



magazineluiza

# Magazine Luiza

movimento  
**#abraceonovo**

August 2015

# Embrace the new movement

## #AbraceoNovo

Steps to start the transformation

Steps to sustain Transformation in the short term

Steps to sustain the transformation in the long term

### FROM:

Traditional retailer with a strong digital area

- Strategic Positioning
- Offices Recap
- New Cycle Luiza TV
- Presentations

- Spot on Luiza TV
- Luiza Radio spots
- Weekly rituals
- Morning Meeting

- Whatsapp
- Hangout
- Campaigns

### TO:

Digital retailer with physical points of sale with human touch

# Magazine Luiza

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Opportunities

Magazine Luiza

Financials

# Magazine Luiza

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**Opportunities**

Magazine Luiza

Financials

# 2015 Initiatives

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Enhance the multichannel approach to the business



Digitalize the store experience



Continue to grow above market



Rationalize costs and expenses, increase productivity  
and



Marketplace platform launch

# Omnichannel client

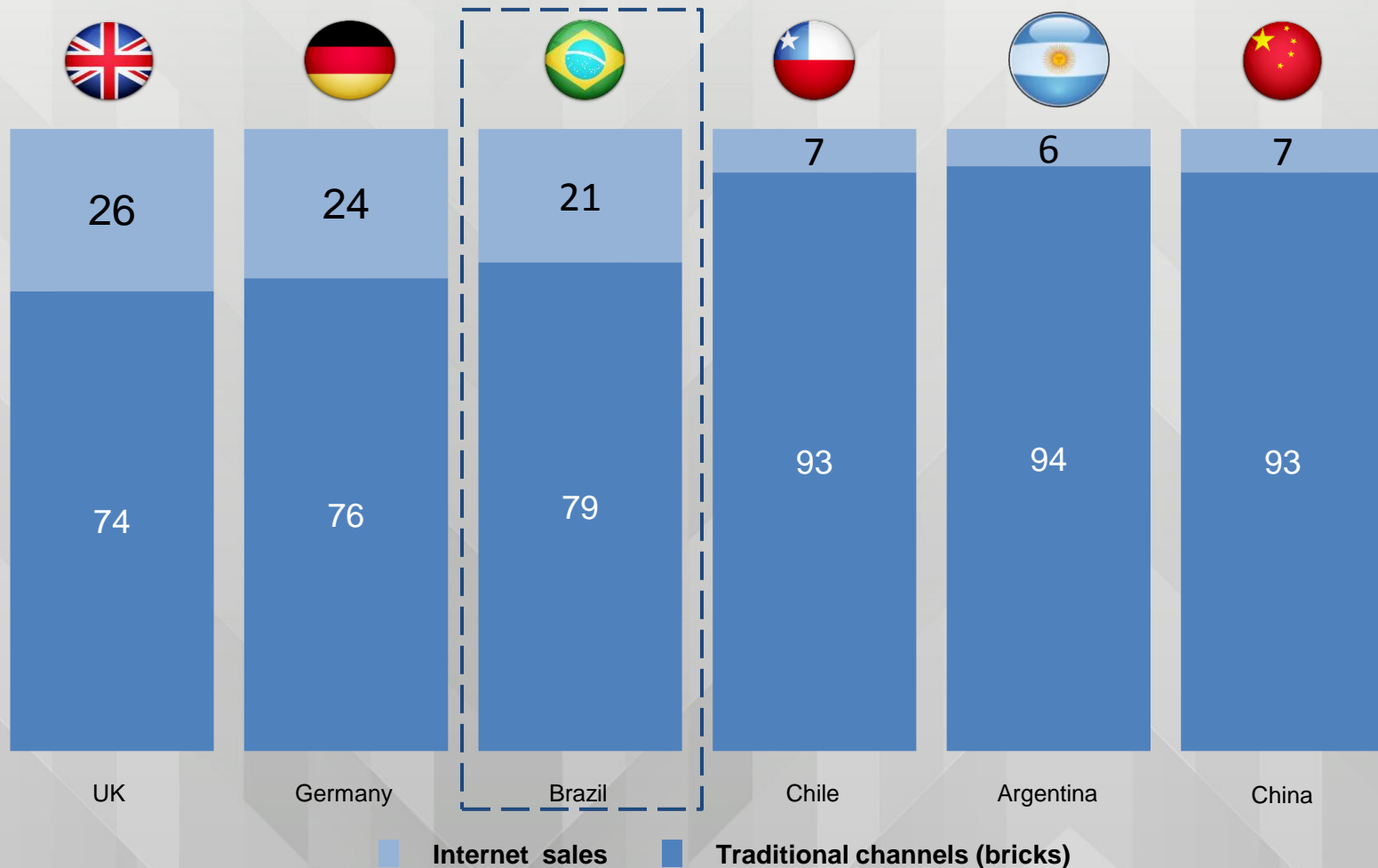
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Where people completed their purchases after searching online?



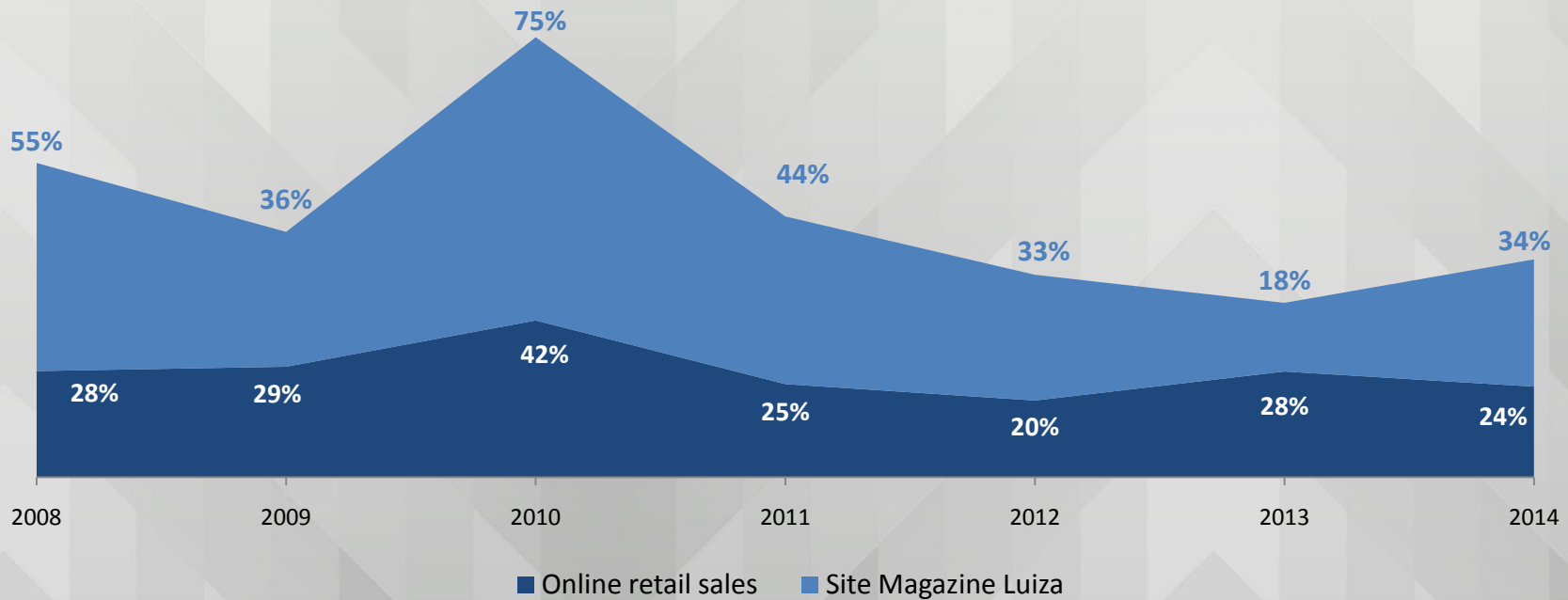
# Multichannel Strategy: Online vs Offline

Level of internet penetration in Brazil is higher than Latin American peers



# E-commerce grows at attractive rates

## YoY growth



Source: E-bit



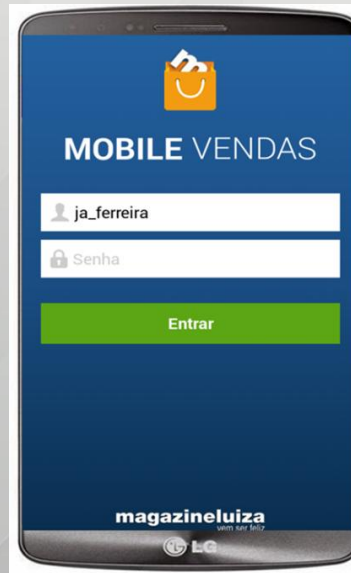
# Mobile sales tool “Mobile Vendas”

## What is ?

- Sales app
- Modern / Simple / Convenient
- Agile and Efficient
- Increases the productivity
- Improves the customer experience



## Mobile Vendas



## What can it do?

- Scan bar code
- Search product by voice
- Complete purchase
- Simulator
- Fast sale
- Easy access to inventory

**Sales time reduction:  
from 40 min to 15 min**

# Mobile Sales “Mobile Vendas”

1st Pilote – São Paulo

12 stores

Roll out 22/06 to 11/07

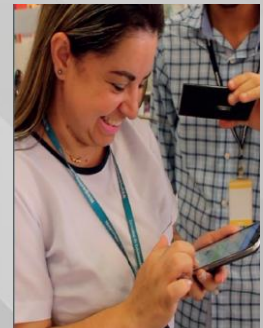
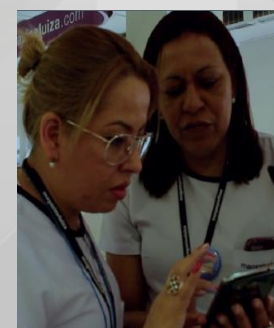


Wi-fi at stores

1st level of deployment

110 stores

Starting August 2015



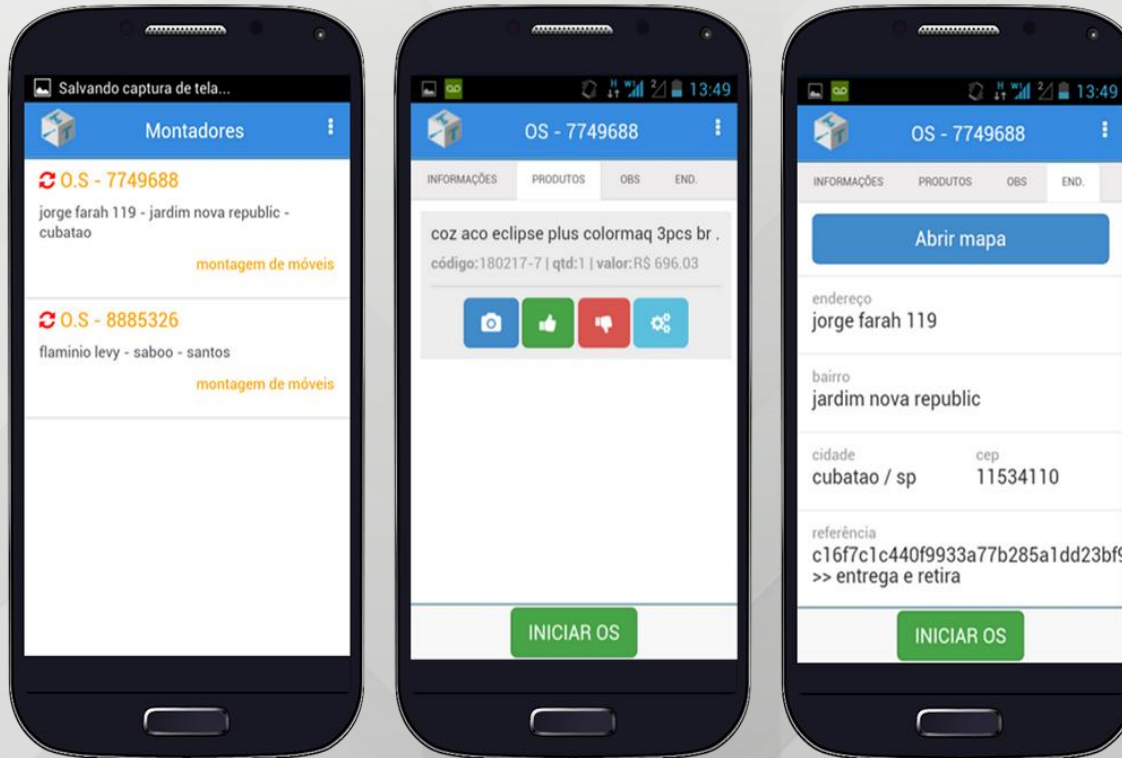
# Store managers group on Facebook

The screenshot shows the Facebook interface for the 'Gerentes Magazine Luiza' group. The top navigation bar includes the Facebook logo, the group name 'Gerentes Magazine Luiza', and user information for 'Ivan' on the 'Página inicial' (Home) tab. The left sidebar contains navigation options: 'Ivan Alves' profile, 'Editar perfil', 'FAVORITOS' (Feed de Notícias, Mensagens, Gerenciador de An..., Eventos, Salvos), 'PÁGINAS' (Magazine Luiza, Feed de Páginas, Curtir Páginas, Criar Página, Criar anúncio), 'GRUPOS' (Gerentes Magazi..., VAGAS do <3 - Soci..., Novos grupos, Criar grupo), and 'APLICATIVOS' (Jogos, Neste dia, Candy Crush Saga, Amigos com Estilo t..., Comodizmeupai, Feed de Jogos).

The main content area features a large blue banner with the text 'Somos pioneiros, somos inovadores. Não somos seguidores.' and the 'magazineluiza' logo. Below the banner, the group name 'Gerentes Magazine Luiza' is displayed with a 'Grupo fechado' (Closed group) status. Navigation tabs for 'Discussão', 'Membros', 'Eventos', 'Fotos', and 'Arquivos' are visible. A search bar prompts 'Procurar neste grupo'. The 'Publicar' (Post) section includes options for 'Publicar', 'Foto/Vídeo', 'Perguntar', and 'Arquivo', with a text input field 'Escreva algo...'. A fixed publication by 'Luiza A Lu' dated '3 de junho às 16:43' contains the text: 'Time 10 estrelas! Vocês sabiam que há uma comunidade no Google Plus para vocês fazerem o download dos comerciais da TV como Só Amanhã e outras promoções? Cliquem aqui e entrem na comunidade Ofertas da TV: https://plus.google.com/u/1/communiti.../112836833244345037309'. It shows 1 like and options to 'Curtir' (Like) or 'Comentar' (Comment).

The right sidebar shows 'MEMBROS' (334 membros (22 novos)) with an 'Adicionar pessoas ao grupo' button and a row of member profile pictures. Below this is a 'Convidar por e-mail' section. The 'DESCRIÇÃO' (Description) section states: 'Grupo exclusivo aos gerentes de lojas físicas do Magazine Luiza. Aqui você vai encontrar ofertas e alinhamentos da companhia!'. The 'MARCAÇÕES' (Tags) section asks 'Qual é o assunto deste grupo?'. The 'SOLICITAÇÕES' (Requests) section shows 24 requests, with 'Simone Alves' and 'Emelinda Faria' listed as pending.

# Mobile app for fitters



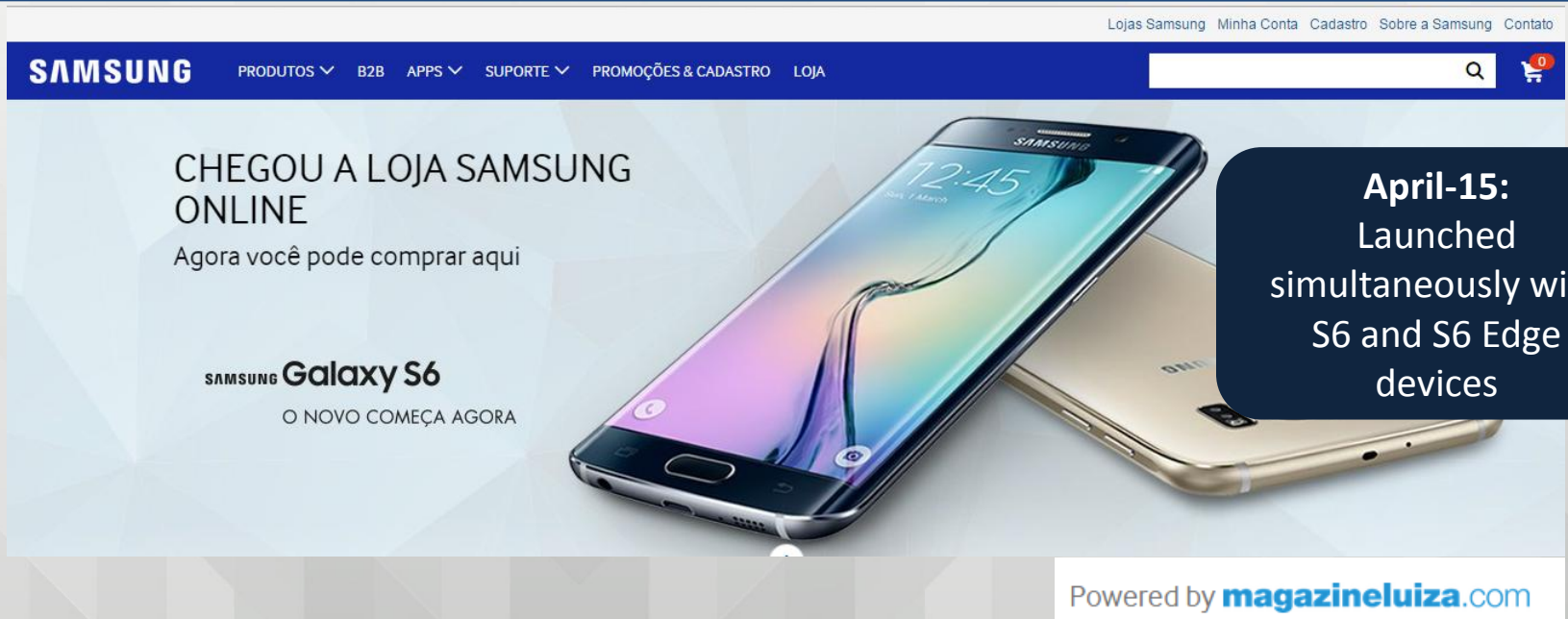
Increase in the average daily productivity of **2 to 3 SO** by fitter



Implementation started in the state of São Paulo



# Powered by Magazine Luiza



The screenshot shows the Samsung Brazil website. At the top, there's a navigation bar with links: Lojas Samsung, Minha Conta, Cadastro, Sobre a Samsung, and Contato. Below this is a blue header with the Samsung logo and a menu: PRODUTOS, B2B, APPS, SUPORTE, PROMOÇÕES & CADASTRO, and LOJA. A search bar and a shopping cart icon are on the right. The main content area features a large image of the Samsung Galaxy S6 and S6 Edge. Text on the left says 'CHEGOU A LOJA SAMSUNG ONLINE' and 'Agora você pode comprar aqui'. Below that, it says 'SAMSUNG Galaxy S6' and 'O NOVO COMEÇA AGORA'. A dark blue callout box on the right says 'April-15: Launched simultaneously with S6 and S6 Edge devices'. At the bottom right, it says 'Powered by [magazineluiza.com](http://magazineluiza.com)'.

## Magazine Luiza

- Operates Samsung online store in Brazil
- Execution back office
- Dedicated customer services and logistics
- Specific operation at DC
- Last mile delivery

## Samsung

- Reclame Aqui\*
- Procon (consumer protection agency )
- Social media
- PR
- Product information

\* Reclame Aqui is a website where customers can file complains about brands and services provided

# Next steps...

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Store inventory available for  
e-commerce



Reserve online, pick up at store  
(using store inventory)



Sell online using  
store inventory



# Magazine Luiza

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Opportunities

**Magazine Luiza**

Financials

# Our figures

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**762** stores

**+20k** employees

**40 Mn** customers

**~ R\$ 12 billion** Gross Sales

Focus on **people and innovation**

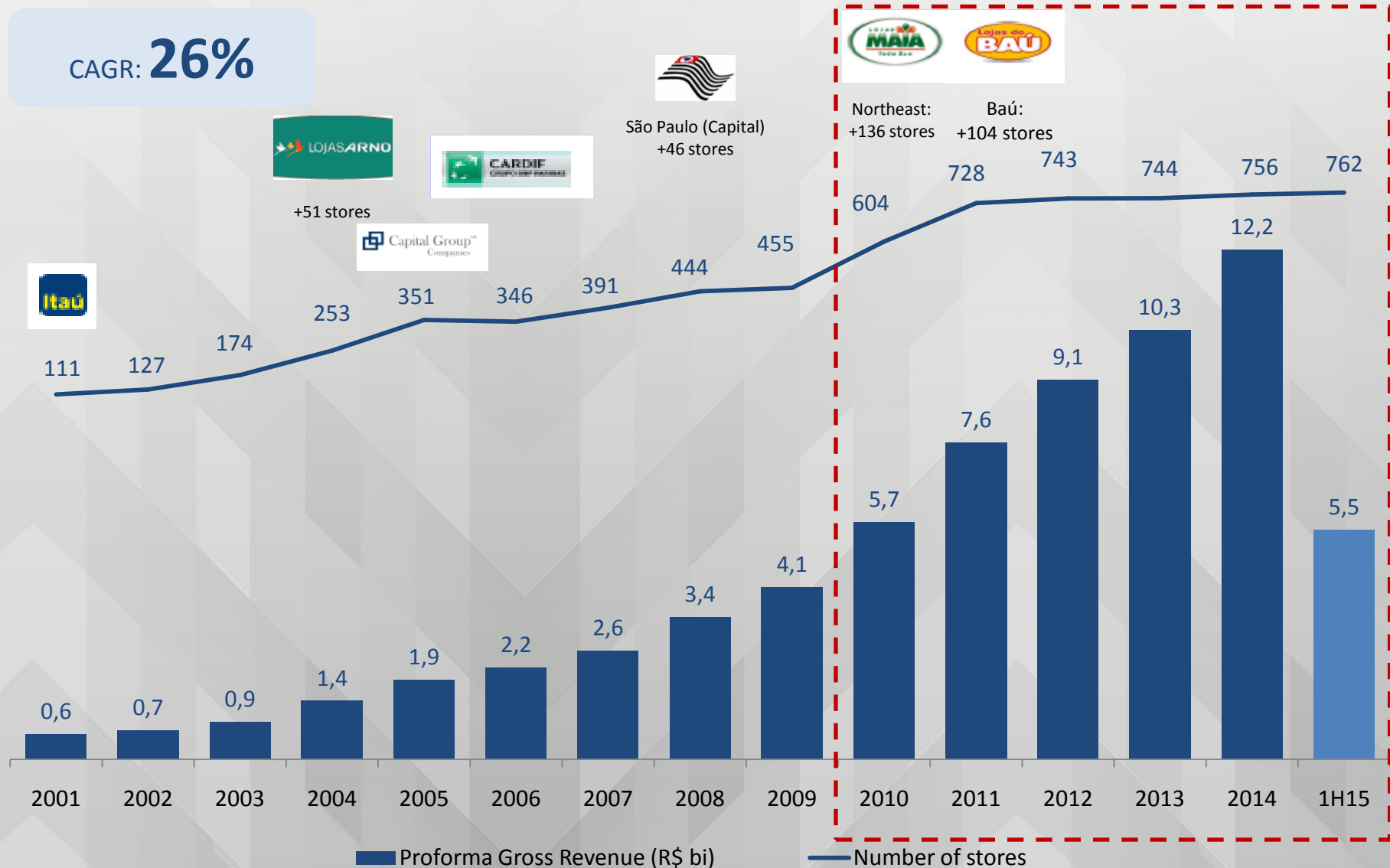
Target **middle class**





# Growth track record

CAGR: **26%**



# Expansion plan for 2015



## Total

New stores +30 stores

Remodeling +70 stores

## Capex

~R\$140 MM

\* Including 10 stores already acquired during 2014

# Store remodeling: forefront

**Before**



**After**



# Store remodeling : smatphone sector

**Before**



**After**





# Store remodeling: white goods sector

**Before**



**After**



# Store remodeling: furniture sector

**Before**



**After**

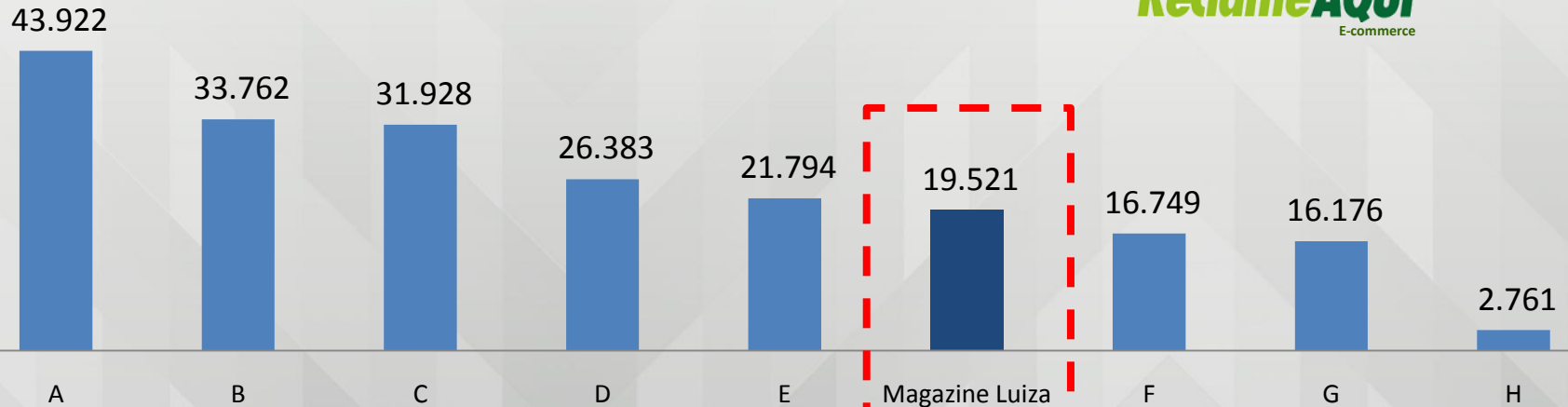


# Reclame Aqui – E-commerce

## Complains (LTM)

**ReclameAQUI**  
E-commerce

June 2015



## Score (LTM)

June 2015

Reclame Aqui	Magazine Luiza	Peers				
		A	B	C	D	Peers Average
Average score	6.6	7.3	5.3	5.0	4.7	5.6

\* Reclame Aqui is a website where customers can file complains about brands and services provided

# Reclame Aqui – Brick and mortar stores

## Complains (LTM)

June 2015

**ReclameAQUI**  
Lojas Físicas

19.016

5.359

5.234

5.124

4.698

2.037

1.506

A

B

Magazine Luiza

C

D

E

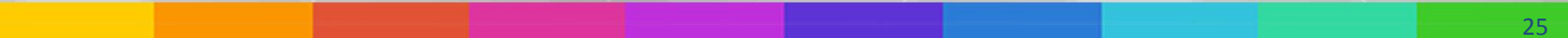
F

## Score (LTM)

June 2015

Reclame Aqui	Magazine Luiza	Peers				
		A	B	C	D	Peers Average
Average score	6.4	8.6	4.3	4.7	5.8	5.9







# Culture

## Decentralization

- Store manager “owner’s mentality”, win-win compensation structure
- Salesperson has some room to change prices at stores level
- Local marketing strategies



## Transparency

- Luiza Portal
- Employee council at store level
- Direct hotline with president Luiza



## Communication

- Luiza TV
- Weekly Rituals
- Morning meetings
- Luiza Radio



## Social Inclusion

- Disabled hiring:
  - Offices
  - Distribution centers
  - Stores





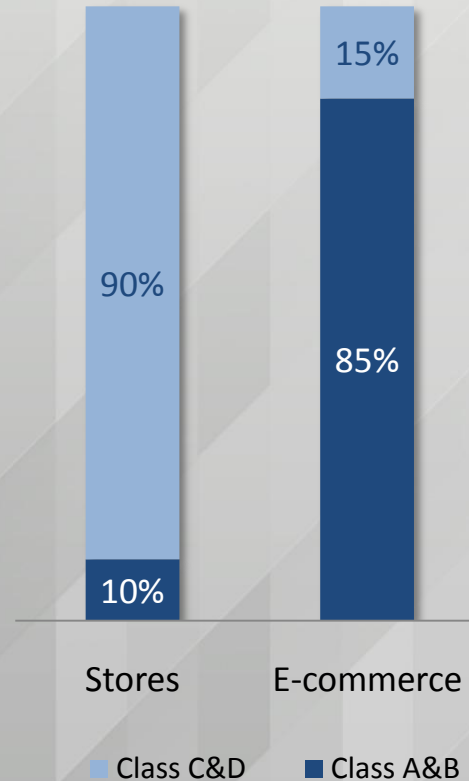
# Multichannel

## Multiple channels, complementary customers

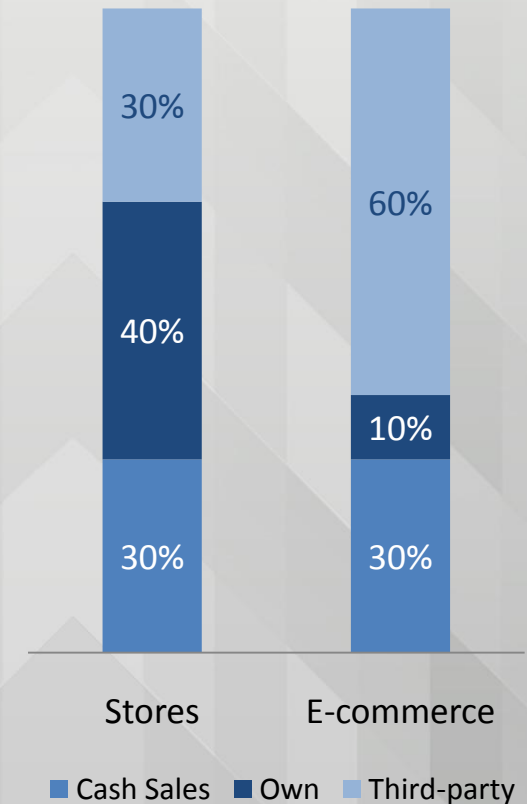
### Low cannibalization



### Customers breakdown



### Payment Mix





# Strong growth on and offline

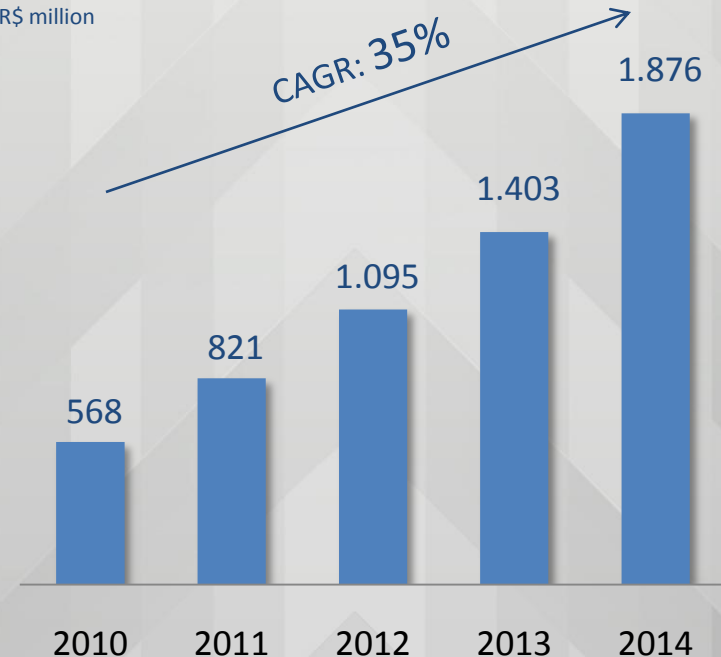
## Magazine Luiza bricks and mortars sales

R\$ billion



## E-commerce sales

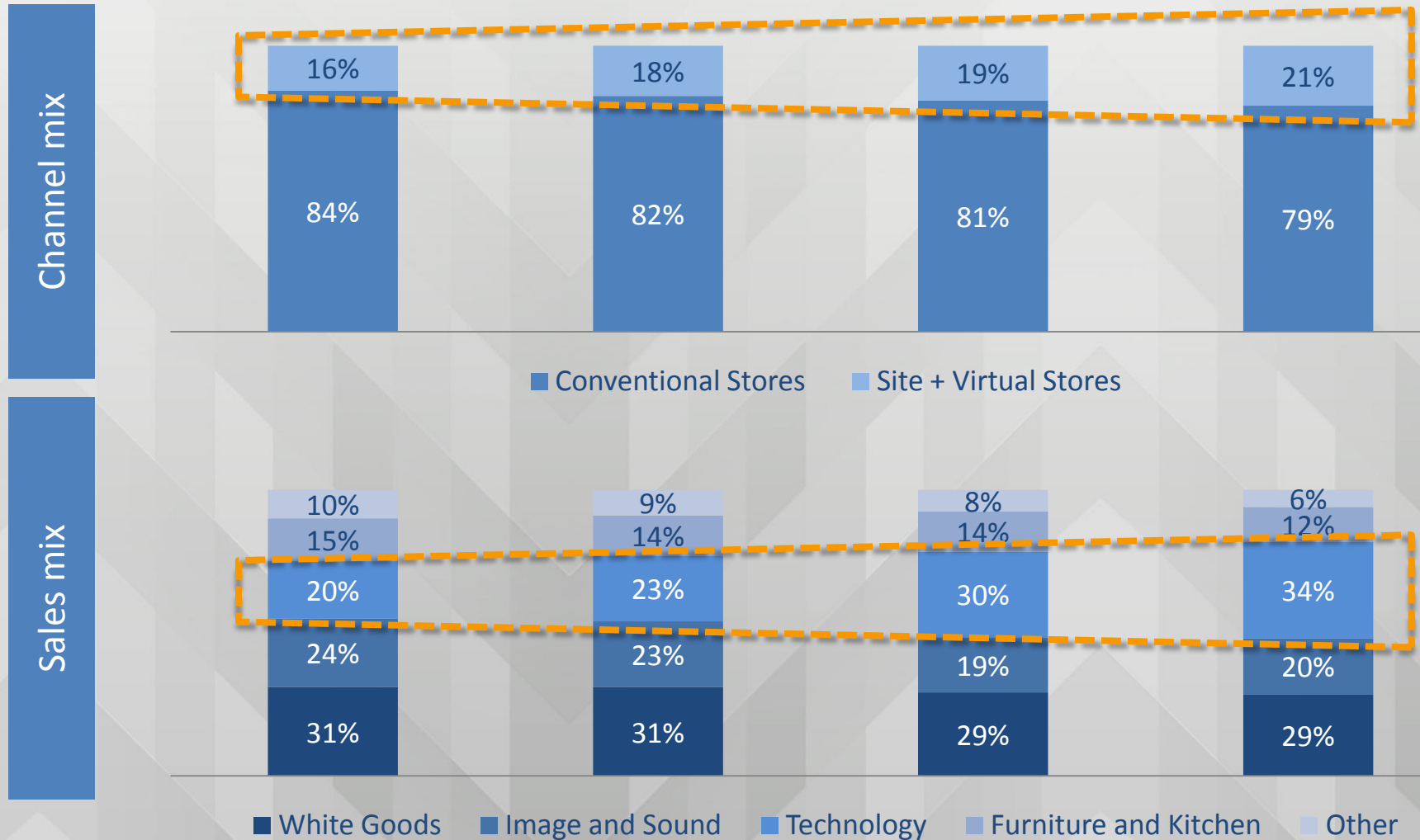
R\$ million





# Channel and product mix shift

As % of revenue





# CRM as a tool



**EXCLUSIVE  
OFFERS**



**COMERCIAL  
CONDITIONS**



**AWARDS  
DRAWS**



**GIFTS**



**BREAKFAST  
AND MORE  
PERKS!**

**DIA DE  
OURO**

**1.8 million clients  
~5% of total clients base**

**10% of active clients  
20% of total revenue**

## Communication plan



**E-mail Marketing**



**Chip Luiza**



**SMS**



**Telemarketing**



**Posts on Facebook**



**Hot site**



**Direct mail**



# Promotions management



Action		1Q	2Q	3Q	4Q
Liquidação Fantástica		✓	✓	✓	✓
Golden Cliente Day		✓	✓	✓	✓
Only tomorrow		✓	✓	✓	✓
TOP 5 Magazine Luiza		✓	✓	✓	✓
Calendar events (Mother's day, valentine's day, Christmas, sectorials promotions, etc)	 	✓	✓	✓	✓
Black Friday		✓	✓	✓	✓





# Liquidação Fantástica (First mega sale of year)







# Dia do Cliente Ouro (Golden Client Day)





# Financial Products and Services



Financing services **available at every store**

Finances roughly **30% of consolidated sales**

**3.5 million** cards and credit portfolio of **R\$4.5 billion**

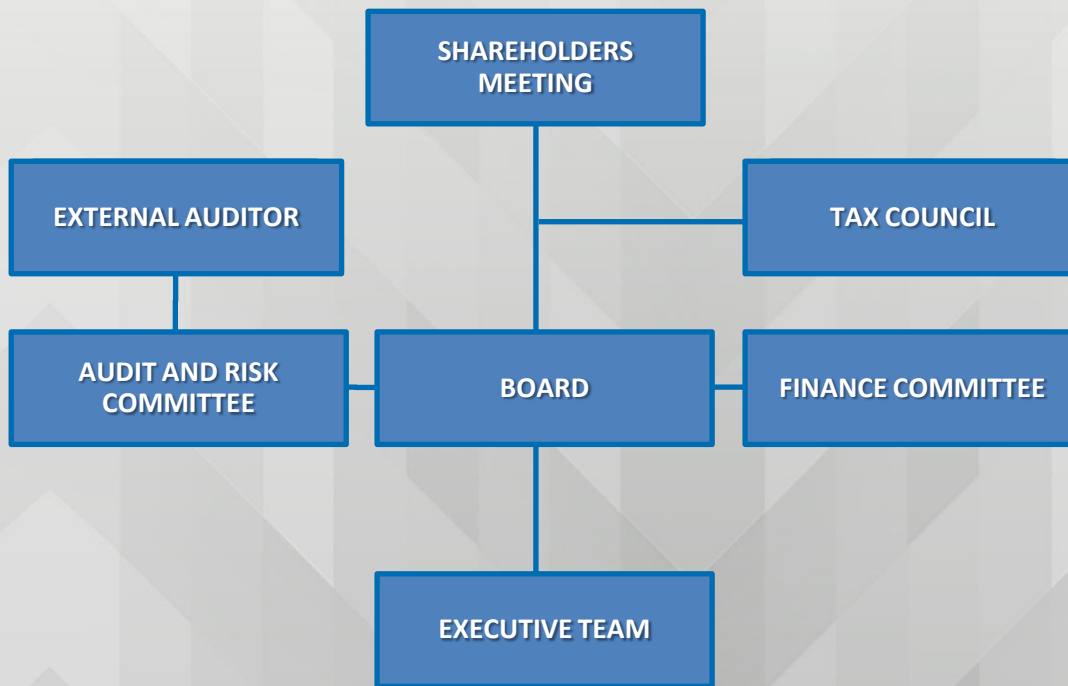
**Luizacred: Itaú Unibanco *Expertise*** in credit offers, collections and funding

**Luizaseg: Cardif *Expertise*** in extended warranty and insurance products





# Corporate Governance



Long track record of controlling shareholders in the sector **(+50 years)**

**35-year** shareholders agreement

**Independent board** members since 2005

Aligned compensation and retention plan for senior management **(stock options)**

**Tax council** since 2012

**Audit committee** head by independent member

**Share Buyback program:** 3rd program launched in May/27/2015 1.33 million shares bought back\*



# Magazine Luiza

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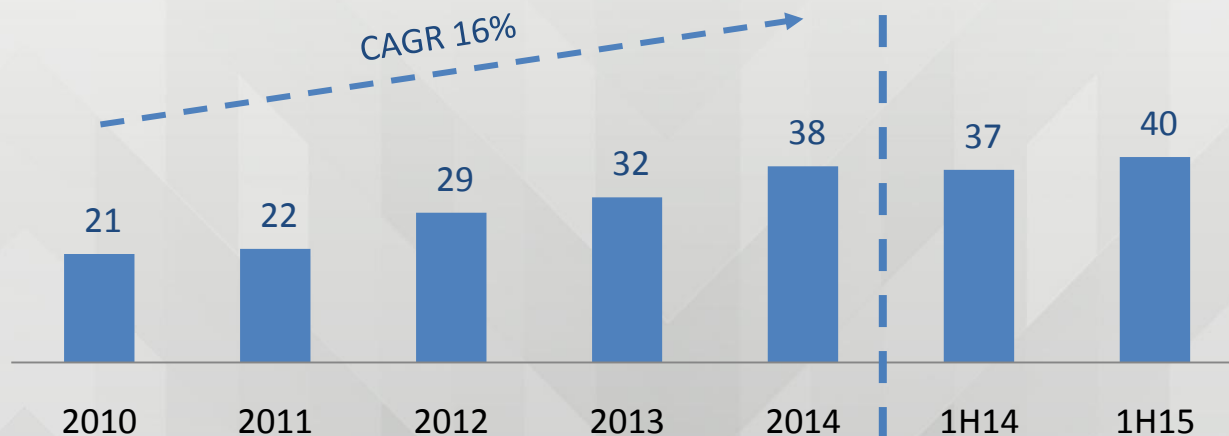
Opportunities

Magazine Luiza

**Financials**

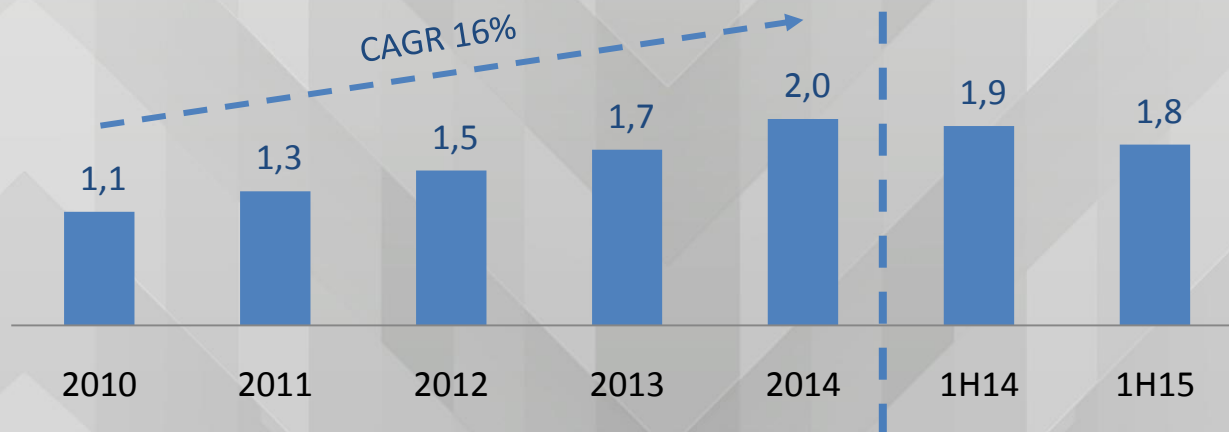
# Productivity indicators

## Revenue by employees (R\$ thousand / month)



- Productivity per employee is rising above inflation and also higher than same store sales

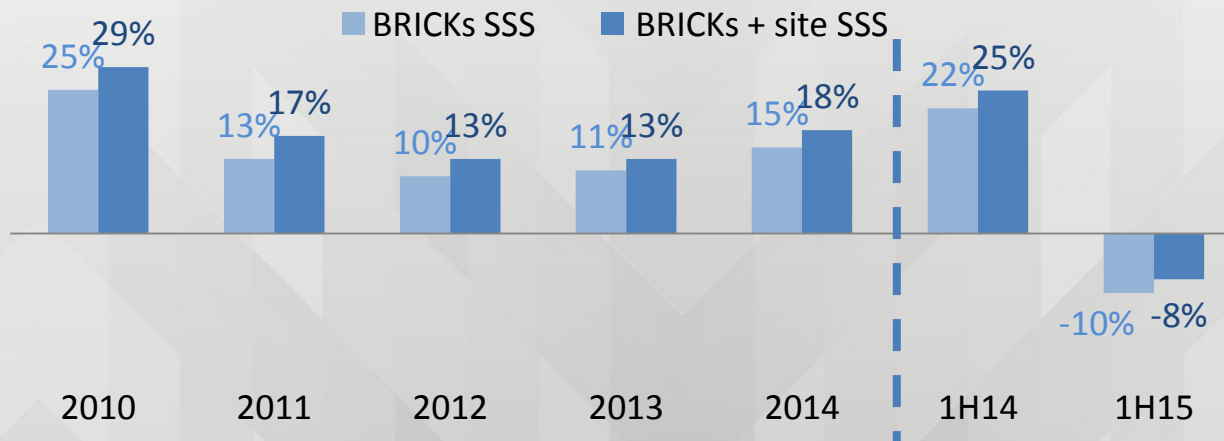
## Revenue by m<sup>2</sup> (R\$ thousand / month)



- In last years, revenue by m<sup>2</sup> is increasing in line with same store sales growth

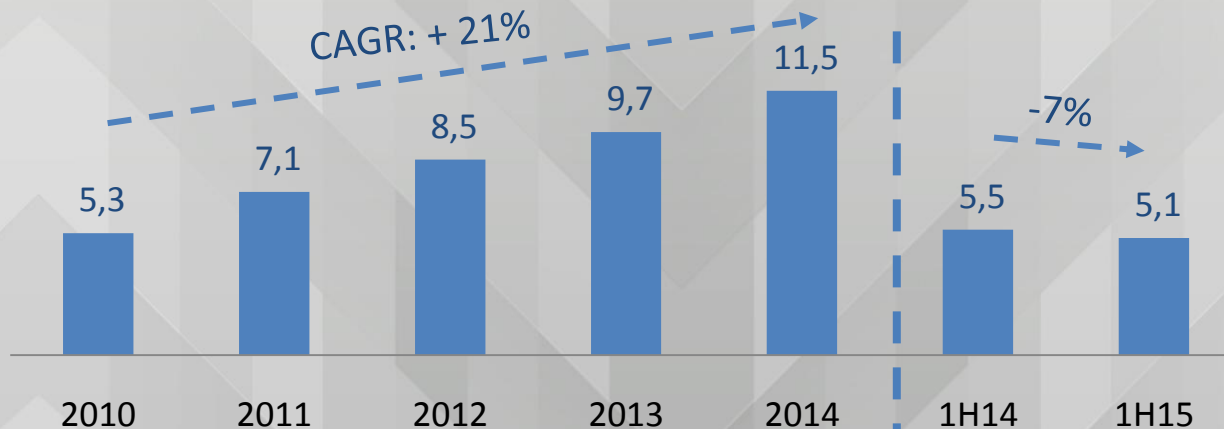
# Sales: important lever for results

## Same Store Sales performance



- Extremely high comparison basis in 1H14 (+44.0% e-commerce) as well as in the stores (+21.8% SSS)

## Gross revenue performance (R\$ Billion)



- LTM gross revenue of R\$ 11.1 billion
- Excluding TV sales, gross sales growth of all other categories would have been +2.8% in 1H15

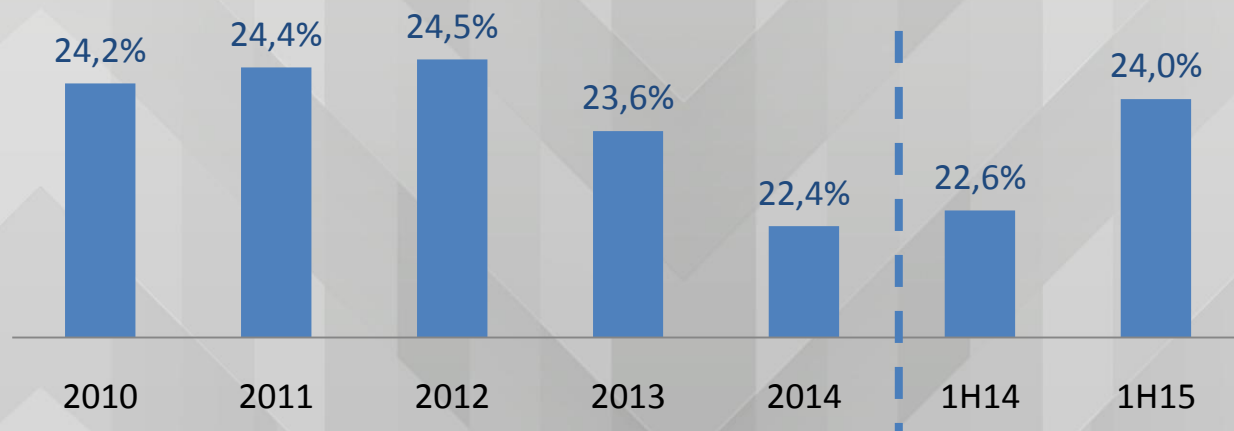
# Margin trends and good expenses control

## Gross margin evolution



- Gross margin increase despite the e-com participation increase in the total sales to 18% and challenging consumer environment in 1H15

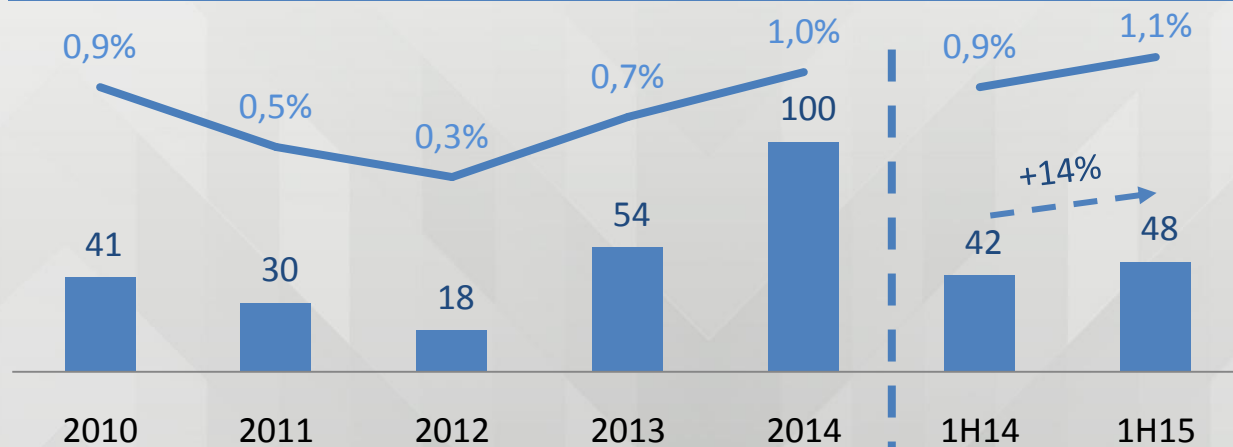
## Sales, General and Administrative expenses (as % of net sales)



- Increase of 0.3% yoy, much lower than inflation

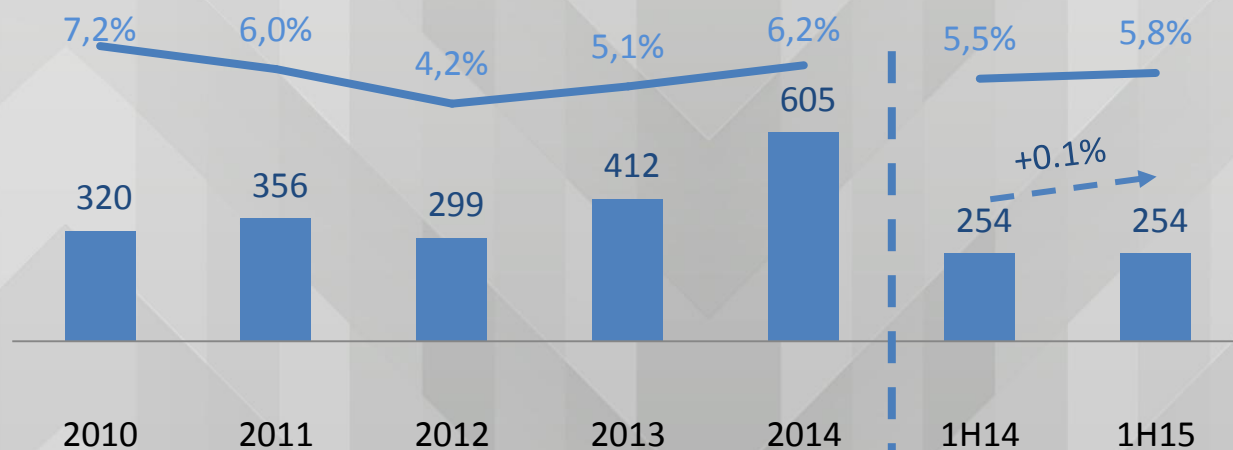
# Equity and EBITDA evolution

## Equity (R\$ millions)



- Luizacred is improving its results consistently
- Adopted conservative credit police

## Adjusted EBITDA (R\$ millions) and Adjusted EBITDA margin (%) evolution

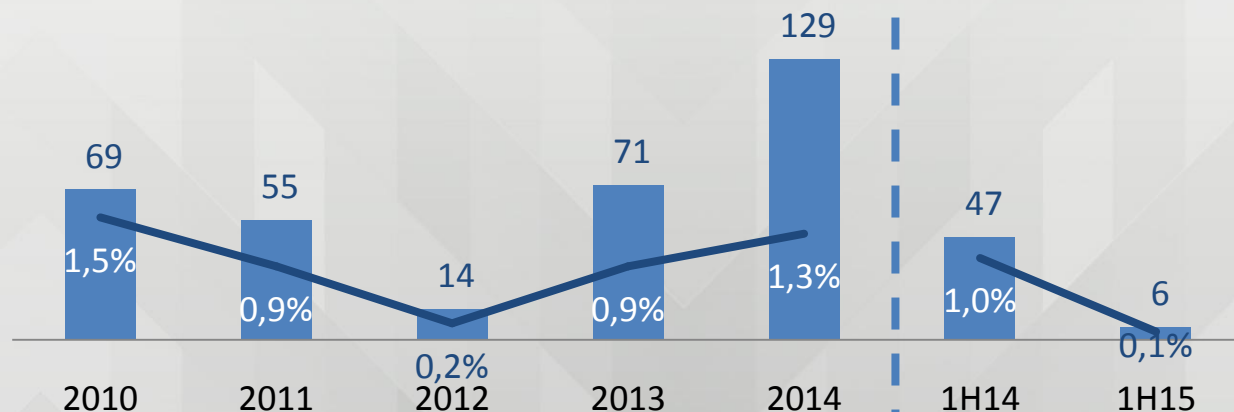


- EBITDA margin increase of 30 bps versus 1H14 (5.8% in 1H15)
- Impacts:
  - (i) Stable gross margin
  - (ii) increase in equity income from Luizacred and Luizaseg



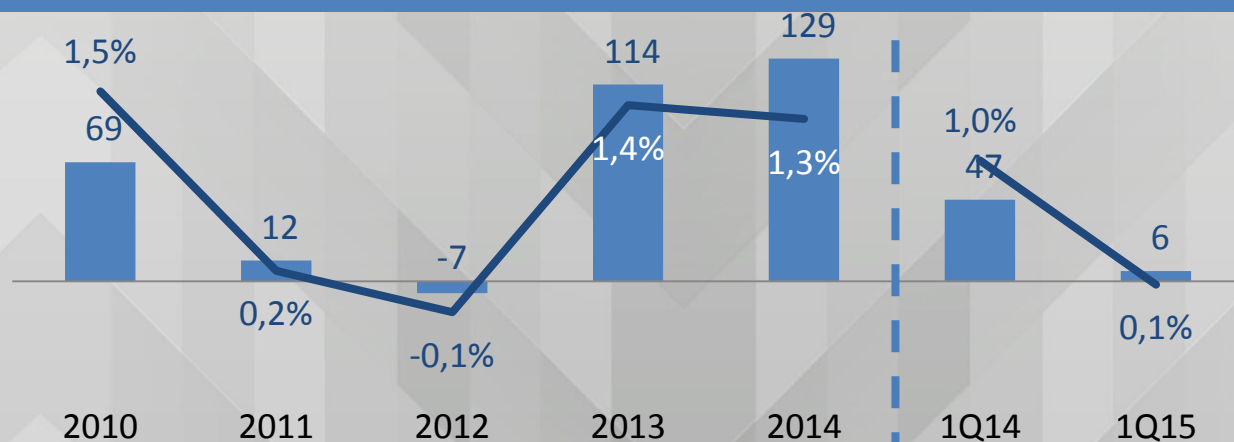
# Net income and net margin evolution

## Adjusted Net Income (R\$ millions)



- Earnings negatively impacted by higher financial expenses due to higher interest rates in the period and sales performance.

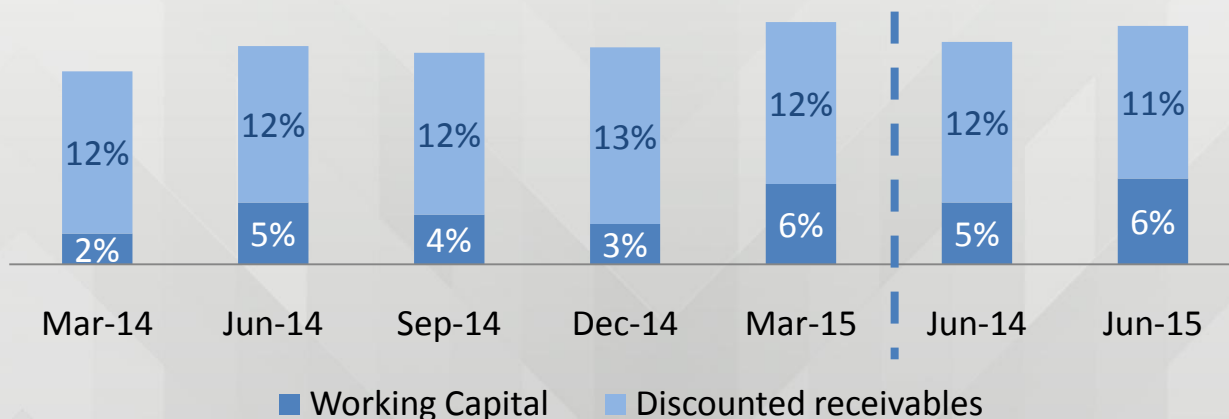
## Net Income (R\$ millions)



- Dividends payment and share buyback

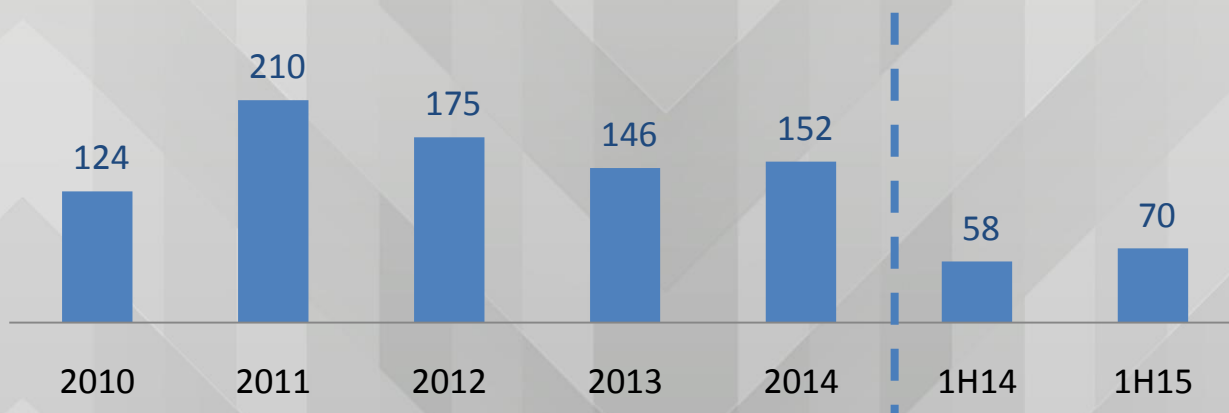
# Working Capital and Investments

## Working Capital (% of Gross Revenue)



- Working capital rose to 6.0% of LTM sales in Jun-15 due to seasonality, lower sales and strategic purchases, all of which should be reverted over the next quarters

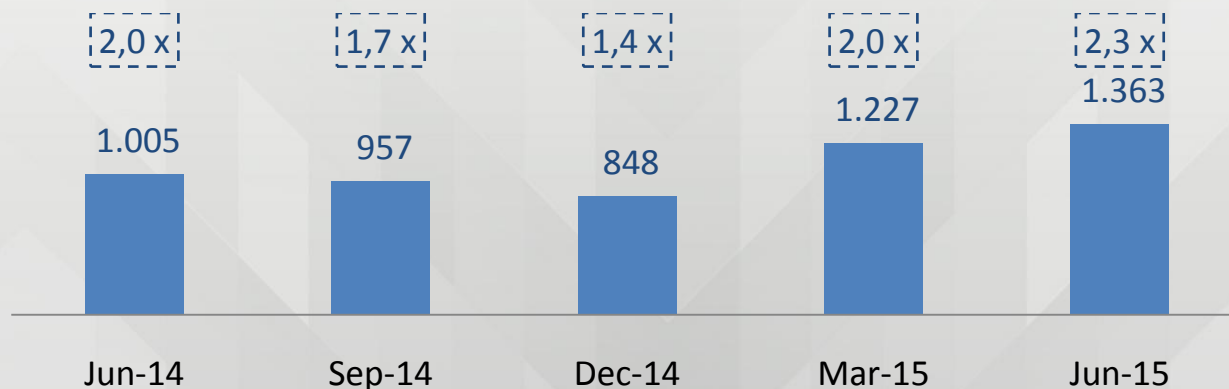
## Investments (R\$ millions)



- More than R\$700 million invested in the last 4 years
- Higher number of store remodeling, mainly the stores that were acquired

# Net Debt and Financial Results

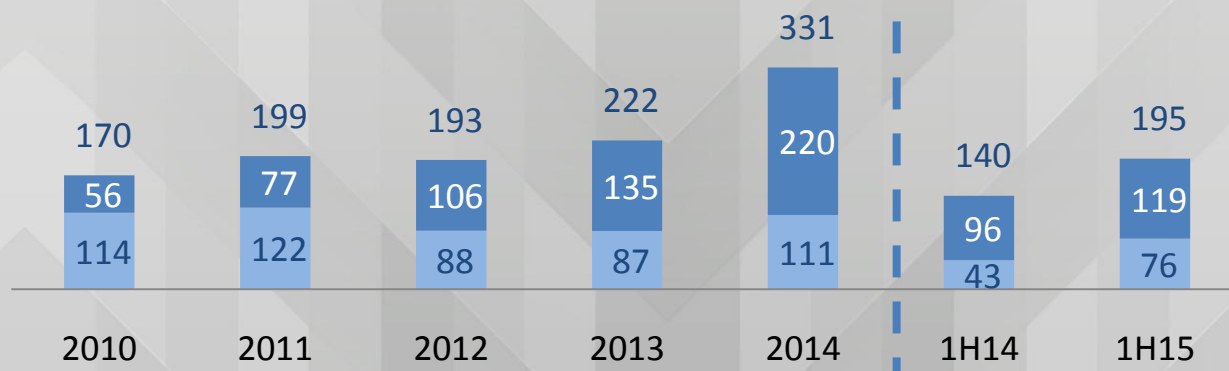
## Net Debt (R\$ millions)



- Increase in leverage to 2.3x EBITDA in Jun-15 from 2.0x in Jun-14

  Net Debt / EBITDA

## Financial Results (R\$ millions)

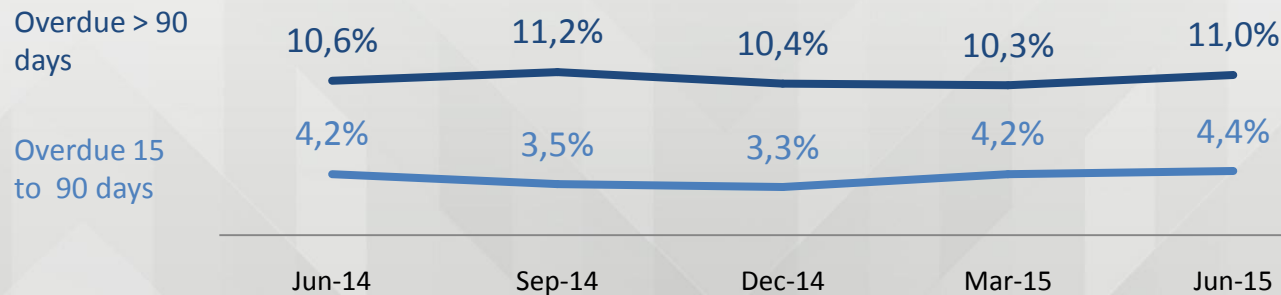


- Increase of 39.6% in net financial expenses to 4.5% of net sales in 1H15 (versus 3.0% in 1S14) due to higher interest rates in the period and change in working capital needs

■ Discounted Receivables   ■ Other Expenses

# Luizacred Highlights

## NPL (% of portfolio)



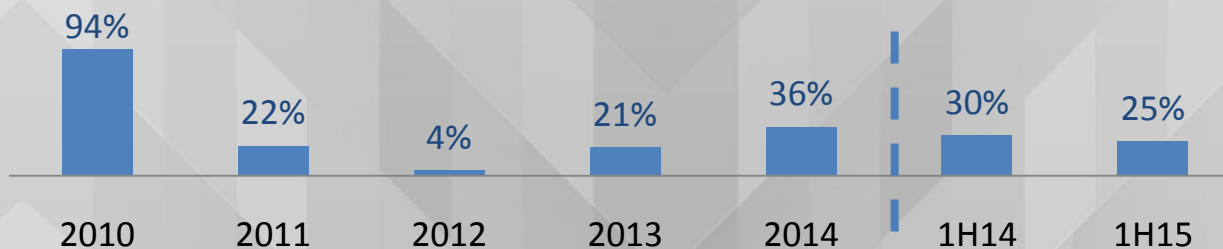
- Improvement in the portfolio profile risk allowed for decrease in provisions, while maintaining coverage ratio stable

## Net Income (R\$ million)



- Luizacred net income totaled R\$80.8 million in 1H15, 6.7% higher YoY

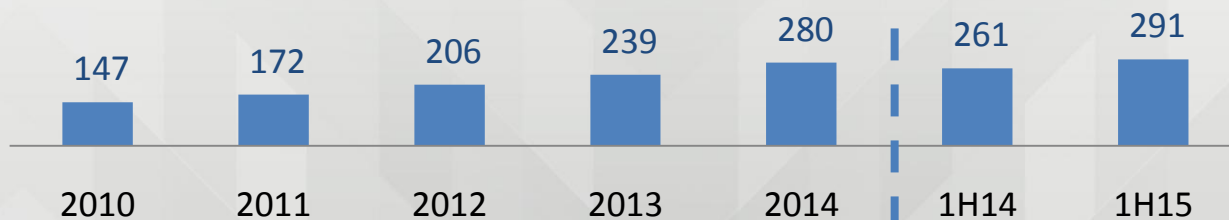
## ROE



- Luizacred achieved ROE of 25% in 1H15

# Luizaseg Highlights

## Cash and Financial Investments (R\$ million)



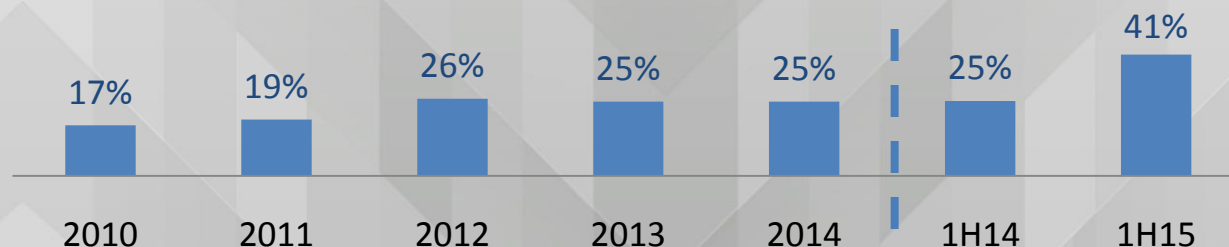
- Cash generation of more than R\$ 40 million in the last 12 months
- Strong dividends payment

## Net Income (R\$ million)



- Consistent profitability

## ROE



- High ROE



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<http://www.twitter.com/magazineluiza>



<http://plus.google.com/+Magazineluiza>



Magazine Luiza



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