



Magazine Luiza – May 2014

Market
Indicators

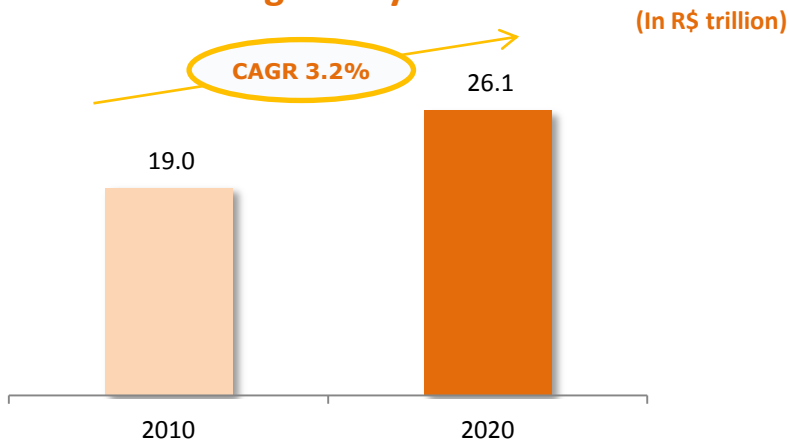
Magazine Luiza
Strategy

Financial
Indicators

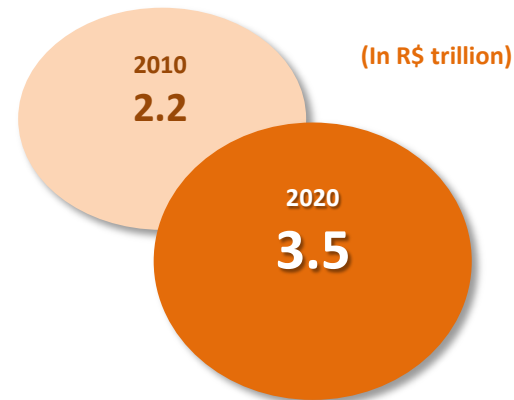
Market Indicators

Market Potential

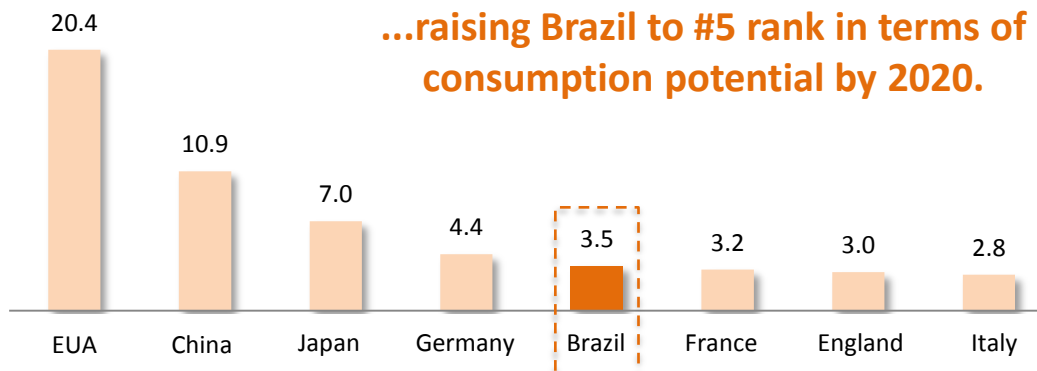
In the next decade, Brazil's GDP should grow by 37%...



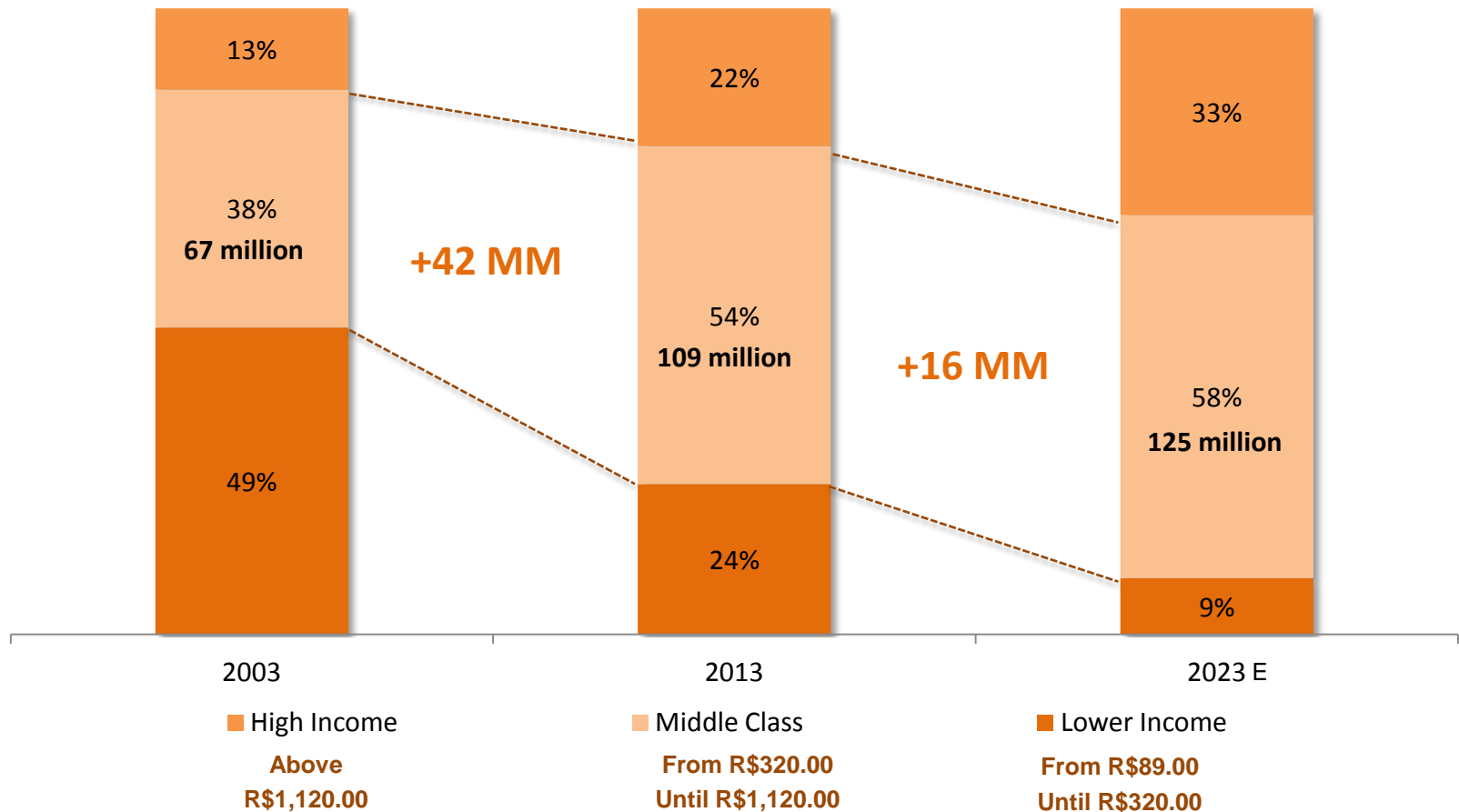
...boosting household consumption by 59%...



...raising Brazil to #5 rank in terms of consumption potential by 2020.



Brazil's middle class to get even bigger in the future



Buying intention for 2014 include...

Individual goods

7.8 million notebooks

4.5 million tablets

3.9 million smartphones

For Brazilian household

7.8 million furniture items

4.5 million TVs

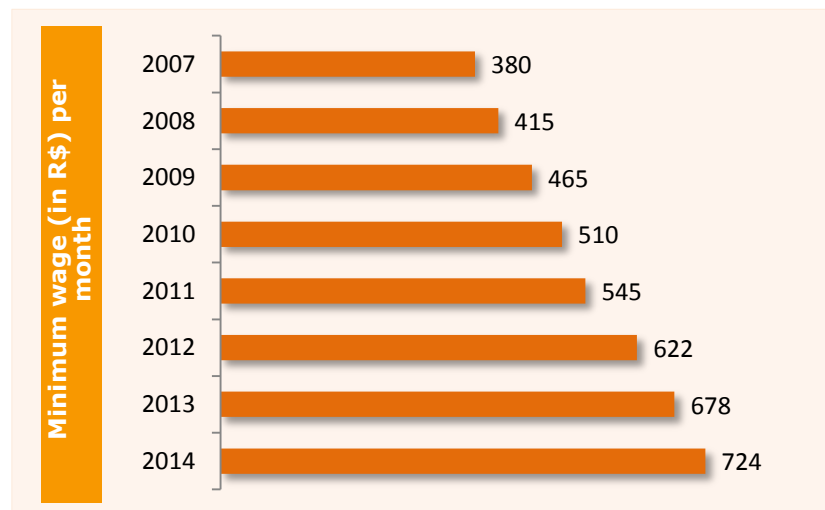
3.9 million refrigerators

3.9 million washing machines

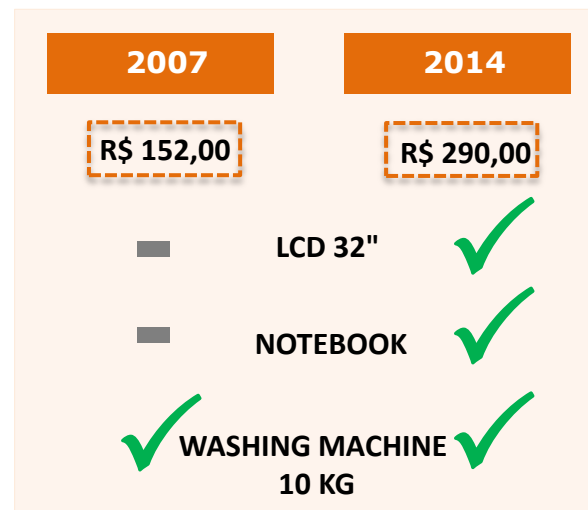


Purchasing power analysis 2007-14

Product	Payment option	2007				2014			
		Price	Plan	Installment	Interest rate	Price	Plan	Installment	Interest rate
LCD 32"	Luiza card	R\$ 2.947	-	-	-	R\$ 1.190	(0+15)	R\$ 101.78	3.29%
	In store credit		(0+15)	R\$ 293.60	5.50%		-	-	-
NOTEBOOK	Luiza card	R\$ 2.002	-	-	-	R\$ 990,00	(0+15)	R\$ 88.68	3.29%
	In store credit		(0+15)	R\$ 199.45	5.50%		-	-	-
WASHERS 10 KG	Luiza card	R\$ 1.159	-	-	-	R\$ 1.046	(0+15)	R\$ 85.45	3.29%
	In store credit		(0+15)	R\$ 115.47	5.50%		-	-	-



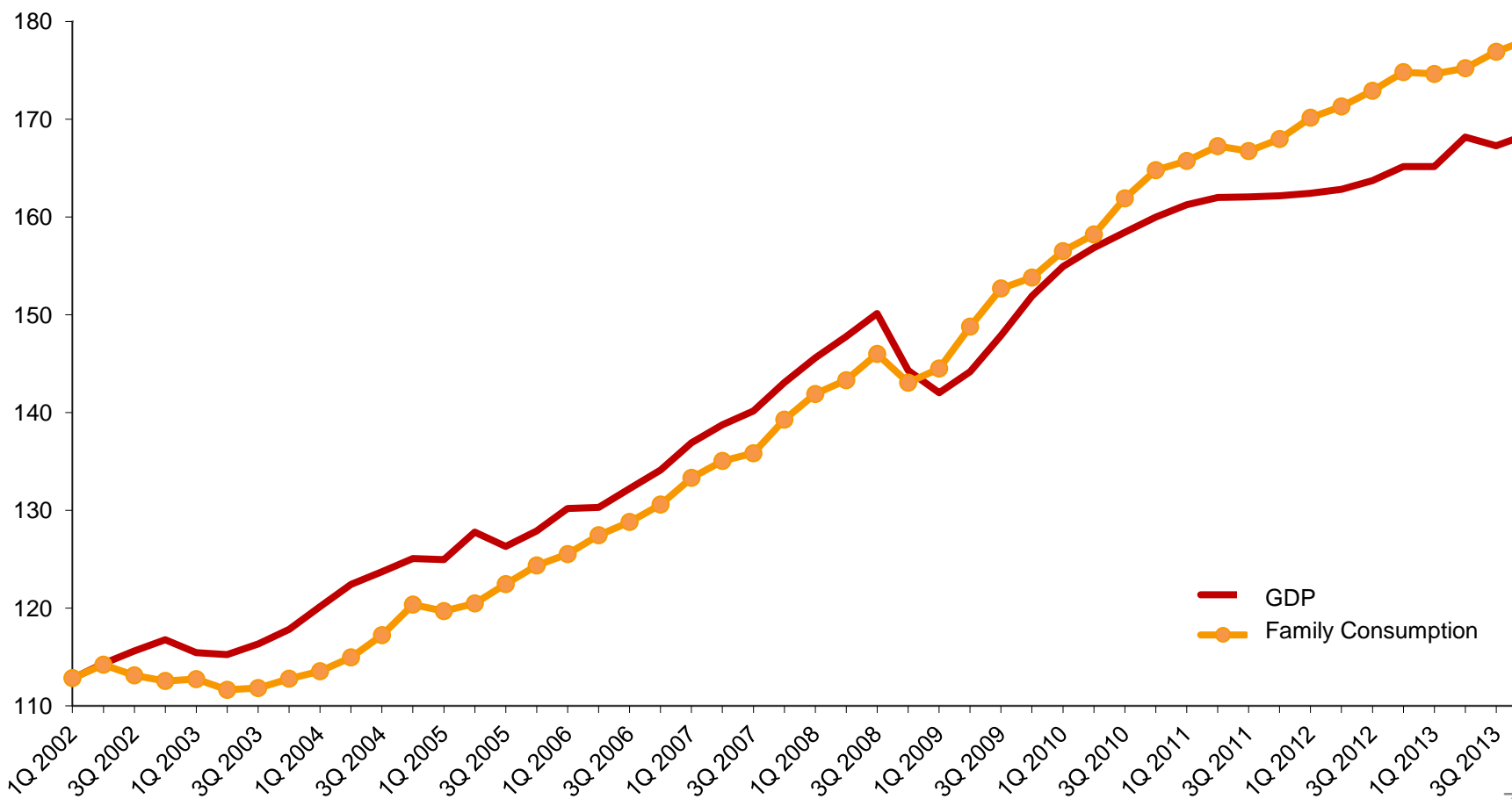
Minimum wage as per IBGE



Source: Magazine Luiza, offer from March 2007 and May 2014

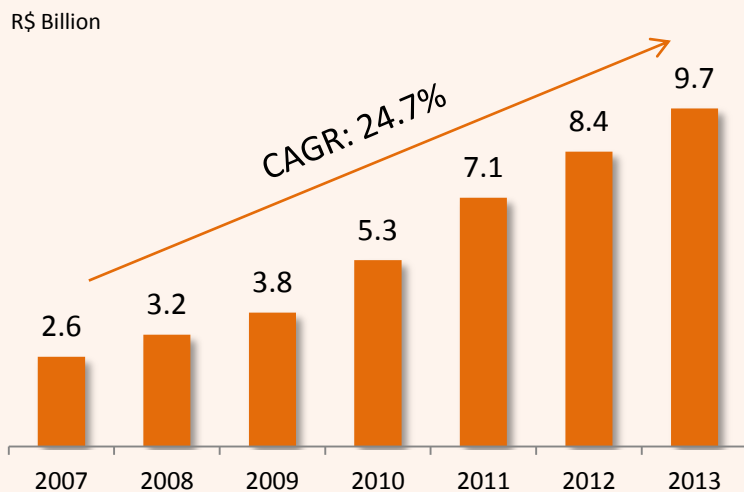
GDP vs Family Consumption Growth

(1995=100)

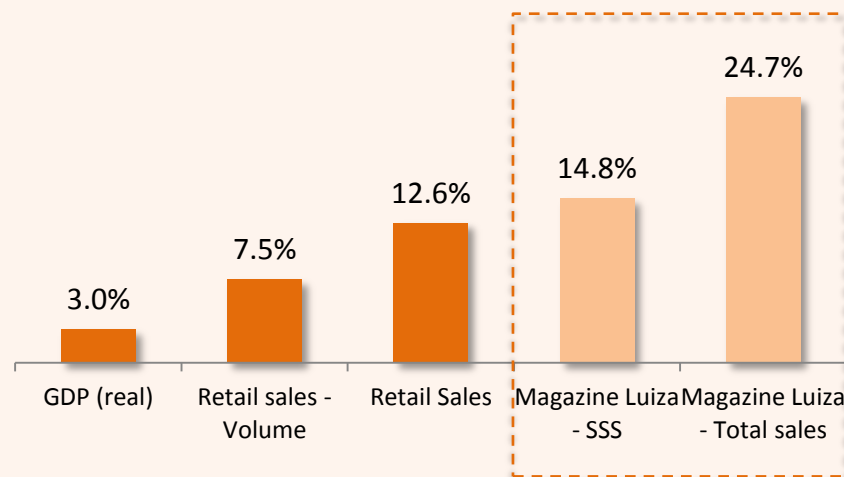


Magazine Luiza has consistently grown above the market

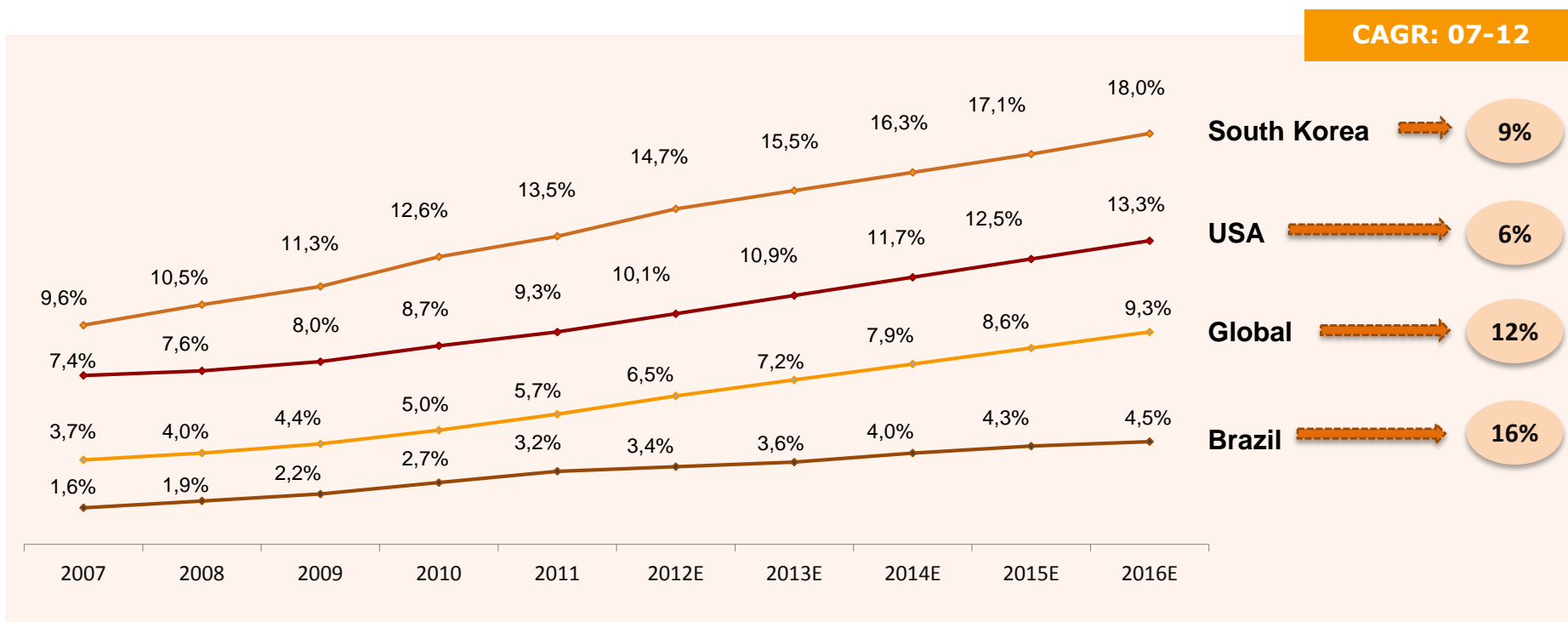
GROSS SALES MAGAZINE LUIZA



AVERAGE GROWTH (07-13)



Trend for online sales as % of total retail sales



The numbers are impressive

105MM

internet users in Brazil

88MM

users of Facebook in Brazil



23MM

Brazilians shop online (ibope)

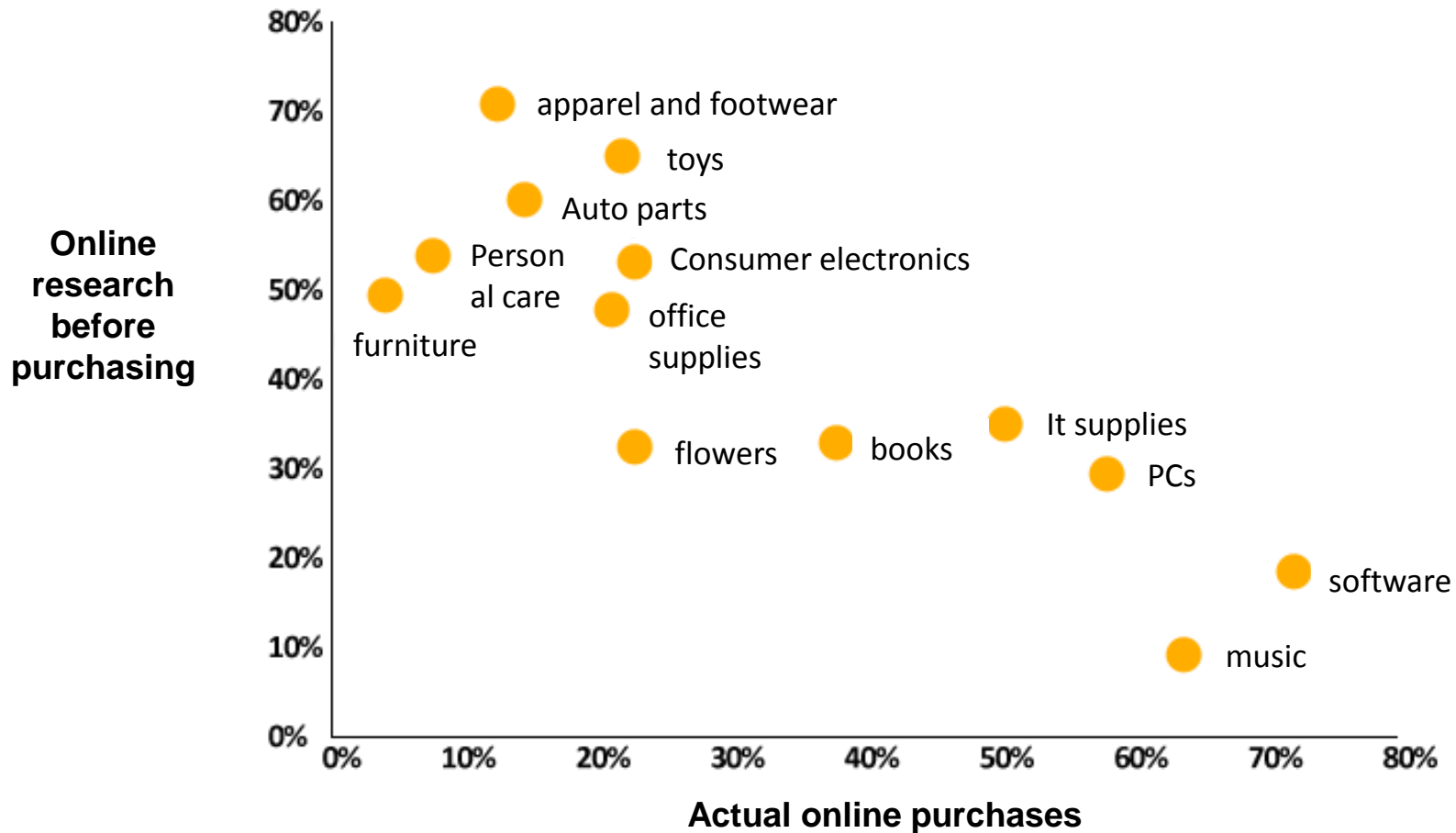
29Bi

e-commerce
gross sales in 2013 (E-bit)

46,5%

online shoppers from
C Class (E-bit)

Performance of online segments

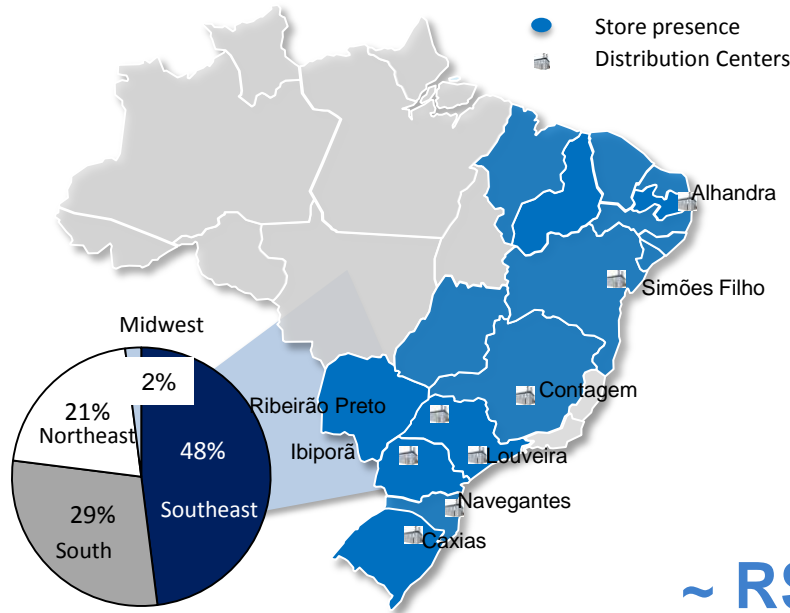


Magazine Luiza Strategy

Strategic pillars

- 1 Strong corporate culture, focused on valuing people**
- 2 Integrated sales platform with multiple sales channels**
- 3 Large customer base, CRM targeting customer loyalty and retention**
- 4 Well defined corporate governance policy and transparent disclosure policy**
- 5 Competitive and extensive portfolio of services and financial products**

Who are we?



744 stores

24.000 employees

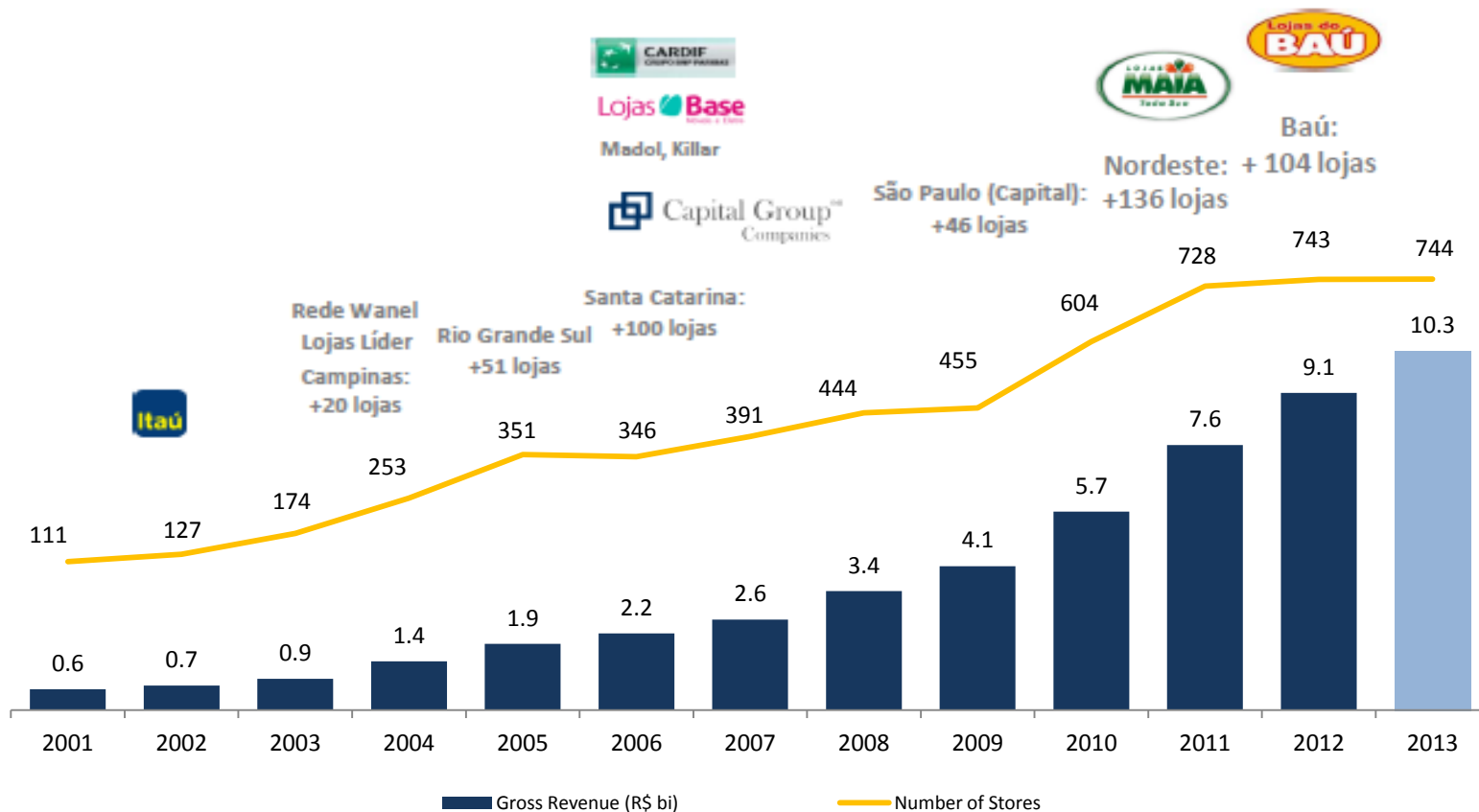
36MM customers

~ R\$ 10 bilhões gross sales

Strong corporate culture
with focus on people and innovation

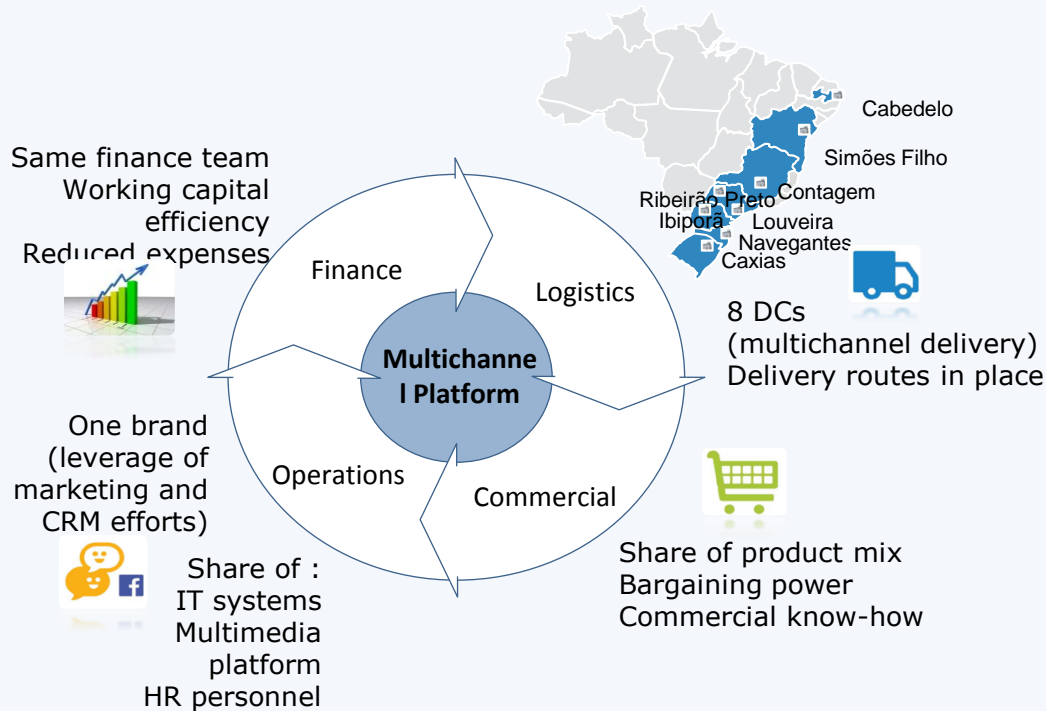


Our Growth timeline



Multichannel Strategy

Single operating platform



Serving multiple channels



Conventional stores



Virtual stores



E-commerce



Teleshopping



Mobile



magazine você

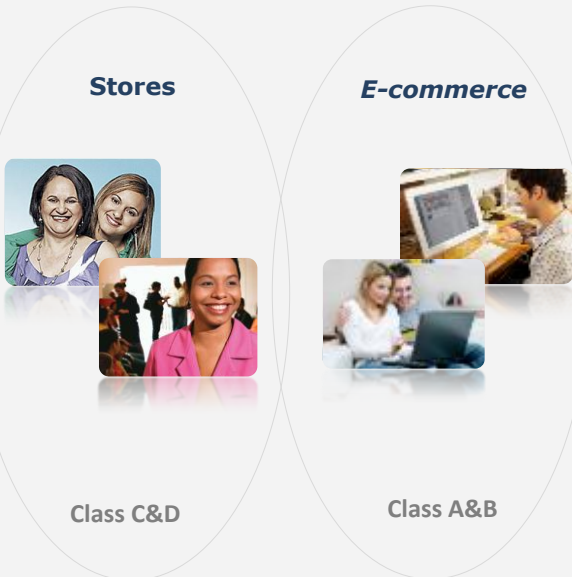
Multichannel Test

	Yes	No
Is the tax ID the same?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Are the distribution centers integrated?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is the inventory integrated?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is the management team the same?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Does the company use the same financial and inventory ERP system?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is the marketing strategy the same for both ?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Can online purchases be exchanged at stores?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

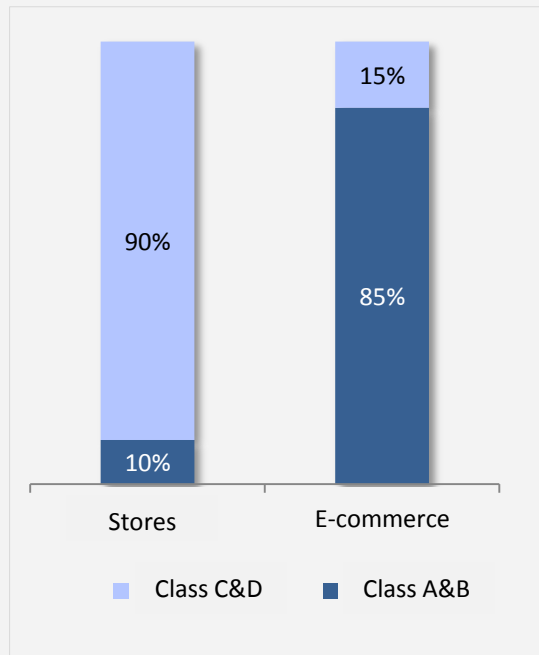
Multichannel Strategy

Multiple channels for complementary customers

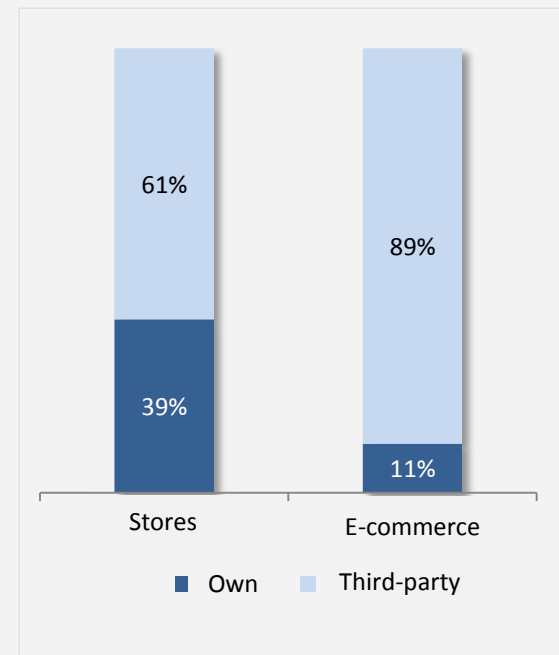
Low cannibalization



Customers breakdown



Payment Mix




Multichannel Strategy – freight example


Washing Machine Brastemp 11 kg

SALVADOR/BA

PORTO ALEGRE/RS




 calcule o prazo e valor do frete deste produto: 40060-001
Até 5 dias úteis* - R\$ 35,05

 calcule o prazo e valor do frete deste produto: 90020-122
Até 5 dias úteis* - R\$ 34,20


Forma de Entrega	Valor	Prazo de Entrega ?
Convencional*	R\$ 69,90	14 dias úteis

A

Forma de Entrega	Valor	Prazo de Entrega ?
Convencional*	R\$ 194,68	15 dias úteis

40060-001  Disponibilidade: **Até 16 dias úteis** para Salvador, BA
O valor do frete deste produto é: **R\$ 98,63**

B

90020-122  Disponibilidade: **Até 14 dias úteis** para Porto Alegre, RS
O valor do frete deste produto é: **R\$ 137,16**

Prazo : entrega em até **15 dias úteis** para Salvador - BA, após a confirmação do pagamento.
Válido para pedidos feitos e aprovados até as 20h, após esse horário acrescentar 1 dia útil ao prazo de entrega.

C

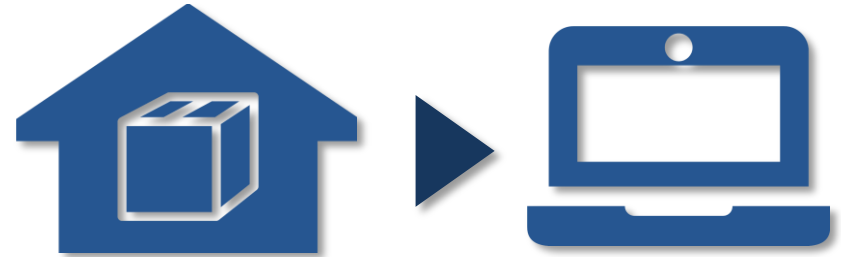
Prazo : entrega em até **10 dias úteis** para Porto Alegre - RS, após a confirmação do pagamento.
Válido para pedidos feitos e aprovados até as 20h, após esse horário acrescentar 1 dia útil ao prazo de entrega.

Valor do frete deste produto : R\$ 49,99

Valor do frete deste produto : R\$ 19,99

Next Steps...

Store inventory available for e-commerce



Reserve online, but pick it up at the store (store inventory)

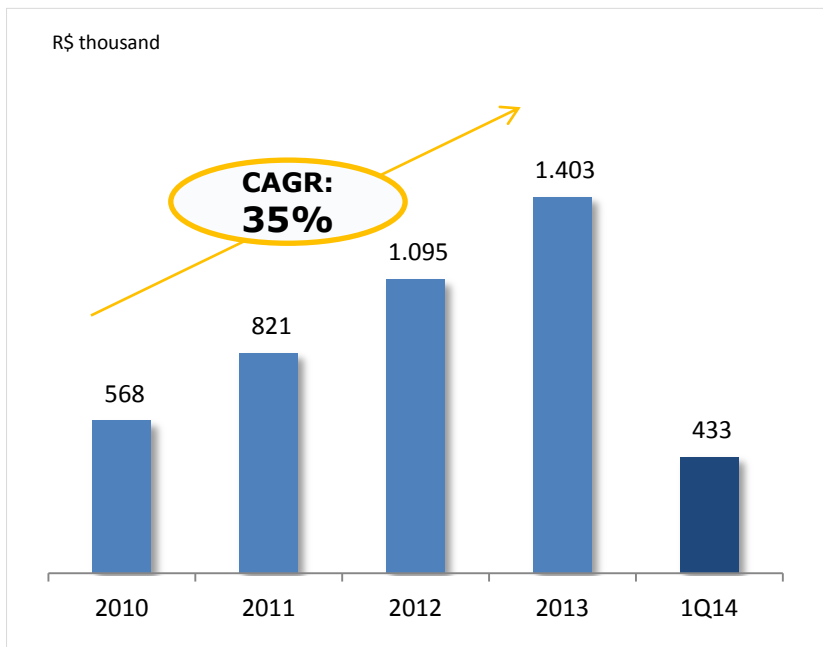


Sell online using store inventory

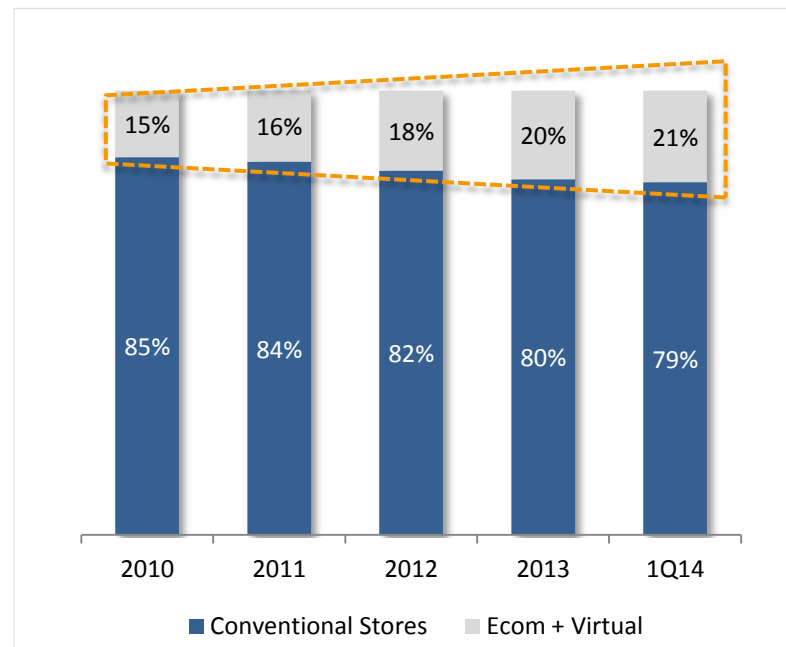


Magazineluiza.com

E-commerce Gross Sales



Breakdown by Channel (%)



nossas lojas

tenha sua loja

central de atendimento

compre pelo telefone (11) 3508-9900



100% seguro



magazineluiza.com
vem ser feliz



faça seu login ou cadastre-se

seus pedidos

seu espaço

ar e ventilação áudio auto bebês beleza e saúde brinquedos cama, mesa e banho câmeras casa e jardim celulares eletrodomésticos eletroportáteis

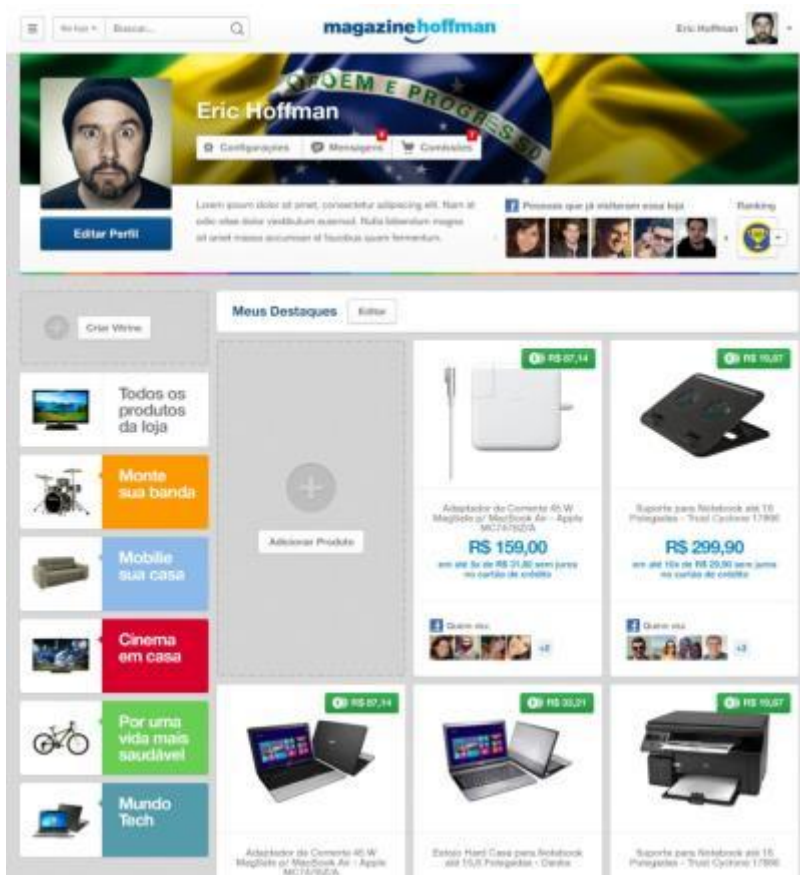
esportes ferramentas games informática móveis perfumaria relógios suplementos tablets tv e vídeo utilidades domésticas + todos os produtos

New Magazine Você

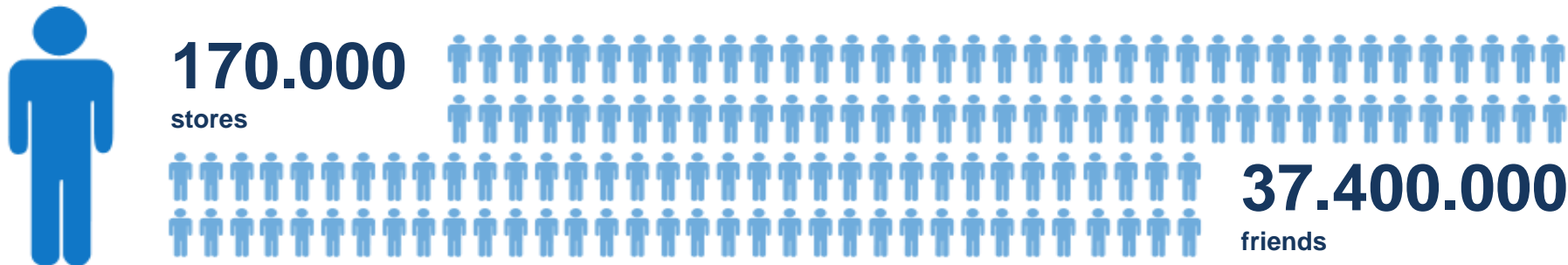
Over 170.000 stores

New version includes:

- Own URL
- No limits on products
- Modern and personalized layout
- Social connections with complete navigation experience
- Possibility to expand sales mix through our marketplace.



New Magazine Você



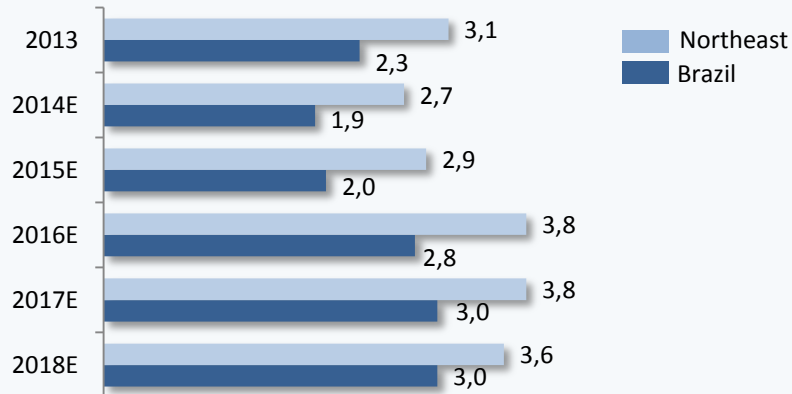
165.000
fans



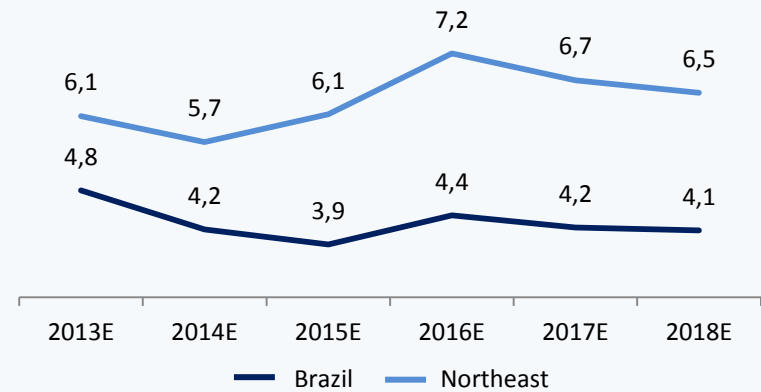
Conversion
40% higher
Compared to site

Northeast

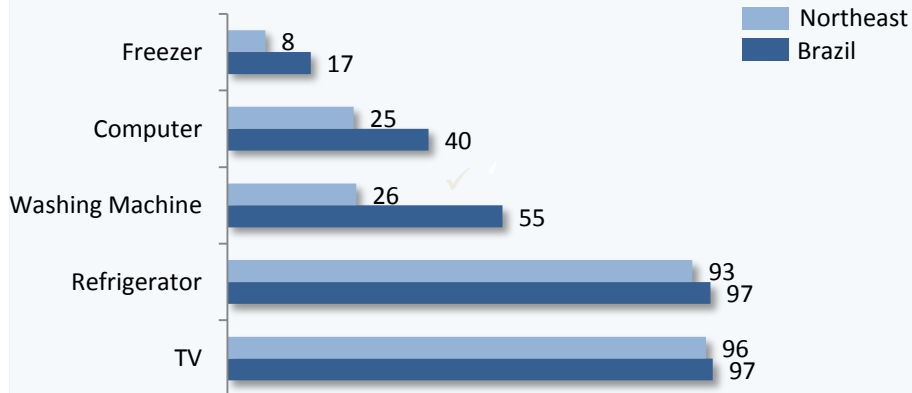
GDP Growth (%)



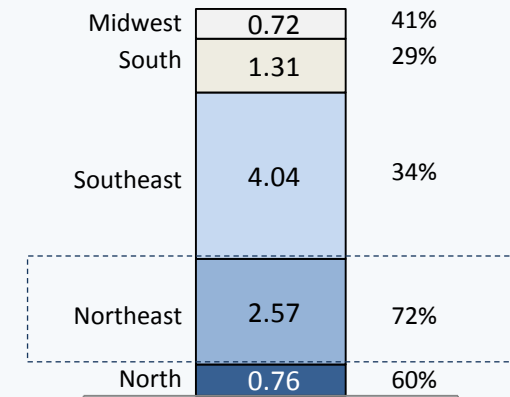
Wage trend (%)



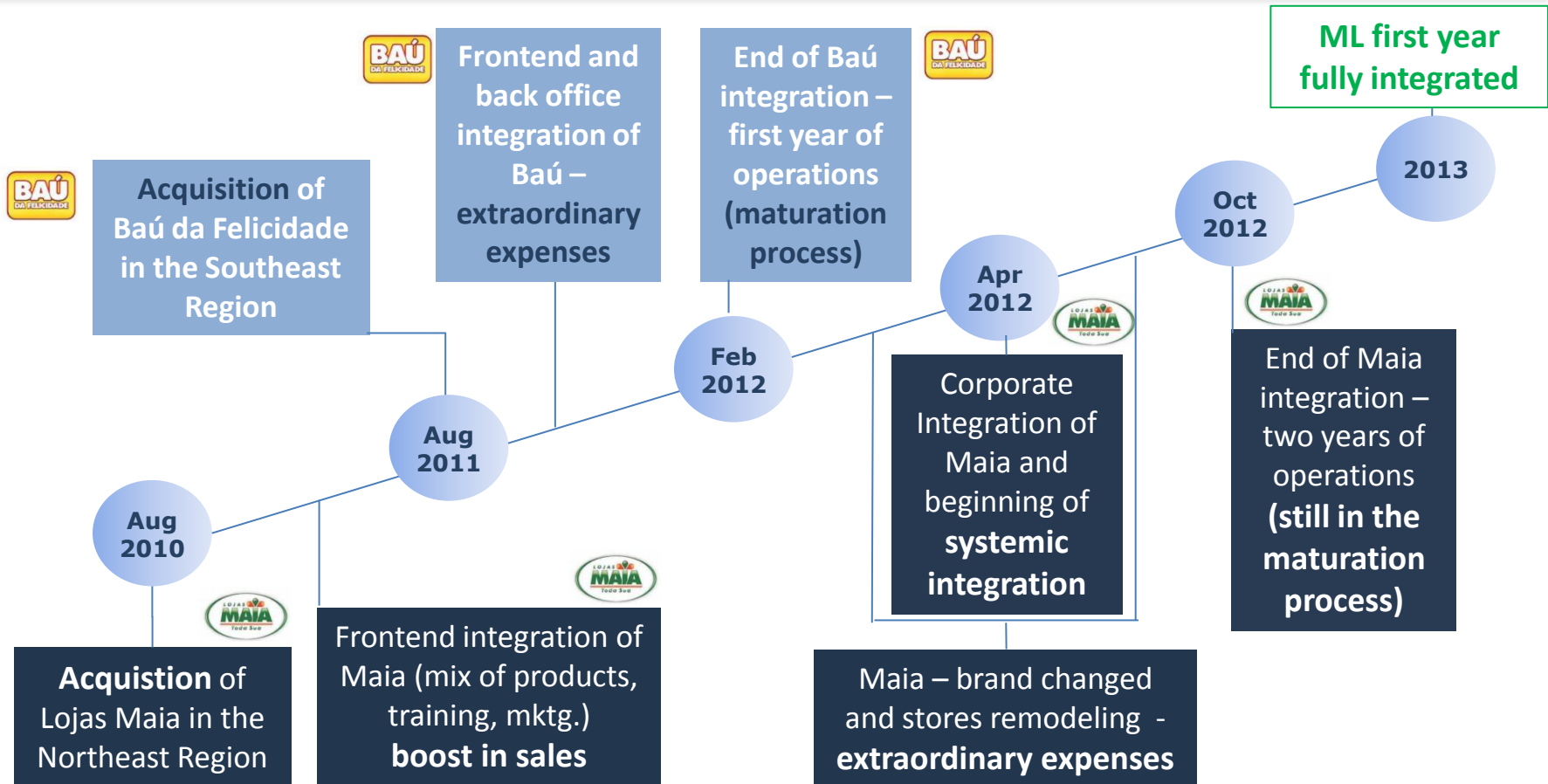
Penetration rate (%)



New homes - Class C (millions 2013-2018)



Integration Recap Maia and Baú



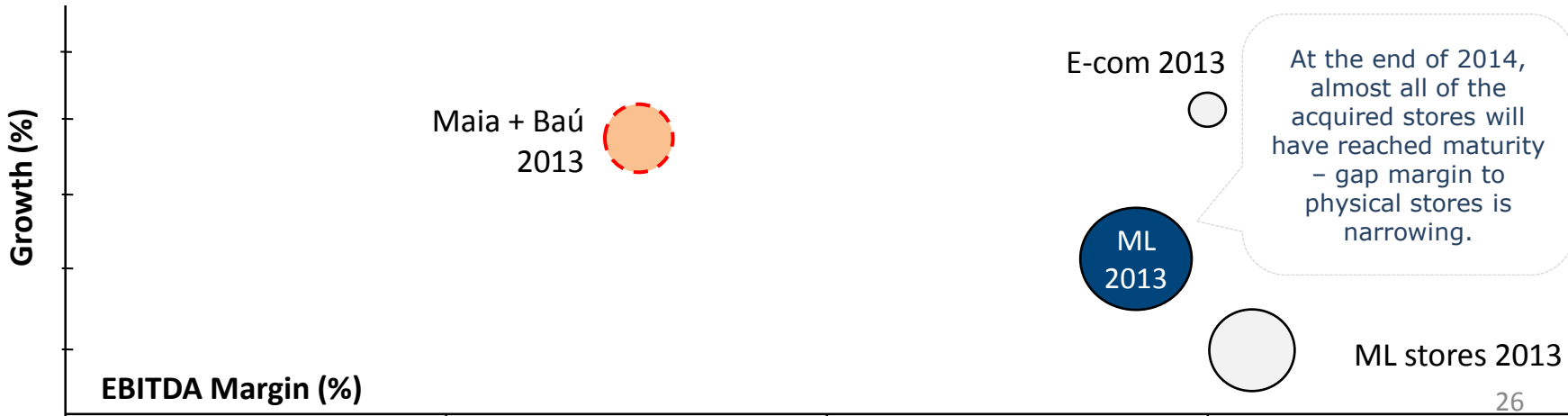
2012 was dedicated to complete both integration processes. 2013 was the first year that the company is fully integrated, beginning a cycle of gradual and consistent profitability improvement

Store Maturation

2012



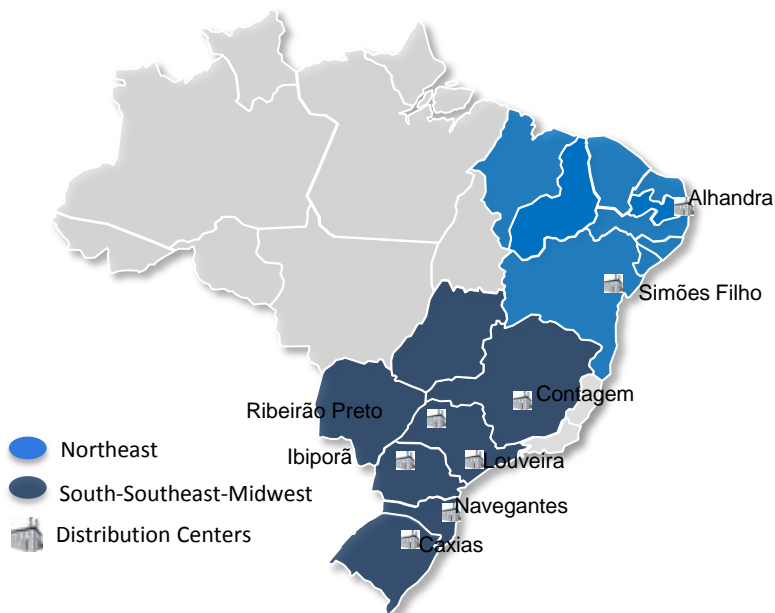
2013



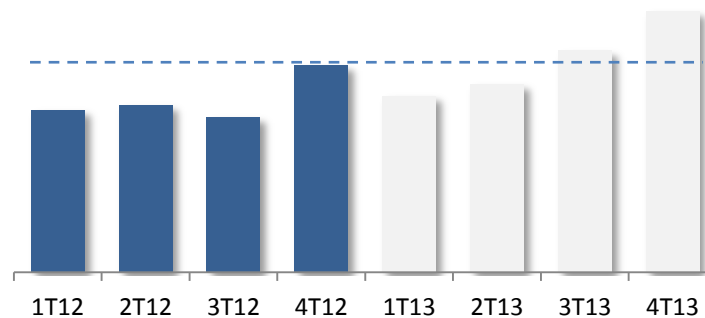
Northeast

Northeast

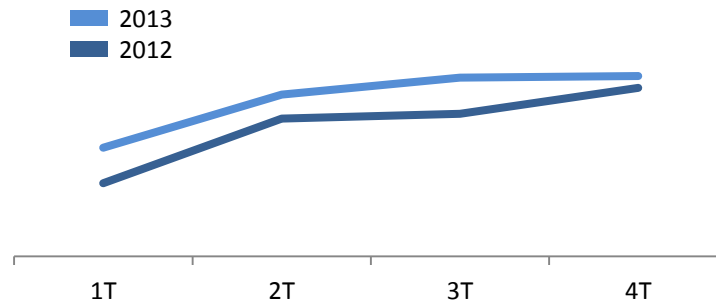
- In 2010, acquired 136 stores “Lojas Maia”
- In 2013, **158 stores with presence in 9 states**



Sales performance NE (R\$ million)



Gross Margin Trend



Luizacred

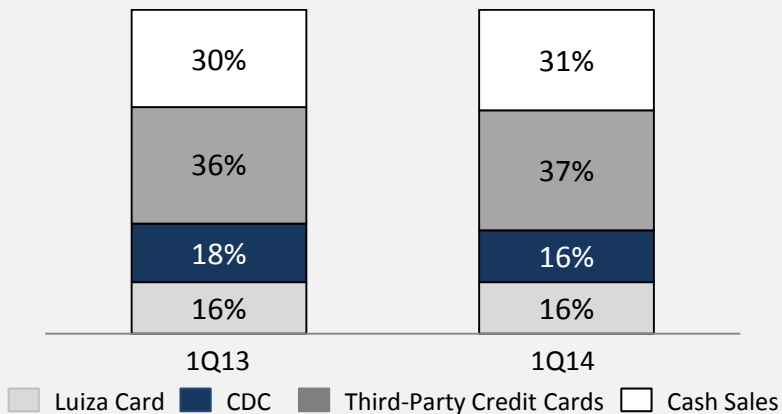
One of the **largest financing** operations in Brazil and a vital tool to increase **customer loyalty** and **increase sales at Magazine Luiza**.

- Financial services **available at all of our store**
- **Expertise from Itaú Unibanco** in credit approval and analysis, as well as *funding*
- Finances approximately **40% of Magazine Luiza's sales**
- **3.4 million** credit cards and portfolio of **R\$4.1 billion**
- Annual **(ROE) of 22% in 2013**
- **EBITDA Margin of 11.2% and net margin of 6.3% in 2013**

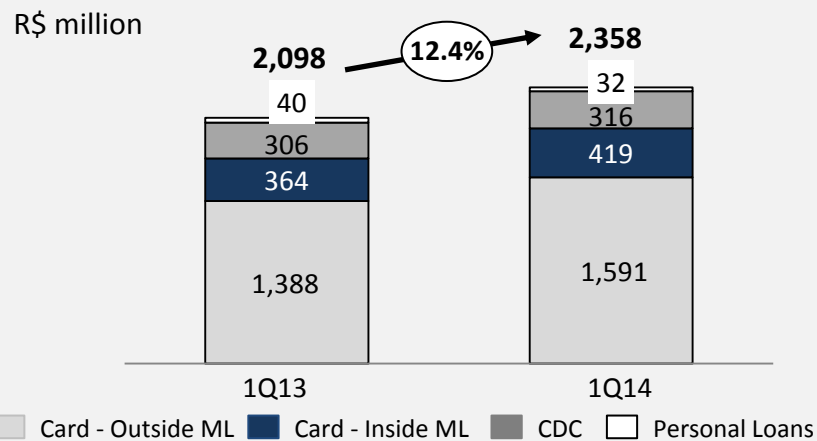


Metrics - Luizacred

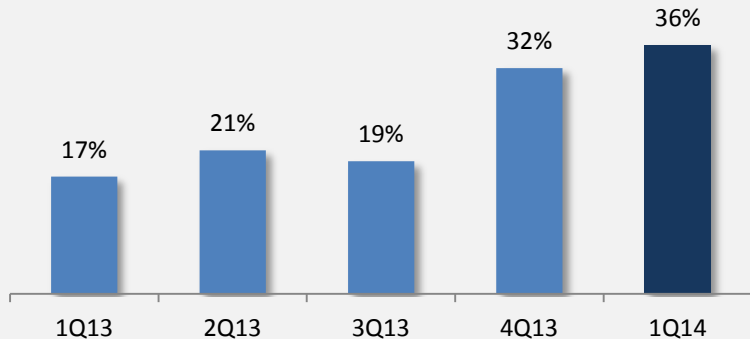
Financed Mix Sales



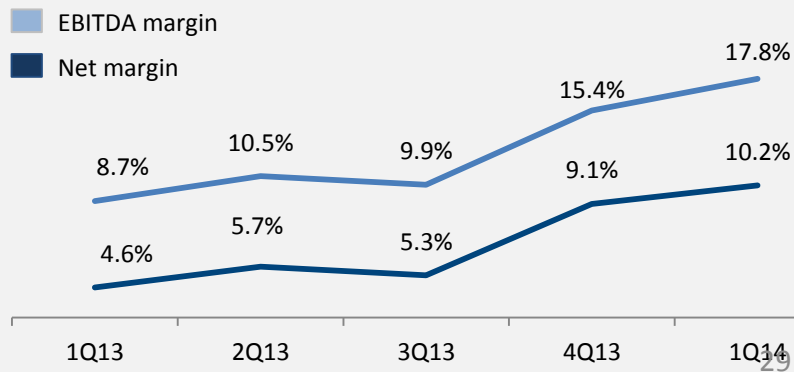
Luizacred Revenue mix



ROE



EBITDA margin and Net margin



World Cup Potential

Brazilian TVs - MM of units

ML growth > 30%



CAGR: 10%

Brazilian market TVs - R\$ MM

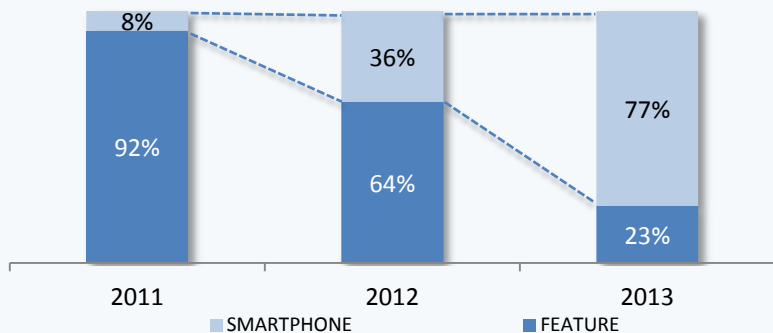
ML growth > 50%



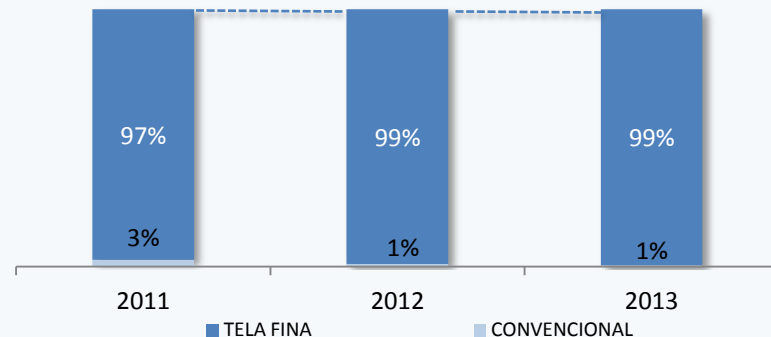
CAGR: 12%

Upgrade in Consumption

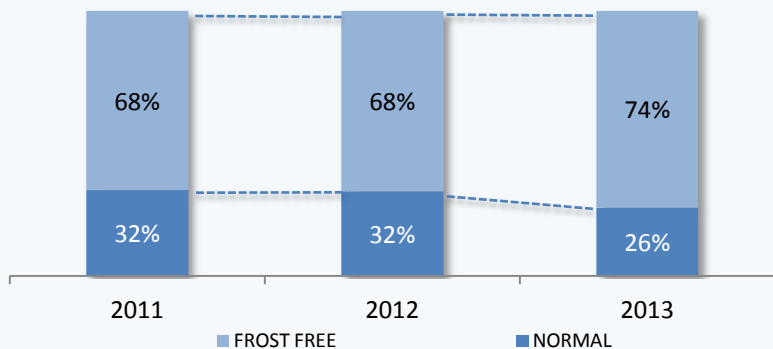
Mobile phones



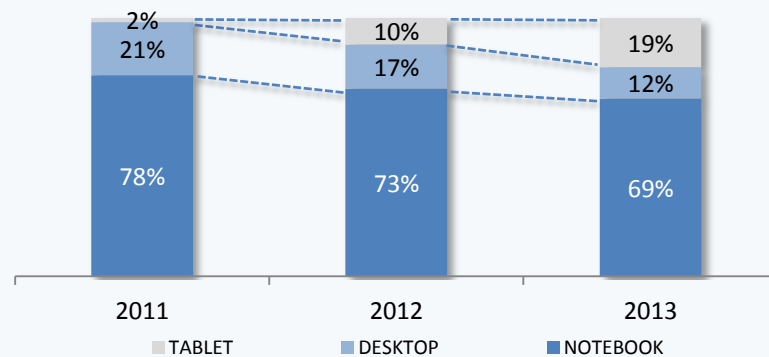
TVs



Refrigerator



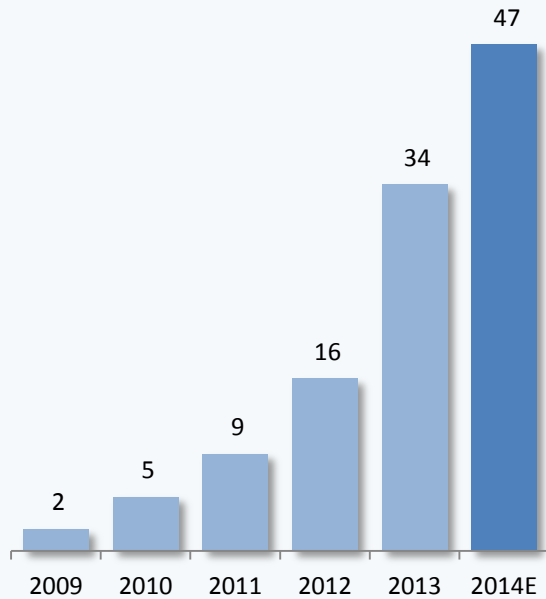
Tablets, desktops, notebooks



Smartphone sales doubled in 2013 and should continue to grow nicely in 2014

Smartphone sales

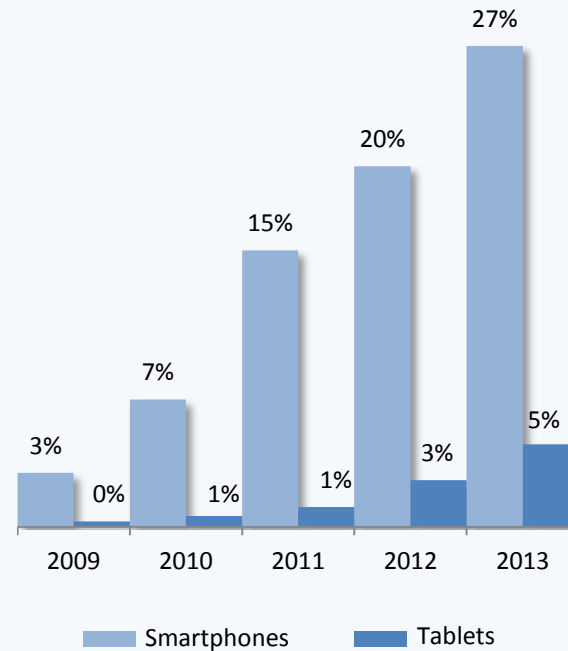
Millions of units



Source: IDC

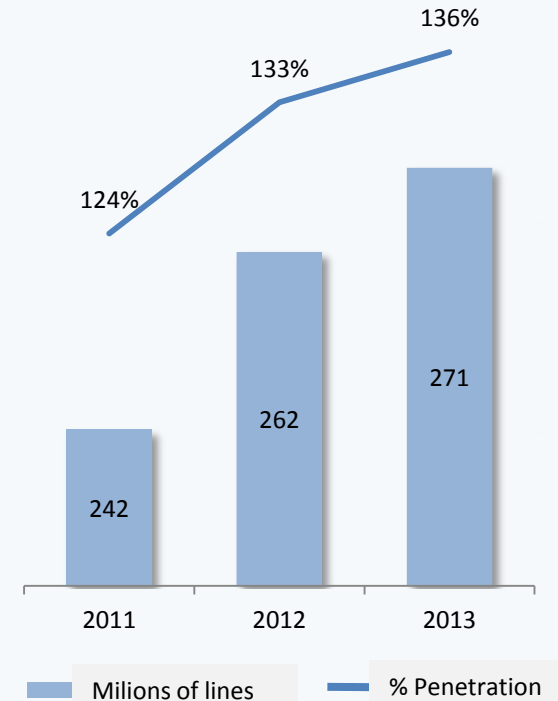
Penetration Smartphone and Tablet

% of households



Source: Euromonitor

Mobile market trend

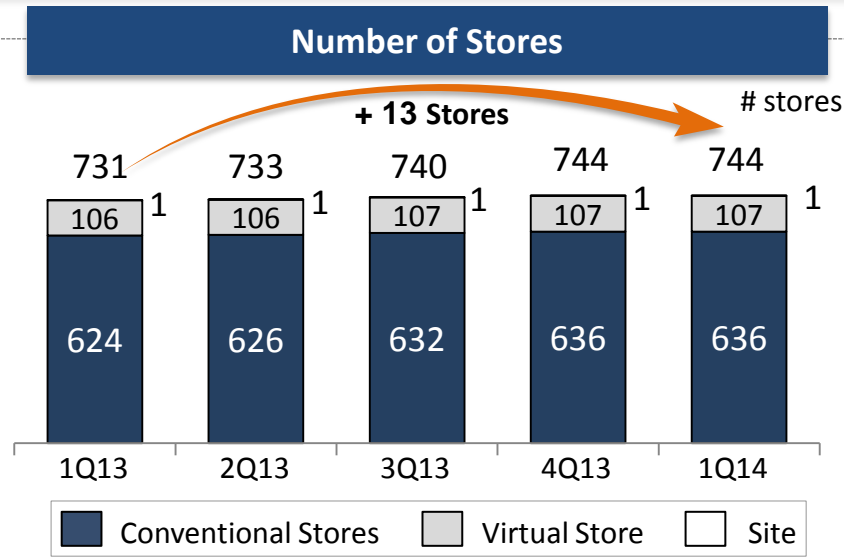


Source: Anatel

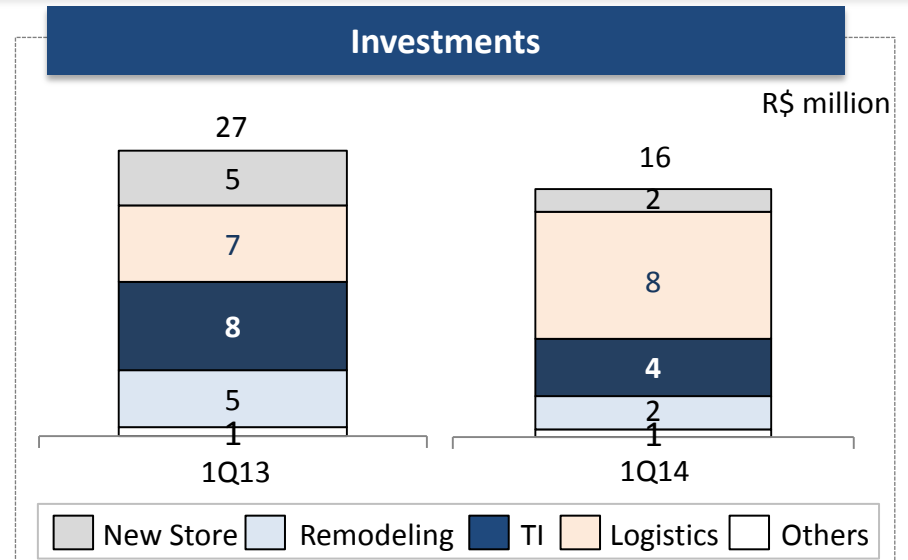
Financial Indicators

Operational Performance – Stores

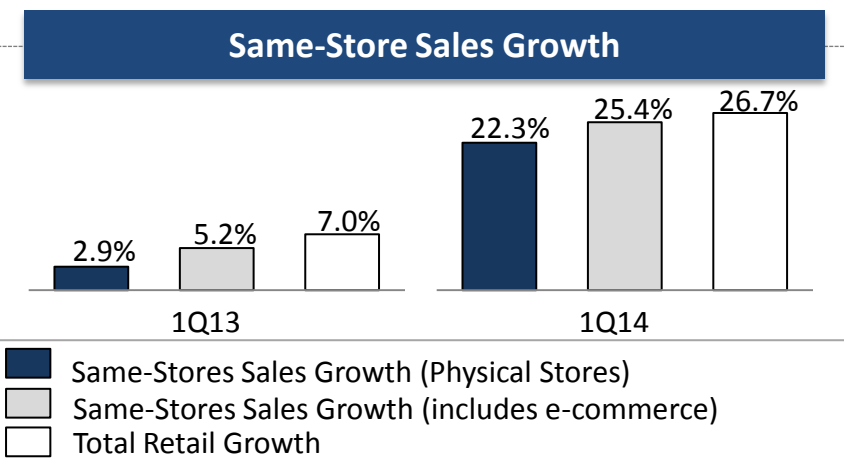
Number of Stores



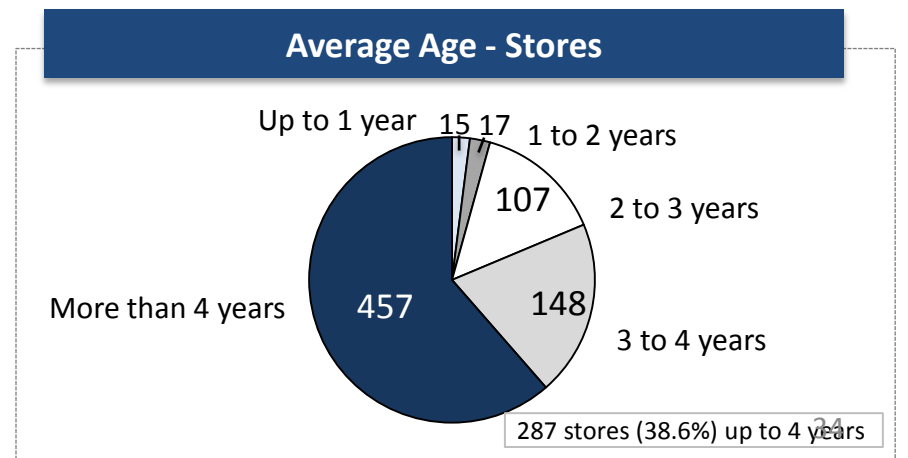
Investments



Same-Store Sales Growth



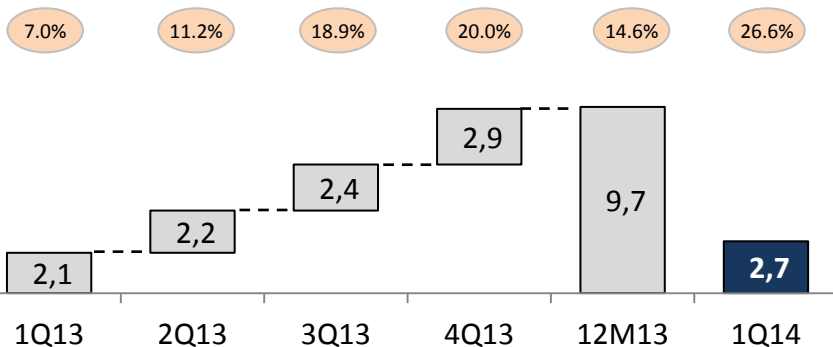
Average Age - Stores



Gross Revenue and Gross Profit

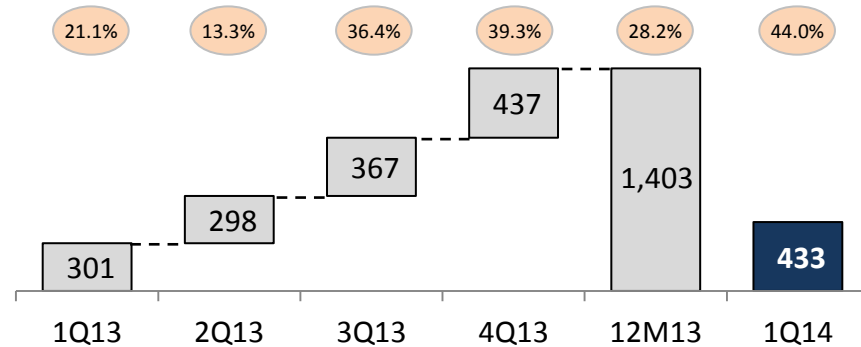
Gross Revenue - Consolidated

R\$ billion



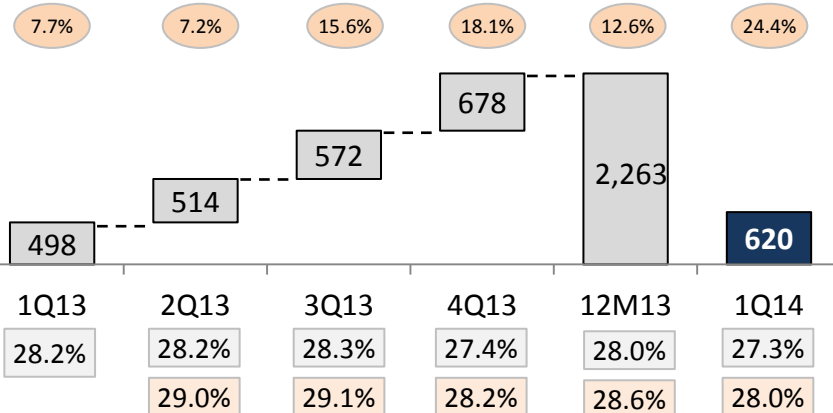
Gross Revenue - Internet

R\$ million



Gross Profit - Consolidated

R\$ million



Comments

- Consolidated net sales: rise of 28.5% YoY in 1Q14**
 - 25.4% increase in same store sales (SSS of 22.3% in bricks and mortars and of 44.0% in e-commerce in 1Q14)
- On a comparable basis, gross margin of 28.0% in 1Q14 (-0,2 bp versus 1Q13)
- Increase in gross margin in Northeastern stores
- Greater participation of e-commerce to 16.1% of consolidated sales in 1Q14
- Better performance of higher-margin categories (smartphones)

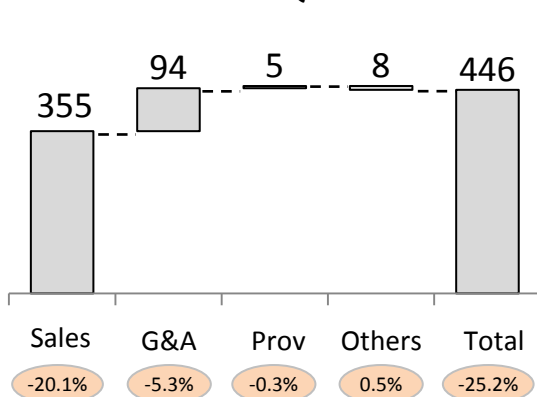
 Growth over the same period of last year

Operating Expenses and Others Expenses (Revenues)

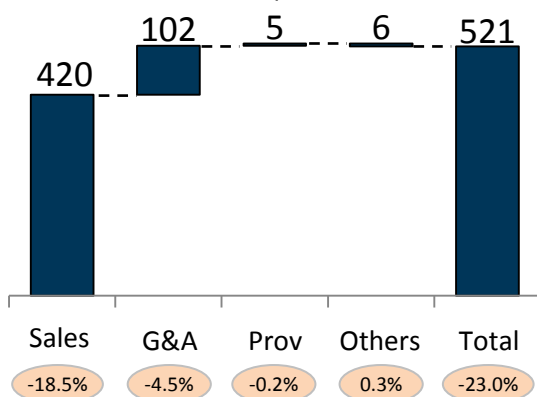
Operating Expenses

R\$ million ○ % Net Revenue

1Q13



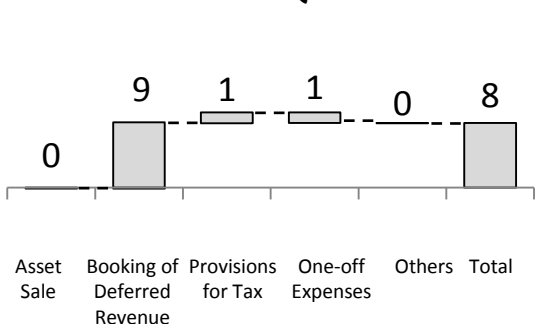
1Q14



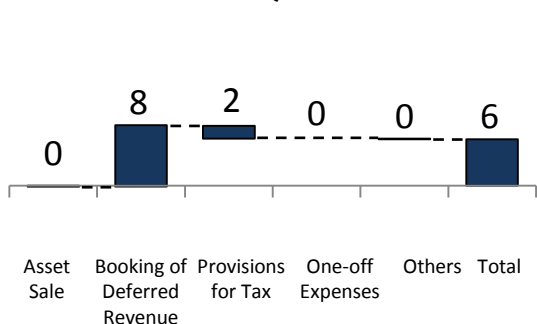
Others Operating Expenses (Revenues)

R\$ million

1Q13



1Q14



Comments

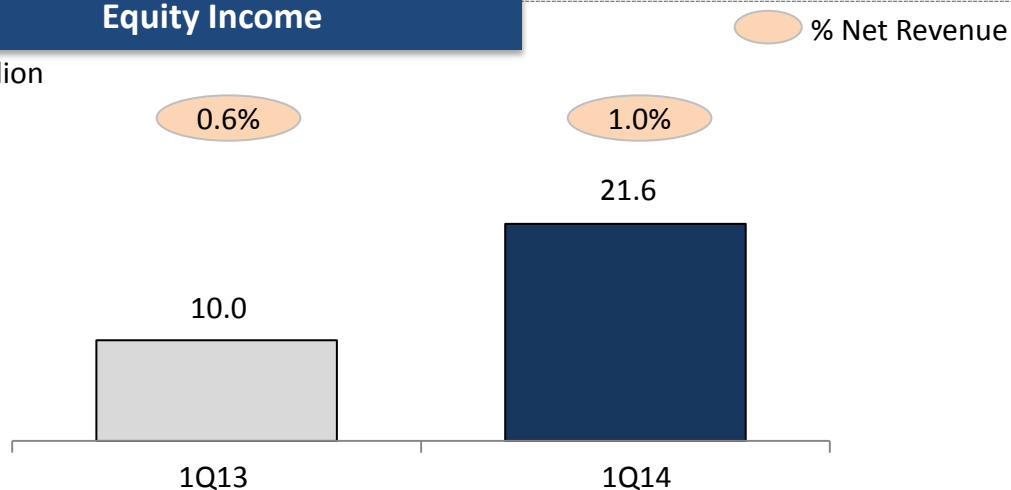
- **2.2 bps reduction versus 1Q13**
 - Selling expenses – 1.6 bps lower *versus* 1Q13 (INSS accounting effect of 0.5 bp)
 - G&A expenses – 0.8 bp lower *versus* 1Q13 (INSS tax accounting effect of 0.2 bp)

- **Other operating expenses (revenues)**
 - Deferred revenues: recurring effect R\$7.9 million in 1Q14
 - Provision for tax losses of R\$1.7 million in 1Q14
 - There were no extraordinary expenses in 1Q14

Equity Income and EBITDA

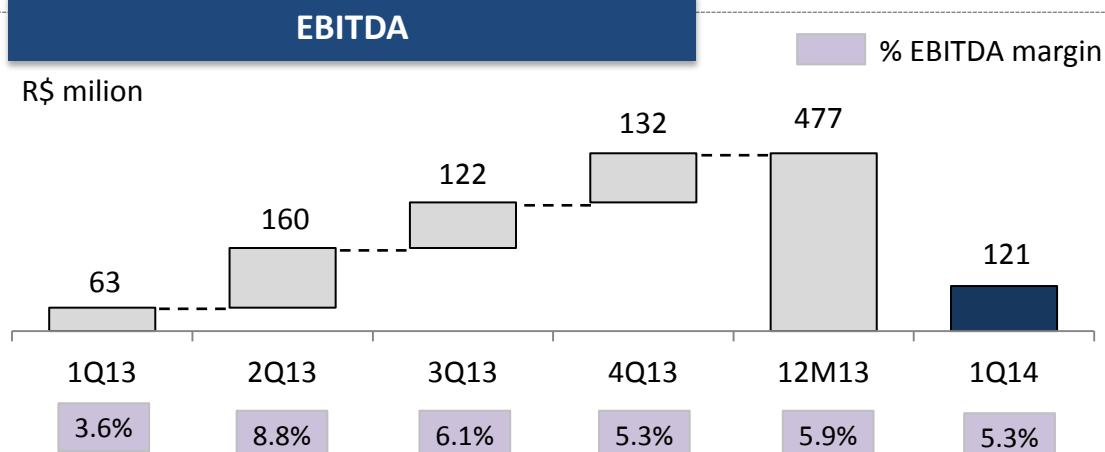
Equity Income

R\$ million



EBITDA

R\$ million



Comments

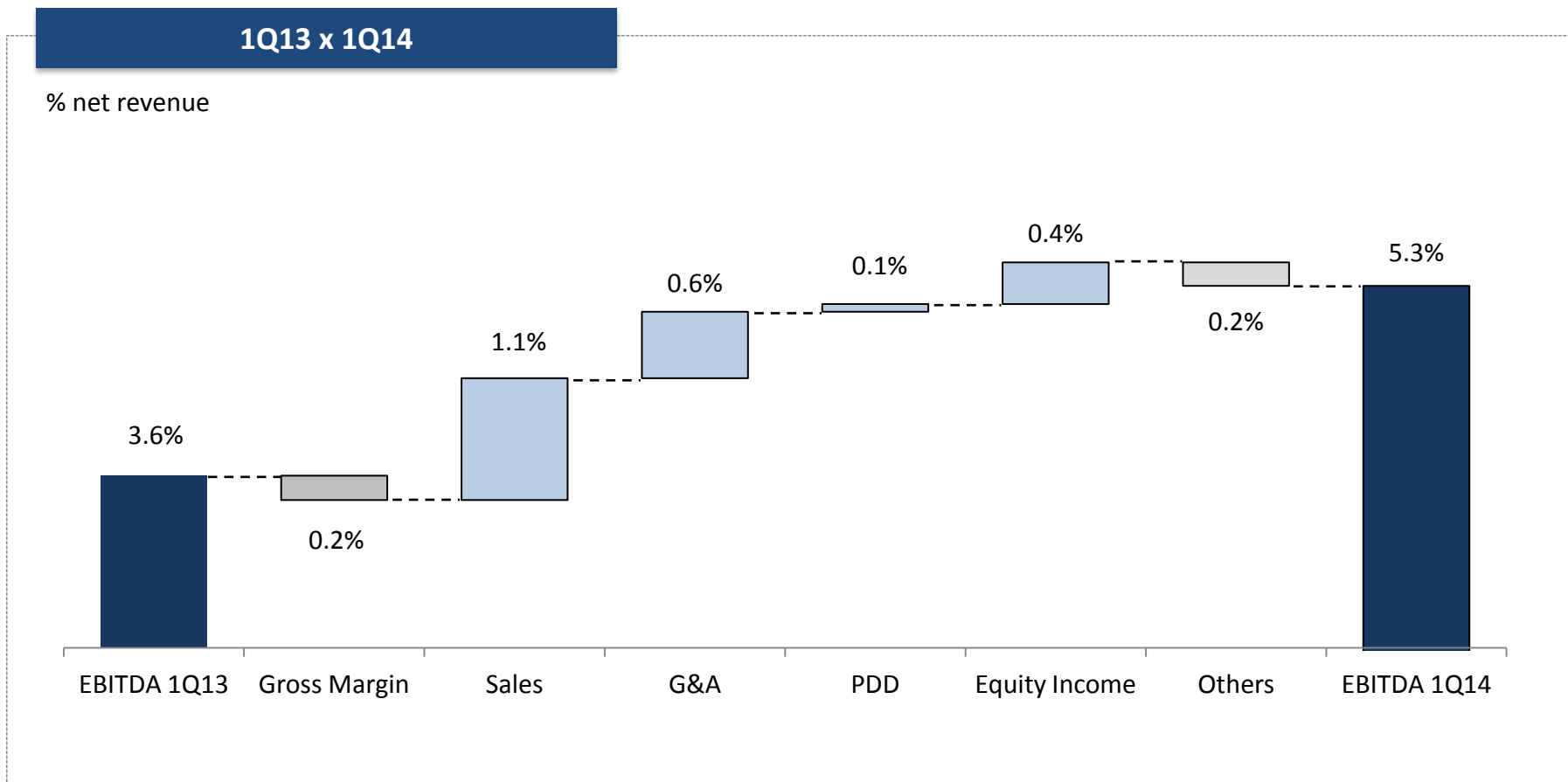
Equity Income

- Positively impacted by strong performance at Luizacred
 - Lower operating expenses and provisions for loan losses
 - Increase in EBITDA margin to 17.8% in 1Q14 (8.7% in 1Q13)
 - Increase in net margin to 10.2% in 1Q14 (4.6% in 1Q13)
 - ROE of 35.7% in 1Q14

Consolidated EBITDA

- Increase in EBITDA margin to 5.3% in 1Q14, up from 3.6% in 1Q13
- Positive impact from: i) sales growth ; ii) expense dilution and iii) strong equity income of Luizacred

EBITDA Evolution (on comparable basis)



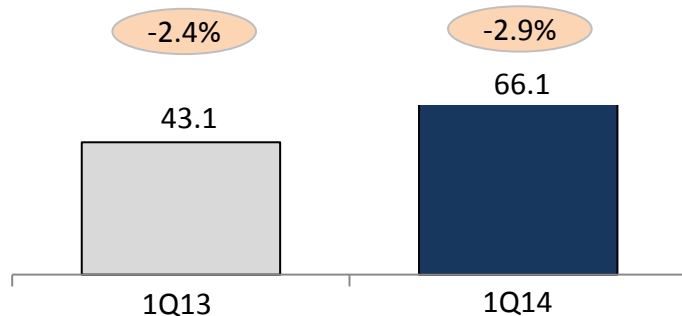
Obs.: excluding the impact of the social security tax reclassification

Financial Results – Consolidated



Adjusted Financial Results

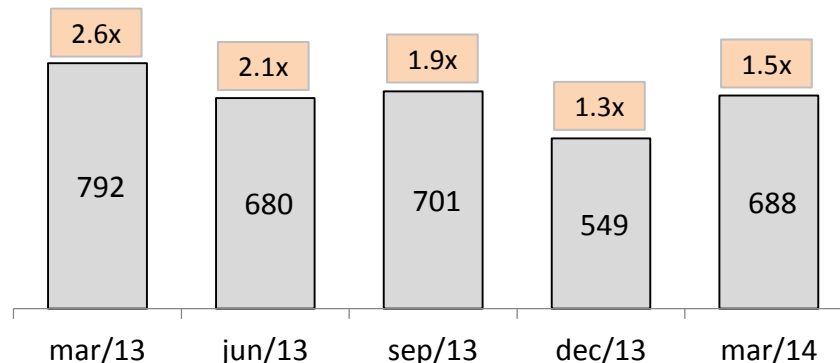
R\$ million

 % Net Revenue



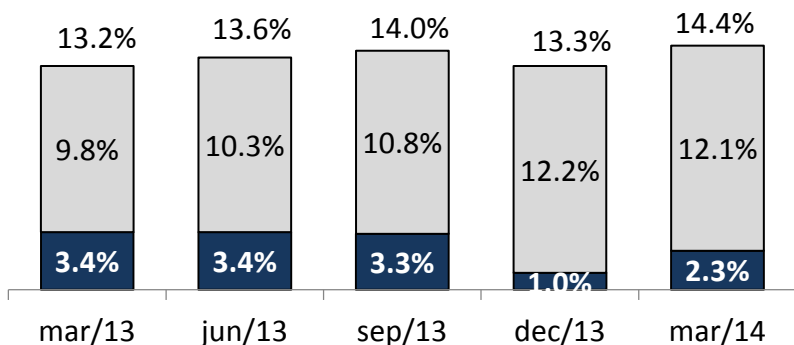
Net Debt

Net Debt/EBITDA 
Net Debt 



Working Capital

Working Capital 
Discounted Receivables 



Comments

Adjusted Financial Results

- Net financial results rose by 53,5%, equivalent to 2.9% of net revenue in 1Q14, due to the higher interest rates in the period

Working Capital

- Reduction to 2.3% of sales in 1Q14 versus 3.4% in 1Q13

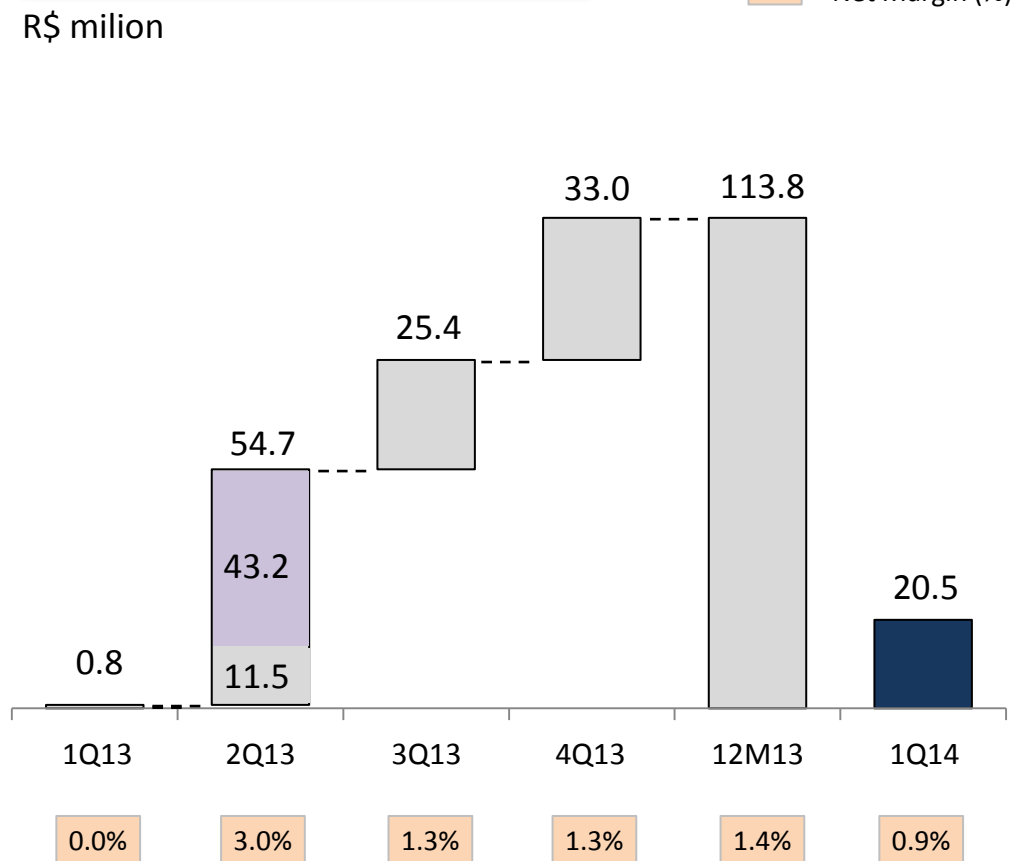
Net Debt

- Overall indebtedness reduced to 1.5x net debt/EBITDA, from 2.6x in 1Q13

Net Income

Net Income

R\$ million

 Net Margin (%)


Comments

- **Record net income for a first quarter**
 - R\$20.5 million with net margin of 0.9% in 1Q14
 - Reported net income was 25x higher YoY and it doesn't include any extraordinary gains.

2014 Outlook

Sales performance

- To grow SSS at a double-digit rate in bricks and mortars and in e-commerce
 - World Soccer Cup effect and greater marketing effort as a result of the Globo TV sponsorship
 - Better productivity at integrated chains (Baú and Maia)

Stable gross margin

- Continue to improve gross margin in Northeastern stores
- Maintain gross margin stable elsewhere
- Better inventory management (Inventory Management Project)
- Better pricing and margins (Pricing Project)
- Continue to improve sales mix so to mitigate margin pressure from greater contribution of e-commerce and TV sales in our 1H14 performance

EBITDA margin expansion

- Adittional gains are expected owing to consolidation of projects that have been mapped out in 2013 and are going to be fully executed in 2014
 - Store maturation process
 - Greater participation from services revenue
 - To improve operational efficiency at Luizacred



Magazine Luiza – May 2014

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