/Revenue				EV/EBITDA				EV/EBIT				P/E			
		2020	LTM	2021E	2022E	2020	LTM	2021E	2022E	2020	LTM	2021E	2022E	2020	LTM	2021E	2022E
Pets at Home	LSE: PETS	2.5x	2.4x	2.3x	2.2x	14.9x	12.5x	8.9x	10.4x	27.2x	27.7x	18.4x	16.7x	41.0x	27.6x	22.2x	24.6x
Chewy	NYSE: CHWY	3.6x	3.2x	2.9x	2.4x	NM	563.8x	131.2x	73.4x	NM	2,116.5x	684.4x	164.7x	NM	2,531.5x	664.6x	162.4x
PetCo	NasdaqGS: WOOF	1.8x	1.6x	1.5x	1.4x	20.4x	18.8x	15.0x	14.3x	34.9x	30.1x	22.0x	20.9x	NM	107.8x	38.1x	31.1x
Petmed Express	NasdaqGS: PETS	1.7x	1.8x	1.8x	0.2x	13.4x	14.5x	15.7x	13.2x	14.2x	15.6x	13.5x	17.5x	19.6x	19.6x	19.9x	16.5x
Elanco	NYSE: ELAN	6.5x	4.7x	4.5x	4.4x	42.9x	22.7x	19.9x	17.7x	1,596.0x	87.2x	24.1x	21.3x	NM	NM	44.1x	34.4x
High		6.5x	4.7x	4.5x	4.4x	42.9x	563.8x	131.2x	73.4x	1,596.0x	2,116.5x	684.4x	164.7x	17.5x	2,531.5x	664.6x	162.4x
Low		1.7x	1.6x	1.5x	0.2x	13.4x	14.5x	15.0x	13.2x	14.2x	15.6x	13.5x	17.5x	19.6x	19.6x	19.9x	16.5x
Median		2.7x	2.5x	2.3x	1.9x	20.4x	20.7x	17.8x	16.0x	34.9x	58.7x	23.0x	21.1x	17.5x	107.8x	41.1x	32.7x
Mean		3.4x	2.8x	2.7x	2.1x	25.5x	154.9x	45.5x	29.7x	548.4x	562.3x	186.7x	55.1x	17.5x	886.3x	191.7x	61.1x

Tier 2: Brazilian Retail Peers																	
Company	Ticker	EV/Revenue (BRL mm)				EV/EBITDA				EV/EBIT				P/E			
		2020	LTM	2021E	2022E	2020	LTM	2021E	2022E	2020	LTM	2021E	2022E	2020	LTM	2021E	2022E
Arezzo	BOVESPA: ARZ3	5.4x	4.1x	3.3x	2.7x	80.7x	22.1x	18.3x	15.8x	113.4x	24.5x	21.1x	20.4x	177.9x	32.3x	29.7x	26.9x
Quero Quero	BOVESPA: LQO3	2.3x	2.0x	1.9x	1.5x	19.7x	16.5x	15.0x	12.1x	21.3x	17.9x	20.7x	15.2x	54.8x	40.1x	39.0x	28.2x
Magazine Luiza	BOVESPA: MGLU3	3.5x	2.9x	2.7x	2.2x	115.1x	83.2x	46.6x	34.5x	150.0x	100.9x	69.4x	46.2x	263.2x	132.2x	142.3x	96.2x
Raia Drogasil	BOVESPA: RADL3	2.2x	2.0x	1.8x	1.5x	29.3x	24.0x	16.2x	13.7x	45.2x	34.2x	29.7x	22.9x	89.2x	58.1x	50.0x	37.6x
Lojas Americanas	BOVESPA: AMER3	3.5x	2.6x	1.3x	1.0x	106.8x	77.3x	11.5x	8.3x	132.0x	103.6x	27.9x	17.0x	NM	NM	101.5x	71.0x
High		3.5x	2.9x	2.7x	2.2x	115.1x	83.2x	46.6x	34.5x	150.0x	103.6x	69.4x	46.2x	263.2x	132.2x	142.3x	96.2x
Low		2.2x	2.0x	1.3x	1.0x	19.7x	16.5x	11.5x	8.3x	21.3x	17.9x	20.7x	15.2x	54.8x	40.1x	39.0x	28.2x
Median		2.9x	2.3x	1.8x	1.5x	68.1x	50.7x	15.6x	12.9x	88.6x	67.5x	28.8x	19.9x	89.2x	58.1x	75.7x	54.3x
Mean		2.9x	2.4x	1.9x	1.6x	67.7x	50.3x	22.3x	17.1x	87.1x	64.2x	36.9x	25.3x	135.8x	76.8x	83.2x	58.2x

Source: Team 11, Refinitiv, Capital IQ

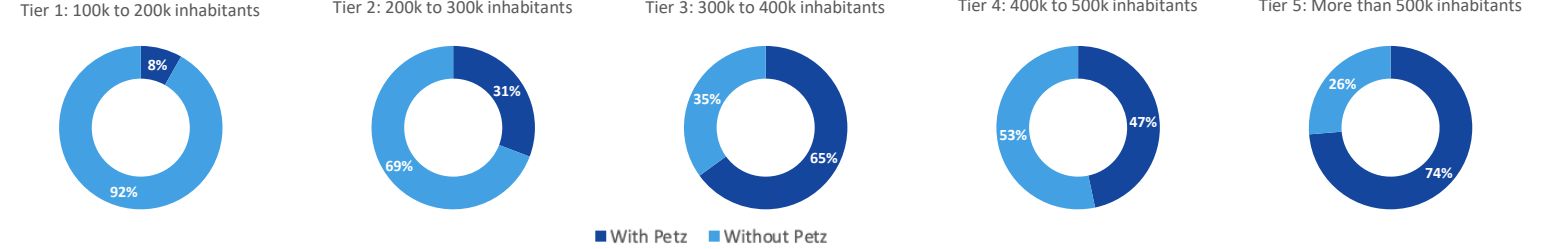
Appendix I: Macroeconomic Variables

Brazilian birth rate

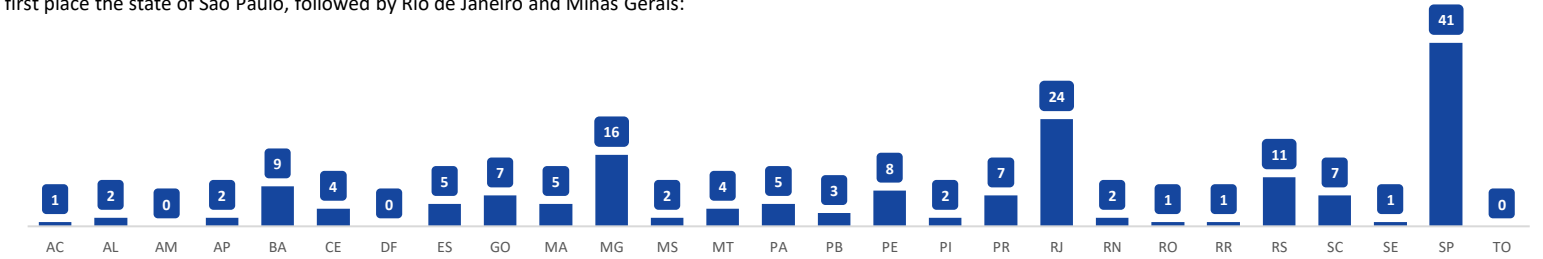


Appendix J: Study Case - Possibility of Opening Stores

Today, Petz is present in 18 Brazilian federative units, distributed in 76 municipalities. Observing the level of cities where Petz is located, we delimited that the store can be opened in cities with a minimum urban population of 100,000 inhabitants, as the city with the fewest inhabitants has 100,764 people living in the urban area of the City. In the graphs below we can see how many % of cities Petz is infiltrated by size tier:



The priority of Petz's expansion plan is to be in all Brazilian states in the next 5 years, so we believe that soon Petz will be present in the last 9 capitals that are still missing. Furthermore, all cities with more than 500,000 inhabitants are very attractive. If we look by state in how many cities Petz is not present and can open new stores, we will have in first place the state of São Paulo, followed by Rio de Janeiro and Minas Gerais:



Finally, based on the city of São Paulo today, using the number of urban inhabitants and the total number of superstores of the Petz and Cobasi brands, we arrived at an index of approximately 1 superstore per 140,000 inhabitants. This way we can observe the cities that already have a Petz, if they can open more stores or not. We came to the conclusion that in 55 cities that already have Petz it are still possible to open one or more stores

Source: Team 11, IBGE

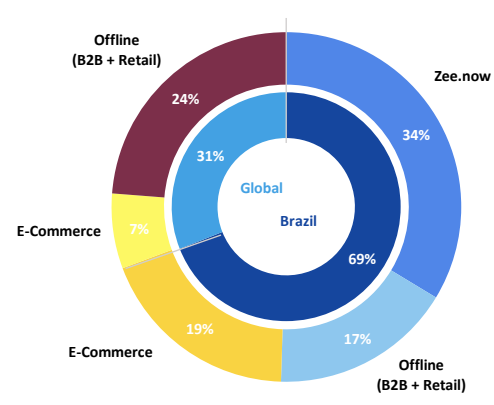
Appendix K: Zee.Dog

On August 2021, Petz announced the 100% acquisition of Zee.Dog for BRL 715M. The acquisition was highly anticipated by the market, being based on ecosystem integration and completeness, even stronger push into the digital segment, private label portfolio development and international expansion opportunity. Through Zee.Lab, the company manufactures basic dog and cat accessories along with other supplementary items, always cherishing high quality and cutting-edge design. Not only that, but the company also uses its digital channels, social networks very well and takes advantage of all the resources of interaction with the public to extract information and improve the user experience. Today, 59% of revenue comes from online sales (34% of which are from its own app Zee.Now), and the company is the only one in the industry to make deliveries in minutes. The brand also boasts a global presence, operating in 45 countries through its partners and own stores. Their international partners (Pets at Home, Chewy, Nordstrom, and others) and collaborations (such as Super Mario, Game of Thrones, etc.) support their massive reach. For the future, the company is launching Zee.Dog Kitchen, with the intent of creating completely sustainable food products, reducing impact throughout the whole value chain. The acquisition is extremely beneficial for both companies, as Zee.Dog will benefit from Petz's massive scale and omnichannel platform.

Zee.dog presence in Brazil



Zee.dog's Revenue Breakdown



Source: Petz IR

Appendix L: Seres

Centro Veterinário Series is a brand of veterinary services founded in 2018 and is today the largest network of veterinary centers in Brazil. Since the IPO, Seres has gone from 7 to 12 hospitals and 126 veterinary clinics in 70 different cities. It offers preventive medicine, dog vaccination, feline vaccination, check-up, neutering, and microchip services. Customers can schedule their services online by finding the nearest unit. Seres should expand with the number of stores. The company's prospects are to open new clinics in all the new main stores.

Its business model seeks to expand to be an ecosystem of giants in the health sector such as Rede D'or, seeking a vertical system, Seres' main advantage, as it allows for a system of cross-selling with Petz stores.

An international benchmark is Pets at Home, a British retailer that currently dominates 27% of the Petcare market. She has over 30 years of experience and has the largest branded veterinary business in the UK. The Group includes specialists covering all aspects of animal care: preventive medicine, emergencies, and treatments, in addition to having 4 independent specialized centers. Currently, the company has acquired "The Vet Connection" which places the company in the telemedicine market for Petz.

Source: Petz IR

Appendix M: CDSG - Cansei de Ser Gato

Cansei de Ser Gato (CDSG) is one of the biggest digital platforms of exclusive content and products in Brazil. They have 1.7M followers in their social media, being 1.1M in Facebook, 270k followers and more than 3k posts. In Spotify they have 2,100 minutes of "PodCat" in Spotify along with 230k plays and 30k followers. CDSG strengths Petz ecosystem's through 3 main points: (1) Content creating: development in the cat segment and public collection of data in "non-buy" moment's, along with creation of trends. This improves their engagement tools and create new channels; (2) Exclusive products design: Cat category are a trend and the ones that grow more, lacking in assortment. This is important for retainment of clients and fidelization; (3) Qualified audience: improves the capacity to connect brands, creating a advertising space and also attracting specialized content producers, leveraging their channels and segments. About the transaction: they acquired 100% of the company, with earn-out conditioned to permanence, engagement and financial performance.

Source: Petz IR

Appendix N: SWOT Analysis

STRENGTH

The company has an advantage for having made its IPO before its competitors, in addition to having its own service brand, SERES. Other strengths are the location of its stores and distribution throughout the country, together with its omnichannel index.



WEAKNESS

The Petz brand is highly concentrated in the State of São Paulo, lagging behind local brands in some regions of the country. Furthermore, the company contains only one distribution center. Another risk is the brand's dependence on just one person, CEO Sérgio Zimmerman.

THREAT

Petz must pay attention to the growth of competitors so as not to lose the market share race with the consolidation of the industry. In addition, there is an image threat related to its public environment and the delicacy of the services involved.

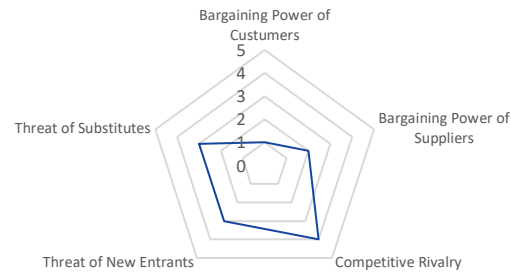
OPPORTUNITY

Petz may expand with the industry and its consolidation. There is the possibility of territorial and international expansion with the acquisition of the zee.dog brand. Marketplaces, in addition to threats, can be an opportunity for a new digital channel.

Source: Team 11

Appendix O: Porter Analysis

Force	Rating
Bargaining Power of Customers	1
Bargaining Power of Suppliers	2
Competitive Rivalry	4
Threat of New Entrants	3
Threat of Substitutes	3



Bargaining Power of Customers – Low: Prices in different stores do not usually vary, which leads us to think that these are defined by the suppliers. Thus, the consumer has little bargaining power, as he is a price taker. In addition, demand for a large part of the products sold by Petz, such as food, medicine and hygiene items, is inelastic.

Bargaining Power of Suppliers – Low: When looking at the Brazilian pet care market, we see that there are many buyers, from superstores to small neighborhood pet shops, all of which sell the same main brands; apart from a few premium brands that are sold in specific locations (these have even less bargaining power). The only advantage that can exist for superstores is to buy in greater volume.

Competitive Rivalry – High: The market is not well consolidated, so the number of players is quite high. Superstores compete with neighborhood petshops and are now beginning to compete with large marketplaces as well. However, thinking only about the superstores, the competition is milder, as there is a market for all the few competitors.

Threat of New Entrants – Moderate: Marketplaces are increasingly gaining ground in the petcare market, featuring a threat of new entrants. Among them, Amazon stands out, which launched its own brand in the United States and may arrive in Brazil. However, in some more "saturated" markets such as the city of São Paulo, it is more difficult to establish a physical new brand, for example.

Threat of Substitutes – Moderate: For animal food there are no substitutes. However, the services part is replaceable by popular veterinary clinics and independent veterinarians. For superstores in particular, there is the threat of replacement by marketplaces.

Source: Team 11

Appendix P: Competitive Positioning Scoreboard Conclusion

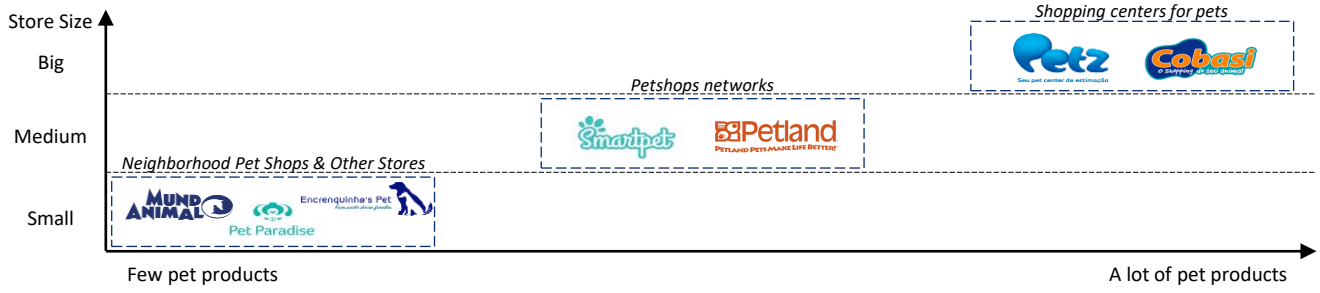
To conclude our competitive position analysis, we did a scoreboard giving grades from 0-2 to Petz, Cobasi and Petlove. The grades as given as a ranking between them, as the best among the three in a criteria would receive 2, the medium 1 and the worse 0. When happened a draw, the companies would receive the same grade. All the criteria to give a 0, 1 or 2 was justified in our competitive positioning section, as we only used topics that were already addressed before based on customer preferences in the sector. Dividing in 2 main topics of Business Model and Convenience, we conclude that Petz has the higher grade among its opponents in both criteria, followed by Cobasi and then Petlove, evidencing that Petz is the company with most potential to consolidated the fragmented pet market, giving a solid base to our second thesis.

		Competition Index			
ID	Topic	Petz	Cobasi	PetLove	Justification
B.1	Acquisitions	1	0	2	Petlove acquisitions added more to their portfolio than the other players
B.2	Subscription	2	2	2	Their subscription plan have little differences between them
B.3	Services	2	1	0	Petz its the only to offer own services, while Cobasi offers third parties and Petlove doesn't have grooming
B.4	Products portfolio	2	1	0	With the acquisition of Zee.Dog, Petz had an exclusive portfolio, and Cobasi had more SKUs
B.5	Basket price	2	2	2	The basket price formed by us was homogeneous
B.6	Freight rates	2	1	1	Petz is the only player to offer free shipping to the whole country (Exhibit 16)
B.7	Footprint	2	1	0	Petz has a larger footprint than Cobasi
B.8	Brand Recognition	2	1	0	Petz a higher brand recognition, as explained in the Competitive Positioning
B.9	Time in the market	0	2	1	Cobasi has more market years, followed by Petlove and Petz as younger
B.10	Veterinary Services	2	1	0	Seres is growing nationwide, and even with a huge potential from PortVet, Cobasi is better for now
B.11	Partnerships	1	2	0	Cobasi has a wide array of partnerships, more than Petz. However, Petlove lags in this fator
B.12	Customer Service	1	0	2	Scores were alligned with the grades of Reclame Aqui
B.13	Express Delivery (Price)	0	2	2	Petz is the only one to charge a 5.90 fee, while in the others is free
B.14	E-Commerce Presence	1	0	2	Petlove is focused only in E-Commerce, and Petz as a higher usage and downloads of their app
Business Characteristics		1.43	1.14	1.00	Mean of the 14 items
C.1	Traffic Flow	1	2	-	Cobasi has a higher flow of automobiles than Petz (Exhibit 19)
C.2	Promity to POS	2	1	-	Petz has a higher proximity to PoS than Petz (Exhibit 18)
C3	Express Delivery (Locations)	2	1	0	Petz and Cobasi offers express delivery to the cities they have stores. As they have stores in more cities, they have a higher score. Petlove only offers express delivery in greater São Paulo
C4	Delivery zones	2	2	2	All three players delivers to the whole country
C5	Stock-out delivery	2	1	0	In deliveries of non-available items, Petz has the fastest delivery, followed by Cobasi and Petlove
Customer Convenience		1.80	1.40	0.67	Mean of the 5 items
Total Grade		1.53	1.21	0.94	Mean of the 19 items

Source: Team 11

Appendix Q: Understanding the Competition

There are three types of player in the pet market, which can be classified as in the infographic below:



COBASI AT A GLANCE

Cobasi, managed by Ricardo Nassar, was born more than 35 years ago as an agricultural products store and over time began to focus on small animals, when it opened its first superstore, a model we know today. We can say that Cobasi is the competitor with a business model most similar to Petz. The company started digitizing itself in 2018 and today 22% of its revenue comes from digital channels.

Cobasi has more than 100 stores open in 11 Brazilian states and intends to expand further in the coming years. In 2020, the company went through a professionalization process, becoming a SA and in April 2021 it received a contribution of R\$ 300 million from the Kinea Privety Equity fund. With the available capital, the company must accelerate its expansion and improve its digital channel. Today, Cobasi is the most capitalized company in the Brazilian Pet market, giving it the opportunity to “run after the loss”, since even though it was founded before Petz, in recent years it has lost marketshare.

Investments have already started, in May 2021 it acquired the startup Pet Anjo, which has a platform that connects pet owners to service specialists. In all, Pet Anjo has 9,000 partners and at the end of 2020 it had approximately 115 thousand registered customers on its platform. With this new piece, Cobasi now offers a more robust portfolio that is very close to Petz's. But it does not stop there, for the future Nassar is looking at other acquisitions to make the brand a complete ecosystem for pets.

PET LOVE AT A GLANCE

PetLove, founded by Marcio Waldman, a veterinarian, is a petcare company that operates 100% online, on its website and application. The brand has more than 2500 partners, such as doctors, clinics, veterinary hospitals and petshops. It has a physical store in the city of São Paulo, but all its stock is concentrated in 3 distribution centers in São Paulo, Pernambuco and Minas Gerais. Today, Petlove's main source of income is its subscription system, representing around 65% of the total. With it, customers receive, with a desired frequency, the products chosen in their homes. They also have some benefits such as 10% off on purchases and gifts.

The brand has an inorganic expansion front, acquired a continuing education startup for veterinarians, Pet Smart, a technical information portal for veterinary products, VetSmart, and also merged with DogHero, an application where it has registered employees who perform various services for pets, acting as an intermediary between sending and offering services (among the services there is hosting, pet sitter, tours, etc).

In 2020, Petlove received a contribution of R\$ 250 million from the softbank, the company uses the capitalization mainly to add to its ecommerce in the 3P model, where petshops will be able to sell services such as consultations and bathing and grooming. In addition, in 2021, Porto Seguro purchased a 13.5% stake in Petlove, seeking to create a health plan for pets. PetLove's business model is inspired by the American Chewy, which today stands out in the pet market due to its subscription service, showing the great potential of Petlove company in the future.

PETLAND AT A GLANCE

The Brazilian company is a franchise of the American brand, but its operations in the Brazilian territory have already surpassed the United States. Here, Petland has 279 stores in 22 states, 132 of which are franchises (15 states) and 140 are affiliated petshops, that is, they do not use the petland brand but pay a monthly fee to access training. CEO Rodrigo Albuquerque wants to open 2,700 brand stores by 2027, which seems intangible, but Petland sees it as a possibility to help small neighborhood petshops to survive the competition from super stores.

When a neighborhood petshop joins Petland, its revenue grows by an average of 40% in the first 6 months, which can be a risk for the expansion of Cobasi and Petz, for example. The brand grew 60% from 2019 to 2020 showing that it is still in the ascension process as it expects to grow even more 50% this year. Its portfolio has also become increasingly robust, especially with the creation of Dr. Amei, a network of veterinary offices and also began its trajectory in ecommerce.

Exhibit : Location of Cobasi, Petlove and Petland

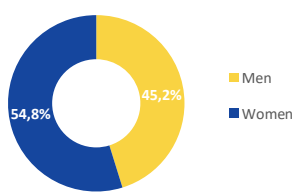


Source: Companies IR and Valor

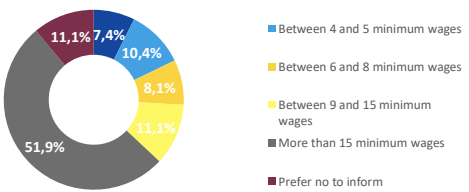
Appendix R: Field Research - Survey about Customer Satisfaction

To validate a market survey conducted by SPC Brasil and CNDL about the consumer's pet preferences in 2017, we developed our survey and disseminated it to pet owners across the country. As a result, we obtained 166 responses, segmenting into the following respondent profile:

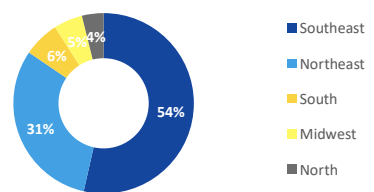
Gender of the respondents



Family Income of the respondents

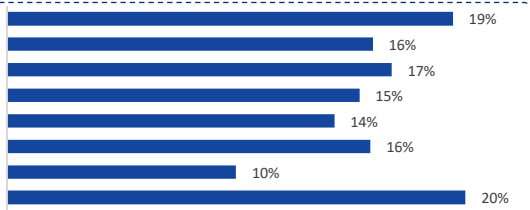


Regions where respondents live



Source: Team 11

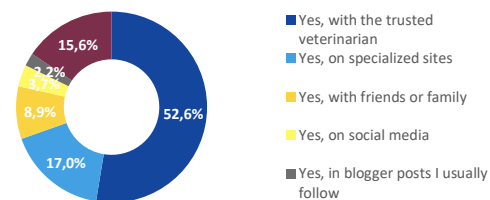
Question 1: Consumer Preferences
Share of respondents



Sample order of preference of consumption

- 1º Quality of products/services
- 2º Price
- 3º Trust in the establishment
- 4º Location
- 5º Promotions/Offers
- 6º Variety of products and/or services
- 7º Quality of services
- 8º Be recommended by the veterinarian

Answers to the question: Do you have the habit of looking for information about products and services related to the pet before purchasing?



Source: Team 11

Appendix S: Field Research - Comparison of product basket and delivery

We created a basket of products for Petz encompassing four main sections found in a store: food, pharmacy, home & garden, and hygiene. From them, we quote values in the three superstores, Petz, Cobasi, and Pet love, and the four biggest marketplaces, Amazon Brazil, Mercado Livre, Magazine Luiza, and Americanas. We can see from the results that prices vary little on the superstores, they are more variable in marketplaces, where there is a very wide range of different sellers:

Section	Product	Petz	Cobasi	Petlove	Amazon	Americanas	Mercado Livre	Magazine Luiza
Food	Ração Golden Power Training para Cães – 15Kg	R\$ 153.99	R\$ 153.90	R\$ 153.90	R\$ 153.90	R\$ 160.56	R\$ 257.43	R\$ 153.99
	Ração Royal Canin Maxi - Cães Adultos – 15Kg	R\$ 302.59	R\$ 302.59	R\$ 302.59	R\$ 325.50	R\$ 475.90	R\$ 309.90	R\$ 272.33
	Ração Whiskas Mix de Carnes para Gatos Adultos – 3Kg	R\$ 56.99	R\$ 56.99	R\$ 56.99	R\$ 56.99	R\$ 55.79	R\$ 72.90	R\$ 56.99
Pharmacy	Agemoxi CL 250mg Antibiótico 10 comprimidos	R\$ 89.90	R\$ 89.90	R\$99.90	R\$ 89.90	R\$ 84.90	R\$ 75.04	R\$ 89.90
	Sec Lac Agener União 0,5mg	R\$ 74.50	R\$ 74.50	R\$ 74.50	R\$ 68.99	R\$ 57.80	R\$ 59.90	R\$ 74.50
Garden&Home	Inseticida Forth Mata Cochonilha Pronto Uso 500ml	R\$ 24.99	R\$ 25.90	R\$ 26.09	R\$ 33.15	R\$ 33.50	R\$ 27.90	R\$ 21.90
Hygiene	Shampoo Sanol Dog Profissional Neutro	R\$ 15.99	R\$ 16.50	R\$ 16.99	R\$ 15.65	R\$ 16.50	R\$ 16.00	R\$ 15.65
	Tapete Higiénico One Pads para Cães com 30 Unidades	R\$ 84.99	R\$ 85.50	R\$ 85.90	R\$ 69.98	R\$ 79.90	R\$ 76.90	R\$ 84.90
TOTAL		R\$ 803.94	R\$ 806.18	R\$ 816.86	R\$ 814.06	R\$ 964.85	R\$ 895.97	R\$ 770.25
SHIPPING		R\$ 0.00	R\$ 0.00	R\$ 0.00	R\$ 52.56	R\$ 163.93	R\$ 0.00	R\$ 232.95
TOTAL + SHIPPING		R\$ 803.94	R\$ 806.18	R\$ 816.86	R\$ 866.62	R\$ 1,133.78	R\$ 895.97	R\$ 1,003.20

Although some marketplaces offer lower prices, it was observed that they are very dependent on sellers for freight pricing, so even with some cheaper products, it is cheaper to buy from a superstore as it offers cheaper freight and less shipping time. From the analyzed marketplaces Mercado Livre is the best, its benefit comes from the fact that all the products from the basket were included in their section “supermarket” where there are products of “recurring consumption” that are delivered free of charge and quickly.

The inclusion of the petcare section in the Mercado Livre supermarket shows a trend of marketplaces to specialize in this sector. This can be characterized as both a risk and an opportunity for superstores. Risk because we see new, very efficient players entering the sector, but opportunity as superstores can enter as retailers on these websites. Today Petz and Cobasi have a presence in some relevant marketplaces, this can be seen in the table below.

Platforms	Petz	Cobasi
Marketplaces	Magazine Luiza	Amazon
Food Apps	Rappi	Ifood

Changing the subject to shipping costs, Petz has advantage in terms of free shipping. The store offers free shipping to all capitals in Brazil and in most cities in the interior, this happens due to its presence in more states than its competitors and efficiency in its omnichannel platform. But in cities where there are Petz and Cobasi stores, Cobasi offers the platforme “Cobasi now” for free shipping and express delivery, while Petz charges a 5.90 fee for the same express delivery. Petlove also has a system of express delivery, but it only works in Grande São Paulo.

Another important factor that sets superstores apart is their subscription system. It makes it easier for the pet owner who has to buy products recurrently, such as pet food. How it works: when setting up your shopping cart there is the option "subscribe product" and you choose the frequency in which you want to receive that item at home. In the images below, it is possible to observe that the facility to acquire the online service is very similar among all stores:

This extends to the subscription benefits, they are all very similar, but Petlove and Cobasi offer first-time purchase advantages. Cobasi and Petz extend the subscription discount to shipping, while petlove does not. Another benefit of the Petz subscription is that there is subscription for bathing and grooming services, this is because Petz services are not outsourced as at Cobasi. In the table below the differences in the subscriptions are clear:

Subscription Plan	Petz	Cobasi	Petlove
Included categories	Food, Hygiene, Pharmacy, Garden&Home and Bath and Groom (B&G)	Food, Hygiene, Pharmacy, Garden&Home	Food, Hygiene, Pharmacy, Garden&Home and Toys
Subscription price	FREE	FREE	FREE
Discounts	- 20% B&G - 10% product	- 10% product	- 10% product - 15% DogHero
Shipping discounts	5% off	5% off	-
Other benefits	-	20% off on the first purchase and gifts	20% off on the first purchase, gifts, chat with vets and exclusive courses
Can the subscription product be withdrawn from the store?	YES	NO	NO

Source: Team 11, Companies Websites

Appendix T: Field Research - Geospatial Analysis

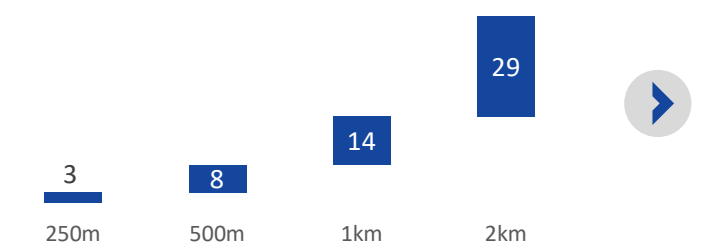
For our geospatial analysis we first got all Petz and Cobasi addressees from their websites. After that we obtained the Google Maps API Key through Google Cloud and inserted into QGIS software, enabling us to code all their stores into coordinates in Google Maps. With all the stores mapped, we created radius (buffers in QGIS) of 250m, 500m, 1km and 2km around Petz and Cobasi stores:



With this, first looked for the overlap between the stores of Petz and Cobasi. In the great São Paulo, it's possible to observe a high competition for locations between the store locations, with a 69% overlap of the Petz store in the city in a 2km radius, a total of 29 stores:

Petz's stores that suffers overlap from Cobasi in SP

Overlap of Cobasi and Petz's stores in %



	250m	500m	1km	2km
% of Petz's stores with overlap	7%	19%	33%	69%
% of Cobasi's stores with overlap	8%	22%	39%	81%

Observing the radius of 0.25km and 0.5km around the stores in São Paulo, we mapped points of commerce, places of leisure activities, health and hygiene and religion. That's because such locations help Petz's customer flow, and pet owners can let their pets perform services while doing other activities. For example, we went to Petz Morumbi at Rua Aureliano Guimarães, 201 and talking to customers, we found out they had a partnership with the Smartfit next door; the pet owners left them there while they went to work out, and the customers were constant. This created a bond with Petz employees, which created loyalty. Despite the concern of Petz and Cobasi in achieving a strategic position, we can see from the table below that in the city of São Paulo, Petz's stores are closer to strategic points for pet owners in almost all points of sale observed

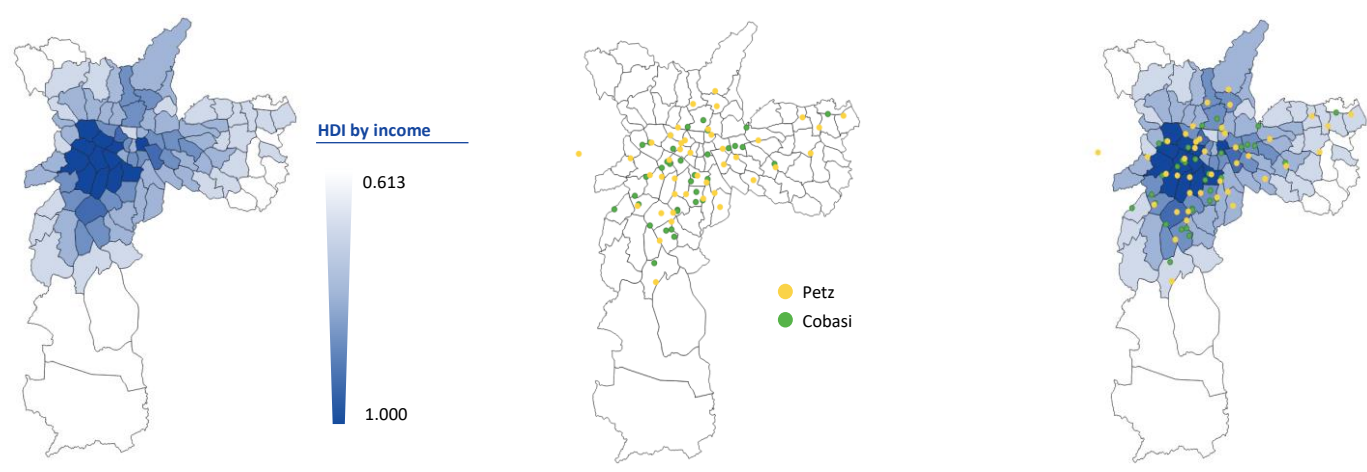
	Gym		School		Church		Mall		Market		Beauty Saloons	
	250m	500m	250m	500m	250m	500m	250m	500m	250m	500m	250m	500m
Cobasi	42%	67%	44%	81%	19%	44%	19%	31%	58%	89%	6%	6%
Petz	43%	79%	60%	93%	33%	76%	26%	33%	60%	86%	12%	14%

After that, through GeoSampa we got the map of São Paulo divided into its districts and a huge database of the 2010 census, with lots of specific information on each one of São Paulo districts. With tht, we made a heat map based on the Income-Human Development Index (HDI), where the lowest value was 0.618 and the highest 1, showing us that as Income-HDI increases, there are a higher number of Pets Superstores in the city:

Income-HDI per district at SP

Petz and Cobasi stores per district in SP

Combination of stores and Income-HDI



Source: Team 11, QGIS, Google Maps, Companies IR

Appendix U: Automobiles Flow Analysis at Petz and Cobasi stores

We see the flow of cars in front of Petz and Cobasi stores as an important differential for Pet Superstores, as their size and colors draw a lot of attention and can be an option of stop after work or day-to-day duties to buy food for your pet or anything it's missing for them. Therefore, we noted that both Petz and Cobasi had 5 stores each in the Top 30 avenues with the highest flow of cars in SP according to CET. Therefore, we used a research of CET that analyzes the flow of automobiles in these 30 avenues during the hour of the morning and the afternoon with the greater car traffic in an ordinary day. The purpose of classified volumetric vehicle counting research is to determine the quantity, composition and direction of flow in a section of the road system per unit of time. Then we collected the data only for the avenues with the presence of Petz and Cobasi stores, and concluded that Petz can still improve the location of these stores, positioning them in points of higher flow of automobiles as Cobasi does

Adresses	Morning hour peak		Afternoon hour peak	
	Petz	Cobasi	Petz	Cobasi
Av. Interlagos		2.367		2.838
Av. Profª Francisco Morato,		3.042		1.959
Av. Rebouças		2.734		2.831
Av. Washington Luis	3.256	5.668	4.261	6.541
Av. Marginal Tietê		5.065		5.681
Av. Adolfo Pinheiro	3.525		1.923	
Av. Francisco Matarazzo	1.704		1.692	
Av. Presidente Castelo Branco	4.223		3.691	
Av São Miguel	856		1.319	
Total	13.564	18.876	12.886	19.850

Appendix V: IFRS-16 Impacts

Source: Team 11, CET

Financials Highlights	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028P	2029E	2030E
Gross Revenue	1,164	1,707	2,511	3,477	4,550	5,627	6,602	7,586	8,562	9,514	10,421	11,266
Net Revenue	986	1,437	2,113	2,926	3,829	4,735	5,556	6,384	7,205	8,006	8,770	9,481
Gross Profit	476	694	1,023	1,439	1,903	2,380	2,821	3,262	3,715	4,165	4,604	5,023
SG&A Margin (IFRS-16) - SG&A Margin (IAAS-17)	6.7%	5.6%	5.2%	5.2%	5.0%	4.8%	4.6%	4.4%	4.2%	4.2%	4.2%	4.1%
Adjusted EBITDA Margin (IFRS-16) - Adjusted EBITDA Margin (IAAS-17)	6.7%	5.6%	5.2%	5.2%	5.0%	4.8%	4.6%	4.4%	4.2%	4.2%	4.2%	4.1%
EBIT Margin (IFRS-16) - EBITMargin (IAAS-17)	1.1%	0.9%	-0.7%	-0.2%	-0.1%	-0.1%	-0.2%	-0.3%	-0.4%	-0.4%	-0.4%	-0.4%
Net Income Margin (IFRS-16) - Net Income Margin (IAAS-17)	-1.2%	-0.9%	-0.2%	-0.2%	-0.1%	-0.2%	-0.3%	-0.4%	-0.5%	-0.6%	-0.7%	-0.7%

Appendix W: Suppliers

Source: Team 11, Petz IR

When looking at the Brazilian pet care market, we see that, given its fragmentation, retailers don't enjoy much bargaining power over their suppliers (while Petz and Cobasi have a X% retail market share, the top 3 suppliers have a combined ~45,6% market share). This is in sharp contrast to the US, where players such as PetCo and PetSmart are much bigger (X% market share) and hold greater bargaining power

Main Suppliers	2015	2016	2017	2018	2019	2020
Mars (Pedigree)	18,6%	17,9%	17,5%	17,5%	18,0%	17,5%
Grandfood (Premier)	7,5%	9,6%	12,0%	14,1%	15,8%	17,3%
Nestlé (Purina)	11,7%	11,6%	11,5%	10,9%	11,0%	10,8%
Others	62,2%	60,9%	58,8%	57,5%	55,2%	54,4%

Beside that, with a extremely high penetration of food products in the Brazilian pet market, their prices are standardized, which prevents larger retailers from acquiring a competitive advantage regarding prices over small pet shops. Moreover, with the food segment accounting for 50% of the 2020 gross revenue, Petz isn't able to differentiate itself with lower prices without resorting to promotions. Besides that, Petz's biggest supplier accounted for 19,1% of the total 2020 gross revenue, a number practically equal to 2019 (19,2%), which is a point of concern. In the same note, regarding super premium and prescription rations, they account for 27,4% of the 2020 total gross revenue and its supply is concentrated only in 7 suppliers (Royal Canin, Hills Premier, ND, Guabi Natural, Golden, Grain Plus e Club Performance). In relation to total product offering, we see that ... (Análise da pesquisa). In any case, the company's growing scale and private label development helps it alleviate some of the pressure imposed by suppliers. Furthermore, the acquisition of Zee.Dog and its Zee.Dog Kitchen, the far reaching omnichannel platform and the 50% increase of its supplier base of 300 in 2019 to 450 in 2020 should also offset these pressures.

Source: Petz IR, Team 11

Appendix X: Board of Directors

Name	Position	Member Since	Independent	Education	Career Background
Claudio Ely	Chairman	2020	Yes	• Civil Engineering (UFRGS)	• CEO at Drogasil • Senior Consultant at Warburg Pincus
Sergio Zimerman	Member	2020	No	• Business Administration (UNIP) • MBA in retail from (USP)	• Petz Founder
Tania Zimerman	Member	2020	No	• MBA in retail (UBS)	• Petz employee since the foundation of the company
Irlau Machado	Member	2020	No	• Business Administration (Augustana College)	• CEO of Grupo Notredame • Leadership positions at Santander and Citibank
Gregory Reider	Member	2020	No	• Economics and International Relations (Yale College)	• Senior Consultant at Warburg Pincus • Leader of BR Partner's private equity division
Ricardo Dias	Member	2021	Yes	• Business Administration (Indiana University) • MBA (INSEAD)	• Marketing VP at Anbev
Eduardo Terra	Member	2020	Yes	• Business Administration (ESPM) • Master degree (USP)	• Deliberative advisor at Savegnago and Lopes Supermercados

Committees

Committee	Members
Audit	3
Financial	4
Strategic	7
Human Resources	4

Board of Executive Officers

Name	Position	Member Since	Education	Career Background
Sergio Zimerman	CEO	2020	• Business Administration (UNIP) • MBA in retail from (USP)	• Petz Founder
Aline Peli	CFO & IRO	2021	• Business Administration (FGV)	• Senior Analyst at HSBC Asset • Venture Capital at Arezzo&Co
Valéria Corrêa	Officer	2020	• Veterinary Medicine (USP)	• Joined Petzi in 2014 as the Vet Clinic Manager
Luciano Sessim	Officer	2020	• MBA (Unisinos)	• Officer at Walmart

Source: Petz IR, Team 11

Appendix Y: ESG INDEX

Methodology: To fully understand the dynamics of the ESG Criteria in the pet sector, we built a quantitative approach to our analysis. In this sense, we developed a deep framework, rating Petz, Cobasi, Petlove, Pets at Home, and Petco. We built our guideline considering the Clessidra ESG Checklist, which compiles various entities that evaluate companies' environmental, social, and governance standards, such as CDC Group, GRI, SASB, BVCA, and the PRI. Moreover, to consider each company's plans considering ESG metrics, our grades consider the maturity (stage of development) and relevance, which represented the probability that the company will address their issues.

Criteria	Petz	Cobasi	petlove	petco	pets at home	Average
E.1 Carbon Emissions	1.00	0.00	0.50	2.25	2.75	1.30
E.2 Air Emissions	0.00	0.00	0.75	2.75	2.8	1.25
E.3 Energy and Water Management	0.25	0.00	0.00	3.00	3.0	1.25
E.4 Hazardous substances & supply chain	1.00	0.00	0.00	3.00	3.0	1.40
E.5 Green Products	2.75	0.00	3.00	3.00	2.5	2.25
E.6 Sustainable Packaging	1.00	0.00	0.00	3.00	3.0	1.40
E Score	1.00	0.00	0.71	2.83	2.83	1.48
S.1 Human Resources	1.5	2.0	0.8	2.5	3.0	2.0
S.2 Health and safety	0.8	0.0	1.0	2.8	2.8	1.5
S.3 Community involvement	3.0	2.0	2.0	3.0	3.0	2.6
S.4 Consumer Safety / Product Regulations	2.3	1.8	2.0	2.8	3.0	2.4
S.5 Customer Privacy	3.0	3.0	2.0	3.0	3.0	2.8
S.6 Animal Welfare in the Supply Chain	2.0	0.0	0.0	3.0	3.0	1.6
S.7 Pet Health, Nutrition and Wellbeing	1.5	1.5	0.0	3.0	3.0	1.8
S Score	2.00	1.46	1.11	2.86	2.96	2.08
G.1 Roles and responsibilities	0.3	1.5	0.3	3.0	3.0	1.6
G.2 Policies and Procedures	1.5	1.3	0.0	3.0	3.0	1.8
G.3 Monitoring and Reporting	0.8	0.8	0.0	3.0	3.0	1.5
G.4 Compensation Policy	0.0	0.0	0.0	3.0	3.0	1.2
G.5 Board of Directors	3.0	0.0	0.0	3.0	3.0	1.8
G.6 Supply Chain	2.0	2.0	0.8	3.0	3.0	2.2
G Score	1.25	0.92	0.17	3.00	3.00	1.67
ESG Score	1.42	0.79	0.66	2.90	2.93	1.74

Grade	Meaning
0.0	Does not disclose any plans about the criteria or does not have any information on the internet
0.5	Does not disclose any plan about the criteria, but management has already shown awareness
1.0	Management has already show awareness regarding the criteria and operations generate low impact
1.5	Dispose public information about the criteria but still operationally undeveloped
2.0	Intermediate present efforts but has disclosed a structured guideline for the future
2.5	Perfectly structured plans but impacts has not reached its full potential
3.0	Completely implemented plans having already shown big impacts

Source: Team 11, Companies IR

Appendix Z: ESG Comparison | National Peers

Cobasi | **ESG Score (1.42)** | **E-Score (0.0)** | **S-Score (1.46)** | **G-Score (0.92)** |

- How we got to Cobasi's grade: **(1) Environmental:** we looked into the company's website and could not find any public information. Moreover, there is no news that explicitly Cobasi's management will of developing these criteria **(2) Social:** we discovered that Cobasi has a moderate social impact since the company has been producing some initiatives directed to the community. For example, the company sponsors the "Coral da Cidade de São Paulo" and provides a pet adoption program on three of its stores. In addition, Cobasi dispose a variety of tips and recommendations for pet owners on its blog and details its efforts to ensure their customer's data safety. **(3) Governance:** Cobasi has a low G-Score because there is little public information about the company's governance structure. Still, its management has already voiced that they recently created a diversity committee.

Petlove | **ESG Score (0.66)** | **E-Score (0.71)** | **S-Score (1.11)** | **G-Score (0.17)** |

- How we got to Petlove's grade: **(1) Environmental:** despite not providing much public information about its current efforts, we found clues that its management is concerned about this criteria since Petlove recently partnered with True, a brand that produces natural pet food. Moreover, Petlove's business model has a lower impact on the environment than its competitors since it is an online operation. **(2) Social:** Petlove still has a low social impact, despite that the company collaborates with the community supporting projects such as "Falco" and "Arca de Noé." Moreover, the company's management has already shown awareness of this criteria, voicing the concern on maintaining high diversity levels on its employee base. Still, Petlove does not provide a pet adoption program, falling behind its peers on this criteria. **(3) Governance:** Despite not providing public information, we considered that the company has already demonstrated awareness of the criteria (G1 and G6).

Appendix AA: ESG Comparison | International Peers

Source: Team 11, Companies IR

Petco | **ESG Score (2.90)** | **E-Score (2.83)** | **S-Score (2.86)** | **G-Score (3.00)** |

- How we got to Petco's grade: **(1) Environmental:** Petco is highly conscious of its environmental impact, developing a wide variety of initiatives to mitigate risks. Some highlights are: **(E1)** optimization of the logistics, reducing the number of journeys made to transport products and people; **(E3)** Energy Management System that does the monitoring of its energy waste; **(E4)** Require that their suppliers agree to its Supplier Code of conduct and reducing the use of digital data. **(E6)** In 2019, Petco looked carefully at their owned brand products and has already saved approximately thirty thousand pounds of plastic packaging material. **(2) Social:** Petco is a role model in its social efforts. Some key initiatives are: **(S3)** seven different Partner Resource Groups representing groups for which greater understanding and integration is needed; **(S4)** Petco removed more than 40 artificial ingredients from their shelves; **(S5)** Petco's Information Security Program (ISP) develop serious efforts to comply with data protection laws and regulations. **(3) Governance:** Petco has well-structured governance, with a variety of committees and initiatives focused on ESG. Some highlights are: **(G1)** Petco has ten committees and sub-committees focused specifically on ESG efforts.; **(G3)** the Sustainability Executive Steering Committee is in charge of monitoring the ESG efforts in Petco; **(G4)** Publish an Annual Social Value Report **(G6)** every supplier has to agree to Petco's supplier code.

Pets at Home | **ESG Score (2.93)** | **E-Score (2.83)** | **S-Score (2.96)** | **G-Score (3.00)** |

- We believe that Pets at Home is the best-positioned player in ESG efforts worldwide, detaining the best practices for each criterion. Some of their highlights are: **(1) Environmental:** **(E1)** goal of becoming net-zero carbon by 2040; **(E3)** The company is committed to reducing its energy emissions, having 96% of its energy coming from renewable energies.; **(E4)** the company has control over all its stakeholders through its Responsible Sourcing handbook. Also, it seeks to provide sustainable product choices encompassing raw materials and packaging. As a result, Pets at Home made a commitment that all priority raw materials will be from sustainable sources by 2025; **(E5)** creating a specific area for developing more sustainable feed products, examining, for example, how these products are manufactured and packaged. In addition, it seeks to pioneer low-carbon pet diets, including consideration of alternative proteins; **(E6)** The company has a sustainable packaging system, with 79% of its packaging being recyclable, recycled, or compostable. In addition, it has a goal of being 100% by 2025. **(2) Social:** **(S1)** 75% retention rate and a 23% Turnover Rate; **(S3)** 449 of their stores have an adoption center; **(S6)** The company has complete monitoring of the entire pet value chain within its operation and follows all standards. Moreover, it works only with selected suppliers who must comply with their Code of Conduct; **(S7)** Employee intensive training program and a veterinarian graduate course. Also, PaH created the Pet Care Development Program. **(3) Governance:** **(G1)** ESG Committee with eight members, in addition to a specific role only for ESG monitoring; **(G4)** Publish an Annual Social Value Report; **(G6)** Code of Conduct to choose and monitor ESG practices in their suppliers.

Source: Team 11, Companies IR