Y 2021 Earnings Call

Company Participants

- Aline Ferreira Penna Peli, Chief Financial Officer
- Sergio Zimerman, Chief Executive Officer, Investor Relations Officer

Other Participants

- Bob Ford, Analyst
- Joseph Giordano, Analyst
- Richard Cathcart, Analyst
- Ruben Couto, Analyst
- Thiago Macruz, Analyst

Presentation

Operator

Good morning and thank you for waiting. Welcome to the Pet Center Comercio e Participacoes' Teleconference Petz. We will talk about the results referred to the Fourth Quarter of 2021. Today with us we have Mr. Sergio Zimerman, Founder and CEO of Petz, Ms. Aline Penna, the VP of Finances, Investor Relations and new Business and Matheus Nascimento, Senior Manager of Investor Relations ESG and new business.

This event is being recorded and all participants will only be able to listen to the call during Petz presentation. After that we will start a Q&A session when further instructions will be provided. (Operator Instructions) This event is also being broadcasted via Internet through a video conference feature. You can access it through www.ri.petz.com.br There you will find our presentation available. This event will also be available right after it is over. And all webcast participants can send questions via website and these questions will be answered after the event is over. Before we continue, we would like to clarify that any statement made during the call, related to the business perspectives of Petz, any forecast, operational and financial targets are not the believing [ph] of the company.

And that also refers to information available to Pets. Any future statements are not a guarantee of performance and involve risks, uncertainties and premises because they refer to future events and so depend on circumstances that may or may not occur. Investors and analysts must understand that overall conditions, industry conditions and other operational factors may affect the future results of Petz, it may lead to results that could be materially different to those expressed in the future conditions. Now, I would like to hand the floor to Mr Sergio Zimerman, CEO of Petz, who will start the presentation. Mr. Zimerman, the floor is yours.

Sergio Zimerman {BIO 21681486 <GO>}

Thank you, Simone and good morning to everyone who is with us today, thank you for your time. (Technical Difficulty) the moment to talk about our fourth quarter. But before going into the presentation, I just would like to highlight a message that we have been reinforcing in different meetings throughout the month. And this message has to do about how much the pet retail segment is resilient when compared to the Brazilian retail segment as a whole.

And also how much our Company Petz is resilient in comparison to the pet retail segment. And the presentations of the fourth quarter will consolidate eight quarters in a row with the growth above market average. And growth that would be good in any scenario, but one that is especially remarkable when we consider how the last quarters have been for Brazilian retail. It's also worth highlighting that even though we do have a growth thesis, we have been able to deliver a scalable and profitable growth thesis, which also differentiate us in comparison to other similar thesis.

So starting the presentation now. Let me go to the next slide. Here I want to talk about the main competitive advantage that we have and what we consider that has been -- what has been the backbone of this movement of creating a scalable and profitable platform that was able to allow us to double our revenue, which is the initiative that we took back in 2015 when we understood that we needed to become digital. But as we have mentioned before, we wanted to go digital in a profitable concept and that's how we created our omnichannel concept using one of our 177 stores as mini distribution centers. And this omnichannel platform can combine two important elements. The highest service level since we are very close to consumer households at the lowest cost to serve because we have our last mile costs already managed [ph] here. But the key message that we have for you is that we are not comfortable at this current competitive advantage. We don't have questions that our main competitors will be able to offset this advantage.

It might take them one, two or even four years. It doesn't matter. Eventually, they will offset that difference and eventually build a platform that is perhaps as scalable and as profitable as ours. This is why since the beginning of last year, we have already started working on a new competitive advantage, which is our ecosystem. Our ecosystem which is based on very robust pillars.

This is a movement that was started with our acquisitions. Here, you can see a little bit of the landscape we had in the moment of the IPO, which is a cycle that was concluded in 2020 and what happened after in 2021, something we're still working on. So when we think about our vision that we established at the beginning of 2014, which means being the largest Pet shop network in Latin America, we have fulfilled that vision exactly when we had planned so in 2020 when we became leaders in Latin America for the Pet segment. So we changed our vision statement and now, we want to be globally recognized as the best company in the Pet segment by 2025.

And based on this vision, we make all our M&A decisions, our integration decisions and how we should increase the offer of products and services we have. Thinking about our mindset by -- till 2020, we have the mindset of the traditional retailer. And now we have the mindset of a full platform. Regarding our omnichannel by 2020, we already had this mindset of becoming a fully integrated platform between the physical and online worlds. And now, we know that this periods needs to be more full and digitization is not limited to the sales process, but it also includes the back office portion of the business.

And in that sense, we have been making several initiatives to make our back office more digital and thus increase the productivity in the support of the operation. Regarding exclusive products, our own private brand products were created as a concept of offering the best cost benefit. However, we have made a significant advancement when we made the Zee.Dog acquisition. Since Zee.Dog is able to offer disruptive products in the market.

These are not products that offer the best cost benefit, but they do are products that are unlike anything else you'll find in the market. Within our vision for the ecosystem, we have been very careful and the type of M&As that we do. We have already concluded three of them, Cansei de Ser Gato, Zee.Dog and Cao Cidadao. The three I mentioned are currently undergoing integration.

And we also have Petix, which was announced in the beginning of this year and we are still awaiting for the CAD approval before we start our integration. And it's not about just an integration with Petz but the integration between all acquired companies since we do identify many synergies between them especially when we think about Zee.Dog and Petix together, there are very interesting gains for both of them in the integration, I think I forgot to mention one core message, maybe if we could go back one slide, Matheus. A characteristic of the acquisitions that we made and this seems to me -- to be an important advantage because we not only look at companies, we look at the business people or what we call the founder's mindset. So each company that we have acquired has brilliant and visionary founders who were -- did the best at -- in each of their fields.

So when performing the acquisitions we brought them to work with us with this ecosystem mindset. And with that, we believe that what we are building will be completely unique in the Brazilian market. This is the way we see our ecosystems through differentiated products. The -- a very strong bricks and mortar channel and the digital channel being expanded through the acquisitions with a branch on B2B especially when we think about the Zee.Dog and Petix acquisitions also with a focus on Cao Cidadao services as well. Grooming services, our Seres brand like I have been stating for a very long time now, it's a slow process, but a very strong one.

We continue to work to enter this vertical and with our health insurance plan project. We have made advancements in the dog training service area with the acquisition of Cao Cidadao. Only positive news coming from the adoption segment contrary to what has been announced globally when the peak of adoption rates happened during the pandemic. In the Pets network, in the beginning of this year for example, we saw the best moment for adoptions especially because we have been investing more and more into quality adoption programs that makes the lives of tutors easier.

We try to create the biggest offer possible and we ensure the safety of the adoption process, so what is happening in the other parts of the world doesn't happen here, which is a simplified process that adds up leading to the return of the pet. And we also have content and courses. We have been making a lot of advancement, our blog is a huge hit, millions of access every month and through our acquisitions, we do have new opportunities for creating content especially with our partnership with Mr. Alexandre Rossi known as Dr. Pet. We will be launching online courses in partnership with him. Talking about the highlights of 2021. The expansion we had 15 openings in the fourth quarter. Now I'd like to highlight that 10 of them took place outside the state of Sao Paulo. There was a new record of new openings 37 new stores, our best moment in the expansion plan and I would like to remind you again that we have sustained operational indicators and NPS levels that are at the excellence level, which is what determines the acceleration of the expansion plan or not.

We have also entered three different new states Tocantins, Amazonas and the state of Alagoas, which means that today we are already present in 19 out of the 27 states in Brazil. We ended the year with a 168 stores and for this year, we will continue with our national expansion and you will be able to see later on.

For our Seres brands, two new hospitals in the fourth quarters, four openings throughout the year. We already had 132 veterinarian centers and by the end of the year 14 hospitals in 9 different states. We already did a new opening this year. So we have 15 hospitals in 10 different states in the country. The total revenue saw a growth of 32% in the fourth quarter. And here, like I said in the beginning, I would like to highlight that this is the eighth quarter in a row with a growth rate above 30%, 2.5 billion in revenue in 2021 which means a little bit more than doubled of the revenue in 2019.

So we already had a CAGR that was very robust throughout the 20 years. Now in the past two years, we were able to accelerate our expansion even more. In terms of sales increase, we have reached 760 million in delta in terms of revenue, which is very interesting because as a coincidence, it is the volume of the third largest player and this is the delta that we have. In terms of digital revenue, our growth in 2021 was 90%. Let's remember that 90% is over a very strong base from 2020 because of the pandemic. And here, we ended with a share of digital that is above 30%. Let's remember that in 2020, digital grew a lot and that was at 23%. So once again, we grew 7% in share for digital at healthy profitability levels. And our omnichannel rate that once again hit records in the fourth quarter. We are going beyond 89% of omnichannel share showing that more and more we have been able to properly use the integration of technology in our 177 stores.

In terms of market as a whole, we have been consolidating and expanding our leadership position. Our share grew to 7.5% according to Euromonitor and that meant a gain of 1.5%. Very significant growth especially when we think about the competitive context that we had in 2021, which was stronger. Talking a little bit about the 2022 agenda, I would like to share to everyone of you that 2022 will be a year focused on integration.

The integration of all the acquisitions we have announced. We have four exceptional companies with us now, but we need to properly integrate that and we need to integrate them with caution with a lot of attention and focusing on the generation of long-term value. So this is the first essential pillar for 2022. The second pillar is the acceleration of retail. For the first time, we have changed our guidance talking about 50 openings now, and we are confident that we will be able to deliver this commitment and that represents an important acceleration in our expansion plan and that once again will be followed -- will be following our operational indicators in our NPS to see how we will be positioned as of 2023.

And the third pillar is the strengthening and the construction of the ecosystem, especially with the expansion of our service offer. More structured Seres brand entering in the laboratory business thinking about health plans product and working with Alexandre Rossi. So we can expand to other services that we do not offer today. Talking about this first pillar now. I said in the beginning, but it's very important to reinforce this point. We are extremely focused on approaching this integration in two different ways or two different fronts. We want to be careful as to perform this back office integration when it comes to the financial aspects or the accounting aspects, when it comes to governance, all those elements. There is no creativity involved. There are rules. There is rigor, there are dates. So we are working strongly on those area to integrate the acquired companies, which were -- they were private companies to the necessary level of governance that a listed company like ours needs to have.

So we are focusing on doing that properly and in the most integrated fashion with what we currently have. At the same time, we are being very careful as not to destroy the reasons why we acquired this company, which is the soul and the DNA of these companies, the way they communicate to consumers. The mindset that the founders have which is brilliant, we want to preserve, expand and support them, so they can fly high within our ecosystem.

So it's not just a matter of an integration, it's not just about making everything homogeneous and losing the features of the acquired company, it's quite the opposite. In the back office integration, we want to apply the best practices that we already have as a listed company and let the consumer facing portion of the business, the freedom for these companies to keep their soul and their DNA.

I also would like to highlight that in March, we created an initial committee with the acquired companies with the participation of all founders. It was a very intense and enriching meeting. We were able to get -- to know each other better and brainstorm all the possible ideas in terms of synergies, like I said synergies not only between the acquired companies and Petz but also among the acquired companies as well.

Talking about our second pillar, now, which focuses on expansion. I just would like to reinforce what I said in the beginning, we really want to open 50 new stores and it's interesting to highlight that 100% of the 50 stores have already been hired in terms of leasing contract or real estate contract. Of course, we are still waiting for permits for construction works or renovations which still is the challenge we face for opening that, but in terms of venues or locations, they have all been hired. And approximately 75% of the stores are located outside the state of Sao Paulo and let's remember that today, we already have a balance between the revenue between the stores in Sao Paulo and stores in other states and little by little those revenue from the stores in the state of Sao Paulo will become smaller than the ones outside.

When we started, we were a company focused specifically in the state of Sao Paulo, but now we are a company that is a national one. We are able to expand nationally, with a lot of success. So when we talk about expansion, I think this is a very interesting piece of news from the north to south, from Southeast to the Northeast and the Midwest included, we are able to enter these markets in a very homogeneous way because the behavior of consumers that see their pets as family members makes it -- our stores really welcome in these places. We are opening stores and the further they are from Sao Paulo the more welcome consumers are -- our consumers welcome us. Another important detail is how democratic our brand is in terms of different socioeconomic classes. We all know that brands that focuses on the A and B social classes have a limited number of stores that they could open in Brazil because unfortunately the country still has a lot of inequality when it comes to income distribution.

But we have been opening stores in different neighborhoods with different social classes at similar successful rate regardless of the neighborhood, which shows that our brand doesn't suffer any type of geographic or regional rejection and we are not -- that doesn't suffer from any sort of social class rejection. So our target consumer is a math calculation, which means the available income, times, love. If you are a millionaire, but you don't love your pet, you're not your customer. If your available income is not high but you see your pet as a family member without a doubt, you will purchase from us and this is exactly what we see in the outskirts of big cities. And as a side comment even in a more challenged inflation rate scenario, we see a very similar result between stores located in better locations and in more impoverished areas. The scenario is quite similar which shows us that there is no correlation between our success and income. It's not right to imagine that lower income customers are trading down products or not going to our stores. This is not the case and it's not happening. NPS continues to be a very important pillar for us. We aim at keeping it at excellent levels. We have opened 9 stores in this quarter by 17 of March, and this is the best number for first quarter in terms of new stores, which shows that we are on the right track of delivering the commitment we have made for opening 50 new stores this year.

Talking about the expansion of our service offer, let's remember that for Seres, our health surface vertical just like what happens in retail, we have been accelerating the number of veterinarian clinics. We have been opening hospitals at a slower pace because the learning curve is a little bit longer especially in new markets, but we already have 15 hospitals in 10 different states. So if you think about it today, out of the 27 states in Brazil, 10 of them already have a hospital from the Seres brands.

And we have to talk about laboratories as well. We have concluded a study by a consulting company. We are already having internal discussions to very soon enter the laboratory business, whether through an acquisition or starting from scratch. This is still being defined. So we can choose region this year to run an initial pilot program of our health insurance plan. And what is the difference of this new health insurance plan and what we have available in the market today. The plans that exist today, they're not integrated, they have been around for a couple of years, and they charge some type of monthly fee or premium from consumers. But then the network that you can use is absolutely non-uniform. You have very good clinics and clinics that are not so good, which creates pretty high level of dissatisfaction by consumers using these products. So our health insurance plan will not include the coverage by other veterinarian clinics apart from Seres. So it will be fully integrated and the quality control of the service provided will be fully under our control. So our product will be differentiated from what currently exists in the market and this is why it is important for us to have a national presence, so we can have the ability to provide the best service for our consumers. Regarding grooming services we have good news. We have training school that we started last year.

And that has been very important in the training of new employees for our grooming services. And scheduling via app. We started that as a pilot program, we have concluded the rollout and today 100% of the stores can schedule grooming services via app. This is an ever-growing program and in our last updated showed that 40% of all scheduling of grooming services in the country was already happening via app and a very high level of satisfaction reported by consumers. So for services, we will continue to work on new services and very soon, we hope to announce new services being provided in partnership with Mr Alexandre Rossi. Regarding ESG now. Besides pillars that are more common to other retailers like our participation in the Movir [ph] Group, which is a group that promotes ratio, equality and other initiatives, I would like to highlight that we focus on animal well-being and we use Adopt Pets as our main struggle here. Like I said before, we are at the best moment in our adoption of -- adoption program. We invest a lot to put the adoption option at the center of our stores with the best options with the support team.

So the adoption takes place in an environment that is calm and happy and tutors that adopt don't adopt pets out of PD. I would like to remind you that the main reason why people adopt and then abandon pets is an adoption that was motivated by emotional or PD reasons, and we do not encourage this type of adoption. We want people to adopt because they don't want to purchase a puppy. We do think that there is advantage associated to purchasing a pet, adoption has its own advantages and we want to make -- leave consumers free to decide what they want to do. For every type of tutor there is the best solution and we respect both decisions and for those who want to adopt, they will find excellent options in our stores with certified NGOs that work with us. In this front, we have a partnership with the mall publishing house, which is the largest social publishing house the country, in the world ad this has been a huge success.

I think in the next slide, we have more details about this exactly. With the mall publishing house, we have more than BRL3 million [ph] donated to NGOs that focus on animal protection. And this has allowed through this partnership to help or provide in cases of disasters when they happen like recently, we had the cases of some cities that were affected by floodings. So we have been using this combination of a social publishing house selling products in our stores and just to give you an idea, the best seller of the mall publishing house was a book that sold a 155,000 copies. And they are only available in our stores. The 2022 calendar is supposed to sell more than 150,000 copies. It's the best selling calendar in the country. And this is possible because on one hand, you have the mall publishing house offering high quality products and you also have consumers that have clearly understood that these products not to generate profit for the publishing house or for pets. We are generating value to support important social products and support NGOs that focus on animal protection.

So it's a way for consumers to participate and donate to the animal cause and at the same time, receive excellent quality products. And this donation has reached more than 80 different NGOs. And we are concerned, not only in donating but also helping manage the amount still needed, so they are not used without considering a more professional management of the NGOs. We have been making significant efforts with these NGO partners we have. Of course that the company has been transforming a lot, not just because of our growth, but just because we have doubled our size in two years, but especially because of the creation of our ecosystem and the integration of new units which naturally brings challenges in terms of the organizational structure. A few weeks ago, we announced a new organizational structure. We created 5VP positions and two new directories that report directly to me and and so in this new structure, I have new edit [ph], people reporting to me. Aline is in charge of financing. Luciano, commercial marketing and the acquired companies. Marcelo Maia is the digital supply VP, Rodrigo, operations and expansion.

Now they are combined under the same Vice Presidency and a Services Vice Presidency that is currently being hired. And this won't be a technical position because Dr Valeria is leading the Seres business. She has a technical know-how. Now we want a Service VP with a business mindset. So we can also take care of the health insurance plan and the integration of all the services that we will launch to add to our ecosystem.

So besides having that goal, we also have created space in our organizational chart. So many managers can find a position to become Directors inside our company without having to look for a new company to get their promotion. So we are very happy and internally, this new structure was really celebrated.

Next one please. So in conclusion of my presentation before I hand the floor to Aline, perspectives for 2022. How have we started the year? We are aligned with the expectations we had and let's remember that the macroeconomic scenario, I'm sure you're following this, you know, the situation is not easy. That's why I say and I will say that over and over again. I think we had a technical problem. We are back. So the pet industry and the Pet segment is resilient but of course it's not completely shielded. It's important to highlight that let's not mistake both things, and let's try to understand this resiliency a little bit more. What's really behind that? I often joke and I apologize, I have to repeat myself, here maybe some of you might not have heard that. But dogs, pets, birds and fishes, they have no idea what the exchange rate is. They have no idea who the next President will be. They don't care about the inflation rate, they don't care about the war between Russia and Ukraine. Regardless of what's happening in the world and in Brazil, they continue to eat the same amount of food, they continue to have the same health and grooming needs.

And products that are related to these means that pet have represent around 80% of our revenue. So 80% of our revenue is not -- are not affected by these oscillations. The other 20% yes, they are discretionary products, but and if you look at the past, we do have been suffering because of the economic recession It's natural for that to happen. So I don't know, consumers who use to buy a new dog bed every three months, now, they get a new dog bed every six months.

These customers who used to acquire pet cloths, they don't do anymore. All non-essential products are being affected to make up for the inflation rate, that makes sense. And this becomes very clear when you have a growth that is a little below the inflation rate. What's healthy here and this is why we have balanced margins is because the margins from the essential products, they are smaller, but not so smaller than the margins from the 20% of non-essential products. So which that allows us, in total, to have very healthy margins.

And when we talk about our double resiliency factor. The first information is about the market. The market is resilient for the explanation, I just gave. And we are resilient within the Pet segment because our store format is the winning format, independent of where we are. So when we open a store in a new place, we not only add to the size of the pie, we immediately capture a portion of the existing markets since many consumers immediately move to our experienced stores that when we open them in these new markets.

And just to give you a quick update, the Petz Group in the first half already has a sales growth of 40% excluding the acquisition, especially Zee.Dog and when we think just for comparisons rate, when we think about pets alone without the acquisitions, our growth is of 30% in the first half of the year, which shows that despite all the challenges that the retail segment still faces, we continue to deliver a very robust topline. So now, I would like to hand the floor to Aline, our CFO. So she can give you more information on the numbers. And now we will be back in a few moments for questions.

Aline Ferreira Penna Peli {BIO 20623473 <GO>}

Good morning, everyone. Matheus next one please. We'll talk a little bit about the financial highlights for the fourth quarter. Our gross revenue grew 32% versus the fourth quarter of 2020. The same-store sales of 16.9%. It's important to remember that our comparison base was 36.8%. When we look, both at the fourth quarter of 2021 as well as the 2021 year, we doubled our gross revenue in what we made in 2019.

So a very significant growth versus 2019. Digital was a huge highlight for that quarter, we grew 57% over a base of more than 300% of the fourth quarter of 2020. It's important to say that the penetration over the total revenue went from 26% to 30.9% in that quarter. And when we look at the year, we have reached 30.3% of the gross revenue. Our omnichannel rate is also at record levels, 89% in the quarter and let's remember that we consider a nomination sale -- all sale that is dispatched from the store. So the ship from store or the pickup from store option and they are divided between 50-50 between two modes.

So our quarter, we had 168 stores working as many distribution centers as mini hubs in -- with a rate that is the benchmark for the Brazilian and global markets. And even though I haven't highlighted this in the slide, Seres also had a very significant growth, 26.4% over a base of 35% in the same quarter of the previous year.

Talking about gross profit. It's important to highlight that in 2021, we revisited the tax repayment considering the CAT-42 credits and that refers to ICMS state tax that we accrue as we sell to the states outside Sao Paulo coming from our distribution center. So this amount throughout the year was 19.1 but we adjusted it and this was collected in the fourth quarter but referring to the quarter, we're talking about $6.5 million. Gross -- adjusted gross margin referred to the quarter expanded IN 50 basis points. It's important to highlight that this is a new level of margin for the company. So these credits that we have obtained, this 19 millions and 26 millions -- 6 billion [ph] only in the quarter will remain for the following quarters. Not necessarily growing at the same proportion of the revenue because we will open a distribution center in the middle of this year, maybe in the second half of the year. And when I start dispatching products from the State of Goias, I won't have this effect anymore. So I will accrue less credit.

So you can continue to expect what we have -- had already signaled to the market in terms of EBITDA margin for the year. Because of our expansion, it is expected to have some pressure on the margins of around 40 basis points. And this pressure will be sustained with the same credits, but with a higher level of margins. Now, when we talk about adjusted EBITDA because of some efficiencies that we despite of salary increases or inflation on package prices and the digital inflation that grew, we were able to get other internal revenue.

So the gain of gross profit of 50 basis points also translated into our EBITDA and we expanded our adjusted EBITDA margin in 50 basis points for the quarter. In net profit 31.9 million. It's important to highlight what was the growth of profit apart from the non-recurring effect of the period, it was a 27.8% growth. Over the non-recurrent ones, I also would like to highlight that we presented 14 millions of non-recurring expenses in the market -- in the quarter, sorry, 12 millions of which were related to Zee.Dog M&A especially fees related to attorneys and banks that were necessary for the transaction.

So for this effect, there is nothing more to adjust in the coming quarters referring to that transaction. Sergio already talked about our store profile. So we are in 19 states. In the last quarter, we opened in three new states Tocantins, Amazonas and Alagoas. I think the second charge is a very important one because it shows that 54% of our stores still have less than three years. So they're not mature. So there will be this addition from the maturation and the margin for them to reach.

And 22% of our stores are still at their first year of operation. So when we talk about margins for the year, we not only have the 50 new stores, but we also have all these stores, the 25 stores that we opened in the second half of last year, and these stores are entering the maturation curve. It's important to say that the 50 stores that we will open this year is over at par total of 168. So in one year, we are expanding 30% of our store base. The next slide. It's important to highlight that this is the eight quarter in a row when we grew above 30% a year and even when we look at the third chart, the growth of our same-store sale, 16.9 has a very difficult base of 36.8 but when we look at the reference of 2021 comparison to 2020 even with the 26% base we were able to grow 26% more. This 26%, I also would like to say that we are talking about 11% of ticket and 15% of coupon. So that shows that despite the inflation, we have been able to grow the coupon throughout the year.

Talking about our digital platform, we already talked about the growth we had. So we have 1 million users -- active users in our app every month, 67% [ph] of the digital revenue already comes through the app. And in terms of downloads, we are already at the -- sum of the second and third players combined.

So we are working strong to bring more customers to our base using tools that are more assertive in terms of the algorithm, so we have individualized LTV, CAC, so we have been very assertive in that matter. Another positive highlight is our subscription program, we have 260,000 subscribers. And the second half had the lowest churn in two years. So subscribers they enter our base and they remain with us purchasing from us.

Finally, on this slide, it's important to highlight that despite the growth in the digital penetration, the EBITDA margin itself for our e-commerce has also grown year-over-year and that ensures us that when you look at the consolidated margin for pets, we don't have any type of pressure or additional pressure coming from that. We have been able to offset that effect, in other ways.

A little bit of what I mentioned before. So we are leaders in the number of downloads of our app both on Google and the Apple -- sorry, Apple and Android platforms, and it's important to show something that we talk to you throughout the fourth quarter, when we chose to be less aggressive on the Black Friday. So you can see a decrease in the number of downloads in November and December, but we resumed to levels and start -- aparting [ph] from the competition in terms of the number of downloads. Here are some initiatives to improve the customer experience and digitization of our employees and the picture shows our pickup from store option. Some of our stores already offer these lockers. And they're very interesting because they decrease the wait time for customers. They don't need to have any type of human interaction, they can pick up their orders immediately after they but it. This is a little bit about My Offers program. This is a great competitive advantage that pets has today, we have been increasing the share of customers that have activated offers, so in comparison to the previous periods, we have three times more customers activating their offers in the app.

That improves the relationship with store sales people because now they encourage customers to download the platform. It can be used on the bricks and mortar stores and on the digital channel and this is very good for us because with that we can feed our algorithms, our prediction algorithms and create up selling opportunities. So for that consumer that is always used to buying dog food, I understand their profile better and start offering more categories and that has been working really well.

Among other digital elements, it's important to highlight the grooming services. Here say that 23% of all scheduling happened via app in the fourth quarter. But now in March, this number is already close to 40%. So the addition to online scheduling of grooming services is doing really well. I think all the initiatives in a nutshell, they work to increase our productivity. The self-checkout is a great way to improve labor issues in weekends and bank holidays that helps us with productivity and costs as well.

Here a little bit of what we said before about our margins. So we were able to have an expansion of 50 basis points in the gross margin. Looking at the adjusted scenario, despite inflation, despite the -- having a biggest share of food products in our mix, the category grew 57% in the quarter. And on the right chart, we see our new margin level. So we are talking about 9.8% of EBITDA margin for the quarter. And these are recurring numbers with no adjustments necessary because in reality, these tax issues are part of the year operation. In terms of investments, we have invested around 100 million in the fourth quarter. Basically, the growth of it coming from new stores and new hospitals openings and around 15 million from the investments in technology and digital. So we can truly deliver everything that I mentioned before. In terms of leverage, we are at a EBITA net rate of 1.9 times, especially because of the follow-on resources that November -- when we got around BRL780 million. So we are in a very comfortable position, we will open 50 new stores and on average, each of the stores require an investment of BRL5.5 million or BRL6 million for CapEx.

And in the number of this investment that also includes the new distribution center in the city of Goiania. That will be concluded in the second half of the year. Finally, some updates on the ecosystem. The first message has to do with Zee.Dog (Technical Difficulty) continue BRL220 million of gross revenue for Zee.Dog in 2021 as 75% growth in comparison to the previous year. In 2022, consolidated data from January and February saw a 53% growth for Zee.Dog. We like to talk about the Zee.Dog growth because despite like Sergio mentioned that in our non-essential products for pets, there is some type of trade off to privileging food products to Zee.Dog because of the strength of the brand has been able to grow even like that, so 53% growth in January and February combined.

Zee.Now, another highlight with very strong growth in the period and our international operations of Zee.Dog, again it's present in more than 50 countries, also grew 32% in the first months of 2022.

After the next quarter, we will start to consolidate the Zee.Dog results. In the next slide, we talk a little bit about the four integration fronts that we have been working on internally. The first one, we have already announced to the market, the creator of Pet innovation studio, which is a great platform to develop more private brand products. When we think about the private products that we already have in combination with Zee.Dog and boutiques, which obviously is still waiting for the CAV [ph]approval, we would reach a private brand level that's close to 6% of our revenue and we understand that this do have a lot of room to grow there. And we have been increasing the volume of private brands with this signature of design and innovation that the Zee.Dog team brought. Another interesting point about Zee.Dog has to do with their presence in the United States. Zee.Dog has a partnership with the great Super Store in the United States and in September 2022, it will be present in 300 stores out of 1500 store base that this company has, very soon, you will hear more about this partnership. Zee.Now, another great synergy that we have -- we have been working in this integration, so pets purchases directly from suppliers and not only -- not -- no longer through distributors and that gives us a gain in efficiency and margin in the first half of the year, we will see some of these synergies already in place.

And finally, it's important to talk about the assortment of Zee.Dog on the pet's platforms. It's a very positive surprise. In the next slide, you'll see -- be able to see more of that. Basically the representativeness of the accessory category on the pet stores increased 850% quarter-over-quarter. And the share for leashes and dark collar, just to give you an idea, in February already represents 40% for the Zee.Dog brand. It's interesting to see that this number 40% of share is very, very similar regardless of the location of the store.

So even in stores located in more impoverished areas, there is one store in the East side of Sao Paulo, the share is for Zee.Dog collars is more than 40% higher than what we have in an upscale neighborhood in Sao Paulo. So that reinforces what Sergio mentioned, the emotional connection that you have with your dog despite the fact that your income is not so high sometimes. Another important thing to mention and then 100% of the stores already offer the full assortment of dog leashes and collars and between website and the stores, we have added more than 200 SKUs from Zee.Dog. Another great source of synergy that we have told the market about and we start to see that happening in practice already.

Here we have Zee.Dog kitchen. It will be launched in the second quarter of 2022. We will start to sell initially via the Zee.Dog website after via Zee.Now and right after that in the stores and the idea is to have this distribution throughout the year and eventually next year, we might think about an international distribution. I'll show you a quick video about the bottling process of Zee.Dog kitchen, some tests. The product still not being sold but just so you understand how it works and remind you that this is not a cold product, which is a great advantage because of the shop

(Video Presentation) Next slide please. I'll talk a little bit about Cansei de Ser Gato now. We have always told the market, the rationale behind this acquisition. Even though their business was small, it's highly scalable for all the content generation point of view. And this is strategic because the cat segment grows a lot. It grows double the dog category and within pets, the category grew 57% in 2021. Currently in the stores where we have the full Cansei de Ser Gato portfolio available, the brand Cansei de Ser Gato already represents 50% of the accessory -- the share of the accessory category, something that we celebrate.

We have three stores with -- what you see here on the picture and the idea is to rollout that throughout the year for a couple of dozen stores. We also highlight the second calling of the Feline Domination. We hosted an event in the Botafogo Stores, the first time, the Cansei de Ser Gato brand was outside Sao Paulo and on the day of the event, 80% of all sold product for cats were from the from the Cansei de Ser Gato brand.

So an acquisition that has also brought us great news. Finally, an update on Cao Cidadao. I think, Cao Cidadao, in terms of updates that would be interesting to share with you, we will launch the online training courses from Dr. Alexandre Rossi to our customer base. That will happen on April 1. On the next week, we will start telling that to our subscription base on the pet's website. So it's a way to provide more content and an additional service to our tutors. We will also create virtual stores like a program for our franchisees, so when they go to customer stores to provide dog training services, they can also serve -- offer products through their own stores. It's empowered by pet store, we have been working on the national expansion of the Cao Cidadao franchisees because today, they are more concentrated in the Southeast.

And the idea is to have their presence nationally and we have been reinforcing the content production. We have been using Alexandre Rossi's image to create some live events that benefit pets at the Seres bran as well. Alexandre invites some ambassadors and veterinarians to create more engagement and more credibility to all the live events that we host, so a partnership that has been doing really well with a lot of exchange of experiences between the acquired companies. I think, that's what I had to say,and I think we can move on to questions and answers.

Questions And Answers

Operator

Ladies and gentlemen, we will start now the Q&A session (Operator Instructions) Our first question comes from Mr Thiago from Itau BBA.

Q - Thiago Macruz {BIO 16404924 <GO>}

Hi everyone. A topic that has becoming more relevant on conversations about pets are the potential inflation pressures. I would like to understand, if you're feeling any type of brand trade down even for dog food? How are the conversations with suppliers going regarding price increases?

A - Sergio Zimerman {BIO 21681486 <GO>}

Thiago, good morning. Thank you for your question. There is a pressure from the inflation rates, especially when it comes to the raw materials for pet food. We have been having difficult conversations with the industry, trying to contain price increases to consumers as much as possible. But of course the industry has a limit to how much they can hold of that and price increases have been happening as needed.

Regarding your question about the trade-down of brands. The number is really too small. What I would say that is happening is we don't have a trade up at levels -- normal levels, levels we found in a stable economy because when the economy is stable, we can migrate consumers that usually buy premium brand products or maintenance brand products. We -- in those moments, we can migrate them to top categories. In a scenario like we have now with restricted income available, this migration is not possible. So the trade-up is not possible. So in one hand, the good news is that the trade-down is not happening as one would imagine. What has been pressuring the growth of the super premium brands is the fact that we don't have as much trade up as we would like to have or as we won't have in a more stable economic scenario.

Of course, when the economic conditions change, we will be able to invest more on the trade up because we know that the percentage of people that today that don't buy a super premium products as they are aware of the benefits of these products and as their income allows them to trade up. They will do so. And like everyone else who have already done that would not leave this superior brand because of the benefits that it brings to the quality of life, and life expectancy of pets.

Operator

Our next question comes from Mr Richard Cathcart from Bradesco BBI.

Q - Richard Cathcart {BIO 16457807 <GO>}

I would like to ask about the subscription program. It's amazing to see that you have 23% of the revenue represented there, how do you use the connection with consumers to sell non-food products and services? And what is the level of cross selling that you have?

A - Sergio Zimerman {BIO 21681486 <GO>}

Richard. Thank you for your question. Indeed subscription are growing quarter-over-quarter. The very important relevance in our revenue. There is a trade-off that we do here because consumers have become subscribers. They give us a lower margin, but a higher cash margin because they clearly increase their frequency and the purchase and the frequency they use services.

So we have been encouraging them providing interesting discounts regarding services and overall not just to subscribers. We have been very successful in the My Offers program using the data intelligence in that we have that is not restricted to subscribers to offer new categories and related programs -- related products at special prices, and this has been a very successful strategy, so tutors, they do recognize this effort as a gesture of how can I say -- they feel known. It's a customization effort. It's almost like they are purchasing from a very small business in which they know the owner.

And the owner knows exactly what they are looking for and we are able to achieve that through the use of AI. So, without a doubt, this has been a very powerful tool for us regarding the growth of the country. And of course subscription creates an amazing recurrence. Once the consumer becomes a subscriber, they don't only purchase that group of products because the benefit that they have for any spot purchase makes them feel that it makes much more sense to do all their purchases from a single company without changing between players in the market.

And just to add, thinking about cross selling between subscribers and services, we have the example of Alexandre Rossi, I just mentioned. We will launch the training course for our subscription base first and we also offer special discount, so they test the grooming services for example. So they do have extra benefits when they become subscribers.

We provide tele guidance regarding veterinarian issues. So we already have some cross-selling options and the idea is to increase that. Another important piece of data is that customers of services they buy twice as much products. So even though the percentage of revenue coming from services is relatively smaller in comparison to the whole, it generates a sale of products as well.

Operator

Our next question comes from Mr Bob Ford from Bank of America. Go ahead.

Q - Bob Ford {BIO 1499021 <GO>}

Thank you. Good morning, Sergio, Aline, Matheus and congratulations on the results. And thank you for taking this question. Sergio, how is the economic environment impacting your plans to offer private brand food products and how could we think about your ability to scale in order to meet this demand?

A - Sergio Zimerman {BIO 21681486 <GO>}

Thank you for your question, Bob. If I have understood your question correctly, you're talking specifically about private brand food products.

Q - Bob Ford {BIO 1499021 <GO>}

Yes, please. Both for dry food and fresh food

A - Sergio Zimerman {BIO 21681486 <GO>}

All right. Let me divide your question in two parts. First, I want to talk about dried food products with our private brand. According to our private brand's schedule that was supposed to have happened by now. It was supposed to have happened last year in the second half of last year and it was delayed. And we continue to face difficulties to find the optimal point to start that because of the inflation pressure. And because of a certain imbalance for the supply chain of raw materials for pet food.

So we are waiting for the best moment to enter the dry food private brand, so we can deliver something that makes sense for consumers. So you're absolutely right in asking that. We are keeping an eye on it, and since this is a product we still don't offer, we are comfortable to wait until the right moment and our expectation is for that to happen this year but naturally, it depends on the stability of the supply chain for the pet food industry. So we can establish good partnerships with the industry that eventually will be in charge of this production. In regards to fresh products, let's remember that contrary to Zee.Dog, we acquired 11 Teams [ph] which is the largest producers of Net True Food in Brazil which calls -- this is called now Zee.Dog Kitchen and it completely changes and actually is changing their whole industrial process, a company that used to manufacture frozen products. And work on a subscription base.

Now is a brand offering 100% natural food without any type of preservatives with a one-year shelf life. That will be sold not only in our digital platforms, but also in our stores. And our expectation is to start sales in the second half of -- the second quarter of this year. So that's why I had -- needed to divide the answer in two parts. So regarding Zee.Dog Kitchen things are happening. We're moving forward and we expect to have the first information to share with you in our next results presentation meeting and regarding private brand dry food products, we are waiting for the best moment to enter that market.

Q - Bob Ford {BIO 1499021 <GO>}

Thank you for your answer, and congratulations again.

Operator

Our next question comes from Mr Ruben Couto from Santander.

Q - Ruben Couto {BIO 20636571 <GO>}

Good morning, everyone. I have a couple of questions. Could you talk a little bit about your EBITDA base. Think about -- basically think about EBITDA and online margins. Is it constant or is there any difference? And something else, I think you talked a lot about the pressures from inflation and the margin, but could you talk a little bit about on the CapEx side, how much more expensive new openings are and how does that impact the ROI of new stores?

A - Sergio Zimerman {BIO 21681486 <GO>}

Answering both questions. Thinking about the composition of our EBITDA margins. When we -- a company works in a truly omnichannel fashion, we lose the ability to try to see it like that because things get mixed in such a way that it's impossible to divide them to determine what is the EBITDA of one thing and EBITDA of something else. We work with some things of contribution margin, but they are far from meaning that would help us determine what's the EBITDA of one thing and EBITDA of another. And I'll give you a simple example. When we invest in bricks and mortar stores, it's not just that type of investment because that has direct consequences on digital sales and in the cost of serving a digital sale, it reflects on the cost of customer acquisition, because the CapEx that is done here is also customer acquisition -- cost for the acquisition of customers for the digital platform. So the situation is really mixed. We use labor from the physical stores to ship or assort the products for the shipment.

So we have made a choice to show the consolidated results, so we don't create any type of distortions. And so we don't have to make subjective assumptions on what is the -- an online cost or a store cost, we wouldn't be able to do that. Regarding pressure from inflation, it does put a pressure on the cost of opening new stores and we have been tirelessly monitoring this price increase as to be more efficient. So we can make up for the price increase per square meter trying to -- and how do we do that? We try to make our stores more productive. For example, stores that can optimize the cost per square meter. At the same time, maintaining the experience we offer and rethinking the standards of execution for stores, so they don't impact the safety or so to speak, or the functionality of the stores. So -- but at the same time, they can make up for this increase in costs.

But you're absolutely right, CapEx really has been pressuring or adding pressure in the past two years in a more significant way. And the cost per store has been evolving as we have been announcing to you.

Q - Ruben Couto {BIO 20636571 <GO>}

Thank you very much, Sergio.

Operator

Our next question comes from Joseph Giordano from JP Morgan.

Q - Joseph Giordano {BIO 17751061 <GO>}

Looking at the margin trend and the change of mix and channels and products, how could we see this for a like-for-like our mix for channel? How do you see the pressure of freight costs in the current scenario?

A - Sergio Zimerman {BIO 21681486 <GO>}

I will let Aline take that one.

A - Aline Ferreira Penna Peli {BIO 20623473 <GO>}

Regarding margins in terms of channel, we think that the greatest adjustment happened last year, when we talk about the comparison base will come from 2021 that already has a very interesting share. And in 2021, the share of other items or non-discretionary items was a fact that not only because of the trade-off that took place because of the inflation rate, but also because of the comparison base was in a moment when people were at home and acquiring many products for their pets.

We sold more items, more accessories in 2020. So we believe that the mix shouldn't deteriorate this year, which would mean our ability to maintain stable gross margins already considering this new level we have. It's not an easy job, the negotiation with suppliers are not easy but we do have some synergies in terms of adjustments that we make in our loyalty programs, removals of some benefits that are not generating sales. So the idea is that, we think that like-for-like would change so much.

So as a consequence, there wouldn't be so many impacts in the gross margin for 2022. And when we look at the transportation issue, we are always working with many suppliers, many service providers for the last mile. We analyze that for the transportation from the city to the stores and from the stores to final consumers, of course, we are not fully protected for example increases in fuel costs. And we even hired a special consulting for that -- for looking into that matter. So despite the pressure existing in the market, something that is common for everyone, we were able to get good contracts with many suppliers, many of our main suppliers.

Our scale has been growing a lot. This is important to remember and when we add Zee.Now into the calculation, so now we are unifying for example for the last mile, as we have many of the Zee.Now hubs being operated by pets, we can integrate the deliveries, so -- because each company had their own delivery person or the company providing that service.

Operator

(Operator Instructions). Right now, we are ending the Q&A session for this meeting. Now, I will hand the floor back to Mr Sergio Zimerman for his final statement. Mr. Zimerman, the floor is yours.

A - Sergio Zimerman {BIO 21681486 <GO>}

Thank you very much. Once again, I would like to thank you for being with us. Thank you for allowing us to share data, strategies, I would like to use this moment to thank you for all the interactions that we have been having in the past few months. All these conversations are very enriching for the Investor Relations team and for the new VPs of the company and for me especially, I absolutely love when I have the possibility to talk to investors, you always have smart and provocative questions.

Everyone from sell-side, everyone who follows the company, everyone who follows the investors through the bank reports, I'd like to thank you for all the attention, you have given us since the moment of the IPO, and I would like to reinforce how happy we are that we did the IPO and how happy we are to interact with all of you for all these months in a very straightforward and transparent way, say exactly what we think and especially delivering what we have been committing to after every conversation we have with all of you. I also would like to use this opportunity to wish you all a great Thursday. Thank you very much and we will see you soon. All the best.

Operator

The Petz call is now concluded. Thank you very much for your participation and have a nice day.