

DIGITAL  
TRANSFORMATION



Magazine Luiza

BTG Pactual XVIII CEO Conference

February/17

**magazineluiza**  
vem ser feliz

# Magazine Luiza

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**Overview**

Digital Transformation

Financials

# Overview

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**800** stores



**R\$12bi** Gross Sales



**20k**  
employees



TARGET  
**Middle Class**

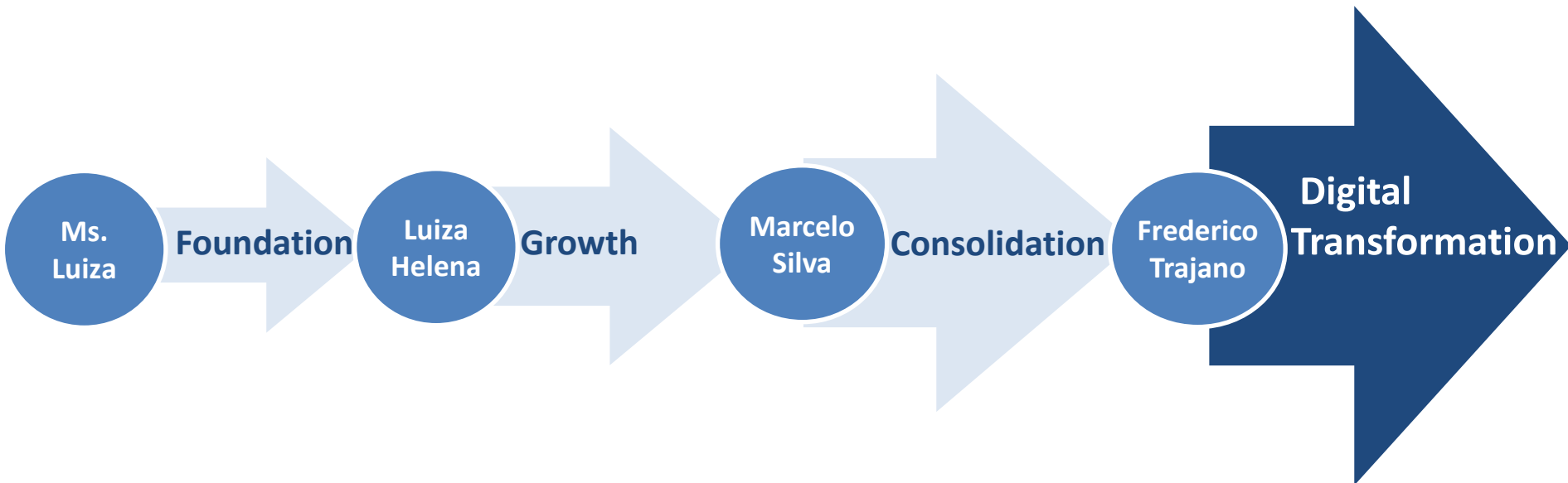
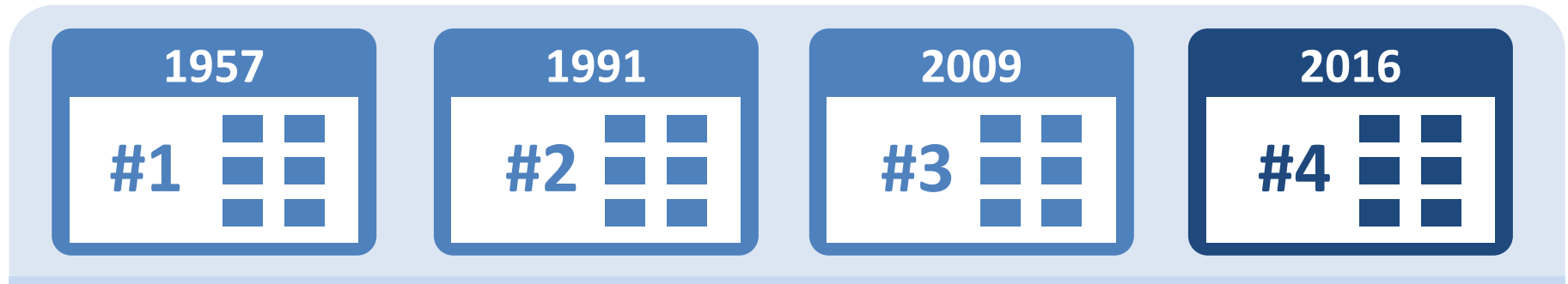


**49** million  
customers



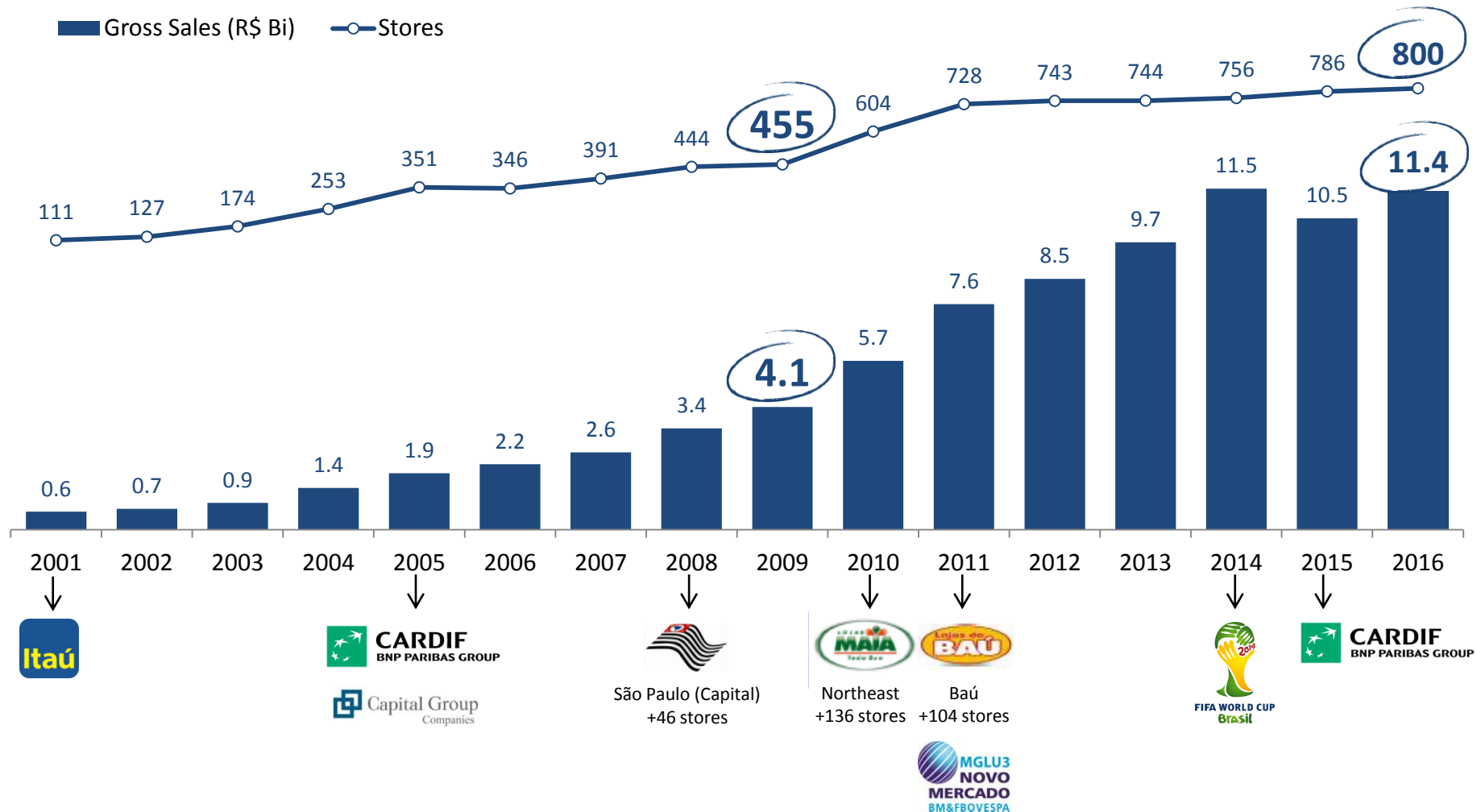
Focus on  
**People and  
Innovation**

# Strategic Cycles



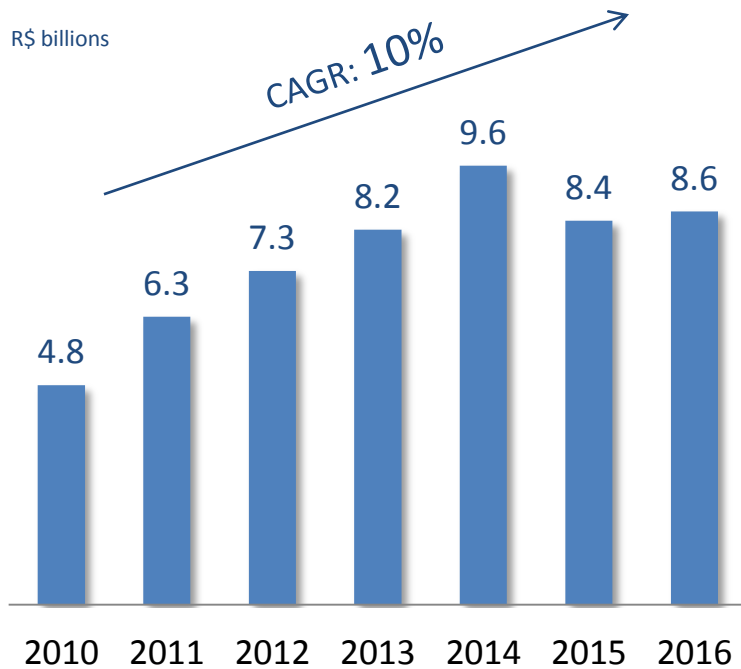
# Growth track record

CAGR: +22%

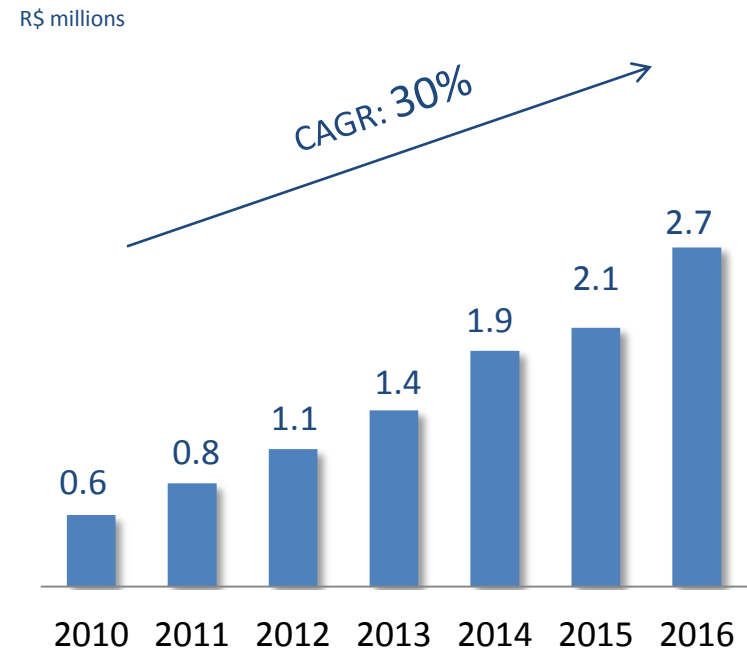


# Strong growth on and offline

## Brick and mortar sales



## E-commerce sales



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Overview

**Digital Transformation**

Financials

# Brazilians are already highly connected...

**We have a big and young population...**



200 million people



50% with less than 30 years



50% of them connected

**...and one of the most active social media in the world...**



+ 100 million



+ 100 million



# and they are buying more online

## ...a well-developed banking system...



86 million with active credit cards



4 banks among the top 20 apps downloads

## ...which leads to a new, but already big market

U\$18 billion market



CAGR 2010 - 2014:

25%



=



+



+



# Ecom challenges in Brazil

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Unreliable Infrastructure

Expensive and complex  
tax system: 35% of GDP

COFINS / CPMF / PIS / ISS / IPI / IR / ICMS

Cost of working capital

Interest free financing  
14% interest rate



# Digital Transformation

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## From:

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Traditional brick and mortar retailer with  
online presence



# Digital Transformation

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**To:**

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Digital company with points of sales and  
human affection



# Strategic Pillars



1°



**MULTI  
CHANNEL**

2°



**DIGITAL  
INCLUSION**

3°



**DIGITAL  
STORES**

4°



**DIGITAL  
CULTURE**

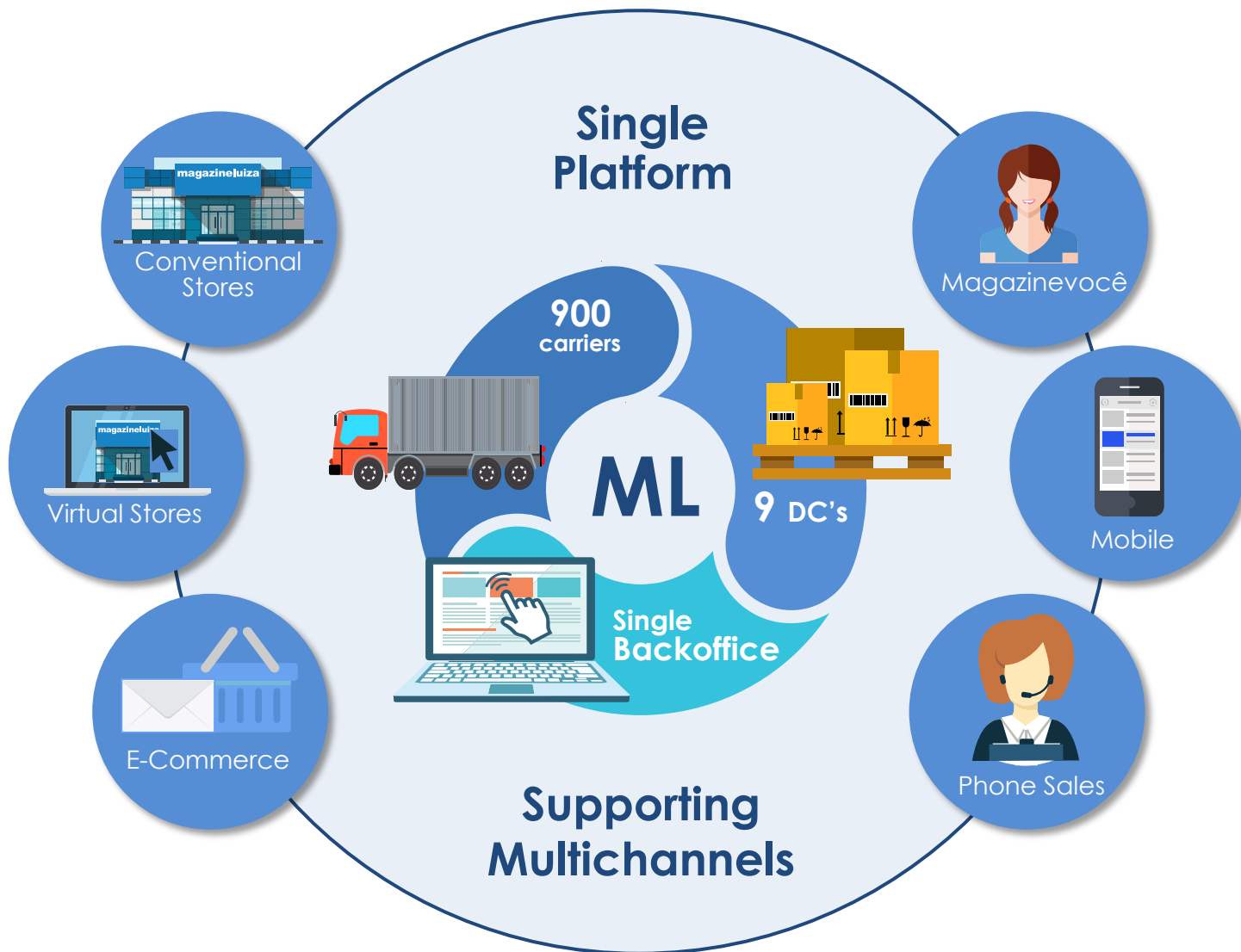
5°



**DIGITAL  
PLATFORM**



# Multichannel



2°



# Digital Inclusion



## Maslow Hierarchy of Needs

3°



# Digital Store



Mobile Sales



Mobile Inventory



Mobile Pin Pad

Postpaid  
Mobile Plans



Lu  
Connects



Smart  
Exchange



Category of  
Accessories &  
Games



Content  
Card



WiFi for  
customers



New mobile  
showroom



Pick up  
at store





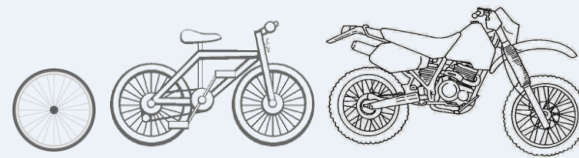
# Digital Culture

**Luizalabs**



**Integrated Teams**

**Agility Culture**



**MVP Culture**  
(Minimum Viable Product)

# 5°



# From online store to Digital Platform



**Pet Store**  
Stock



**Fashion**  
Stock



**Book**  
Stock

**magazinevocê**

**ÉPOCA**  
COSMÉTICOS • PERFUMARIA

**QUERO DE  
CASAMENTO**

**Televentas**

**B2B**

**Clube de  
Ofertas da Lu**

**Stock**

**Store**

**Site/App**

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Overview

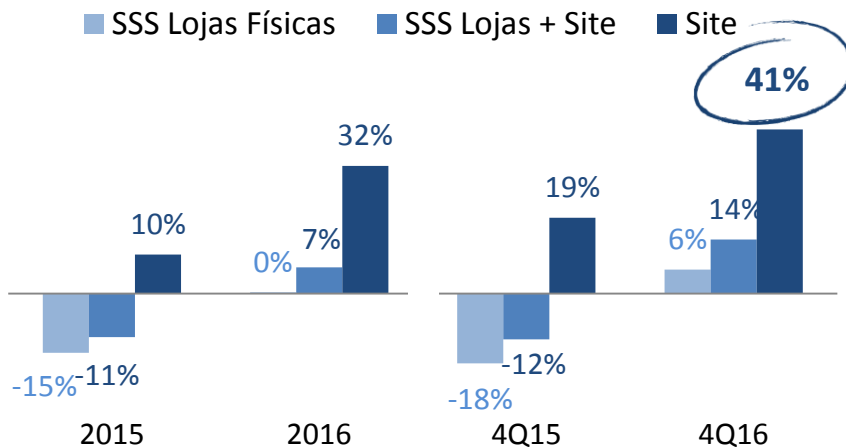
Digital Transformation

**Financials**

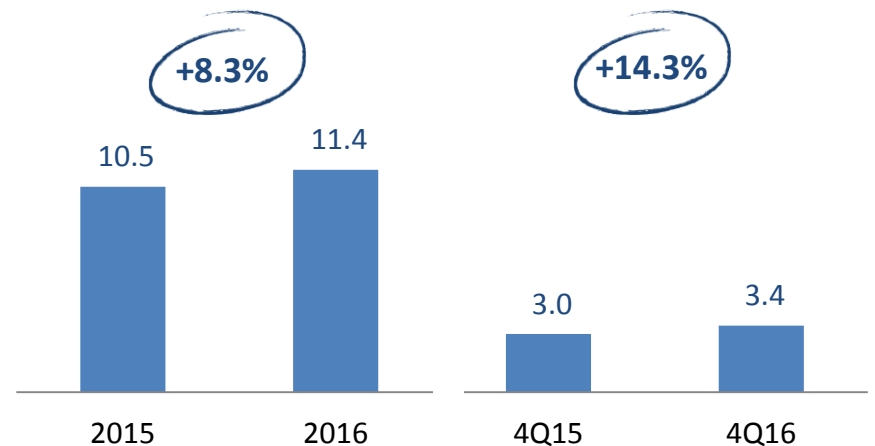
# Sales Trends

**Consistent market share gains with profitability,  
E-commerce performance a highlight**

## Same Store sales performance



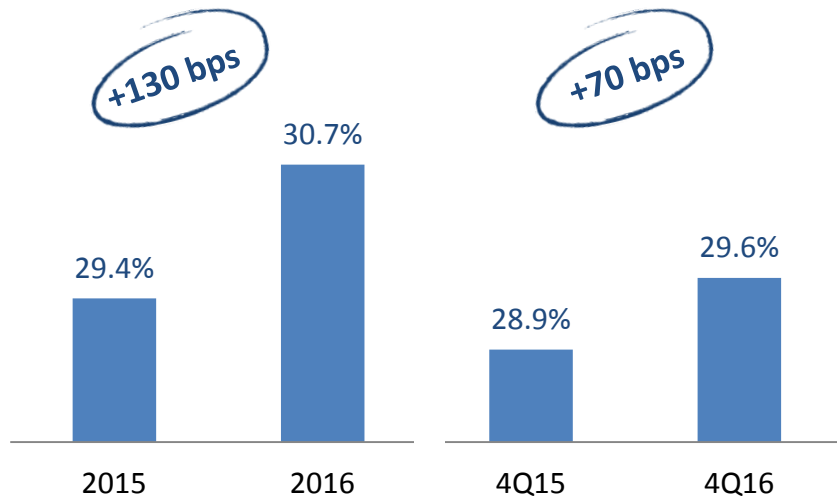
## Gross Sales (R\$ Bi and % NR)



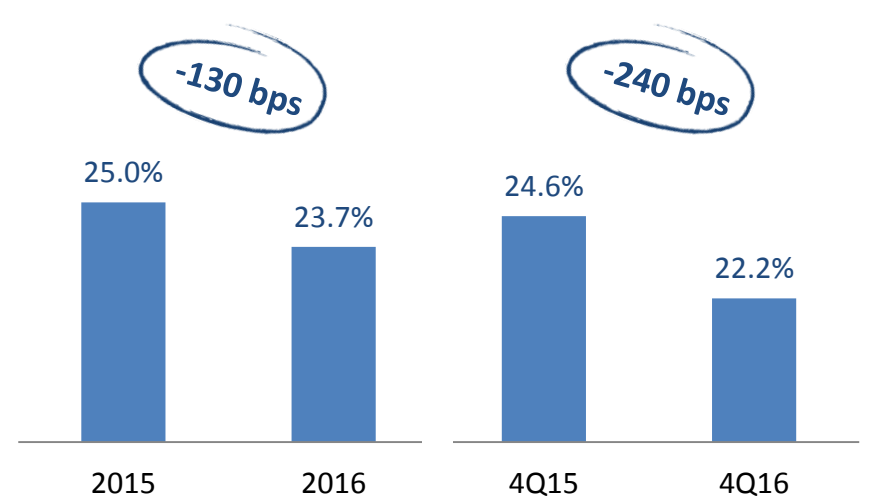
# Gross Margin and Operating Expenses

Higher gross margin and  
Tight expense control

Gross Margin (% NR)



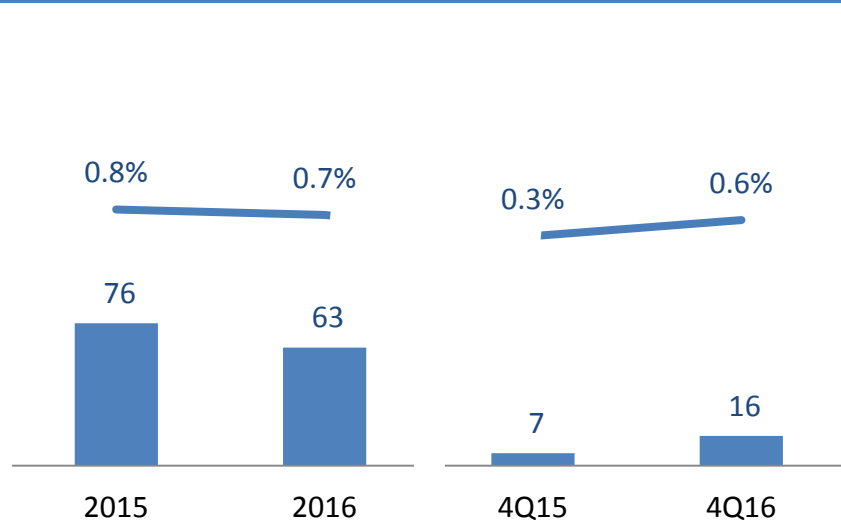
SG&A (% NR)



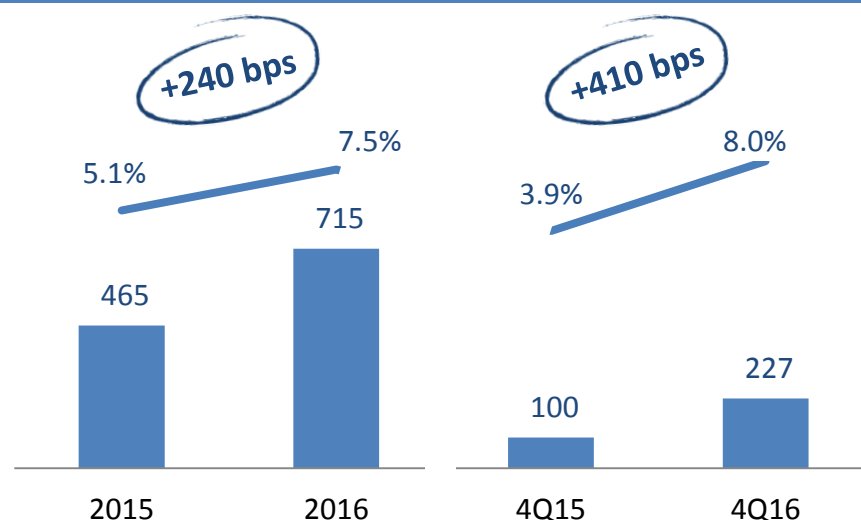
# Equity Income and EBITDA

Higher EBITDA reflects sales performance,  
higher gross margin and expense control

Equity Income (R\$ MM and % NR)



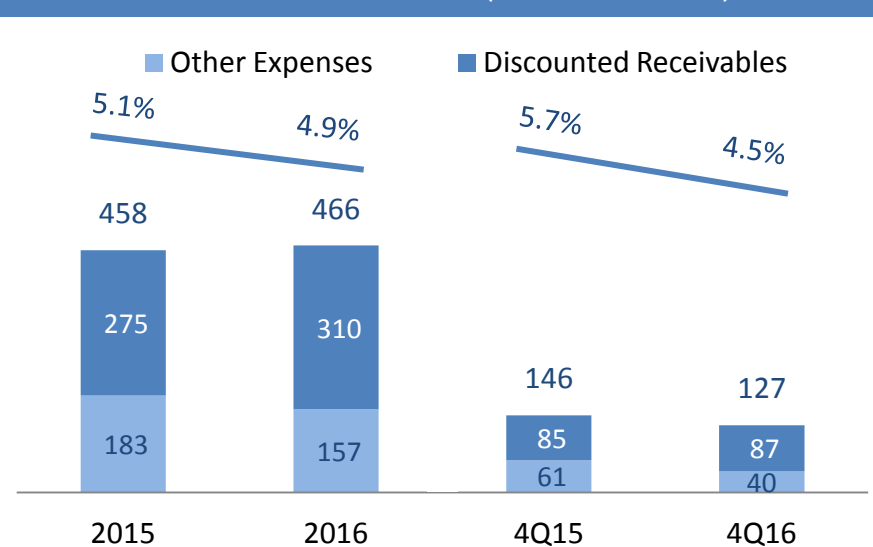
EBITDA (R\$ MM and % NR)



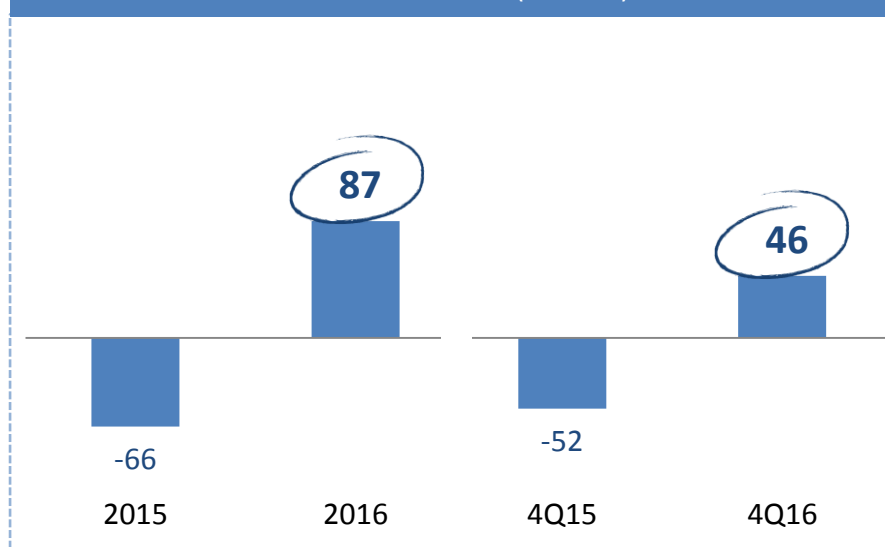
# Financial Results and Net Income

**Net income of R\$46 million in 4Q16**  
**Net income of R\$87 million in 2016**

Financial Results (R\$ MM and % NR)



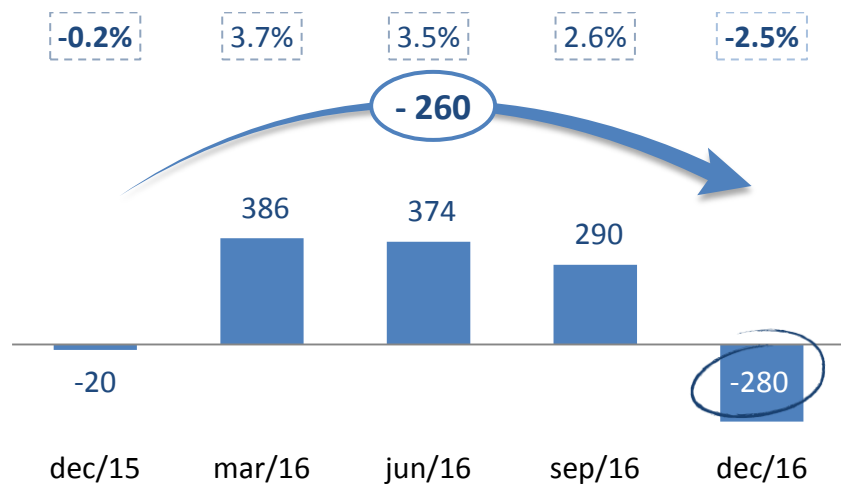
Net Income (R\$ MM)



# Working Capital and Adjusted Net Debt

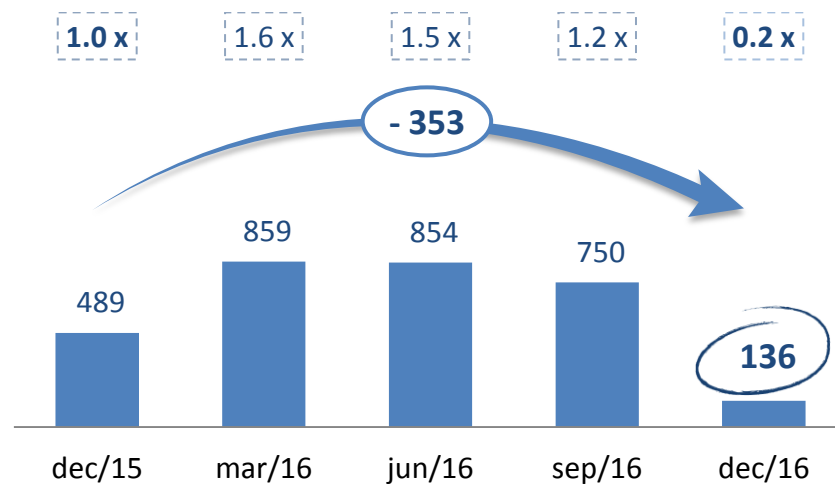
Important reduction in working capital needs helped to improve adjusted net debt

Working Capital (R\$MM)



   % of Gross Sales LTM

Adjusted Net Debt (R\$ MM)



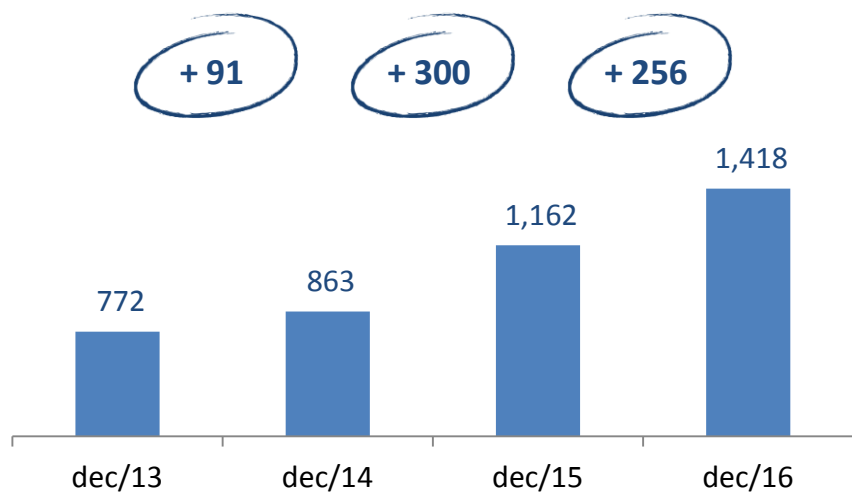
   Adjusted Net Debt / Adjusted EBITDA



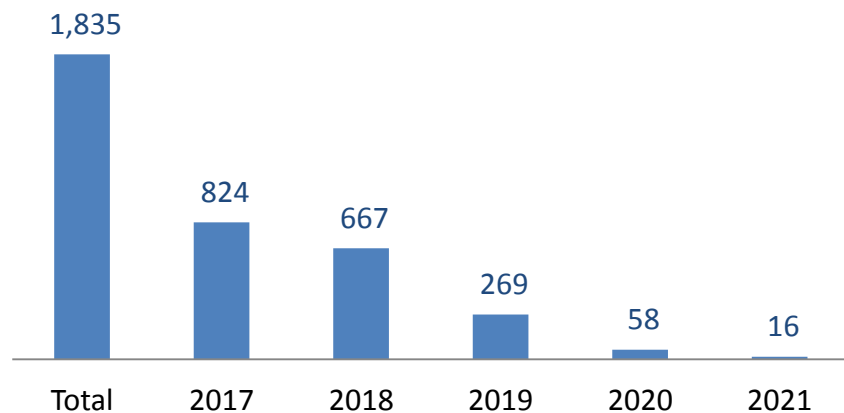
# Capital Structure

## Increase in cash and in debt profile

Cash and Securities (R\$ MM)

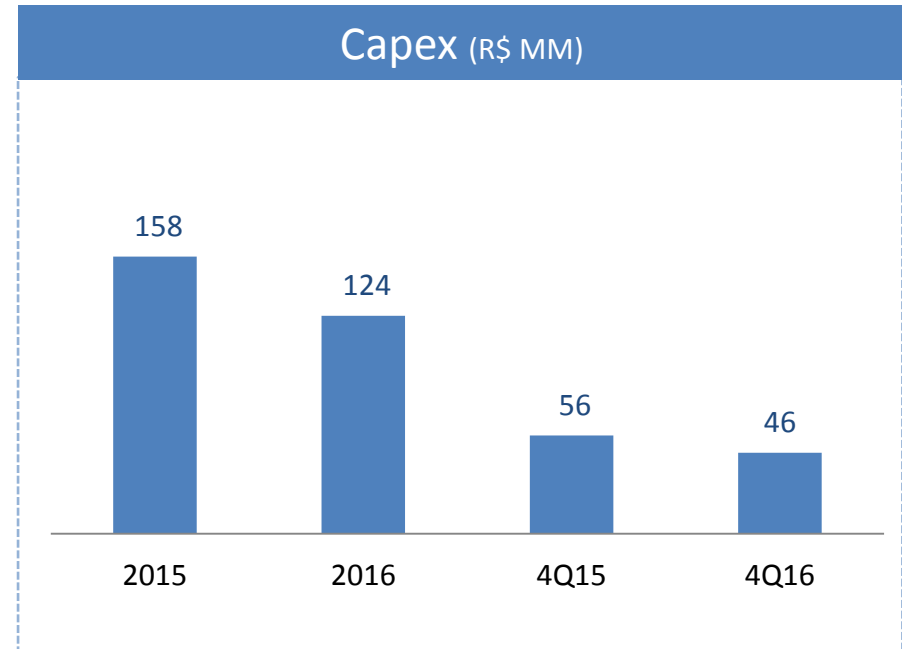
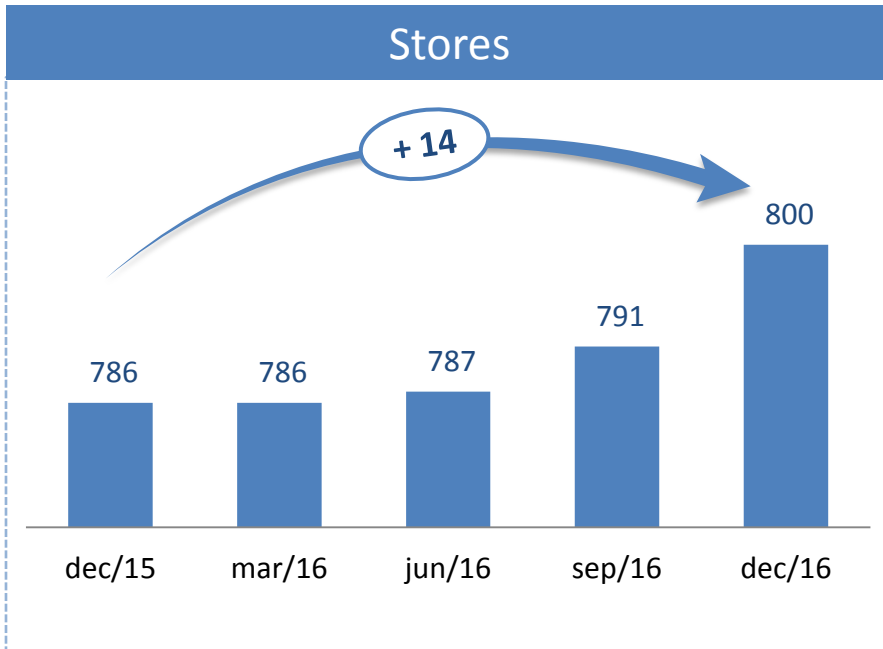


Total Debt and Maturity (R\$ MM)



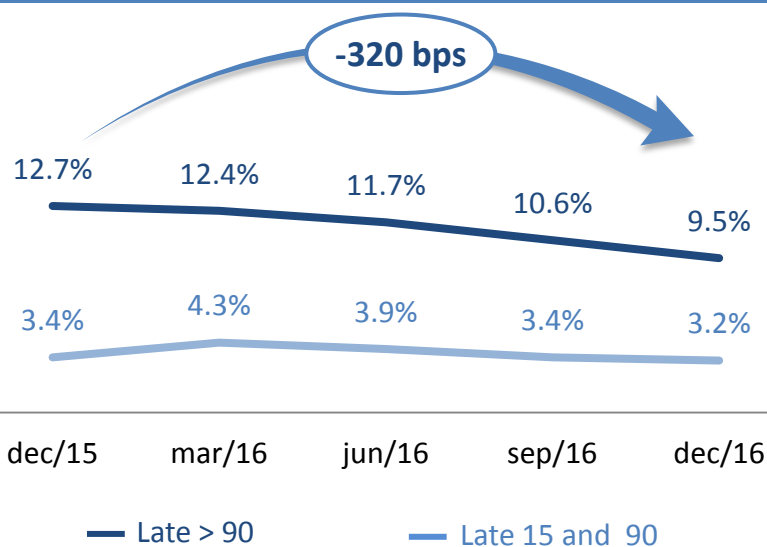
# Store openings and Capex

**14 new stores opened in last 12 months**  
**Greater part of capex towards IT and logistics**

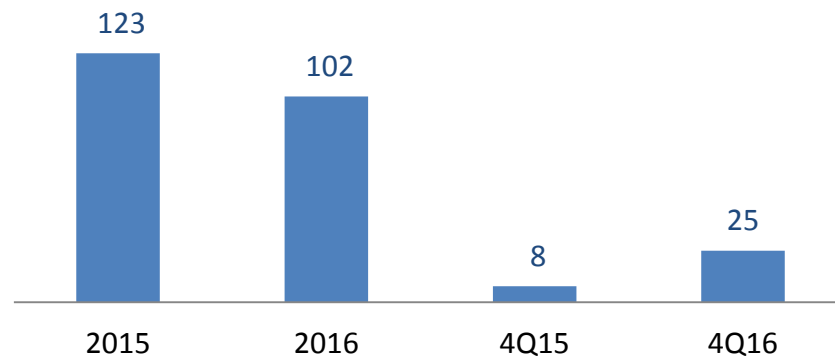


## Improvement in non-performing loan and consistent profitability (ROE of 19%)

NPL (% of portfolio)

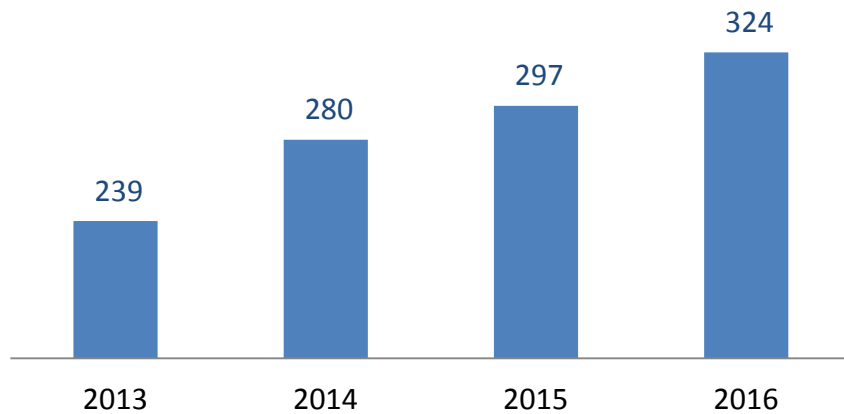


Net Income (R\$ MM)

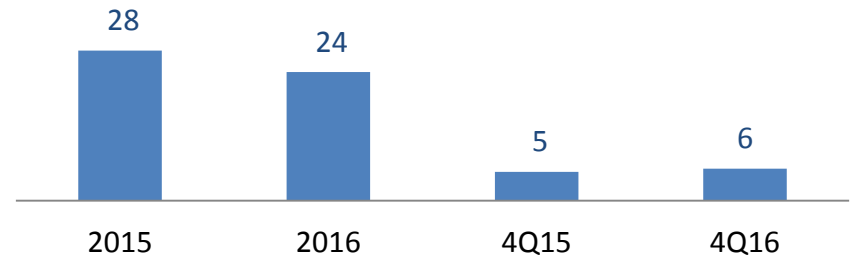


## Important partnership to offer insurance services Strong cash flow generation

Cash and securities (R\$ MM)



Net Income (R\$ MM)



# 2017 Outlook

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- Accelerate and capture our digital transformation projects gains
- Focus in the evolution of Marketplace platform
- Continue to gain market share in a sustainable way
- Maintain the initiatives to reduce costs and expenses
- Continue the efforts to improve working capital management
- Intensify the opening of new stores
- Reduction in Financial Expenses with the decrease of Selic rate and Debt



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