
Lu
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COMPETITIVE ADVANTAGES

2013 HIGHLIGHTS

2014 EXPECTATIONS

Competitive Advantages

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. Broad, competitive portfolio of services and financial products
5. Well defined corporate governance policy and transparent disclosure

Omni channel Strategy - Many Buying Possibilities

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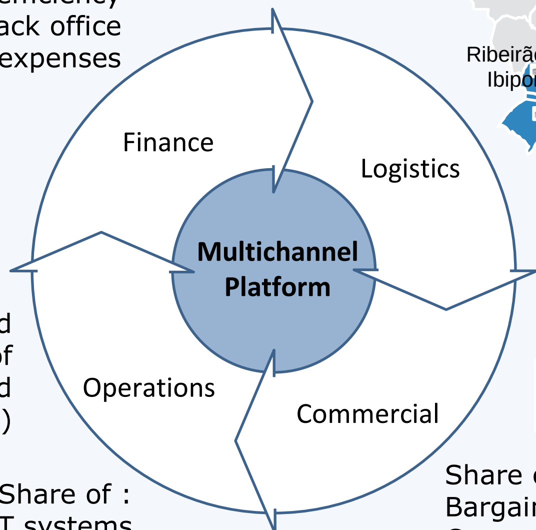
Single operating platform

Same finance team
Working capital efficiency
Same back office
Reduced expenses



8 DCs
(multichannel delivery)
Delivery routes in place

One brand
(leverage of
marketing and
CRM efforts)

Share of product mix
Bargaining power
Commercial know-how

Share of :
IT systems
Multimedia
platform
HR personnel

Serving multiple channels

Conventional stores

Virtual stores

E-commerce

Teleshopping

Mobile

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Multiple channels bring complementary types of customers

Few cannibalization

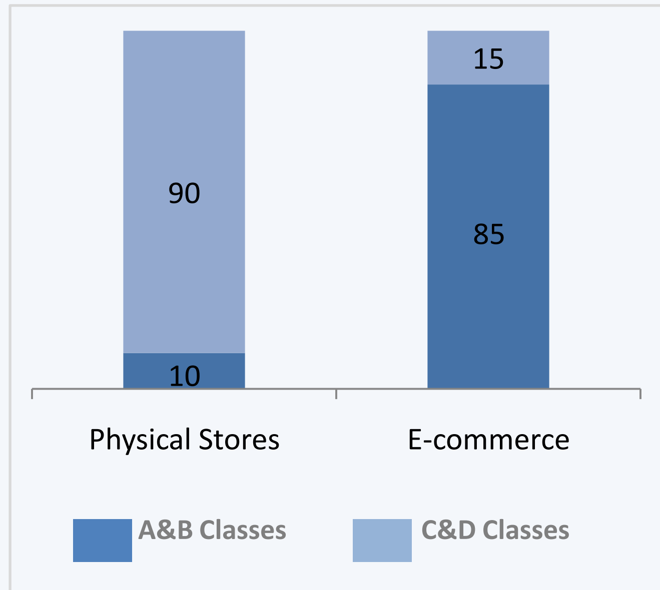
Physical Stores

C&D Classes

E-commerce

A&B Classes

Breakdown of customers



Sharing the same infrastructure, back office operations, logistics platform and carriers, the company is able to serve two types of customers that come from different social classes

Growth fostered by innovation

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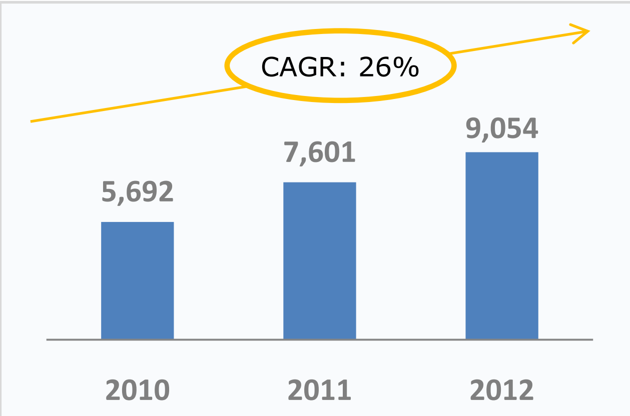
Company's Gross Revenue (R$MM)



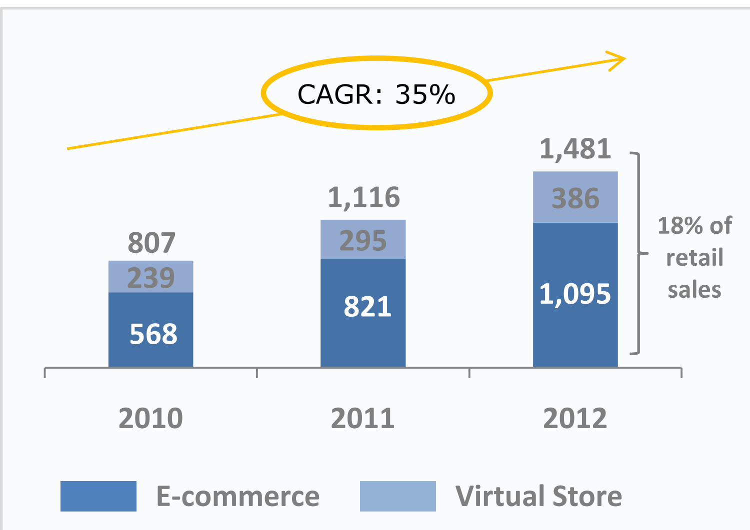
E-commerce highlights

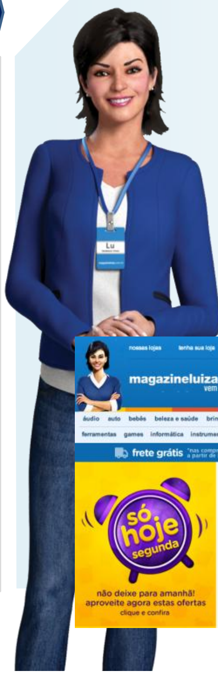
9 million visitors per month

100 million page views per month

1.5 million customers

Virtual Channels Gross Revenues (R$MM)





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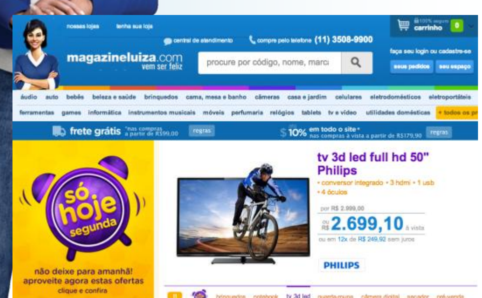
Virtual saleswoman



Growth fostered by innovation

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Sales platform on *Facebook* based on the door-to-door sales concept

Over **130,000 stores**

Virtual Store

Unique opportunity to penetrate markets where our competitors can't reach

Magazine is Well Positioned to take advantage of NE boom

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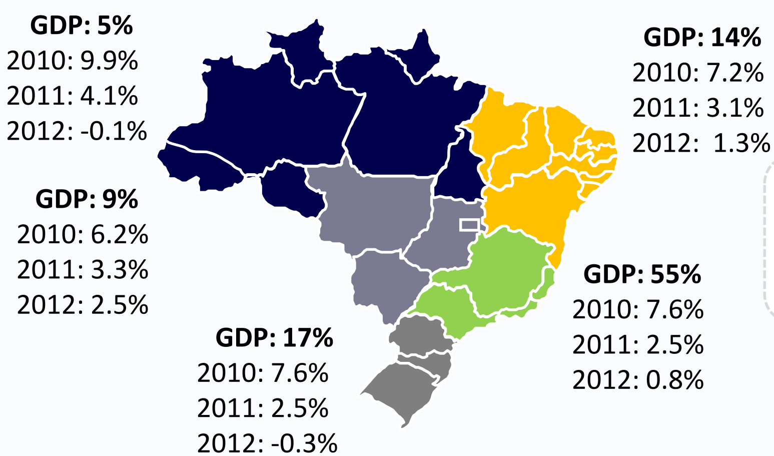
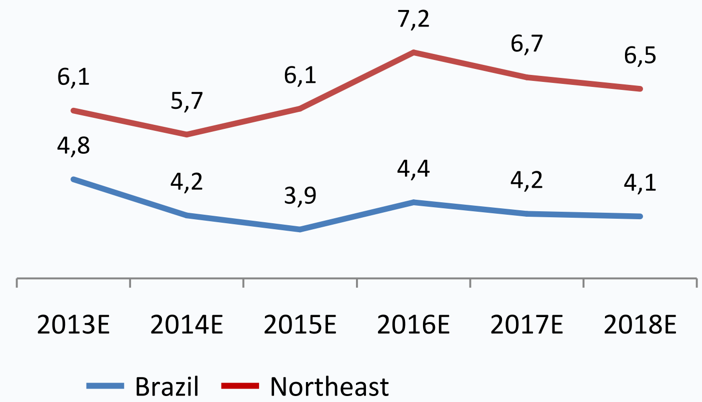
GDP Growth (%)

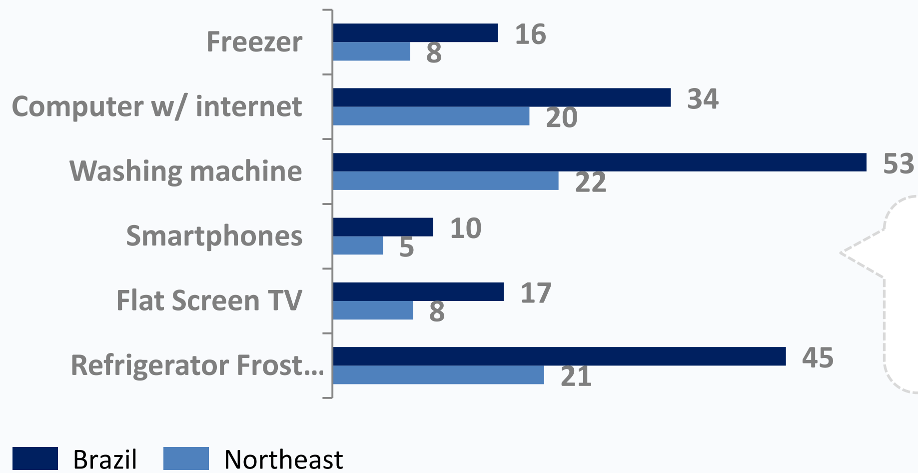


Higher GDP growth than most regions

Wages – Real Growth (%)

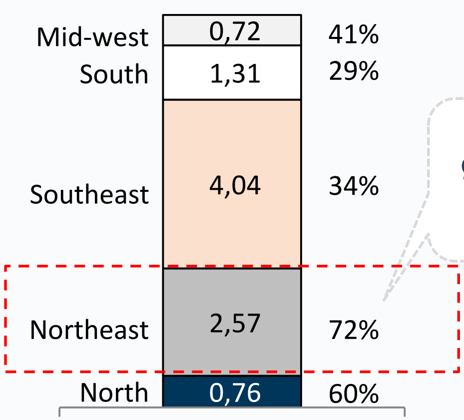


Penetration of Products (%)



Opportunities to increase penetration of all products in the NE

Class C New Homes (million 2013-2018)



Higher growth over 2013

Source: IBGE 2011

"Minha Casa Melhor" Program : Additional Boost to Sales

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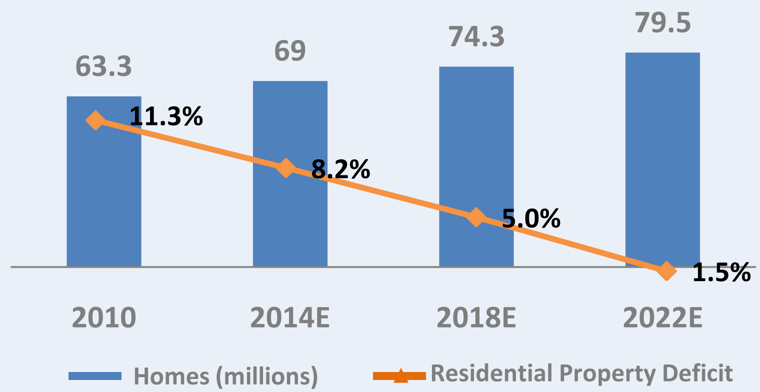
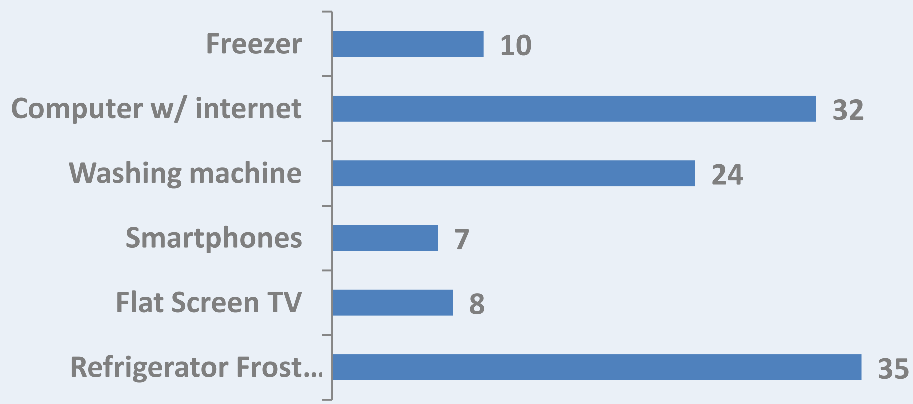
Residential Construction Forecast



Sources: FGV 2010

% Classes C, D and E Homes With Goods



Sources: CETIC and IBGE 2011

High potential for **additional penetration** of durable goods within fast-growing middle class markets

"Minha Casa Melhor" government financing program should benefit **3.7 million families** by the end of 2014 (**R$18.7 billion** in goods sales are expected across all accredited retail chains)

Credit with subsidized interest rates (**0.4% p.m.)** and extended payment terms (**up to 48 months**)

Of Magazine Luiza's **30 million clients**, **90%** belong to the **low-income classes**

2014 and World Cup Opportunities

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All Brazilians passion in one place: **Soccer, TV and Globo**

Magazine Luiza is the **only retailer that is sponsoring the World Cup** trough *Rede Globo TV* alongside with other global names such as Coca-Cola and Hyundai

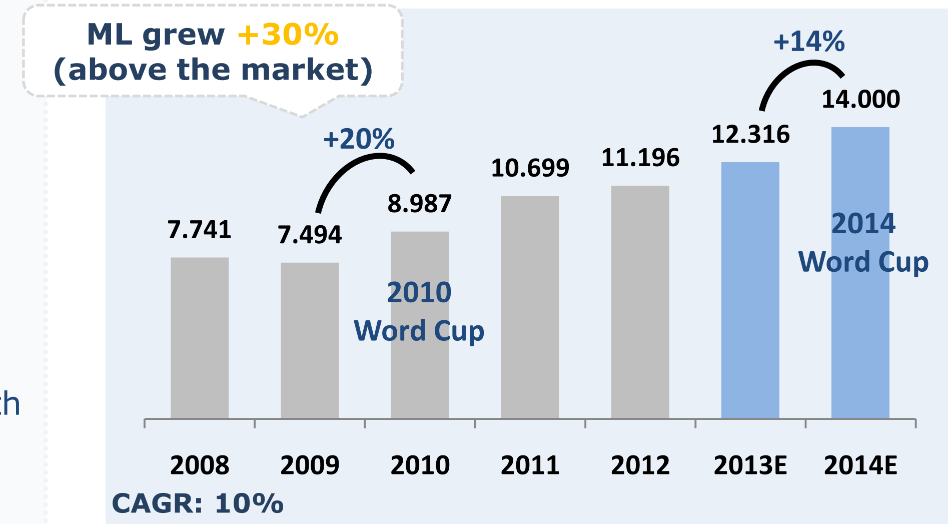
Rede Globo is **the largest broadcaster** in the country (with 50% market share) and will transmit the Word Cup exclusively

In the last World Cup, **165 million Brazilians** were watching the games on TVs

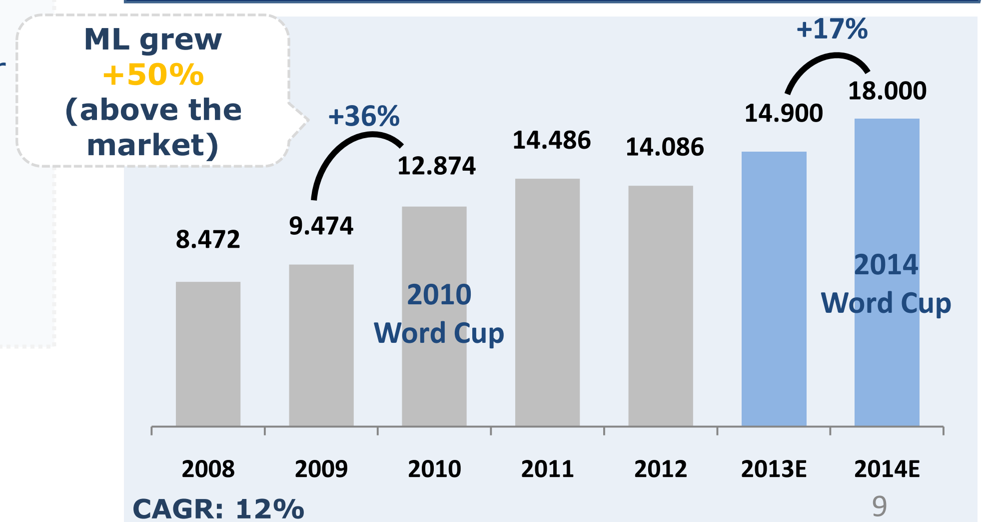
8 months of media exposure at the largest broadcaster in the country during the **biggest world sporting event**

Usually, with a TV ad, Magazine Luiza sells more than **12,000 LED TVs in one day.**

TV's Brazilian Market - Thousand of units



TV's Brazilian Market - R$ million



Source: GFK

COMPETITIVE ADVANTAGES

2013 HIGHLIGHTS

2014 EXPECTATIONS

Integration Process – Highlights (1/3)

Integration of over 250 stores in one year	BAÚ DA FELICIDADE	LOJAS MAIA Toda Sua
Acquisition Date	August, 2011	August, 2010
Project Start	August, 2011	March, 2011
Project Ends	February, 2012	October, 2012
Scope (Integration)	104 Stores	150 Stores, 2 DCs, 3 cross docking
National Coverage	2 States (SP and PR)	9 States (PI,CE,PB,PE,SE,MA,RN,AL and BA)
Revenue in 2010	R$ 415 million	R$ 652 million
Average Store Size	400 m²	620 m²
Increase in Magazine Luiza's Sales Area	39,000 m²	96,000 m²

In 2010 and 2011, Magazine Luiza acquired Lojas Maia and Baú da Felicidade chains, great opportunities to strengthen its positioning in the Northeast and Southeast regions...

Integration Process – Highlights (2/3)

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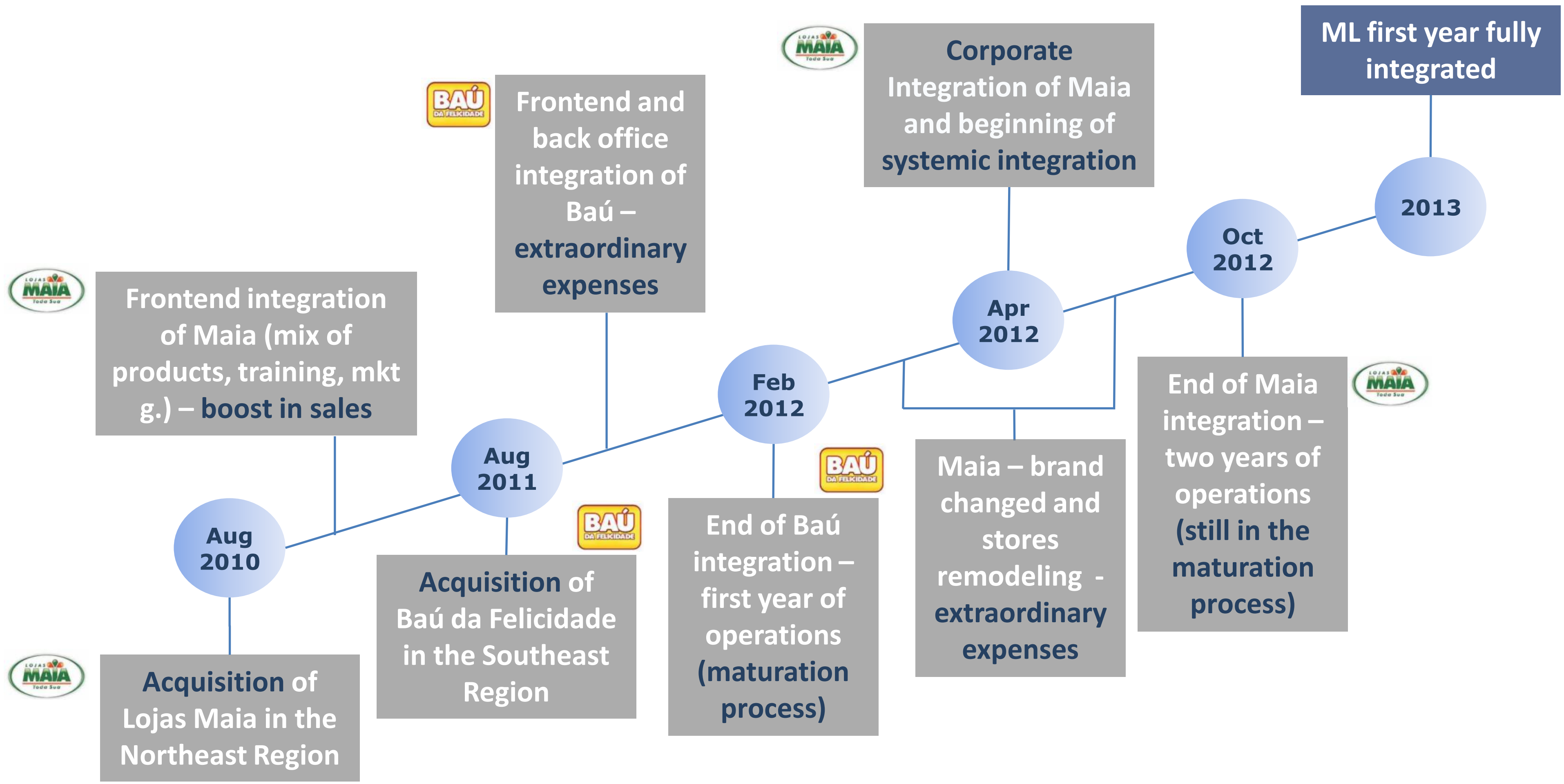

2012 was dedicated to **complete both integration processes.** 2013 is the first year that the company is fully integrated, beginning a cycle of gradual and consistent **profitability improvements**

Integration Process – Highlights (3/3)

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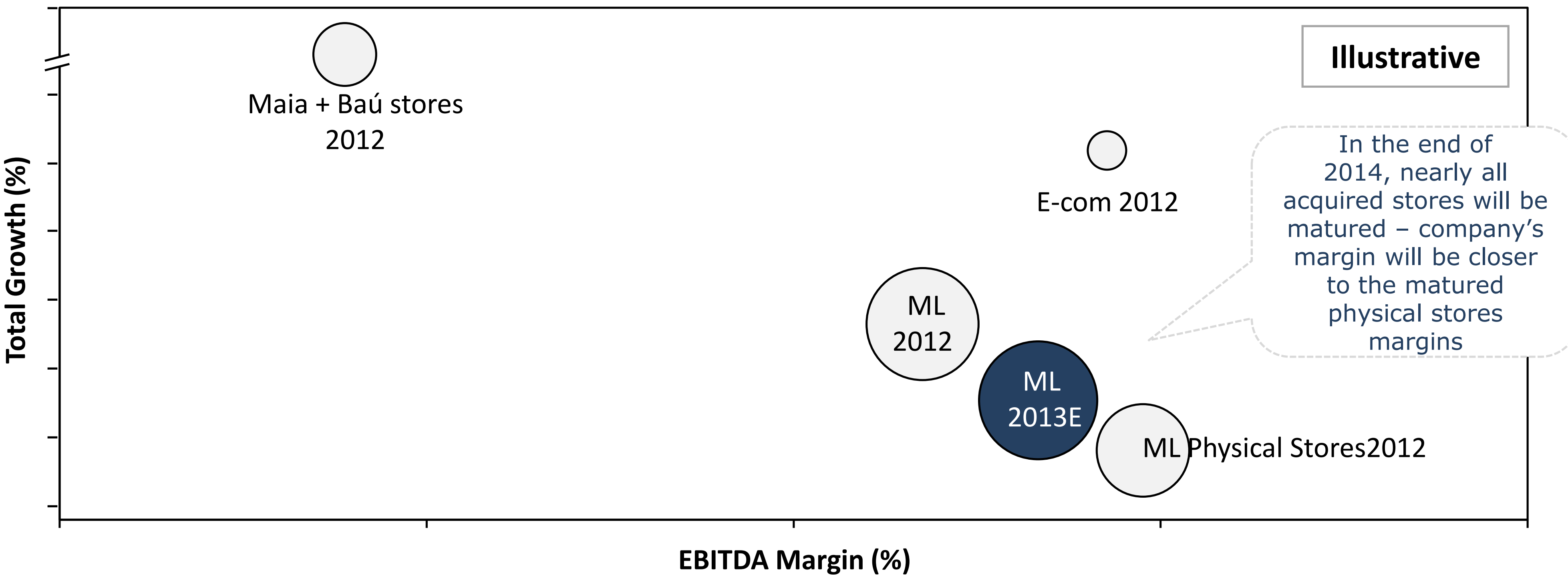
Financial KPIs per channel – Dec. 2012



... These integrations had a short term impact at the company's profitability due to the store maturation process and extraordinary expenses. Therefore, in 2013, first year of fully integrated operations, Magazine Luiza is boosting efficiency, productivity and returns.

2013 Overview - Gradual and consistent growth quarter by quarter

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1Q13	2Q13	3Q13	4Q13
▪ **Gross revenue increased 7.0% (SSS 5.2%):** R$2.1 bi ▪ **Gross margin increased 0.4 p.p.:** 28.2% ▪ **Operating expenses reduced 0.8 p.p.:** EBITDA margin of 3.6% ▪ **Solid performance of Luizacred:** EBITDA margin of 8.5% and net margin of 4.5%	▪ **Gross revenue growth of 11.2% (SSS 9.3%):** R$2.2 bi ▪ **Gross margin grew 0.2p.p.:** 29.0% ▪ **EBITDA margin of 8.7%:** Adjusted EBITDA margin of 5.1% ▪ **Significant improvement in Luizacred's profitability:** EBITDA margin of 10.2% and net margin of 5.6%	▪ **Gross revenue growth of 18.9% (SSS 17.0%):** R$2.4 bi ▪ **Gross margin remained stable:** 29.1% ▪ **Selling and adm. expenses dropped 1.5 p.p.** to 24.0% ▪ **EBITDA margin of 6.1%** ▪ **Luizacred:** EBITDA margin of 9.6% and net margin of 5.1% ▪ **Net income totaled R$25.4 million**, with a net margin of 1.3%	▪ The Company expects to achieve its targets for the year ▪ Increase the Northeast gross margin and maintain stable gross margin across other regions ▪ **Gains from the streamlining of costs and expenses** will be more significant in the 4Q13, a period to execute a large part of the new budget processes (ZBB) and initiatives implemented throughout the year

Management is focused on improving productivity and profitability in 2013

2013 Important Projects

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		Description	Status	Expectations
Gross Margin	Gross Margin Gap at Northeastern Stores	▪ There is a difference in gross margin between stores in the Northeast and those based in other regions	▪ The gap is being reduced quarter by quarter	▪ The Company expects to reduce the gap, contributing to increase retail's gross margin
Gross Margin	Price Management Project	▪ This project was designed to increase pricing intelligence by channel, region and product family	▪ Implementation in process	▪ At least maintain margin across all regions
SG&A	Synergies from the integration process of Maia and Baú	▪ The first fully integrated year of Maia and Baú chains	▪ Improvements in management and process synergies as a whole	▪ Increase productivity and profitability of each store
SG&A	Multichannel Delivery Project	▪ E-commerce products will be delivered directly by the Company's 8 distribution centers	▪ 6 distribution centers already completed in 2013	▪ Will reduce costs, increase client services and enhance quality
SG&A	Zero Based Budget Program	▪ Stricter control policies for expenses. New budget process for each department, adoption of "zero base" goals and cost reduction	▪ Implemented for the budget of 2013 and 2014	▪ Rationalize costs and expenses
SG&A	Galeazzi Project	▪ Higher productivity in the back office and Luizacred personnel in the stores	▪ Is being implemented	▪ Rationalize costs and expenses and increase store productivity

JVs – Highlights

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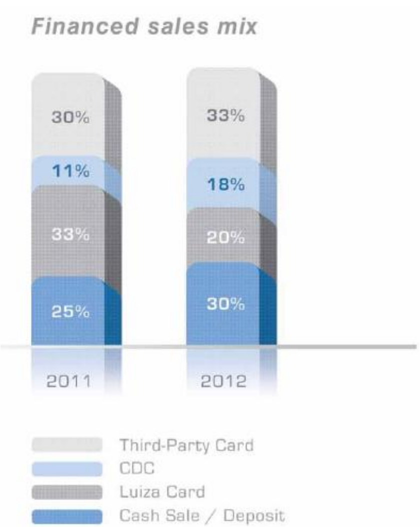
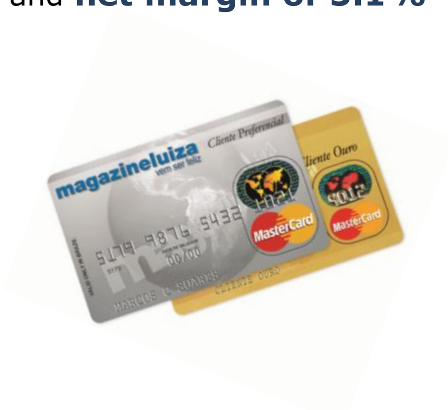
Luizacred

- Consumer finance operations **available in every store**
- Products: **co-branded card** (*Mastercard*), direct credit (**CDC**), loans and other financial services
- Luizacred **finances approximately 40% of Magazine Luiza's total sales**
- **3.5 million** credit cards and portfolio of **R$3.7 billion**
- **Gross revenues of R$1.1** billion in 9M13 (+10.1%)
- **EBITDA margin of 9.5%** and **net margin of 5.1% in 9M13**





LUIZACRED

Luizaseg

- **Extended warranty**, life insurance, hospital and medical care, among others products
- More than **3,000 accredited workshops** distributed throughout the country
- Commercializes annually more than **2 million policies** of extended warranty and **R$5.9 million** already distributed prizes
- **Gross revenues of R$146.8** million in 9M13 (17.4%)
- **EBITDA margin of 9.2%** and **net margin of 10.2% in 9M13**
- **Operations with high cash flow generation and low claims**
- **More than R$200.0 million in cash**

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2014 Expectations

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1

Strong growth performance

30 new stores (focus on the Northeast and Southeast regions)
Robust same store sales growth for physical stores, specially at the Northeast (maturation process)
E-commerce accelerated growth – same level of 2013
Strong TV sales due to World Cup
Strong smartphones and tablets sales
My Better Home Program

2

Profitability improvements

Maintenance of consolidated gross margin
Opportunities related to services revenues (increase participation over merchandise revenues)
SG&A reduction due to OBZ program and multichannel platform (dilution of costs and expenses)
Baú and Maia maturation process

3

Working capital improvements

Better inventory turn-over (fully integrated operations)
Recovery of tax credits from ICMS tax substitution

Investor Relations
ri@magazineluiza.com.br
www.magazineluiza.com.br/ir
(11) 3504-2727

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