



Petz

aberto até
meia-noite

TEAM 7



2021

CFA Institute

RESEARCH CHALLENGE

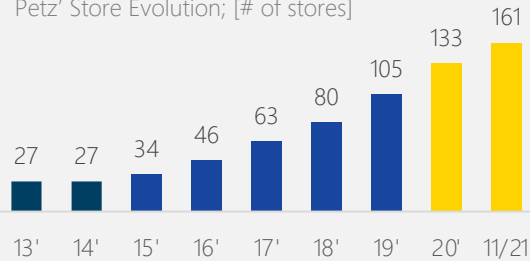
What is Petz?

Petz is the largest pet retail company in Brazil, which aims to be the most significant pet ecosystem globally...

A National Company...

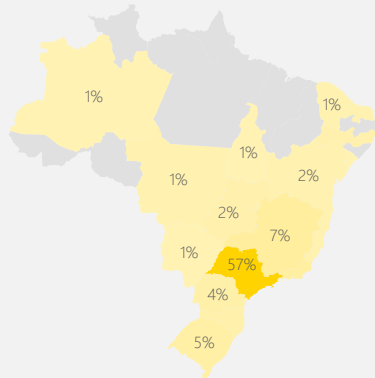
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Petz' Store Evolution; [# of stores]



...with its stores concentrated in São Paulo state...

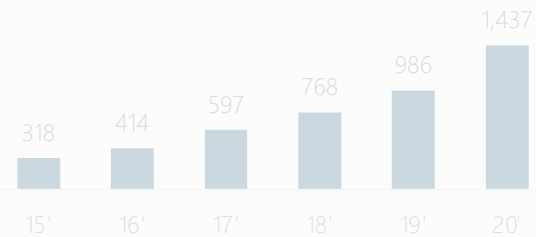
Petz' Store Concentration; [%]



...With an Increasing Revenue...

A high increase in revenue in line with stores...

Net Revenue Evolution; [BRL mn]



...with a huge dominance of food and non-food...

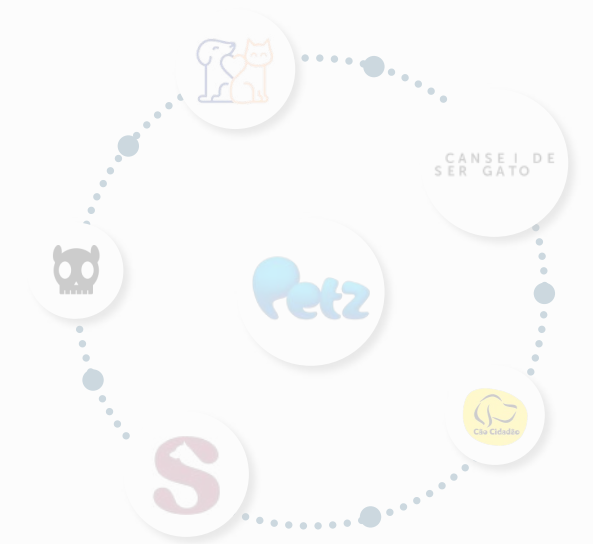
Revenue Breakdown 20'; [%]



The Non-Food line has shown the greatest growth, while the Food line represents the greatest recurrence...

...and One-Stop-Shop Solution...

And is creating the largest Brazilian pet ecosystem...



Offering products, veterinary services, bathing, grooming, adoption, digital engagement, and pet training. Thus, the company generates cross-sell and synergies that retain the customer in its base...

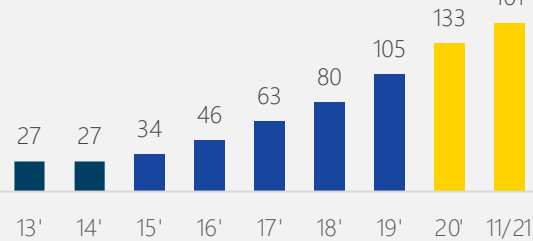
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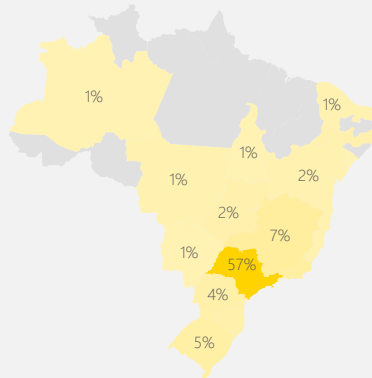
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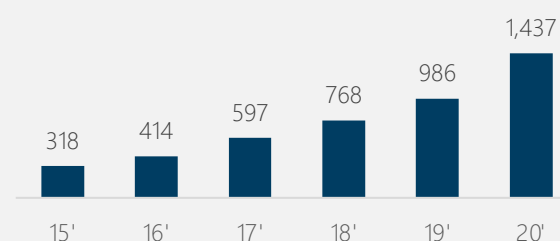
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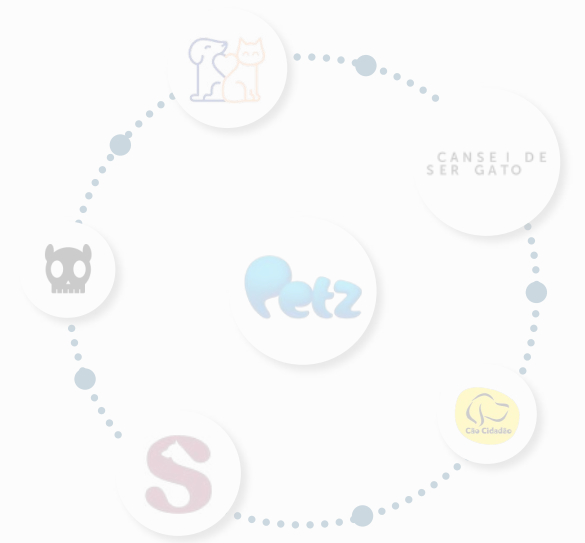
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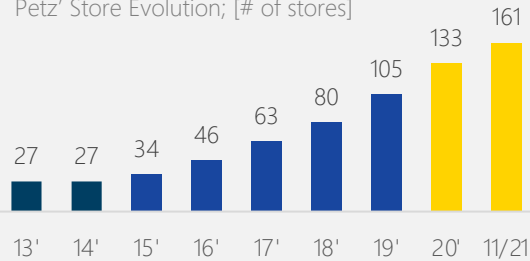
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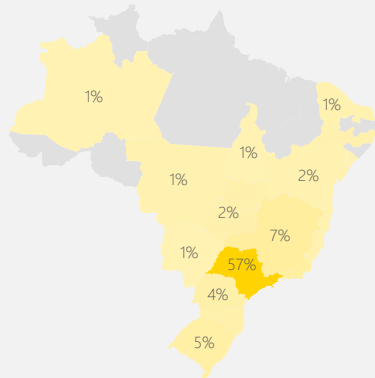
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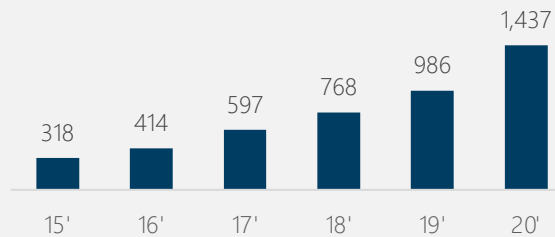
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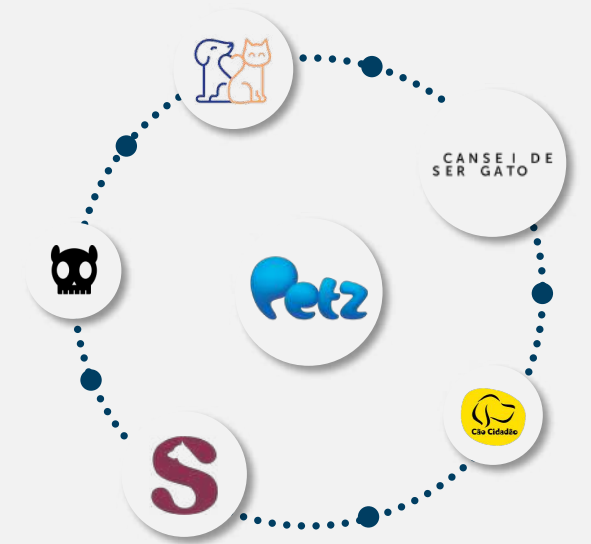
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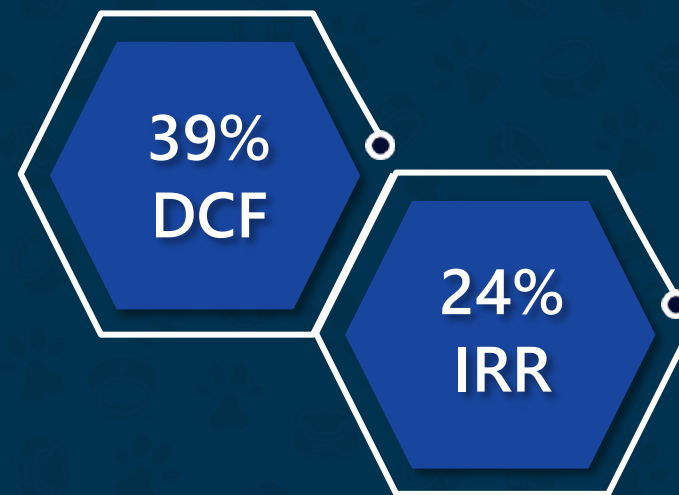
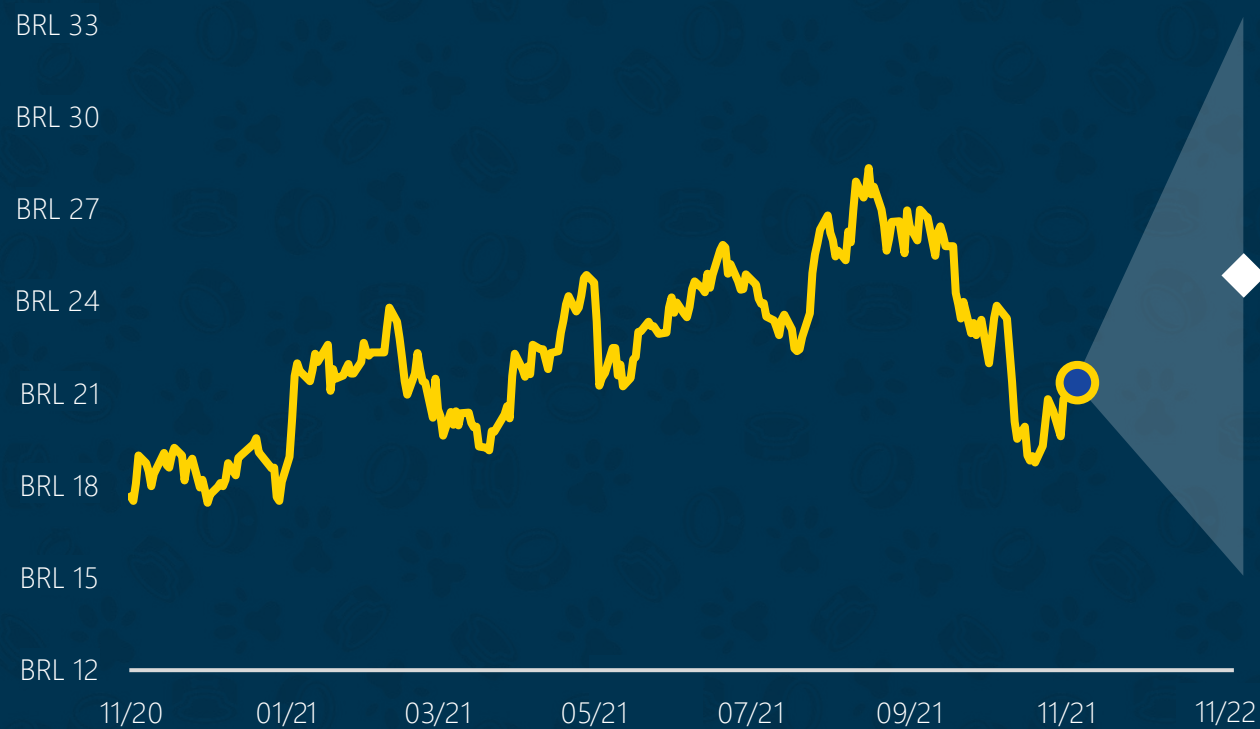
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PETZ3 - BUY

We see Petz trading significantly lower than its fair value and with a secure margin of safety that ensure **our buy recommendation**





Promising Industry

A resilient and fragmented sector with a secular growth



Assertive Hub-and-Spoke Strategy

Best-in-class operations when compared to mom & pop



Expansion to Outpace

Organic and sustainable expansion



Healthy and Solid Ecosystem

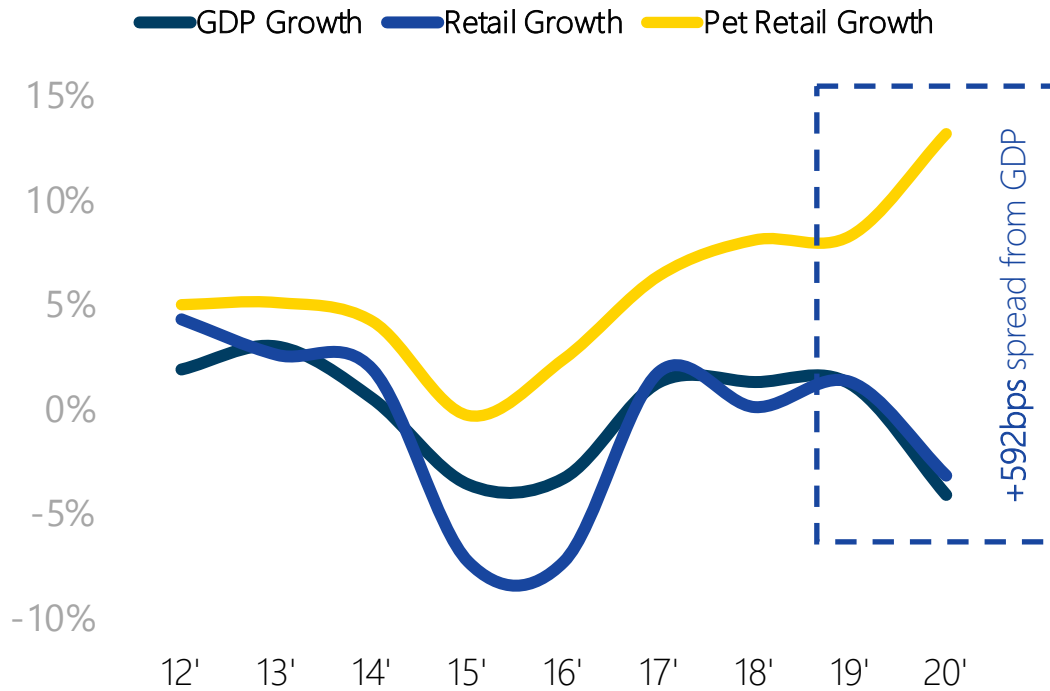
A one-stop-shop solution for pets

Resilience + Growth = Success

The industry witnessed a double-digit growth in the last five years, much higher than GDP and other retails segments...

The industry has been showing **resilience over macro downturns...**

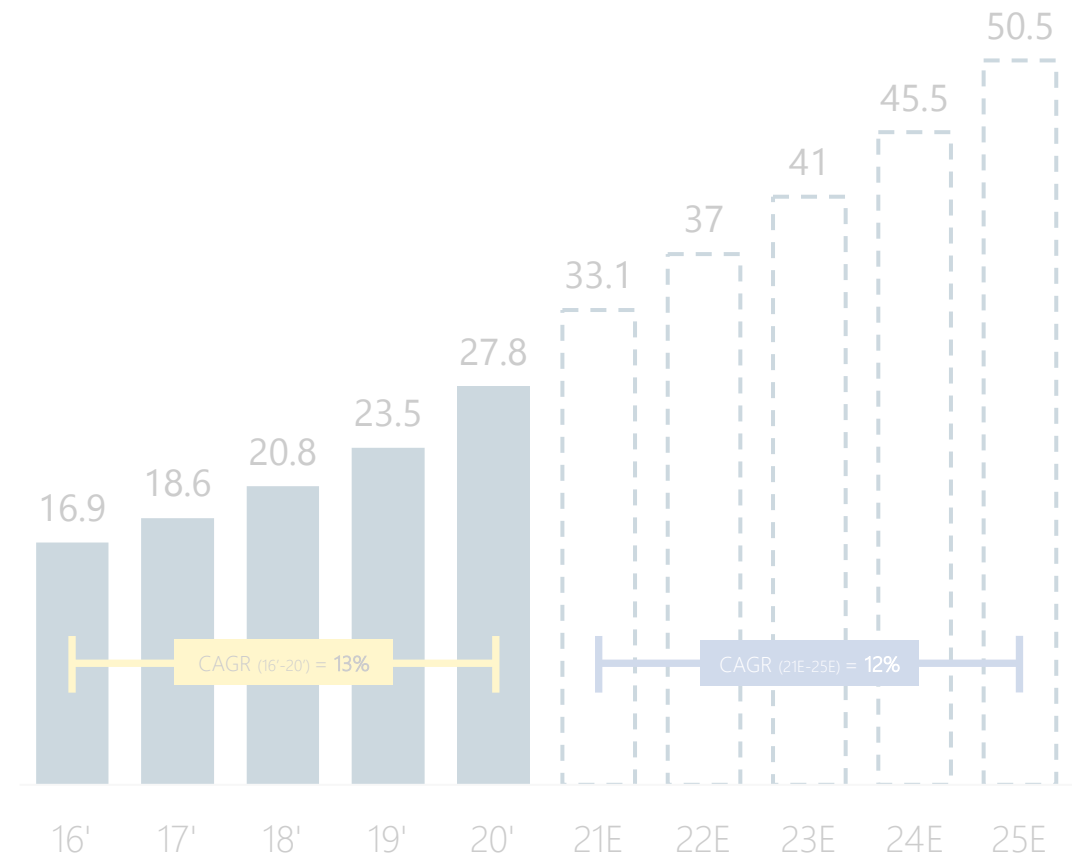
Real Growth Comparison; [%]



Why? 88% of the sector's revenue comes from pet food, something essential in this industry...

...and we believe that **will continue to grow** as it has in the past...

Pet Retail Evolution; [BRL bn]

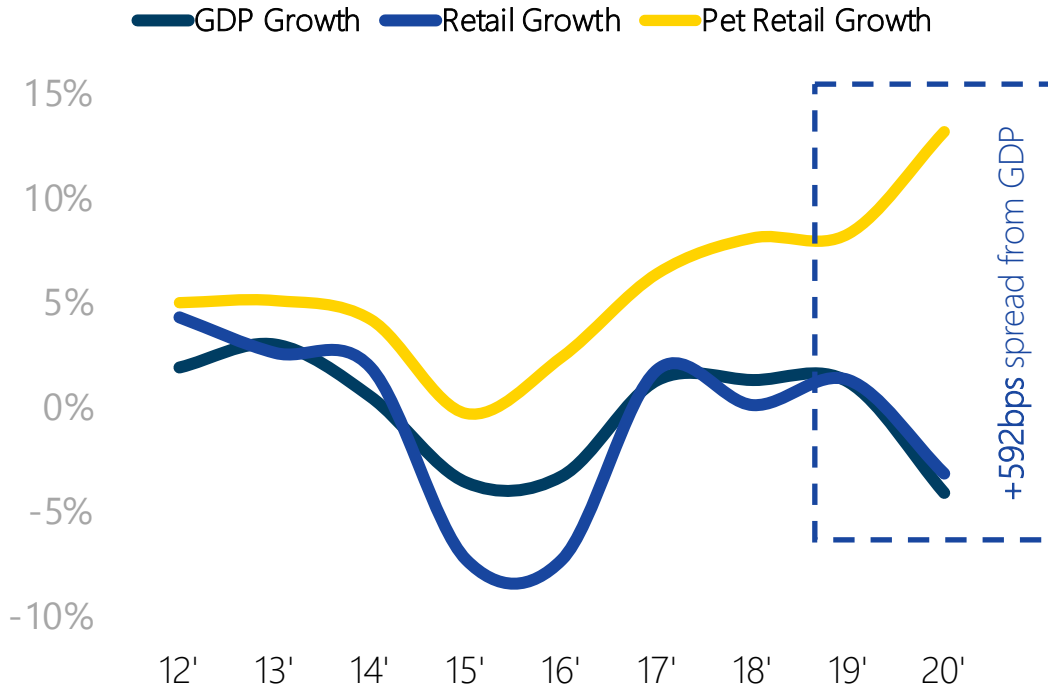


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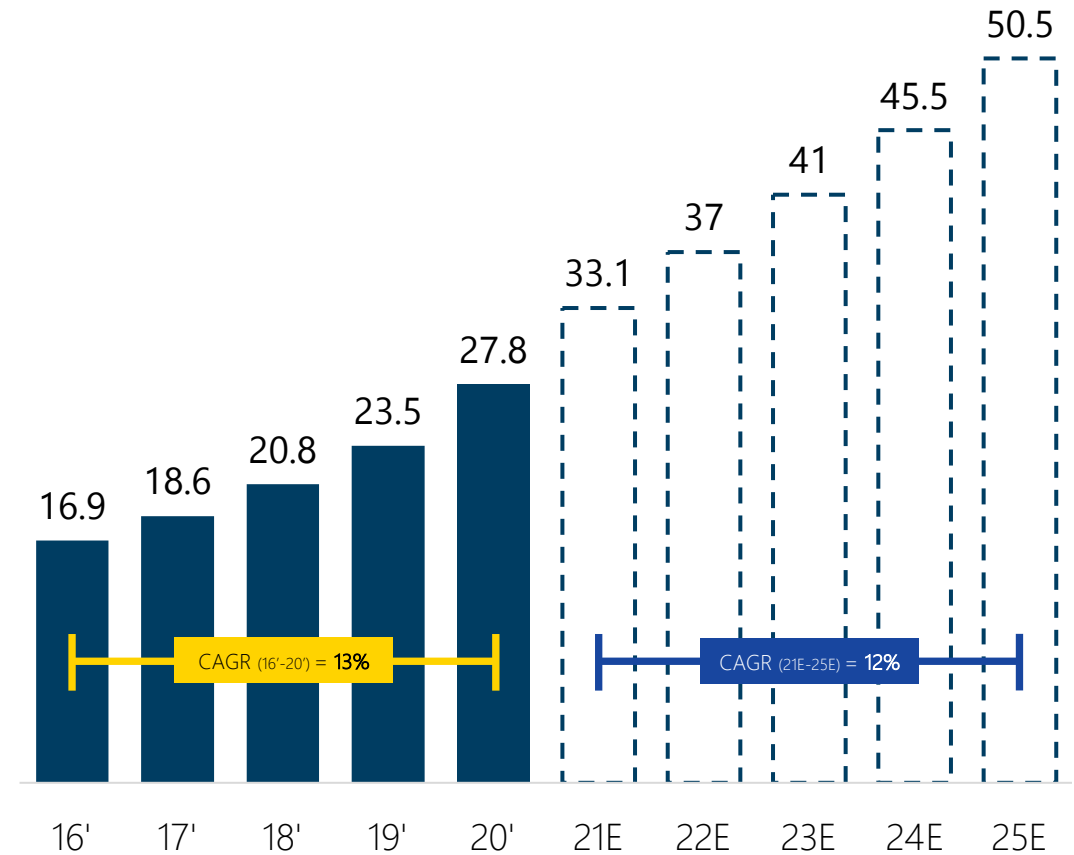
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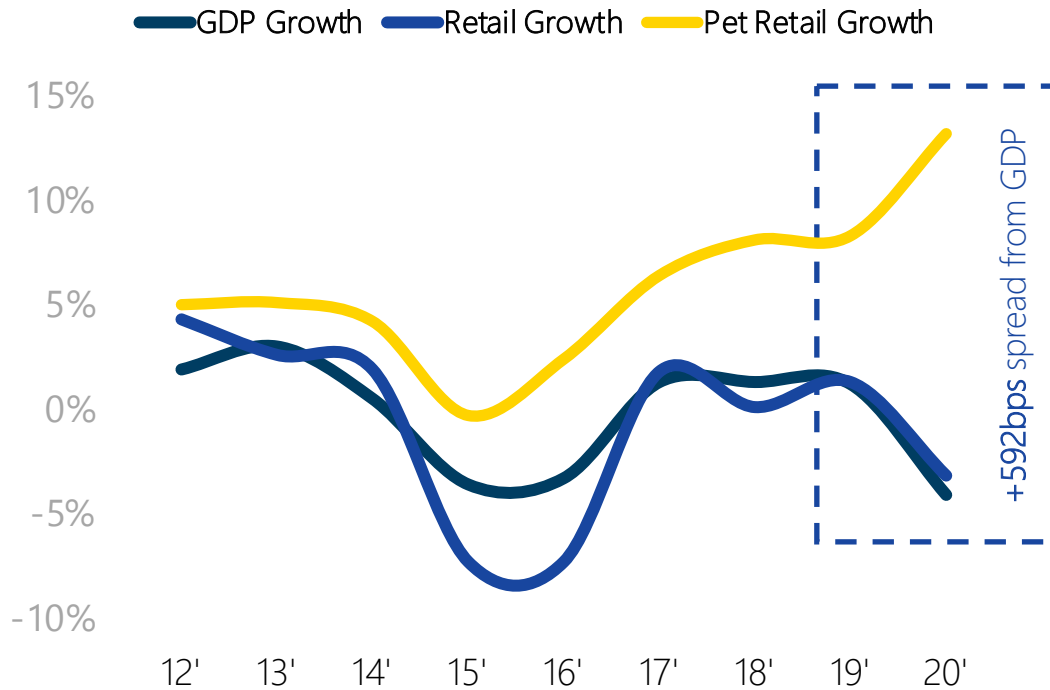
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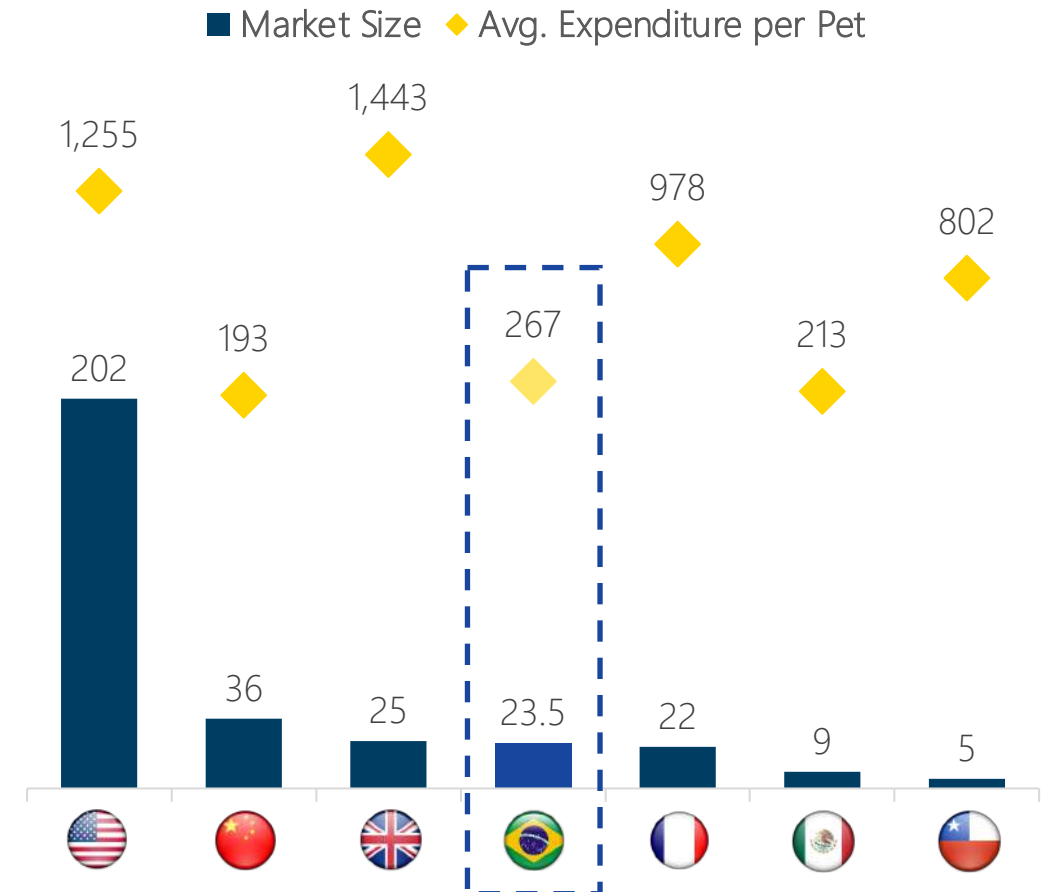
Real Growth Comparison; [%]



Why? 88% of the sector's revenue comes from pet food, something essential in this industry...

...besides that, it is already **one of the biggest market** in the world.....

Revenue & Average Expenditure per Pet in 2019; [BRL bn & BRL/y]



What is behind that **size** and **growth**?

The secular growth will be the main industry driver, increasing the expenditure and number of pets in the country...

Pets Humanization is being **mainly** driven by:



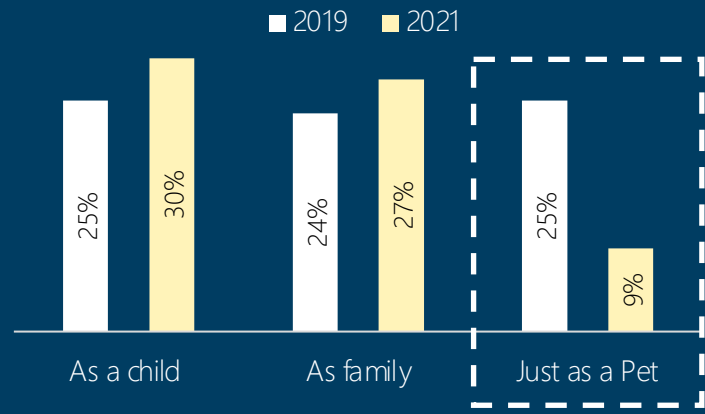
1 Demographic and Cultural Changes



2 Enhanced Access to Information

The result?

Relation with Pets; [%]

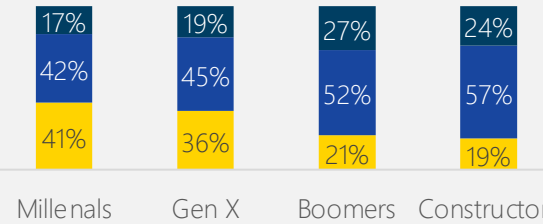


1

The newest generation is more likely to **spend more** and **acquire pets**...

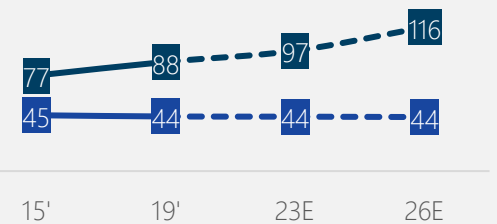
Spending with Pets per Gen; [%]

■ Continuous ■ Moderated ■ Conscious



Number of Dogs and Cats/Children; [mn]

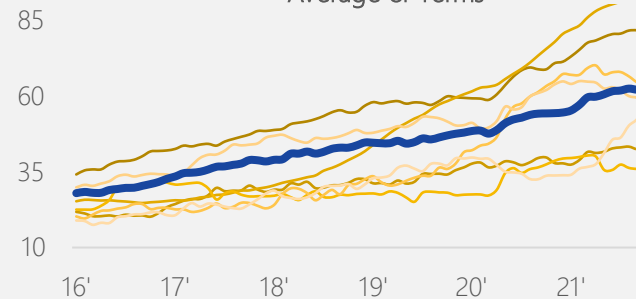
— Dogs and Cats — Children (0-14)



2

Main Terms Related to Pets; Google Trends

— Average of Terms



We searched all the terms we see as **linked to humanization**, such as **accessories** and **non-recurring products** on Google Trends, showing accelerated growth since 2016 in terms...

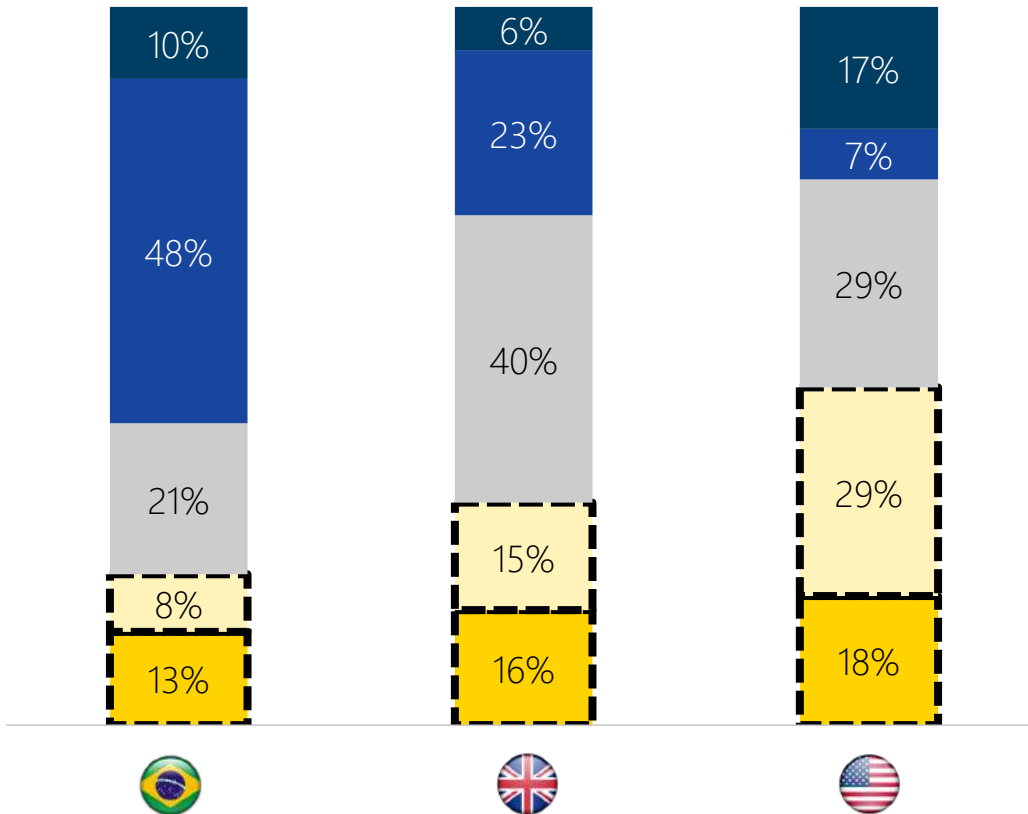
Room for Consolidation

Besides being a resilient high growth industry, pet retail is also fragmented...

The Brazilian market is still **highly fragmented, when compared...**

Product Sales by Channel in 21E; [%]

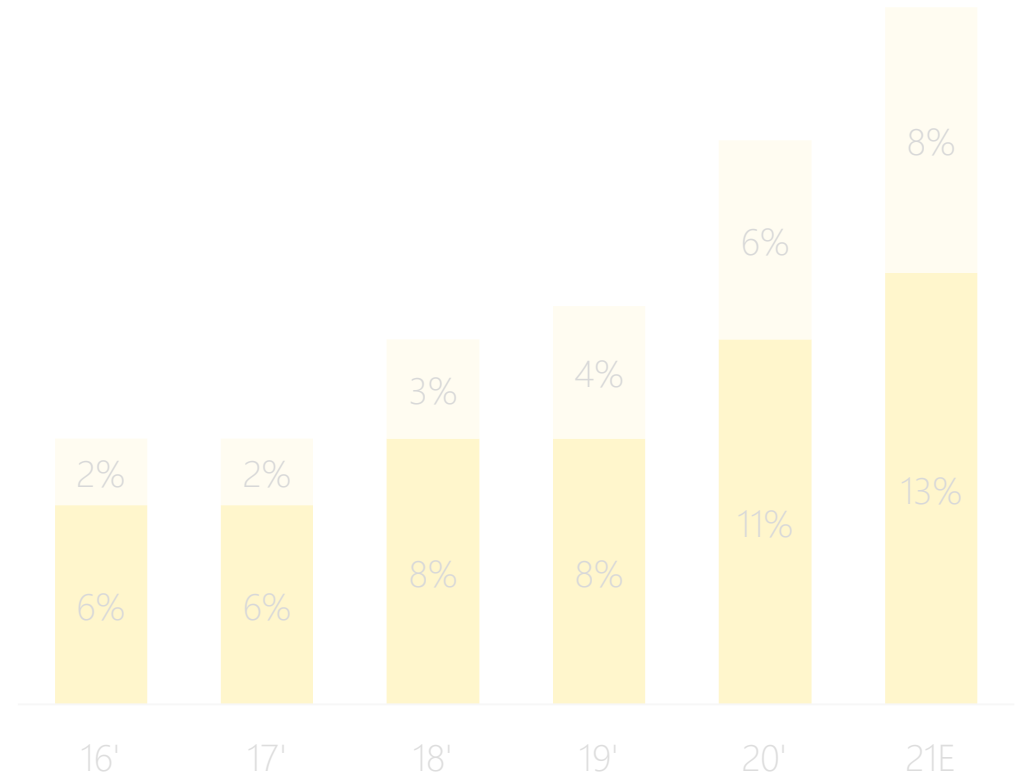
■ Megastores
 ■ E-commerce
 ■ Food Retailers
 ■ Pet Shops and Vet Clinics
 ■ Others



...despite showing a recent consolidation movement...

Specialized Channels Evolution; [%]

■ Megastores
 ■ E-commerce



Highly Fragmented

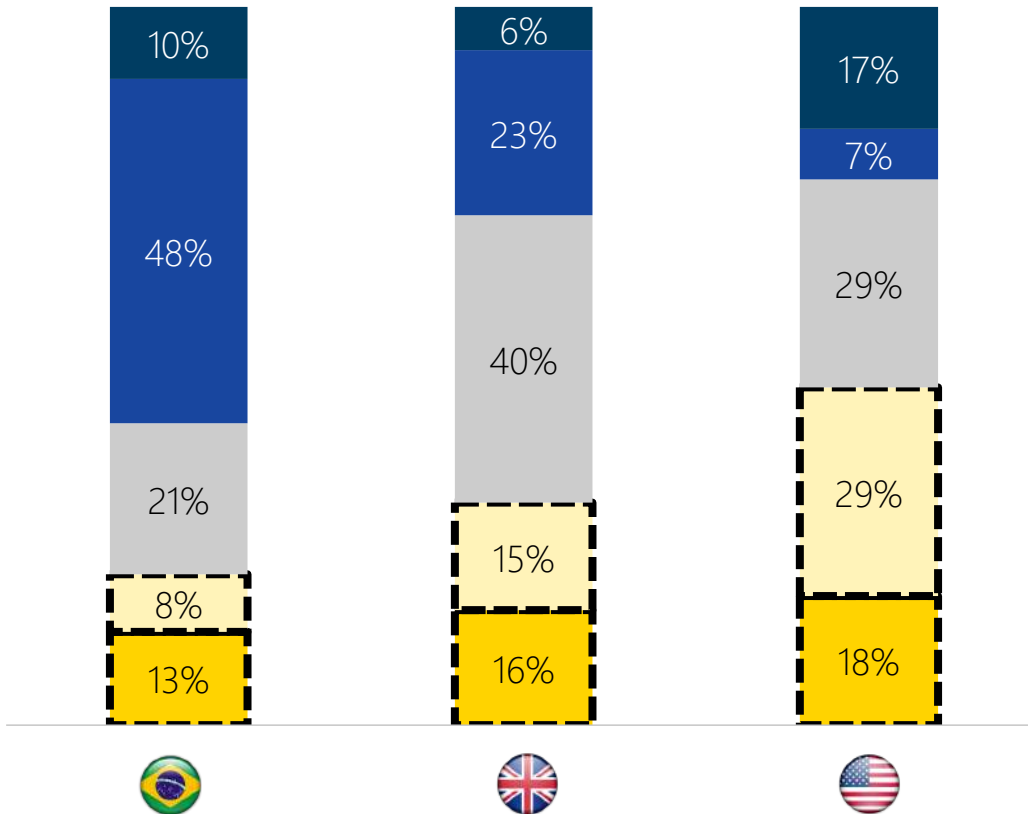
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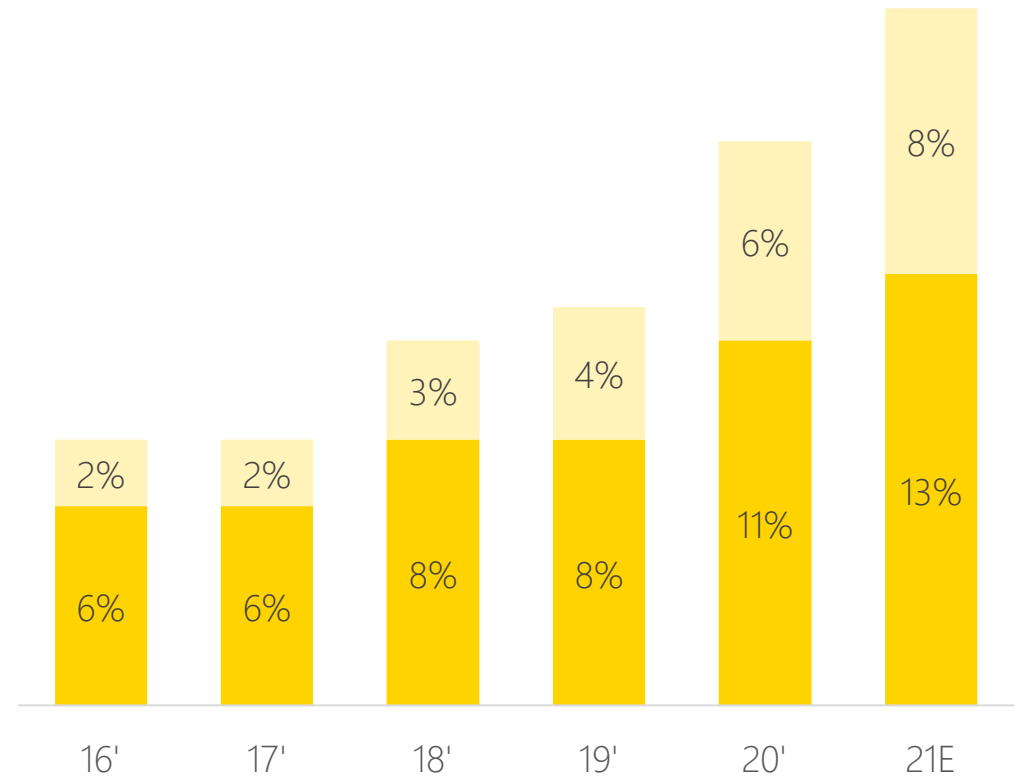
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Product Sales by Channel in 21E; [%]

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Specialized Channels Evolution; [%]

So, which is **the best model to consolidate** this sector?





Promising Industry

A resilient and fragmented sector with a secular growth



Assertive Hub-and-Spoke Strategy

Best-in-class operations when compared to mom & pop



Expansion to Outpace

Organic and sustainable expansion

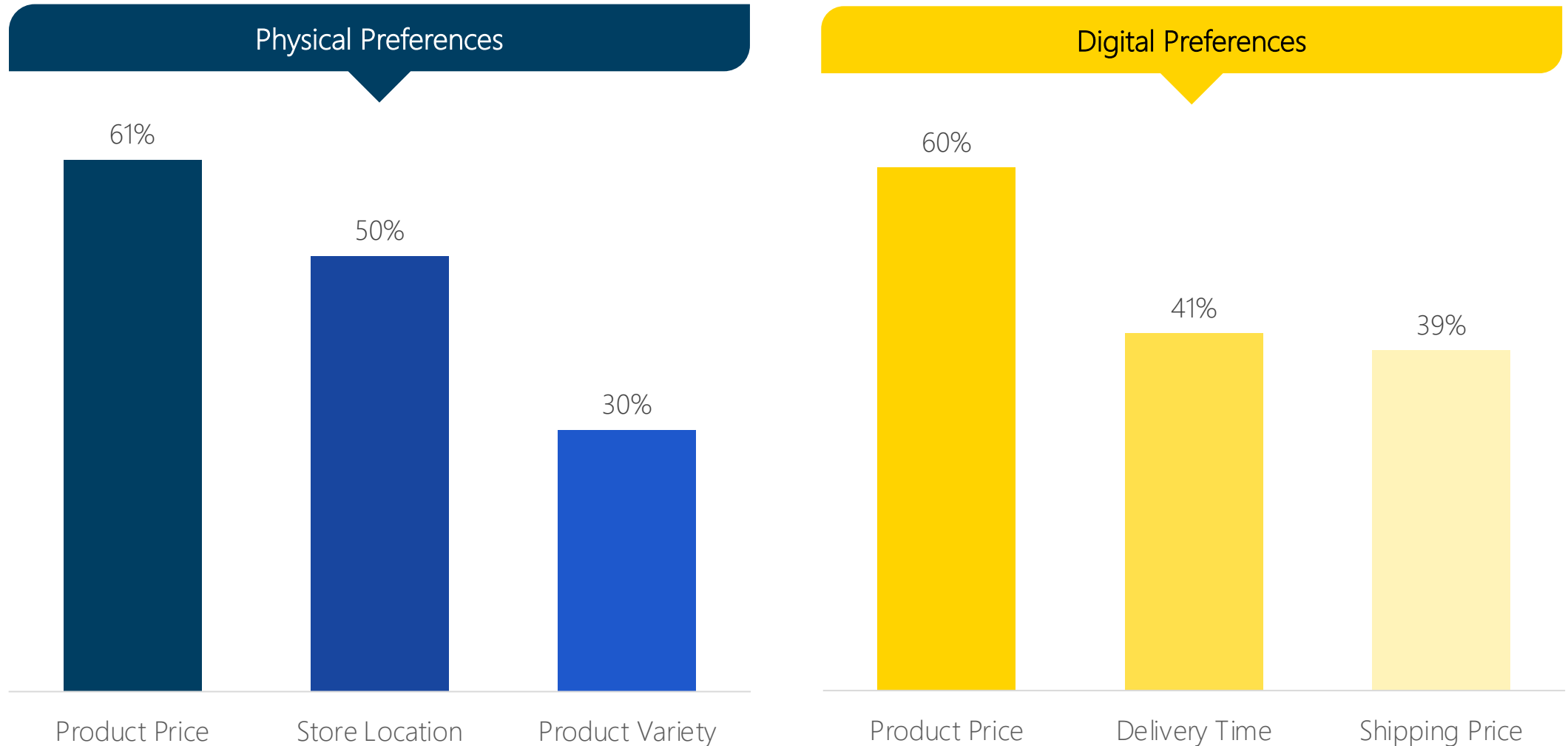


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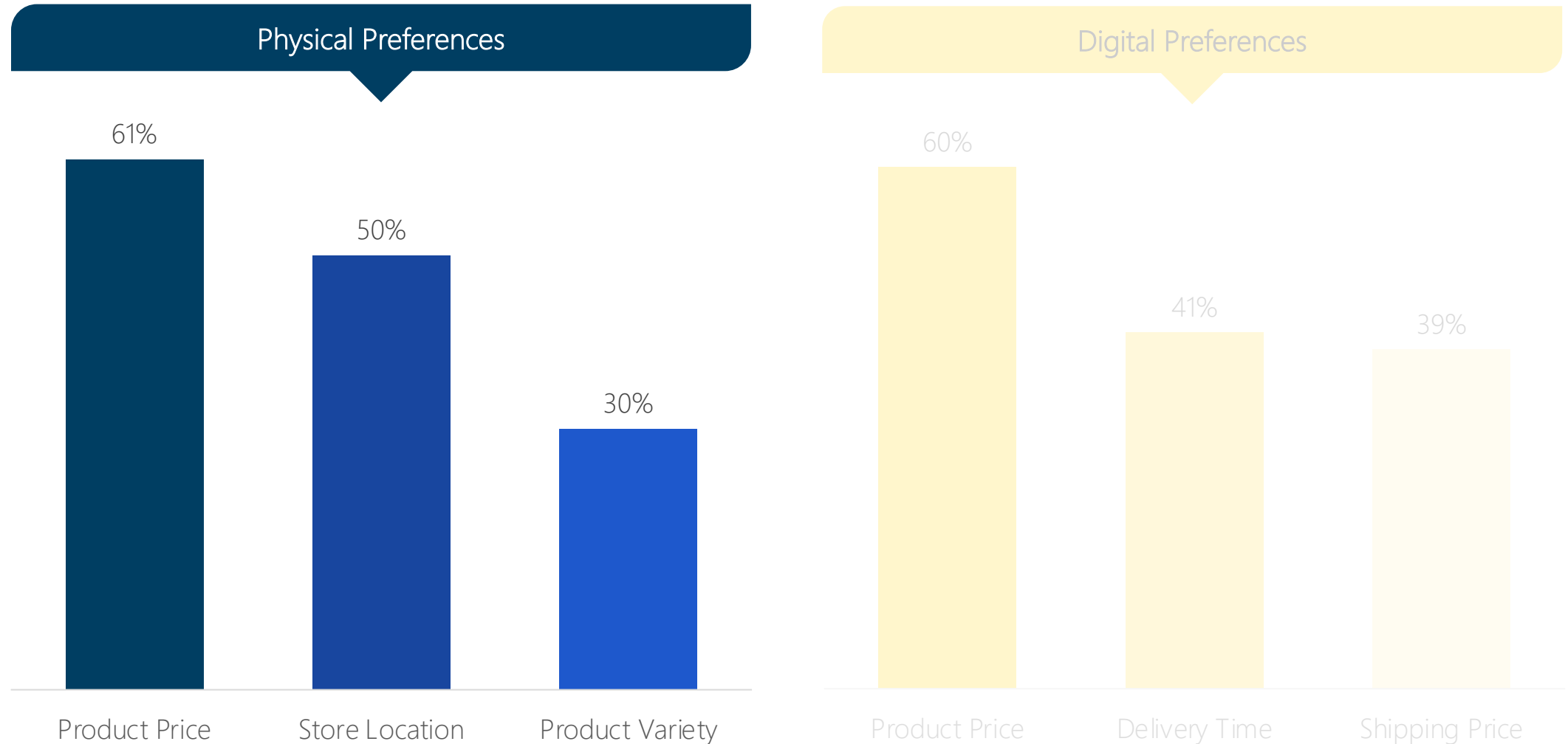
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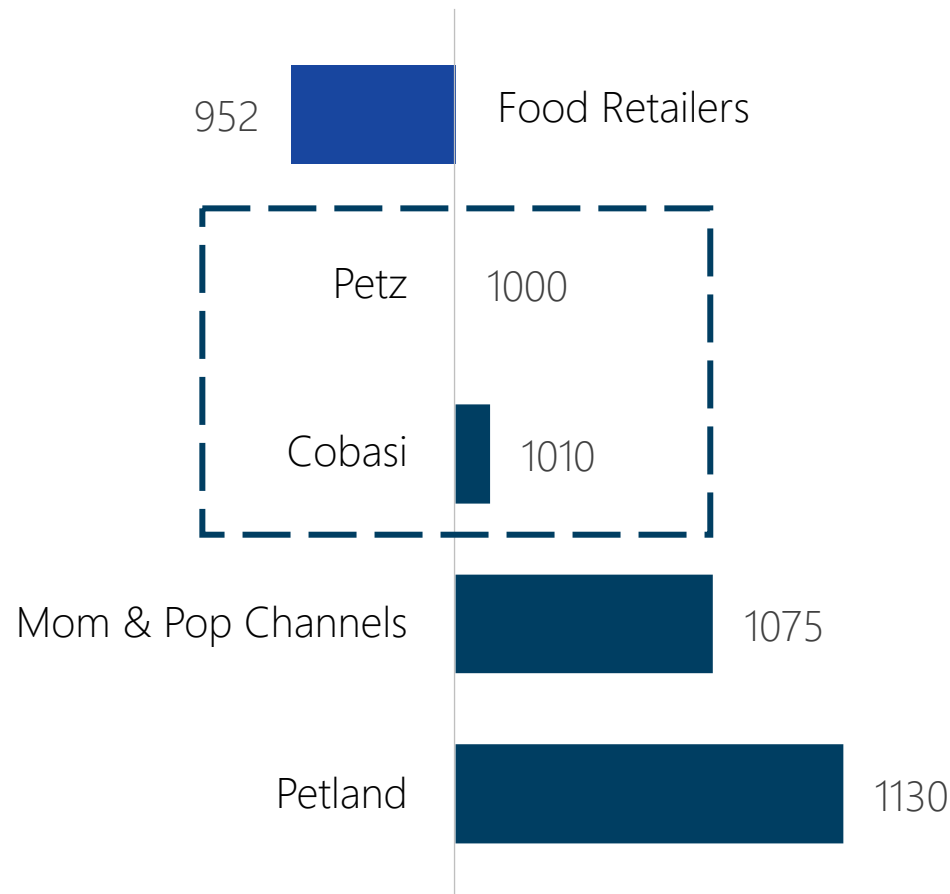


Product Price: The Lower, The Better

Price is the most important factor in a customer's decision. In this aspect, we see the megastores well positioned...

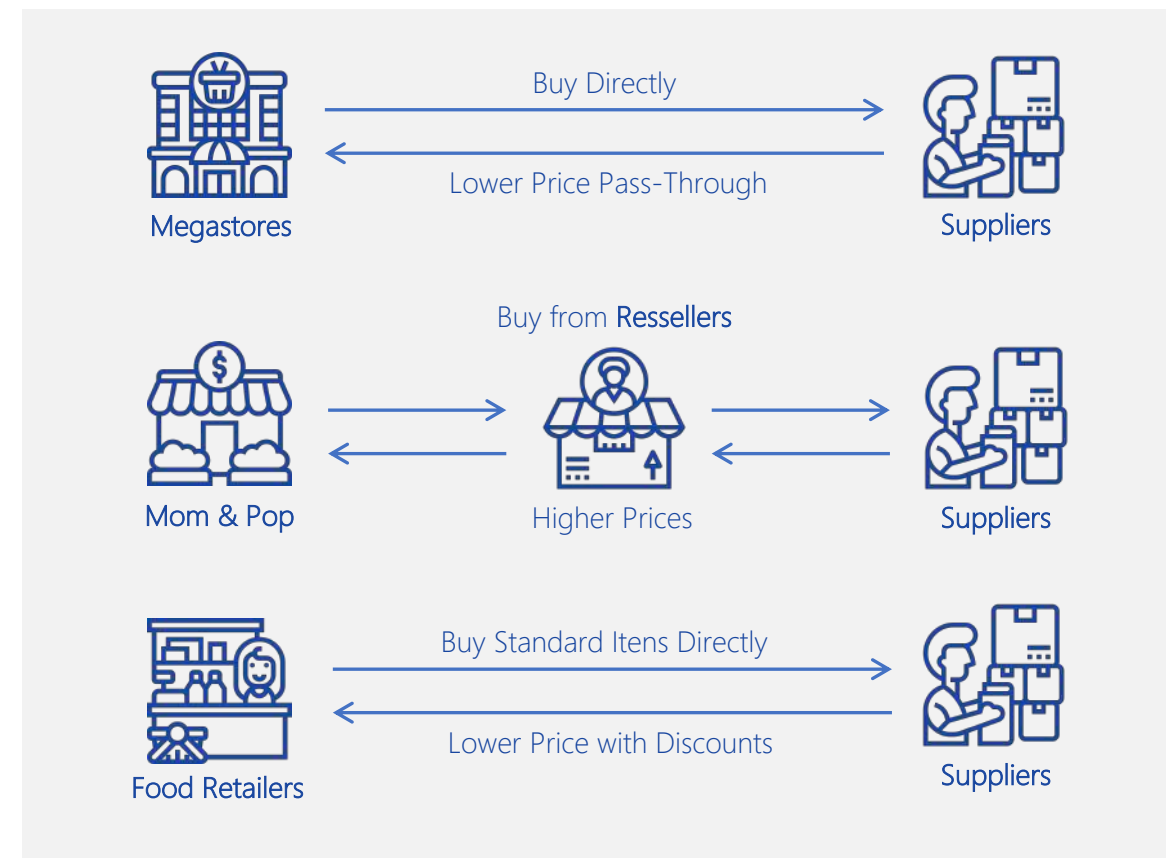
Megastores have **the second best pricing policy** in the industry...

Normalized Basket Price; [base 1000]



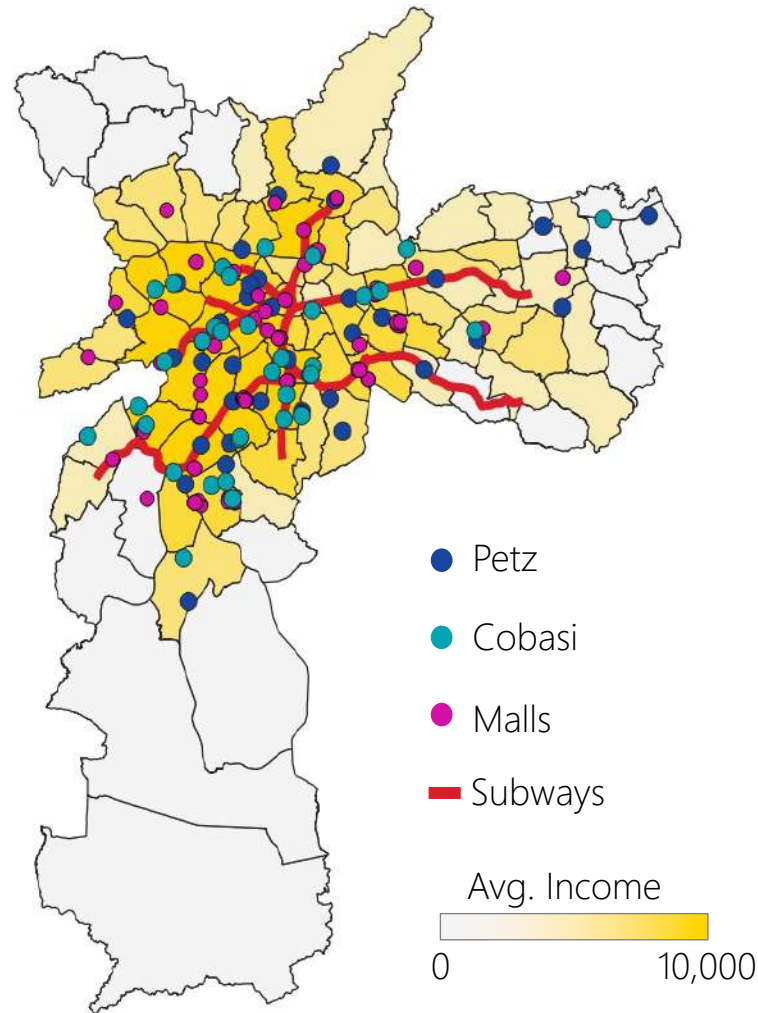
...because they have a **better bargaining power with suppliers**...

Supplier Price Dynamics

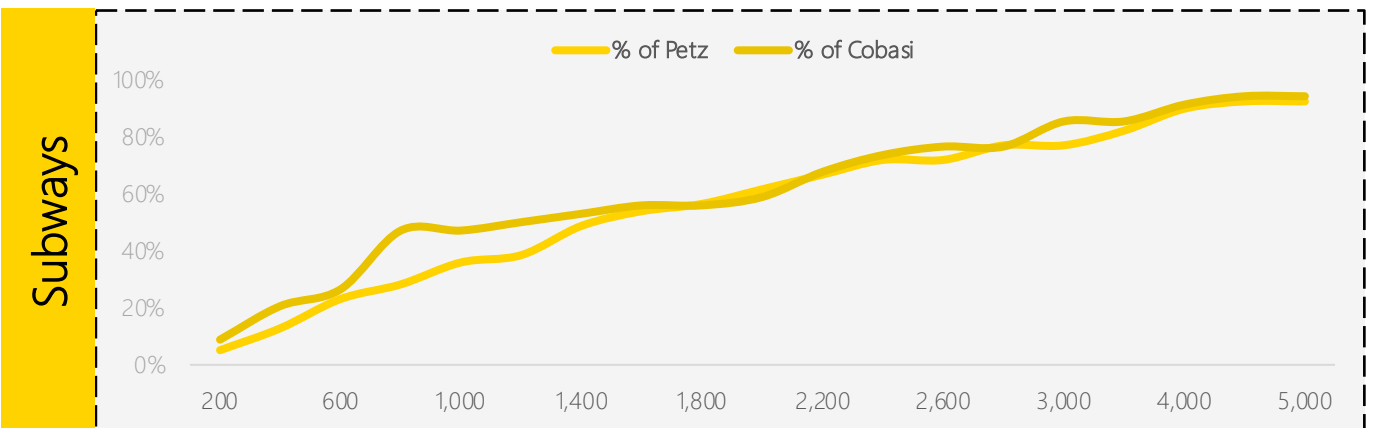
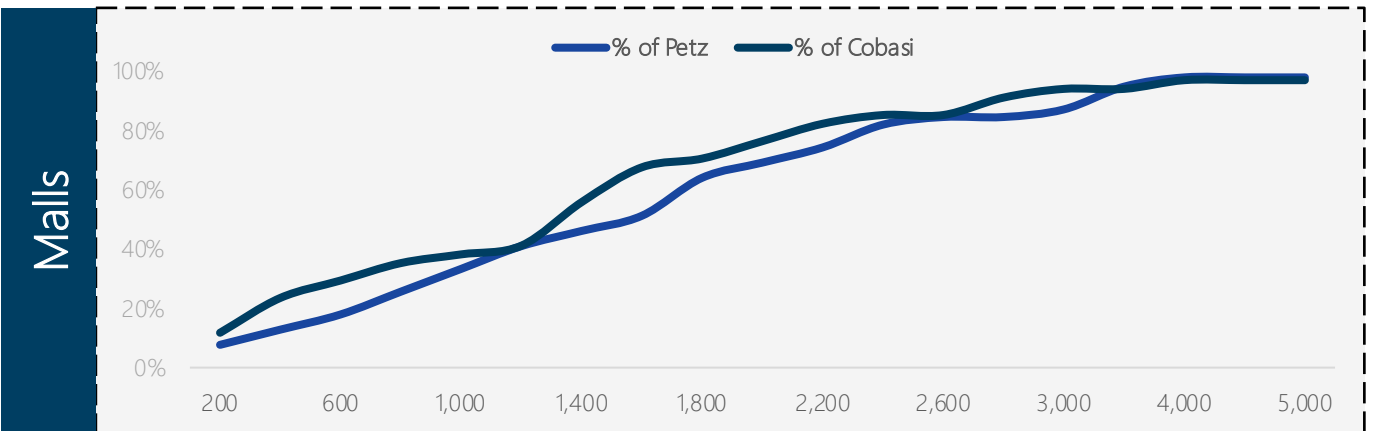


Store Location: A1 Positioning

We see that megastores have a privileged position, being close to the areas with the highest traffic of people...



In our analysis, we studied the megastores' lowest distance from malls, subways and their position in the wealthiest areas of São Paulo city...

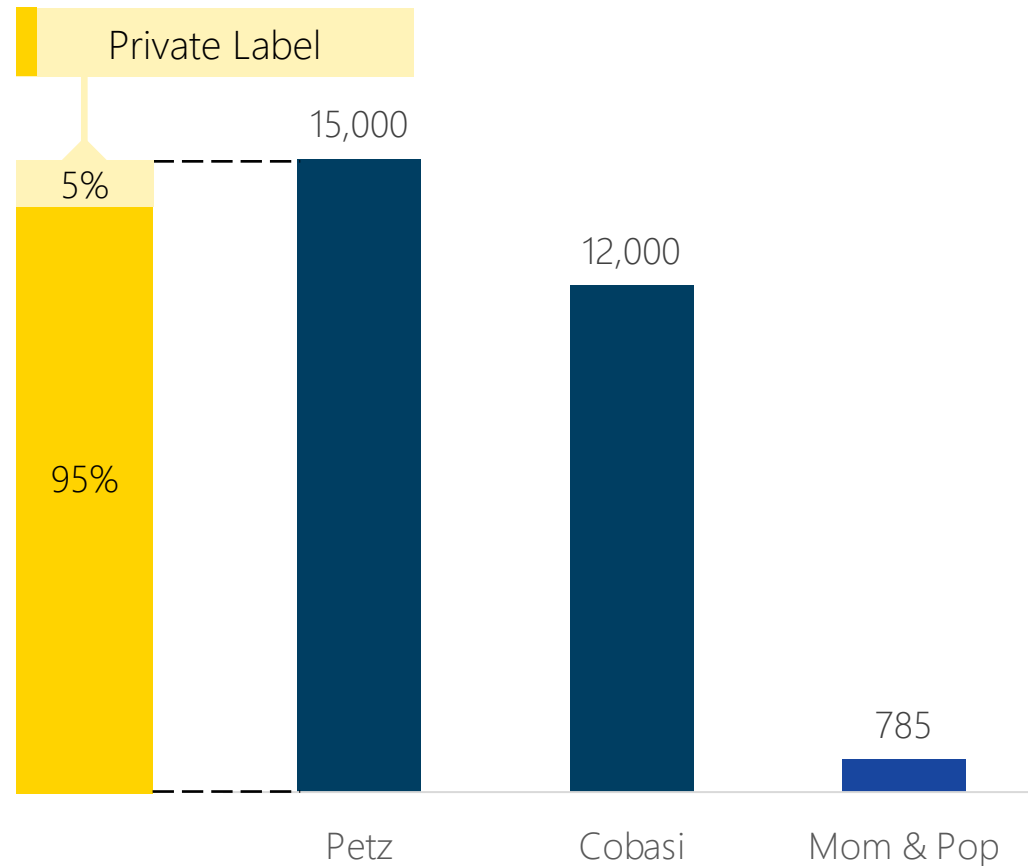


Product Variety: Megastores' Main Head

Megastores have an advantage due to their size, which guarantees companies a larger stock of products...

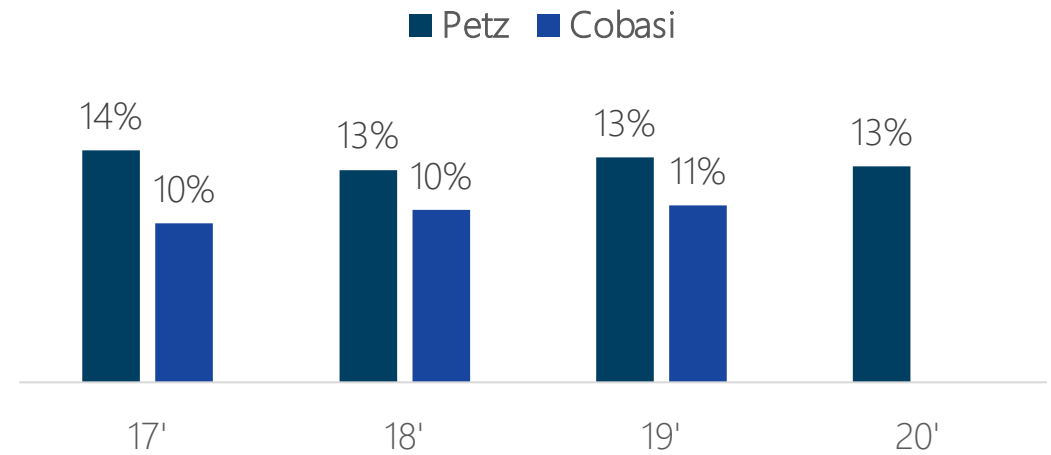
When analyzed, we see that **megastores have more SKUs...**

Estimated SKUs per Store; [#]

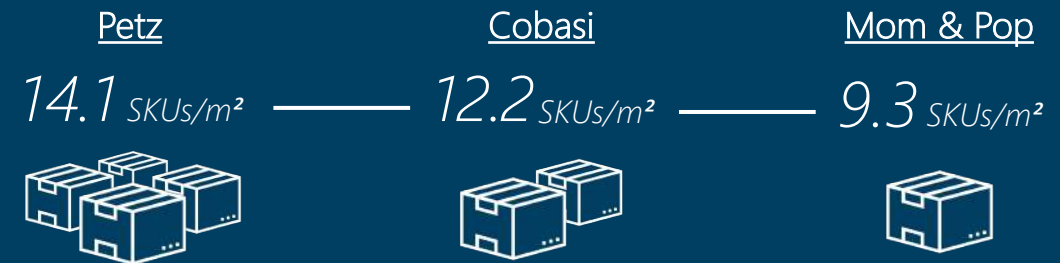


...mainly due to the **large inventory** of these business model...

Inventory to Sales Ratio; [%]

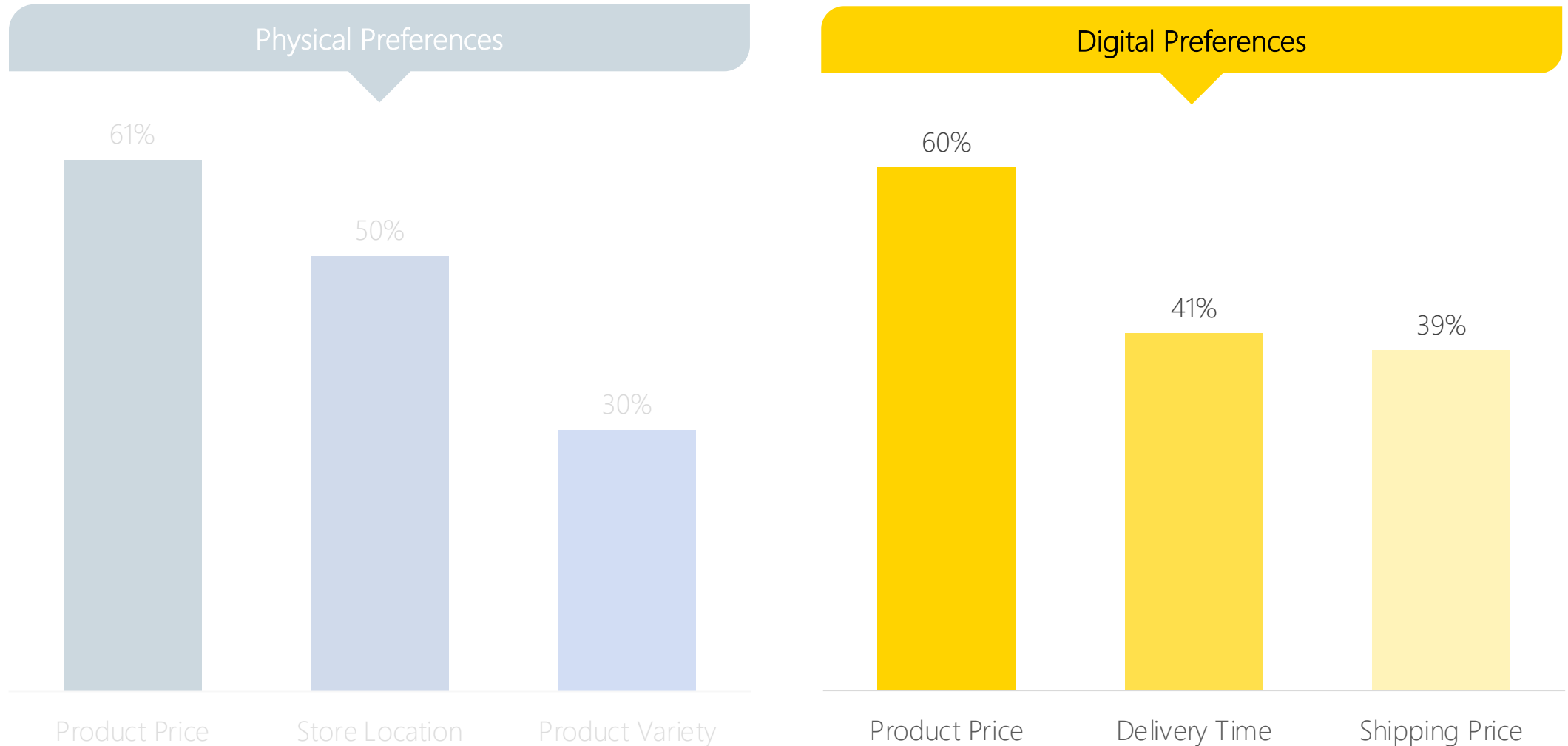


Regarding its size, megastores are more efficient in SKUs allocation...



What does really matter in this industry?

To understand it better, we decided to perform a survey to see the customers' decision factors...



Product Price: **All Aligned** for the Customer...

The product price, especially for specialized online players, is the same, as the customer can compare them in an instant...

Prices are commoditized in the online channel, without differentiation...

Standard Price Comparison; [BRL]

	Petz	Cobasi	Petlove	Zee.Now
	BRL 153.99	BRL 153.90	BRL 153.90	BRL 163.90
	BRL 55.90	BRL 55.90	BRL 55.90	BRL 66.90
	BRL 90.99	BRL 95.28	BRL 89.90	N/A
	BRL 55.90	BRL 55.50	BRL 55.90	BRL 72.90

...but pet players have been making moves to captivate customers...

Companies Signature Models

Subscription Program		
Petz	Cobasi	Petlove
10% for all products	10% for all products	10% for all products
+5% for Pick-Up	+5% for Pick-Up	

If all are pretty similar, which one can take the most advantage?

Discount Simulation; [%]

Δ Gross Margin	Petz	Cobasi	Petlove	Petz + Zee.Dog
5% Discount Increase	-2.7%	-3.2%	-3.7%	-2.6%
10% Discount Increase	-5.7%	-6.7%	-7.9%	-5.4%
15% Discount Increase	-9.0%	-10.6%	-12.5%	-8.6%

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Companies Signature Models

But in the end, it's all pretty similar. **What does really matter?**

	BRL 90.99	BRL 95.28	BRL 89.90	N/A
	BRL 55.90	BRL 55.50	BRL 55.90	BRL 72.90

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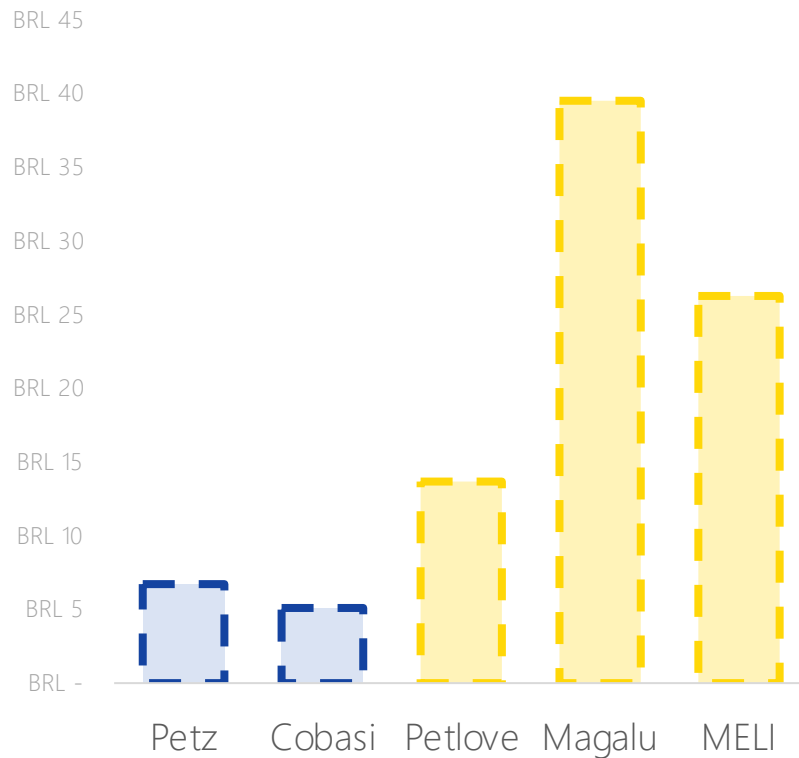
Delivery Time & Shipping Price: Last Mile Matters

The extensive influence area summed to the great position in digital landscape generates to the company the best positioning...

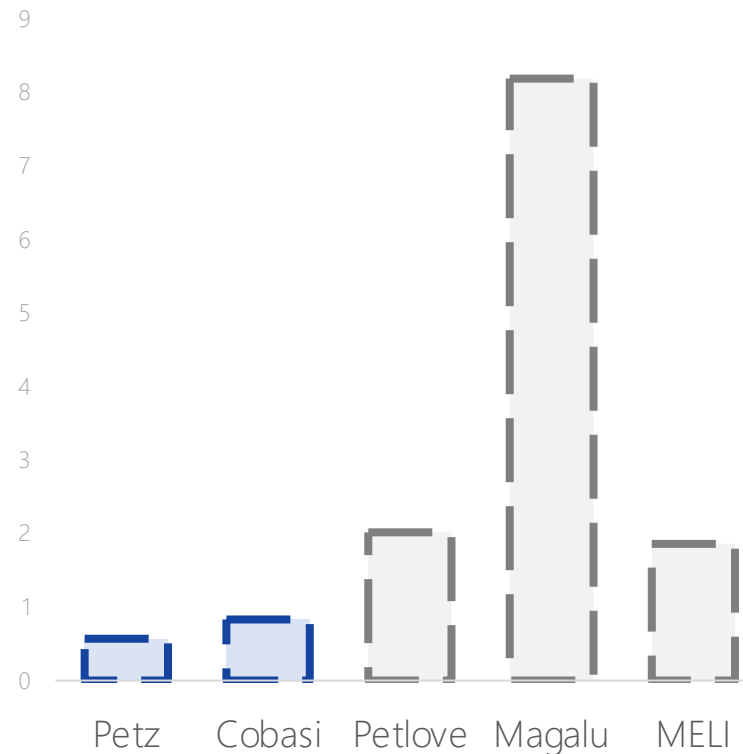
As commented before, megastores have a well-developed omnichannel, but how is it compared to other peers?

Locations with Petz and Cobasi physically present...

Average Shipping Price; [BRL]



Average Delivery Time; [Business Days]



What did considered in this analysis?



Same Products

We chose the same products for each one of the 21 analyzed locations...



Different Locations

For our analysis we considered 21 different CEPs from the most diverse regions...



Stores and Scenarios

We considered 5 types of stores in the most diverse scenarios...

What was the takeaway?



Megastore – The Winner

In locations with Megastores, we see the best competitive position...

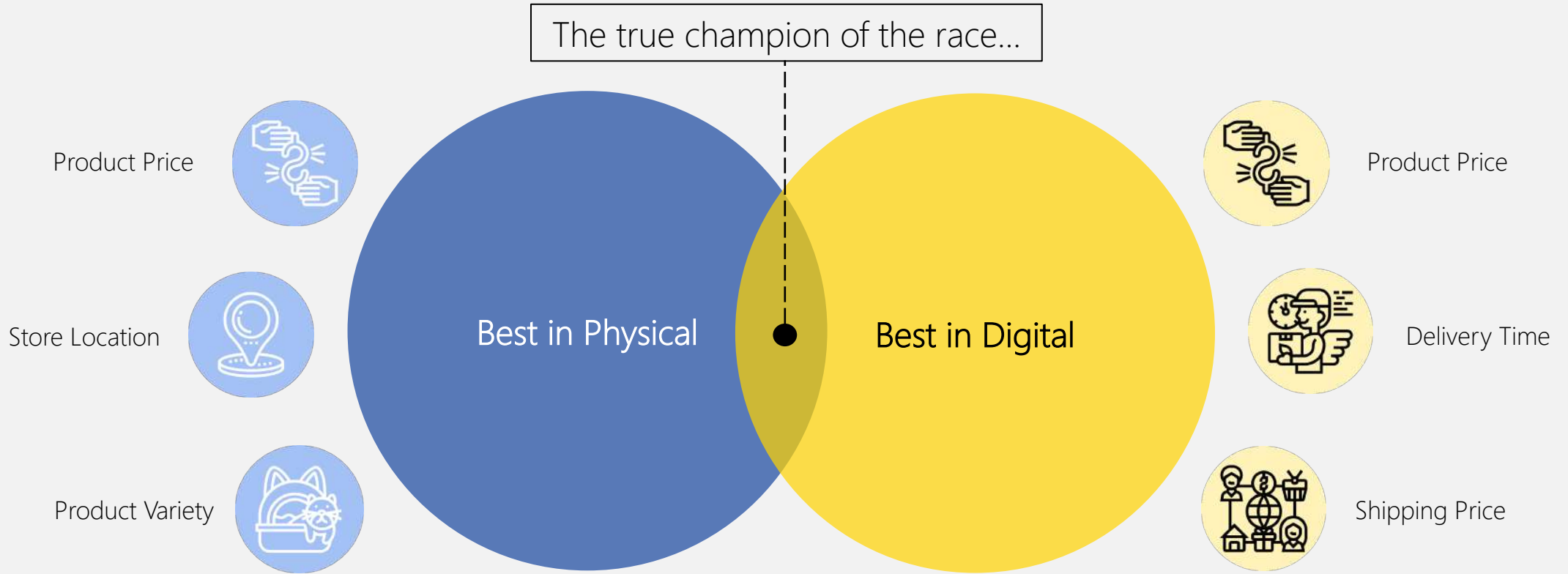


Are there Rivals?

Some players can be a threat for Petz and Cobasi, such as Petlove and MELI...

Delivery Time & Shipping Price: Last Mile Matters

The customer's influence is spread to the greatest extent in digital channels compared to the physical channels.

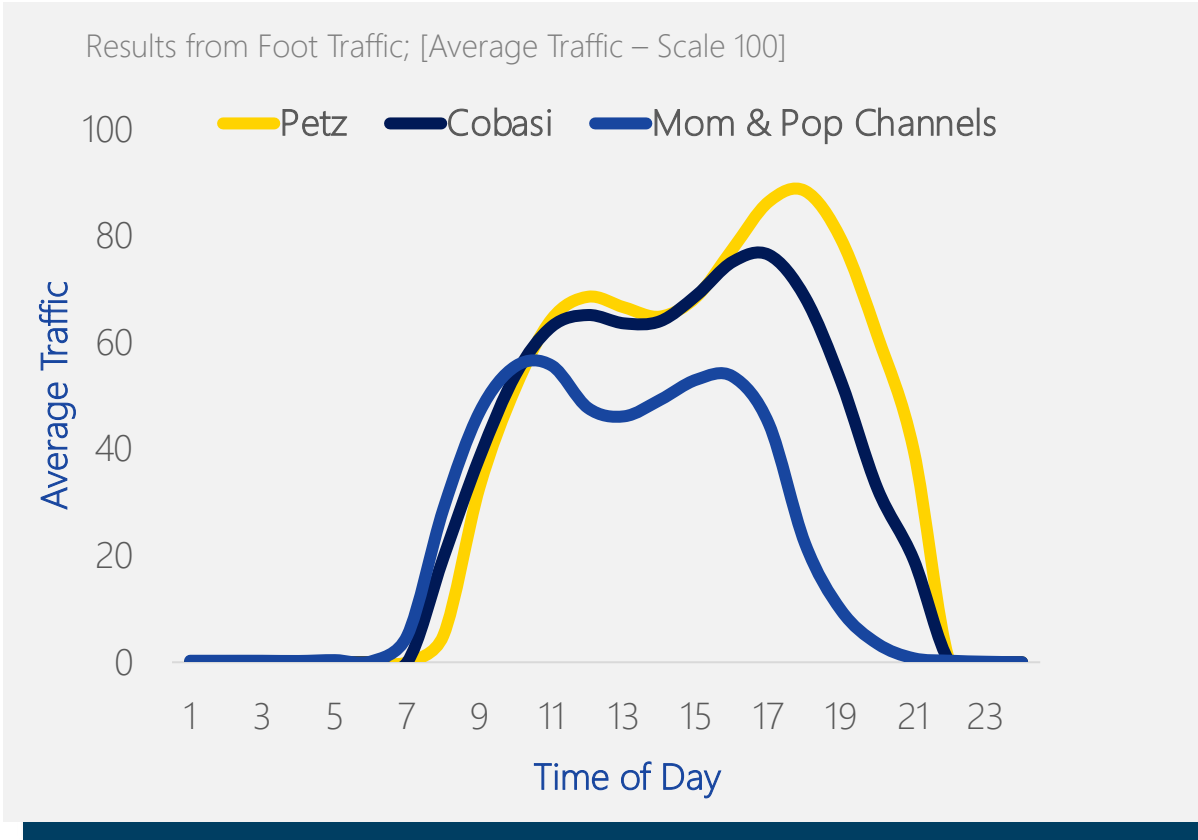


Petz Cobasi Petlove Magalu MELI

Petz Cobasi Petlove Magalu MELI

What do **we see** that the market does not?

What is the primary retail indicator? Some can say SSS. Others may say Sales/m², but we believe in the Average Traffic...



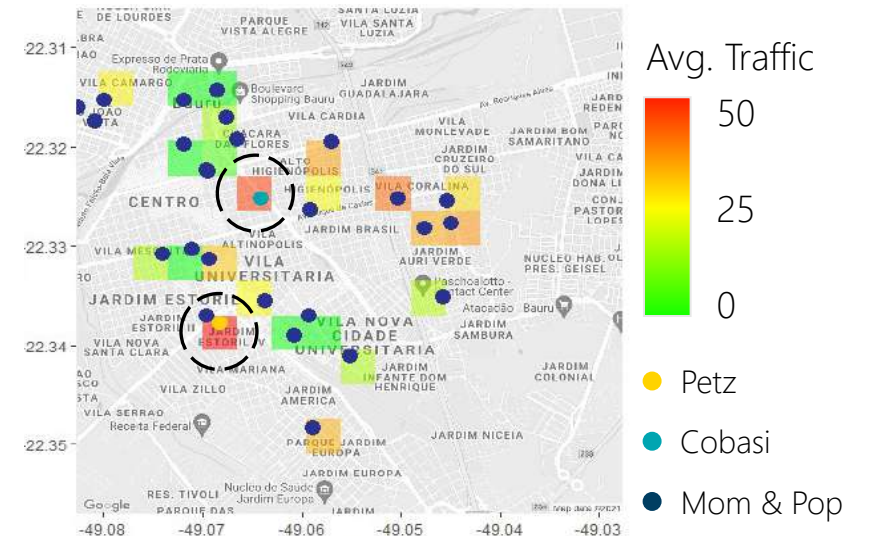
```
Part of our authoral code using R to find traffic for each petshop in the region...
if(!requireNamespace("devtools")) install.packages("devtools")
# devtools::install_github("dkahle/ggmap", ref = "tidyup", force=TRUE)

# install.packages("ggmap")
library(ggmap)

ggmap::register_google(key = "AIzaSyAVUZbrxuqeJnvvwfq02orpHu8AiROTRs")

p <- ggmap(get_googlemap(center = c(-46.658356,-23.556356),
                             zoom = 14, scale = 2,
                             maptype = 'roadmap',
                             color = 'bw'))
```

Foot Traffic – Heat Map (Bauru – 1.5 km); [Average Traffic]

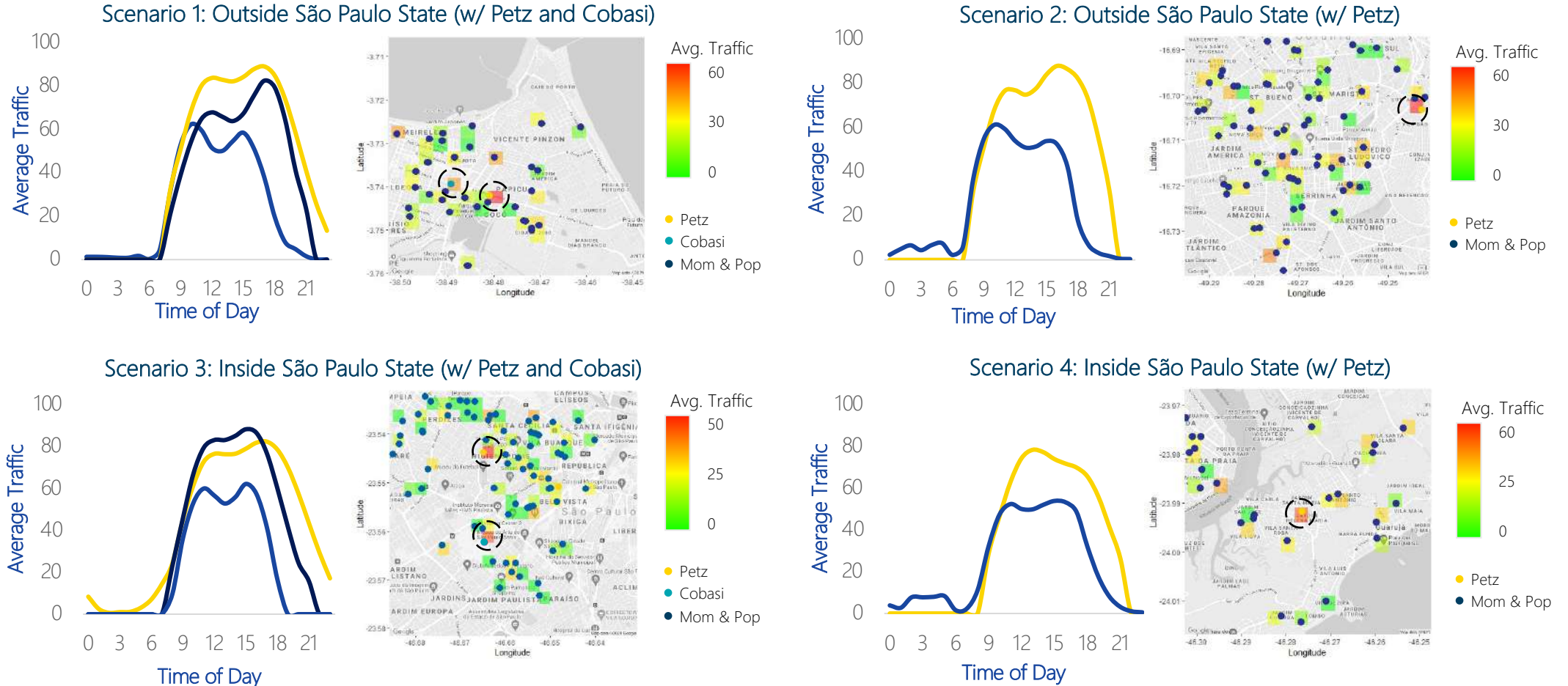


In our analysis, we saw that megastore models have similar traffic, while mom & pop models are far below average...

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We decided to perform our analysis in *several competitive scenarios*, and megastores always win:



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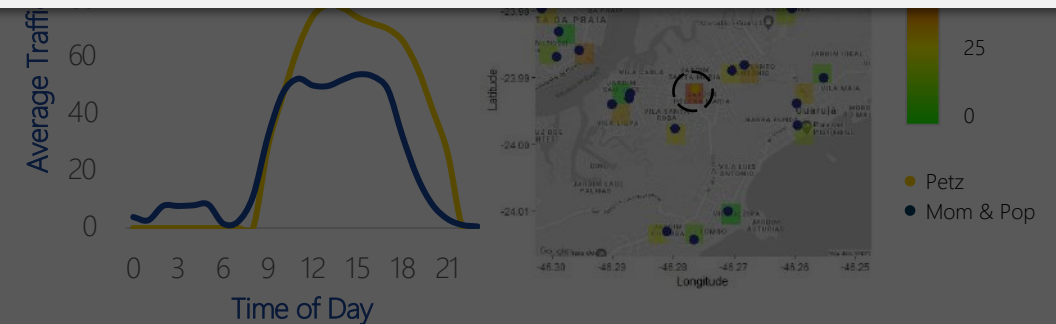
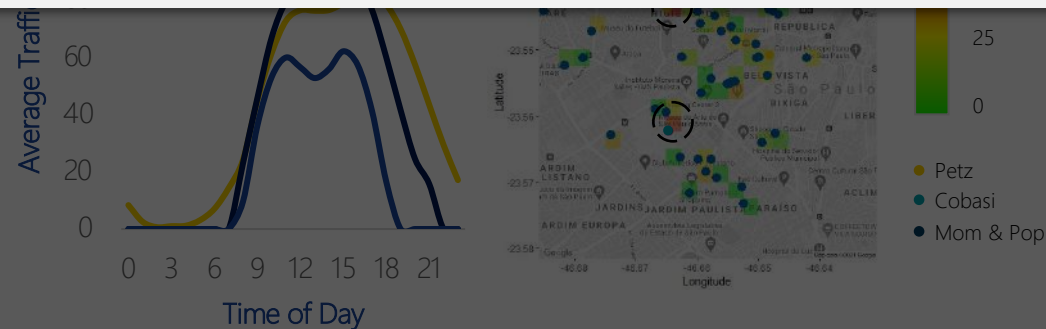
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Scenario 1: Outside São Paulo State (w/ Petz and Cobasi)

Scenario 2: Outside São Paulo State (w/ Petz)

Is it possible to expand this model in a sustainable way?





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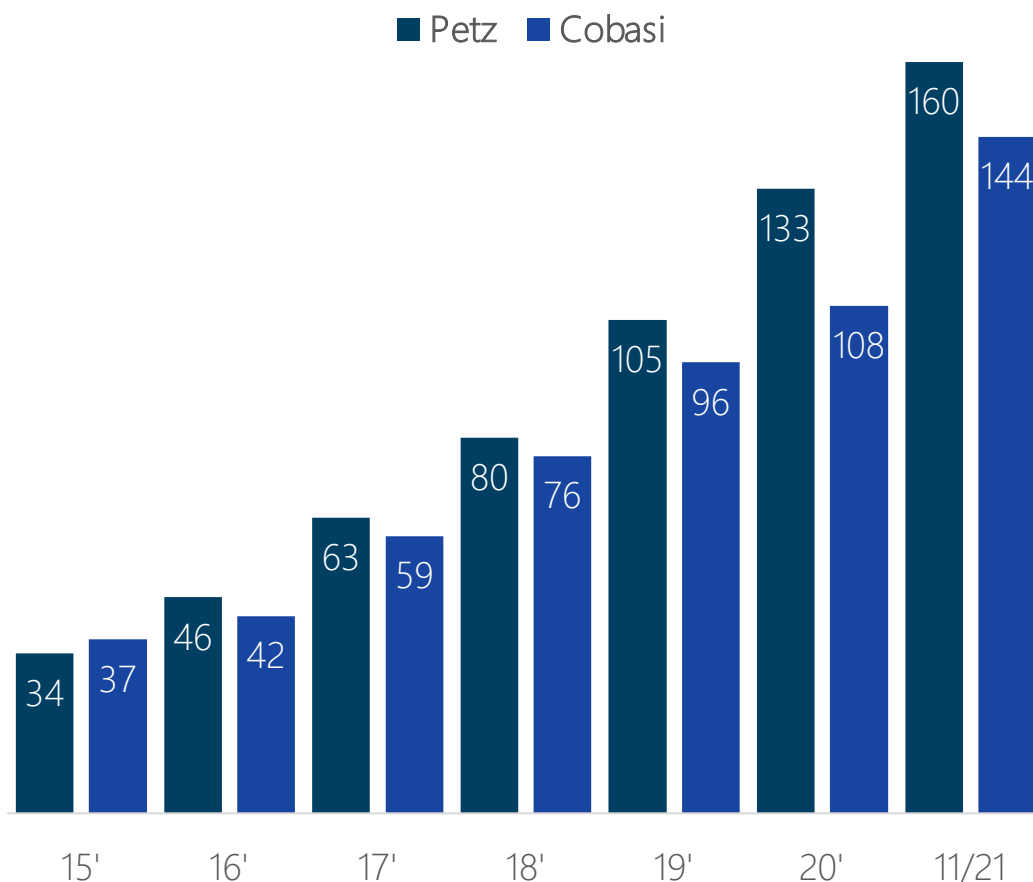
A one-stop-shop solution for pets

Is Consolidation **Viable** for Megastores?

Ok, we understand the the megastores will consolidate the industry, but is there physical space for them?

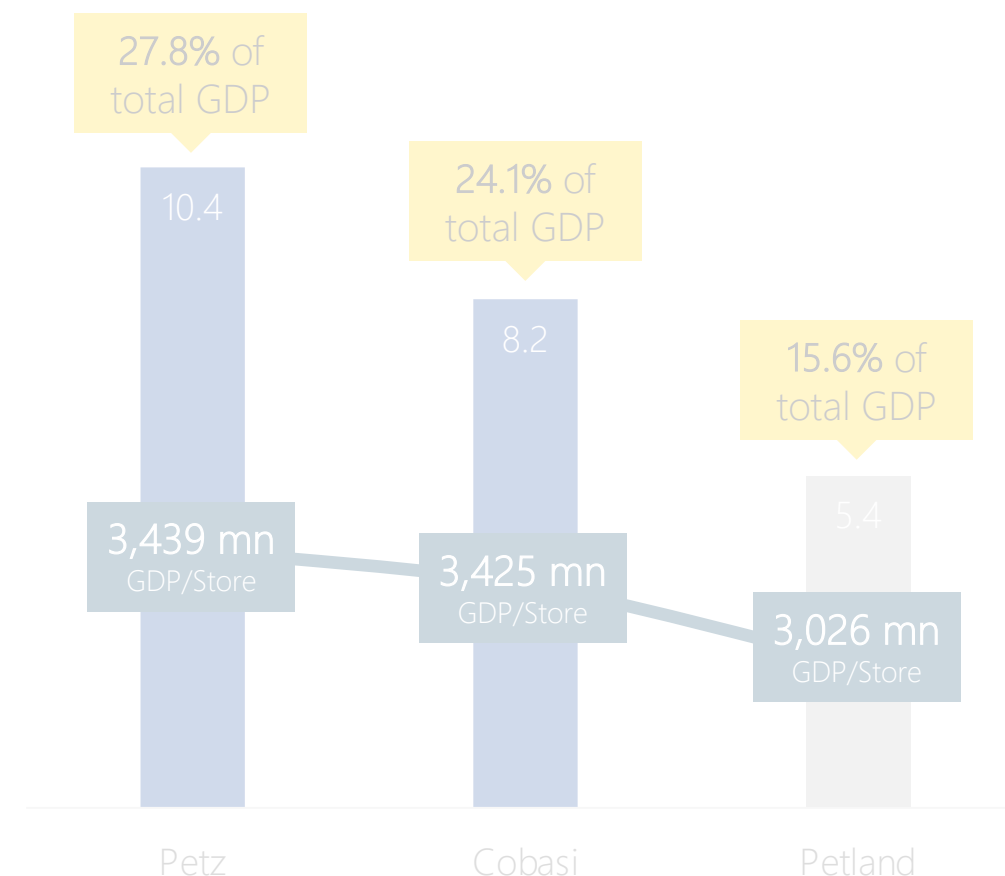
Petz and Cobasi are **leading the consolidation by opening stores...**

Stores per Year; [stores]



...but the penetration is still far from cannibalization in the country...

Population Coverage; [mn of people]

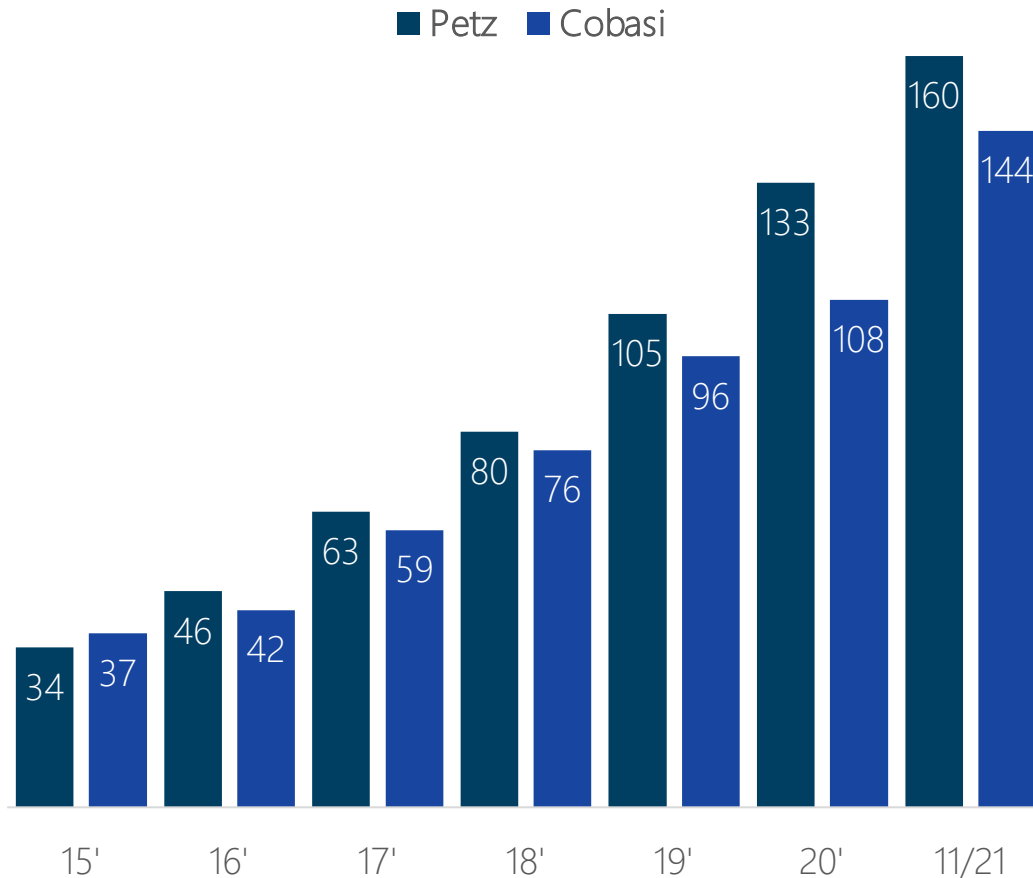


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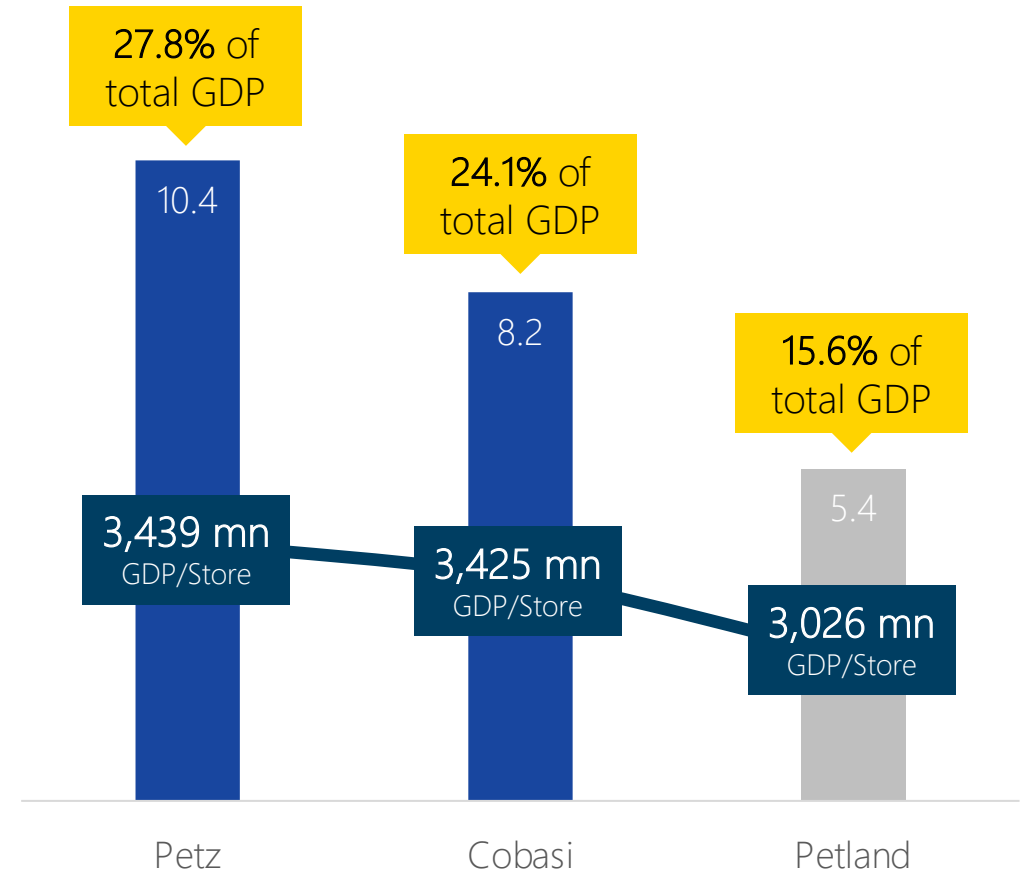
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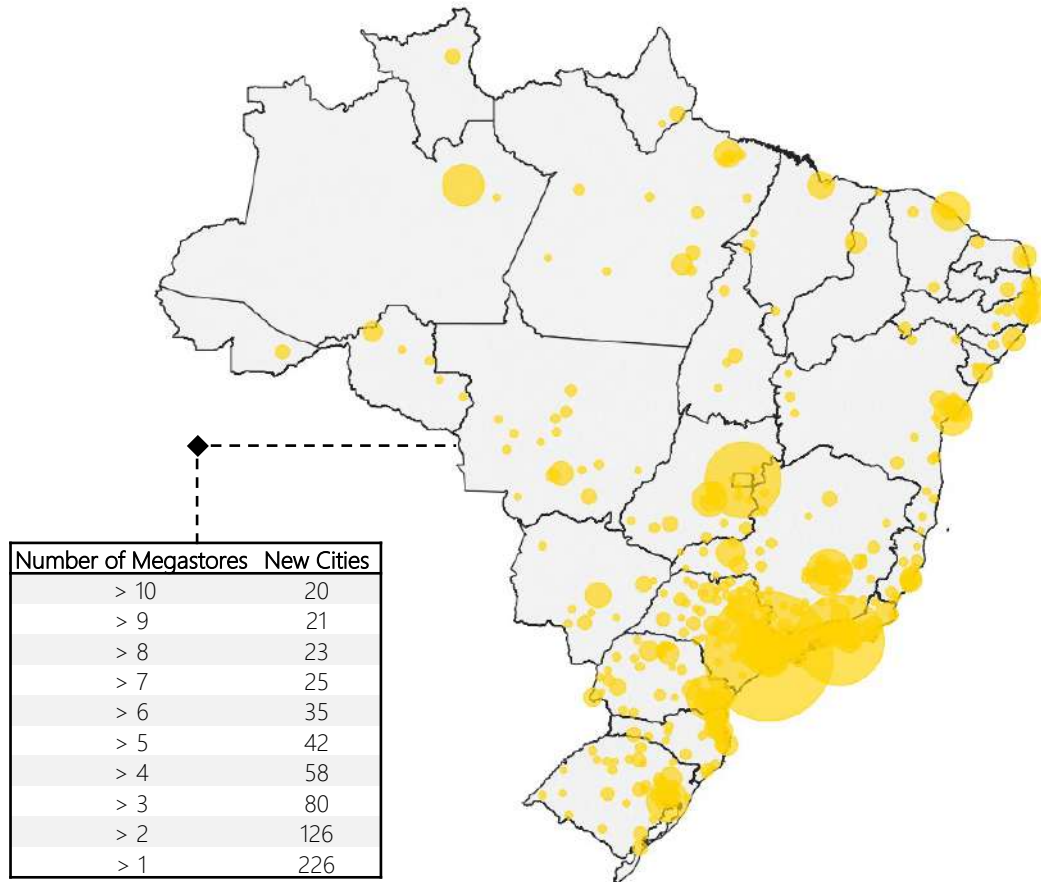


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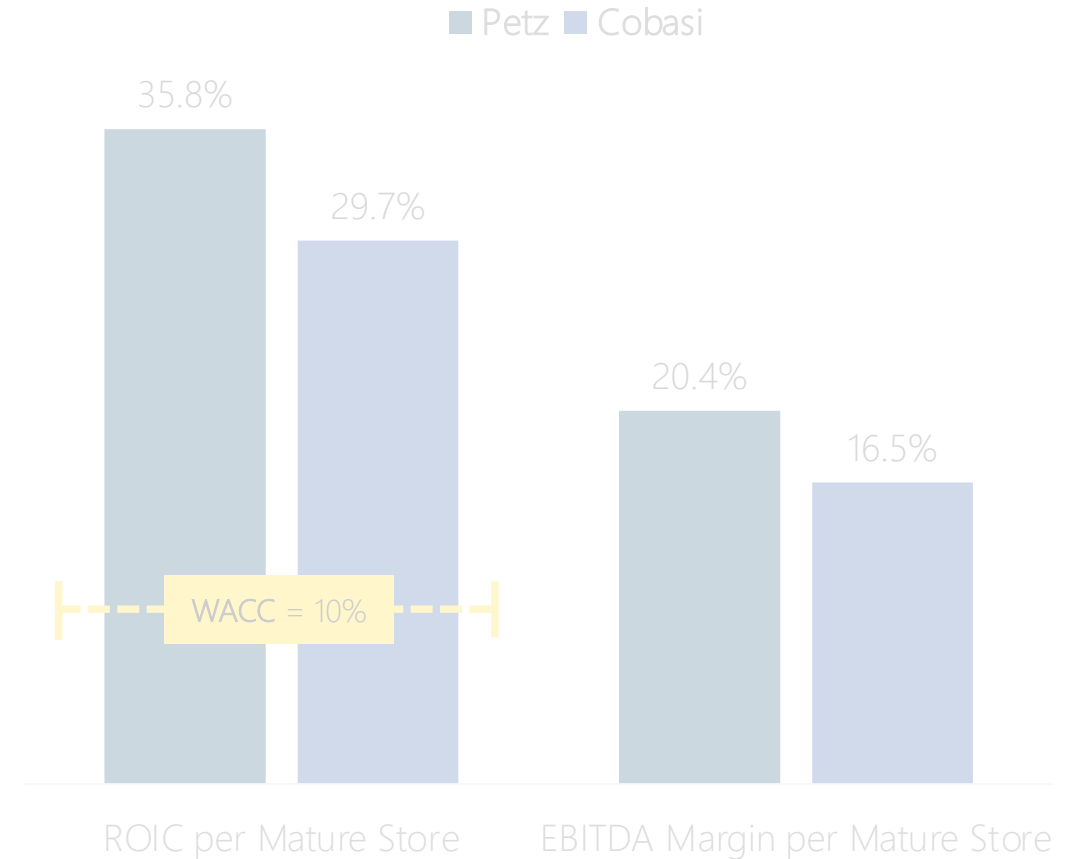
And we map **all possible points in the country**, granularly...

Granular Geospatial Analysis - How many Megastores fit in Brazil; [cities]



...with high returns per store, above the Cost of Capital...

4-Wall Analysis; [%]

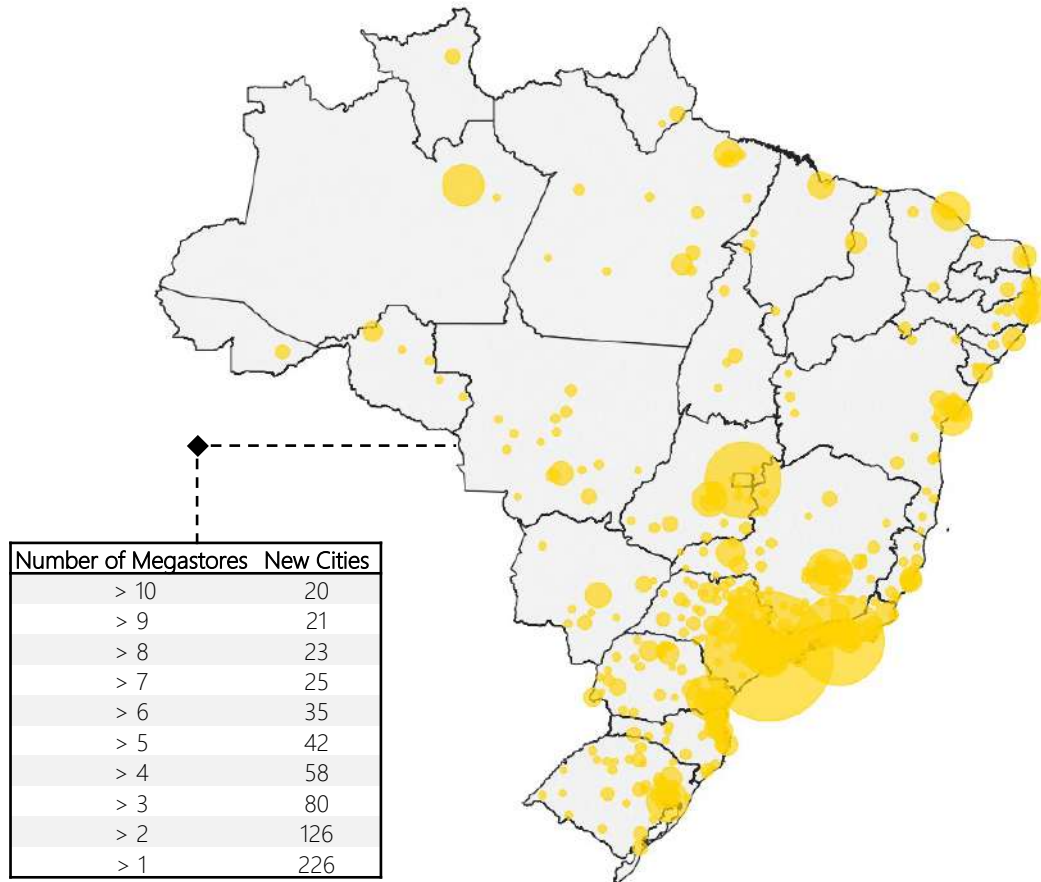


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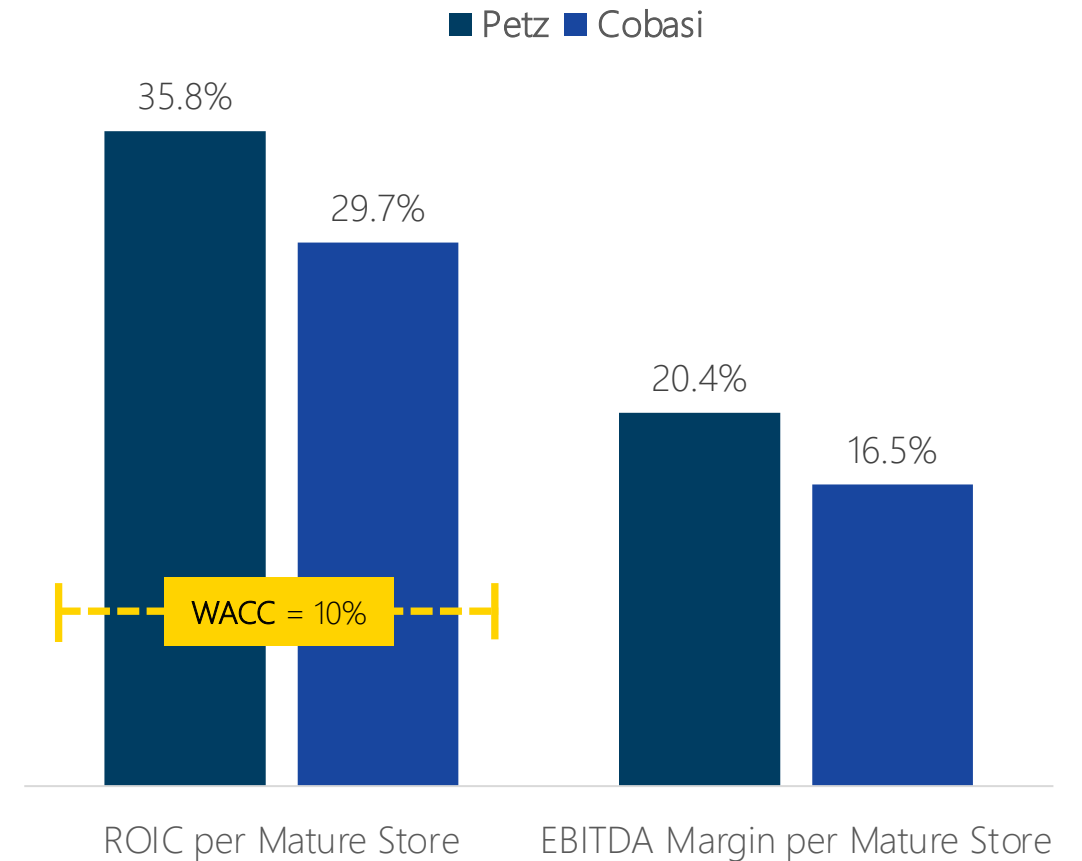
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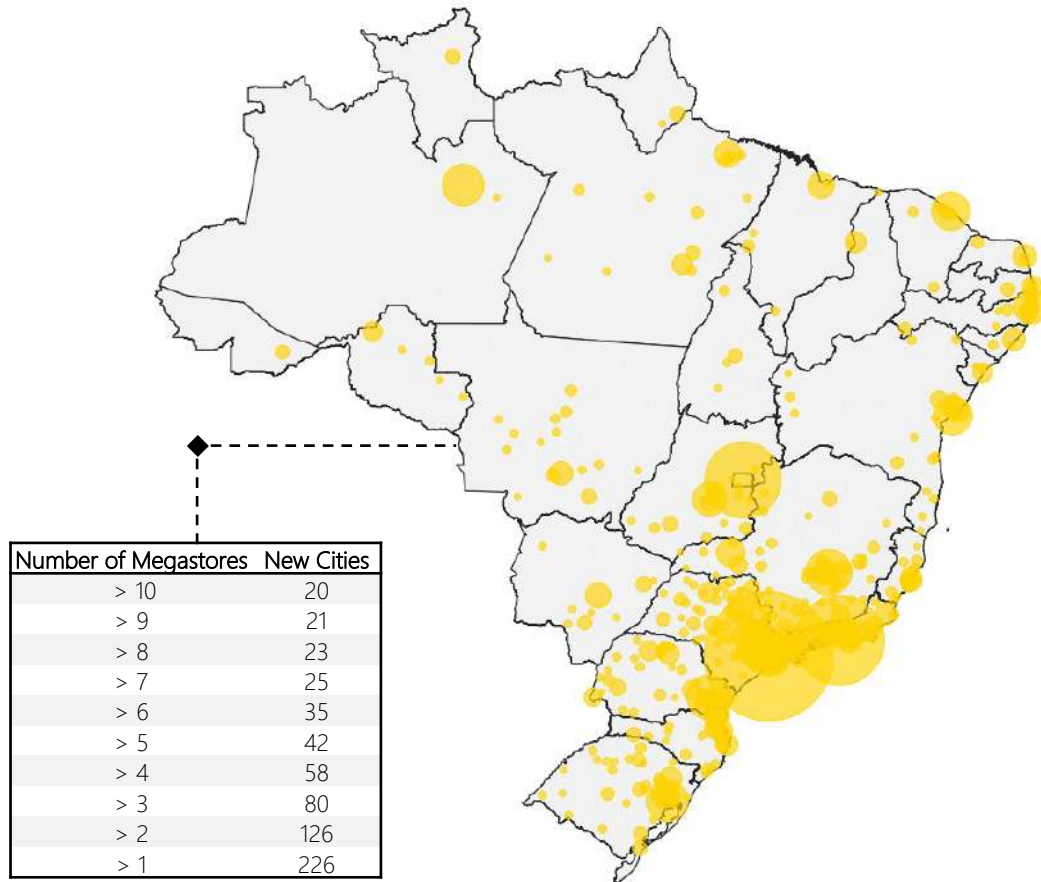


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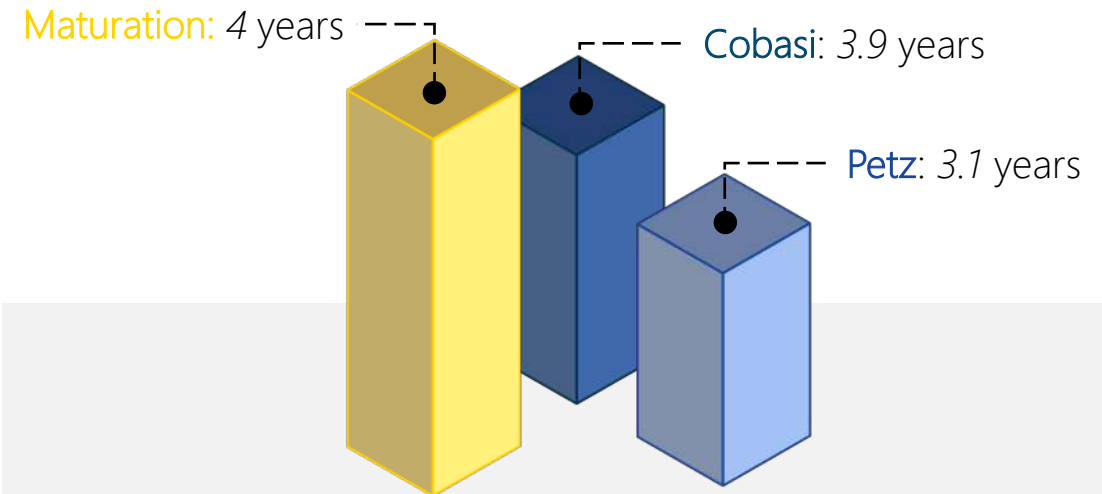
Granular Geospatial Analysis - How many Megastores fit in Brazil; [cities]



...and the **payback showing self-sustainability**, with cash-generation...

Payback vs. Maturation; [years]

The payback being less than the maturation time indicates that stores are able to generate cash before they are 100% ready in terms of revenue, therefore being self-sustainable...



Physical Expansion = Digital Expansion?

As megastores open stores, we see an improvement in their omnichannel indices given the wide range of influence...

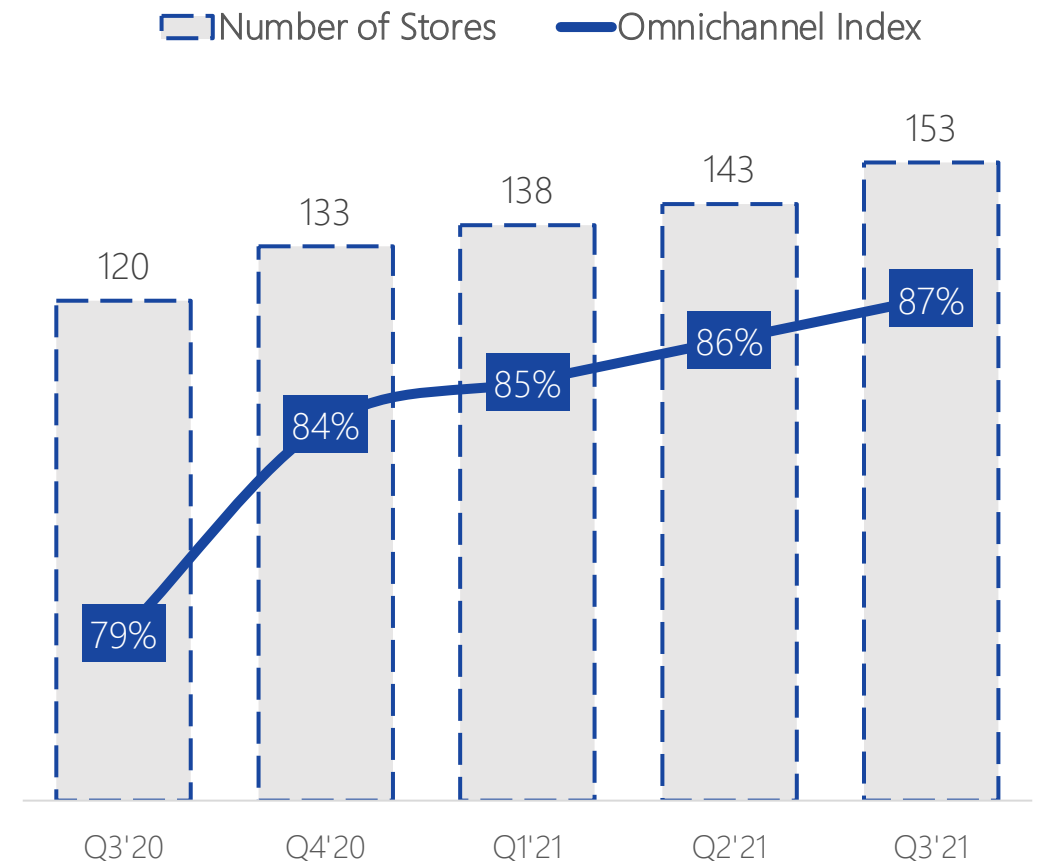
After opening a store, **digital sales increase ~500%...**

Digital Sales Performance Post-Store Opening; [base 100]



...specially because physical presence **increases omnichannel indexes...**

Omnichannel Relation; [%]



Physical Expansion = Digital Expansion?

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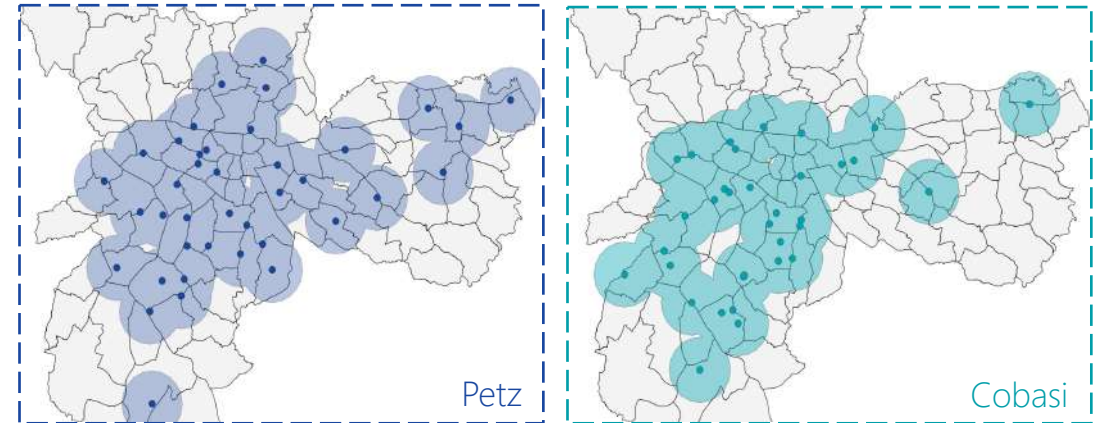
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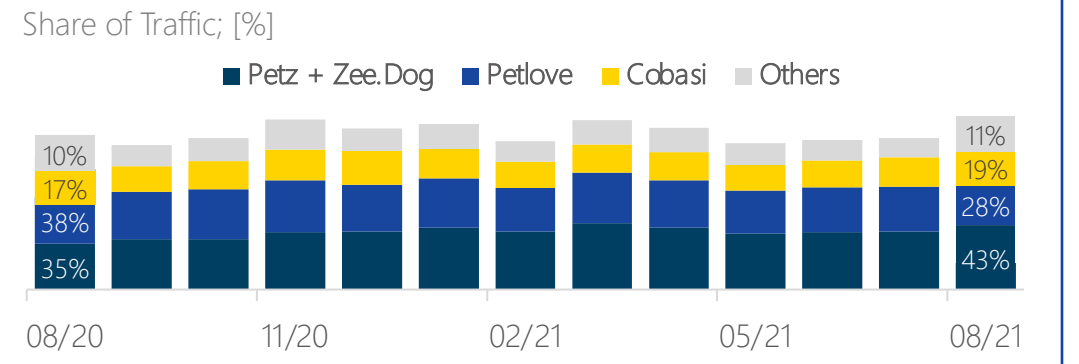


...That happens since megastores **have huge influence areas...**

E-commerce Influence Zone



...which summed to a higher **digital presence**, guarantees success...





Promising Industry

A resilient and fragmented sector with a secular growth



Assertive Hub-and-Spoke Strategy

Best-in-class operations when compared to mom & pop



Expansion to Outpace

Organic and sustainable expansion



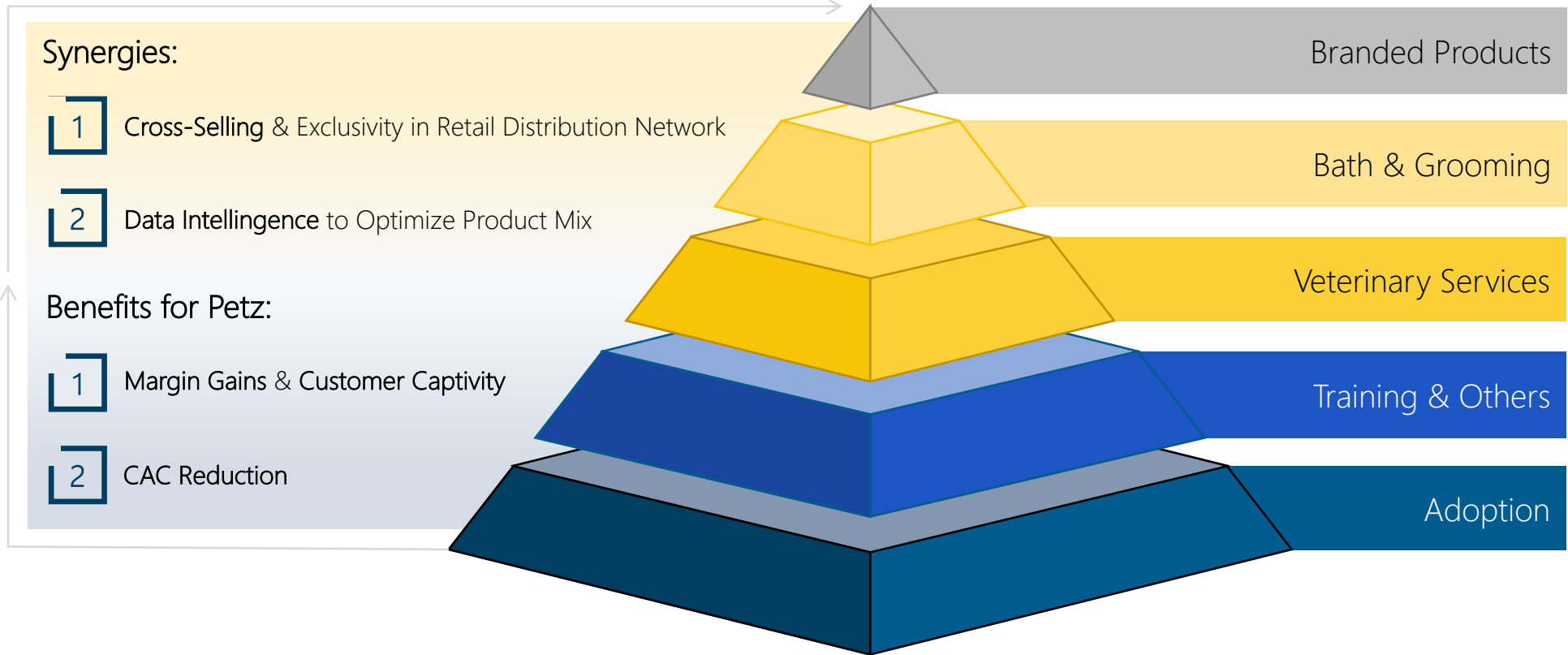
Healthy and Solid Ecosystem

A one-stop-shop solution for pets

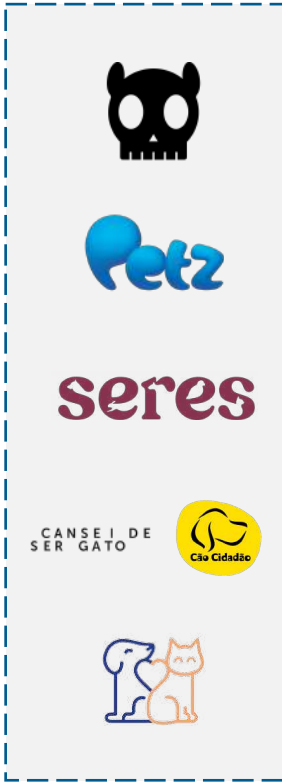
How does the ecosystem play out?

Given that the megastores are very similar, we see as an advantage over Cobasi is its well-developed ecosystem...

How does Petz complement its products?

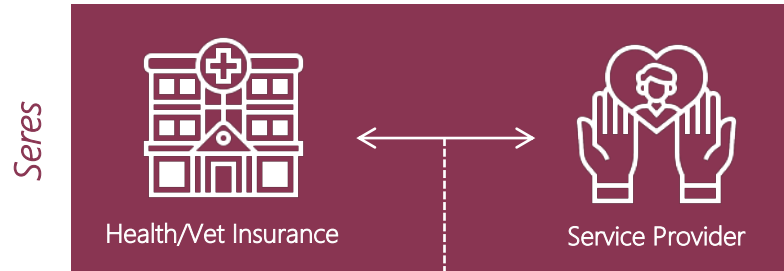
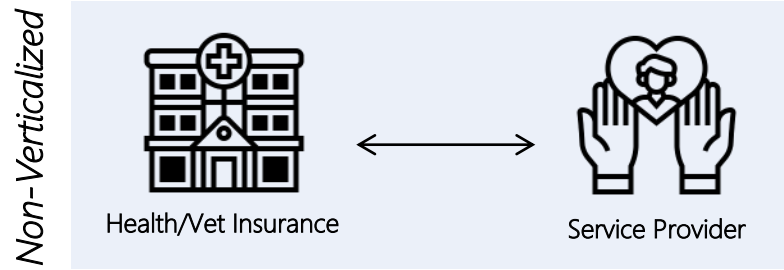


Through Brands...



Seres: Pioneer on **Veterinary Verticalization**

Seres is one of the most promising brands in the Petz ecosystem, having clear advantages over other clinics and hospitals...



Alignment of interests creates opportunities for cost reduction...

Experience in one of the largest verticalized plans in Brazil...

Irlau Machado Filho, CEO of Grupo Notredame

What do we like about Seres' plans?



Clinics and Hospitals Expansion

Seres plans to expand its hospital and clinics networks adjacent to store expansion, increasing synergies....



Creation of Diagnostic Centers

As part of the verticalization, Seres should enter the diagnostics segment, which lacks players with scale...



Verticalized Health Plan

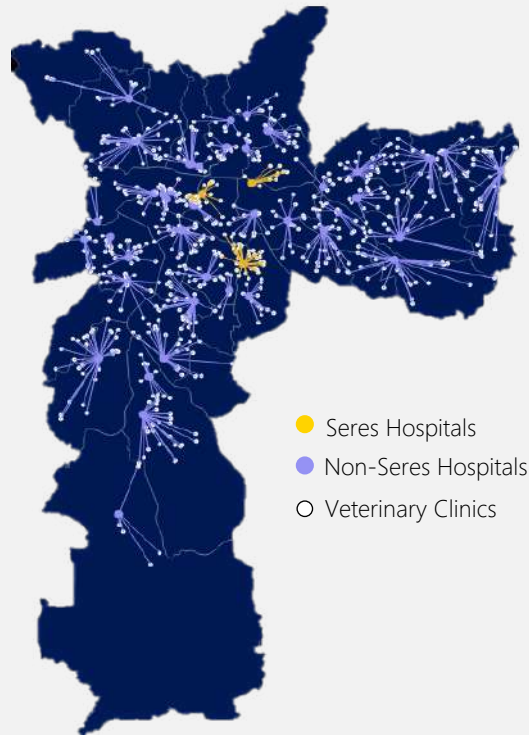
Finally, Seres will be able to offer a veterinary health plan in Brazil, with competitiveness in price and quality.

Seres: Holding a Geographical Edge

We have found that the most important factor in choosing a veterinary hospital is the distance to veterinary clinics...

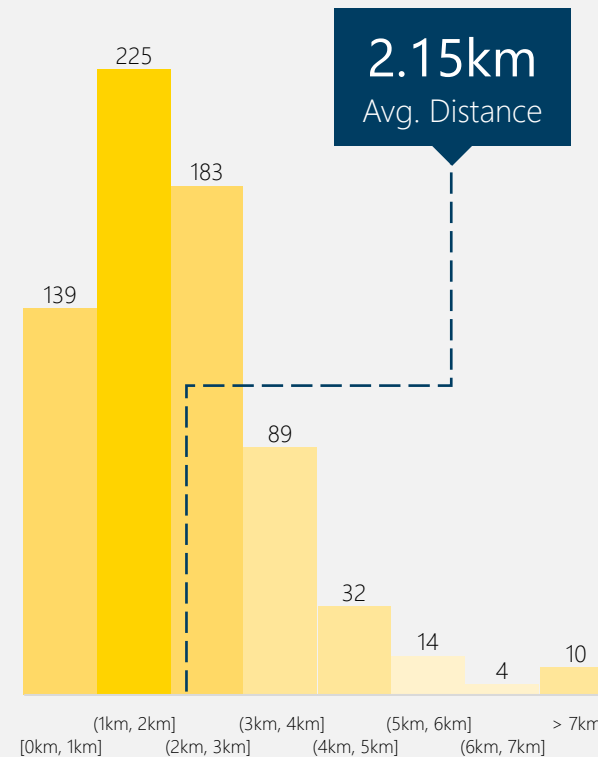
We screened the nearest hospital for each veterinary clinic at São Paulo...

Nearest Distance Hospitals - Clinics



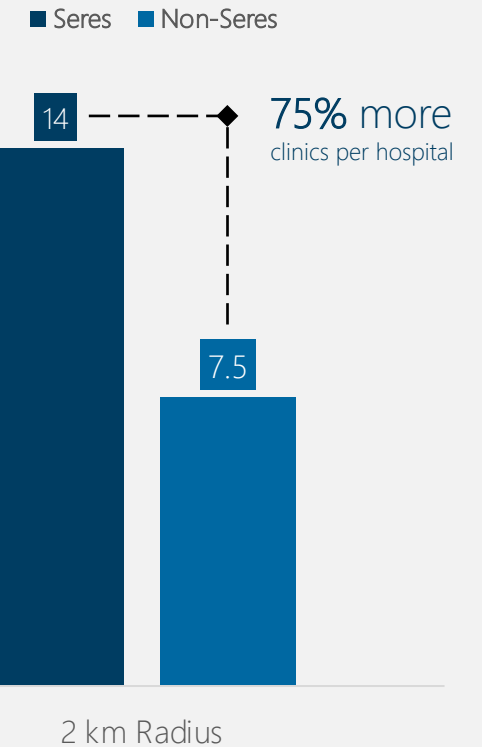
We found that the average distance from ais 2.15km...

Distance Histogram; [km]



...and, at that distance, Seres reaches more clinics than other hospitals...

Clinics Reached per Hospital; [clinics]



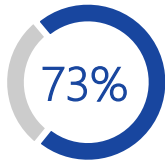
Zee.Dog: Why Do We Think It's a Perfect Fit?

Petz made a major move by acquiring Zee.Dog, with a transaction that placed Petz among a good strategy and good people...

Ecosystem



Branding + Storytelling = Private Label Success



73% of products sold are recognized as Private Label

Customer Fidelization & Margin Development

Acqui-Hiring

Disruptive and Innovative Management

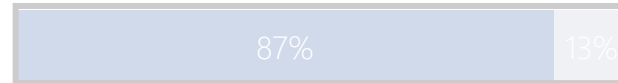


Felipe Diz



Thadeu Diz

Payment: BRL 615 mn



■ Stocks ■ Cash

Earn-out: BRL 100 mn

Adjusted by CDI

+

Conditions to Provide Long-Term Alignment

Growth Avenues

National:



Petz' Stores as Mini-Hubs



Zee's International Presence:



■ World
■ Brazil



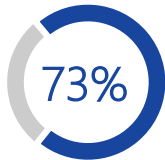
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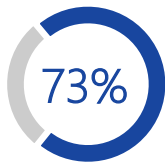
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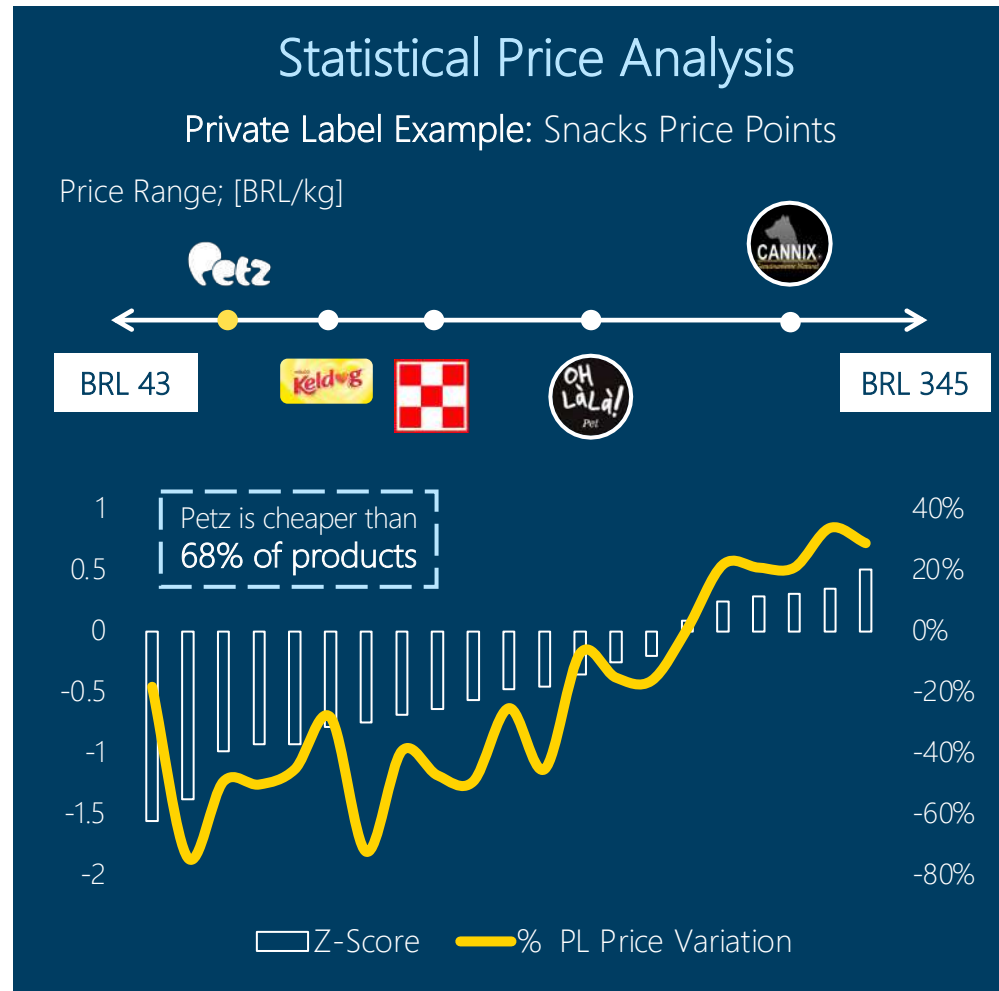
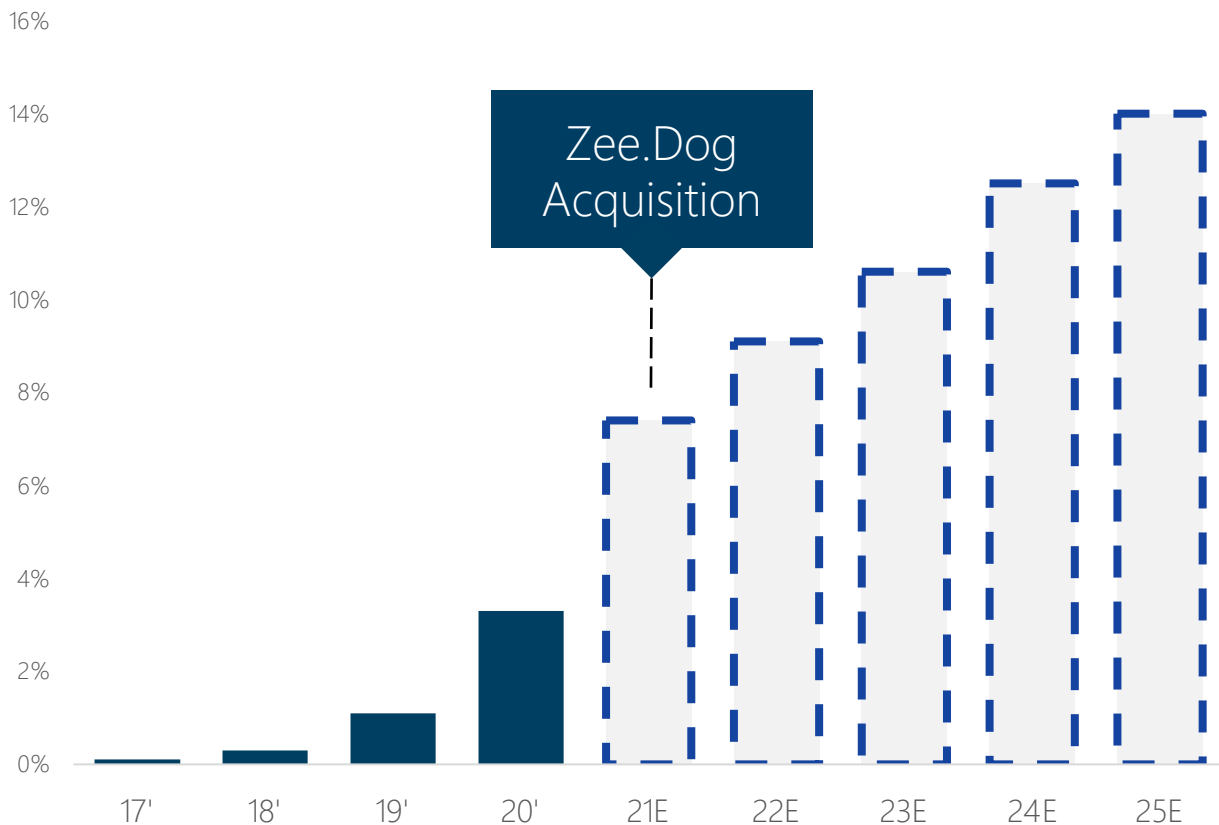


Private Label: Setting Petz Apart

Petz' Private Label has a great cost-benefit value proposition, proved by our proprietary analysis...

With the acquisition of Zee.Dog, we see an increase in Petz's private label...

Private Label Penetration; [%]



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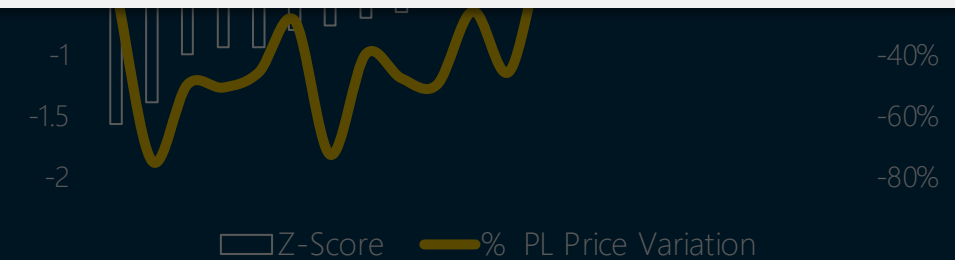
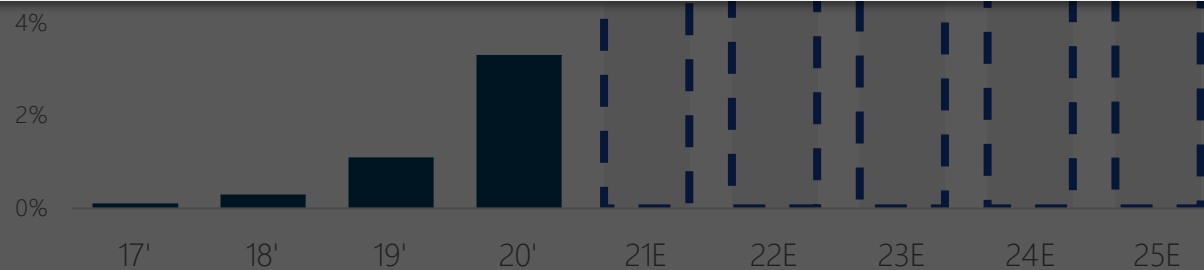
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Private Label Penetration; [%]

Statistical Price Analysis

Private Label Penetration; [%]

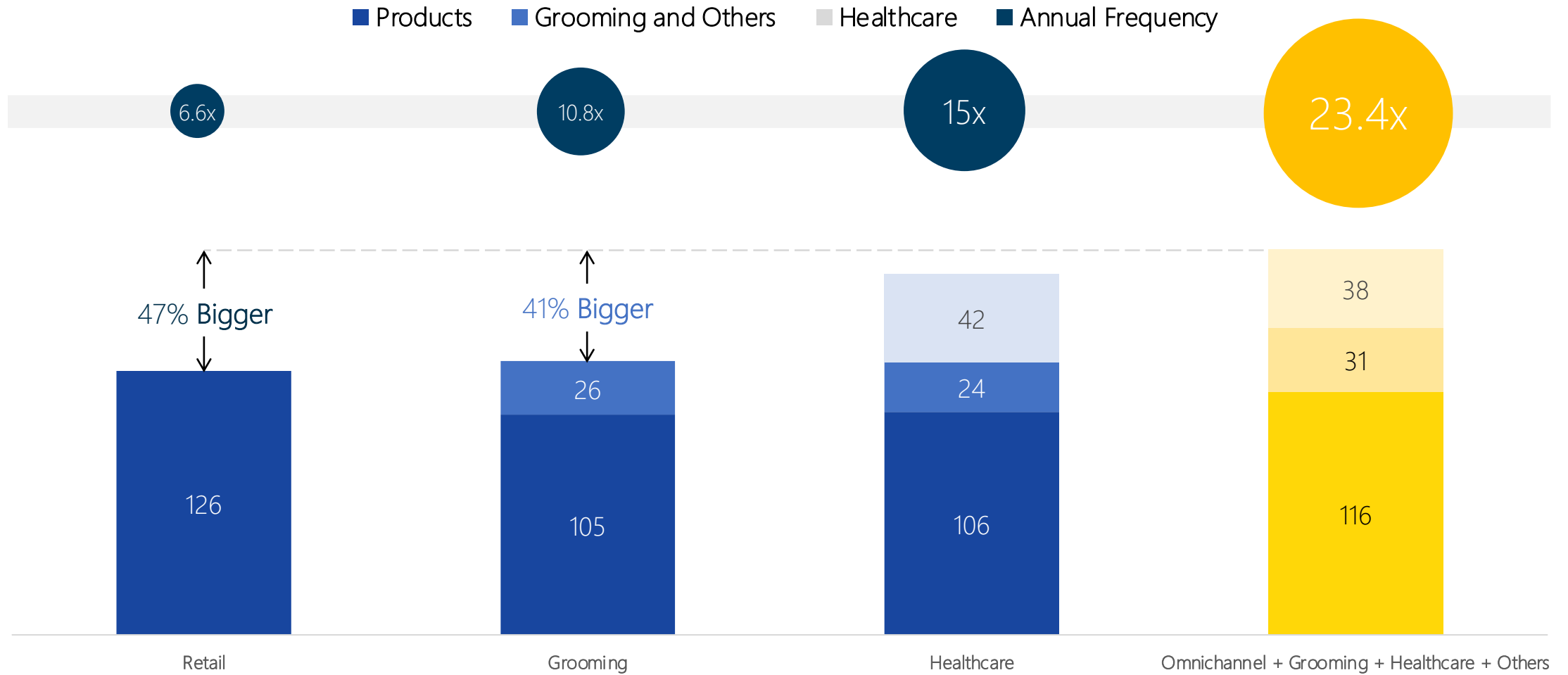
So, what does all this represent to Petz?



How to explain that with numbers?

We see that by having a well-developed ecosystem, Petz is able to generate more cross-sell and increase the frequency of visits...

Average Expenditure per Channel: [BRL/y]





ESG

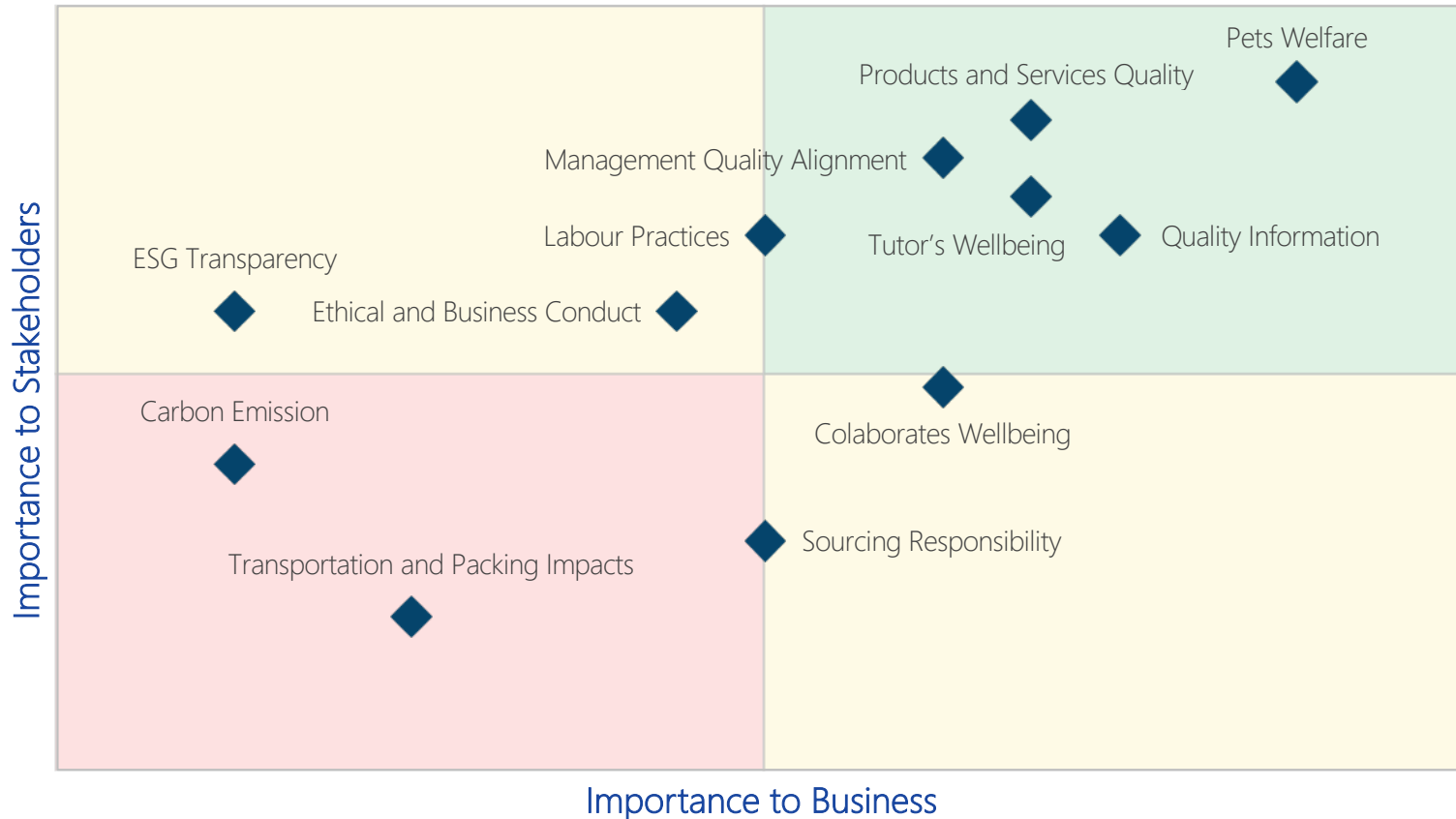
How aligned is Petz
with the theme?

How did we conduct our ESG Analysis?

In order to personalize and adapt the ESG analysis to the Pet Industry, we approached it as international players do...

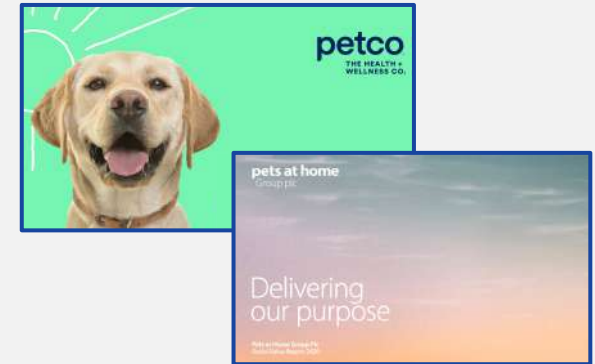
We developed a materiality matrix to identify critically important issues. In this regard, we see that Petz is able to generate as much ESG value as for business...

Materiality Matrix; [index]



When we compare with international players, we see that Petz has a lot of potential to evolve.

PetCo & Pets at Home Sustainability Report



So we decided to break down our ESG analysis into three main points:



Planet: The Most Valuable Asset

Petz achieves perfection in terms of planet and people by having a well-developed omnichannel and an aligned team...



Omnichannel

Shorter Distances & Lower Emission

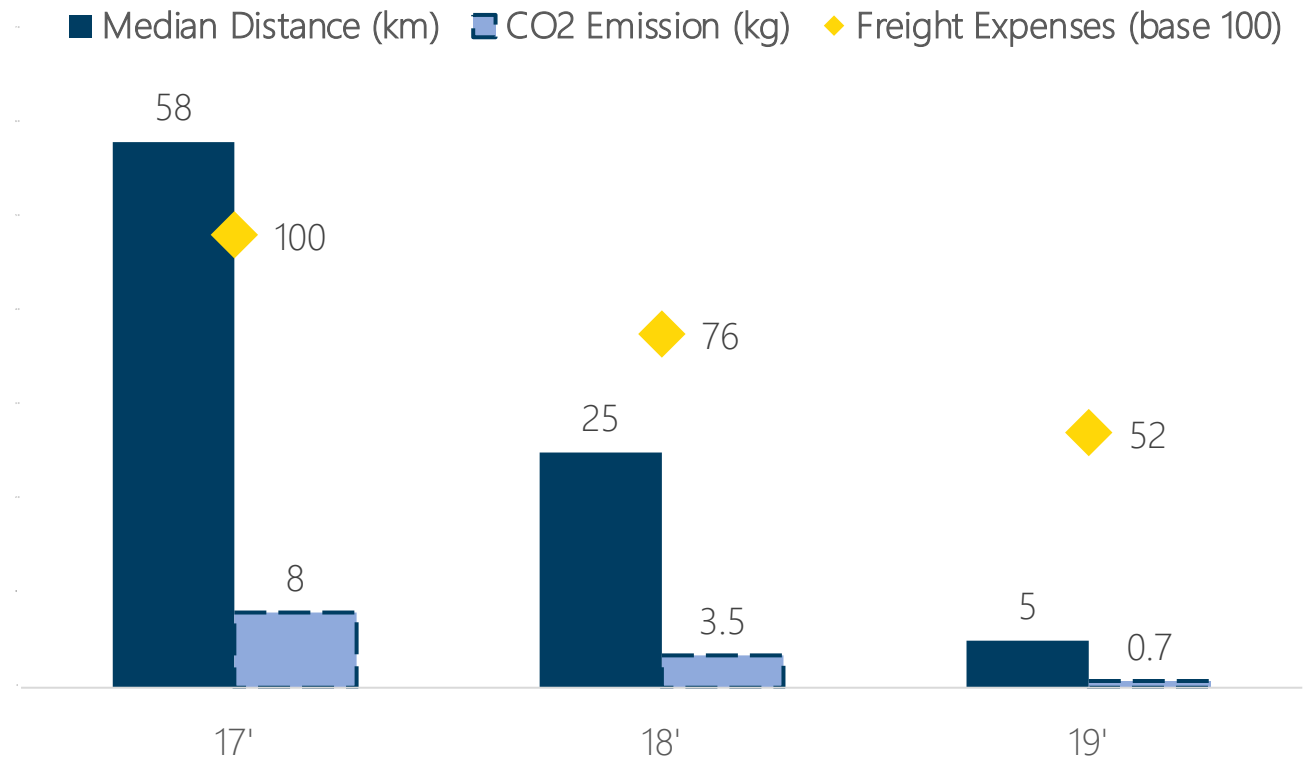


Traditional Shipping

Larger Distances & Bigger Emission

The increase in Petz omnichannel indices, in addition to the increase in digital indices, generates a decrease in carbon emissions...

Petz's CO2 Estimated Emission Dillution; [km, kg & base 100]



Pets: Bringing the Best for its Main Customer

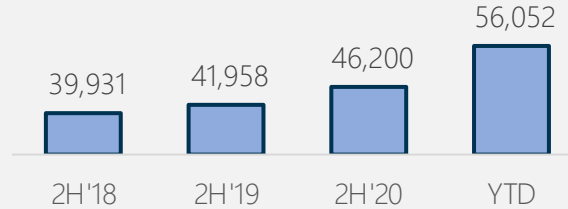
Petz aligns best practices with cross-sell ability and makes an ESG that is sustainable over the long term...

Adote Petz: Aligning ESG with Customer Captivity



NGOs send animals for Petz

To this day, **56k pets** were adopted through the program...
of Adoptions; [#]



All dogs are vaccinated, medicated, castrated and taken care of at Petz

And Petz has other social projects that can make a difference in society...



Tutors are selected and tend to remain loyal to the Petz brand



Looking at the testimonials of some employees, we see that Petz manages to take good care of them, generating a good relationship...

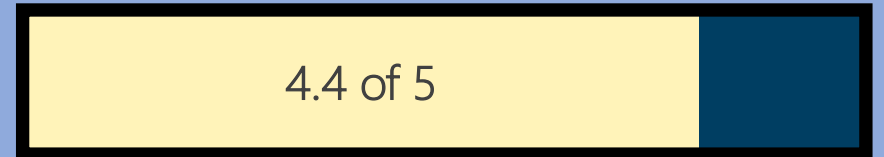
% of People Who' d Recommend It; [%]

66%

of former Petz employees would recommend to work there...

...with a great pontuation in diversity & inclusion index...

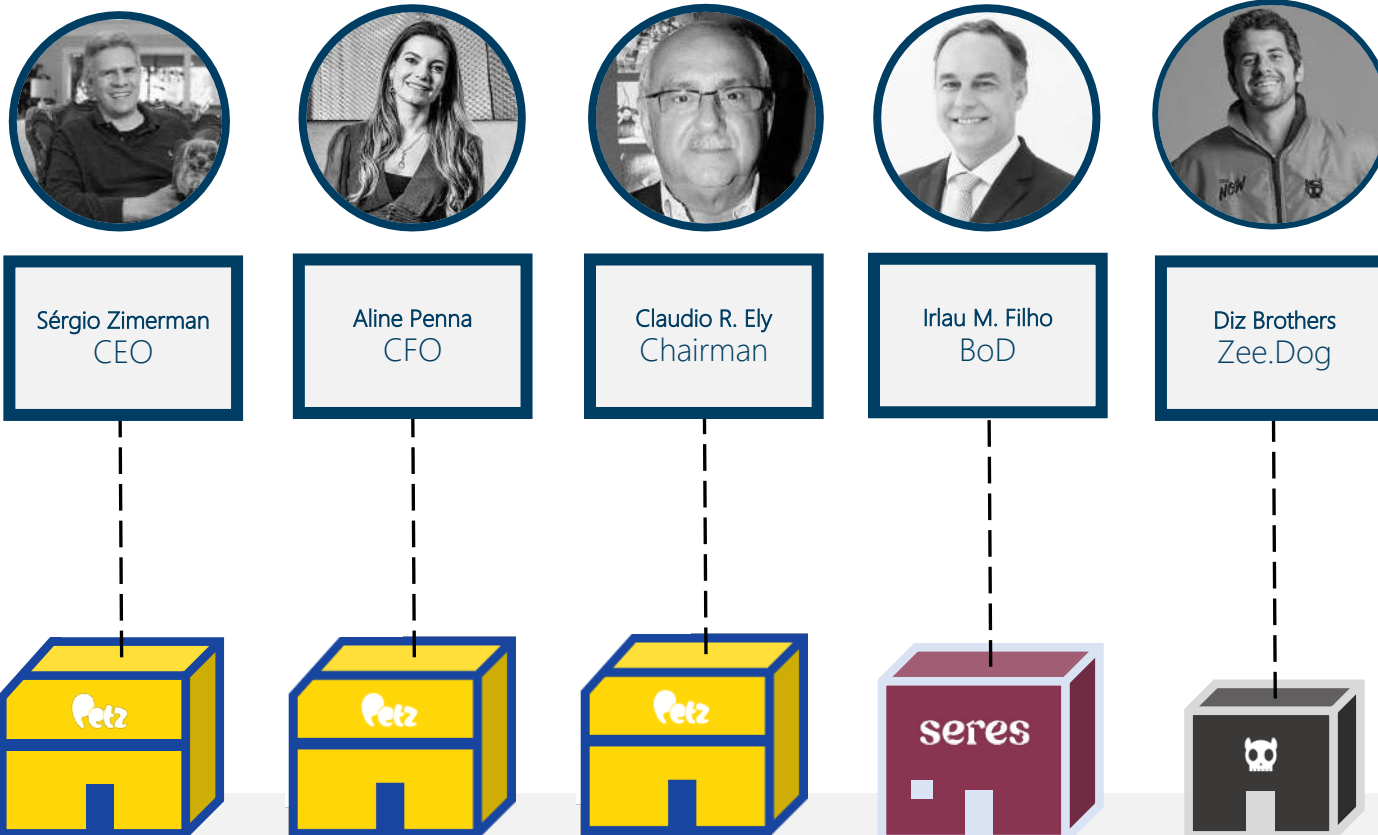
Diversity Index; [0-5]



People: Big Co + Big Team = Success Formula

We believe the Pet Industry is a business made by and for people, and Petz is the best at it...

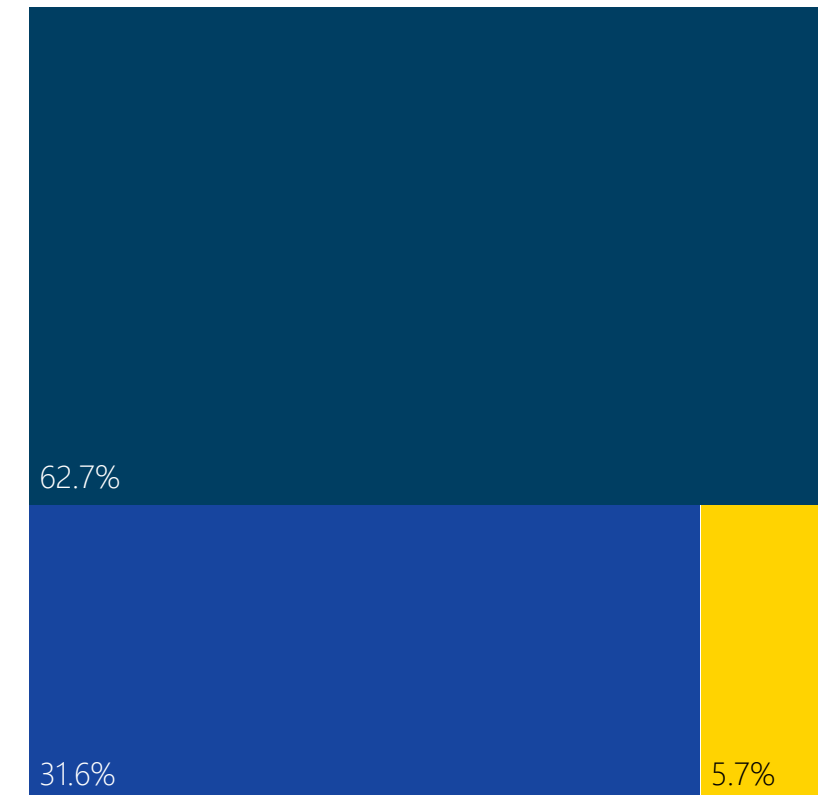
Petz has managed to put together an experienced, diverse and qualified team...



With a purebred alignment with company's interests...

Shareholders' Composition; [%]

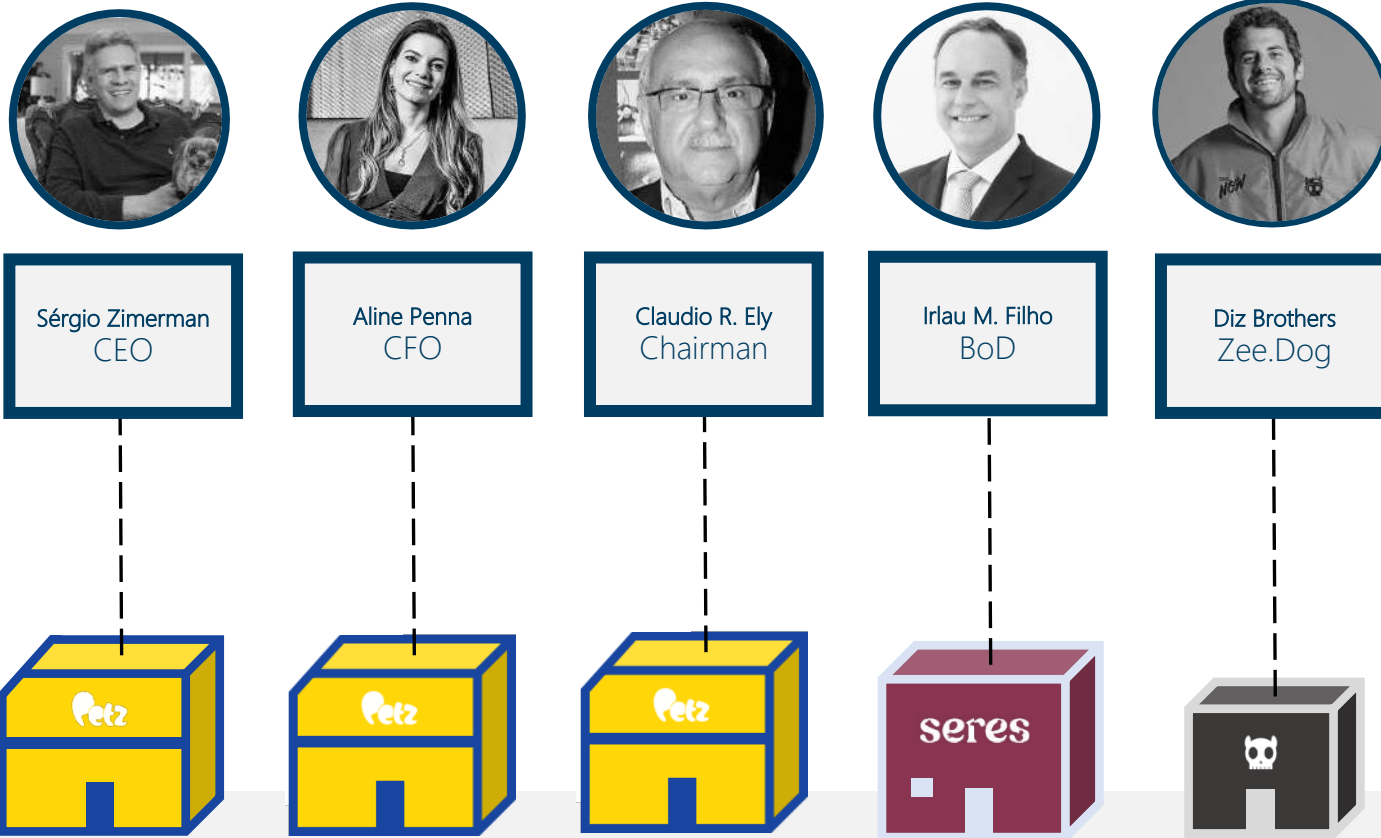
■ Sérgio Zimerman ■ Zee.Dog Shareholders ■ Free Float



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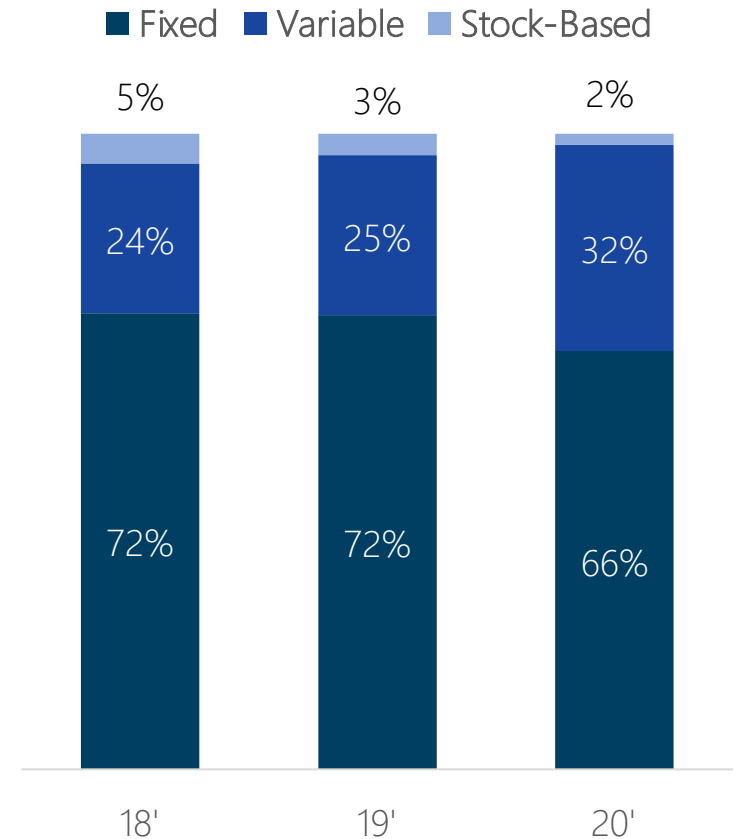
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Executive Committee Compensation; [%]



Financials & Valuation

How to translate our thesis into numbers?



Revenue Build-Up: Top-Line Growth

Revenue development will occur according to the expansion plan and the sector's growth...

For the calculation of gross revenue, we estimate some assumptions...

Main Revenue Assumptions



Opening of 30-40 Stores per Year



4-Y Store Maturation Curve



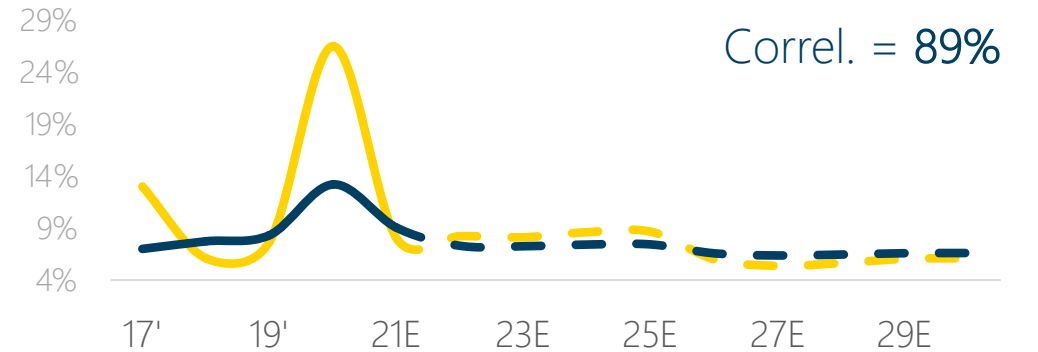
SSS Correlated with Industry Growth



Constant Seres Penetration to 20' Levels

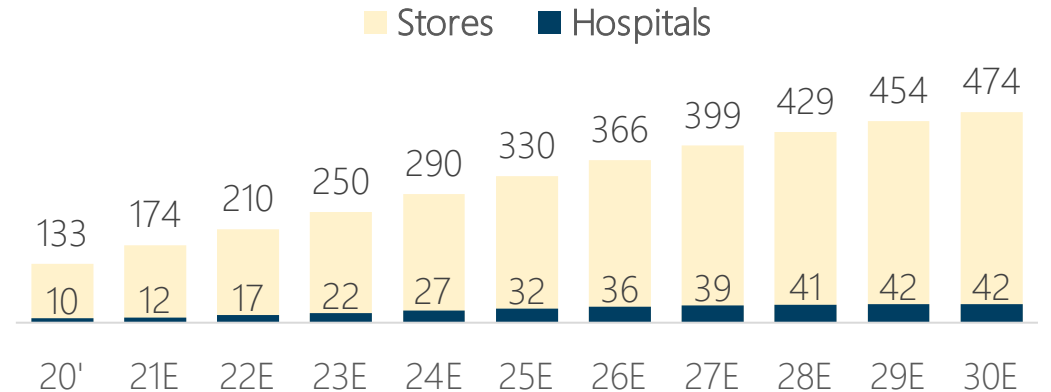
...and SSS is one of the most important assumptions...

SSS vs. Pet Industry Growth; [%]



...added to the increase in the number of stores...

Stores per Year; [stores]

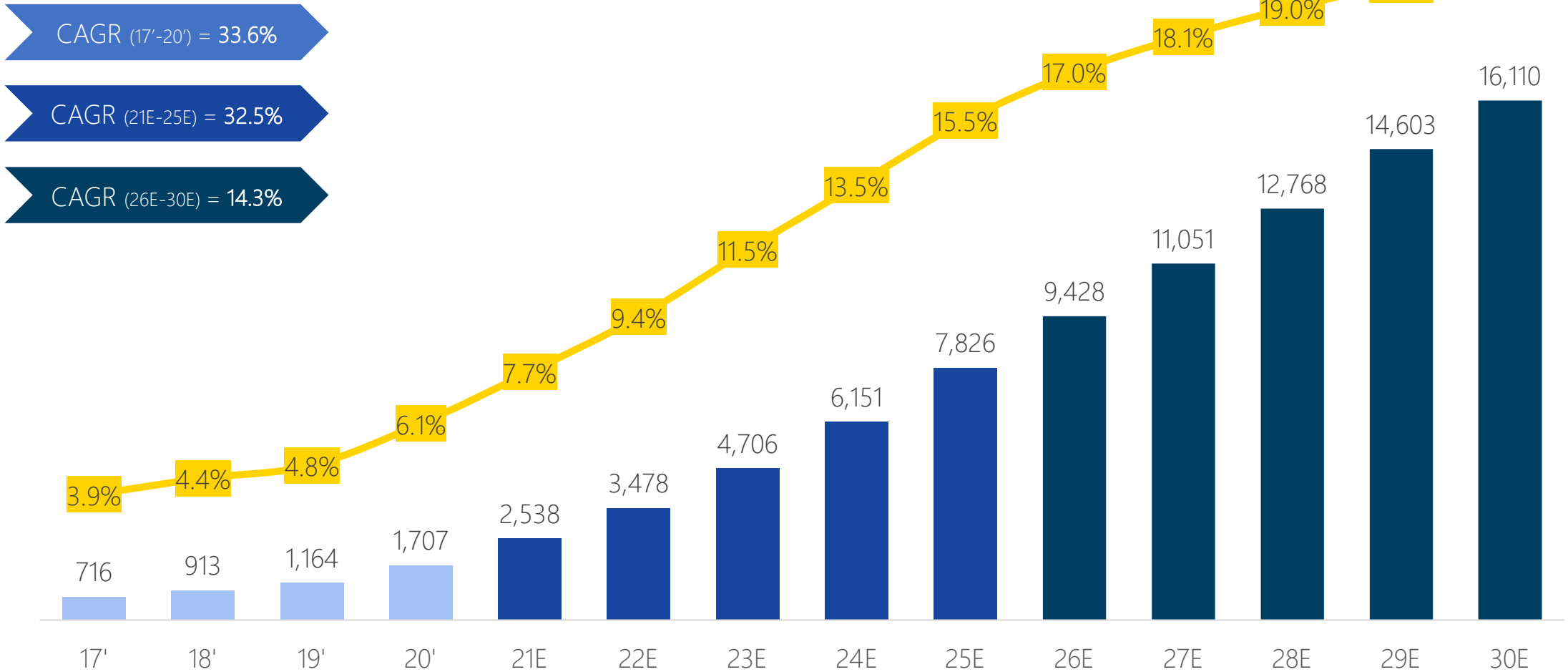


Revenue Build-Up: Top-Line Growth

Revenue development will occur according to the expansion plan and the sector's growth...

Revenue & Market Share Evolution; [BRL] & [%]

■ Revenue — Market Share



CAGR (17'-20') = 33.6%

CAGR (21E-25E) = 32.5%

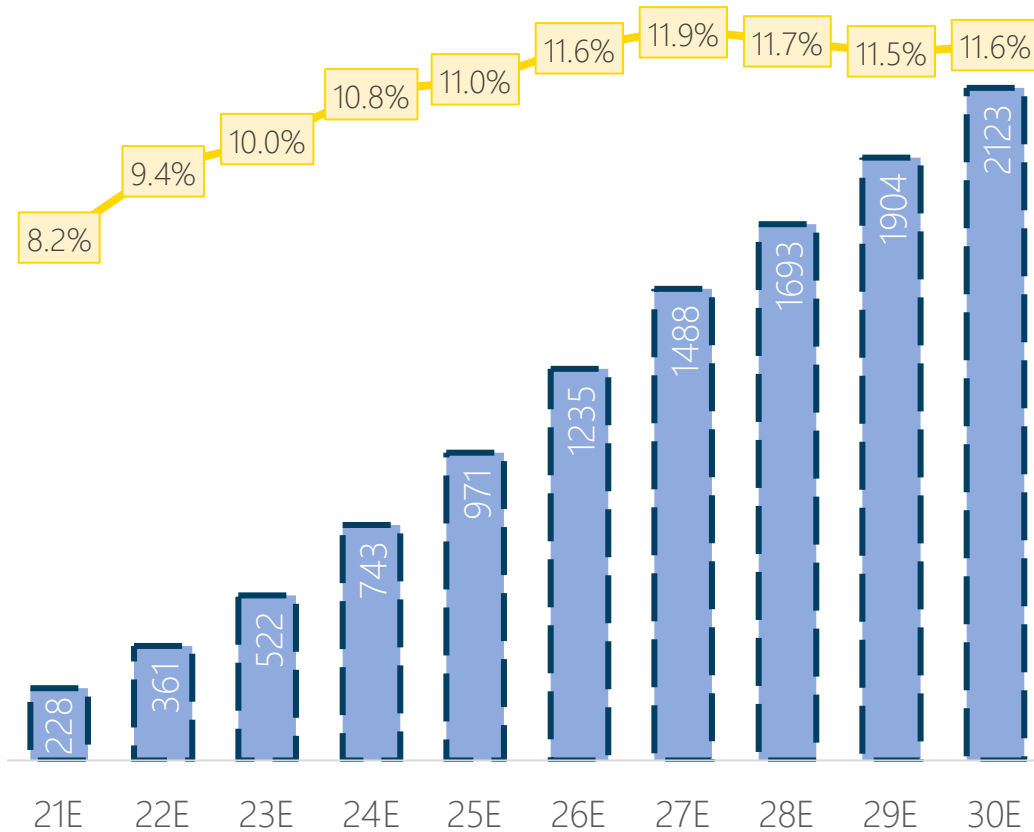
CAGR (26E-30E) = 14.3%

Zee.Dog: Adding Value for Petz

Zee.Dog will generate BRL 4 for the Petz share and will help the company by generating valuable synergies...

We see Zee.Dog **growing** and **increasing** its revenue share...

Zee.Dog Revenue & Penetration; [BRL mn & %]



Based on the **company's plans** for the brand...

Main Zee.Dog Assumptions



Strong Projected Growth



Synergies with Petz's Operations

Sensitivity Analysis – WACC; [BRL]

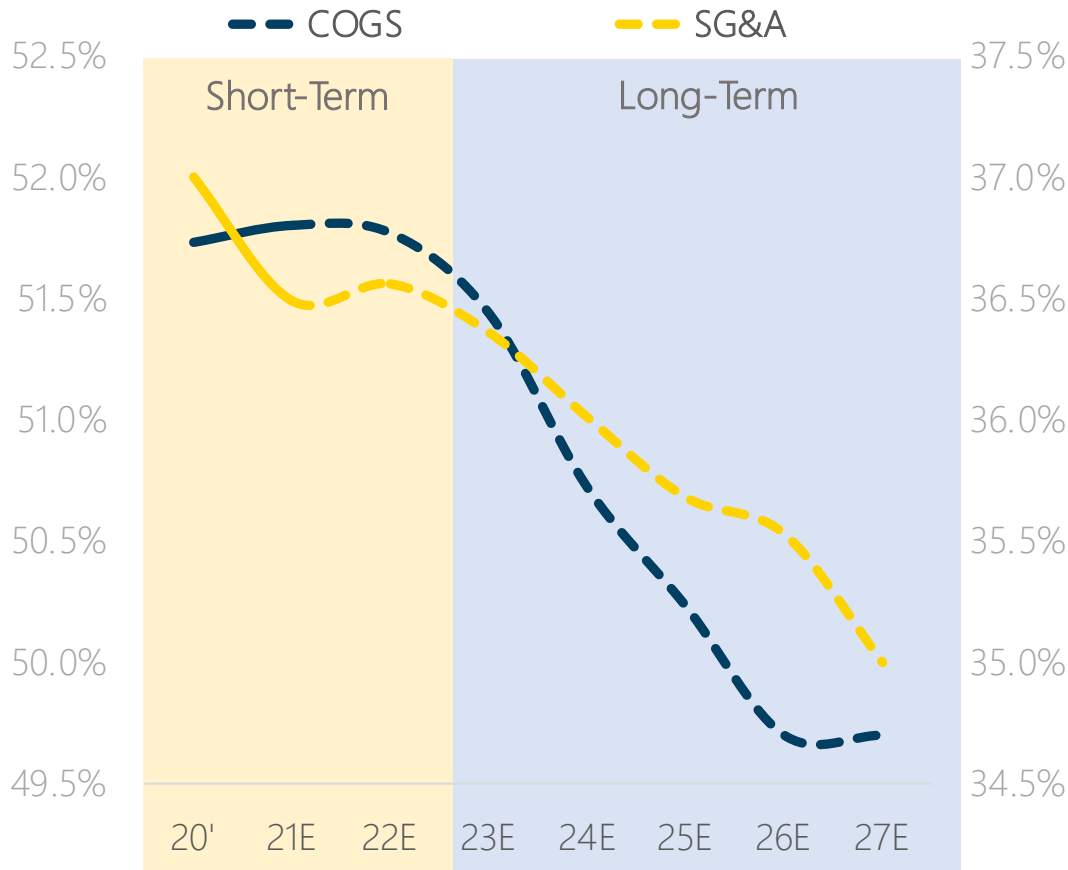
		Cost of Capital (WACC)						
		3.97	9.5%	10.0%	10.5%	11.0%	11.5%	12.0%
Perpetuity Growth (g)	3.0%		4.84	4.44	4.08	3.78	3.51	3.27
	3.5%		5.14	4.68	4.29	3.95	3.66	3.40
	4.0%		5.49	4.97	4.53	4.15	3.82	3.54
	4.5%		5.91	5.31	4.80	4.38	4.01	3.70
	5.0%		6.43	5.71	5.13	4.64	4.23	3.88
	5.5%		7.06	6.20	5.52	4.96	4.49	4.09
	6.0%		7.88	6.82	5.99	5.33	4.79	4.34

Margins: Gross Margin Development

The increase in Private Label penetration in line with the increase in bargaining power with suppliers will decrease COGS...





We see that COGS and SG&A will decrease in long-term...

COGS & SG&A; [%]



...this is because these costs and expenditures will be driven by...

Main COGS & SG&A Assumptions

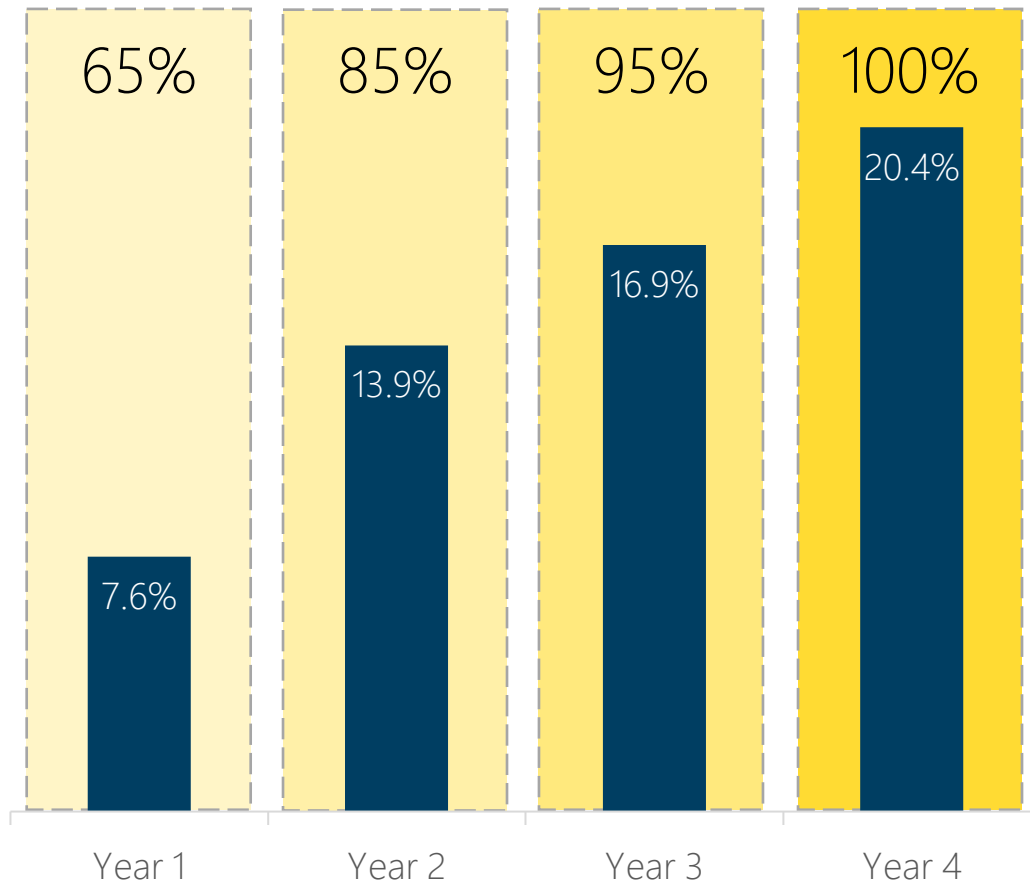
-  Increase of Private Label Penetration
-  Bargaining Power with Suppliers
-  Increase of Raw Material Cost
-  Digital Competition Growth

Margins: EBITDA Increasing According to Maturation

High operational leverage will increase margins and efficiency...

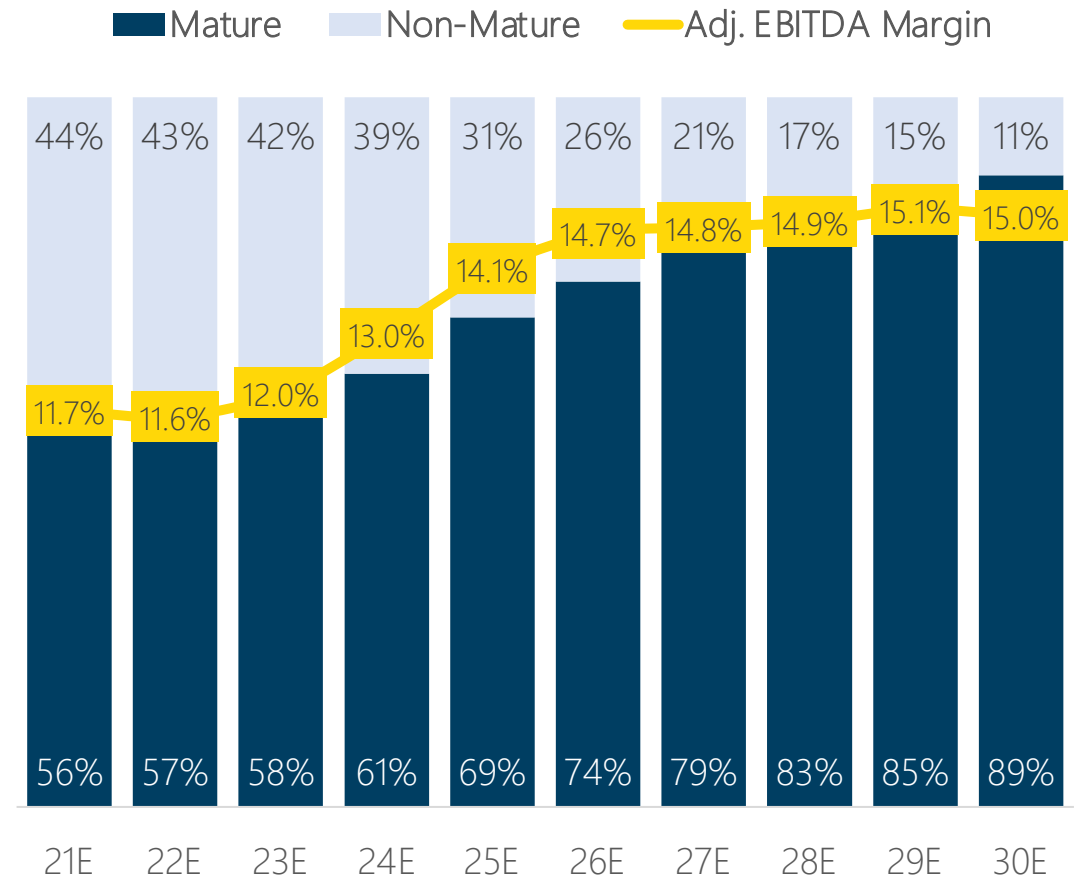
Even in the first year, the company has higher returns per store...

EBITDA Margin by Maturity Levels; [%]



...and the company's EBITDA Margin should follow the maturation...

EBITDA Margin and Store Maturation; [%]



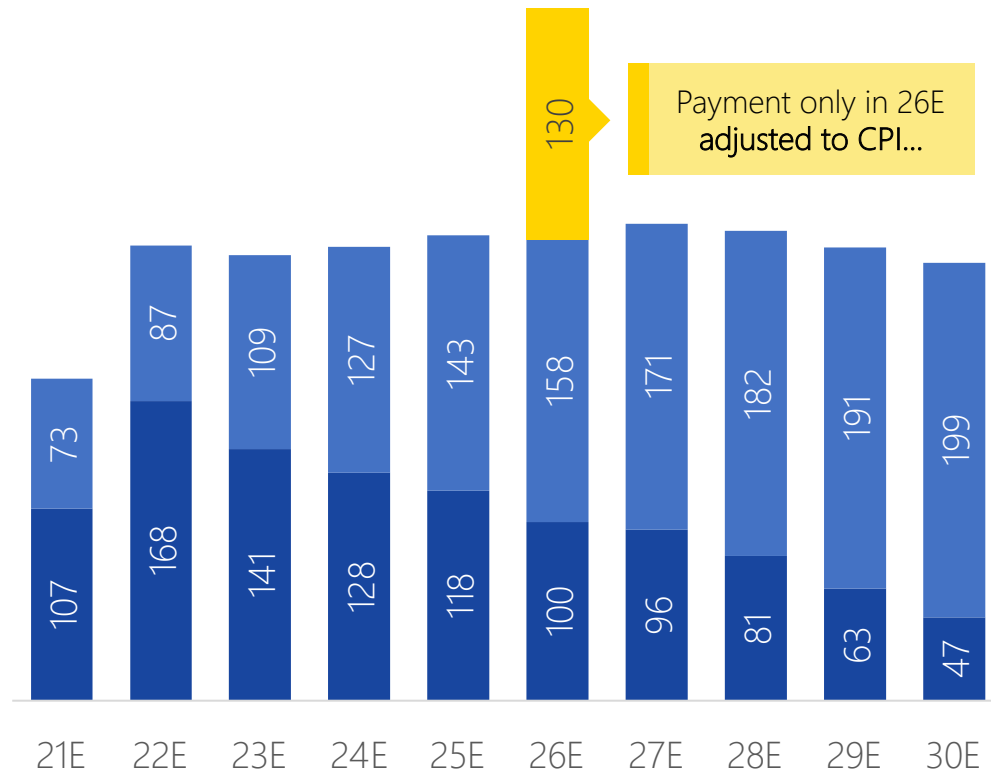
CAPEX: High but Sustainable

Megastores have very high capex but Petz is able to generate cash on that...

CAPEX will increase in the next following years....

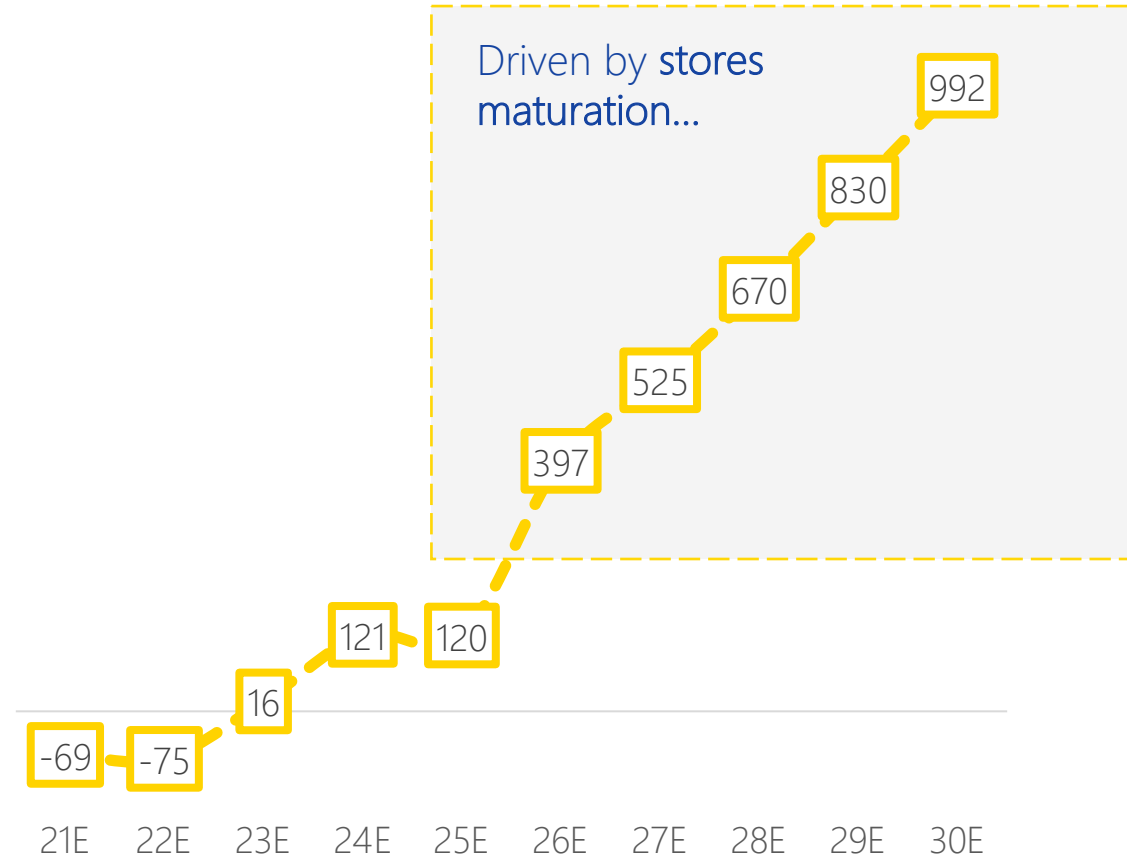
Expansion & Renovation CAPEX; [BRL mn]

■ Store Expansion ■ Store Renovation ■ Zee.Dog Acquisition Payment



...however, the company should sustent it with great cash generation...

CFO – CFI Evolution; [BRL mn]

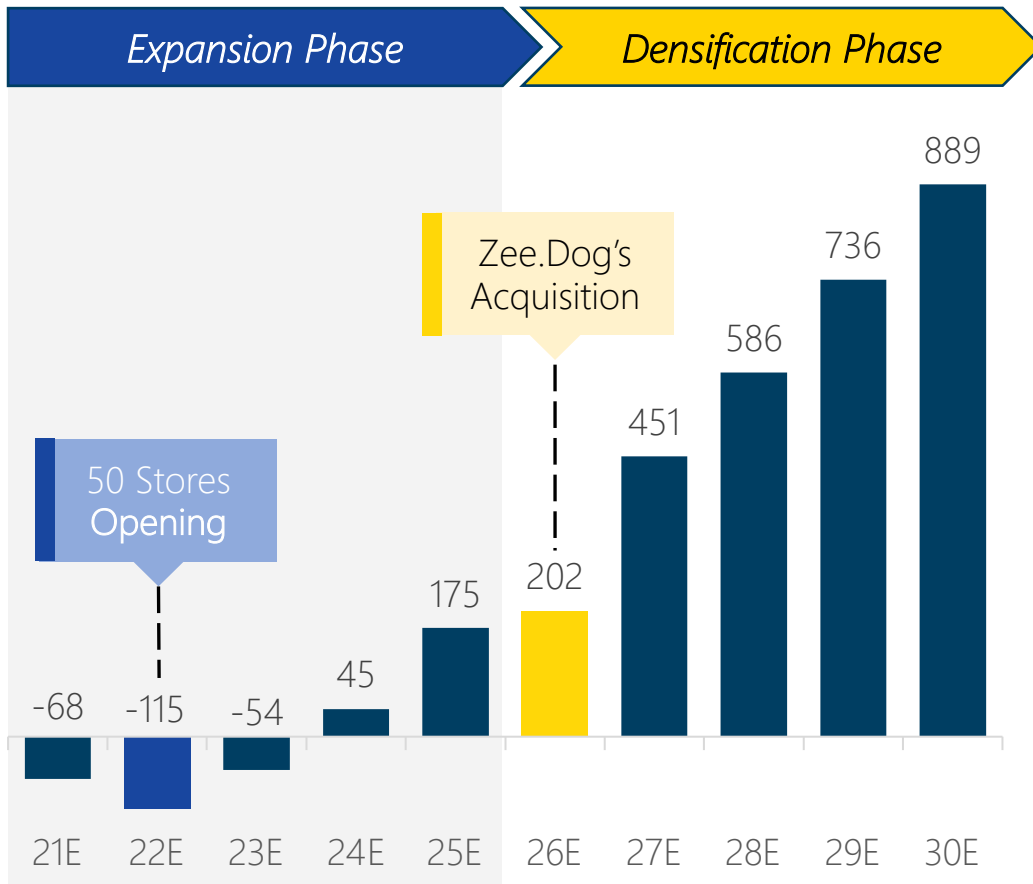


DCF: BRL 25.4 target price with a 39% upside

Petz proved to be a great company, with accurate projections, but how has this been reflected in the share price?

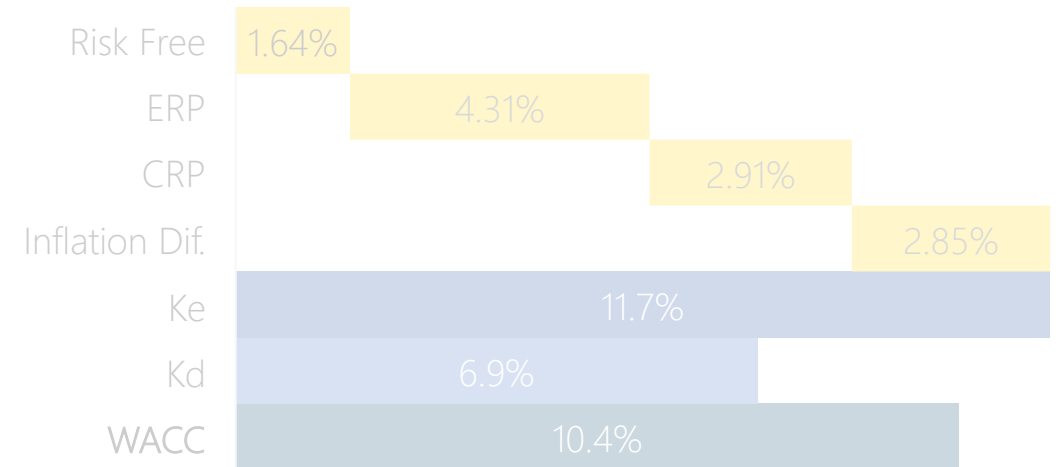
As a result, we have a FCFF divided into **two main phases**...

FCFF; [BRL mn]



...being able to **generate value** for shareholders, even with WACC = 10%...

WACC Breakdown; [%]



Using our company assumptions, we calculate the fair return in ten years using the DCF method

To perpetuity, we assume, in general:

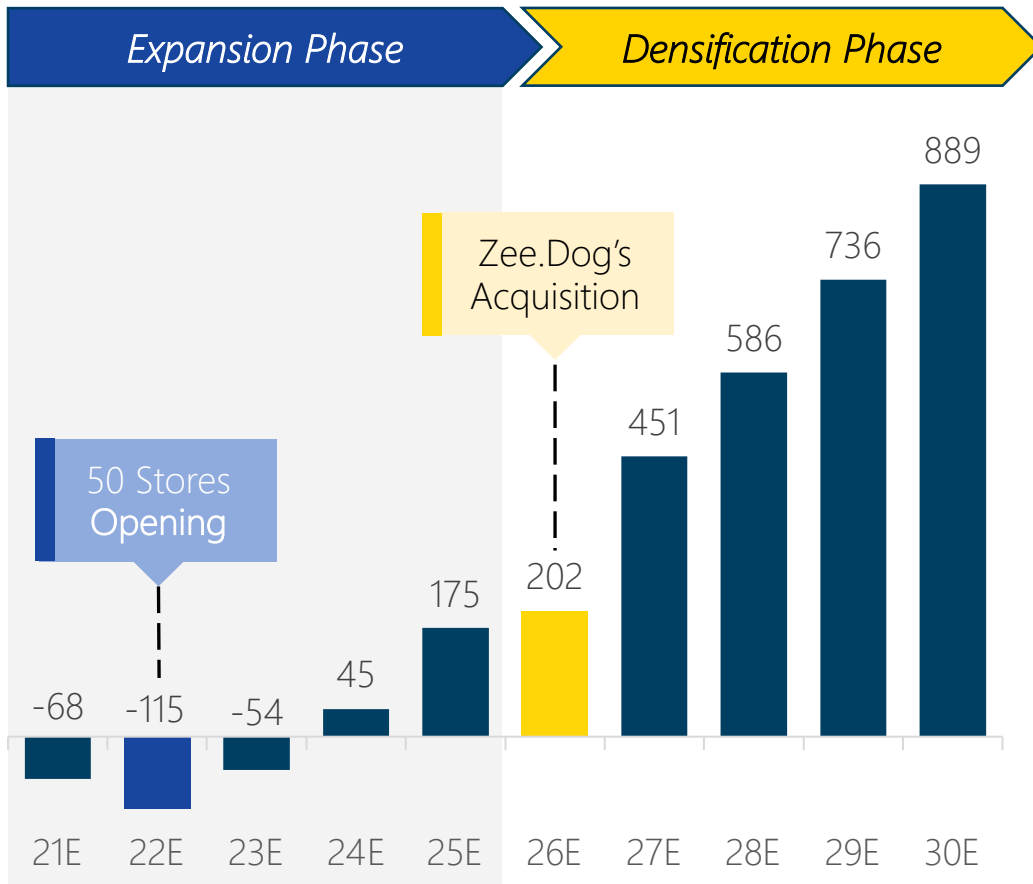
g (perpetuity) = 5.5%, Incremental ROIC = 25%, and *Taxes* = 34%

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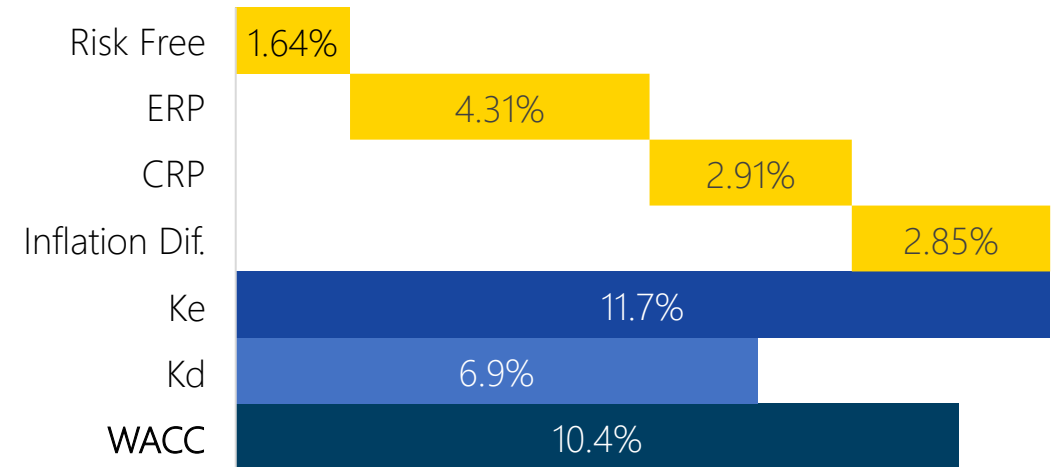
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Using our company assumptions, we calculate the fair return in ten years using the DCF method

To perpetuity, we assume, in general:

g (perpetuity) = 5.5%, Incremental ROIC = 25%, and Taxes = 34%

DCF: BRL 25.4 target price with a 39% upside

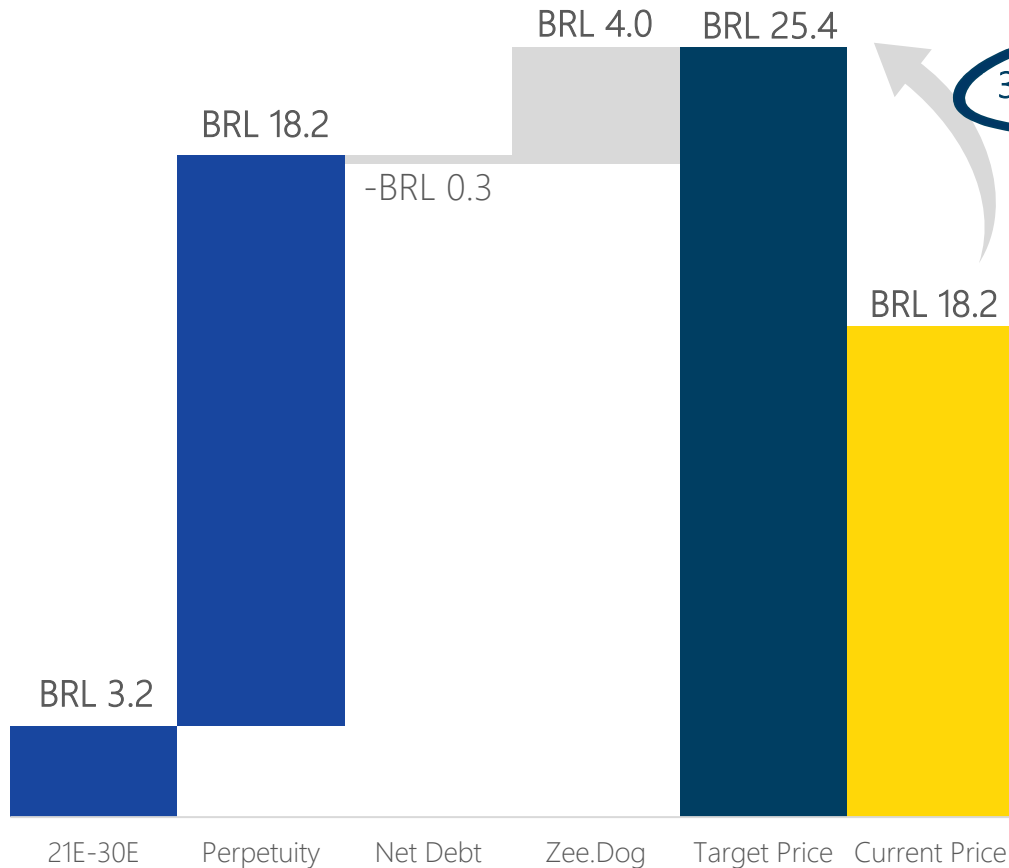
Petz proved to be a great company, with accurate projections, but how has this been reflected in the share price?

The most part of the company's value is **in the future...**

...and even in the worst macro scenarios, **Petz is inexpensive...**

Target Price Breakdown; [BRL]

Sensitivity Analysis – WACC; [BRL]



		Cost of Capital (WACC)									
		37%	8.4%	8.9%	9.4%	9.9%	10.4%	10.9%	11.4%	11.9%	12.4%
Perpetuity Growth (g)	4.0%	95%	70%	51%	34%	20%	9%	-1%	-10%	-17%	
	4.4%	106%	79%	57%	39%	24%	12%	1%	-8%	-16%	
	4.8%	119%	88%	64%	45%	29%	15%	4%	-6%	-14%	
	5.1%	135%	100%	73%	51%	34%	19%	7%	-3%	-12%	
	5.5%	156%	114%	83%	59%	39%	24%	11%	0%	-10%	
	5.9%	182%	132%	95%	68%	46%	29%	15%	3%	-7%	
	6.3%	218%	154%	111%	79%	54%	35%	19%	6%	-4%	
	6.6%	269%	185%	130%	92%	63%	42%	24%	10%	-1%	
	7.0%	347%	226%	155%	108%	75%	50%	31%	15%	2%	

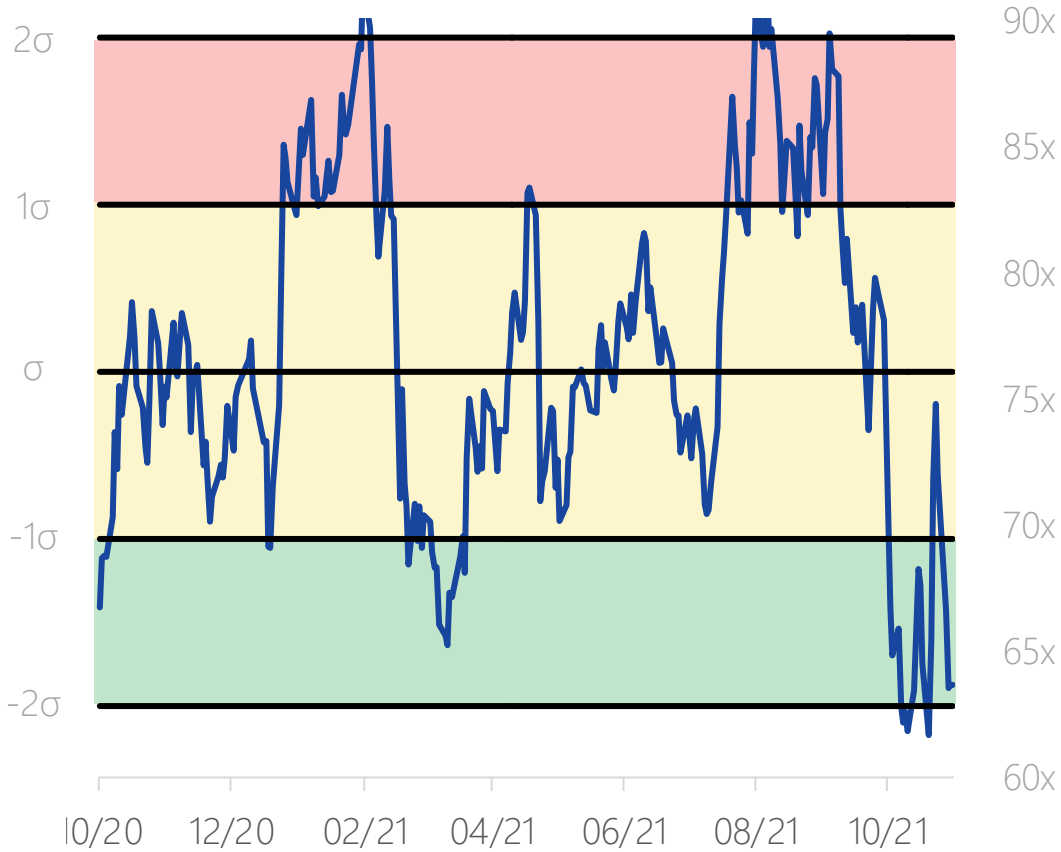
- BUY (Returns > 10%) = 74%
- HOLD (-10% < Returns < 10%) = 19%
- SELL (Returns < -10%) = 7%

Multiples: Time to Buy!

We see that Petz shares are historically very cheap, and when compared to peers, we see that the growth justifies its value...

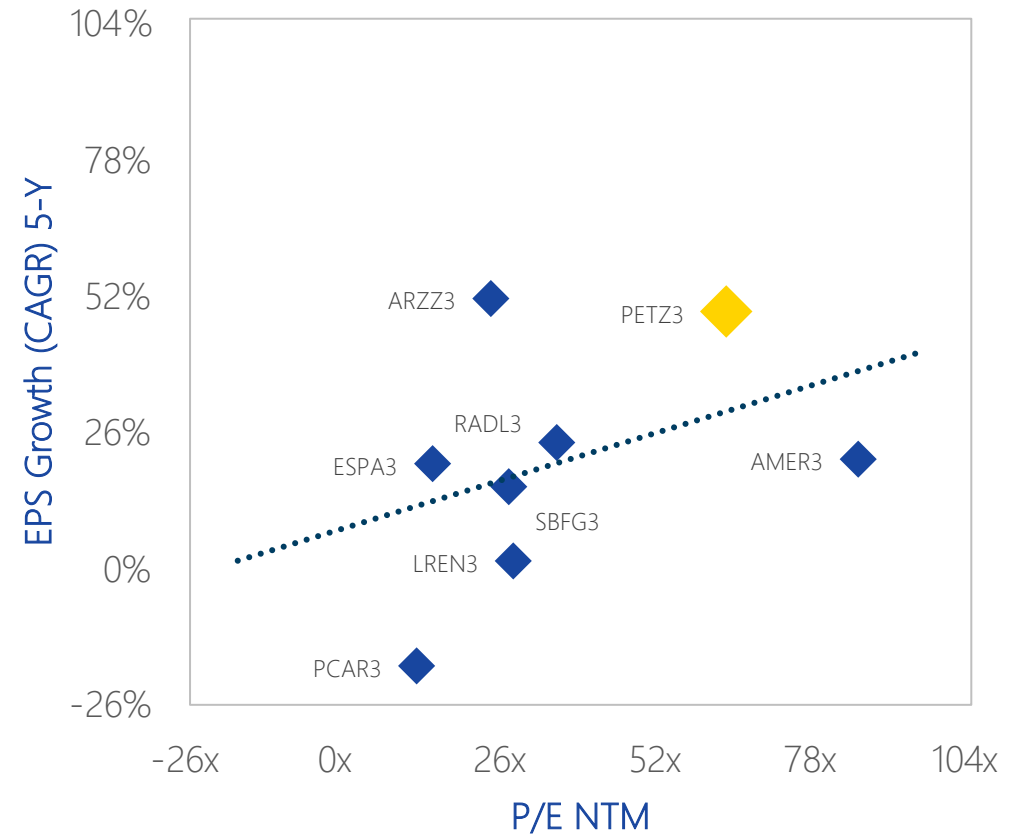
Market P/E is closer to the historic minimum than ever...

FWD P/E Ratio 1-Y



...and when compared, the growth justifies our high multiple...

EPS Growth (CAGR) 5-Y vs. P/E NTM; [% & x]



IRR: Indicate Healthy Returns

5Y P/E IRR and its sensitivity to Gross Revenue CAGR reinforces our BUY recommendation...

5-Y P/E IRR indicates returns above Cost of Equity (Ke)...

Net Income Evolution; [BRL mn]



A 5-Y through P/E accounts for a 600bps spread over Cost of Equity

...and our sensitivity analysis reinforces our thesis with 70% BUY...

IRR Sensitivity Analysis; [%]

		P/E FWD Exit 2025E									
		24%	21x	23x	25x	27x	29x	31x	33x	35x	37x
Net Revenue CAGR (201-25E)	4%	-13%	-11%	-9%	-8%	-6%	-4%	-3%	-1%	0%	0%
	7%	-9%	-7%	-5%	-4%	-2%	0%	1%	3%	4%	4%
	10%	-6%	-3%	-1%	1%	2%	4%	6%	7%	9%	9%
	13%	-2%	1%	3%	5%	7%	8%	10%	12%	13%	13%
	16%	2%	5%	7%	9%	11%	13%	14%	16%	18%	18%
	19%	6%	9%	11%	13%	15%	17%	19%	21%	22%	22%
	22%	10%	13%	15%	17%	19%	21%	23%	25%	27%	27%
	25%	14%	17%	19%	22%	24%	26%	28%	30%	32%	32%
	28%	18%	21%	24%	26%	28%	30%	33%	34%	36%	36%
	31%	23%	25%	28%	31%	33%	35%	37%	39%	41%	41%
	34%	27%	30%	32%	35%	37%	40%	42%	44%	46%	46%
	37%	31%	34%	37%	40%	42%	44%	47%	49%	51%	51%
	40%	35%	38%	41%	44%	47%	49%	52%	54%	56%	56%
43%	40%	43%	46%	49%	51%	54%	56%	59%	61%	61%	
46%	44%	47%	51%	53%	56%	59%	61%	64%	66%	66%	

Bull, Base & Bear: Stressing Scenarios

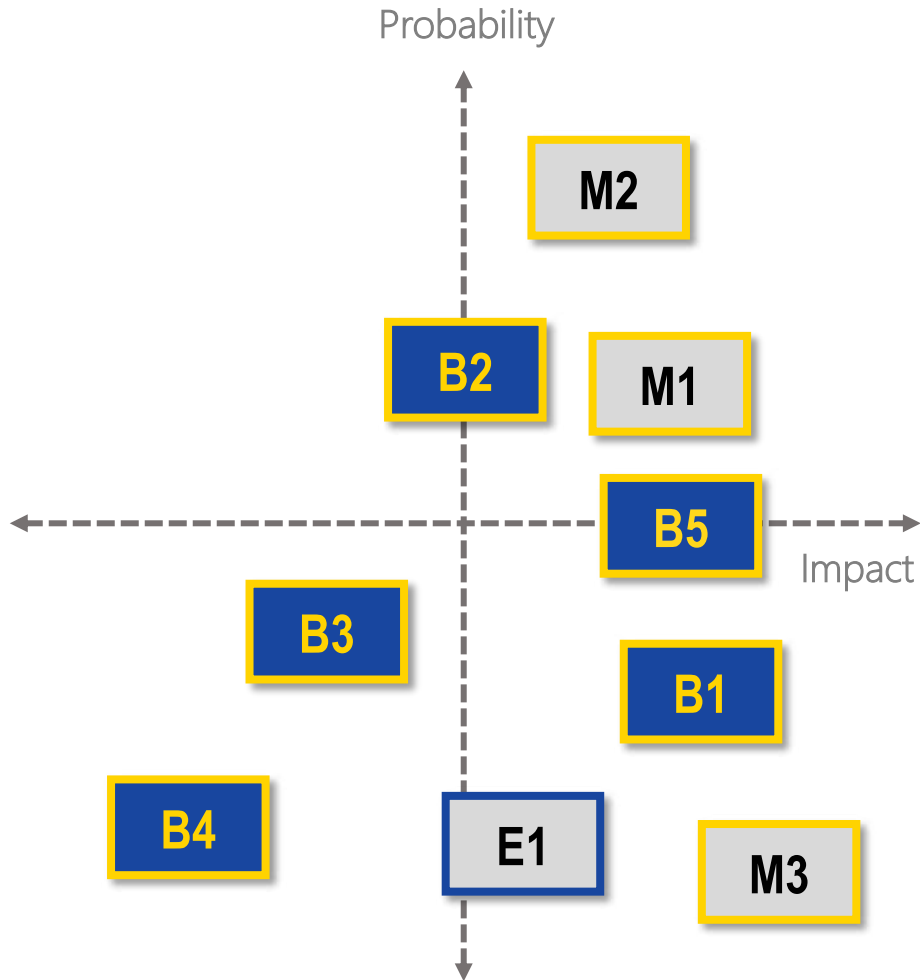
Our main DCF assumptions lead us to three main scenarios to Petz, reinforcing our investment thesis...



We have a wide range of prices, but we are still believing in a buy recommendation...

Risk Matrix: What are the main risks to our valuation?

We highlight three main risks-type to our projections: (B) Business and Operational, (M) Market, and (E) Macroeconomic...



All risks are relevant, but we highlight five of them...

Business & Operational Risks

- [B1] (-): Inability to expand maintaining high returns
- [B2] (-): Unsuccessful integration of Zee.Dog
- [B3] (-): Failure in Private Label integration
- [B4] (-): Image risk due to relevant penetration in Services
- [B5] (-) Execution risks

Market Risks

- [M1] (-): Lack of M&A opportunities
- [M2] (-): Tougher competitive landscape
- [M3] (-): Lack of bargaining power

Macroeconomic Risks

- [E1] (-): Macro crisis and loss of purchasing power

Would you be a Petz shareholder?

- 1 A growing, resilient and fragmented industry...
- 2 ...in which Petz has the best business model...
- 3 ...with an organic and sustainable expansion plan...
- 4 ...summed to the best pets solution in the country.

We are now opening the floor for Q&A...

Yes!

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1. Highlights

	17'	18'	19'	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Margins														
Gross Margin (excl. Zee.Dog)	44.3%	45.8%	48.3%	48.3%	48.2%	48.2%	48.6%	49.3%	49.8%	50.3%	50.3%	50.3%	50.3%	50.3%
Gross Margin (incl. Zee.Dog)					48.51%	48.59%	48.9%	49.6%	50.0%	50.5%	50.5%	50.5%	50.5%	50.5%
EBITDA Margin	8.0%	9.9%	19.6%	17.9%	17.7%	17.8%	18.1%	18.8%	19.3%	19.8%	19.8%	19.8%	19.8%	19.8%
EBITDA Margin (IAS-17)					11.7%	11.7%	12.2%	13.3%	14.1%	14.7%	14.8%	14.9%	15.1%	15.0%
EBIT Margin	4.2%	6.9%	7.5%	7.5%	7.5%	7.9%	8.6%	9.9%	11.0%	11.7%	11.8%	12.0%	12.1%	12.1%
Net Margin	1.9%	4.0%	2.4%	4.1%	4.5%	5.6%	5.5%	6.0%	6.6%	7.0%	7.0%	7.1%	7.1%	7.1%
COGS/Net Rev	55.7%	54.2%	51.7%	51.7%	51.8%	51.8%	51.4%	50.7%	50.2%	49.7%	49.7%	49.7%	49.7%	49.7%
SG&A/Net Rev	36.3%	35.9%	36.6%	37.1%	36.5%	36.6%	36.4%	36.0%	35.7%	35.5%	35.4%	35.3%	35.2%	35.2%
Opex/Net Rev	92.0%	90.1%	88.3%	88.8%	88.3%	88.3%	87.8%	86.7%	85.9%	85.3%	85.2%	85.1%	84.9%	85.0%
Profitability														
ROA	3%	5%	2%	3.1%	4.7%	6.9%	7.7%	9.1%	10.4%	11.2%	11.6%	12.1%	12.6%	12.9%
Net Income	11,425	30,897	23,576	58,387	95,635	163,597	218,914	314,025	435,002	554,588	653,361	761,977	880,238	960,707
Shareholder's Equity	157,815	181,770	176,278	514,759	1,376,549	1,499,246	1,663,432	1,898,950	2,175,244	2,507,997	2,769,341	2,997,934	3,173,982	3,270,053
ROE	7%	17%	13%	11%	6.9%	10.9%	13.2%	16.5%	20.0%	22.1%	23.6%	25.4%	27.7%	29.4%
ROE-Ke Spread					-4%	-1%	3%	6%	10%	12%	13%	15%	17%	18%
EBIT	25,103	53,171	73,545	108,028	162,059	232,828	343,236	517,142	726,381	932,229	1,107,034	1,294,026	1,498,498	1,643,713
NOPAT					106,959	153,667	226,536	341,314	479,411	615,271	730,642	854,057	989,009	1,084,850
Net Debt	53,268	96,464	229,208	52,588	(606,511)	(461,487)	(349,335)	(296,143)	(267,937)	(187,274)	(168,907)	(129,003)	(51,792)	48,328
Invested Capital (PL + Net Debt)					770,038	1,037,760	1,314,096	1,602,807	1,907,307	2,320,723	2,600,434	2,868,932	3,122,190	3,318,380
Invested Capital (WK + Fixed Assets)					745,586	1,013,308	1,289,644	1,578,355	1,882,855	2,296,271	2,575,982	2,844,480	3,097,738	3,293,928
ROIC Financeiro					13.9%	14.8%	17.2%	21.3%	25.1%	26.5%	28.1%	29.8%	31.7%	33%
ROIC (Financeiro)-WACC Spread					3%	4%	8%	12%	16%	18%	19%	21%	23%	24%
ROIC Operacional					14%	15%	18%	22%	25%	27%	28%	30%	32%	33%
ROIC (Operacional)-WACC Spread					4%	4%	8%	13%	17%	18%	19%	21%	23%	24%
Cash Flow Ratios														
CFO/Net Revenue					6%	6%	7%	8%	9%	10%	10%	10%	10%	11%
CFO/Capex					(0.73x)	(0.74x)	(1.10x)	(1.63x)	(2.21x)	(1.97x)	(3.46x)	(4.14x)	(4.99x)	(5.88x)
CFO/Earnings					1.4x	1.2x	1.3x	1.3x	1.3x	1.4x	1.4x	1.4x	1.4x	1.5x
CFO/EBITDA					0.5x	0.5x	0.6x	0.6x	0.6x	0.6x	0.7x	0.7x	0.7x	0.7x
CFO-CFI					-74,747	-119,171	-45,874	66,661	197,788	233,116	490,742	632,996	791,784	952,613
Market Ratios														
P/E					75.0	43.9	32.8	23	16	13				
P/E					76.2	44.6	33.3							
PEG					N.A	1.2x	0.9x	0.7x	0.6x	0.6x				
EV/EBITDA					70.4	52.4	34.2	14.6	10.8	8.6				
EV/EBITDA (8702)					71.4	53.2	34.7							
EPS					0.24	0.42	0.56	0.80	1.10	1.41				
Asset Management														
Inventory Turnover					(4.8x)	(4.6x)	(4.6x)	(4.5x)	(4.5x)	(4.4x)	(4.3x)	(4.3x)	(4.3x)	(4.2x)
Days Sales of Inventory					-76	-79	-80	-81	-82	-84	-85	-85	-86	-87
Receivables Turnover					11.1x	11.2x	11.2x	11.1x	10.9x	10.7x	10.5x	10.5x	10.4x	10.3x
Days of Receivables					33	33	32	33	33	34	35	35	35	36
Payables Turnover					(4.5x)	(4.4x)	(4.3x)	(4.2x)	(4.2x)	(4.1x)	(4.0x)	(4.0x)	(4.0x)	(3.9x)
Days of Payables					-80	-83	-84	-86	-87	-90	-91	-91	-92	-94
Operational Cycle					-43	-46	-47	-48	-48	-50	-50	-50	-51	-51
Cash Cycle					37	37	37	38	39	40	41	41	42	43
Operational Ratios														
Number of Stores	63	80	105	133	175	225	267	305	340	372	405	435	460	480
SSS for Mature Stores		6.1%	7.7%	26.5%	8.0%	8.2%	8.1%	8.6%	8.7%	6.0%	5.4%	5.6%	6.1%	6.1%
DuPont Analysis														
Leverage (Assets/Equity)		3.3x	7.0x	3.7x	1.5x	1.6x	1.7x	1.8x	1.9x	2.0x	2.0x	2.1x	2.2x	2.3x
Assets' Turnover		1.3x	0.8x	0.8x	1.0x	1.2x	1.4x	1.5x	1.6x	1.6x	1.7x	1.7x	1.8x	1.8x
Net Margin		4%	2%	4%	4%	6%	6%	6%	7%	7%	7%	7%	7%	7%

2. Income Statement

Income Statement	[Unit]	17'	18'	19'	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Gross Revenue	[BRL Th.]	716,005	913,419	1,164,234	1,706,729	2,538,493	3,477,790	4,705,615	6,151,462	7,826,443	9,428,006	11,051,279	12,768,042	14,603,442	16,110,446
growth YOY	[%]	N.A	28%	27%	47%	49%	37%	35%	31%	27%	20%	17%	16%	14%	10%
Deductions	[BRL Th.]	-118,636	-145,512	-178,158	-269,973	-391,392	-536,215	-725,525	-948,450	-1,206,703	-1,453,636	-1,703,917	-1,968,612	-2,251,600	-2,483,954
% Gross Revenue	[%]	-17%	-16%	-15%	-16%	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Net Revenue	[BRL Th.]	597,369	767,907	986,076	1,436,756	2,147,101	2,941,575	3,980,090	5,203,013	6,619,740	7,974,370	9,347,362	10,799,429	12,351,842	13,626,492
growth YOY	[%]	N.A	29%	28%	46%	49%	37%	35%	31%	27%	20%	17%	16%	14%	10%
COGS	[BRL Th.]	-332,534	-416,039	-509,748	-743,249	-1,112,222	-1,522,834	-2,047,339	-2,639,015	-3,325,238	-3,966,723	-4,649,696	-5,372,004	-6,144,227	-6,778,281
% Net Revenue	[%]	-56%	-54%	-52%	-51.7%	-51.8%	-51.8%	-51.4%	-50.7%	-50.2%	-49.7%	-49.7%	-49.7%	-49.7%	-49.7%
growth YOY	[%]	N.A	25%	23%	46%	50%	37%	34%	29%	26%	19%	17%	16%	14%	10%
Gross Profit	[BRL Th.]	264,835	351,868	476,328	693,507	1,034,879	1,418,740	1,932,751	2,563,997	3,294,502	4,007,647	4,697,666	5,427,425	6,207,615	6,848,211
% Net Revenue	[%]	44%	45.8%	48.31%	48.27%	48.2%	48.2%	48.6%	49.3%	49.8%	50.3%	50.3%	50.3%	50.3%	50.3%
growth YOY	[%]	N.A	33%	35%	46%	49%	37%	36%	33%	28%	22%	17%	16%	14%	10%
SG&A	[BRL Th.]	-217,132	-275,547	-361,230	-532,757	-783,519	-1,075,506	-1,447,110	-1,873,846	-2,361,805	-2,832,964	-3,310,593	-3,813,275	-4,347,587	-4,798,465
% Net Revenue	[%]	-36%	-36%	-37%	-37%	-36.49%	-36.56%	-36.36%	-36.01%	-35.68%	-35.53%	-35%	-35%	-35%	-35%
Sales expenses	[BRL Th.]	-144,637	-192,133	-194,609	-312,941	-467,662	-640,707	-866,907	-1,133,272	-1,441,851	-1,736,904	-2,035,957	-2,352,233	-2,690,365	-2,967,997
% Net Revenue	[%]	-24%	-25%	-20%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%
growth YOY	[%]	N.A	33%	1%	61%	49%	37%	35%	31%	27%	20%	17%	16%	14%	10%
G&A	[BRL Th.]	-61,794	-73,598	-82,052	-116,128	-167,101	-228,933	-309,757	-404,932	-515,191	-620,617	-727,473	-840,482	-961,301	-1,060,503
% Net Revenue	[%]	-10%	-10%	-8%	-8%	-7.8%	-7.8%	-7.8%	-7.8%	-7.8%	-8%	-8%	-8%	-8%	-8%
growth YOY	[%]	N.A	19%	11%	42%	44%	37%	35%	31%	27%	20%	17%	16%	14%	10%
Other Expenses	[BRL Th.]	-10,701	-9,815	-11,197	-13,321	-27,548	-37,742	-51,066	-66,757	-84,934	-102,315	-119,931	-138,561	-158,480	-174,834
% Net Revenue	[%]	-2%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
growth YOY	[%]	N.A	-8%	14%	19%	107%	37%	35%	31%	27%	20%	17%	16%	14%	10%
PIS/Cofins Credit over Depreciation - Rights-of-Use (CPC 06 (R2)/IFRS 16)	[BRL Th.]	0	0	4,482	5,569	8,322	11,402	15,427	20,167	25,659	30,909	36,231	41,860	47,877	52,818
% Net Revenue	[%]	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
growth YOY	[%]	N.A	N.A	N.A	24%	49%	37%	35%	31%	27%	20%	17%	16%	14%	10%
Adjusted EBITDA	[BRL Th.]	47,703	76,322	192,952	256,686	251,360	343,234	485,642	690,152	932,697	1,174,682	1,387,073	1,614,151	1,860,029	2,049,746
% Net Revenue	[%]	8%	10%	20%	17.9%	17.7%	17.8%	18.1%	18.6%	19.3%	19.8%	19.8%	19.8%	19.8%	19.8%
growth YOY	[%]	N.A	60%	153%	33%	-2%	37%	41%	42%	35%	26%	18%	16%	15%	10%
Ex-IFRS 16 EBITDA	[BRL Th.]	47,703	76,322	115,097	160,750	121,830	163,707	250,835	401,101	587,210	770,644	923,609	1,090,292	1,274,710	1,401,797
% Net Revenue	[%]	8%	10%	12%	11.2%	11.2%	11.7%	12.2%	13.3%	14.1%	14.7%	14.8%	14.9%	15.1%	15.0%
growth YOY	[%]	N.A	10%	12%	40%	-24%	34%	53%	60%	46%	31%	20%	18%	17%	10%
Rental Expenses	[BRL Th.]			-77,855	-95,936	-129,530	-179,527	-234,807	-289,051	-345,487	-404,038	-463,464	-523,858	-585,318	-647,949
% Net Revenue	[%]			-8%	-6.7%	-6.03%	-6.10%	-5.90%	-5.56%	-5.22%	-5.07%	-4.96%	-4.85%	-4.74%	-4.76%
EBIT	[BRL Th.]	25,103	53,171	73,545	108,028	162,059	232,828	343,236	517,142	726,381	932,229	1,107,034	1,294,026	1,498,498	1,643,713
% Net Revenue	[%]	4%	7%	7%	7.5%	7.5%	7.9%	8.6%	9.9%	11.0%	11.7%	11.8%	12.0%	12.1%	12.1%
growth YOY	[%]	N.A	112%	38%	47%	50%	44%	47%	51%	40%	28%	19%	17%	16%	10%
Financial Result	[BRL Th.]	-6,976	-6,345	-49,776	-54,153	-32,309	15,045	-11,549	-41,347	-67,287	-91,943	-117,092	-139,516	-164,804	-188,097
% Net Revenue	[%]	-1%	-1%	-5%	-4%	-2%	1%	0%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
growth YOY	[%]	N.A	-9%	684%	9%	-40%	-147%	-177%	258%	63%	37%	27%	19%	18%	14%
Financial Revenue	[BRL Th.]	3,806	9,151	8,714	14,218	22,670	61,709	52,275	49,189	57,672	70,325	80,163	91,578	102,708	112,956
Financial Expenses	[BRL Th.]	-10,782	-15,496	-58,490	-68,371	-54,979	-46,664	-63,823	-90,536	-124,959	-162,268	-197,255	-231,094	-267,512	-301,053
EBT	[BRL Th.]	18,127	46,827	36,337	69,949	129,750	247,874	331,687	475,795	659,094	840,285	989,941	1,154,510	1,333,694	1,455,616
% Net Revenue	[%]	3%	6%	3%	5%	6%	6%	6%	6%	10%	11%	11%	11%	11%	11%
growth YOY	[%]	N.A	158%	-22%	93%	85%	91%	34%	43%	39%	27%	18%	17%	16%	9%
Income Tax and Social Contribution	[BRL Th.]	-6,702	-15,930	-12,762	-11,562	-34,115	-84,277	-112,774	-161,770	-224,092	-285,697	-336,580	-392,534	-453,456	-494,910
Tax Rate	[%]	-37%	-34%	-35%	-17%	-34%	-34%	-34%	-34%	-34%	-34%	-34%	-34%	-34%	-34%
Net Profit	[BRL Th.]	11,425	30,897	23,576	58,387	95,635	163,597	218,914	314,025	435,002	554,588	653,361	761,977	880,238	960,707
% Net Revenue	[%]	2%	4%	2%	4%	4.5%	5.6%	5.5%	6.0%	6.6%	7.0%	7.0%	7.1%	7.1%	7.1%
growth YOY	[%]	N.A	170%	-24%	148%	64%	71%	34%	43%	39%	27%	18%	17%	16%	9%

3. Balance Sheet

Balance Sheet	[Unit]	17'	18'	19'	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Current assets	[BRL Th.]	224,190	351,704	440,917	886,275	1,487,682	1,610,947	1,892,833	2,337,652	2,892,762	3,377,262	3,903,755	4,442,790	4,987,946	5,385,452
Cash and Cash Equivalents	[BRL Th.]	61,089	160,829	169,277	443,757	895,575	839,044	883,541	1,055,311	1,293,903	1,479,425	1,694,687	1,904,569	2,097,823	2,206,393
Financial Investments	[BRL Th.]	0	0	0	43,761	32,248	32,248	32,248	32,248	32,248	32,248	32,248	32,248	32,248	32,248
Accounts Receivable	[BRL Th.]	66,875	76,163	96,076	160,675	225,658	300,986	407,248	532,379	677,340	815,948	956,434	1,105,012	1,263,856	1,394,280
Inventory	[BRL Th.]	82,818	97,489	132,657	185,701	276,239	380,709	511,835	659,754	831,310	991,681	1,162,424	1,343,001	1,536,057	1,694,570
Taxes and Contributions to be Recovered	[BRL Th.]	2,651	8,901	35,375	41,722	39,986	39,986	39,986	39,986	39,986	39,986	39,986	39,986	39,986	39,986
Other Assets	[BRL Th.]	10,757	8,322	7,532	10,659	17,975	17,975	17,975	17,975	17,975	17,975	17,975	17,975	17,975	17,975
Non-Current Assets	[BRL Th.]	178,178	245,309	801,731	1,006,613	568,628	765,998	945,182	1,119,679	1,292,539	1,580,841	1,735,204	1,871,951	1,985,169	2,068,019
Other Assets	[BRL Th.]	955	1,070	768	2,884	4,932	4,932	4,932	4,932	4,932	4,932	4,932	4,932	4,932	4,932
Taxes and Contributions to be Recovered	[BRL Th.]	0	426	1,692	1,701	1,847	1,847	1,847	1,847	1,847	1,847	1,847	1,847	1,847	1,847
Deferred Income Tax and Social Contribution	[BRL Th.]	22,209	12,606	14,770	23,703	24,574	24,574	24,574	24,574	24,574	24,574	24,574	24,574	24,574	24,574
Immobilized	[BRL Th.]	146,700	215,555	280,774	350,363	457,795	625,657	766,661	894,236	1,011,740	1,241,311	1,337,133	1,418,145	1,480,930	1,527,642
Intangible	[BRL Th.]	8,314	15,652	41,099	56,902	79,480	108,988	147,168	194,089	249,446	308,177	366,718	422,452	472,885	509,024
Current Liabilities	[BRL Th.]	150,762	212,605	380,950	654,287	533,898	687,589	906,150	1,177,466	1,495,743	1,802,700	2,105,396	2,427,693	2,774,785	3,054,727
Suppliers	[BRL Th.]	80,234	98,915	130,812	195,675	293,587	403,031	543,268	702,104	886,981	1,060,846	1,246,727	1,444,131	1,655,991	1,831,588
Loans, Financing and Debentures	[BRL Th.]	22,293	56,697	111,102	273,942	144,532	188,779	267,103	379,584	512,983	646,075	762,890	887,783	1,023,016	1,127,360
Labor and Social Security Obligations	[BRL Th.]	22,010	27,101	36,120	53,716	55,670	55,670	55,670	55,670	55,670	55,670	55,670	55,670	55,670	55,670
Tax Obligations	[BRL Th.]	15,931	11,831	25,385	36,556	26,419	26,419	26,419	26,419	26,419	26,419	26,419	26,419	26,419	26,419
Dividends payable	[BRL Th.]	602	7,941	5,599	13,867	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521
Bills to pay	[BRL Th.]	7,573	8,138	2,877	5,993	6,184	6,184	6,184	6,184	6,184	6,184	6,184	6,184	6,184	6,184
Loyalty Program	[BRL Th.]	2,119	1,982	2,252	3,015	2,985	2,985	2,985	2,985	2,985	2,985	2,985	2,985	2,985	2,985
Non-Current Liabilities	[BRL Th.]	93,791	202,638	685,420	723,842	145,863	190,110	268,434	380,915	514,314	647,406	764,221	889,114	1,024,347	1,128,691
Loans, Financing and Debentures - NC	[BRL Th.]	92,064	200,596	287,383	222,403	144,532	188,779	267,103	379,584	512,983	646,075	762,890	887,783	1,023,016	1,127,360
Provision for Civil, Labor and Tax Risk	[BRL Th.]	1,727	2,042	2,212	1,902	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331
Shareholders' equity	[BRL Th.]	157,815	181,770	176,278	514,759	1,376,549	1,499,246	1,663,432	1,898,950	2,175,244	2,507,997	2,769,341	2,997,934	3,173,982	3,270,053
Share capital	[BRL Th.]	50,515	50,515	50,515	387,250	1,177,250	1,177,250	1,177,250	1,177,250	1,177,250	1,177,250	1,177,250	1,177,250	1,177,250	1,177,250
Capital Reserve	[BRL Th.]	79,818	79,818	79,818	54,639	54,639	54,639	54,639	54,639	54,639	54,639	54,639	54,639	54,639	54,639
Reserve for Granted Option	[BRL Th.]	721	1,118	1,471	1,754	1,818	1,818	1,818	1,818	1,818	1,818	1,818	1,818	1,818	1,818
Special Goodwill Reserve	[BRL Th.]	24,825	24,825	24,825	24,825	24,825	24,825	24,825	24,825	24,825	24,825	24,825	24,825	24,825	24,825
Profit Reserve	[BRL Th.]	1,936	25,494	19,649	46,291	118,017	240,714	404,900	640,418	916,712	1,249,465	1,510,809	1,739,402	1,915,450	2,011,521

4. Revenue Build-Up (A)

Revenue Build Up	[Unit]	17'	18'	19'	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Gross Revenue	[BRL Th.]	716,005	913,419	1,164,234	1,706,729	2,538,493	3,477,790	4,705,615	6,151,462	7,826,443	9,428,006	11,051,279	12,768,042	14,603,442	16,110,446
growth YOY	[%]		28%	28%	47%	49%	37%	35%	31%	27%	20%	17%	16%	14%	10%
Products	[BRL Th.]	653,409	833,291	1,077,509	1,625,236	2,441,588	3,327,980	4,481,544	5,849,864	7,432,379	8,966,542	10,525,039	12,176,113	13,943,849	15,382,786
growth YOY	[%]		28%	29%	51%	50%	36%	35%	31%	27%	21%	17%	16%	15%	10%
B&M (Products)	[BRL Th.]	630,161	796,362	987,966	1,229,602	1,678,067	2,211,282	2,882,022	3,644,775	4,490,863	5,258,969	5,997,173	6,745,769	7,516,900	8,292,607
Revenue per Store	[BRL Th./#]	10,003	9,955	9,409	9,245	9,589	9,828	10,794	11,950	13,208	14,137	14,808	15,508	16,341	17,276
Number of Stores	[#]	63	80	105	133	175	225	267	305	340	372	405	435	460	480
Net Opening of Stores	[#]	17	17	25	28	32	50	42	38	35	32	33	30	25	20
Opened	[#]	17	17	25	28	32	50	42	38	35	32	29	26	23	20
Closed	[#]	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Store's Area	[m²]	77,481	94,726	119,477	142,074	167,437	209,109	244,113	275,784	304,954	329,757	350,661	368,091	382,431	394,027
Average Area per Store	[m²/#]	1,230	1,184	1,138	1,068	957	929	914	904	897	886	866	846	831	821
Average Area per New Store	[m²/#]	-	1,014	990	807	833	833	833	833	833	775	721	670	623	580
New Store Size Dilution	[%]					100%	100%	100%	100%	100%	93%	93%	93%	93%	93%
Store Maturation Curve															
Store's Area per Year	[m²]	76,238	93,482	118,191	140,768	167,437	209,109	244,113	275,784	304,954	329,757	350,661	368,091	382,431	394,027
Sales per Squared Meter	[BRL Th./m²]	8	9	8	9	10	11	12	13	15	16	17	18	20	21
Year 1	[m²]	18,963	17,245	24,708	22,577	26,670	41,672	35,004	31,671	29,170	24,803	20,904	17,430	14,339	11,596
Sales per Squared Meter	[BRL Th./m²]	3	4	4	4	4	4	5	5	5	6	6	6	7	7
% of Mature Store	[%]	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%
Cohort Adjusted	[%]	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
Year 2	[m²]	12,934	18,963	17,245	24,708	22,577	26,670	41,672	35,004	31,671	29,170	24,803	20,904	17,430	14,339
Sales per Squared Meter	[BRL Th./m²]	8	8	8	8	9	10	11	12	13	14	15	16	18	20
% of Mature Store	[%]	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Cohort Adjusted	[%]	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Year 3	[m²]	7,374	12,934	18,963	17,245	24,708	22,577	26,670	41,672	35,004	31,671	29,170	24,803	20,904	17,430
Sales per Squared Meter	[BRL Th./m²]	10	10	10	10	11	12	13	14	15	16	17	18	20	21
% of Mature Store	[%]	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Cohort Adjusted	[%]	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Year 4 - Mature	[m²]	36,966	44,341	57,275	76,238	93,482	118,191	140,768	167,437	209,109	244,113	275,784	304,954	329,757	350,661
Sales per Squared Meter	[BRL Th./m²]	11	11	11	10.99	11.87	13	14	15	16	17	18	19	21	22
% of Mature Store	[%]	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cohort Adjusted	[%]	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Mature Same Store Sales (SSS)	[%]	13%	6%	8%	27%	8%	8.2%	8.1%	8.6%	8.7%	6.0%	5.4%	5.6%	6.1%	6.1%
Total Same Store Sales (SSS)	[%]		12%	4%	4%	13%	13%	12%	14%	13%	9%	8%	8%	8%	7%
Digital (Products)	[BRL Th.]	23,248	36,929	89,543	395,634	763,521	1,116,698	1,599,522	2,205,089	2,941,515	3,707,573	4,527,866	5,430,344	6,426,949	7,090,179
Digital Penetration (as a % of Total Gross Revenue)	[%]	3%	4%	8%	23%	30%	32%	34%	36%	38%	39%	41%	43%	44%	44%
Omnichannel Penetration (as a % of Total Gross Revenue)	[%]	1%	2%	7%	23%	30%	32%	34%	36%	38%	39%	41%	43%	44%	44%
Digital/B&M Ratio	[%]	4%	5%	9%	32%	46%	51%	56%	61%	66%	71%	76%	81%	86%	86%
Services and Others	[BRL Th.]	62,596	80,128	86,725	81,493	96,905	149,810	224,072	301,598	394,065	461,464	526,240	591,928	659,593	727,660
% Gross Revenue	[%]	9%	9%	7%	5%	4%	5%	6%	5%	5%	5%	5%	5%	5%	5%
growth YOY	[%]	N.A	28%	8%	-6%	19%	55%	50%	35%	31%	17%	14%	12%	11%	10%
Seres	[BRL Th.]		17,532	18,975	17,831	25,382	50,188	94,492	154,337	223,001	282,720	327,415	366,705	399,479	424,506
Number of Hospitals BoP	[#]				7	10	12	17	22	27	32	36	39	41	42
New hospitals	[#]				3	2	5	5	5	5	4	3	2	1	0
Number of Hospitals EoP	[#]				10	12	17	22	27	32	36	39	41	42	42
Revenue per Hospital	[BRL Th./#]				2,098	2,307	3,461	4,846	6,299	7,559	8,315	8,731	9,168	9,626	10,107
growth YOY	[%]					70%	50%	40%	30%	20%	10%	5%	5%	5%	5%
Other Services	[BRL Th.]	62,596	62,596	67,750	63,662	71,523	99,622	129,580	147,261	171,063	178,744	198,825	225,224	260,114	303,154
growth YOY	[%]					12%	39%	30%	14%	16%	4%	11%	13%	15%	17%
% Gross Revenue	[%]	9%	7%	6%	4%	3%	3%	3%	2%	2%	2%	2%	2%	2%	2%

4. Revenue Build-Up (B): SSS & Industry Growth

We understand the importance of estimating the growth of the pet segment in Brazil, given the history of annual double-digit growth and pulverization. Thus, we decided to break the sector into price and quantity, where the price is the average spend per pet in the country and quantity is the growth in the number of pets in Brazil (considering only dogs and cats). In the first point, we decided to calculate the average spend per pet from two valuable proxies.

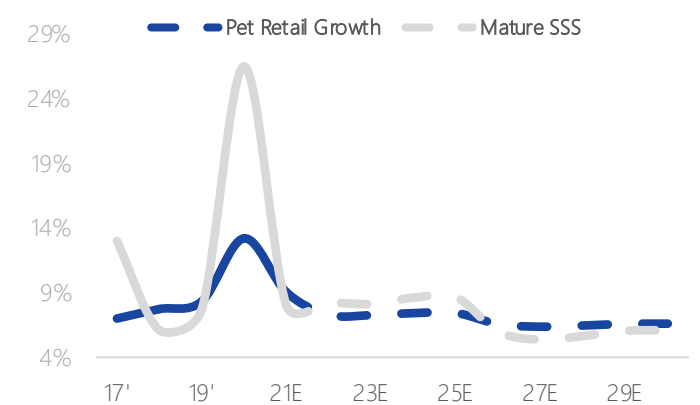
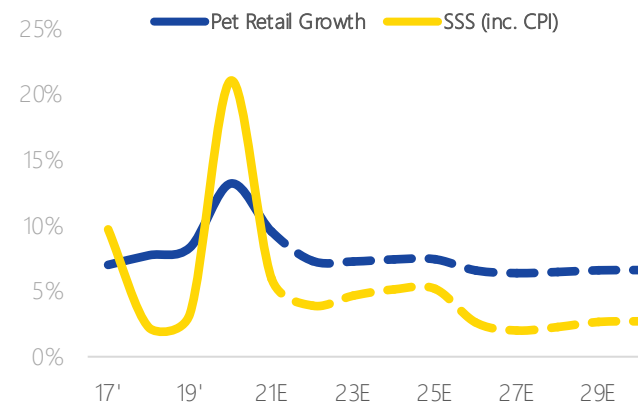
First, we consider using comparables from developed and underdeveloped countries. The second point is to compare this average spending data with each country's GDP per capita, given that average spending per pet is strongly correlated with purchasing power. In this case, we found a 90% correlation between the base data used. Thus, we used linear regression to estimate the average spending per pet for the next ten years summed to a premium per humanization, using the GDP and population growth projections.

Countries	GDP per Capita (000's)	Average Expenditure	Regression Statistics	
BRA	36	304	Multiple R	90%
CHN	56	193	R Square	81%
MEX	44	213	Adjusted R Square	78%
FRA	205	978	Standard Error	52
JAP	213	1109	Observations	8
DEU	242	961		
UK	214	1443		
USA	337	1255		

	Nominal GDP	Population
BRA 21E	8,094.6	213.3
BRA 22E	8,272.7	214.8
BRA 23E	8,520.9	216.8
BRA 24E	8,759.5	217.6
BRA 25E	9,004.8	219.1
BRA 26E	9,256.9	220.3
BRA 27E	9,516.1	221.5
BRA 28E	9,782.5	222.7
BRA 29E	10,056.4	223.8
BRA 30E	10,338.0	224.8

After that, we tried to understand what correlates with Petz's SSS. We did a test analysis with different correlation scenarios (GDP, Stores Outside São Paulo, and CPI). In all cases, the natural growth of the pet industry was the one that achieved the highest correlation, reaching up to 85% with CPI-adjusted values. From this, we again did a statistical study to project SSS growth and then readjusted it to nominal growth, given that our model is nominal.

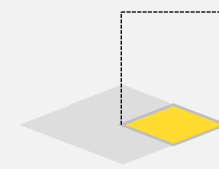
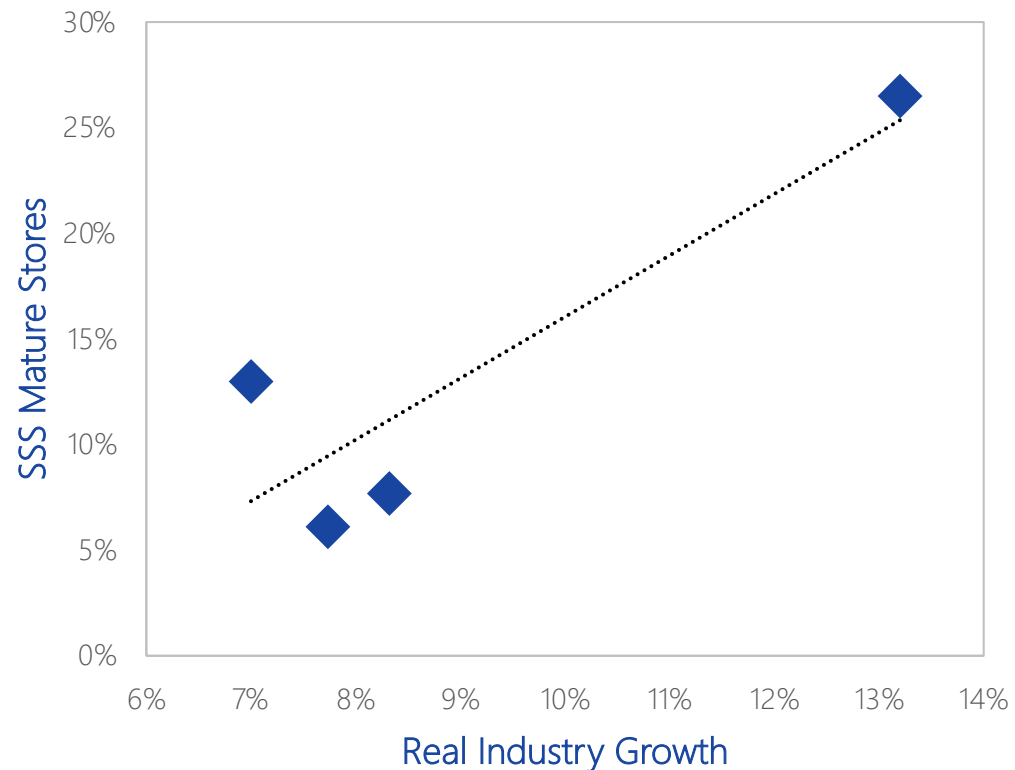
	Pet Industry	Pet Retail Growth	SSS (inc. CPI)	Mature SSS
17'	16.9	7.0%	9.7%	13%
18'	20.8	7.7%	2.2%	6.1%
19'	23.5	8.3%	3.3%	7.7%
20'	27.8	13.2%	21.1%	26.5%
21E	33.1	9.5%	5.9%	15.2%
22E	37.0	7.3%	3.9%	8.2%
23E	41.0	7.3%	4.7%	8.1%
24E	45.5	7.4%	5.1%	8.6%
25E	50.5	7.4%	5.2%	8.7%
26E	55.6	6.6%	2.6%	6.0%
27E	61.1	6.4%	2.0%	5.4%
28E	67.2	6.5%	2.3%	5.6%
29E	74.0	6.6%	2.7%	6.1%
30E	81.5	6.6%	2.7%	6.1%



4. Revenue Build Up (C): Our SSS projections

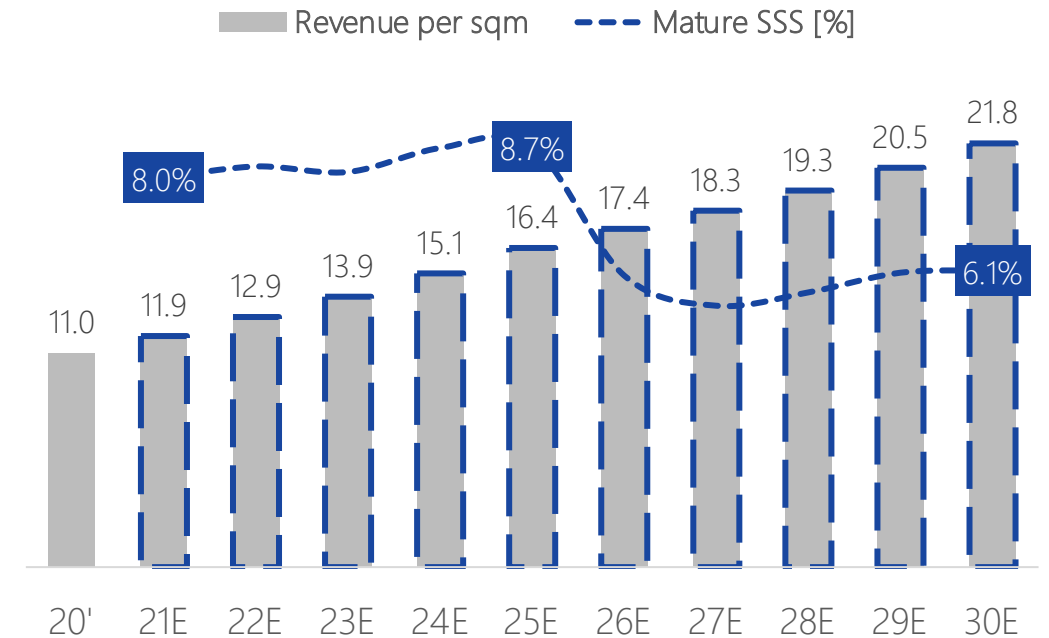
Based on data from 2017 to 2020, we can see the existence of an 84.5% correlation between actual industry growth and SSS for mature stores. Therefore, we use industry growth estimates to estimate Petz's SSS, given its competitive advantages.

SSS Correlation



We premised revenue per **store area**, following SSS for mature stores projections;

Revenue per m² projections



5. P&L Projection: COGS and SG&A

COGS	[Unit]	17'	18'	19'	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
COGS	[BRL Th.]	-332,534	-416,039	-509,748	-743,249	-1,112,222	-1,522,834	-2,047,339	-2,639,015	-3,325,238	-3,966,723	-4,649,696	-5,372,004	-6,144,227	-6,778,281
% Net Revenue	[%]	-55.7%	-54.2%	-51.7%	-51.73%	-51.80%	-51.77%	-51.44%	-50.72%	-50.2%	-49.7%	-49.7%	-49.7%	-49.7%	-49.7%
growth YOY	[%]	N.A	45.82%	48.31%	48.27%					-1.5%					
Standard Products (% Net Revenue)	[%]				-52.0%	-52.2%	-52.4%	-52.4%	-51.9%	-51.4%	-50.9%	-50.9%	-50.9%	-50.9%	-50.9%
Private Label Margin	[%]				-44.2%	-44.4%	-44.5%	-44.5%	-44.1%	-43.7%	-43.3%	-43.3%	-43.3%	-43.3%	-43.3%
Private Label Penetration	[%]	0.1%	0.3%	1.1%	3.3%	6%	9%	12%	15%	15%	15.0%	15.0%	15.0%	15.0%	15.0%
Private Label Margin Increase	[%]	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%

SG&A	[Unit]	17'	18'	19'	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
SG&A	[BRL Th.]			-361,231	-532,757	-783,519	-1,075,506	-1,447,110	-1,873,846	-2,361,805	-2,832,964	-3,310,593	-3,813,275	-4,347,587	-4,798,465
% Net Revenue	[%]	0%	0%	-37%	-37%	-36.49%	-36.56%	-36.36%	-36.01%	-35.68%	-35.53%	-35.42%	-35.31%	-35.20%	-35.21%
growth YOY	[%]	N.A	N.A	N.A	47%	47%	639%	856%	891%	1120%	262%	208%	164%	132%	103%
Sales Expenses	[BRL Th.]	-144,637	-192,133	-194,609	-312,941	-467,662	-640,707	-866,907	-1,133,272	-1,441,851	-1,736,904	-2,035,957	-2,352,233	-2,690,365	-2,967,997
% Net Revenue	[%]	-24%	-25%	-20%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%
growth YOY	[%]	N.A	33%	1%	61%	49%	37%	35%	31%	27%	20%	17%	16%	14%	10%
G&A	[BRL Th.]		-73,598	-82,052	-116,128	-167,101	-228,933	-309,757	-404,932	-515,191	-620,617	-727,473	-840,482	-961,301	-1,060,503
% Net revenue	[%]	N.A	-9.6%	-8.3%	-8.1%	-8%	-8%	-8%	-8%	-8%	-8%	-8%	-8%	-8%	-8%
growth YOY	[%]	N.A	N.A	11%	42%	44%	37%	35%	31%	27%	20%	17%	16%	14%	10%
Other Expenses	[BRL Th.]	-10,701	-9,815	-11,197	-13,321	-27,548	-37,742	-51,066	-66,757	-84,934	-102,315	-119,931	-138,561	-158,480	-174,834
% Net revenue	[%]	-2%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
growth YOY	[%]	N.A	-8%	14%	19%	107%	137%	135%	131%	127%	120%	117%	116%	114%	110%
PIS/Cofins Credit over Depreciation - Rights-of-Use (CPC 06 (R2)/IFRS 16)	[BRL Th.]	0	0	4,482	5,569	8,322	11,402	15,427	20,167	25,659	30,909	36,231	41,860	47,877	52,818
% Net revenue	[%]	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
growth YOY	[%]	N.A	N.A	N.A	24%	49%	137%	135%	131%	127%	120%	117%	116%	114%	110%
Rental Expenses	[BRL Th.]			-77,855	-95,936	-129,530	-179,527	-234,807	-289,051	-345,487	-404,038	-463,464	-523,858	-585,318	-647,949
% Net Revenue	[%]			-8%	-7%	-6%	-6%	-6%	-6%	-5%	-5%	-5%	-5%	-5%	-5%
Total Store Area	[m ²]			105,837	129,479	154,102	188,273	226,611	259,949	290,369	317,356	340,209	359,376	375,261	388,229
Rent/m ²	[BRL Th./m ²]			-0.74	-0.74	-0.84	-0.95	-1.04	-1.11	-1.19	-1.27	-1.36	-1.46	-1.56	-1.67

6. Working Capital

Working Capital	[Unit]	17'	18'	19'	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Days in the Period	[days]	360	360	360	360	360	360	360	360	360	360	360	360	360	360
Net Revenue	[BRL Th.]	597,369	767,907	986,076	1,436,756	2,147,101	2,941,575	3,980,090	5,203,013	6,619,740	7,974,370	9,347,362	10,799,429	12,351,842	13,626,492
COGS	[BRL Th.]	-332,534	-416,039	-509,748	-743,249	-1,112,222	-1,522,834	-2,047,339	-2,639,015	-3,325,238	-3,966,723	-4,649,696	-5,372,004	-6,144,227	-6,778,281
Change in WC	[BRL Th.]		5,278	23,184	52,780	57,610	70,352	97,152	114,214	131,640	125,113	125,349	131,751	140,041	113,340
% Net revenue	[%]	0%	1%	2%	4%	3%	2%	2%	2%	2%	2%	1%	1%	1%	1%
WC (Operational)	[BRL Th.]	69,459	74,737	97,921	150,701	208,311	278,663	375,815	490,029	621,669	746,782	872,131	1,003,882	1,143,922	1,257,263
% Net revenue	[%]	12%	10%	10%	10%	10%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Receivables	[BRL Th.]	66,875	76,163	96,076	160,675	225,658	300,986	407,248	532,379	677,340	815,948	956,434	1,105,012	1,263,856	1,394,280
Days of Receivables	[days]	40	36	35	40	38	37	37	37	37	37	37	37	37	37
% Net revenue	[%]	11%	10%	10%	11%	11%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Inventory	[BRL Th.]	82,818	97,489	132,657	185,701	276,239	380,709	511,835	659,754	831,310	991,681	1,162,424	1,343,001	1,536,057	1,694,570
Days of Inventory	[days]	90	84	94	90	89	90	90	90	90	90	90	90	90	90
% Net revenue	[%]	14%	13%	13%	13%	13%	13%	13%	13%	13%	12%	12%	12%	12%	12%
Suppliers	[BRL Th.]	80,234	98,915	130,812	195,675	293,587	403,031	543,268	702,104	886,981	1,060,846	1,246,727	1,444,131	1,655,991	1,831,588
Days of Suppliers	[days]	87	86	92	95	95	95	96	96	96	96	97	97	97	97
% Net revenue	[%]	13%	13%	13%	14%	14%	14%	14%	13%	13%	13%	13%	13%	13%	13%
Cash Conversion Cycle	[days]	43	34	36	35	32	32	31	31	31	31	30	30	30	30

7. CAPEX: PP&E and Intangibles

PP&E	[Unit]	17'	18'	19'	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Gross PP&E (BOP)	[BRL Th.]		146,700	215,555	325,193	456,139	636,648	891,433	1,140,993	1,395,296	1,655,968	2,043,852	2,310,862	2,573,915	2,827,789
Capex	[BRL Th.]		68,855	109,638	130,946	180,509	254,785	249,560	254,303	260,672	387,884	267,010	263,053	253,874	245,245
Gross PP&E (EOP)	[BRL Th.]	146,700	215,555	325,193	456,139	636,648	891,433	1,140,993	1,395,296	1,655,968	2,043,852	2,310,862	2,573,915	2,827,789	3,073,034
Depreciation	[BRL Th.]			-44,419	-61,357	-73,077	-86,923	-108,556	-126,728	-143,169	-158,312	-171,188	-182,040	-191,089	-198,533
Accumulated Depreciation	[BRL Th.]			-44,419	-105,776	-178,853	-265,776	-374,332	-501,059	-644,228	-802,541	-973,729	-1,155,769	-1,346,858	-1,545,391
				-16.4%	-15.7%	-13.4%	-11.4%	-10.7%	-10.0%	-9.4%	-8.6%	-7.9%	-7.5%	-7.1%	-6.7%
Net PP&E	[BRL Th.]	146,700	215,555	280,774	350,363	457,795	625,657	766,661	894,236	1,011,740	1,241,311	1,337,133	1,418,145	1,480,930	1,527,642
Capex	[BRL Th.]		68,855	109,638	130,946	107,432	167,862	141,004	127,575	117,503	99,912	95,821	81,013	62,785	46,712
Opened	[#]	17	17	25	32	32	50	38	35	32	29	26	23	20	
Capex per Store Opened	[BRL Th./#]	0	4,050	4,386	4,677	3,357	3,357	3,357	3,357	3,357	3,122	3,304	3,116	2,730	2,336
Area of New Stores	[m²/#]	17,245	17,245	24,752	22,597	26,670	41,672	35,004	31,671	29,170	24,803	23,788	20,111	15,586	11,596
Capex per m²	[BRL Th./m²]		4.0	4.4	5.8	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Store Expansion Capex	[BRL Th.]		68,855	109,638	130,946	107,432	167,862	141,004	127,575	117,503	99,912	95,821	81,013	62,785	46,712
Zee.Dog Capex	[BRL Th.]										129,660				
Store renovation	[BRL Th.]														
Number of Stores with 1Y or More	[#]		63	105	133	167	175	225	267	305	340	372	405	435	460
Area of Stores with 1Y or More	[m²]			93,482	118,191	140,768	167,437	209,109	244,113	275,784	304,954	329,757	350,661	368,091	382,431
Renovation Capex per m² with 1Y or More	[BRL Th./m²]			0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Maintenance Capex	[BRL Th.]			44,419	61,357	73,077	86,923	108,556	126,728	143,169	158,312	171,188	182,040	191,089	198,533
New Sales/Capex	[#]		2.41	6.52	6.60	2.48	2.09	2.69	3.00	3.25	1.98	2.76	2.85	3.04	3.16

Intangibles	[Unit]	17'	18'	19'	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Gross Intangibles (BOP)	[BRL Th.]			21,869	53,743	79,524	117,869	170,403	241,484	334,405	452,627	595,042	761,977	954,845	1,175,437
Capex	[BRL Th.]			31,874	25,781	38,345	52,534	71,081	92,921	118,222	142,415	166,935	192,868	220,592	243,356
Gross Intangibles (EOP)	[BRL Th.]		21,869	53,743	79,524	117,869	170,403	241,484	334,405	452,627	595,042	761,977	954,845	1,175,437	1,418,793
Amortization	[BRL Th.]			-6,418	-9,978	-15,767	-23,026	-32,900	-46,000	-62,865	-83,684	-108,394	-137,134	-170,159	-207,218
% of intangibles	[%]			17%	15%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%
Accumulated amortization	[BRL Th.]		-6,227	-12,644	-22,622	-38,389	-61,415	-94,315	-140,315	-203,181	-286,865	-395,258	-532,392	-702,552	-909,769
% of Gross Revenue	[%]		0.0%	2.7%	1.5%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Total Digital Sales/Capex Ratio	[#]					9.59	18.30	19.95	21.78	23.35	20.67	20.43	19.86	19.14	17.05
Net Intangibles	[BRL Th.]		15,642	41,099	56,902	79,480	108,988	147,168	194,089	249,446	308,177	366,718	422,452	472,885	509,024

8. Financial Revenues, Debt & Payout

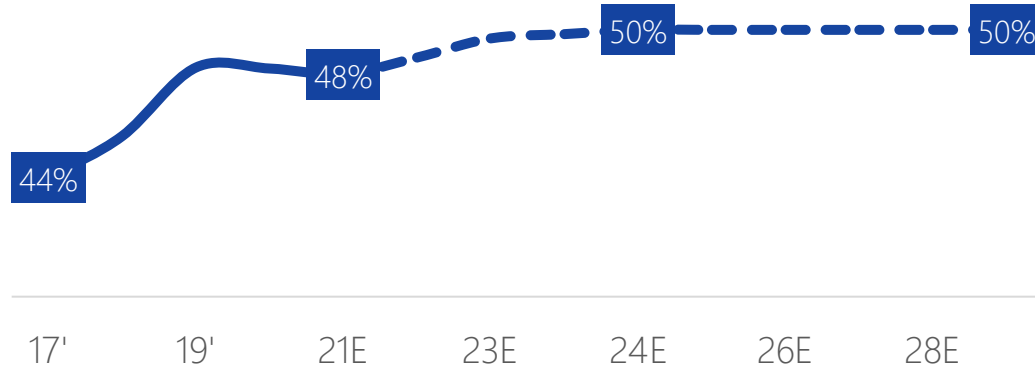
Financial Revenues	[Unit]	17'	18'	19'	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Cash (BOP)	[BRL Th.]		61,089	169,277	487,518	487,518	927,823	871,292	915,789	1,087,559	1,326,151	1,511,673	1,726,935	1,936,817	2,130,071
Financial Revenues	[BRL Th.]	3,806	9,151	8,714	14,218	22,670	61,709	52,275	49,189	57,672	70,325	80,163	91,578	102,708	112,956
Financial Investments Yield	[BRL Th.]				0	4.7%	6.7%	6.0%	5.4%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
% CDI	[%]		0%	0%	105%	60%	90%	90%	90%	90%	90%	90%	90%	90%	90%

Debt	[Unit]	17'	18'	19'	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Gross Debt BOP	[BRL Th.]		114,357	257,293	398,485	496,345	289,064	377,557	534,206	759,167	1,025,967	1,292,150	1,525,780	1,775,566	2,046,031
Gross Debt Variation	[BRL Th.]		142,936	141,192	97,860	-207,281	88,493	156,649	224,961	266,800	266,183	233,630	249,786	270,466	208,689
Gross Debt EOP	[BRL Th.]	114,357	257,293	398,485	496,345	289,064	377,557	534,206	759,167	1,025,967	1,292,150	1,525,780	1,775,566	2,046,031	2,254,720
% Current	[%]	19%	22%	28%	55%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Net Debt	[BRL Th.]	53,268	96,464	229,208	52,588	-606,511	-461,487	-349,335	-296,143	-267,937	-187,274	-168,907	-129,003	-51,792	48,328
Net Debt / EBITDA	[x]	1.1x	1.3x	1.2x	0.2x	(2.41x)	(1.34x)	(0.72x)	(0.43x)	(0.29x)	(0.16x)	(0.12x)	(0.08x)	(0.03x)	0.0x
Gross Debt / EBITDA	[x]	2.4x	3.4x	2.1x	1.9x	1.15x	1.10x	1.10x	1.10x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x
Asset/PL	[x]	2.5x	3.3x	7.0x	3.7x	1.5x	1.6x	1.7x	1.8x	1.9x	2.0x	2.0x	2.1x	2.2x	2.3x
Financial Expenses	[BRL Th.]	-10,782	-15,496	-58,490	-68,371	-54,979	-46,664	-63,823	-90,536	-124,959	-162,268	-197,255	-231,094	-267,512	-301,053
Financial Investments Yield	[%]	-9%	-6%	-15%	-14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%
% CDI	[%]	-135%	-94%	-247%	-495%	181%	189%	210%	235%	238%	238%	238%	238%	238%	238%

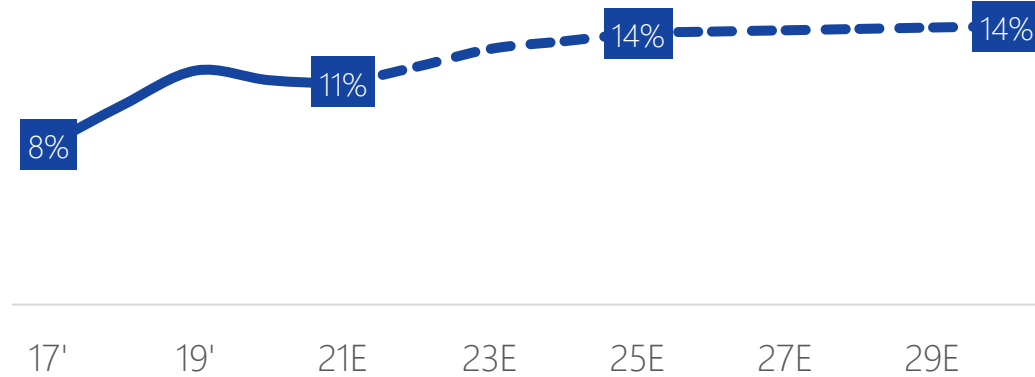
Payout	[Unit]	17'	18'	19'	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Net Income	[BRL Th.]					95,635	163,597	218,914	314,025	435,002	554,588	653,361	761,977	880,238	960,707
Payout	[%]					25%	25%	25%	25%	36%	40%	60%	70%	80%	90%
Dividend Paid	[BRL Th.]					23,909	40,899	54,728	78,506	158,708	221,835	392,017	533,384	704,191	864,636
Reinvestment Rate (CapEx/Net Income)	[%]					125%	174%	122%	85%	64%	67%	38%	31%	26%	18%
Reinvestment Rate (1-PayOut)	[%]					75%	75%	75%	75%	64%	60%	40%	30%	20%	10%

9. Bottom-Line Projections

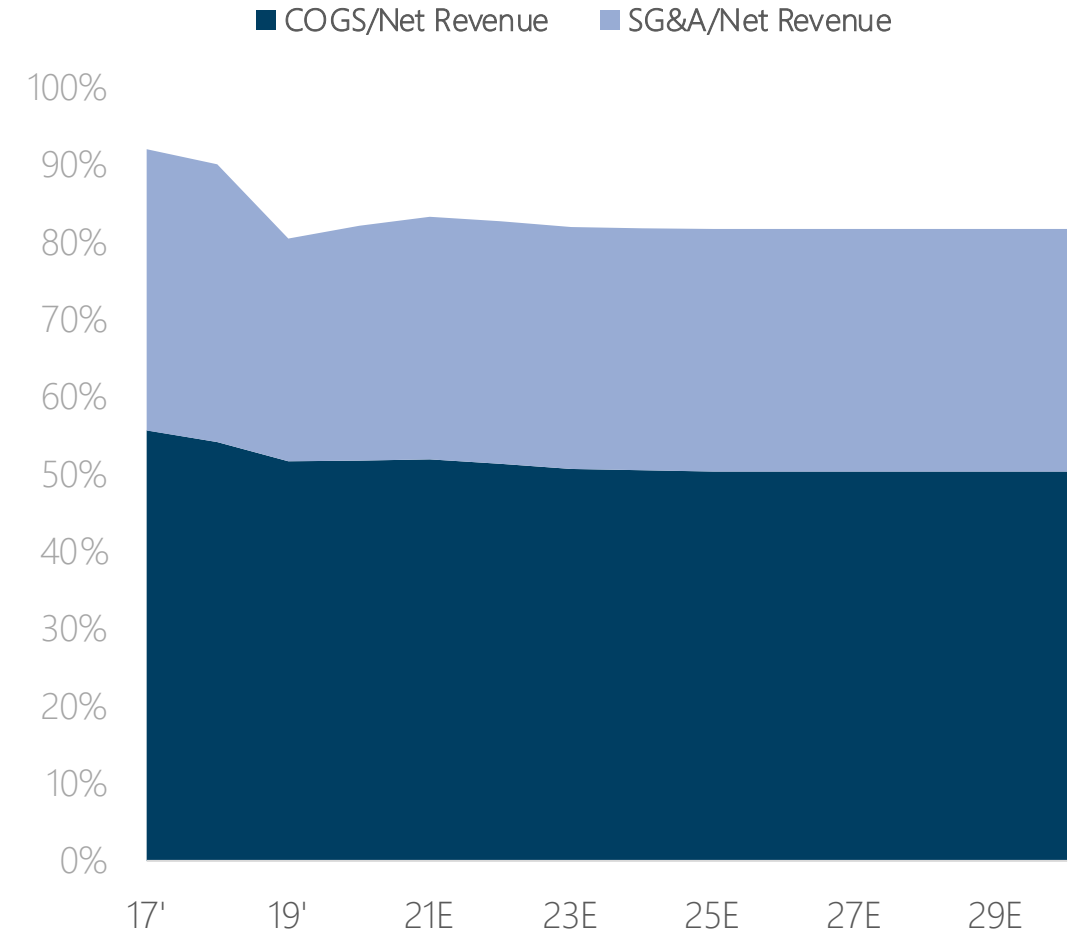
Gross Margin



EBITDA Margin



Cost Structure Breakdown



10. Cash Flow Statement

Cash Flow	[Unit]	17'	18'	19'	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Cash BoP	[BRL Th.]					443,757	895,575	839,044	883,541	1,055,311	1,293,903	1,479,425	1,694,687	1,904,569	2,097,823
(=) Net Income	[BRL Th.]					95,635	163,597	218,914	314,025	435,002	554,588	653,361	761,977	880,238	960,707
(+/-) Financial Result add Back	[BRL Th.]					32,309	-15,045	11,549	41,347	67,287	91,943	117,092	139,516	164,804	188,097
(+) D&A	[BRL Th.]					88,844	109,949	141,456	172,728	206,034	241,996	279,582	319,174	361,248	405,751
(-/+) Change in Other Assets and Liabilities	[BRL Th.]					-26,584	0	0	0	0	0	0	0	0	0
(-/+) Change in WK	[BRL Th.]					-57,610	-70,352	-97,152	-114,214	-131,640	-125,113	-125,349	-131,751	-140,041	-113,340
(=) CFO	[BRL Th.]					132,594	188,148	274,766	413,885	576,683	763,415	924,687	1,088,916	1,266,250	1,441,214
(-) Expansion Capex	[BRL Th.]					-107,432	-167,862	-141,004	-127,575	-117,503	-229,572	-95,821	-81,013	-62,785	-46,712
(-) Maintenance Capex	[BRL Th.]					-73,077	-86,923	-108,556	-126,728	-143,169	-158,312	-171,188	-182,040	-191,089	-198,533
(-) Intangibles	[BRL Th.]					-38,345	-52,534	-71,081	-92,921	-118,222	-142,415	-166,935	-192,868	-220,592	-243,356
(-) Change in investments	[BRL Th.]					11,513	0	0	0	0	0	0	0	0	0
(=) CFI	[BRL Th.]					-207,341	-307,318	-320,641	-347,224	-378,895	-530,299	-433,945	-455,921	-474,466	-488,601
(+/-) Financial Result	[BRL Th.]					-32,309	15,045	-11,549	-41,347	-67,287	-91,943	-117,092	-139,516	-164,804	-188,097
(+/-) Change in Gross Debt	[BRL Th.]					-207,281	88,493	156,649	224,961	266,800	266,183	233,630	249,786	270,466	208,689
(+/-) Change in Capital	[BRL Th.]					64	0	0	0	0	0	0	0	0	0
(-) Dividends	[BRL Th.]					-23,909	-40,899	-54,728	-78,506	-158,708	-221,835	-392,017	-533,384	-704,191	-864,636
(+) Follow-on	[BRL Th.]					790,000	0	0	0	0	0	0	0	0	0
(=) CFF	[BRL Th.]					526,565	62,639	90,371	105,108	40,804	-47,595	-275,479	-423,114	-598,529	-844,044
(=) FCF	[BRL Th.]					451,818	-56,531	44,497	171,769	238,593	185,521	215,263	209,881	193,255	108,569
FCF Yield	[%]					21%	-2%	1%	3%	4%	2%	2%	2%	2%	1%
Cash EoP	[BRL Th.]					895,575	839,044	883,541	1,055,311	1,293,903	1,479,425	1,694,687	1,904,569	2,097,823	2,206,393
CFO-CFI	[BRL Th.]					-74,747	-119,171	-45,874	66,661	197,788	233,116	490,742	632,996	791,784	952,613

11. Cost of Capital: WACC

Kd	Index	Debt (BRL K)	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E	Perpetuity
Banco Santander - Borrow	1,95% a.a. + Selic Anual	30,000	10%	12%	9%	9%	8%	8%	8%	8%	8%	8%	
Banco Santander - Borrow	3,00% a.a. + Selic Anual	20,000	11%	13%	10%	10%	10%	10%	10%	10%	10%	10%	
Banco Votorantim - Borrow	3,00% a.a. + Selic Anual	21,159	11%	13%	10%	10%	10%	10%	10%	10%	10%	10%	
Banco Safra - Borrow	3,30% a.a. + Selic Anual	10,000	12%	14%	11%	10%	10%	10%	10%	10%	10%	10%	
Banco ABC - Borrow	3,40% a.a. + Selic Anual	30,000	12%	14%	11%	10%	10%	10%	10%	10%	10%	10%	
Banco do Brasil - Borrow	2,50% a.a. + Selic Anual	20,000	11%	13%	10%	9%	9%	9%	9%	9%	9%	9%	
Banco Santander - Borrow	3,49% a.a. + Selic Anual	150,000	12%	14%	11%	10%	10%	10%	10%	10%	10%	10%	
Promissory Note	2,90% a.a. + Selic Anual	60,000	11%	13%	10%	10%	9%	9%	9%	9%	9%	9%	
Debentures	1,40% a.a. + Selic Anual	200,000	10%	12%	9%	8%	8%	8%	8%	8%	8%	8%	
Debentures	1,30% a.a. + Selic Anual	200,000	10%	12%	9%	8%	8%	8%	8%	8%	8%	8%	
Cost of Debt			10.4%	12%	9%	9%	9%	9%	9%	9%	9%	9%	9.3%
Ke			21E	22E	23E	24E	25E	26E	27E	28E	29E	30E	Perpetuity
Risk Free			1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	
Unlevered Beta			0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	
Debt			502,720	669,306	534,206	759,167	1,025,967	1,292,150	1,525,780	1,775,566	2,046,031	2,254,720	
Equity			1,365,332	1,477,182	1,639,267	1,874,143	2,149,886	2,482,106	2,743,088	2,971,406	3,147,267	3,243,245	
Tax Rate			-34%	-34%	-34%	-34%	-34%	-34%	-34%	-34%	-34%	-34%	
Levered Beta			1.2	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4	
Equity Risk Premium			4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	
Brazil Risk Premium			2.86%	2.91%	2.91%	2.91%	2.91%	2.91%	2.91%	2.91%	2.91%	2.91%	
Nominal Ke (USA)			9.5%	9.9%	9.5%	9.7%	9.9%	10.0%	10.1%	10.3%	10.4%	10.5%	
USA CPI			6%	2%	2%	2%	2%	2%	2%	2%	2%	2%	
Real Ke (USA)			2.9%	7.6%	6.9%	7.1%	7.3%	7.4%	7.5%	7.6%	7.7%	7.8%	
Brazil CPI			9%	5%	3%	3%	3%	3%	3%	3%	3%	3%	
Cost of Equity			11.7%	13%	10%	10%	10%	11%	11%	11%	11%	11%	10.9%
WACC			21E	22E	23E	24E	25E	26E	27E	28E	29E	30E	Perpetuity
Cost of Debt Post-Tax			6.9%	8.2%	6.2%	5.9%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	
Debt/(Debt + Equity)			27%	31%	25%	29%	32%	34%	36%	37%	39%	41%	
Cost of Equity			11.7%	12.5%	10.4%	10.3%	10.5%	10.6%	10.7%	10.8%	11.0%	11.1%	
Equity/(Debt + Equity)			73%	69%	75%	71%	68%	66%	64%	63%	61%	59%	
WACC			10.4%	11.2%	9.4%	9.0%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	9%

12. DCF: FCFF

Free Cash Flow to Firm	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E	Perpetuity
(=) EBIT	162,059	232,828	343,236	517,142	726,381	932,229	1,107,034	1,294,026	1,498,498	1,643,713	35,390,145
(-) EBIT * Taxes	(42,610)	(79,162)	(116,700)	(175,828)	(246,969)	(316,958)	(376,391)	(439,969)	(509,489)	(558,862)	(12,032,649)
(=) NOPAT	119,449	153,667	226,536	341,314	479,411	615,271	730,642	854,057	989,009	1,084,850	23,357,495
(+) D&A	88,844	109,949	141,456	172,728	206,034	241,996	279,582	319,174	361,248	405,751	8,736,067
(+/-) Change in NWK	(57,610)	(70,352)	(97,152)	(114,214)	(131,640)	(125,113)	(125,349)	(131,751)	(140,041)	(113,340)	
(+/-) Maintenance Capex	(73,077)	(86,923)	(108,556)	(126,728)	(143,169)	(158,312)	(171,188)	(182,040)	(191,089)	(198,533)	(8,736,067)
(+/-) Expansion Capex	(145,777)	(220,396)	(212,085)	(220,496)	(235,726)	(371,986)	(262,757)	(273,880)	(283,377)	(290,068)	(5,138,649)
(=) Reinvestment	(276,464)	(377,671)	(417,793)	(461,438)	(510,535)	(655,412)	(559,294)	(587,672)	(614,507)	(601,941)	(13,874,716)
(=) FCFF	(68,171)	(114,055)	(49,801)	52,603	174,911	201,856	450,931	585,560	735,750	888,660	18,218,846
Period	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	9.25
Present Value of Cash Flows	(66,506)	(100,787)	(39,862)	38,139	114,868	120,075	242,970	285,789	325,264	355,854	7,295,532

g

5.5%

WACC

10.4%

Term. ROIC

25%

FCFF	
10y Cashflow	1,275,804
Perpetuity	7,295,532
Enterprise Value	8,571,336
Net Debt	134,360
Equity Value	8,436,976
Number of shares (K)	393,991
Petz Target Price	BRL 21.41
Zee.Dog Target Price	BRL 3.97
Target Price	BRL 25.39
Stock Price	BRL 18.21
Upside	39%

21E-30E	15%
Perpetuity	85%
Total	100%

Cost of Capital (WACC)

	57%	8.4%	8.9%	9.4%	9.9%	10.4%	10.9%	11.4%	11.9%	12.4%
4.0%	95%	70%	51%	34%	20%	9%	-1%	-10%	-17%	
4.4%	106%	79%	57%	39%	24%	12%	1%	-8%	-16%	
4.8%	119%	88%	64%	45%	29%	15%	4%	-6%	-14%	
5.1%	135%	100%	73%	51%	34%	19%	7%	-3%	-12%	
5.5%	156%	114%	83%	59%	39%	24%	11%	0%	-10%	
5.9%	182%	132%	95%	68%	46%	29%	15%	3%	-7%	
6.3%	218%	154%	111%	79%	54%	35%	19%	6%	-4%	
6.6%	269%	185%	130%	92%	63%	42%	24%	10%	-1%	
7.0%	347%	226%	155%	108%	75%	50%	31%	15%	2%	

Perpetuity Growth (g)

13. DCF: Zee.Dog Assumptions and Valuation

Income Statement (mn)	20'	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Gross Revenue	125	228	361	522	743	971	1235	1488	1693	1904	2123
Zee.Dog growth YOY		83%	58%	44%	42%	31%	27%	20%	14%	12%	11%
Growth Multiplier			1.2x	1.2x	1.2x	1.0x	1.0x	1.0x	0.8x	0.8x	0.8x
Petz Growth YOY			49%	37%	35%	31%	27%	20%	17%	16%	14%
Gross Revenue Brazil as % of total		157 69%	253 70%	370 71%	535 72%	709 73%	902 73%	1,086 73%	1,236 73%	1,390 73%	1,550 73%
Gross Revenue Global as % of total		71 31%	108 30%	151 29%	208 28%	262 27%	334 27%	402 27%	457 27%	514 27%	573 27%
(-) Deductions % of Gross Revenue		35 15%	56 15%	80 15%	114 15%	150 15%	190 15%	229 15%	261 15%	293 15%	327 15%
Net Revenue		193	306	441	628	822	1,045	1,259	1,433	1,611	1,796
growth YOY		N.A	58%	44%	42%	31%	27%	20%	14%	12%	11%
(-) COGS growth YOY		93 N.A	147 58%	212 44%	302 42%	394 31%	502 27%	604 20%	688 14%	773 12%	862 11%
% of Net Revenue		48%	48%	48%	48%	48%	48%	48%	48%	48%	48%
Gross Profit		100	159	230	327	427	544	655	745	838	934
growth YOY		N.A	58%	44%	42%	31%	27%	20%	14%	12%	11%
% of Net Revenue		52%	52%	52%	52%	52%	52%	52%	52%	52%	52%
(-) SG&A growth YOY		59 N.A	92 56%	130 42%	182 40%	234 28%	298 27%	359 20%	408 14%	459 12%	512 11%
% of Net Revenue		31%	30%	30%	29%	29%	29%	29%	29%	29%	29%
% of Net Revenue		22%	22%	23%	23%	24%	24%	24%	24%	24%	24%
EBIT (Proxy)		39	64	94	137	183	233	281	320	359	401

DCF Zee.DOG	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E	Perpetuity
EBIT	39	64	94	137	183	233	281	320	359	401	
(-) Taxes	-13	-22	-32	-47	-62	-79	-96	-109	-122	-136	
NOPAT	26	42	62	90	121	154	185	211	237	265	
(+) D&A	2	4	5	7	10	12	15	17	19	21	
(+/-) Change in WS	-2	-3	-3	-4	-5	-5	-5	-4	-4	-4	
(-) Capex	-9	-14	-21	-30	-39	-49	-60	-68	-76	-85	
FCFF	17	28	43	64	87	112	136	156	176	196	2,871
Period	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	9.25
NPV	17	25	34	45	55	63	69	71	71	72	1,045

Main Assumptions	
Tax Rate	34%
Capex/Sales	4%
WC/Gross Revenue	2%
WACC	12%
D&A/Sales	1%
g (perpetuity)	4.4%

Zee Dog Valuation	
(+) Cash Flows	520
(+) Perpetuity	1,045
(=) Equity Value	1,565
Shares	394
Value per Share	BRL 3.97

21E-30E	33.2%
Perpetuity	66.8%
Total	100%

13. Zee.Dog



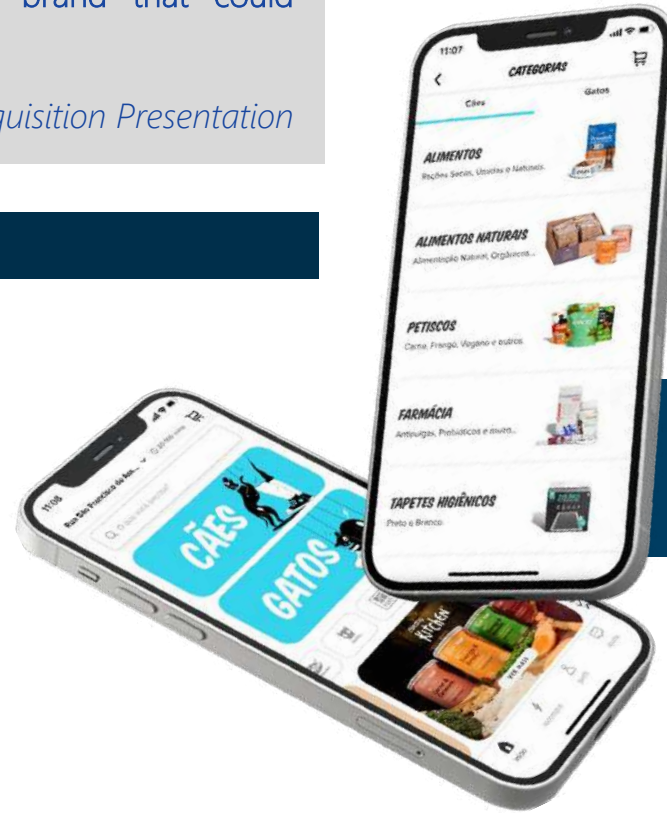
"We went into the stores, we didn't see any brand that actually had the proposal of doing branding, of making a brand that could become top of mind."

Zee.Dog Acquisition Presentation

And arranged that by creating a unique community that not only serves pets, but their tutors as well...



What about Zee.Now?



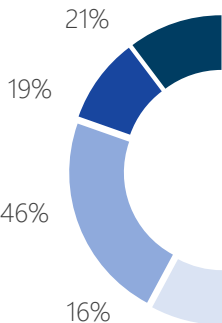
National Expansion



Express Delivery

~20%
of private label products

■ Drugstore ■ Food ■ Hygiene ■ Accessories



14: 5-Y IRR Price to Earnings

Sensitivity	20'	21E	22E	23E	24E	25E	26E
Net Revenue	1.436.756	2.147.101	2.941.575	3.980.090	5.203.013	6.619.740	7.974.370
Sensitivity GR	2.147.101	2.689.368	3.368.588	4.219.350	5.284.979	6.619.740	8.291.606
Net Income		101.055	170.782	229.105	318.102	434.134	575.728
Payout Ratio		25%	25%	25%	25%	36%	40%
Payout		25.264	42.695	57.276	79.525	158.391	230.291
Forward P/E						29x	
CAGR	25%						
Sensitivity CAGR	25%						
Shares Outstanding	393.991	393.991	393.991	393.991	393.991	393.991	393.991
Share Price		18,21				42,0	
Market Cap		7.174.580				16.622.002	
Cash Flow to Equity		-7.174.580	42.695	57.276	79.525	16.622.002	

IRR 23,9%

Ke 2025E 10,5%

Spread $TIR - K_e$ 13,4%

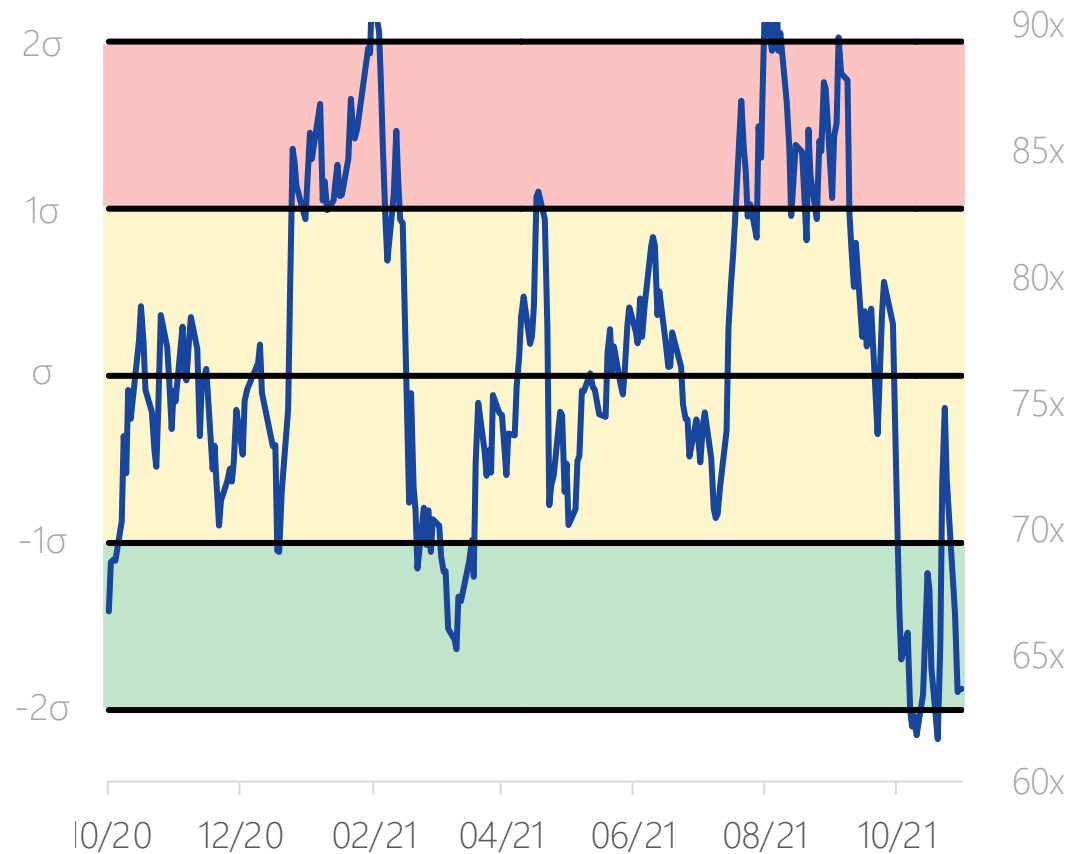
Fair P/E FWD 2025E 28,7x

	P/E FWD Exit 2025E									
	24%	21x	23x	25x	27x	29x	31x	33x	35x	37x
4%	-13%	-11%	-9%	-8%	-6%	-4%	-3%	-1%	0%	
7%	-9%	-7%	-5%	-4%	-2%	0%	1%	3%	4%	
10%	-6%	-3%	-1%	1%	2%	4%	6%	7%	9%	
13%	-2%	1%	3%	5%	7%	8%	10%	12%	13%	
16%	2%	5%	7%	9%	11%	13%	14%	16%	18%	
19%	6%	9%	11%	13%	15%	17%	19%	21%	22%	
22%	10%	13%	15%	17%	19%	21%	23%	25%	27%	
25%	14%	17%	19%	22%	24%	26%	28%	30%	32%	
28%	18%	21%	24%	26%	28%	30%	33%	34%	36%	
31%	23%	25%	28%	31%	33%	35%	37%	39%	41%	
34%	27%	30%	32%	35%	37%	40%	42%	44%	46%	
37%	31%	34%	37%	40%	42%	44%	47%	49%	51%	
40%	35%	38%	41%	44%	47%	49%	52%	54%	56%	
43%	40%	43%	46%	49%	51%	54%	56%	59%	61%	
46%	44%	47%	51%	53%	56%	59%	61%	64%	66%	

Net Revenue CAGR (20'-25E)

15: Multiples Analysis

When we look at Petz's FWD 1-Y P/E, we see that the stock is very undervalued, being -2σ below the fair average. In this regard, we believe that it is an ideal time to buy Petz's stock...



Ticker	5-Y EPS Growth (CAGR)	FWD P/E Ratio
ARZZ3	51.6%	24.4x
ESPA3	20.0%	14.6x
RADL3	24.0%	35.5x
SBFG3	15.6%	27.4x
LREN3	1.4%	28.2x
PCAR3	-18.6%	12.0x
PETZ3	49.0%	82.8x
AMER3	20.9%	86.0x

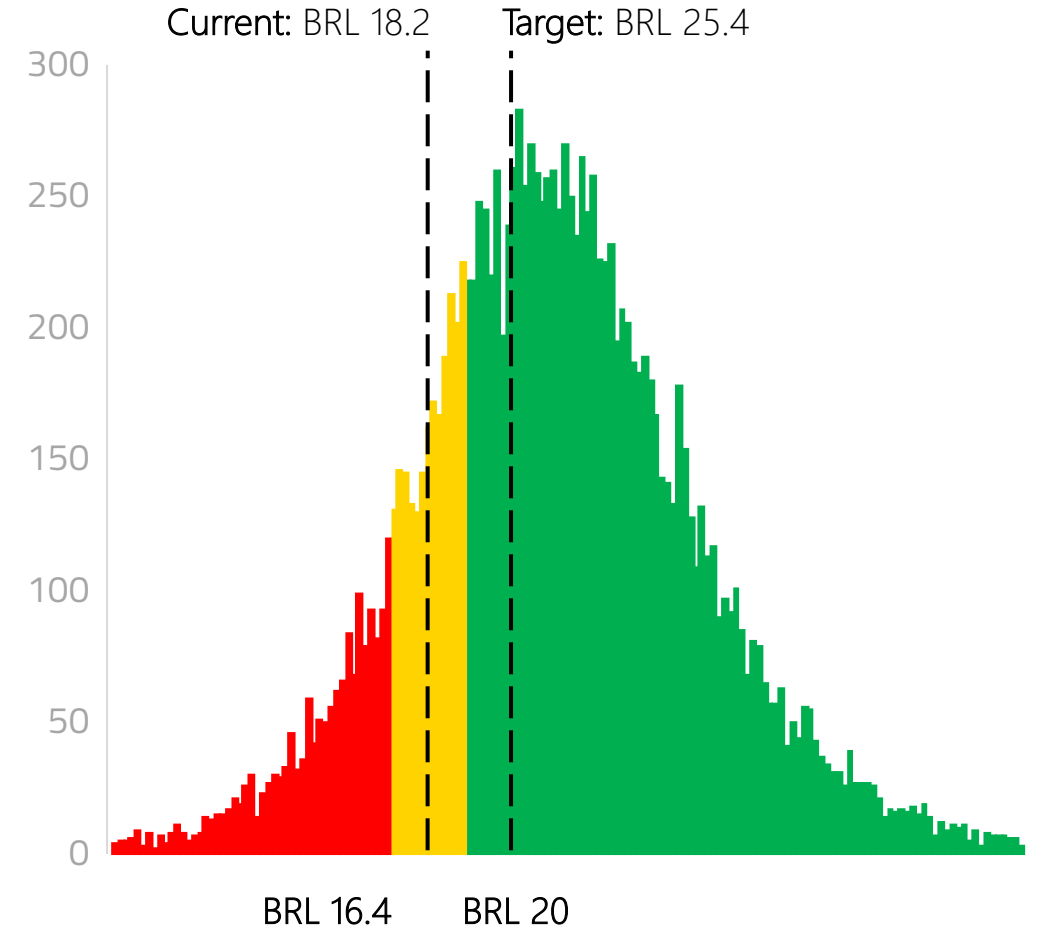
Looking now at our fair 1-Y FWD P/E, we see that the company is able to have high growth that will justify its CAGR in the coming years. In our analysis, we decided to compare the company to other retailers listed on the Brazilian stock exchange that have an expansion plan throughout Brazil as a common factor.

16: Monte Carlo Analysis

	[Unit]	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Gross Revenue											
Average	[%]	34%	34%	34%	31%	33%	33%	31%	28%	29%	27%
Std. Dev.	[%]	9%	9%	9%	5%	5%	5%	3%	2%	2%	0%
Deductions											
Average	[%]	-16%	-16%	-16%	-16%	-16%	-16%	-16%	-16%	-16%	-16%
Std. Dev.	[%]	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
COGS											
Average	[%]	-53%	-53%	-53%	-54%	-54%	-54%	-55%	-55%	-54%	-54%
Std. Dev.	[%]	2%	1%	1%	1%	1%	1%	1%	1%	0%	0%
SG&A											
Average	[%]	-33%	-31%	-29%	-29%	-29%	-29%	-29%	-30%	-30%	-30%
Std. Dev.	[%]	3%	3%	1%	1%	1%	1%	0%	0%	0%	0%
D&A											
Average	[%]	-7%	-7%	-8%	-8%	-8%	-7%	-7%	-6%	-8%	-5%
Std. Dev.	[%]	3%	3%	4%	4%	4%	5%	6%	5%	5%	5%

Recommendation	Simulations	Results
BUY	10,259	68%
HOLD	1,595	11%
SELL	3146	21%

Mean Price
BRL 30.2



17: Basket Price Analysis

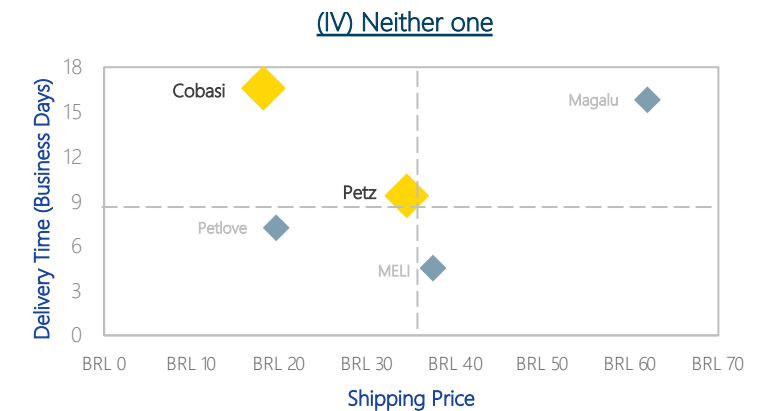
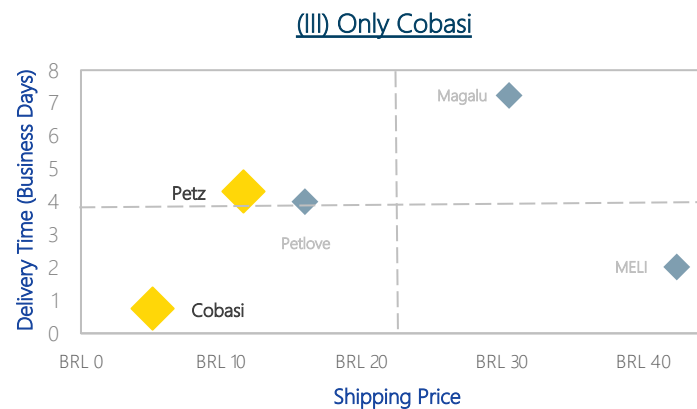
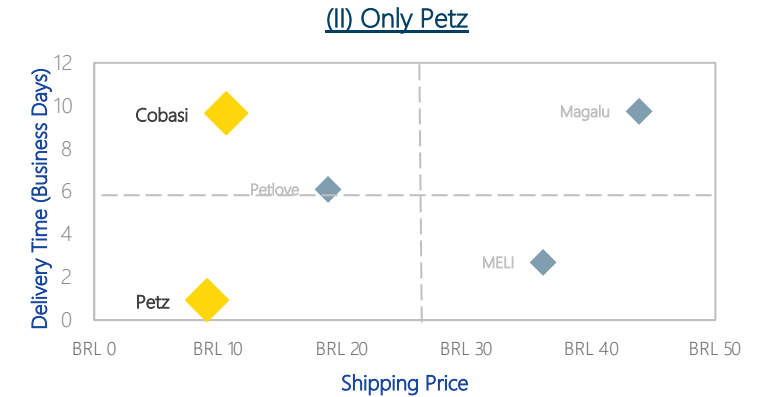
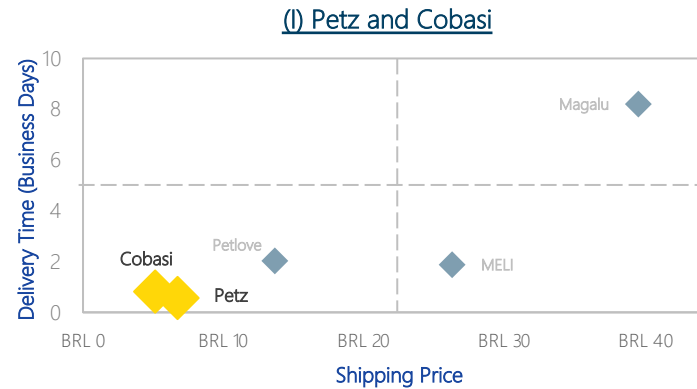
The question of product price is the main decision factor for the customer. Thus, to understand the product prices of the leading players in the physical environment (62 facilities were analyzed, including megastores, food retailers, franchises, and mom & pop channels). Thus, we created a comparative table with the prices of more than 13 cities distributed in 9 Brazilian states to avoid bias in our analysis. The products were separated into four divisions (Dry Food, Wet Food, Hygienic, and Medicines), being subdivided into six main products (totaling 137 analyses per product). Finally, the table below shows the average results found per product and the standard deviation.

Product	Type	Petz	Cobasi	Petland	Food Retail	Mom & Pop Channel	Average	St. Dev
Ração Golden Fórmula Mini Bits Para Cães Adultos Pequeno Porte Sabor Carne e Arroz 1 kg	Dry Food	19.9	19.9	25.5	18.9	23.4	21.5	2.8
Ração Royal Canin Mini Indoor - Cães Adultos	Dry Food	52.4	52.4	62.4	47.2	64.6	55.8	7.4
Alimento Ração Úmida Pedigree Sachê Carne Ao Molho para Cães Adultos de Raças Pequenas 100g	Wet Food	2.7	3.0	4.3	3.4	2.7	3.2	0.7
Alimento Ração Úmida Whiskas Sachê Carne Ao Molho para Gatos Adultos 85g	Wet Food	3.0	3.0	4.3	3.1	2.9	3.3	0.6
Tapete Higiênico Super Secção C/30 Unidades	Hygienic	75.9	85.9	87.9	78.9	86.1	82.9	5.2
Tapete Higiênico Chalesco	Hygienic	87.9	92.5	93.9	83.9	91.3	89.9	4.0
Anti-Infamatório Agener União Ketojet Cetoprofeno 5mg C/10 Comprimidos	Medicines	44.9	36.9	46.7	36.9	39.8	41.0	4.5
Antipulgas Zoetis Simparic 10mg para Cães 2,6 a 5kg	Medicines	78.5	75.3	81.4	75.5	81.8	78.5	3.1
Total		365.2	368.8	406.3	347.8	392.6	376.2	
Normalized		1,000	1,010	1,113	952	1,075	1,030	

18. Delivery Time & Shipping Price Analysis (A)

In the competitive dynamics of online, freight is the major variable to understand which player is best positioned to meet the demands of its customers. In our freight analysis, we included 21 different locations with 4 types of specifications, these being: (I) Presence of Petz and Cobasi; (II) Presence of Petz; (III) Presence of Cobasi; and (IV) No Petz and Cobasi. In this analysis, we analyzed a feed in 5 different stores (Petz, Cobasi, Petlove, Magalu and MELI), analyzing the different types of delivery and respective times, coming to the following conclusions: (I) **Last-Mile matters**, and where Petz and Cobasi are physically present are the places where both can deliver most cost-effectively and most efficiently; (II) Petlove, although a purely Pet market player, **cannot deliver as efficient** a service as megastore players due to low capillarity and the need to pass on freight price to the customer; and (III) Horizontal players do not pay as much attention to this market yet, with difficulties in stocking and making efficient deliveries, especially MELI that, although it has extreme capillarity in the country and makes deliveries as fast as Petz and Cobasi, charges a lot for this, which is not well seen by consumers. It is important to point out that there are business days smaller than 1 because we have made averages between the different delivery times, some of which are fractions of a day (i.e. 3 or 4 hours).

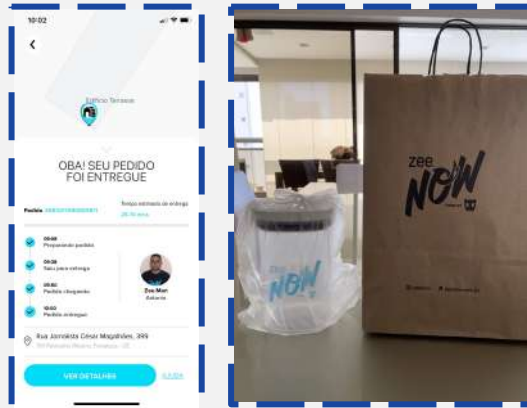
Shipping Analysis; [Business Days x BRL]



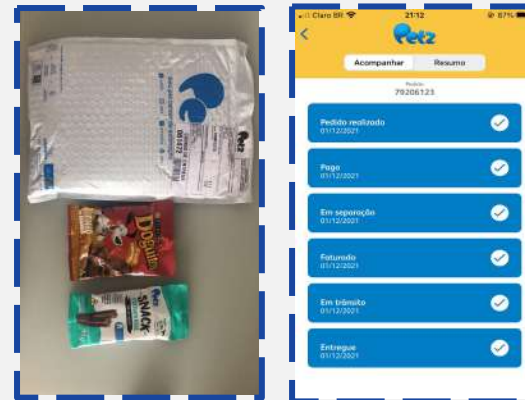
18. Delivery Time & Shipping Price Analysis (B)

We also tested all the companies' products to see if it was valid...

Zee.Dog



Petz



Cobasi



19: Private Label Analysis

Within the Petz ecosystem, the private label product line is a promising business area for the company, whose value proposition is to offer products with the best cost-benefit ratio in strategic categories. In this sense, the company can reduce the cost of the product by removing one of the intermediaries in the value chain, the supplier brands, buying their private label products directly from the manufacturer, with quality and customization for the Petz brand being a reference among pet lovers. With such an operation, Petz can reduce its COGS for this line and offer more competitive prices. Such dynamics are perceptible in the analysis to the right, in which we compare the competition between more than 1900 variations of 1182 unique products in 21 different categories. To do so, we used web-scraping tools on the Petz e-commerce site to scan the products, collecting price, quantity (weight, units, volume, etc.), brand, description, and other specific information.

After this, we performed the segmentation by categories, following the markings of the site itself and the data treatment, eliminating statistical outliers, repeated products, and intruders in the class. Having performed these steps, we compared the average price of Petz with the general average. We concluded that Petz's private label products are priced lower than average, with a median z-score (distance from the mean normalized by standard deviation) of -0.47, i.e., they are cheaper than 68% of the products. Looking closely on snacks and toys category, we can see that on similar products, Petz charges lower prices than competition.

Same Product Price Comparison



500g: BRL 22.99 / 60g: BRL 3.49



500g: BRL23.99 / 60g: BRL 3.89



500g: - / 60g: BRL 6.80

Category	Total			Private Label		
	Unit	Avg. Price	St. Dev	Avg. Price	% PL Price Variation	Z-Score
Dehydrated	100g	BRL 26.9	BRL 3.2	BRL 22.0	-18%	-1.55
Cookies	kg	BRL 139.9	BRL 75.9	BRL 36.2	-74%	-1.37
Blankets	#	BRL 65.1	BRL 32.6	BRL 33.0	-49%	-0.98
Feed Holders	kg	BRL 12.1	BRL 6.6	BRL 6.0	-50%	-0.92
Leashes	#	BRL 111.4	BRL 54.6	BRL 61.3	-45%	-0.92
Collars	#	BRL 48.4	BRL 17.3	BRL 34.8	-28%	-0.78
Shampoo	L	BRL 108.8	BRL 106.8	BRL 29.9	-72%	-0.74
Breastplate	#	BRL 92.7	BRL 52.7	BRL 56.8	-39%	-0.68
Snacks	kg	BRL 106.7	BRL 80.5	BRL 56.2	-47%	-0.63
Guinea Pig feed	kg	BRL 136.4	BRL 119.1	BRL 69.9	-49%	-0.56
Beds	#	BRL 235.2	BRL 125.9	BRL 176.2	-25%	-0.47
Oral Care	100g	BRL 17.9	BRL 17.9	BRL 9.8	-45%	-0.45
Odor Eliminator	L	BRL 13.9	BRL 2.7	BRL 12.9	-7%	-0.35
Hamster feed	kg	BRL 92.9	BRL 55.7	BRL 79.3	-15%	-0.25
Clay cat litter	kg	BRL 6.4	BRL 5.3	BRL 5.4	-16%	-0.20
Litter mat	#	BRL 85.4	BRL 13.4	BRL 86.7	1%	0.09
Feeder	#	BRL 30.6	BRL 27.3	BRL 37.4	22%	0.25
Disinfectant	L	BRL 54.4	BRL 39.7	BRL 65.9	21%	0.29
Toys	#	BRL 39.3	BRL 26.2	BRL 47.5	21%	0.31
Litter boxes	#	BRL 67.0	BRL 66.4	BRL 89.9	34%	0.35
Litter scoops	#	BRL 10.1	BRL 5.7	BRL 12.9	29%	0.51

20: Geospatial Analysis (A)

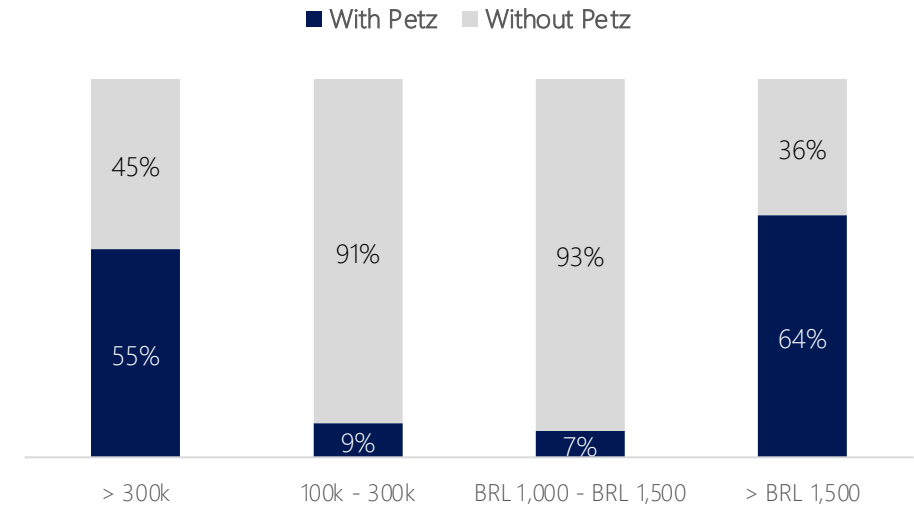
In this context, we created several geospatial analyses to understand various aspects of the pet industry in Brazil. We know that the distribution of stores in the retail segment is essential, especially for a company that seeks to consolidate the sector from a plan to open stores in different cities of the country. That said, we perform our analysis in two main geographic poles: (I) Brazil and (II) São Paulo.

(i) Brazil: In the question covering the entire national territory, the first point we sought to understand was the standard of stores Petz seeks to open. In this aspect, we applied a municipal filter, considering 5,567 Brazilian cities. From this, we saw the pattern of stores Petz seeks to extend and compare its penetration level in these cities. The result was apparent. Petz has the vast majority of its stores (125) in cities with over 300k inhabitants, i.e., the central poles of the country. Another fact that corroborates this is the pattern of towns by average income. In the analysis in question, Petz has 118 stores in cities with an average per capita income higher than BRL 1,500.

However, despite this appearing to be the company's standard, the penetration level in cities across the country comes to 55% and 64%, respectively. Thus, the company is now looking to open its stores in cities between 100k and 300k inhabitants and average per capita income between BRL 1,000 and 1,500.

In addition, we were also able to perform the analysis considering the leading players in the country, such as Cobasi and Petland, as well as more regional players, such as Mundo Pet, Poli Pet, and American Pet. Thus, considering an average radius of influence of 3km per store, we were able to find data such as penetration in the country, the population reached, and most importantly, the GDP per store.

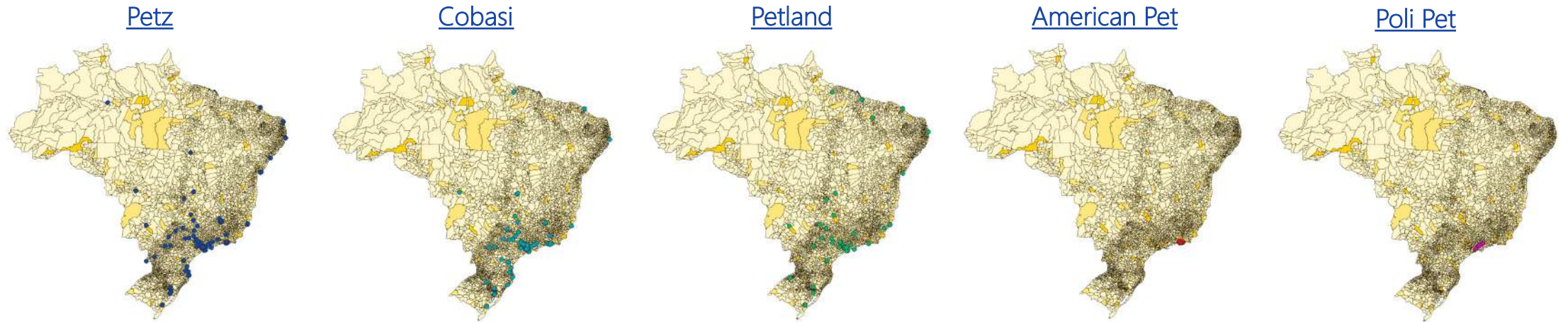
Petz' Stores Distribution; [%]



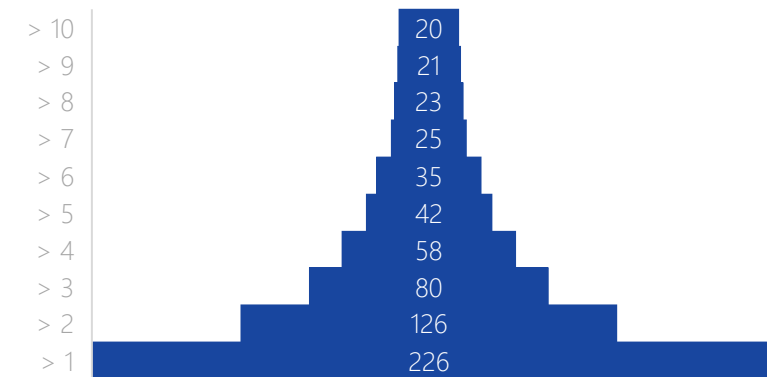
Companies	Pop. Coverage (mn)	GDP Coverage (mn)	% of total GDP	GDP/Store (mn)
Petz	10.4	512,392	27.8%	3439
Cobasi	8.2	441,844	24%	3425
Petland	5.4	287,442	15.6%	3026
AmericanPet	2.2	110,394	6%	2905
Poli-Pet	0.1	4,537	0.2%	378

20: Geospatial Analysis (B)

Besides the quantitative data, we can see that Petz has a better geographical distribution with Cobasi, when compared to other players. This is due to the expansion pattern of both companies which are very similar.



Potential Cities per Megastore; [# of cities]

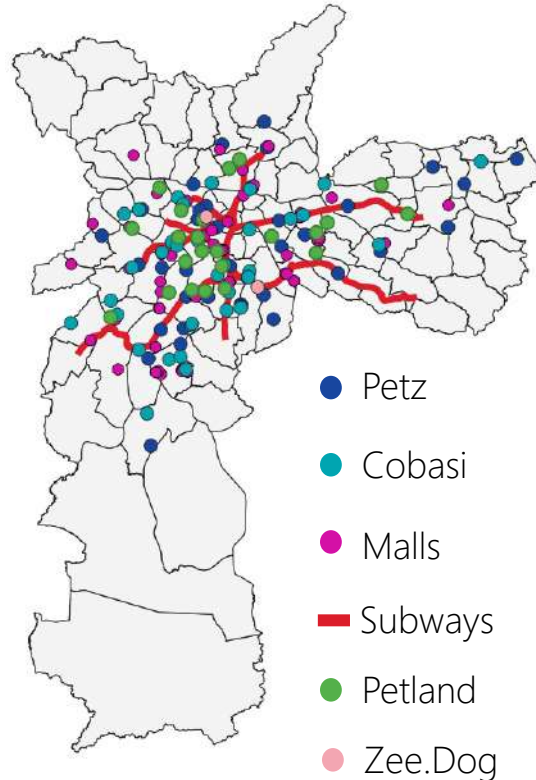


In this way, we could also calculate a more granular store potential than the potential of standard cities. Using the average GDP/store value of Petz and Cobasi, we found the GDP value of influence for the megastore model, reaching the total potential cities in Brazil.

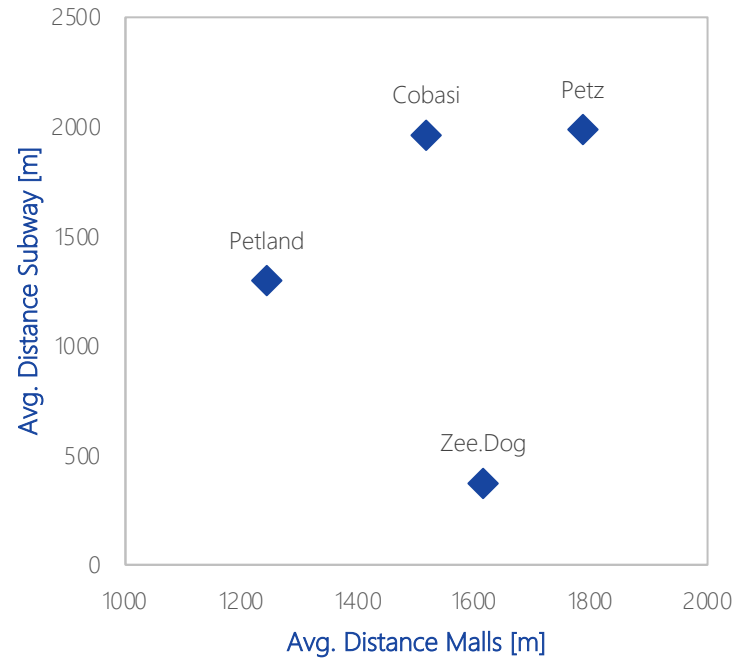
(II) São Paulo: That said, we seek to understand the competitive positioning of both companies. In the matter of analysis in the city of São Paulo, we focused more on the two most prominent players, Petz and Cobasi. We applied an average per capita income filter in the São Paulo districts and sought to understand how Petz and Cobasi stores are distributed. The result clearly showed that both Petz and Cobasi are well distributed in the wealthiest regions of the city.

20: Geospatial Analysis (C)

In addition, we also sought to understand the pattern of Petz and Cobasi stores. We understand that despite having a high radius of influence, the megastore model does not have the same capillarity as mom & pop channels. Thus, the companies positioned themselves to ensure the best strategic positioning, opening their stores near avenues, malls, supermarkets, and subways. We tried to understand if there is any gap between Petz and Cobasi in this positioning issue. The companies were very similar in price and quantity of products. Thus, we applied a minimum distance filter using more than 80 shopping centers in the city of São Paulo and the 89 subway stations in the city. The results can be seen below and corroborate the thesis that both companies are well-positioned.



Geographical Distribution; [m]



City's GDP



GDP Reached by Megastore



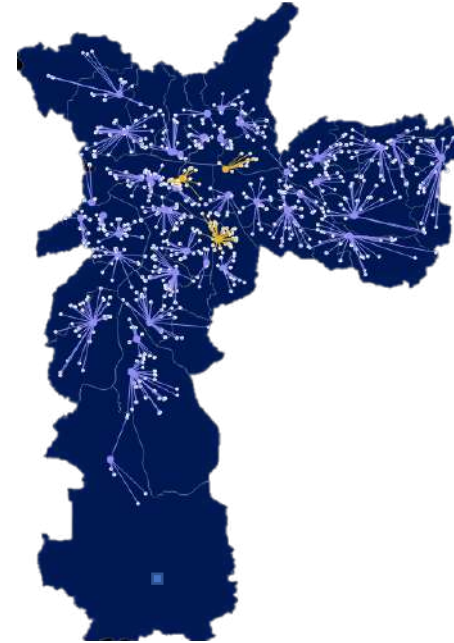
Potential City

20: Geospatial Analysis (D)

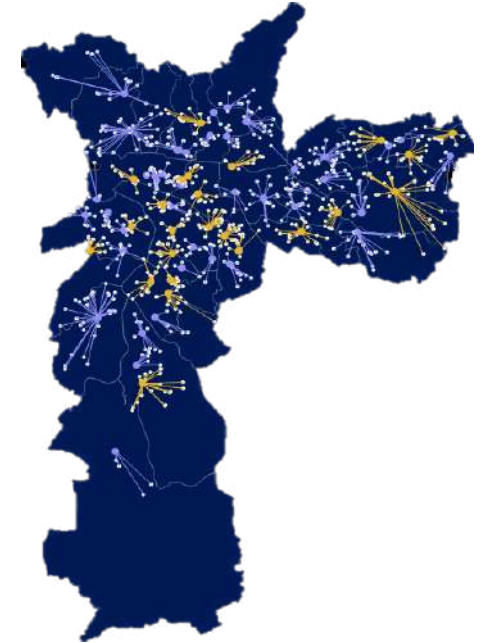
Finally, we also conducted a geospatial analysis to prove the potential of the Seres network, considering around 700 clinics and 50 veterinary hospitals. We crossed each location to find: (i) the nearest hospital for each clinic and (ii) the number of clinics on each distance radius from the hospital. Besides having a strategic position in the cross-sell with the product line, Seres also has potential to become the reference hospital of each region, thus addressing an adjacent, but different market. In São Paulo, for instance, we see well positioned hospitals covering a more significant number of clinics considering the distance between a clinic and its closest hospital, one of the factors prioritized by veterinarians in an emergency room, as verified in a field survey.

In this aspect, we considered two main scenarios. The first only find Seres' current veterinary hospitals (3 in the city of São Paulo). The second considers an expansion of 20 hospitals adjacent to current stores, a movement that has been happening slower than the opening of hospitals. We see that Petz' current stores have optimal positioning for getting a geographic edge. The two graphics below shows the accumulated number of clinics into Seres and Non-Seres hospital's radius adjusted by the number of hospitals, increasing possibility to attract more customers in the long term

Standard Scenario



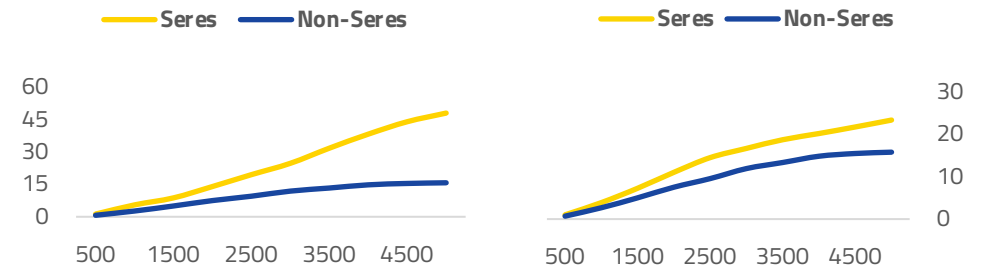
Expansion Scenario



What factors matters when choosing a veterinary hospital?

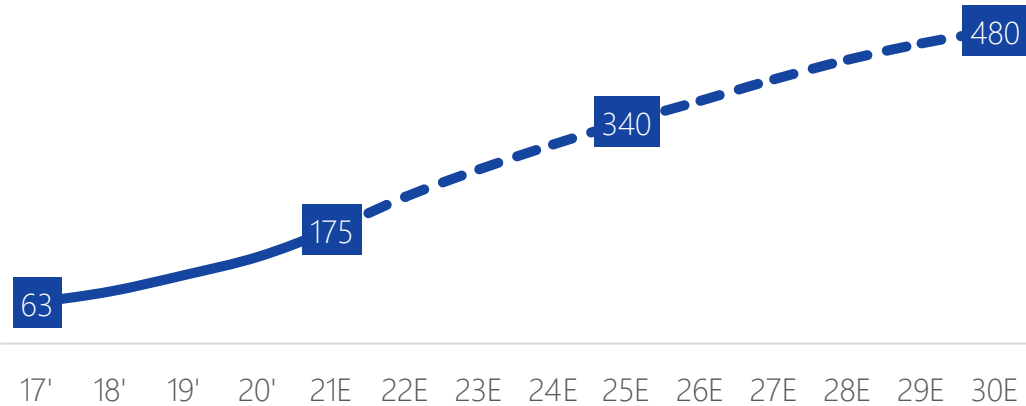


Results Nearest Distance Clinics - Hospital

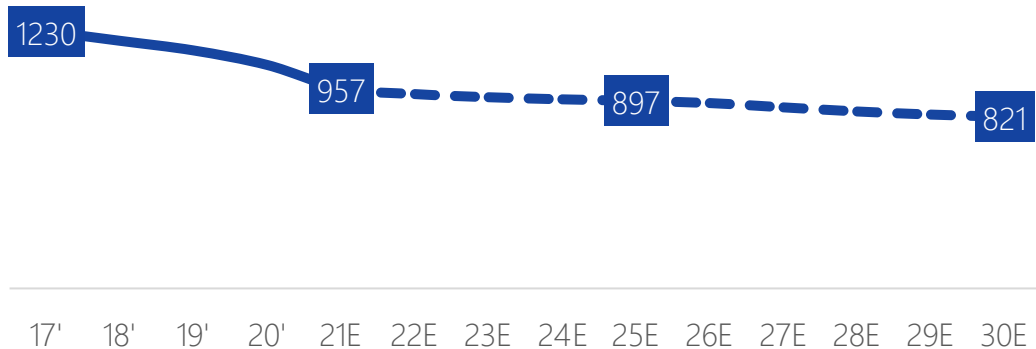


21. Projection: How do we see Petz' expansion?

Number of Stores



Average Store Area



We see Petz growing in these regions...



SP:

Saturated but still with growth opportunities...



RJ, MG & ES:

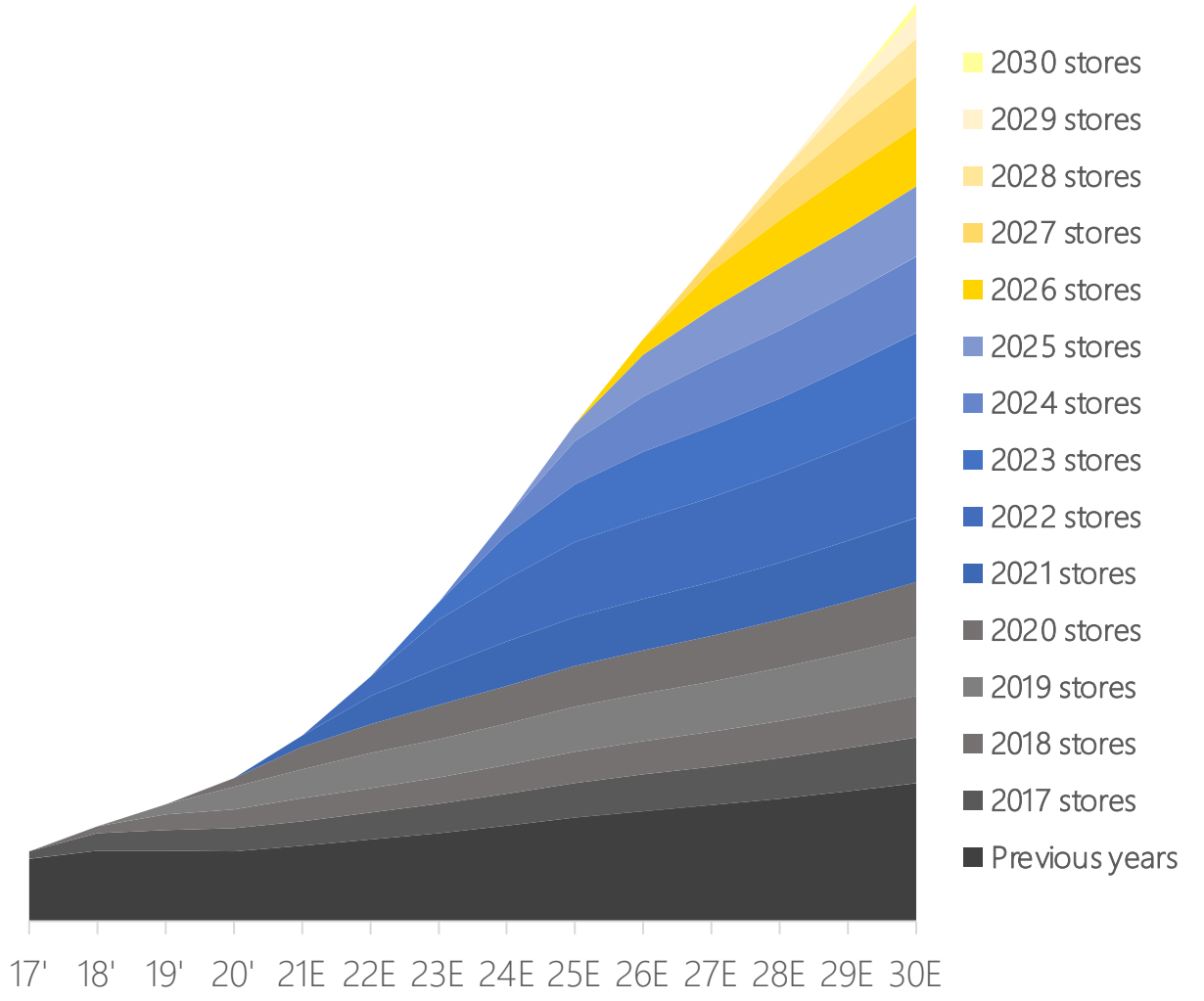
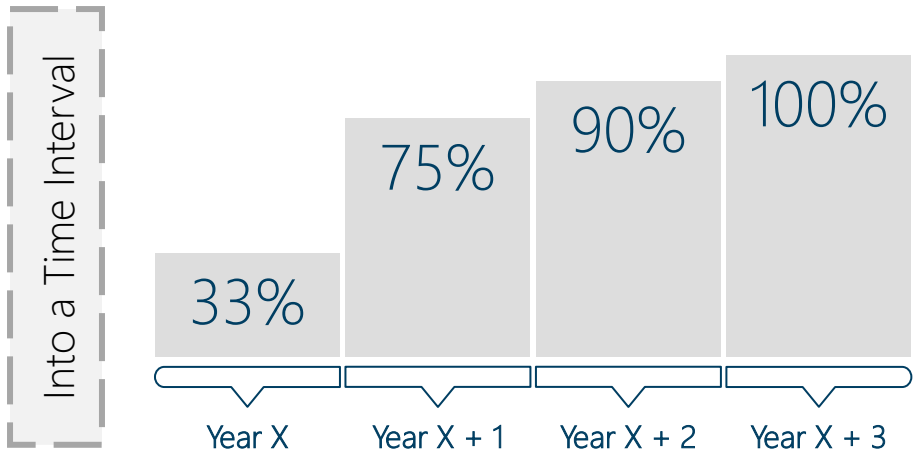
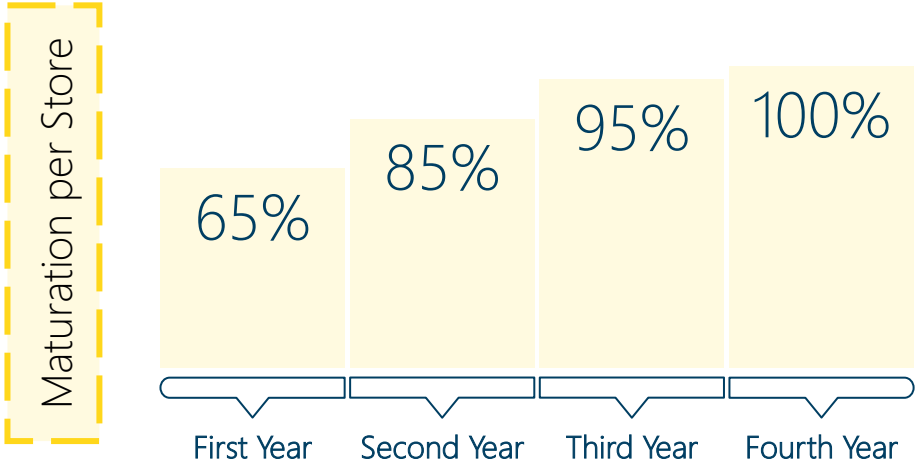
Large market where Petz may grow quickly



Northeast:

Growing market with huge white space

21. How do we project maturation curve?



22: Foot Traffic Analysis

To understand the competitive dynamics of the industry in the best possible way, we created the Foot Traffic analysis to understand two main points: (I) If the megastore model is indeed the big winner in this industry; (II) If there is any crucial difference in customer acquisition between Petz and Cobasi; and (III) How is the traffic of a new store.

Our analysis was performed using a proprietary algorithm developed by Team 7, using Google Cloud and R. In this analysis, we start from specific features used by large geolocation companies such as Waze and Uber. This way, the study selects all pet shops in a given radius and thus identifies the average traffic of each of the stores and compares them. That said, we decided to perform our analysis in several competitive scenarios, taking into account the company's expansion plan.

How did we do our analysis?

Foot Traffic Analysis

Compare and Filter with R

Extract Data from Google Cloud

```
#install.packages("rremotes")
#install.packages("tidyverse")
#remotes::install_github("JosiahPerry/populartimes")

Sys.setenv("GOOGLE_KEY" = "AIzaSyAVUzbrxUgeJnvWwifQZorpHu8A1ROTREs")

library(populartimes)
library(tidyverse)

# Site para as coordenadas http://www.finder.com/#0.000000,0.000000,0.000000
sw <- c(-23.549329,-46.798988)
ne <- c(-23.521404,-46.709620)

# Site para type https://developers.google.com/maps/documentation/places/web-service/supported\_types
march_bars <- search_pop_times(sw, ne, radius = 1500, type = "pet_store")

march_bars <- march_bars %>% filter(popular_times != "list()")
march_teste <- march_bars %>% unnest(popular_times)

# Plota todos os pontos em gráfico para dar um Sanity Check
march_bars %>% filter(name == "Petz") %>% unnest(popular_times) %>% ggplot(aes(hour, popularity)) + geom_point(colour = "#FCD702")
march_bars %>% filter(name == "Cobasi Osasco") %>% unnest(popular_times) %>% ggplot(aes(hour, popularity)) + geom_point(colour = "#003E62")
march_bars %>% filter(name != "Petz") %>% filter(name != "Cobasi Pet Center") %>% unnest(popular_times) %>% ggplot(aes(hour, popularity)) + g

# Regressão usando os pontos anteriores
ggplot(march_bars %>% unnest(popular_times), aes(hour, popularity)) +
  geom_smooth(data = march_bars %>% filter(name != "Petz") %>% filter(name != "Cobasi Pet Center") %>% unnest(popular_times), aes(colour = "#
  geom_smooth(data = march_bars %>% filter(name == "Petz") %>% unnest(popular_times), aes(colour = "#FCD702"), ymax = 100, method = "gam", fo
  geom_smooth(data = march_bars %>% filter(name == "Cobasi Pet Center") %>% unnest(popular_times), aes(colour = "#003E62"), ymax = 100, metho
  geom_smooth(data = march_bars %>% filter(name == "Petland") %>% unnest(popular_times), aes(colour = "#D9D9D9"), ymax = 100, method = "gam",
  scale_color_identity(name = "Avd. Traffic",
    breaks = c("#FCD702", "#003E62", "#003E62", "#D9D9D9"),
    labels = c("Petz", "Cobasi", "Petshops Locais", "Petland"),
    guide = "legend") + theme(panel.grid.major = element_blank(), panel.grid.minor = element_blank(),
      panel.background = element_blank(), axis.line = element_line(colour = "black"))
```

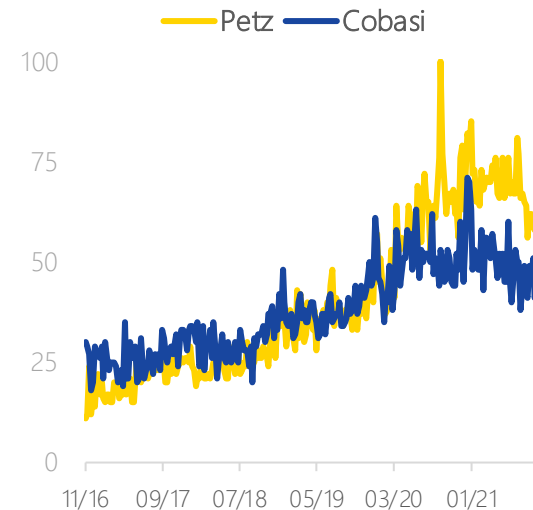

23. "What if?" Analysis (A)

Accretion/Dilution Analysis										
Earnings Per Share	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Petz Net Earnings	95,635	163,597	218,914	314,025	435,002	554,588	653,361	761,977	880,238	960,707
Cobasi Net Earnings	88,854	115,623	154,850	187,460	259,664	342,403	419,134	491,245	629,247	712,248
Pro Forma Net Earnings	225,673	348,570	471,193	628,660	863,576	1,108,382	1,328,742	1,557,740	1,853,536	2,049,875
Petz Shares O/S	393,991	434,991	434,991	434,991	434,991	434,991	434,991	434,991	434,991	434,991
Cobasi Share O/S	30,274	30,274	30,274	30,274	30,274	30,274	30,274	30,274	30,274	30,274
Pro Forma Shares O/S	424,265	465,265	465,265	465,265	465,265	465,265	465,265	465,265	465,265	465,265
Petz EPS	0.2	0.4	0.5	0.7	1.0	1.3	1.5	1.8	2.0	2.2
Cobasi EPS	2.9	3.8	5.1	6.2	8.6	11.3	13.8	16.2	20.8	23.5
Pro Forma EPS	0.5	0.7	1.0	1.4	1.9	2.4	2.9	3.3	4.0	4.4
Accretion/Dilution	0.3	0.4	0.5	0.6	0.9	1.1	1.4	1.6	2.0	2.2
% change	119.1%	99.2%	101.2%	87.2%	85.6%	86.9%	90.1%	91.1%	96.9%	99.5%

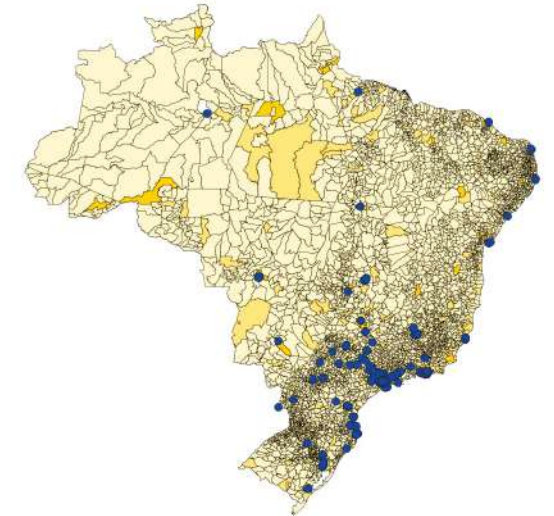
We understand that in a highly pulverized sector, the possibility of a merger between the two most prominent players is exceptionally high, given that both today represent only 13.4% of the market share (in this case, CADE won't be barrier). Thus, we decided to simulate a merger between Petz and Cobasi as a brainstorming exercise. Together the brands would have 292 stores, with exceptional bargaining power with suppliers and a high capillarity in the state of São Paulo, which would help facilitate the national expansion plan, with an opening of 60-80 stores per year. In addition, we see many synergies in this merger, a cost-cutting of Cobasi's veterinary services, implementation of private label at Cobasi, as well as cuts with SG&A. Therefore, we made some assumptions to project the merger. First, we considered that both brands should be maintained independently, given the relevance of both in the national scenario. The second point was to assume a 100% stock merger, given that this is the most likely scenario to occur, with the Cobasi's management staying in the NewCo. Finally, we thought that Cobasi should grow at the same pace as Petz in this expansion across the country.



Brands Recognition



New Co. Stores Distribution



23. "What if?" Analysis (B)

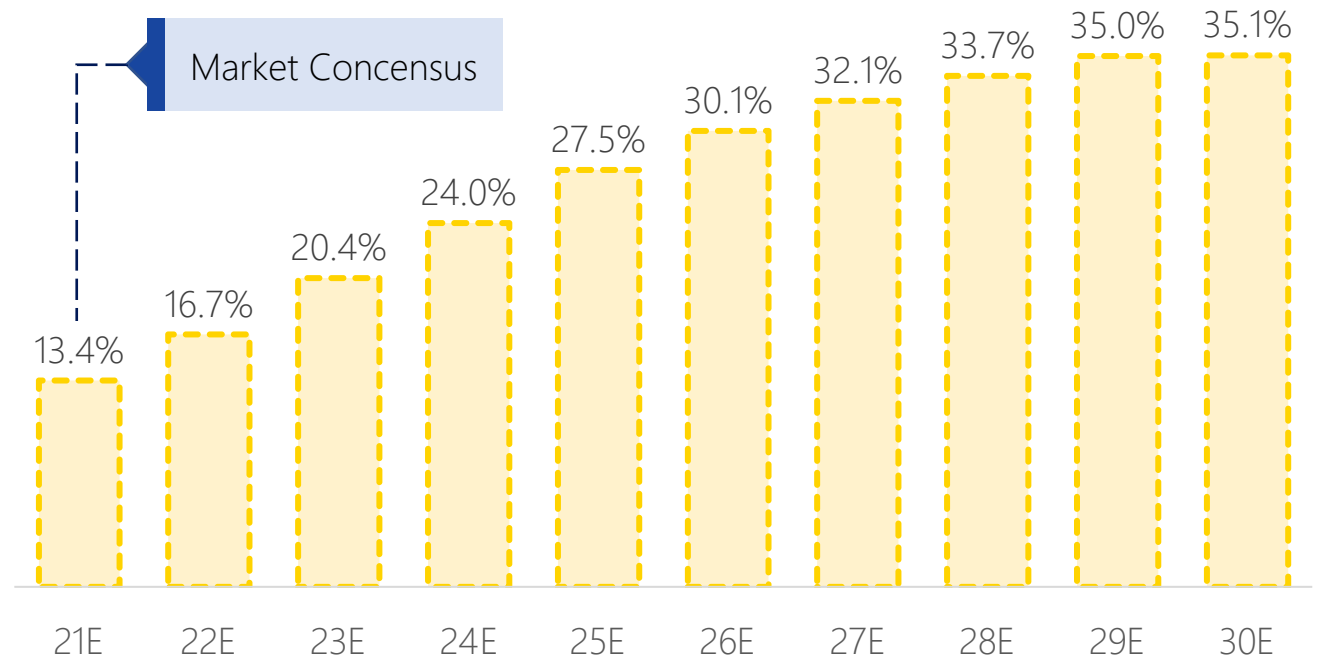
Transaction's Assumptions 40-60	
Fair Stock Price Cobasi	208.5
Premium	20%
Equity Value Acquired (Cobasi)	7,575,919
Stocks (40%)	83.4
Cash (60%)	125.1
Issued Stocks by Petz (mn)	29,864
Stock Exchange Ratio (Petz/Cobasi)	1.6x

Transaction's Assumptions 50-50	
Fair Stock Price Cobasi	208.5
Premium	20%
Equity Value Acquired (Cobasi)	7,575,919
Stocks (50%)	104.3
Cash (50%)	104.3
Issued Stocks by Petz (mn)	24,886
Stock Exchange Ratio (Petz/Cobasi)	1.6x

Transaction's Assumptions 100-0	
Fair Stock Price Cobasi	208.5
Premium	20%
Equity Value Acquired (Cobasi)	7,575,919
Stocks (100%)	208.5
Cash (0%)	0.0
Issued Stocks by Petz (mn)	49,773
Stock Exchange Ratio (Petz/Cobasi)	1.6x

Valuation	Petz	Cobasi	Adjustments	NewCo.
EBITDA 21E	121,830	186,978	132,583	438,338
EV/EBITDA 21E	70x	33x	-	-
Enterprise Value	8,571,336	6,171,660	-	16,349,358
Net Debt 20' + M&A	1,342,640	141,606	-	1,484,246
Equity Value	9,913,976	6,030,054	-	17,833,604
Price per Share (BRL/ share)	25.2	208.5	-	42

Projected Market Share



23. "What if?" Analysis (C)

Scenario 1: Transaction's Assumptions 40-60				
Premium per Share	20%	25%	30%	35%
Petz EBIT	162,059	162,059	162,059	162,059
Cobasi EBIT	151,084	151,084	151,084	151,084
Synergies	72,030	72,030	72,030	72,030
Pro Forma EBIT	385,173	385,173	385,173	385,173
Net Interest Expense	-58,383	-61,302	-64,221	-67,141
Pro Forma EBT	326,790	323,871	320,952	318,032
Income Tax Expenses	-111,109	-110,116	-109,124	-108,131
Pro Forma Net Income	215,681	213,755	211,828	209,901
Petz Net Income	95,635	95,635	95,635	95,635
Petz Shares O/S	393,991	434,991	434,991	434,991
Cobasi Share O/S	29,864	29,864	29,864	29,864
Pro Forma Shares O/S	423,855	423,855	423,855	423,855
Petz EPS	0.2	0.2	0.2	0.2
Pro Forma EPS	0.5	0.5	0.5	0.5
A/D - \$	0.3	0.3	0.3	0.3
A/D - %	109.6%	129.4%	127.3%	125.2%
	<i>Accretive</i>	<i>Accretive</i>	<i>Accretive</i>	<i>Accretive</i>

Scenario 2: Transaction's Assumptions 50-50				
Premium per Share	20%	25%	30%	35%
Petz EBIT	162,059	162,059	162,059	162,059
Cobasi EBIT	151,084	151,084	151,084	151,084
Synergies	72,030	72,030	72,030	72,030
Pro Forma EBIT	385,173	385,173	385,173	385,173
Net Interest Expense	-58,383	-61,302	-64,221	-67,141
Pro Forma EBT	326,790	323,871	320,952	318,032
Income Tax Expenses	-111,109	-110,116	-109,124	-108,131
Pro Forma Net Income	215,681	213,755	211,828	209,901
Petz Net Income	95,635	95,635	95,635	95,635
Petz Shares O/S	393,991	393,991	393,991	393,991
Cobasi Share O/S	24,886	24,886	24,886	24,886
Pro Forma Shares O/S	418,877	418,877	418,877	418,877
Petz EPS	0.2	0.2	0.2	0.2
Pro Forma EPS	0.5	0.5	0.5	0.5
A/D - \$	0.3	0.3	0.3	0.3
A/D - %	112.1%	110.2%	108.3%	106.4%
	<i>Accretive</i>	<i>Accretive</i>	<i>Accretive</i>	<i>Accretive</i>

Scenario 3: Transaction's Assumptions 100-0				
Premium per Share	20%	25%	30%	35%
Petz EBIT	162,059	162,059	162,059	162,059
Cobasi EBIT	151,084	151,084	151,084	151,084
Synergies	72,030	72,030	72,030	72,030
Pro Forma EBIT	385,173	385,173	385,173	385,173
Net Interest Expense	-58,383	-61,302	-64,221	-67,141
Pro Forma EBT	326,790	323,871	320,952	318,032
Income Tax Expenses	-111,109	-110,116	-109,124	-108,131
Pro Forma Net Income	215,681	213,755	211,828	209,901
Petz Net Income	95,635	95,635	95,635	95,635
Petz Shares O/S	393,991	393,991	393,991	393,991
Cobasi Diluted Share O/S	36,328	37,842	39,356	40,869
Pro Forma Shares O/S	430,319	431,833	433,347	434,861
Petz EPS	0.2	0.2	0.2	0.2
Pro Forma EPS	0.5	0.5	0.5	0.5
A/D - \$	0.3	0.3	0.2	0.2
A/D - %	106.5%	103.9%	101.4%	98.9%
	<i>Accretive</i>	<i>Accretive</i>	<i>Accretive</i>	<i>Accretive</i>

24. 4-Wall Analysis

We did a 4-Wall analysis to understand how Petz stores perform, using the estimated maturation time in our model. From this, we saw that Petz stores manage to have a positive EBITDA throughout their opening time, reaching an average ROIC of 36% at the end of the four-year maturity period. Furthermore, we see a positive IRR for the investment per store, reaching 15% at the end of the period, with a payback of 3.1 years. We use COGS and SG&A data per mature store as assumptions and adjust this for an Opex maturity starting at 80% and reaching 100% at the end of the four years. In addition, we also assume that sales via omnichannel will have a lower penetration in the first few years of opening, going from 40% in the first year to 100% in the last year. About NOPAT, we used the average CAPEX per store (BRL 4,049 mn) and added pre-operating costs and net working capital, as shown in the model below.

Using the same assumptions, we did for Petz, we could also simulate a 4-wall analysis using Cobasi's data in 2019. In the thick of it, we have as leading indicators:

Main Indicators Cobasi 4-Wall				
Payback	3.9			
ROIC	-3.2%	14.0%	14.8%	22.0%
ROIC + SG&A	4.5%	21.6%	22.4%	29.7%
4-Wall EBITDA Margin	1.7%	13.4%	12.7%	16.5%

	Year 0	Year 1	Year 2	Year 3	Year 4
Invested Capital	-4,947,031	668,594	2,012,156	2,073,741	2,614,783
Net Working Capital	-4,947,031	-4,278,437	-2,266,281	-192,540	2,422,243

IRR 15%

Payback 3.1

Main Assumptions Petz Store Model	
Gross Revenue per Store Omnichannel	14,818,690
Revenue ex-Omnichannel	1,998,928
Costs per Store	12,819,763
Gross Margin	6,835,195
Gross Profit	46.7%
Store Expenses	5,984,568
% of Gross Revenue ex-Omnichannel	26.3%
Store Contribution Margin	2,614,783
Additional SG&A	133,447
% of Gross Revenue ex-Omnichannel	1.0%
D&A	433,300
Income Tax	34%
NOPAT	1,637,682
Capex	4,049,000
Pre-Operational	620,253
Net Working Capital	277,778
Invested Capital	4,947,031
ROIC - Mature Store	36%

	Year 1	Year 2	Year 3	Year 4
Maturation Curve - Sales ex-Omnichannel	65%	85%	95%	100%
Gross Revenue per Store Omnichannel	9,632,149	12,595,887	14,077,756	14,818,690
Revenue ex-Omnichannel	799,571	1,399,250	1,799,035	1,998,928
Costs per Store	8,832,578	11,196,637	12,278,721	12,819,763
Maturation Curve - Omnichannel Digital Penetration	40%	70%	90%	100%
Costs per Store	5,468,156	6,151,675	6,835,195	6,835,195
Gross Margin	38.1%	45.1%	44.3%	46.7%
Gross Profit	3,364,422	5,044,962	5,443,526	5,984,568
Store Expenses	2,695,828	3,032,806	3,369,785	3,369,785
% of Gross Revenue ex-Omnichannel	30.5%	27.1%	27.4%	26.3%
Maturation Curve - Opex	80%	90%	100%	100%
Store Contribution Margin	668,594	2,012,156	2,073,741	2,614,783
% of Gross Revenue ex-Omnichannel	7.6%	18.0%	16.9%	20.4%
Additional SG&A	133,447	133,447	133,447	133,447
D&A	433,300	433,300	433,300	433,300
Income Tax	34%	34%	34%	34%
NOPAT	353,197	1,239,948	1,280,594	1,637,682
Capex	4,049,000	4,049,000	4,049,000	4,049,000
Pre-Operational	620,253	620,253	620,253	620,253
Net Working Capital	277,778	277,778	277,778	277,778
Invested Capital	4,947,031	4,947,031	4,947,031	4,947,031
ROIC	7.1%	25.1%	25.9%	33.1%
ROIC + SG&A	9.8%	27.8%	28.6%	35.8%
4-Wall EBITDA Margin	7.6%	18.0%	16.9%	20.4%

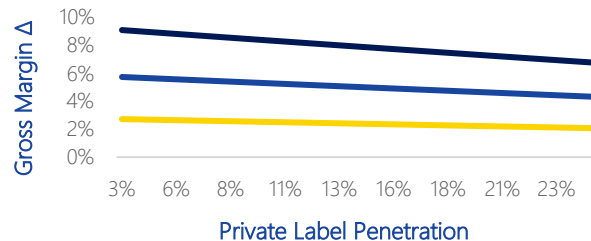
25. Price War - Discount Simulation

Average Discount		0%	Average Discount		10%
Petz					
Sales Mix					
Products		92.6%	Products		92.6%
Private Label		7.4%	Private Label		7.4%
Total Units Sold		x	Total Units Sold		x
Average Sales Price (Products)		BRL 100	Average Sales Price (Products)		BR 100
Average Sales Price (Private Label)		BRL 87	Average Sales Price (Private Label)		BRL 87
Products Revenue		92.8x	Products Revenue		83.5x
Private Label Revenue		6.3x	Private Label Revenue		6.3x
Total Revenue		99.1x	Total Revenue		89.8x
% COGS (Products)		53.3%	% COGS (Products)		59.2%
% COGS (Private Label)		43.3%	% COGS (Private Label)		43.3%
COGS (Products)		49.5x	COGS (Products)		49.5x
COGS (Private Label)		2.7x	COGS (Private Label)		2.7x
Total COGS		52x	Total COGS		52x
Gross Profit (Products)		43x	Gross Profit (Products)		34x
Gross Margin		46.7%	Gross Margin		40.8%
Gross Profit (Private Label)		3.6x	Gross Profit (Private Label)		3.6x
Gross Margin		56.7%	Gross Margin		56.7%
Gross Profit		47x	Gross Profit		38x
Gross Margin		47.3%	Gross Margin		41.9%
Change in Gross Margin -5.4%					

Average Discount		0%	Average Discount		10%
Cobasi					
Sales Mix					
Products		100%	Products		100%
Total Units Sold		x	Total Units Sold		x
Average Sales Price		BRL 100	Average Sales Price		BRL 90
Products Revenue		100.0x	Products Revenue		90.0x
Total Revenue		100.0x	Total Revenue		90.0x
% COGS		59.9%	% COGS		66.6%
COGS		59.9x	COGS		59.9x
Total COGS		59.9x	Total COGS		59.9x
Gross Profit		40x	Gross Profit		30x
Gross Margin		40.1%	Gross Margin		33.4%
Change in Gross Margin -6.7%					

Average Discount		0%	Average Discount		10%
Petlove					
Sales Mix					
Products		100.0%	Products		100.0%
Total Units Sold		x	Total Units Sold		x
Average Sales Price		BRL 100	Average Sales Price		BRL 90
Products Revenue		100.0x	Products Revenue		90.0x
Total Revenue		100.0x	Total Revenue		90.0x
% COGS		71.0%	% COGS		78.9%
COGS		71.0x	COGS		71.0x
Total COGS		71.0x	Total COGS		71.0x
Gross Profit		29x	Gross Profit		19x
Gross Margin		29.0%	Gross Margin		21.1%
Change in Gross Margin -7.9%					

Private Label Sensitivity



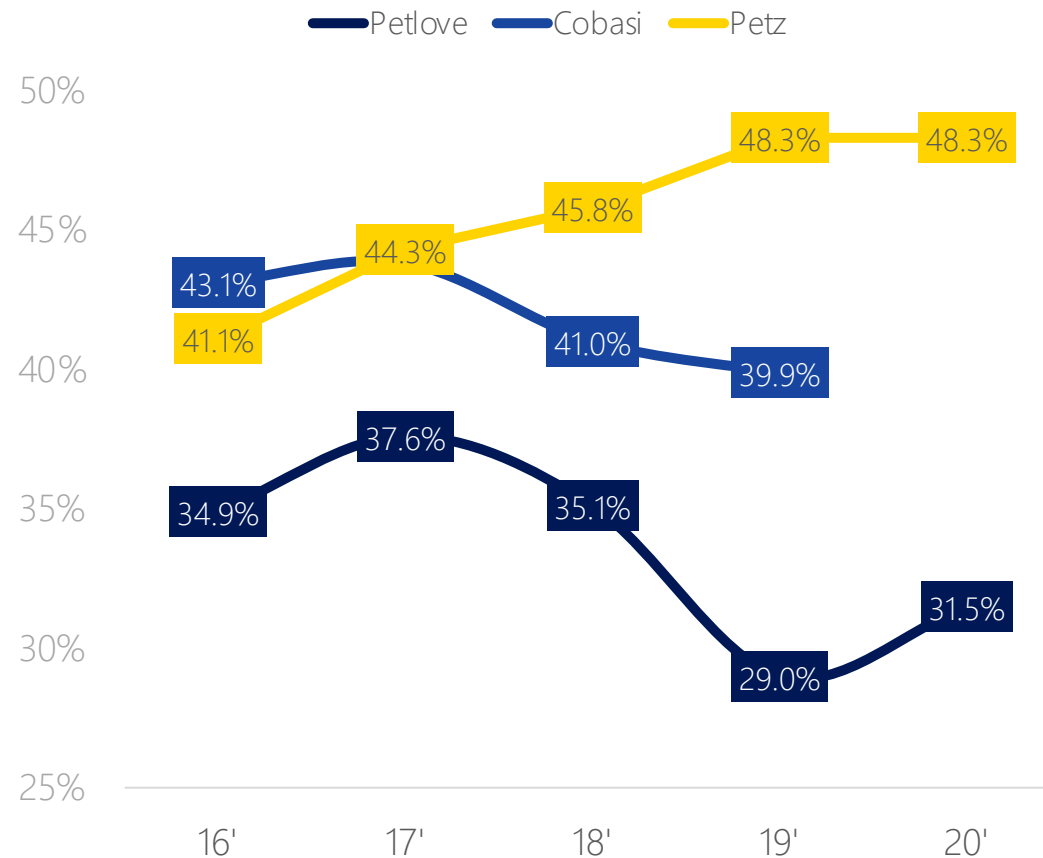
In this way, the team was able to see the actual value of an increased private-label penetration, which is the main factor that guarantees a lower variation in gross margin for the company. We replicated the following model numerous times, creating a sensitivity analysis that shows the variation in gross margin according to the increase in Petz's private label penetration.

— 5% Discount — 10% Discount — 15% Discount

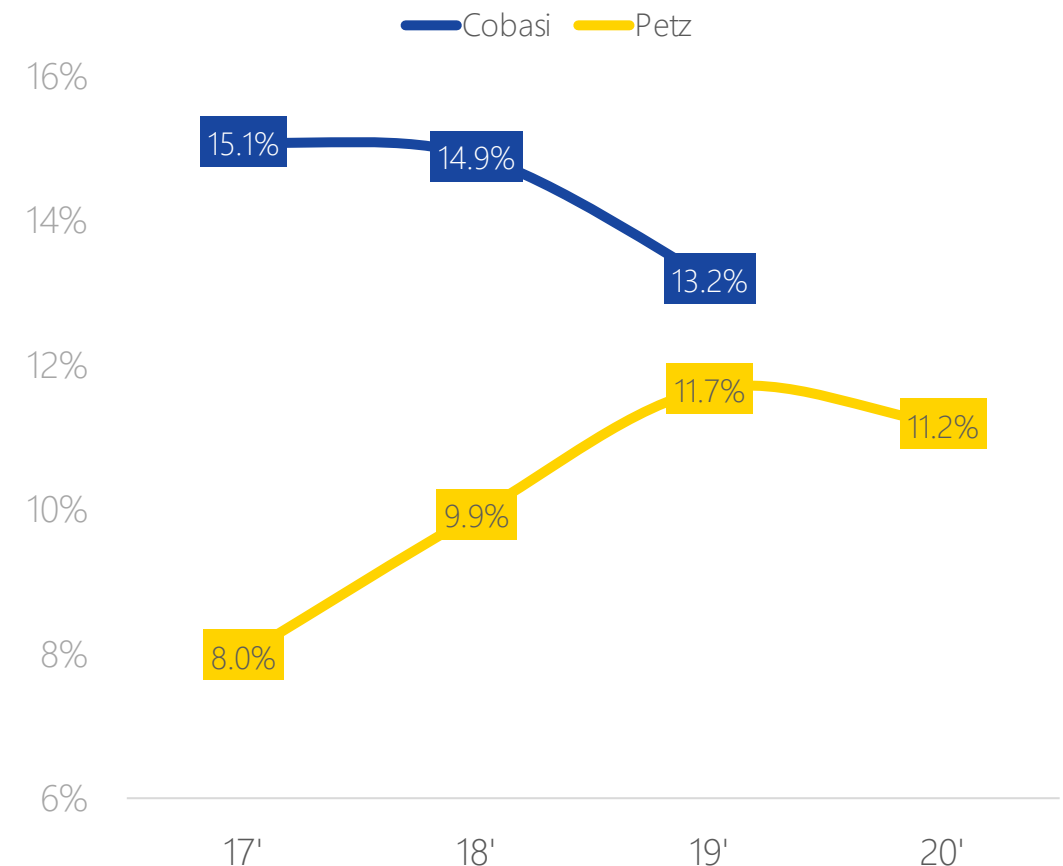
26. Gross Margin & EBITDA Comparison

Petz is the industry leader, but how are its numbers compared to its competitors?

Gross Margin; [%]

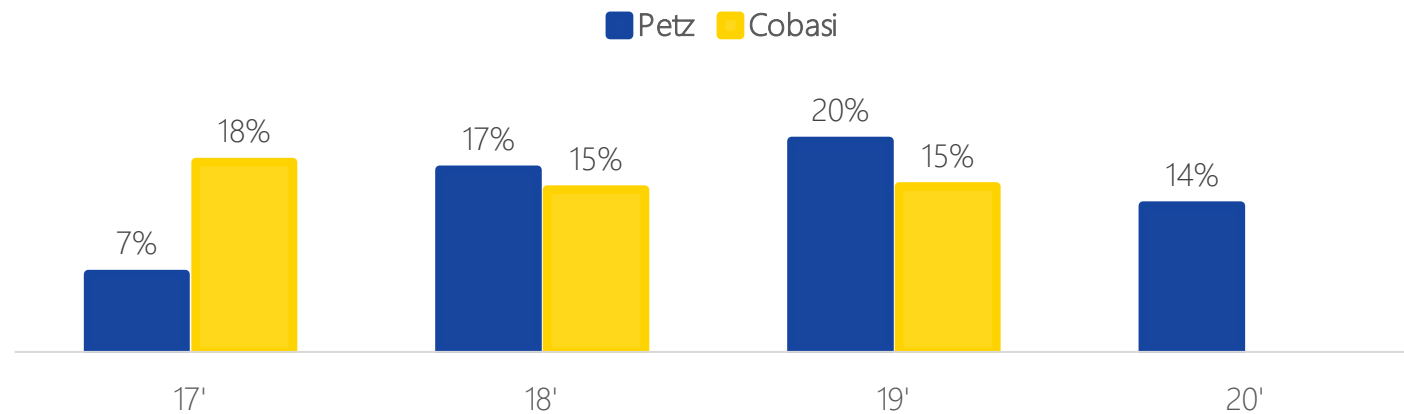


EBITDA Margin (IAS-17); [%]



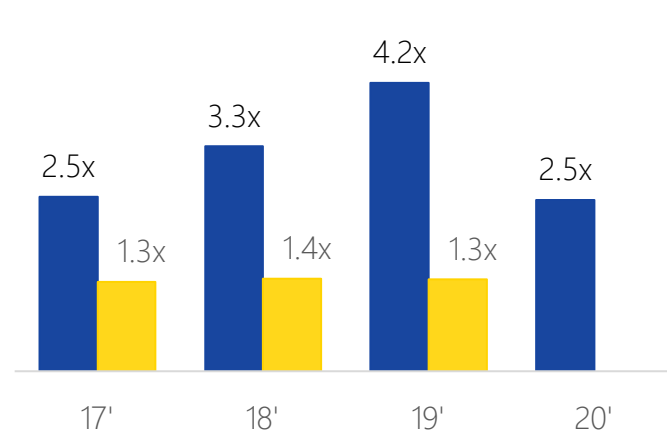
27. DuPont Analysis: Petz vs. Cobasi

Return on Equity; [%]

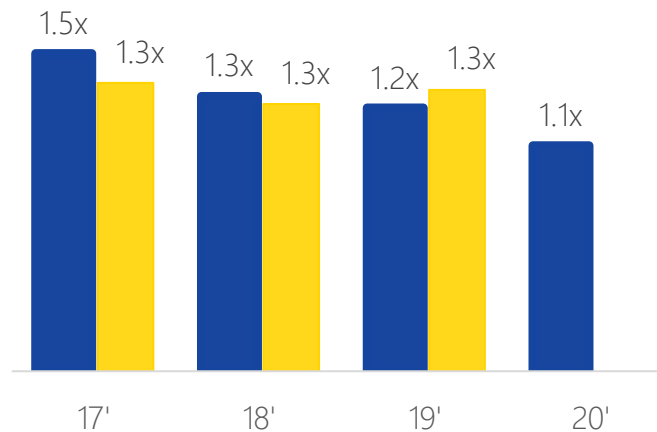


We see that **Petz** has a higher ROE from 2017 because it has leveraged more for national expansion. Today we see that the company will have a higher ROE according to the increase in net margin, because it is already well capitalized....

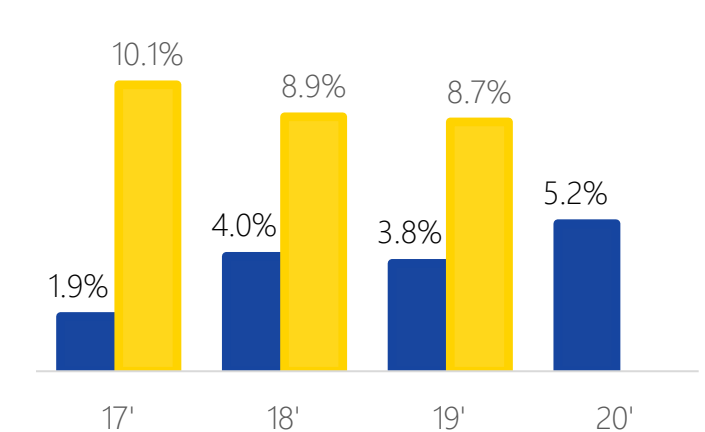
Leverage; [x]



Assets Turnover; [x]

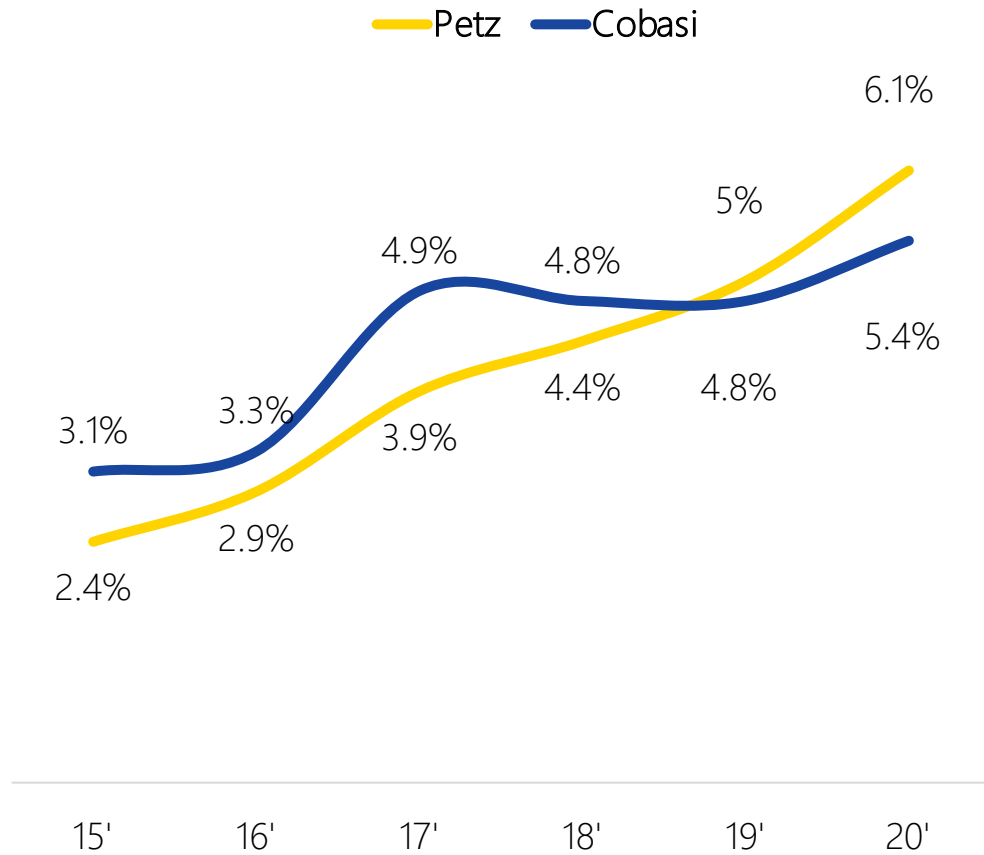


Net Margin; [%]

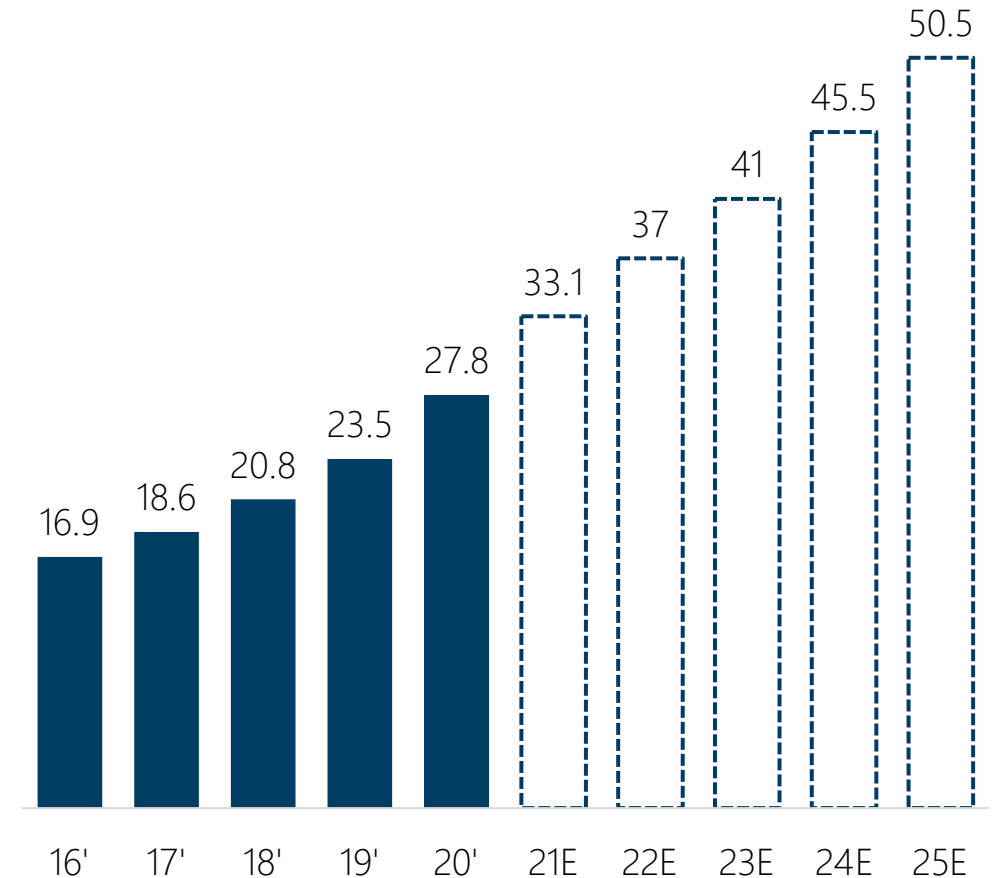


28. Petz and Cobasi: Market Share

Physical Market Share



Pet Industry Evolution



29. Cobasi: A Purebred Competitor

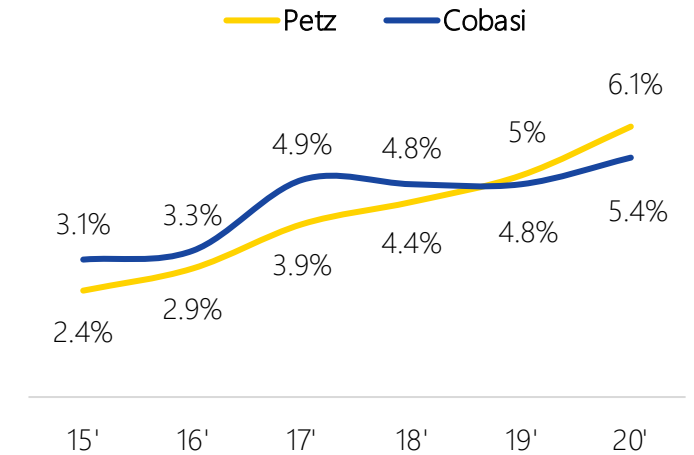
Balance Sheet	17'	18'	19'
Total Assets	583	700	800
Current Assets	247	315	356
Cash & Equivalents	94	136	144
Receivables	71	78	97
Advances	1	3	1
Inventory	75	90	112
Prepaid Expenses	1	1	0
Others	5	7	2
Non-Current Assets	336	385	444
Investments	222	240	243
PP&E	81	111	166
Intangible	1	1	2
Others	32	33	33
Total Liabilities	136	185	204
Current Liabilities	136	185	202
Suppliers	102	149	159
Short-Term Debt	6	0	2
Labor Obligations	6	7	9
Tax Liabilities	15	18	21
Others	7	11	11
Non-Current Liabilities	0	0	2
Long-Term Debt	0	0	0
Long-Term Leasing	0	0	1
Others	0	0	1
Equity	447	515	596

Income Statement	17'	18'	19'
(=) Net Revenue	786	873	1,053
(-) COGS	441	515	632
(=) Gross Profit	345	358	421
(-) SG&A	240	247	304
(=) EBIT	105	111	117
(+) D&A	14	19	22
(=) EBITDA	119	130	139
(=) Financial Result	1	-6	7
(+) Financial Revenue	16	10	26
(-) Financial Expenses	15	16	19
(=) EBT	106	105	124
(-) Taxes	27	27	33
(=) Net Income	79	78	91

Cobasi is Petz's biggest competitor with revenues of BRL 1.5 bn by 2020. The company has a similar business model to Petz and from the customer's point of view they are both very similar. In this aspect, we see Cobasi as the next consolidator in the sector next to Petz, although it has had a later development. The company also seeks a consolidation outside the state of São Paulo, focusing on mega stores of similar size and CAPEX as Petz.

We see that Cobasi will be able to create a similar ecosystem to Petz, as it already has an outsourced veterinary clinic service (SPet) and has recently acquired Pet Anjo, a platform that offers the intermediation of services such as dog walker, babysitting, lodging and daycare. However, we see an advantage of Petz over Cobasi its best acquisitions and being the first-mover in this respect.

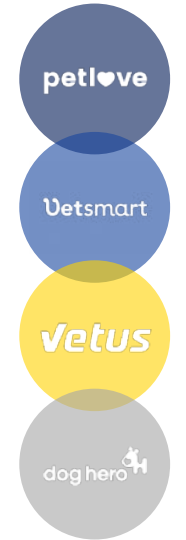
Physical Market Share; [%]



30. Petlove: The Brazilian Chewy

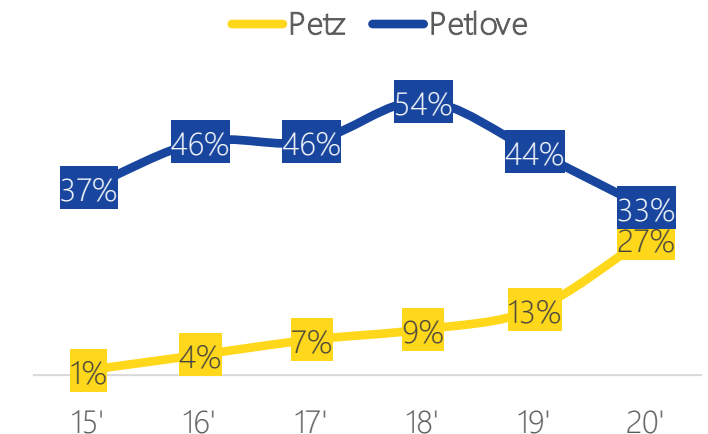
Balance Sheet	17'	18'	19'	20'
Total Assets	44	55	107	410
Current Assets	41	51	70	334
Cash & Equivalents	17	15	20	209
Receivables	12	19	23	57
Inventory	11	17	26	42
Others	1	0	1	26
Non-Current Assets	3	4	37	76
Investments	0	0	19	0
PP&E	3	4	5	8
Intangible	0	0	0	27
Others	0	0	13	41
Total Liabilities	50	68	79	111
Current Liabilities	37	52	58	90
Suppliers	20	27	36	58
Advance to Clients	3	4	5	0
Short-Term Debt	10	15	7	6
Labor Obligations	1	3	3	13
Tax Liabilities	2	2	0	3
Others	1	1	7	10
Non-Current Liabilities	13	16	21	21
Long-Term Debt	13	16	18	13
Long-Term Leasing	0	0	0	3
Others	0	0	3	5
Equity	-6	-13	28	299

Income Statement	17'	18'	19'	20'
(=) Net Revenue	126	178	256	428
(-) COGS	79	115	162	293
(=) Gross Profit	47	63	94	135
(-) SG&A	51	62	95	140
(=) EBIT	-4	1	-1	-5
(+) D&A	0	1	1	2
(=) EBITDA	-4	2	0	-3
(=) Financial Result	-5	-8	-9	-8
(+) Financial Revenue	1	1	1	4
(-) Financial Expenses	6	9	10	12
(=) EBT	-9	-7	-10	-13
(-) Taxes	0	0	0	2
(=) Net Income	-9	-7	-10	-15



In the Petlove issue, we see an approach with Chewy (the largest pet e-commerce company in the US). Petlove currently has the second largest market share in the industry in the digital segment, losing ground to Petz, the industry leader. In this aspect, Petlove has sought to position itself better in the digital/e-commerce issue, increasing the number of mini-hubs in the country and trying to generate more digital engagement.

Digital Market Share; [%]



31. Petland: A Franchise Model

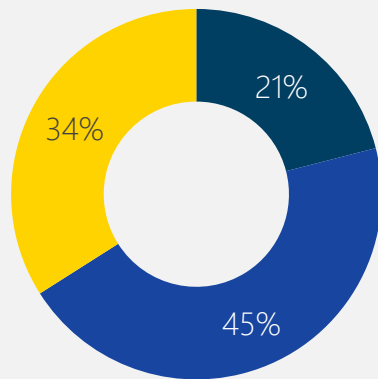
Highlights

Average Sales/m² = BRL 1.2 k

Average Net Margin = 18.4%

Average Revenue Breakdown

■ Food ■ Non-Food ■ Services

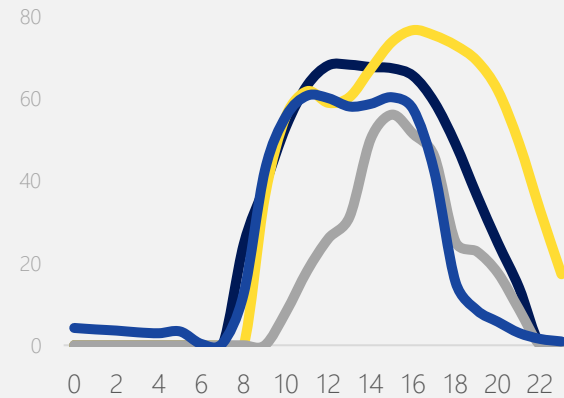


Competitive Positioning

For Petland we could see that the company has much lower traffic than when compared to Petz and Cobasi, losing even to the average performed for mom & pop, as shown in our Foot Traffic performed in Vila Leopodina, SP...

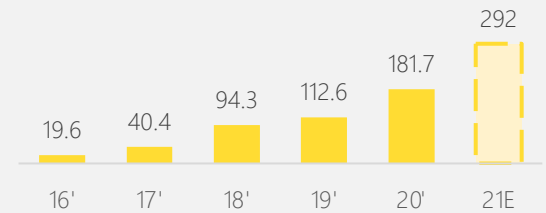
Foot Traffic – Vila Leopodina (1.5 km)

— Cobasi — Petz — Petland — Mom & Pop

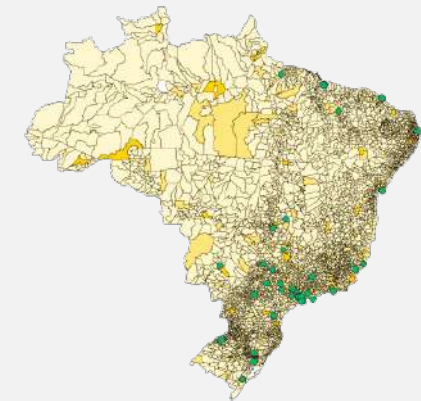


Growth/Distribution

Petland Revenue; [BRL mn]



Stores Distribution



32. Unraveling Local Competition

Capitalization

We see that capitalization is essential for pet companies to expand. In this aspect we see Petz's high cash flow as a differential point. We see almost BRL 3 bn in the IPO and another BRL 779 in its most recent follow on, while its competitors Cobasi and Petlove raised respectively BRL 300 mn and BRL 750 mn. Smaller companies like PetCamp are raising around BRL 100 mn.

Omnichannel

We see that Petz (and also Cobasi) have a more developed omnichannel because of their better expansion and having a strong position in digital. In this aspect, we see that the more regional megastores are one step behind the national ones.

Ecosystem

Finally, we see that Petz has the advantage over all players in the industry with its robust and well-developed ecosystem, which leaves the company one step ahead of the rest.

Brazil Journal

Daytrade Negócios Economia

Negócios

BR Partners investe na PetCamp, 'a Petz do interior'

25 de Novembro de 2021

Brazil Journal

Daytrade Negócios Economia

Negócios

Família Jereissati compra 20% da Petland

1 de Dezembro de 2021

33. Management (A)

Name	Position	Background
Claudio Roberto Ely	<i>Independent Member</i>	Mr. Claudio is a sênior consultant at Warburg Pincus. Prior to that, Mr. Ely was CEO at Drogasil S.A., where he led the company's IPO process in 2007 and participated in the merger of Drogasil with Raia S.A., which resulted in Raiadrogasil S.A., Brazil's largest pharmacy.
Aline Ferreira Pena	CFO and IRO	Mrs. Aline has almost 20 years of experience, having been, prior to joining the Company, Executive Director of Strategy at Arezzo&Co, where she worked for around 5 years. Mrs. Aline also has 14 years of experience in the Financial Market including PE, M&A and Equity research.
Eduardo Terra	<i>Independent Member</i>	Mr. Terra has been serving as deliberative advisor to Savegnago Supermercados since 2014 and to Lopes Supermercado since 2016. He also serves at the strategy and innovation committee of Center Norte since 2017 and at the advisory board of Extrafarma / Grupo Ultra since 2018.
Sergio Zimerman	CEO and Board Member	Mr. Zimerman is CEO and founder. As founder and CEO, he has led the initial expansion, which in ten years reached the mark of 27. Now Petz has 115 stores and Mr. Zimerman intends to transform Petz into the largest and best chain of pet shops in Latin America.
Gregory Luis Reider	Board Member	Mr. Gregory holds bachelor's degrees in Economics and International Relations from the Yale College. Mr. Gregory Luis Reider is senior consultant at Warburg Pincus. Prior to that, he was Principal at Warburg Pincus from 2012 to 2020.
Luciano Rocha Sessim	Board Member	Mr. Sessim, prior to joining Petz, served as an officer at Walmart. He joined Petz in 2015 as the executive officer of trade, marketing, and foreign trade, where he implemented several strategic plans increasing store productivity and commercial margins in 1000 bps in the past five years.
Valéria Pires Corrêa	Officer	Ms. Corrêa holds a bachelor's degree in veterinary medicine, a master's degree in veterinary clinic surgery and a Ph.D. in experimental physiopathology from the University de São Paulo. She joined us in 2004 and she now serves as technical director of Seres.

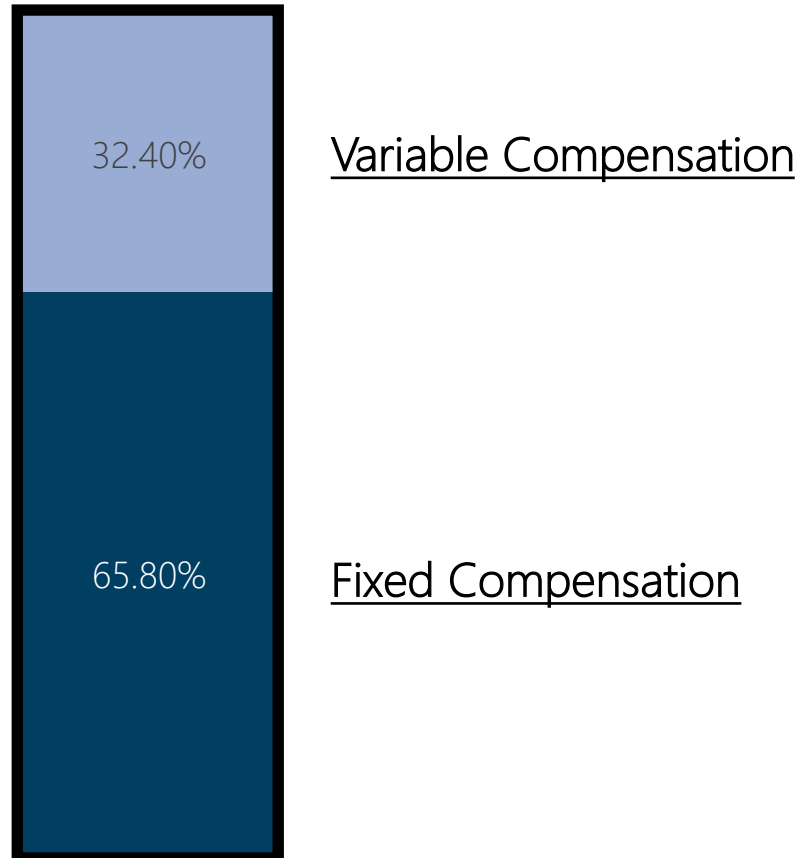


On the question regarding Petz's management, we see an excellent and well-aligned team, as commented in our ESG analysis. However, some people are seen as key to the future of the company, such as Claudio Roberto Ely (former CEO of Raia Drogasil) and Irlau Machado Filho (CEO of NotreDame Intermédica). They bring to the company expertise in the national expansion and verticalization of companies in the healthcare segment.

At this point of critical people, we see as the most important point for Petz its strategy committee, which encompasses the main names for the future of the company's national and international expansion, as shown in the table.

33. Management (B)

Management Compensation



In addition to Sergio Zimmerman's high percentage position in the company, the founders of the recently acquired Zee.Dog also have lock-up of the shares and an earn-out from the transaction in 2026.

Nome	On	Total (%)
Sergio Zimmerman	131.968.204	30,33%
TRUXT Investimentos	23.208.108	5,33%
Outros	279.881.602	64,34%
Total	435.057.914	100,00%

34. Value Proposition

Value Proposition	Megastores	Pure Online	Mom & Pop	Food Retailers
Assortment	✓	✓	✗	✗
Location Convenience	✓	✗	✓	✓
Price (Physical)	✓	✗	✗	✓
Price (Digital)	=	=	=	=
Online Platform	✓	✓	✗	○
Omnichannel	✓	✗	✗	○
Ecosystem	✓	✗	✗	✗

35. Optionalities: Zee.Kitchen (A)



Zee made a punctual acquisition to enter a new vertical and is already making big efforts to enter a market composed primarily by food, but where natural food is still unpenetrated...

...and an international peer brings us confidence that it could turn into a huge operation...



Freshpet is an American company focused exclusively on the production and sale of natural foods, with more than 20,000 points of sale and 1 million customers.

- \$ 320 mn Revenue in 2020
- \$ 6 bn Market Cap

35. Optionalities: Temple (B)



Zee innovated by bringing a store concept where the focus is **not the product, but the customer...**

In the US, megastore models are no longer a retail trend, and "temple" models are gaining more prominence for the customer's experience with the store.



Why do we like this?

Omnichannel strategy requires a frictionless experience, in order to align the seller to the company's industry. In this context, Zee.Dog stores and labs become experience stores, where customer can test presencially and, eventually, purchase online...

35. Optionalities: Verticalized Health Plan (C)

In Brazil, only 91k animals have health insurance and we see this sub-segment with a high potential as the humanization of pets in the country increases. From this point of view, Petlove together with Porto Seguro has already positioned itself to achieve a comfortable position in this market, reaching 1.5% market share today. Based on our estimates, the market can reach BRL 3.8 bn in just 5 years.

		20'	21E	22E	23E	24E	25E
Pets in Brazil	[mn of pets]	88	91	101	112	123	135
Health Plan Penetration	[%]	0.1%	0.3%	0.5%	0.8%	1.1%	1.5%
Pets w/ Health Plan	[mn of pets]	0.1	0.3	0.5	0.9	1.4	2.0
Average Spending per Health Plan	[BRL]	1,500	1,635	1,717	1,768	1,821	1,876
Brazilian Health Plan Market	[BRL mn]	137	446	867	1,584	2,464	3,799

Health Plan Penetration [%]

	0.1%	0.2%	0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%	1.8%	2.0%
500	46	91	182	273	364	455	546	637	728	819	910
700	64	127	255	382	510	637	764	892	1,019	1,147	1,274
900	82	164	328	491	655	819	983	1,147	1,310	1,474	1,638
1,100	100	200	400	601	801	1,001	1,201	1,401	1,602	1,802	2,002
1,300	118	237	473	710	946	1,183	1,420	1,656	1,893	2,129	2,366
1,500	137	273	546	819	1,092	1,365	1,638	1,911	2,184	2,457	2,730
1,700	155	309	619	928	1,238	1,547	1,856	2,166	2,475	2,785	3,094
1,900	173	346	692	1,037	1,383	1,729	2,075	2,421	2,766	3,112	3,458
2,100	191	382	764	1,147	1,529	1,911	2,293	2,675	3,058	3,440	3,822
2,300	209	419	837	1,256	1,674	2,093	2,512	2,930	3,349	3,767	4,186
2,500	228	455	910	1,365	1,820	2,275	2,730	3,185	3,640	4,095	4,550



+50%
Gross Margin
in Diagnostics

+15%
Gross Margin
in Pet Hospital

36. International Approach (A)

To better understand how the Brazilian market will perform, we tried to look at the two countries with the best development of the megastore model, the US, and the UK. Thus, we made a comparison between the markets and the dominance of the leading players in this environment:

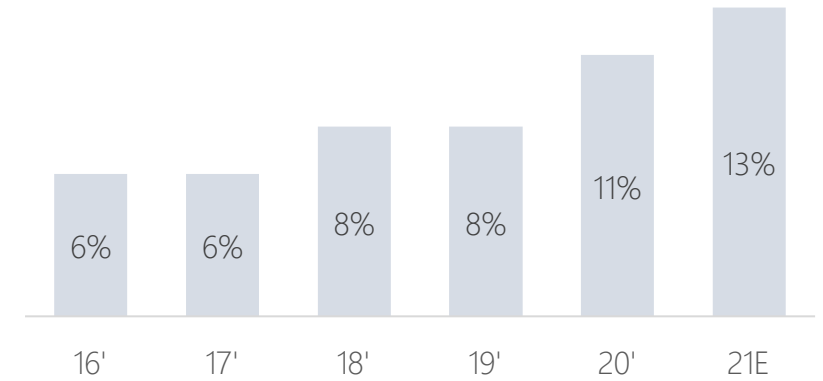
USA: In the United States, we see one of the largest pet markets in the world. However, the story was not always like this. In the early 1980s, the US pet market was dominated by local players and food retailers, which were the big news at the time. This led to the emergence of two large megastore chains, PetSmart and PetCo, fighting for market dominance by aggressively opening stores across the country (PetSmart currently has 1,278 stores across the country, while PetCo has approximately 1,200). That said, both companies have achieved a relevant history of market share, reaching 40.3% for PetSmart and 19.5% for PetCo. However, the scenario for both companies was once better. With the arrival of the COVID-19 crisis, there was an acceleration of purely online and omnichannel services, which caused the two industry leaders a considerable lost share to the new entrant Chewy (a company that PetSmart had already acquired last year). In this aspect, we draw a parallel with the North American market, given that the consolidation that started to occur 40 years ago is happening in Brazil, with some slight differences.

We believe that a purely digital player such as Chewy and Amazon have ascended due to a window of opportunity created by the combination of: (I) underdeveloped Omnichannel by dominant players and (II) well-developed logistics network in the US (III) high e-commerce penetration in the country. These factors are not observed both individually and in combination in the Brazilian scenario, supporting our thesis that Petz with its more Asset heavy model appears well positioned in the online sales channel.

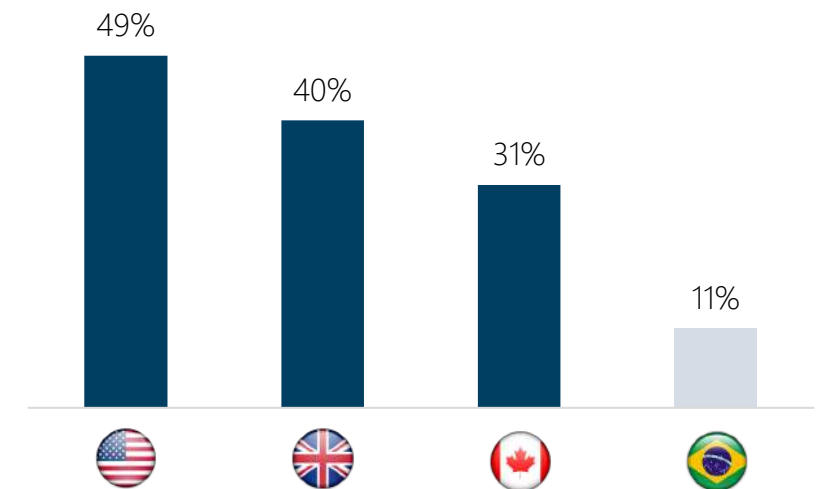
UK: In UK's market, we see a remarkable parallel to be drawn, mainly with the market, which is very similar to what we believe the Brazilian market will be after consolidation, with a residual share of mom & pop channels and food retailers in the future due to the high capillarity of these channels. Furthermore, we see a profound similarity between Pets at Home and Petz, which can be used as a comparison player for future projections.

Thus, the team decided to do authorial field research using our contacts in one of the Pets at Home stores in Worthing, West Sussex. As a result, we could perceive three points that bring Petz and Pets at Home closer together: (I) Pets at Home has a much more extensive range of private label products (44% of the company's total revenue) than Petz; (II) Both companies have grooming, adoptions and veterinary services in their portfolio as a way to generate cross-sell and increase customer loyalty; (III) Both companies have a very similar business model with big stores and omnichannel approach, the most significant difference is in the moment of consolidation of both companies (Pets at Home has opened more small superstore stores, which have 350 sqm).

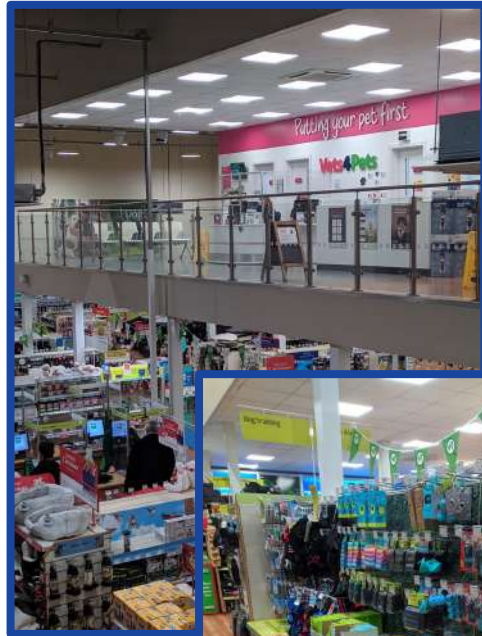
Top 2 Market Share Evolution (Brazil)



Top 2 Market Share (2020)



36. International Approach (B)



We see Pets at Home as one of the peers most like Petz...

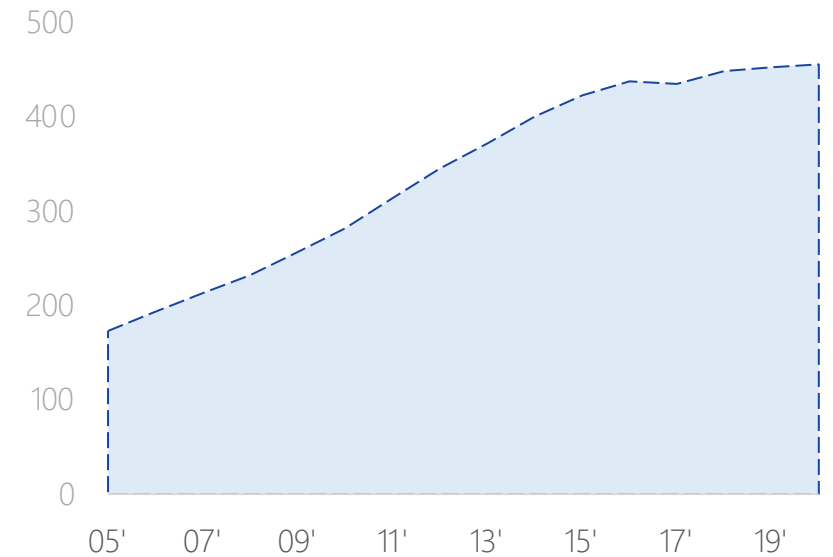
**pets
at home**

39% of Private Label

15% of Omnichannel Index

33% of Sales Services

Number of Stores; [stores]



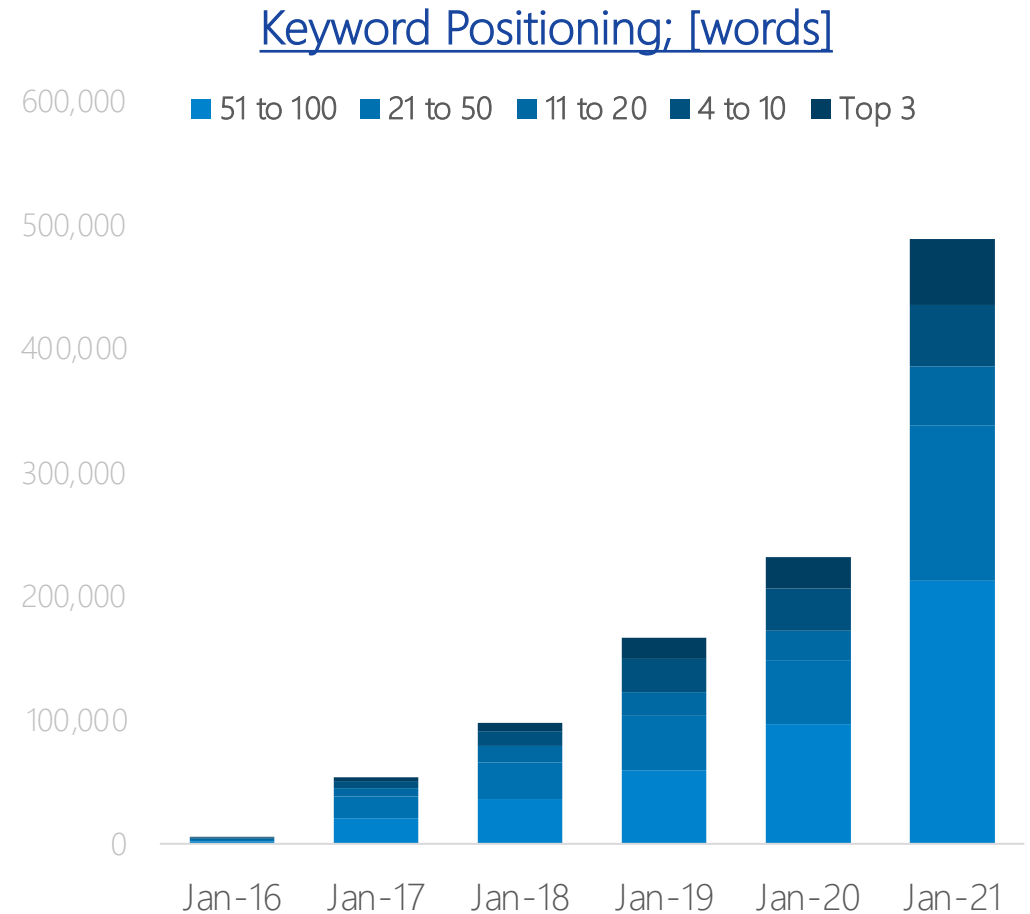
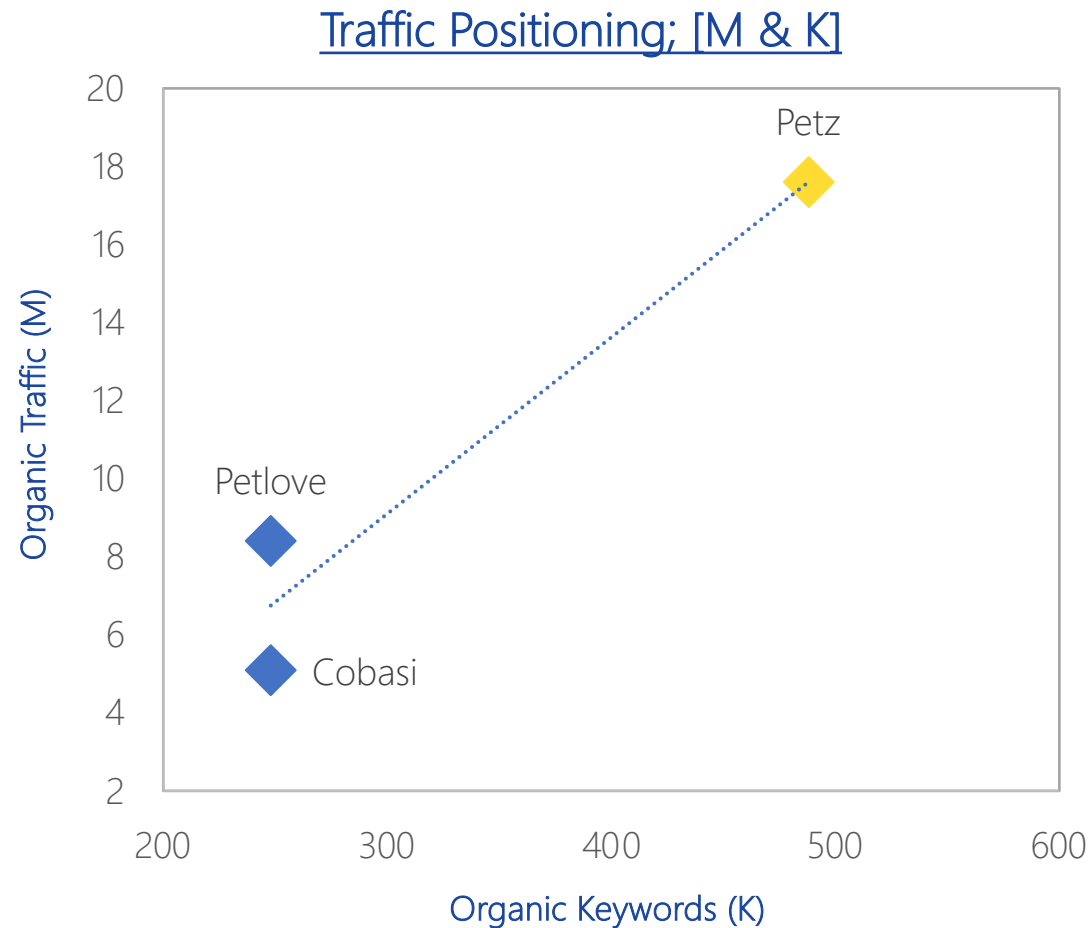
23% of UK's Market Share

37. Consensus Comparison

	HISTORICAL (ACTUALS)	FORECAST (MEAN)		
	FY Dec-20	FY Dec-21	FY Dec-22	FY Dec-23
REVENUE	1436.756	2073.858	2867.672	3818.500
COST OF GOODS SOLD	743.249	1091.333	1577.333	2053.667
GROSS INCOME	693.506	1001.667	1440.667	1912.500
GROSS PROFIT MARGIN	48.260%	40.500%	40.250%	40.900%
SELLING & MARKETING EXPENSE	426.690	575.000	906.000	1218.000
SG&A EXPENSE	547.915	745.500	992.000	1253.000
GENERAL & ADMIN EXPENSE	133.746	161.000	254.000	338.000
OPERATING EXPENSE	1311.610	1707.000	2170.000	2716.000
EBITDA	185.459	284.952	423.672	624.750
DEPRECIATION	131.241	177.000	220.000	233.000
DEPRECIATION & AMORTIZATION	141.219	122.000	170.667	209.000
EBIT	124.102	158.568	253.152	385.518
INTEREST EXPENSE	63.543	71.000	105.000	129.000
PRE-TAX PROFIT	69.949	114.360	186.646	315.750
TAX PROVISION	11.562	34.000	53.250	95.000
TAX RATE	-	29.200%	26.150%	28.000%
NET INCOME	58.387	86.032	136.996	221.250
NUMBER OF SHARES OUTSTANDING	374.612	-	-	-
EARNINGS PER SHARE	0.150	0.218	0.335	0.530
EBITDA REPORTED	266.365	376.000	579.000	789.000
PRE-TAX PROFIT REPORTED	69.949	107.500	185.000	317.500
NET INCOME REPORTED	58.387	81.667	143.333	236.333
EARNINGS PER SHARE REPORTED	0.150	0.190	0.340	0.560
DIVIDEND PER SHARE	0.030	0.060	0.085	0.127

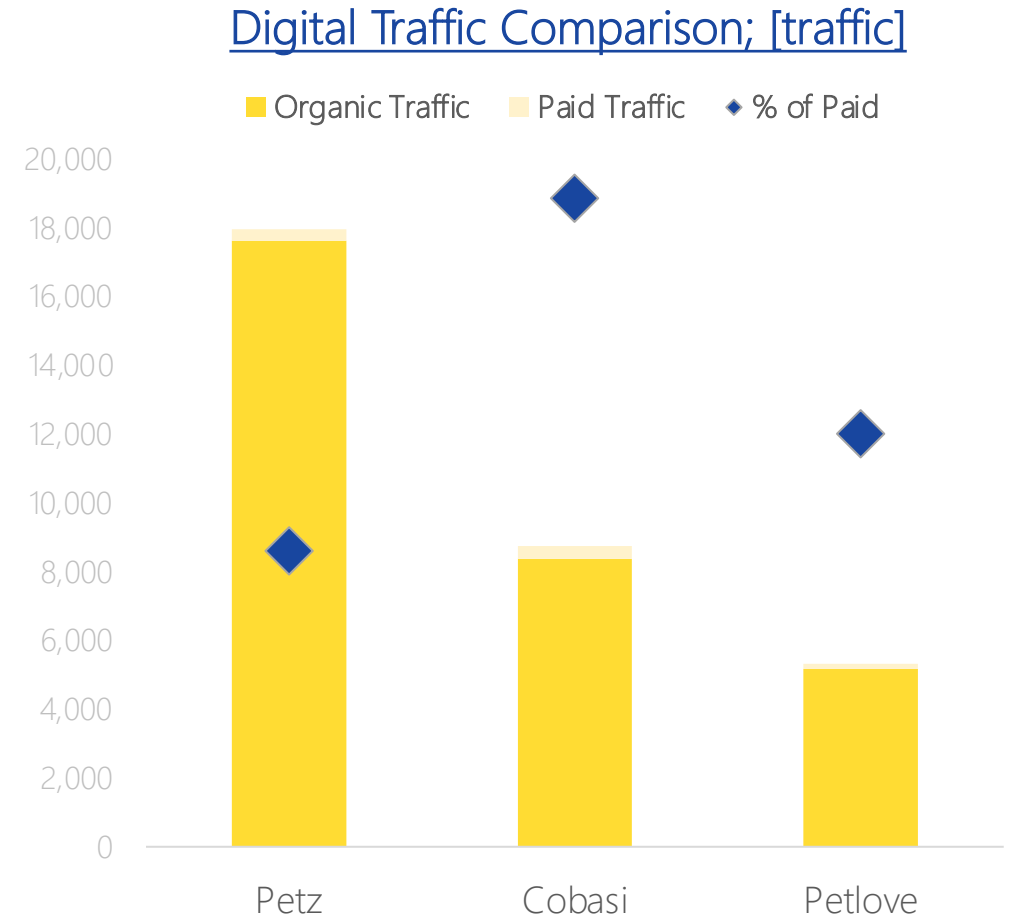
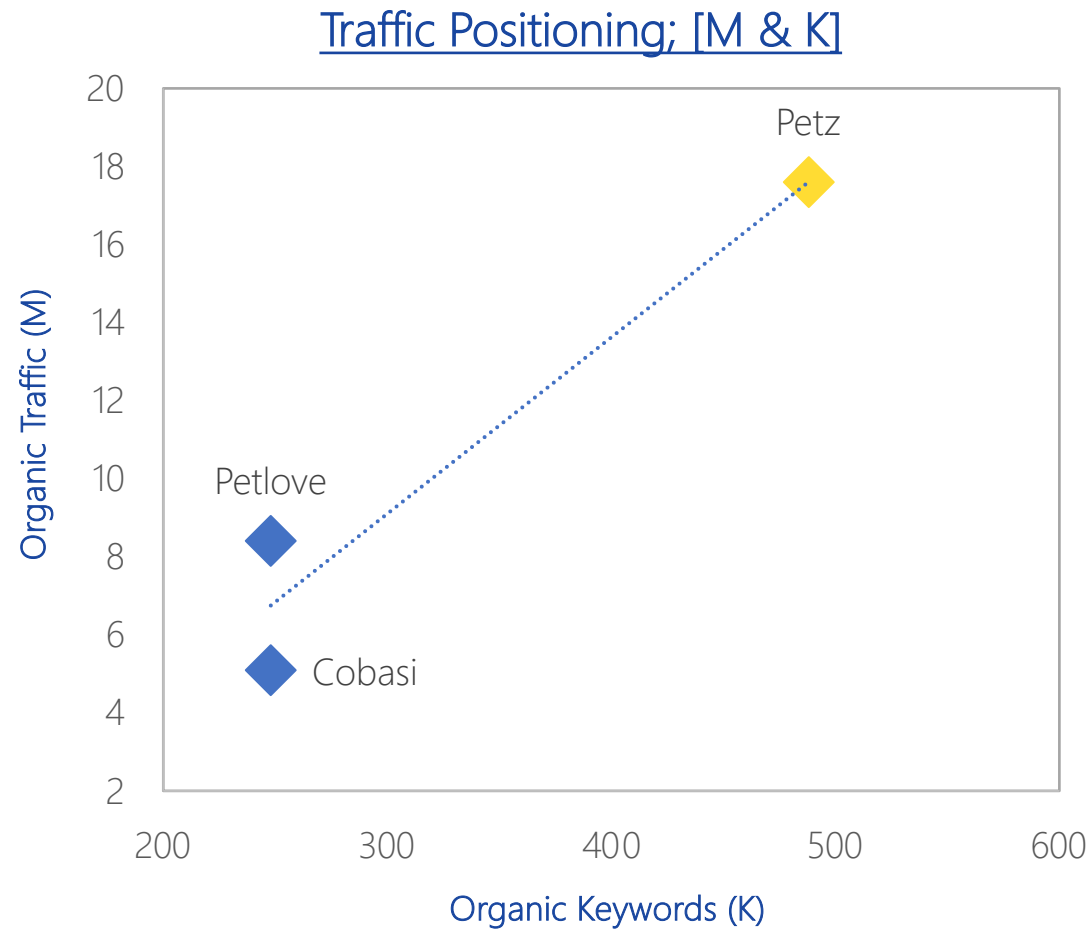
38. E-commerce: Web Site (A)

Petz is the industry leader, but how are its numbers compared to its competitors?



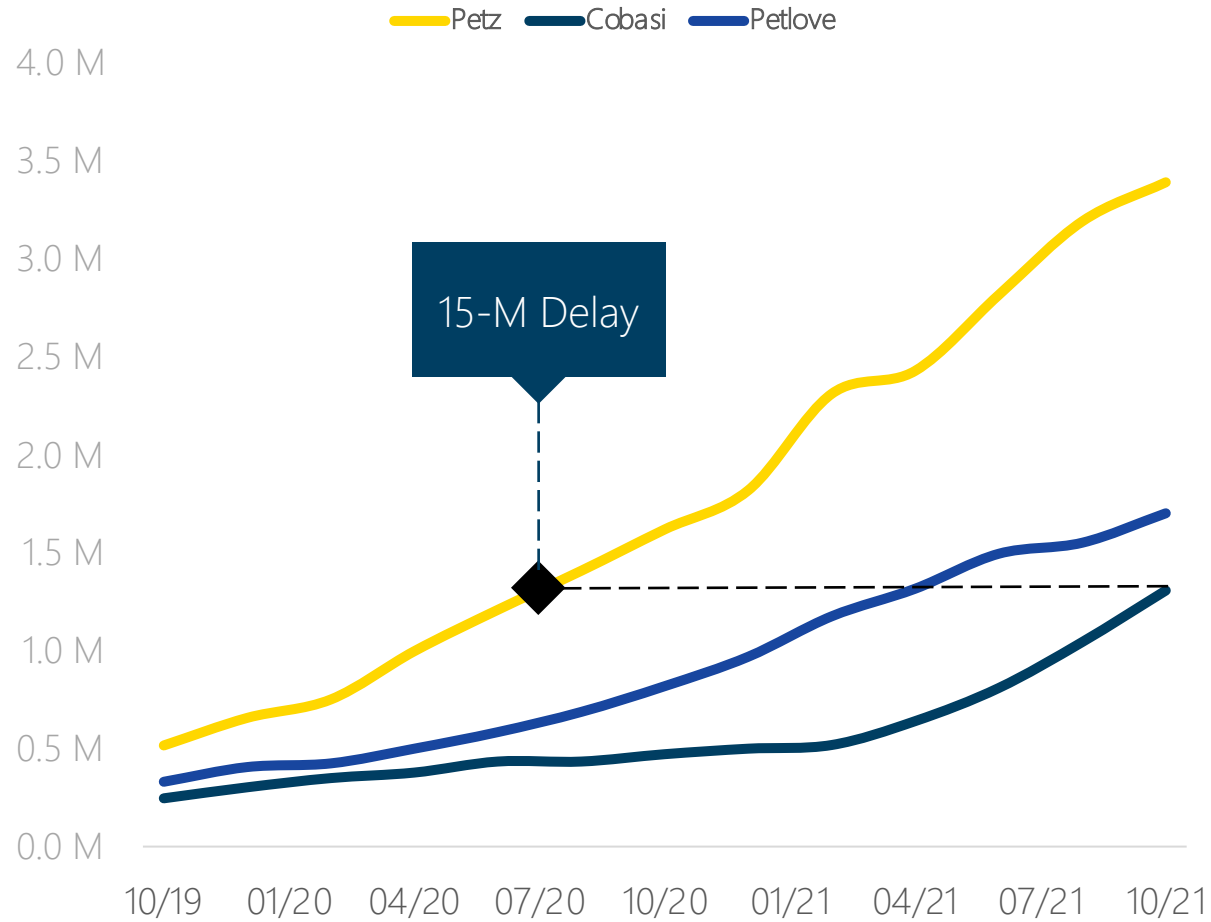
38. E-commerce: Web Site (B)

Petz is the industry leader, but how are its numbers compared to its competitors?

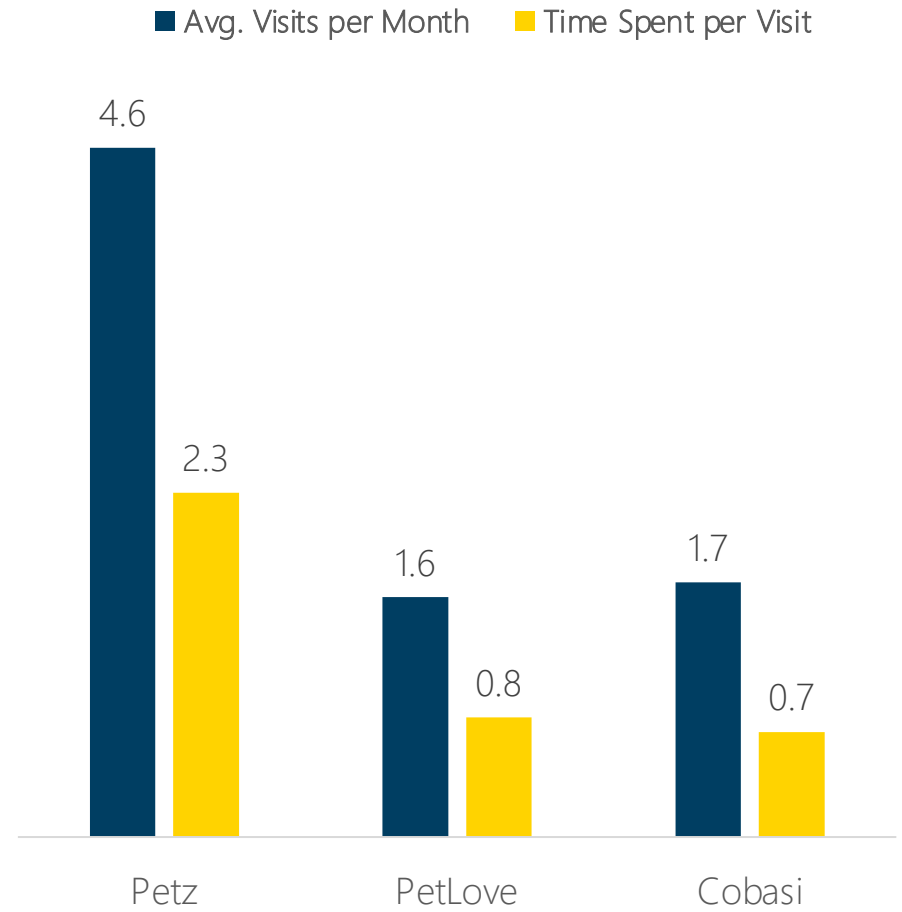


38. E-commerce: App (A)

Monthly Active App Users on the Last 2-Y

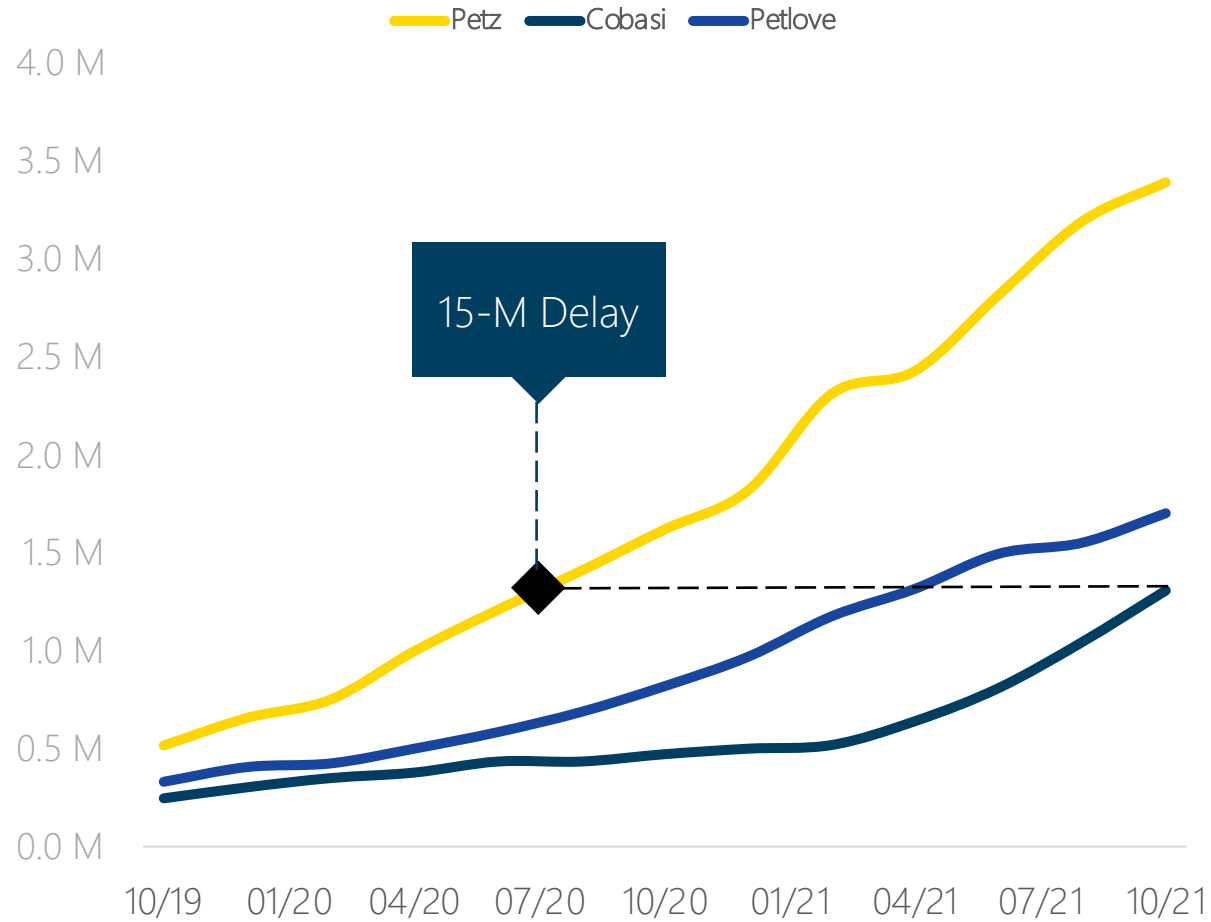


UX Engagement

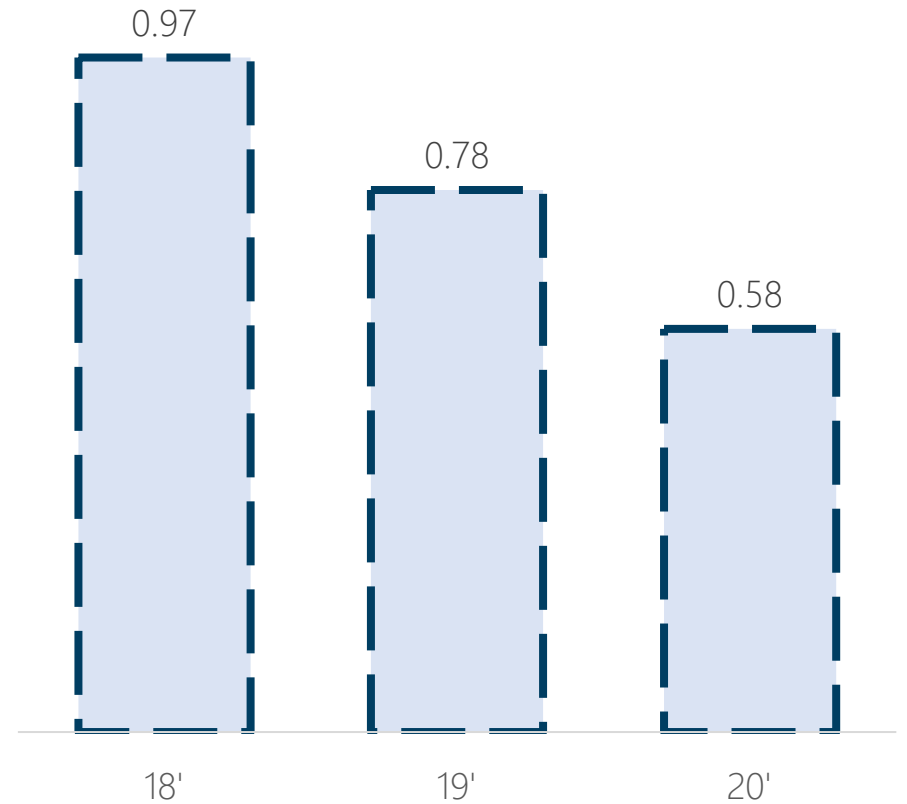


38. E-commerce: App (B)

Monthly Active App Users on the Last 2-Y

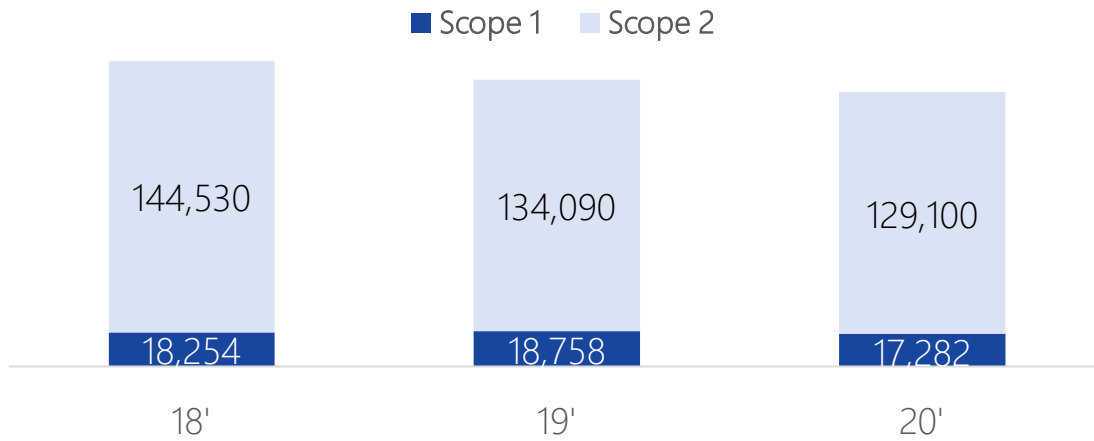


Estimated CAC per Year

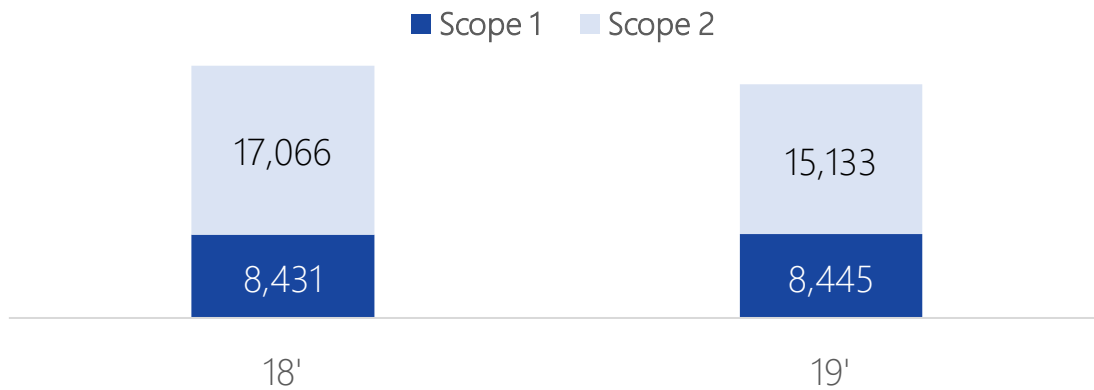


39. ESG: Carbon Footprint (A)

PetCo Emissions (tCO2e)



Pets at Home Emissions (tCO2e)



Scope 1: Direct Carbon Emission

74%

Logistics Operation

Omnichannel Reduces CO2 Emissions

Scope 2: Indirect Carbon Emission

Electricity Consumption

Energetic Matrix
+
Renewable Projetcjs

Conscious Energy Use
+
Better Efficiency

39. ESG (B): Materiality Matrix

We made a materiality matrix to understand how aspects involving Planet, Petz and People affected both shareholders and the business.

	Business	Stakeholders
Transportation and Packing Impacts	50	20
Carbon emission	40	40
Collaborates Wellbeing	80	50
Labour Practices	70	70
Product and Services Quality	85	85
Pet's Welfare	100	90
Tutor's Wellbeing	85	75
Access to quality information	90	70
Ethics and Business Conduct	65	60
Sourcing Responsibility	70	30
Management Quality and Alignment	80	80
ESG Transparency	40	60

What was taken in consideration?

Business:

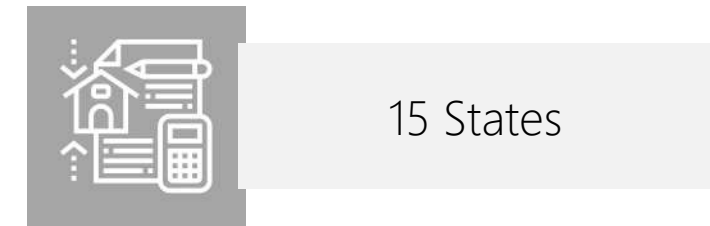
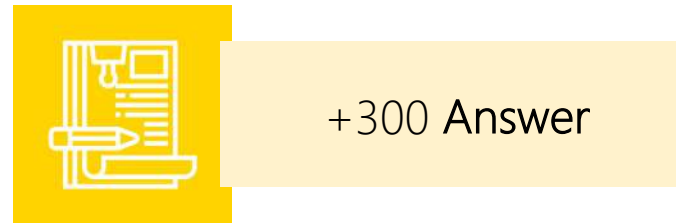
1. How does this **impact the operation**?
2. How would a change in it affect the outside view?
3. How is it correlated to the **final purpose** of the firm?

Stakeholders:

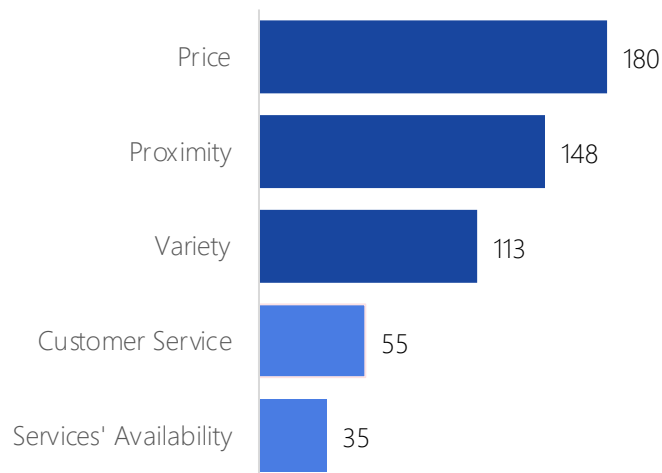
1. How does this impact the **future expectations**?
2. How would a change in it **affect profitability**?

40. Field Research (A)

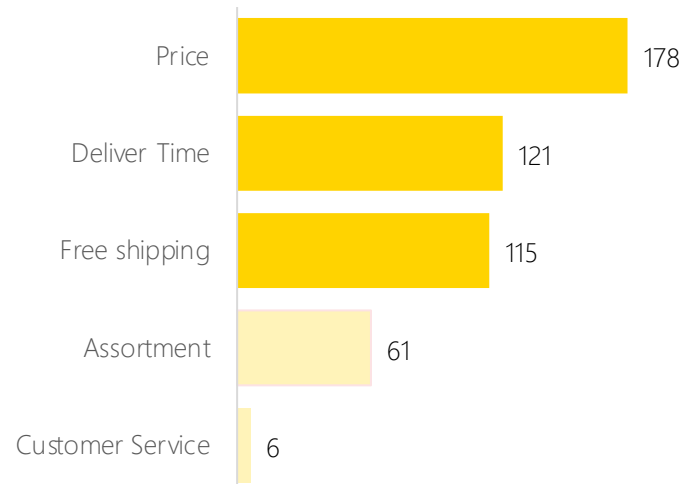
Seeking to understand consumer preferences, we conducted a field research with 336 respondents from 15 Brazilian states. Respondents were asked about the average monthly cost per pet, and a median spending range was found to be BRL 200- BRL 300 per month. In addition, we asked respondents to choose two out of five priority purchase factors for physical and online. In general, price and speed mattered most to the consumer in both cases. However, when we segment the results by spending ranges, it is possible to observe a reduction in the importance of price and an increase in the importance of speed and assortment. Thus, we can observe that, with the growth of the premium products market, logistics will be essential to win over this consumer, giving a potential advantage to larger scale players.



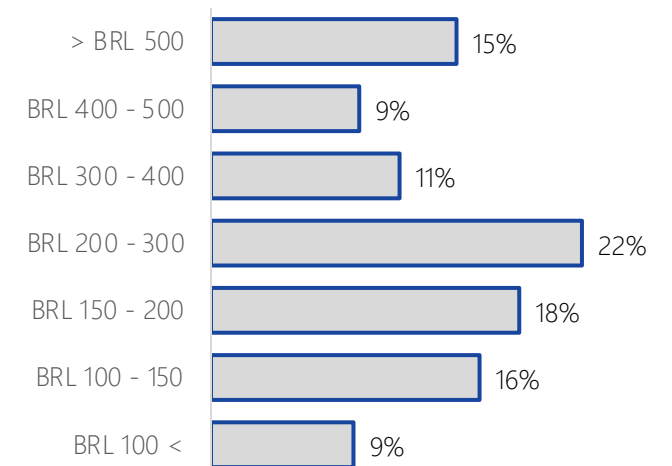
Customers' Priorities (Physical)



Customers' Priorities (Online)

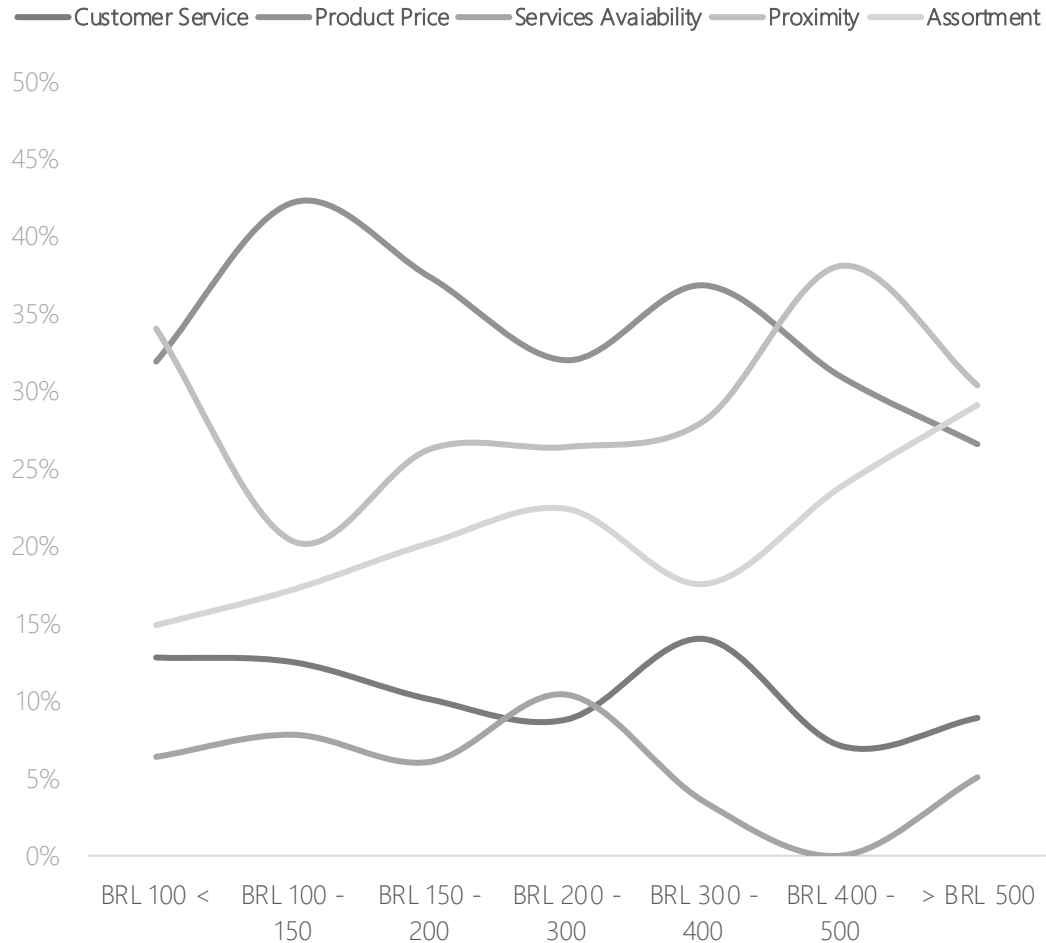


Average Spending per pet

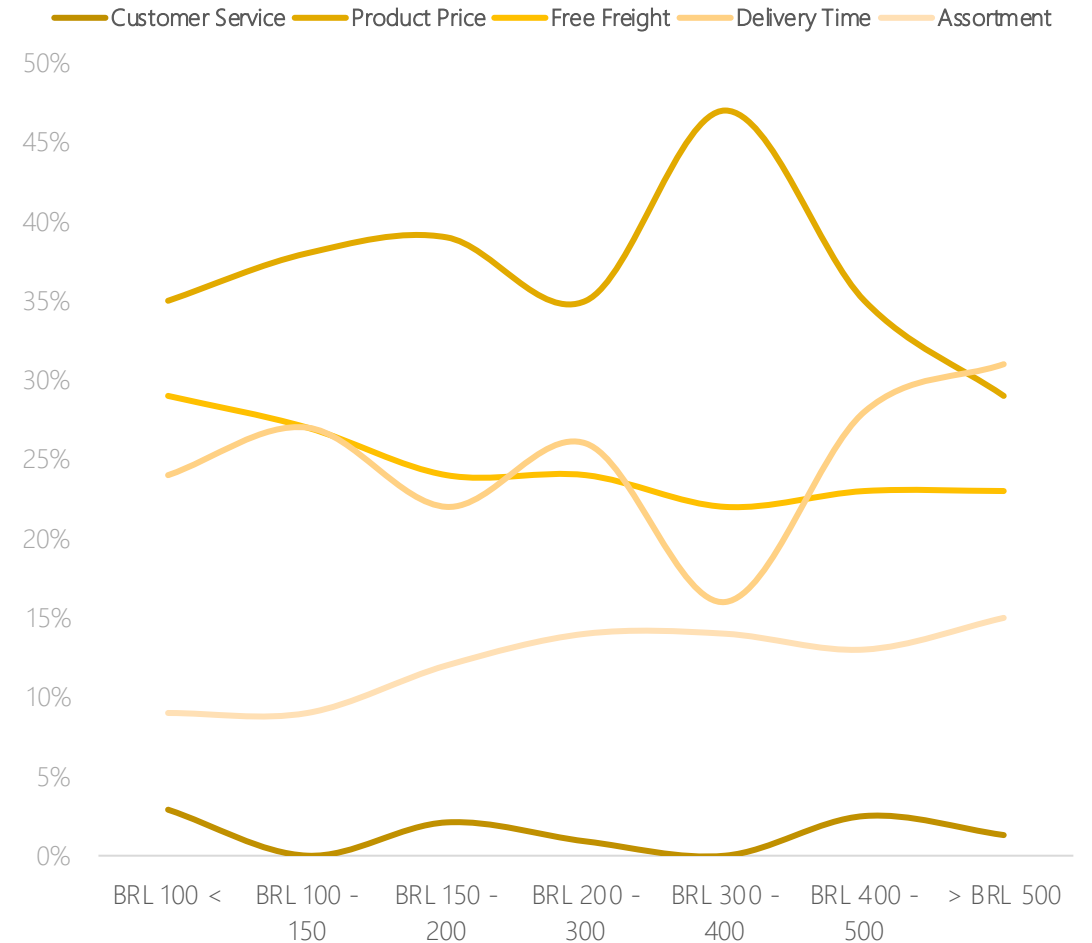


40. Field Research (B)

Physical Customers' Priority per Spending (Physical)



Physical Customers' Priority per Spending (Online)



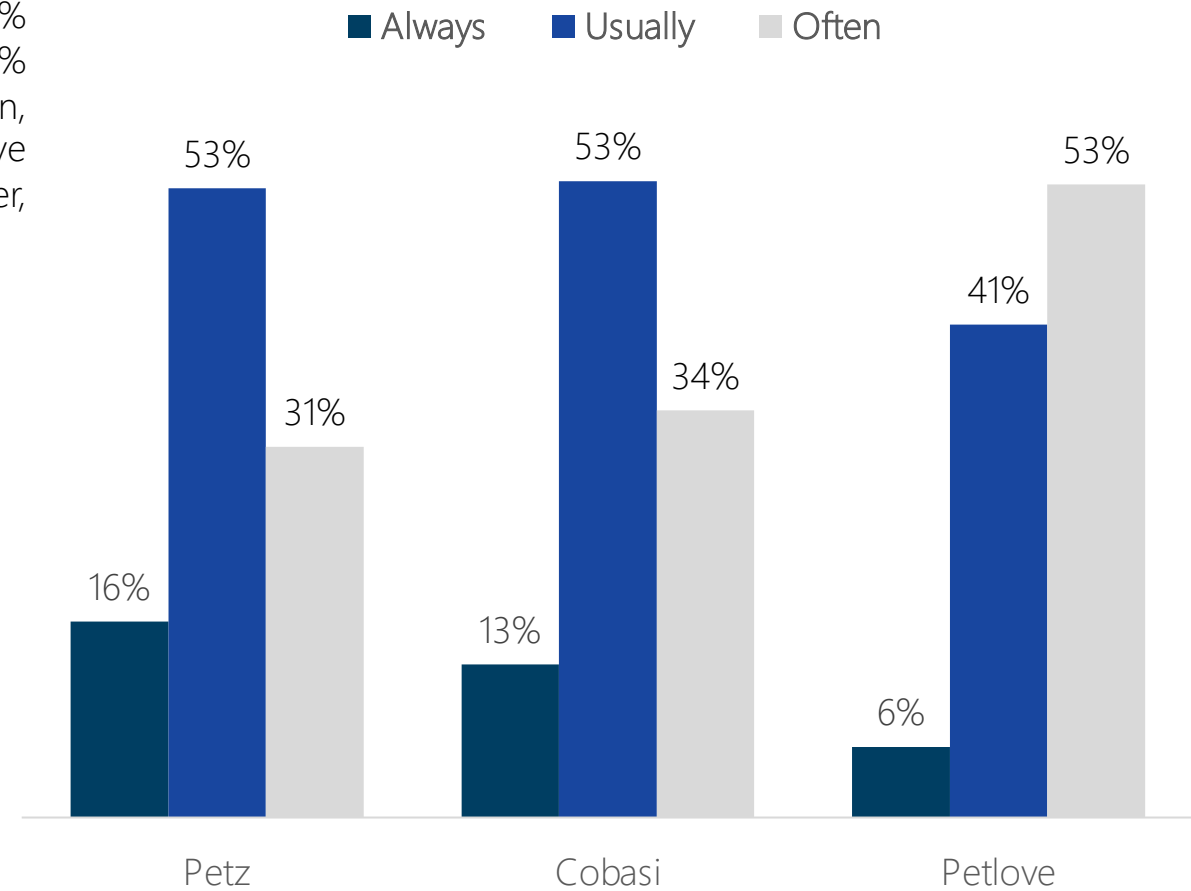
40. Field Research (C)

In addition, we used field research to test consumer loyalty to each brand. We asked the respondent's store of preference and then whether the consumer always chooses the mentioned establishment. We saw that the customers who prefer Petz are the most loyal, 16.4% said they always buy at the store, against 12.8% for Cobasi and 5.9% for Petlove. Furthermore, we saw that when Petz is not the first option, it is the second in most cases, both for Cobasi and Petlove. We believe that this result shows that there is difficulty in keeping the customer, but that among the big players, Petz is superior in this aspect.

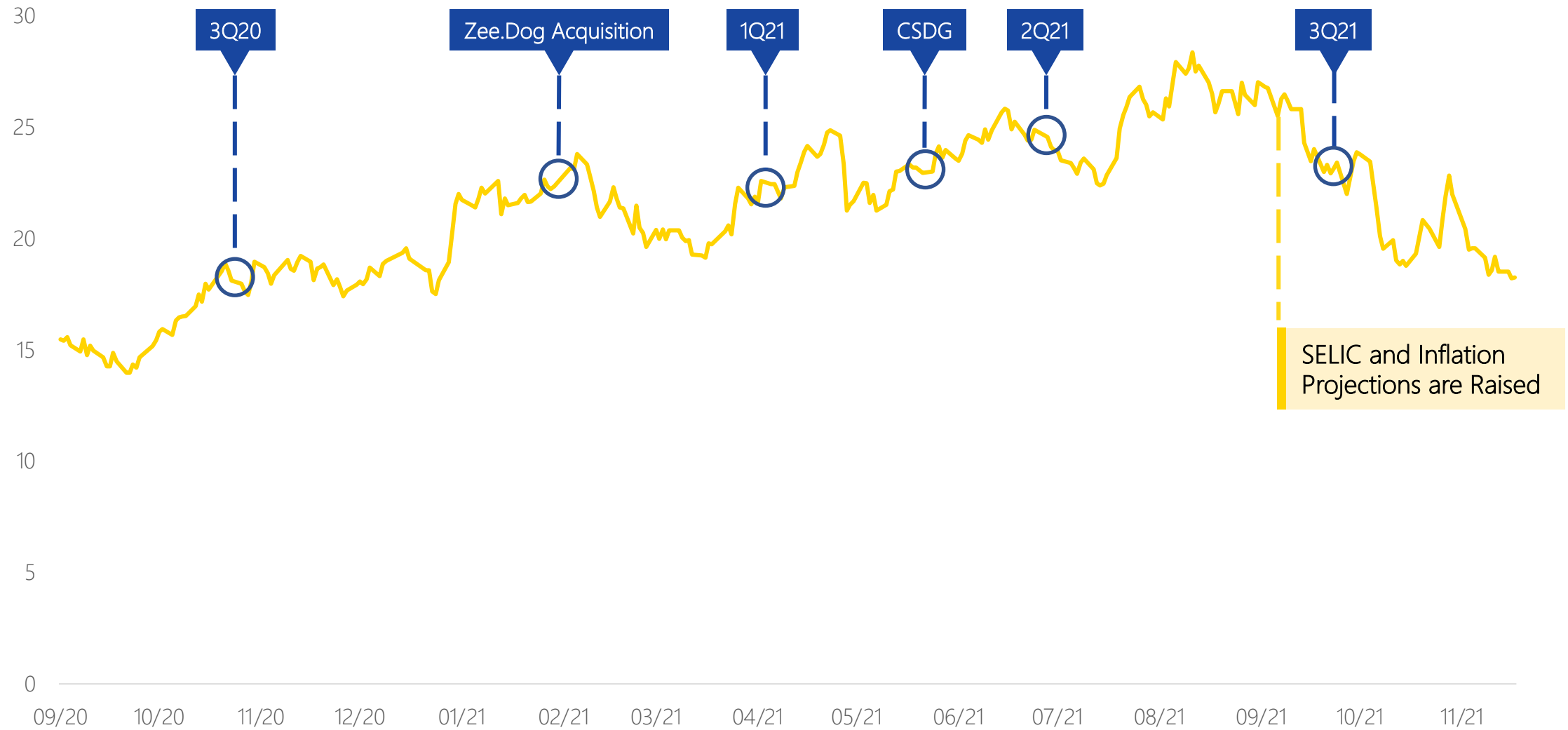
What is your second choice when you don't buy on your preference store?

Preference Store	Second Option		
	Petz	Cobasi	Petlove
Petz	N.A	23%	14%
Cobasi	43%	N.A	11%
Petlove	35%	29%	N.A

How often do you choose your store of preference?

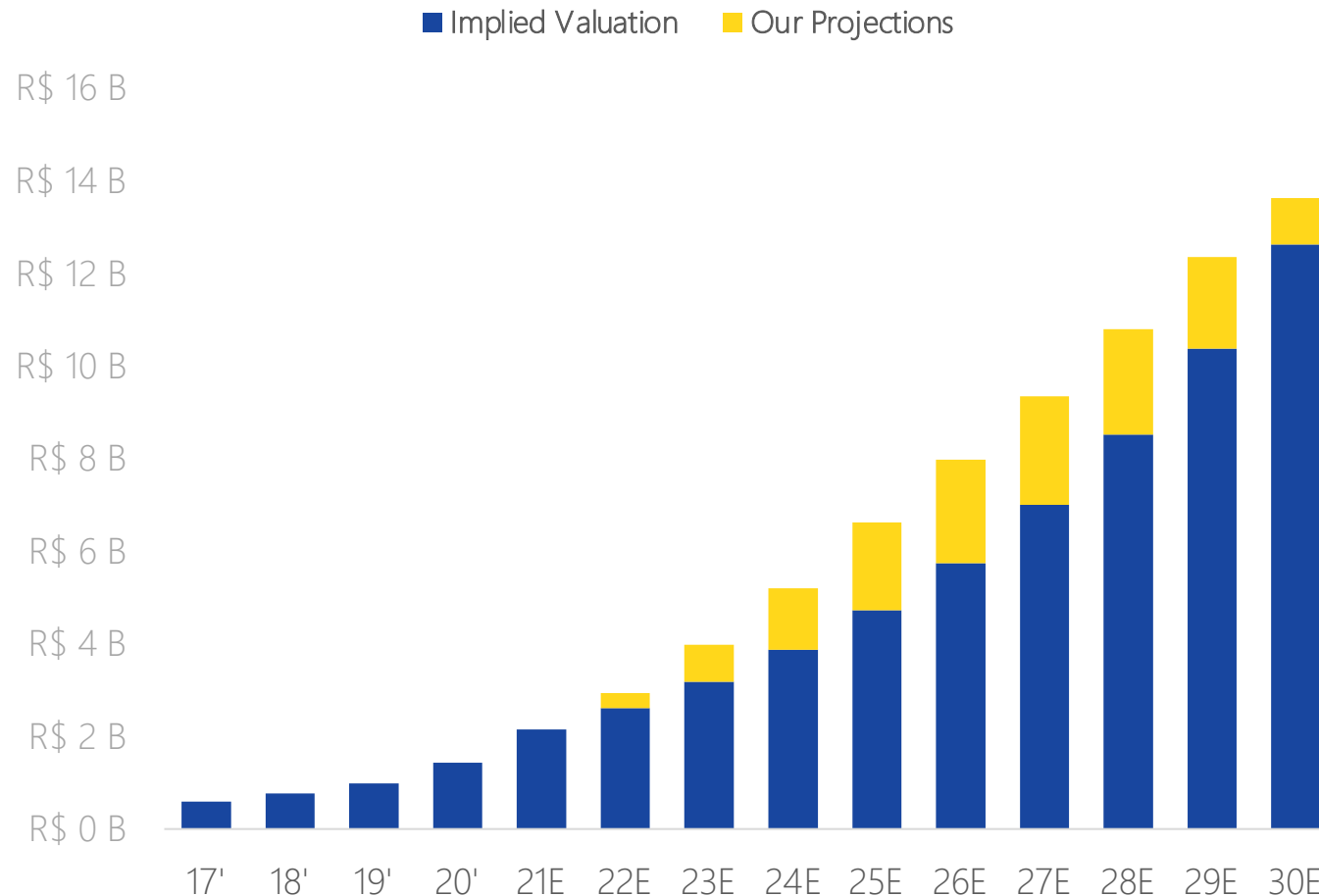


41. PETZ3: Historical Stock Price



42. Our Valuation vs. Market Price

Revenue Growth Comparison



Implied Valuation Assumptions:

- Requires 15% IRR until 2030
- 10.4% WACC on Perpetuity
- 6.5x Sales/Capital on reinvestments
- 30% Terminal ROIC
- -400 bps of EBIT dilution

Market Estimates

11%
Market Share (25E)

14%
Share of Growth (25E)

Our Estimates

15.5%
Market Share (25E)

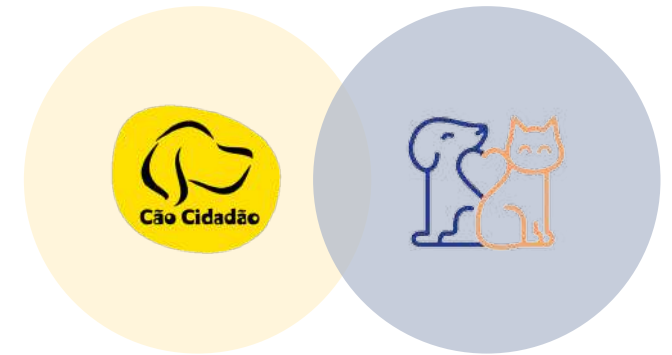
25%
Share of Growth (25E)

43. CSDG & Cão Cidadão: New Aspects of Business

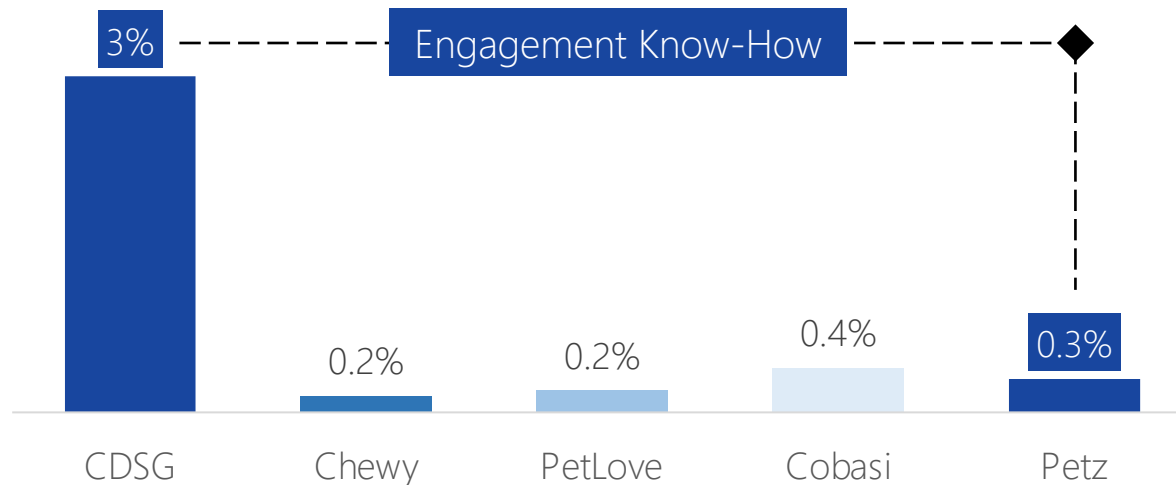
CSDG is able to generate engagement with exclusive cat products...



while Cão Cidadão offers new services, mainly in conjunction with Adopt Petz...



Engagement Rate; [%]

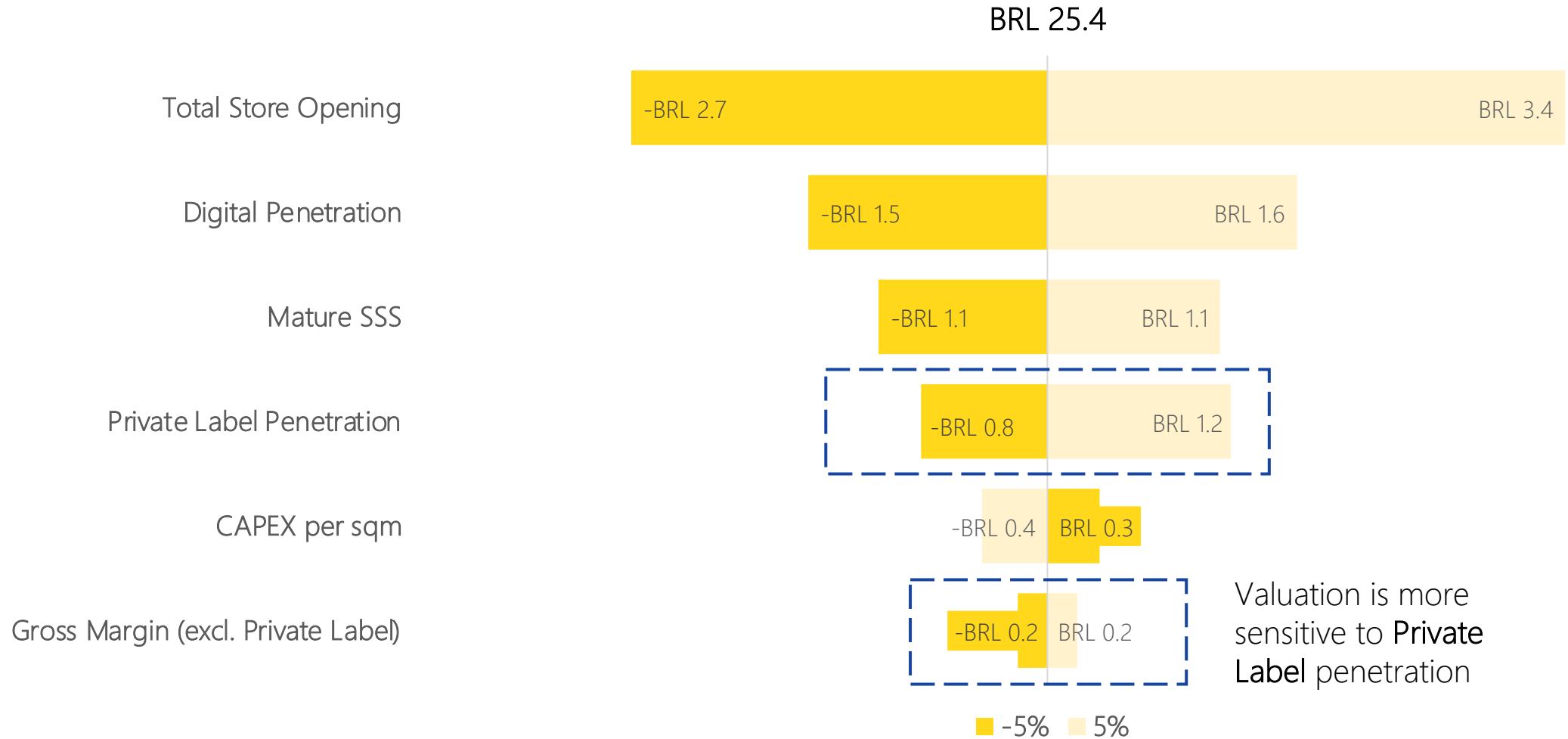


The acquisition of Cão Cidadão also brings to Petz Content Creation and Qualified Audience. In addition, it brings a new service: training for pets...

Alexandre Rossi, CEO of Cão Cidadão

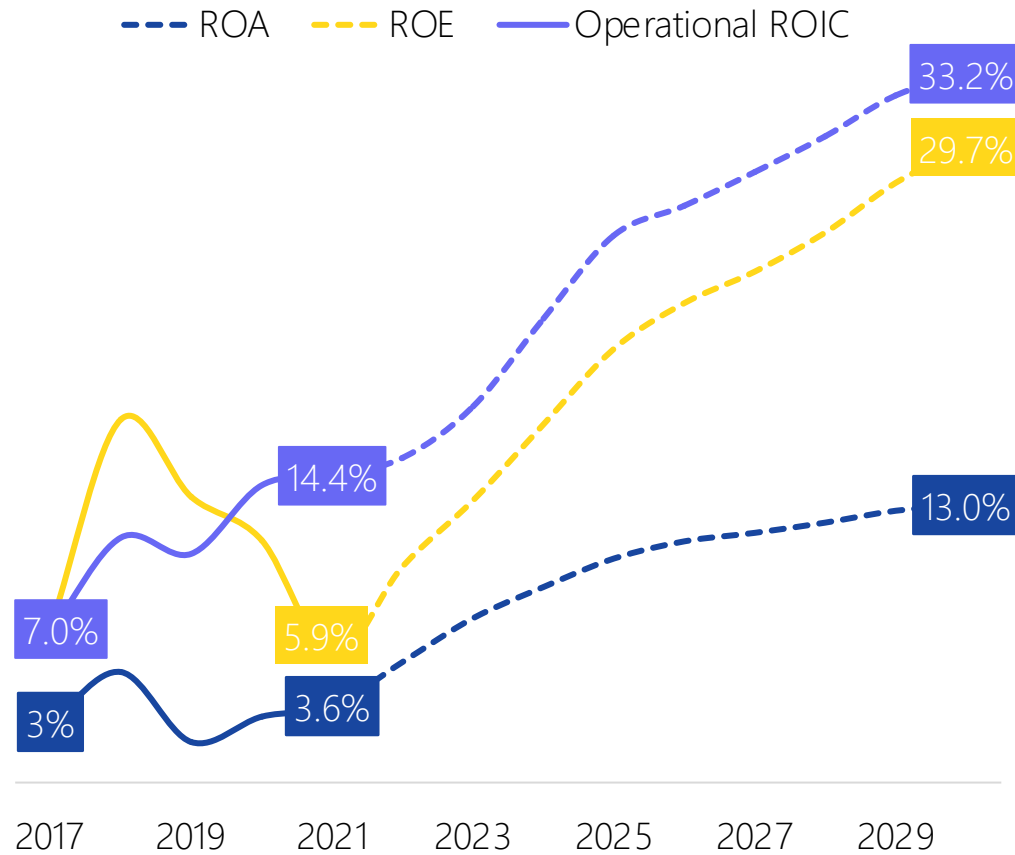
44. Tornado Analysis

Tornado Analysis



45. Return Projections

ROA, ROE and Operational ROIC



ROIC Tree of our Projections

