



---

**magazineluiza**

---

# Magazine Luiza

## #embracethenew

September 2015

# Magazine Luiza

---

**#Embracethenew**

Strategic Pillars

Overview

Financials

# #Embracethenew movement

## From:

Traditional retailer with a strong digital area



## To:

Digital retailer with physical points of sale and human support



# 2015 Initiatives

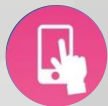
---



Enhance the multichannel approach to the business



Digitalize the store experience



Marketplace platform launch

# Luizalabs

Luizalabs is our innovation area. The focus is to develop apps and provide technology support to our retail and online operations, so that to achieve superior customer experience.

## Projects



**Mobile Vendas**



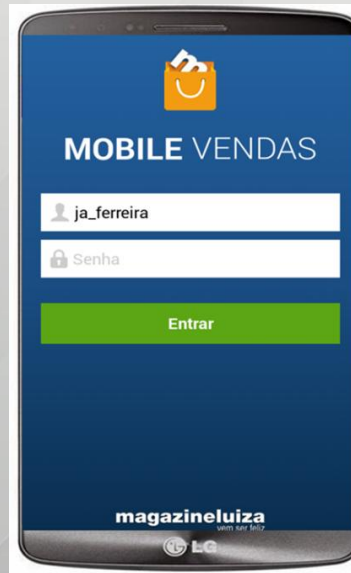
# Mobile sales tool “Mobile Vendas”

## What is it?

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



## Mobile Vendas

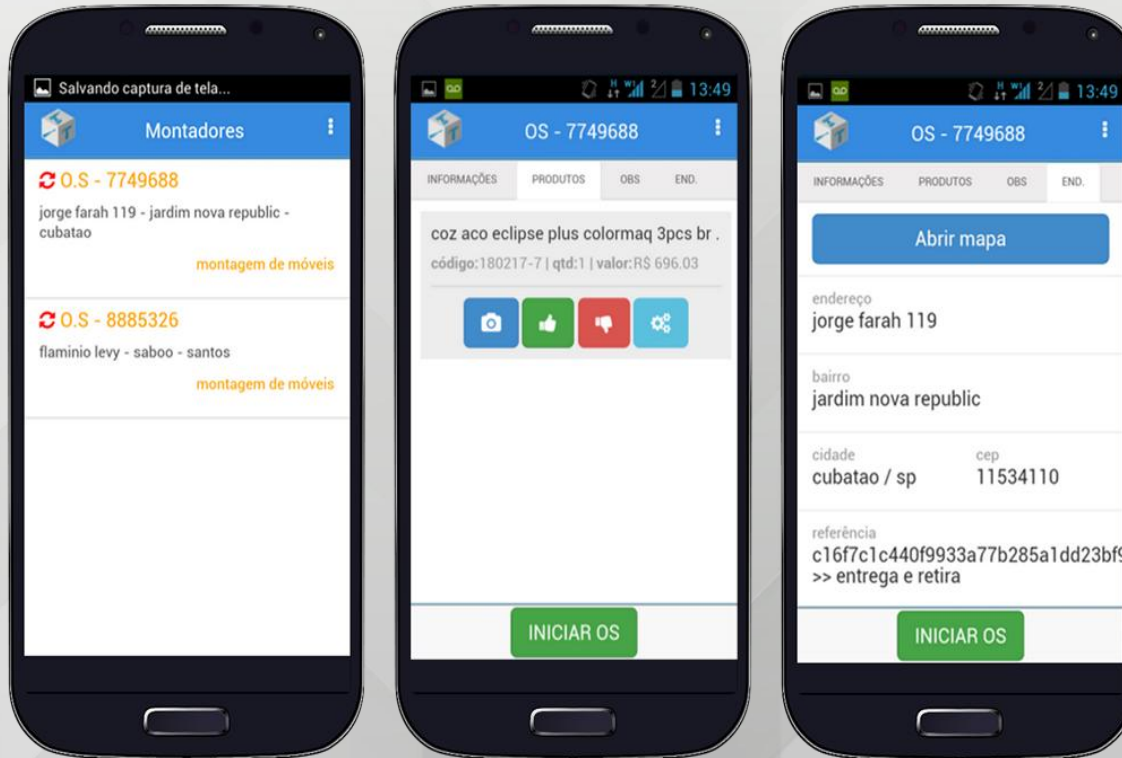


## What can it do?

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

**Reduction in time to complete sale of more than 50%**

# Mobile app for assembly



Increase in the average daily productivity of more than 50% for assembly and 80% of cost reduction



Roll out started in the state of São Paulo and should be 100% implemented in 2016.

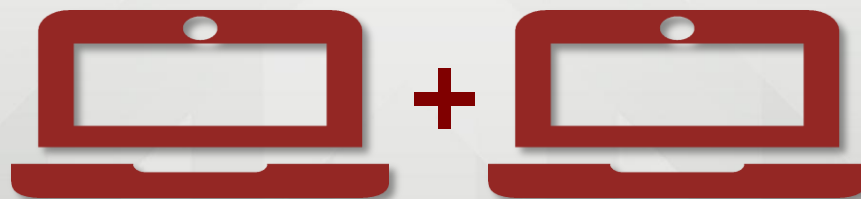




# Next steps...

---

Marketplace  
launch



Store inventory available for  
e-commerce sale



Sell online and  
pick up at store



Sell online using  
store inventory





# 2015 Outlook

---

- Continue to gain market share
- Consolidate Northeast operations
- Improve sales mix and participation of services in sales
- Rationalize costs and expenses
- Decrease working capital needs

# Magazine Luiza

---

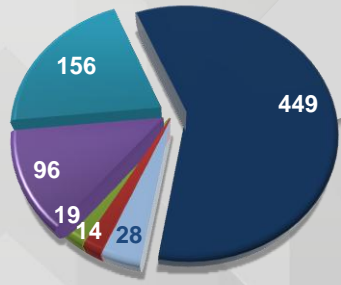
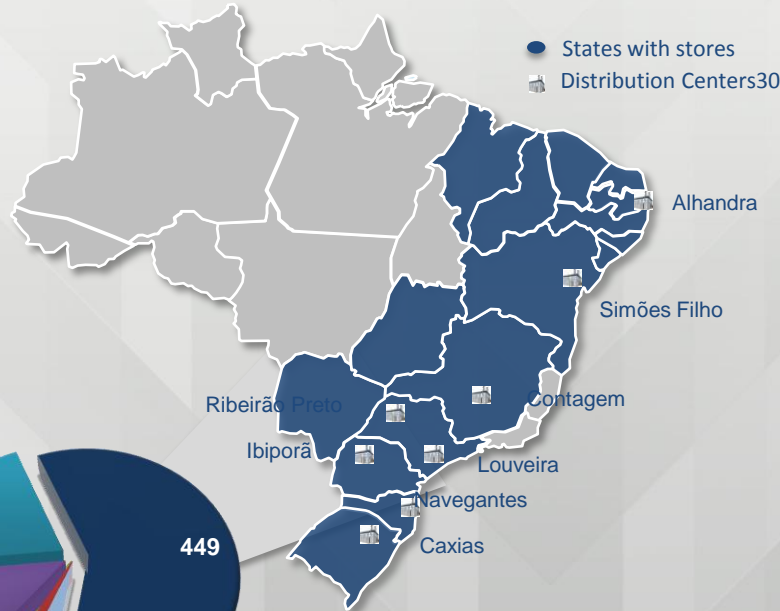
#Embracethenew

**Overview**

Strategic Pillars

Financials

# Overview of Magazine Luiza



■ Up to 1 year  
■ Up to 2 years  
■ Up to 3 years  
■ Up to 4 years  
■ Up to 5 years  
■ More than 5 years

**762** stores

**+20k** employees

**43 Mn** customers

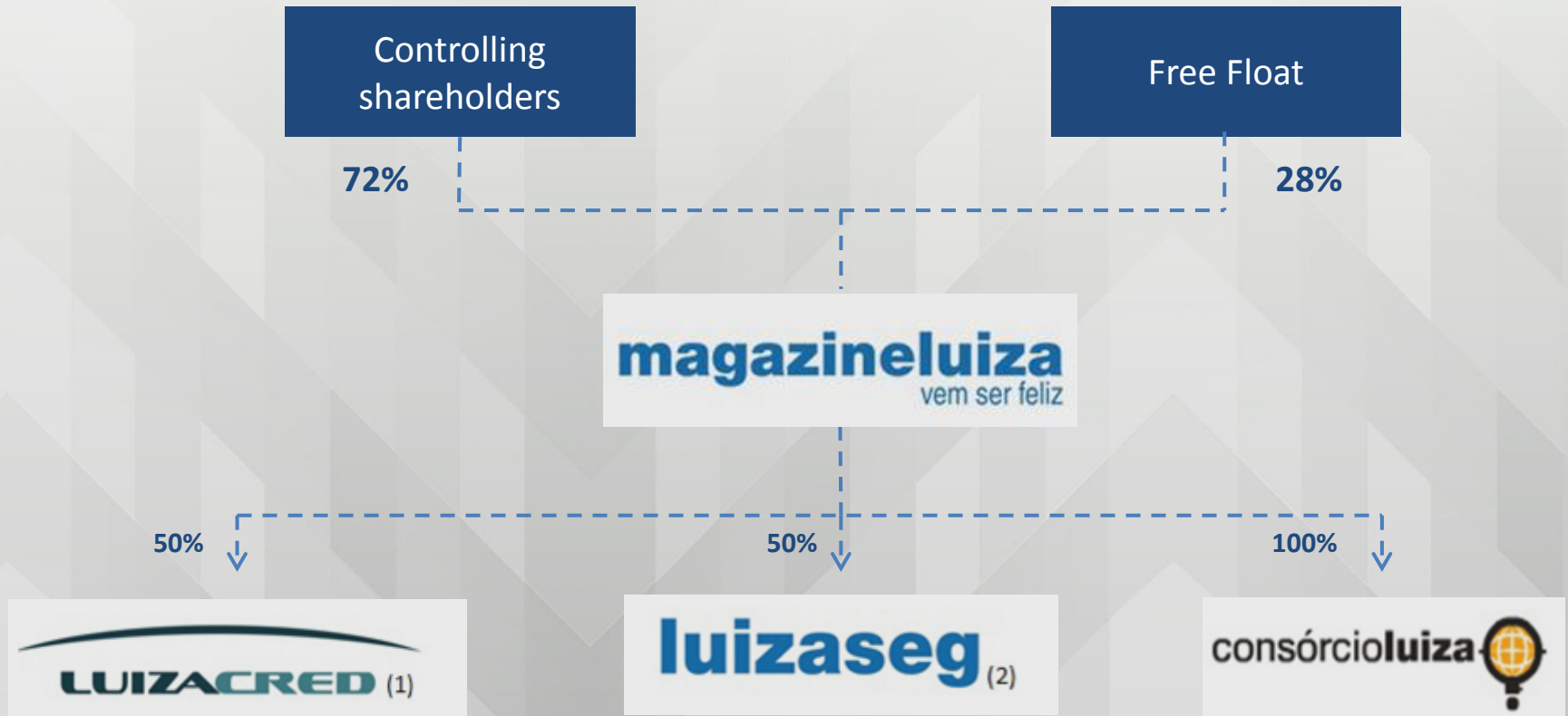
**R\$ 12 billion** Gross Sales

Target **middle class**

Focus on **people and innovation**



# Corporate Structure

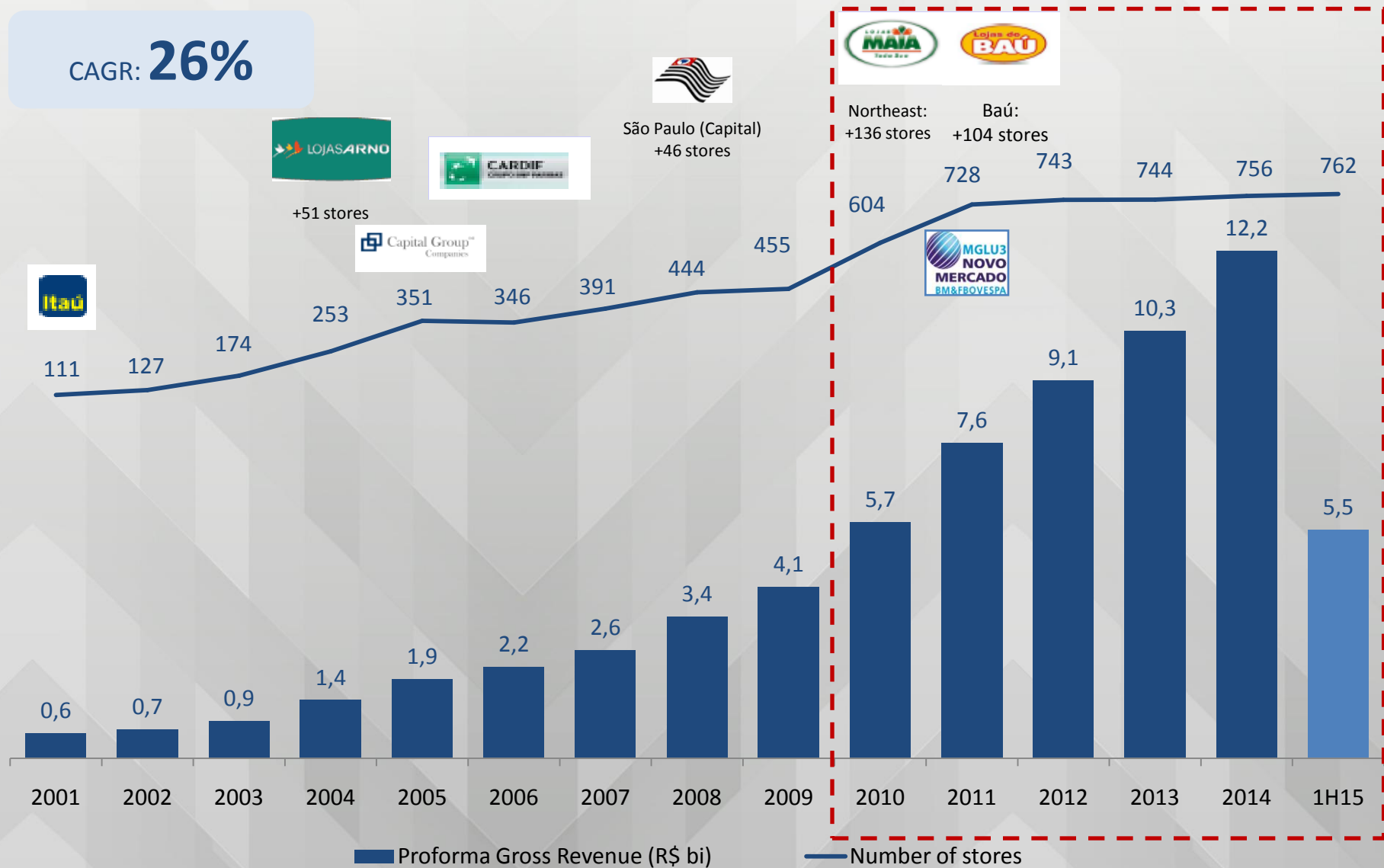


(1) Joint-Venture with Itaú Unibanco

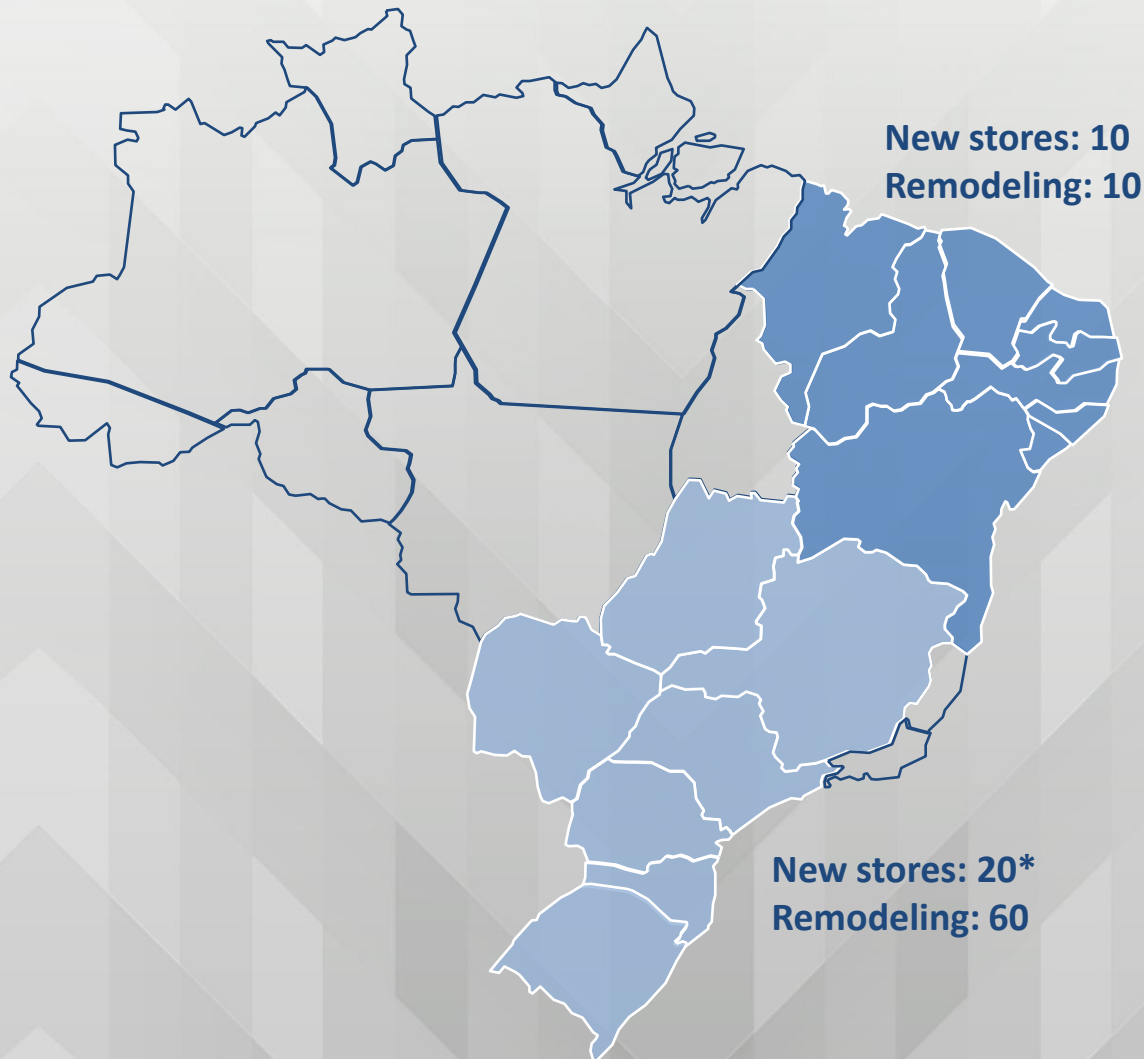
(2) Joint-Venture with Cardif

# 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 : smartphone sector

## Before



## After





# Magazine Luiza

---

#Embracethenew

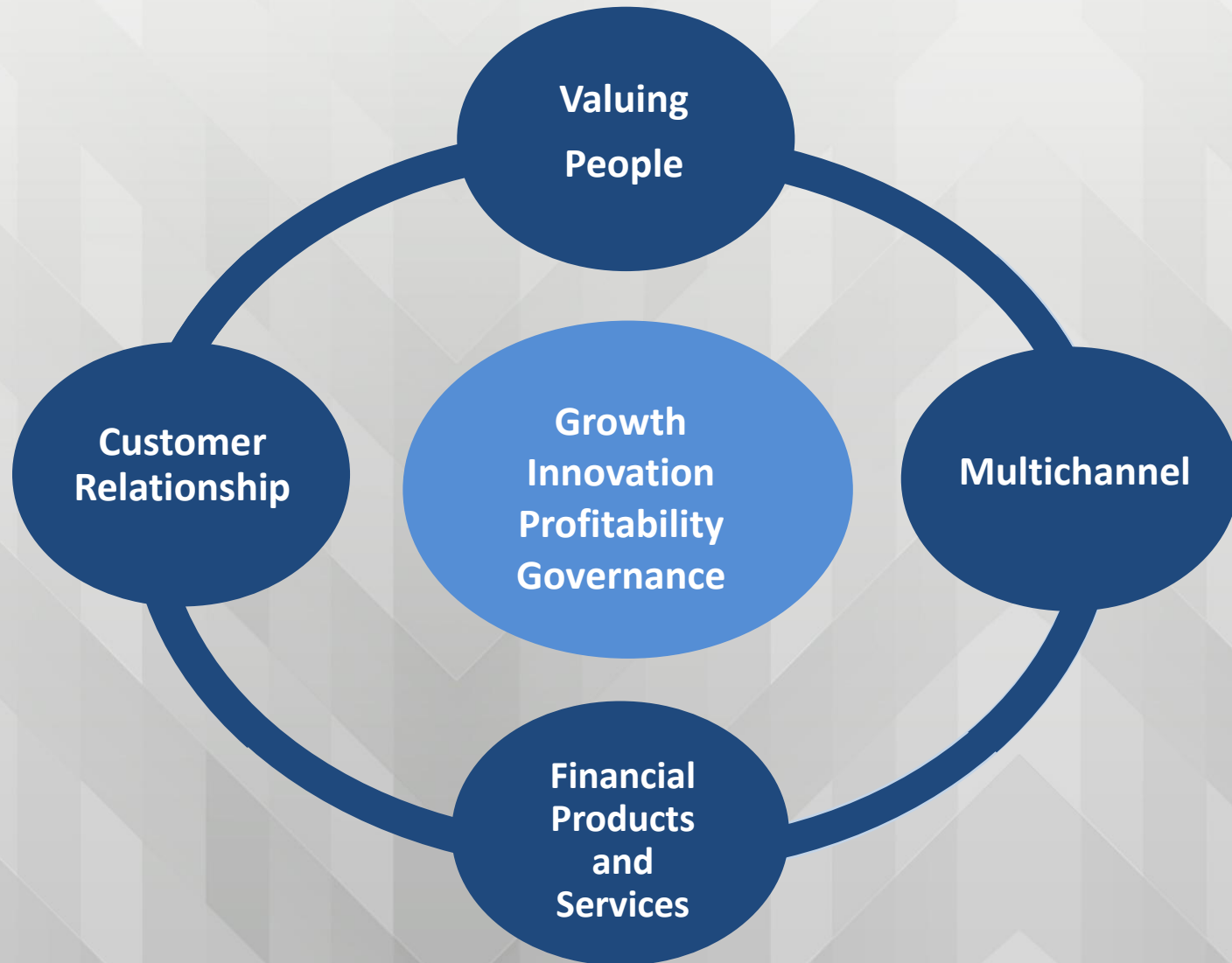
Overview

Strategic Pillars

Financials

# Strategic Pillars

---





# 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





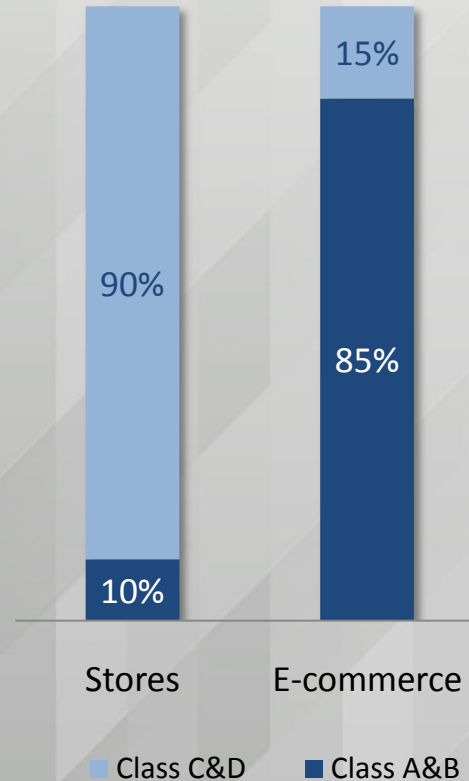
# Multichannel

## Multiple channels, complementary customers

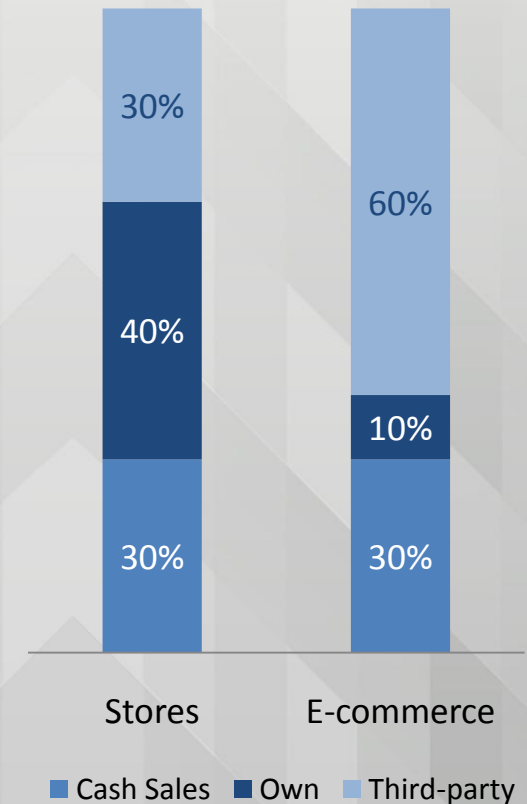
### Low cannibalization



### Customers breakdown



### Payment Mix





# Strong growth on and offline

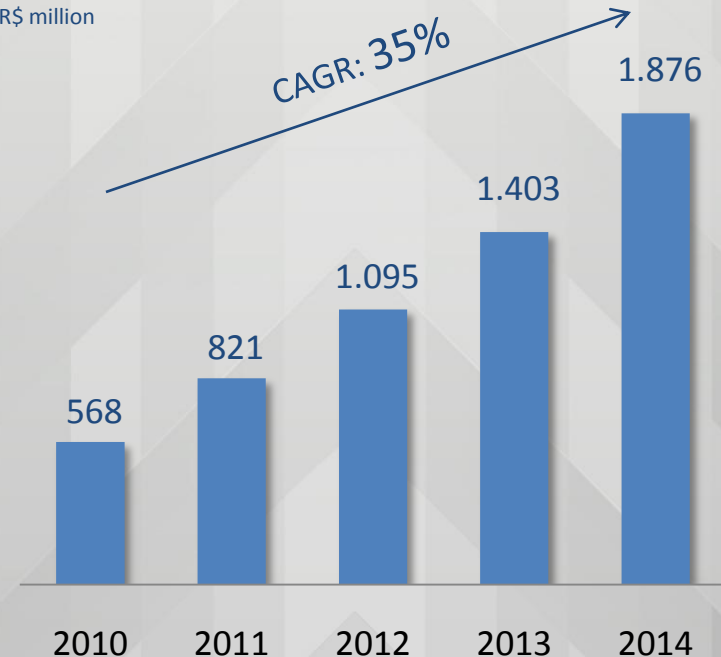
## Magazine Luiza bricks and mortars sales

R\$ billion



## E-commerce sales

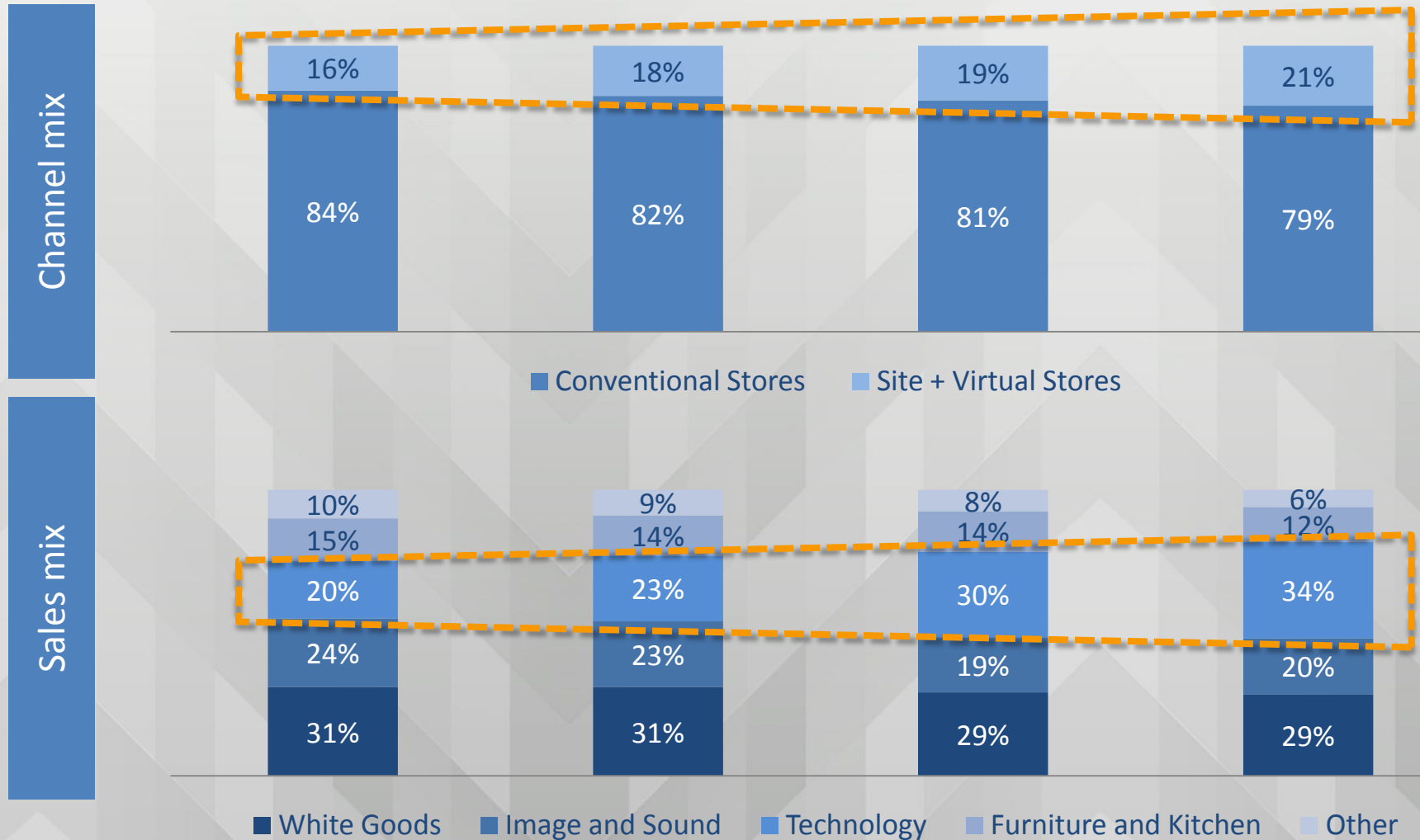
R\$ million





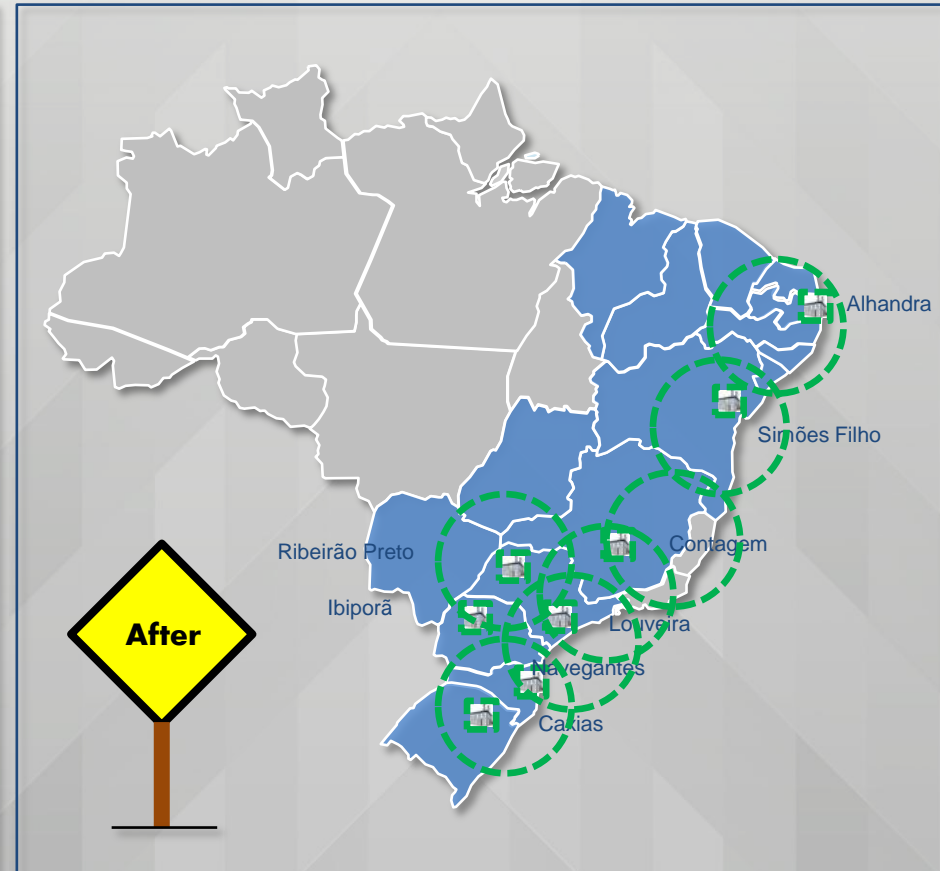
# Channel and product mix shift

As % of revenue





# Multichannel







# CRM as a tool



**1.8 million clients**  
**5% of total clients base**  
**10% of active clients**  
**20% of total revenue**



**EXCLUSIVE  
OFFERS**



**COMERCIAL  
CONDITIONS**



**AWARDS  
DRAWS**



**GIFTS**



**BREAKFAST  
AND MORE  
PERKS!**



# Dia do Cliente Ouro (Golden Client Day)







# Our 2015 marketing campaign





# 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**

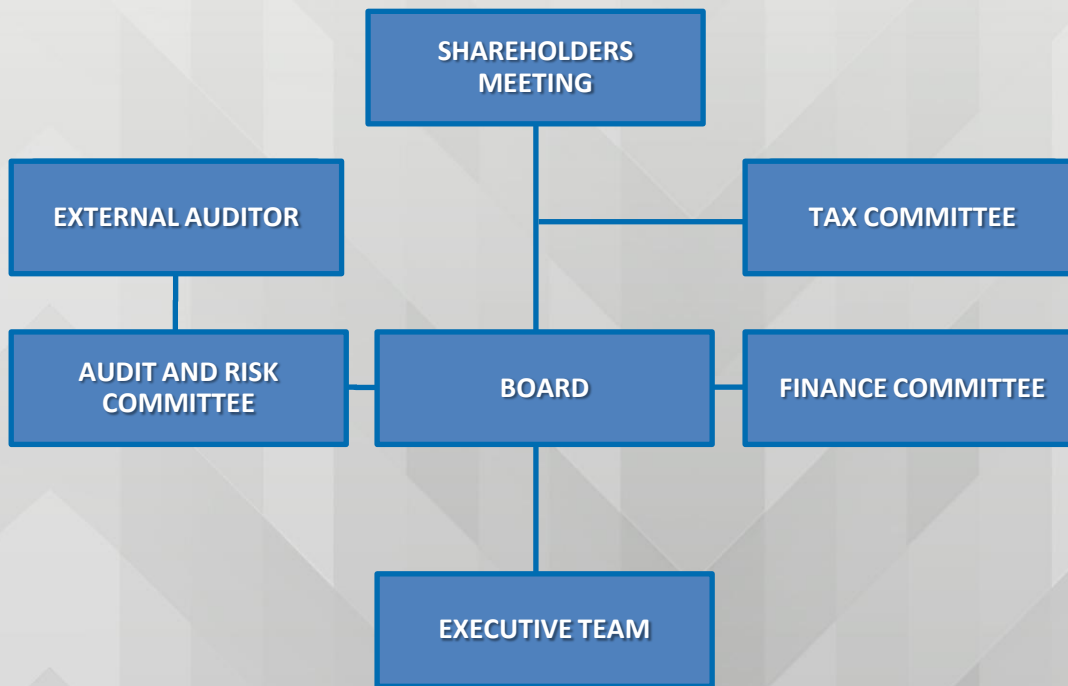
**Luizacred: Itaú Unibanco *Expertise*** in credit offers, collections and funding

**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 committee since 2012

Audit committee head by independent board member

Third share buyback program



# Magazine Luiza

---

#Embracethenew

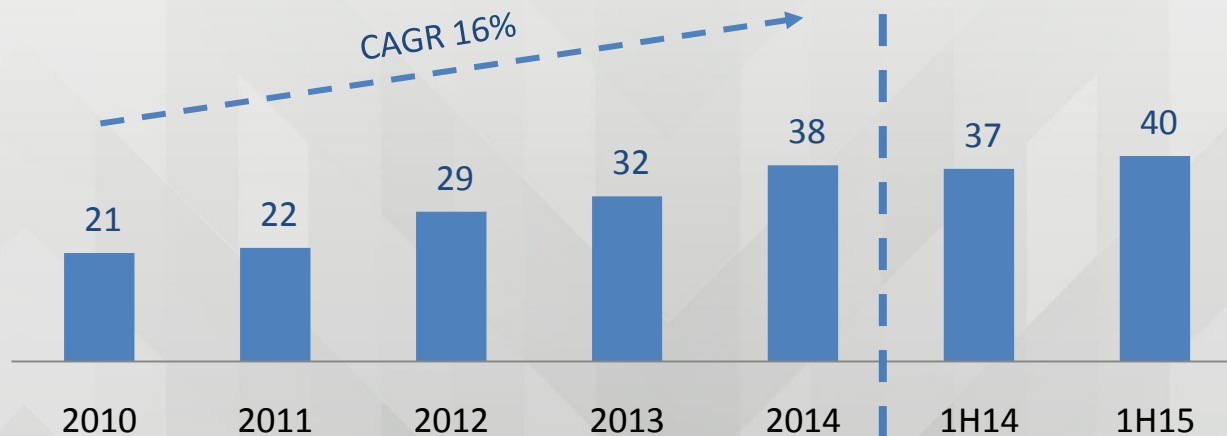
Overview

Strategic Pillars

**Financials**

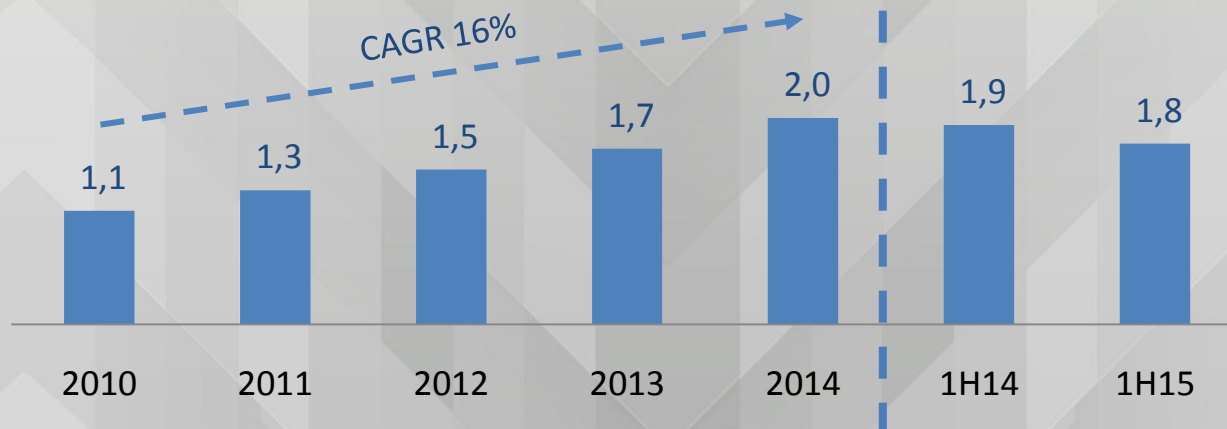
# Productivity indicators

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



- CAGR productivity per employee has been rising faster than inflation and same store sales

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

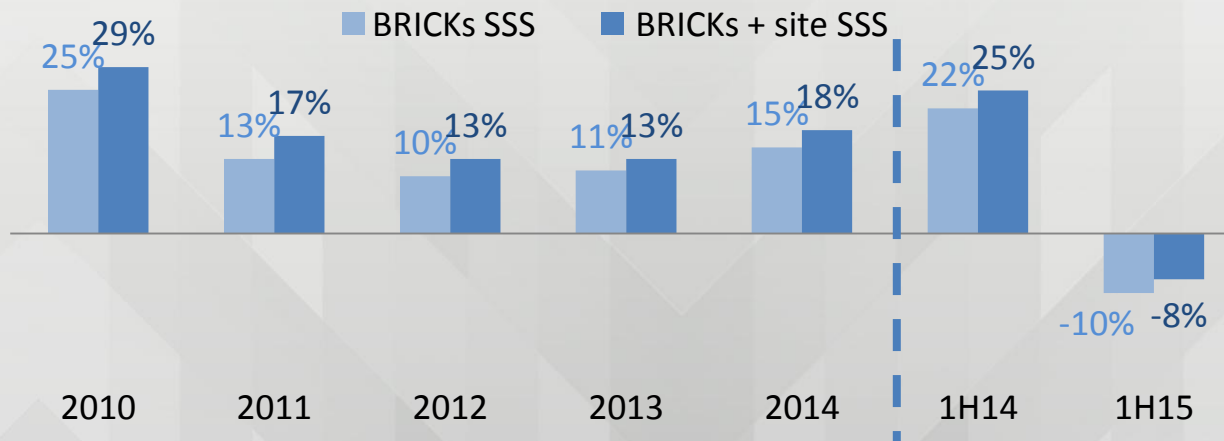


- Revenue by m<sup>2</sup> is growing in line with same store sales growth



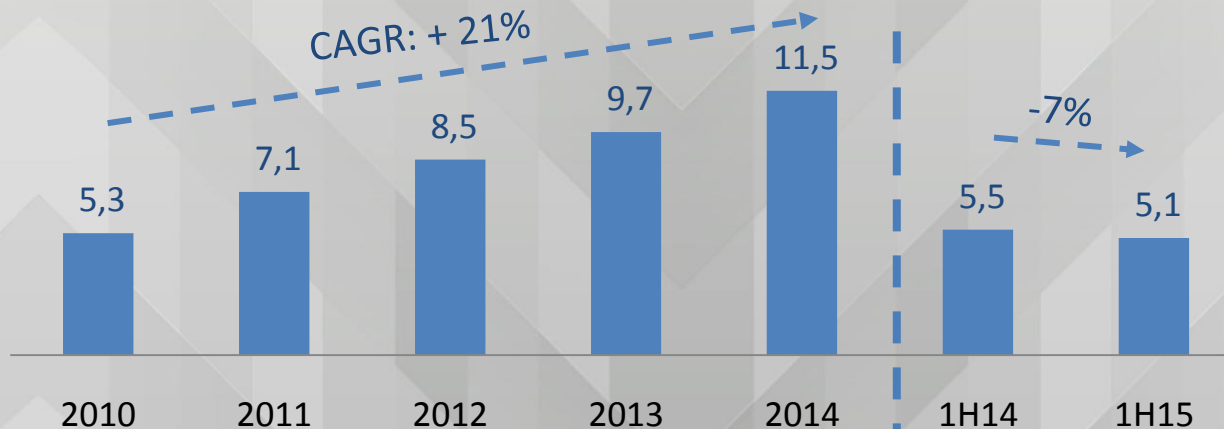
# Sales: important lever for results

## Same Store Sales performance



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

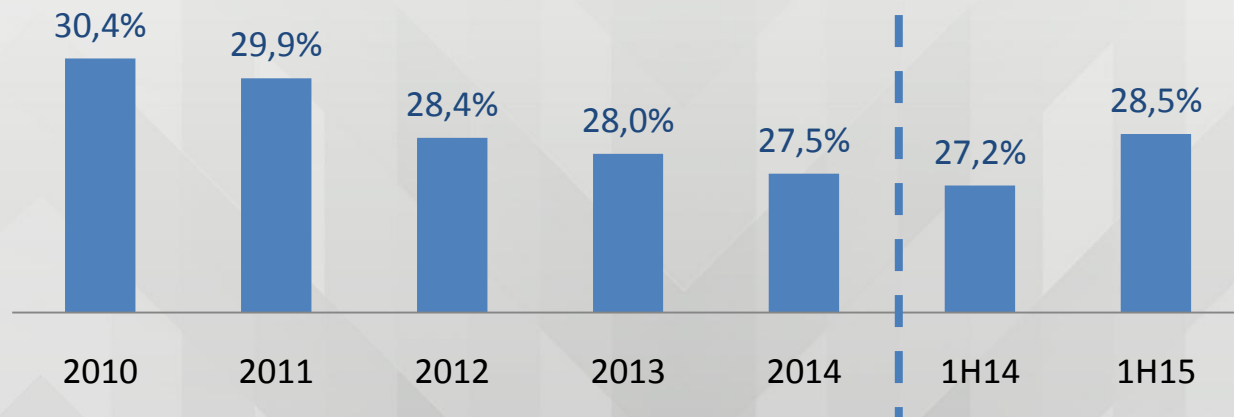
## Gross revenue performance (R\$ Billion)



- 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

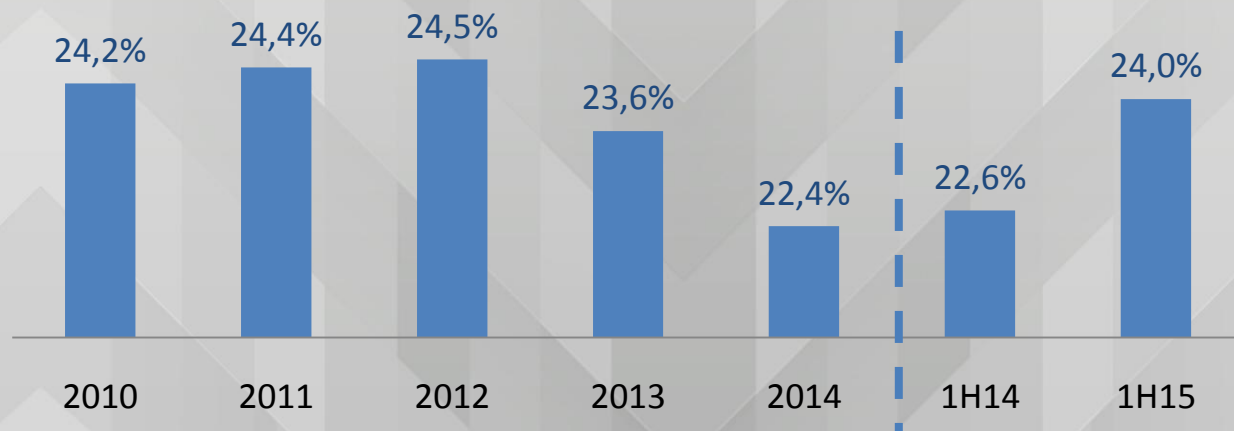
# Margin trends and good expenses control

## Gross margin evolution



- Gross margin increased despite higher e-com sales in total mix to 18% and challenging consumer environment in 1H15

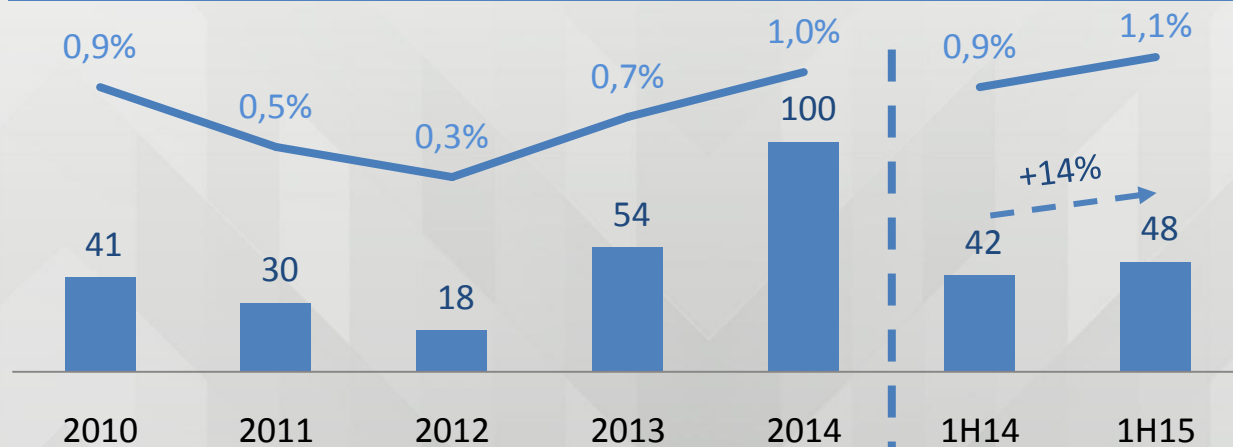
## Sales, General and Administrative expenses (as % of net sales)



- Increase of 0.3% yoy, much lower than inflation

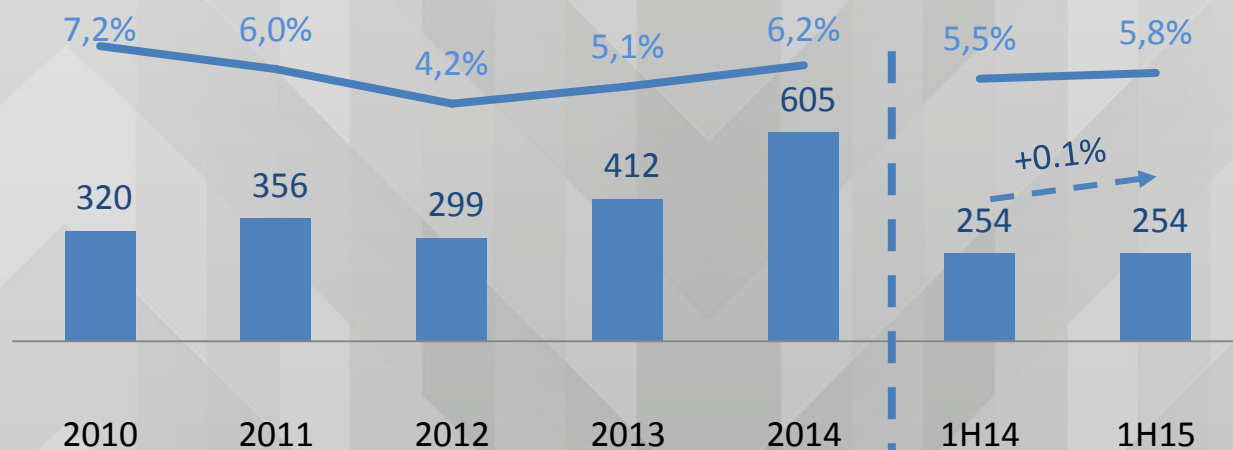
# Equity and EBITDA evolution

## Equity (R\$ millions)



- Luizacred profitability is trending higher
- Adopts conservative credit police

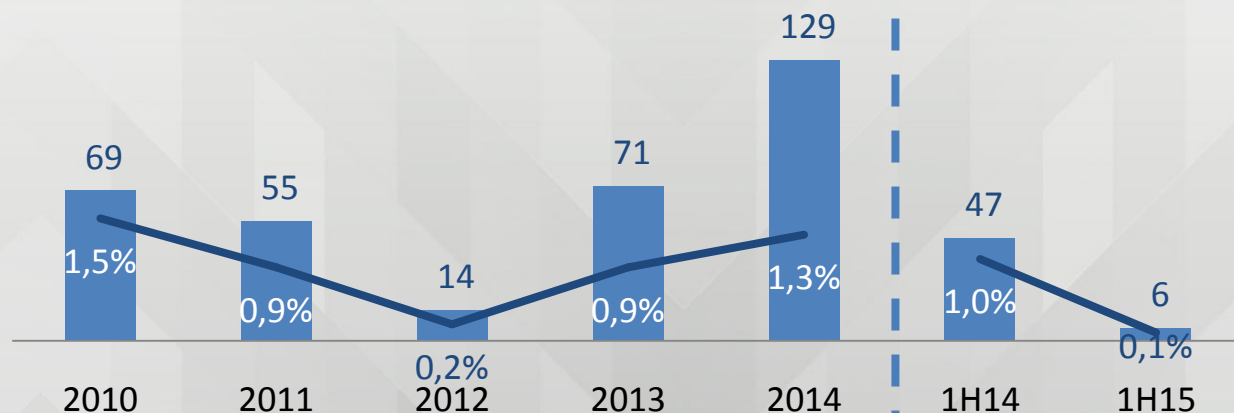
## Adjusted EBITDA (R\$ millions) and Adjusted EBITDA margin (%) evolution



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

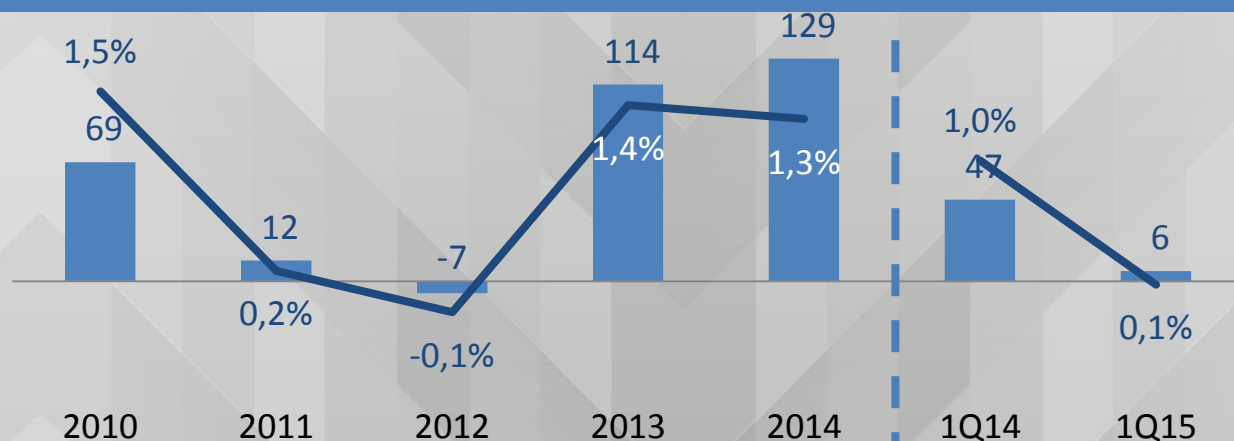
# Net income and net margin evolution

Adjusted Net Income (R\$ millions)



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

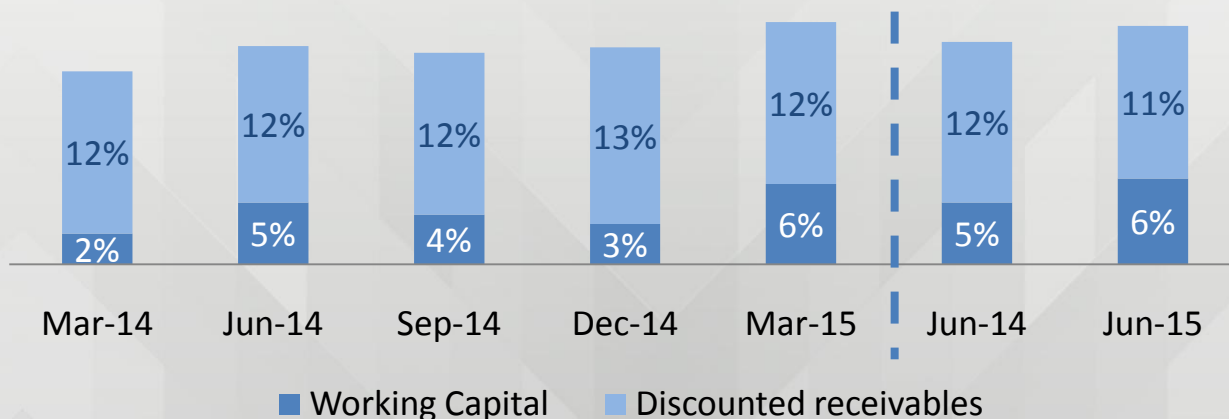
Net Income (R\$ millions)



- Earnings down YoY due to sales performance and higher financial expenses

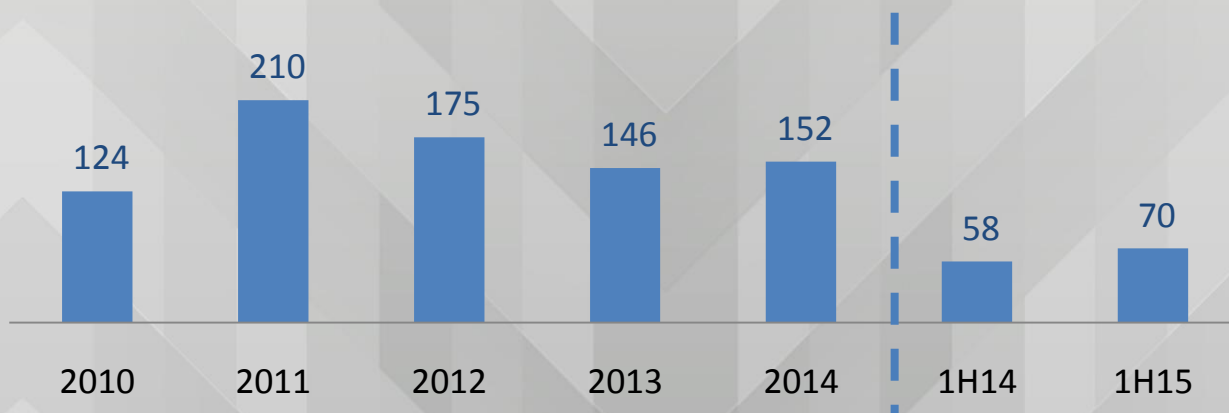
# Working Capital and Investments

## 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, which should revert over the next quarters

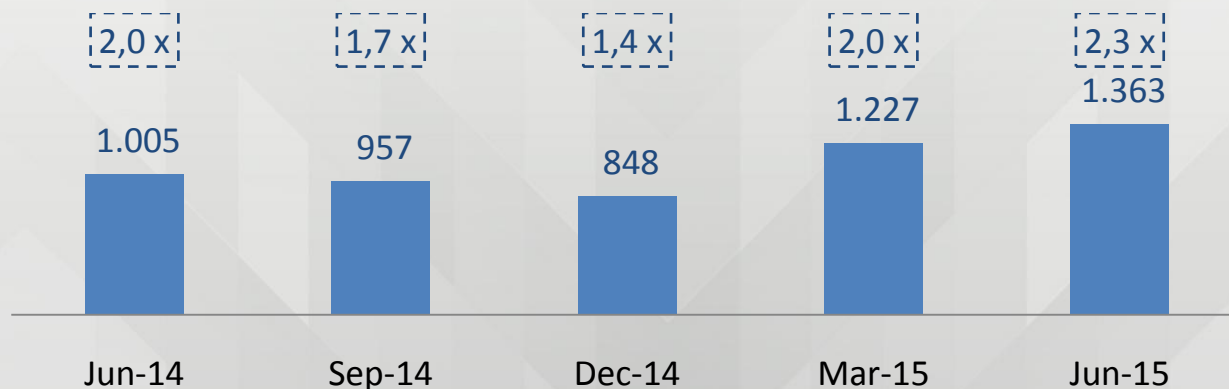
## Investments (R\$ millions)



- More than R\$800 million invested in the last 5 years
- Higher number of store remodelings

# Net Debt and Financial Results

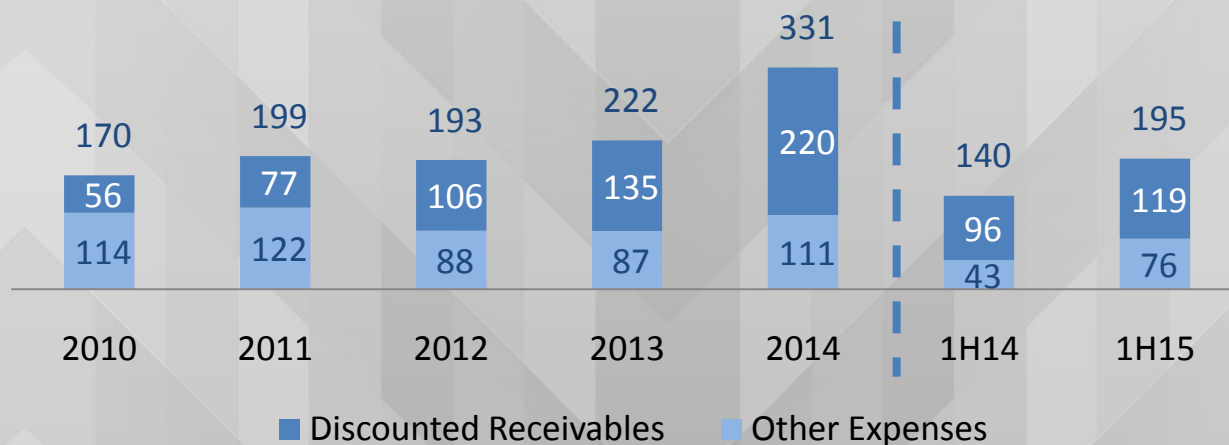
## Net Debt (R\$ millions)



- Increase in leverage to 2.3x EBITDA in Jun-15 from 2.0x in Jun-14, also to improve by year-end.

  Net Debt / EBITDA

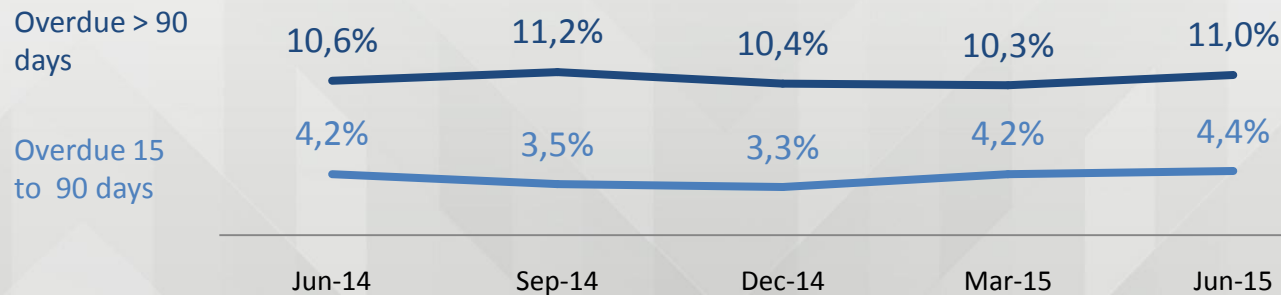
## Financial Results (R\$ millions)



- Increase of 39.6% in net financial expenses to 4.5% of net sales in 1H15 (versus 3.0% in 1H14) due to higher interest rates in the period and change in working capital needs

# Luizacred Highlights

## NPL (% of portfolio)



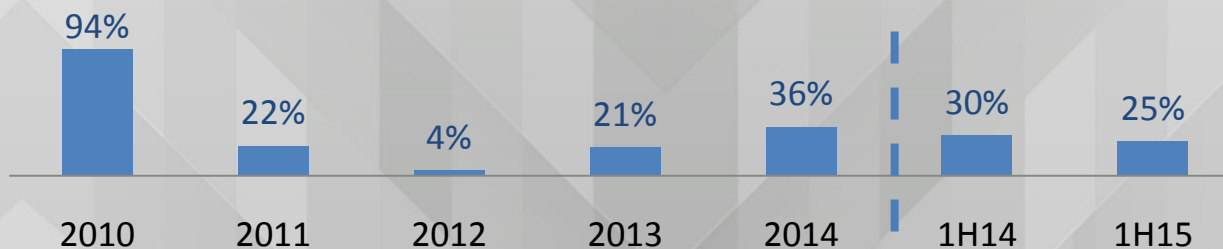
- Improvement in the portfolio risk profile allowed for decrease in provisions, while coverage ratio remained stable

## Net Income (R\$ million)



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

## ROE

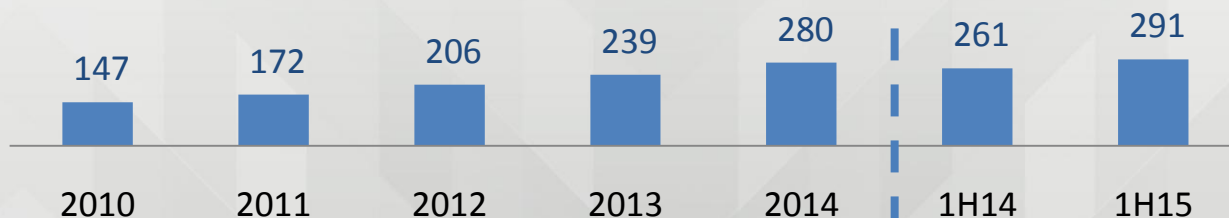


- Luizacred achieved ROE of 25% in 1H15



# Luizaseg Highlights

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



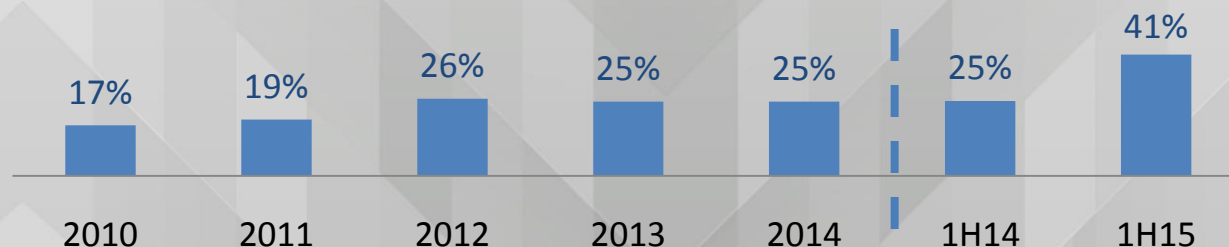
- Cash generation of more than R\$ 40 million in the last 12 months
- Strong dividend payment

## Net Income (R\$ million)



- Consistent profitability

## ROE



- High ROE



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



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



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



Magazine Luiza



@magazineluiza

**Roberto Rodrigues**  
**CFO**

**Daniela Bretthauer**  
**IR Director**

[ri@magazineluiza.com.br](mailto:ri@magazineluiza.com.br)

+5511-3504-2727