



MAGALU

INSTITUTIONAL PRESENTATION
August 2017

COMPANY OVERVIEW



R\$12bi Gross Revenues



28% sales
from e-commerce



50 mm customers



+55% growth
in 2Q17 e-commerce sales



814 stores



+26% growth
in 2Q17 total sales

CLEAR GROWTH DRIVERS...

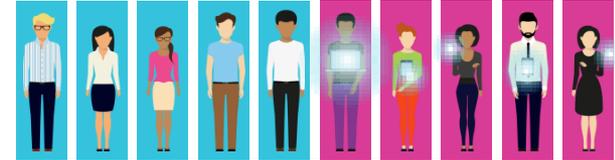
BRAZIL HAS A LARGE AND YOUNG POPULATION...



**+200mm
people**



50% with less than 35 years



50% connected

... COUPLED WITH STRONG SOCIAL MEDIA USAGE AND A SOLID BANKING SYSTEM



**+100mm
users**



**85mm
credit
cards**

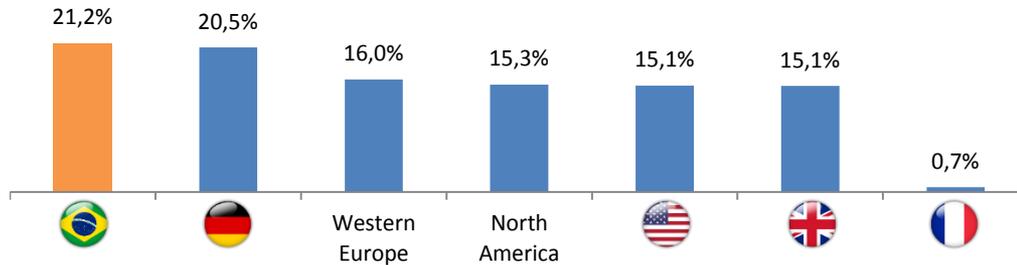


4 banks
among top **20**
downloads

... FOR A THRIVING MARKET

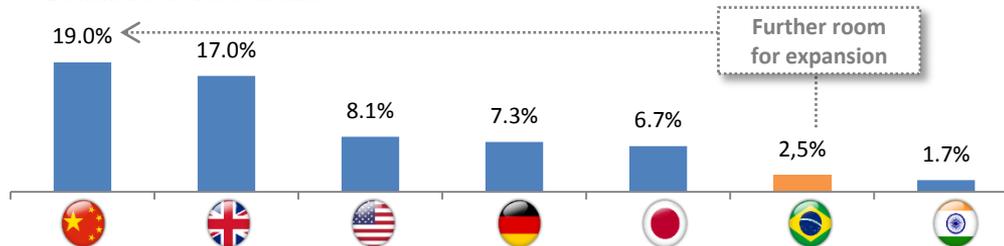
ONE OF THE FASTEST GROWING MARKETS...

E-commerce market CAGR (2010 – 2016)



... WITH FURTHER ROOM FOR EXPANSION

E-commerce as % of total sales

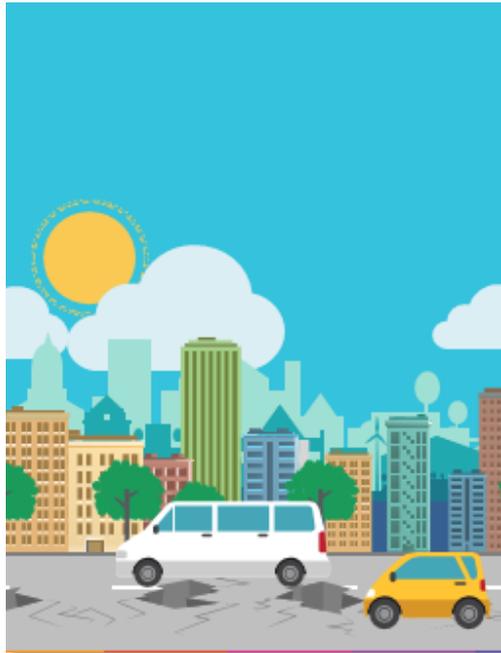


Source: eMarketer and Statista

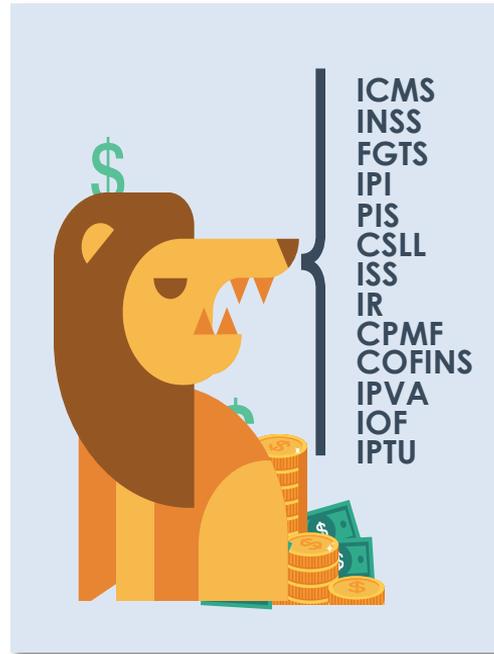
R\$60 billion market

MARKETS WITH STRUCTURAL CHALLENGES

INFRASTRUCTURE



TAXES



COSTS



MAGALU'S DIGITAL TRANSFORMATION...



... IS BASED ON 5 KEY PRINCIPLES



1°  **DIGITAL
INCLUSION**

2°  **MULTICHANNEL
STRATEGY**

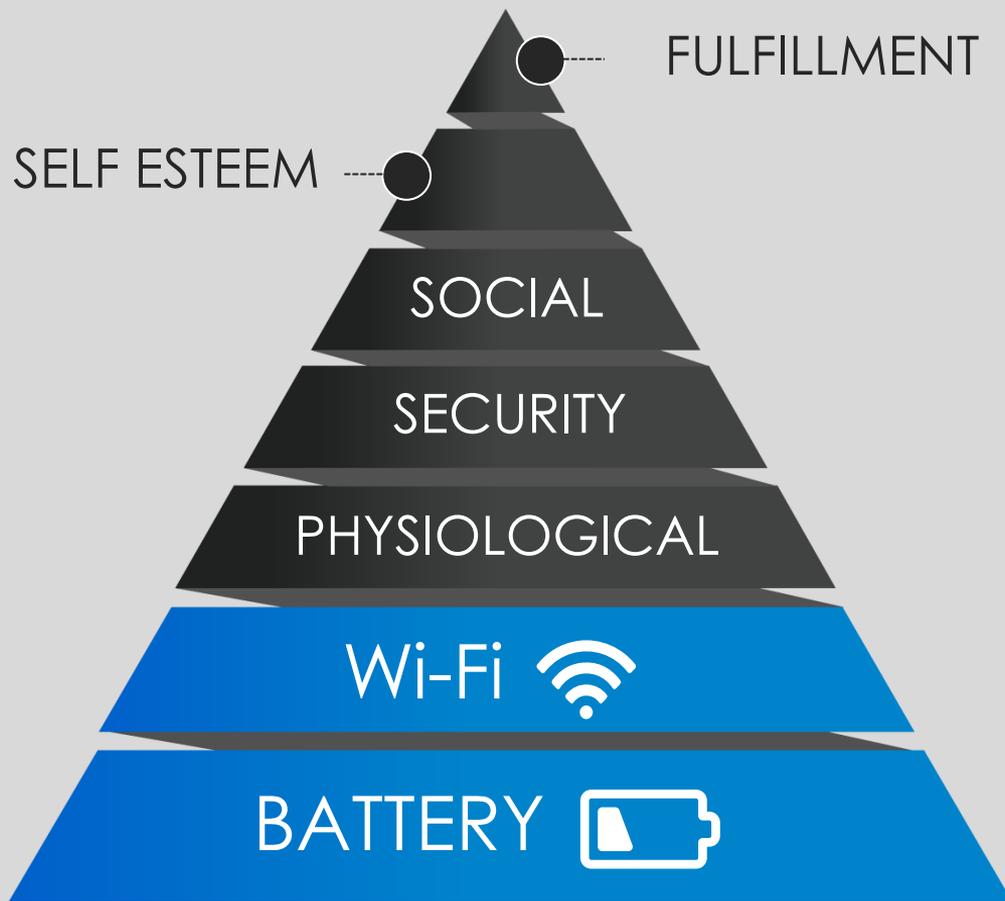
3°  **PHYSICAL STORES
DIGITALIZATION**

4°  **DIGITAL SALES
PLATFORM**

5°  **DIGITAL
CULTURE**



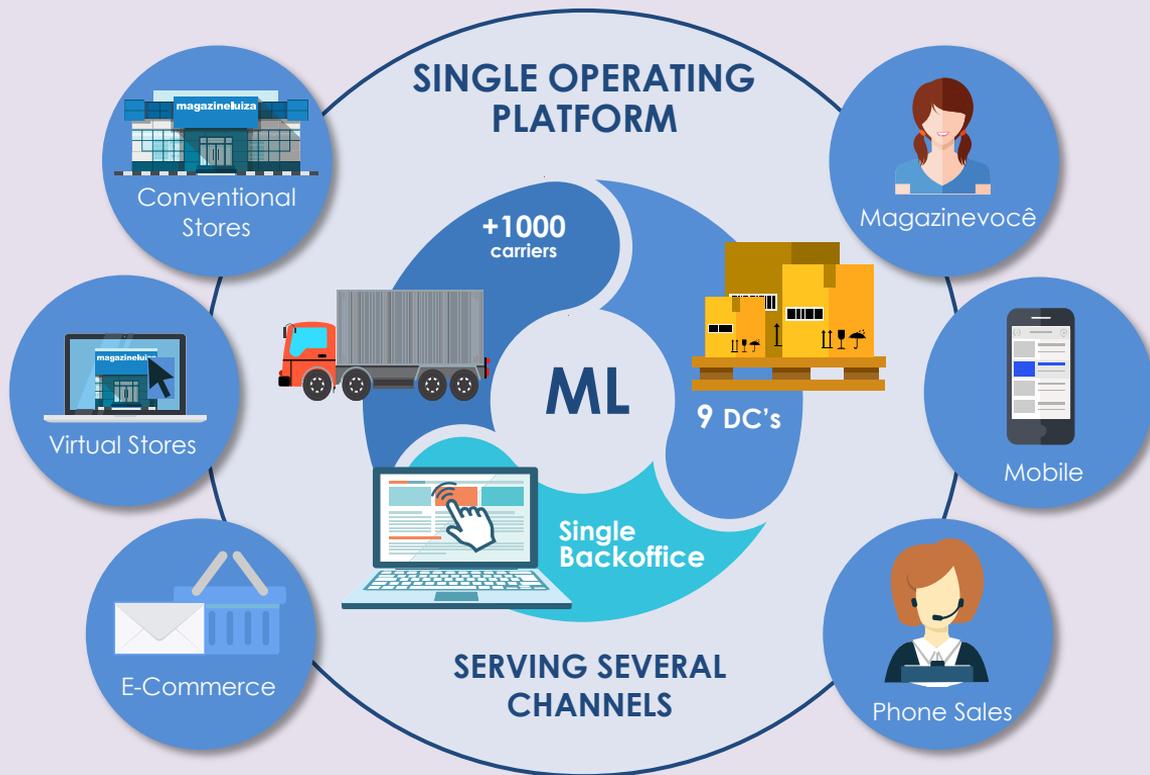
MASLOW'S PYRAMID OF NEEDS





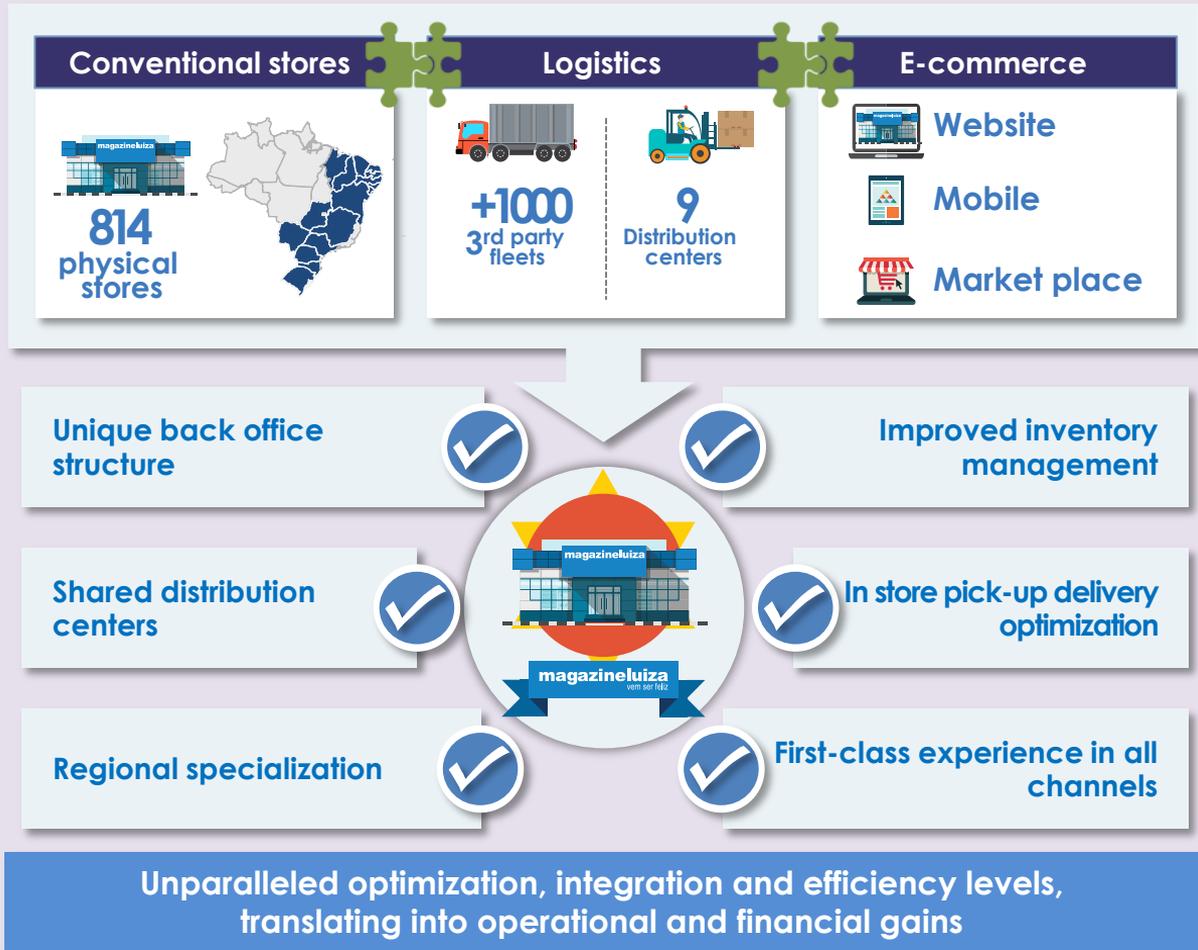
MULTICHANNEL STRATEGY

INTEGRATED MULTICHANNEL OPERATION





MULTICHANNEL STRATEGY



FULLY INTEGRATED LOGISTICS PLATFORM



DIGITALIZATION OF PHYSICAL STORES

PHYSICAL STORES AS TECHNOLOGY HUBS MAXIMIZING CLIENT EXPERIENCE



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

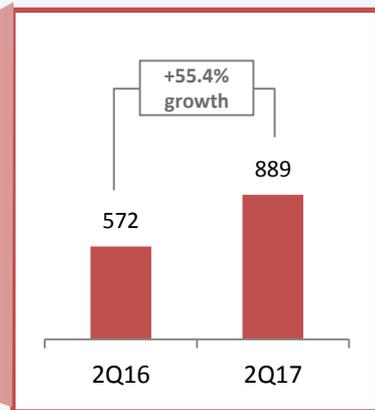
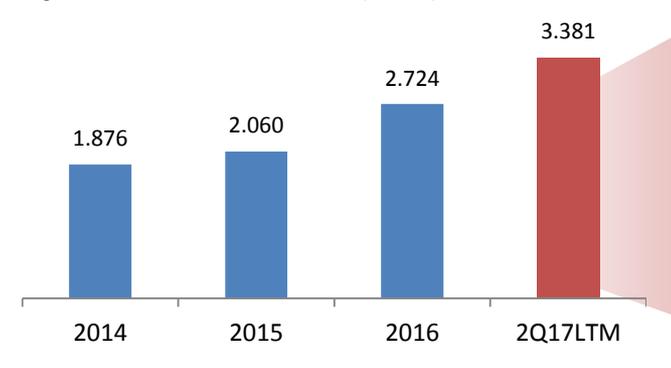


DIGITAL SALES PLATFORM



PROVEN TRACK RECORD ON E-COMMERCE SALES

Magazine Luiza's e-commerce sales (R\$m)



56%

VS.



10%¹

Growth (1H15-1H16)

28% of total sales
from e-commerce as of 2Q17

¹ Brazilian market growth / Source: eMarketer



DIGITAL SALES PLATFORM

PLATFORM?

TRADITIONAL BUSINESS MODEL



PRODUCER



CONSUMER

PLATFORM BUSINESS MODEL



PRODUCERS

PLATFORMS



CONSUMERS



DIGITAL SALES PLATFORM

ONLINE MARKET EVOLUTION





DIGITAL SALES PLATFORM

DIGITAL ARCHITECTURE FOCUSED ON MAXIMIZING THE END USER EXPERIENCE

FIRST CLASS PARTNERSHIPS...



Small and medium size retailers



Leaders in complementary segments



Sellers with focus on customer satisfaction



Industry focused sellers



Direct competitors



Dumping price strategy



Players with informal inventory

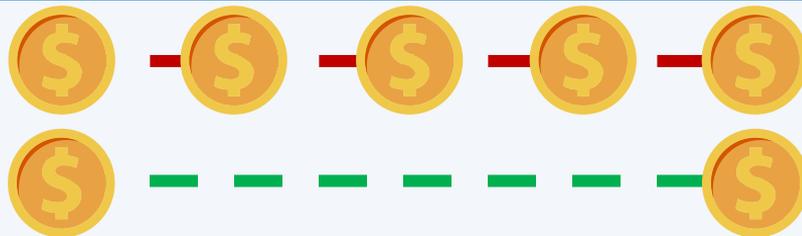


Sellers with poor levels of service



... IMPROVING BUSINESS EFFICIENCY

REDUCING INTERMEDIATIONS TO REDUCE COSTS





DIGITAL SALES PLATFORM

UPSIDE FROM MARKETPLACE DEVELOPMENT

1 st Stage MVP (until Dec-16)	2 nd Stage Expansion (until Dec-17)	3 rd Stage Scale (2018 onward)
<ul style="list-style-type: none"> ✓ Platform stabilization ✓ Customer Service Center (CSC) ✓ Integration with VTEX ✓ Complementary Categories 	<ul style="list-style-type: none"> ✓ New Products Page ✓ Opened APIs ✓ Integration with All Platforms 	<ul style="list-style-type: none"> ✓ Digital Inclusion ✓ Integration with All Channels ✓ Media Management ✓ BackOffice, Delivery and Storage Management

 15 Sellers
 +20k SKUs

 200 – 500 Sellers
 +500k SKUs

 +1k Sellers
 +1 million SKUs

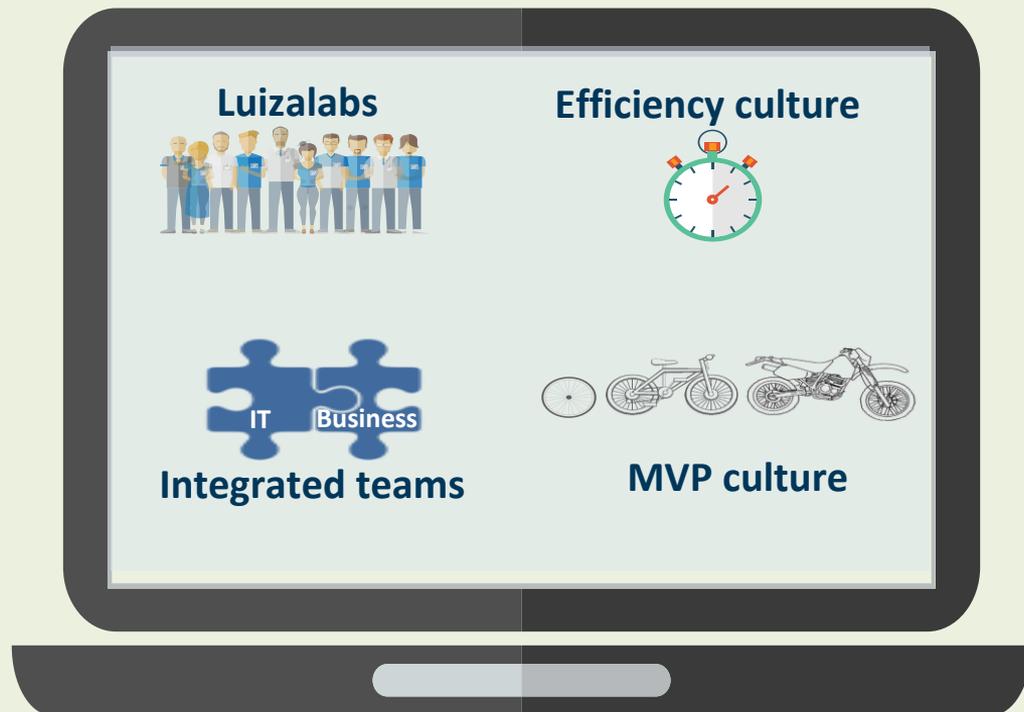
Current sellers





**DIGITAL
CULTURE**

DIGITAL CULTURE WITH DIRECT BUSINESS IMPACTS





IN-HOUSE CAPABILITIES FOR DIGITAL INNOVATIONS

- **Innovation and technology laboratory** part of Magazine Luiza's R&D department
- **Develops** products and services focusing on **offer customers with more benefits** and **better shopping experience**
 - Over 100¹ engineers and developers
 - Innovative solutions for all sales channels
 - Integrated operations among business teams focused developments

■ **In house developed solutions:**



**Quero de
Casamento**

Wedding
website



**Magazine
Você**

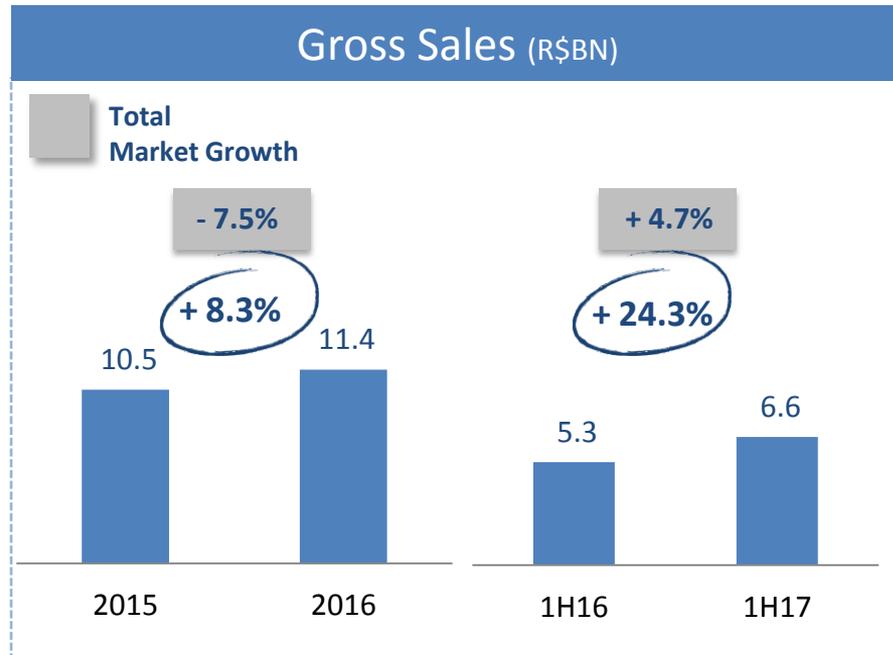
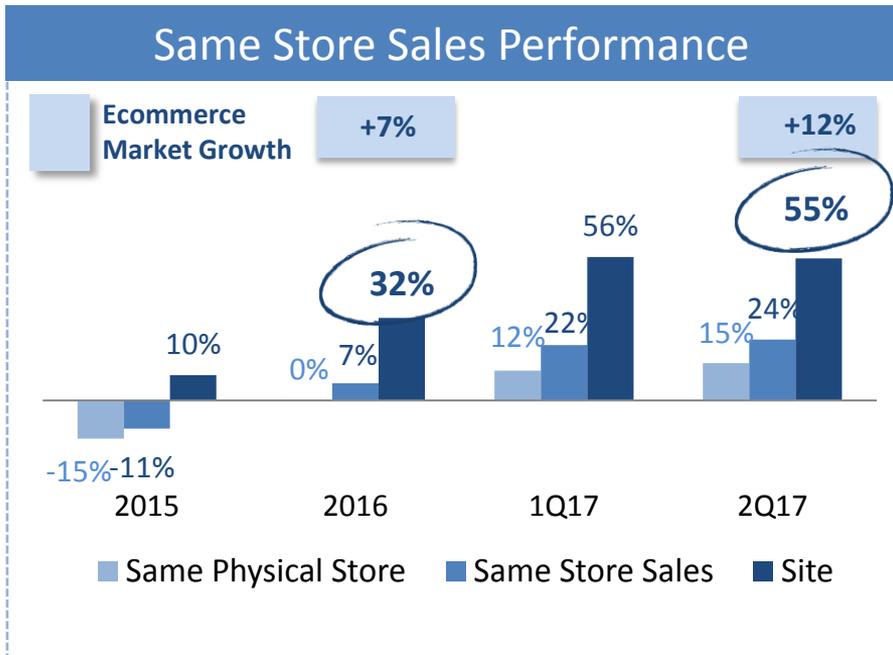
Sales by
social media



**App
Magazine Luiza**

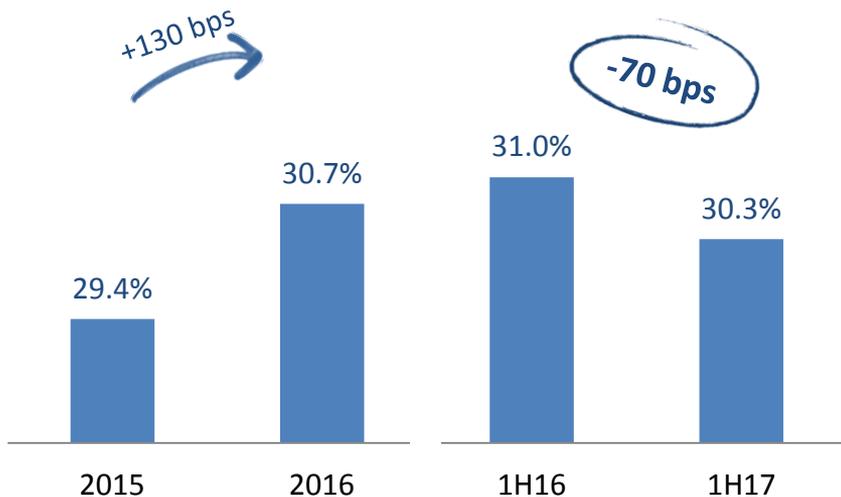
+6 million
downloads

CONSISTENT MARKET SHARE GAINS WITH PROFITABILITY, E-COMMERCE PERFORMANCE A HIGHLIGHT

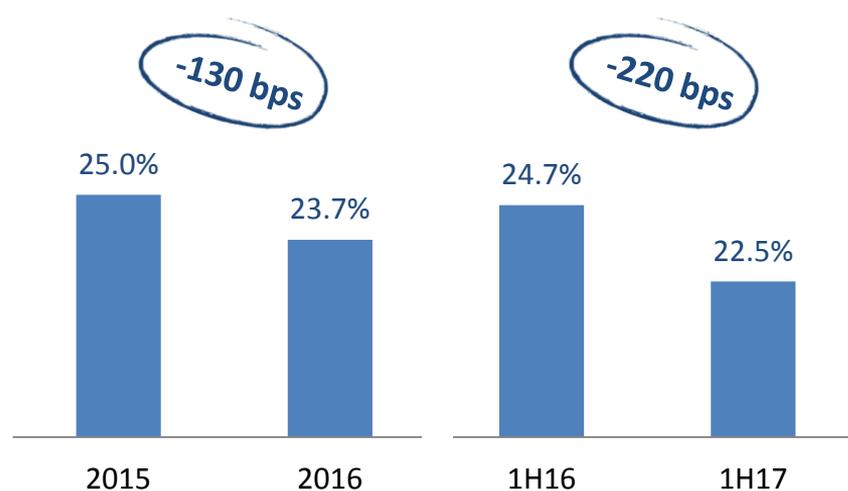


CONSISTENT GROSS MARGIN AND TIGHT EXPENSE CONTROL E-COMMERCE GROWTH AND OPERATING LEVERAGE

Gross Margin (% NR)

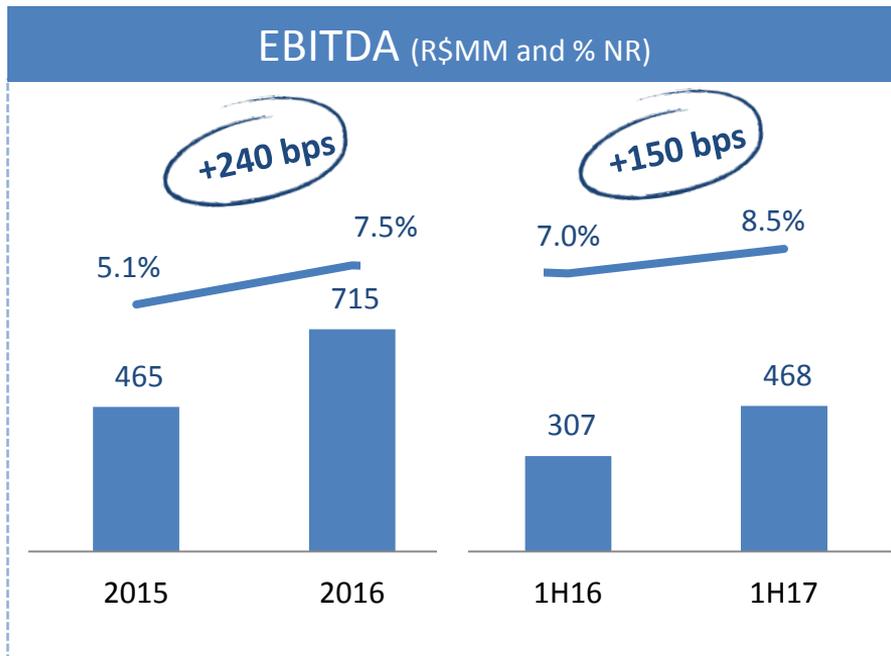


SG&A (% NR)

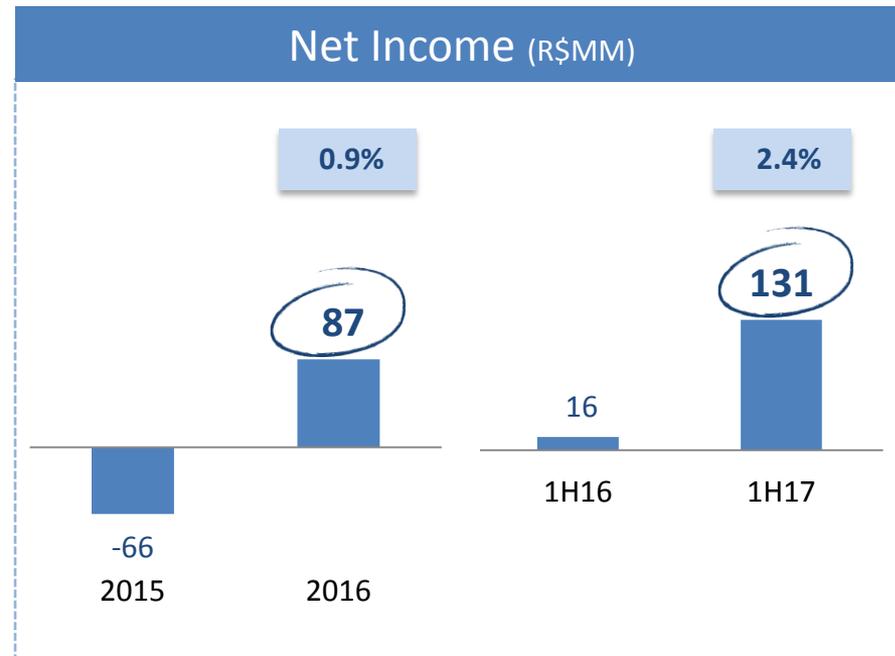


HIGHER PROFITABILITY REFLECTS SALES PERFORMANCE, E-COMMERCE CONTRIBUTION AND EXPENSE CONTROL

EBITDA (R\$MM and % NR)

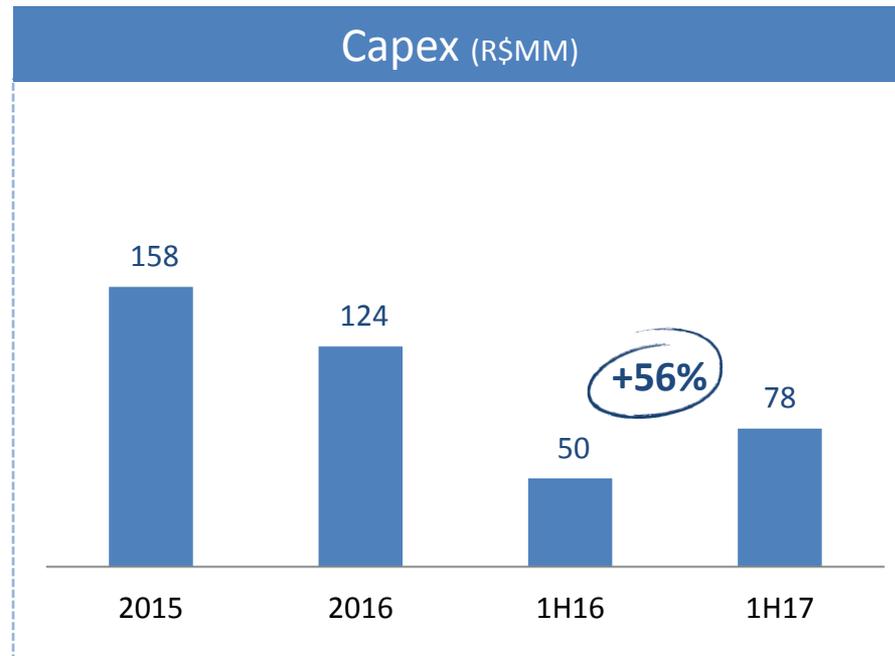
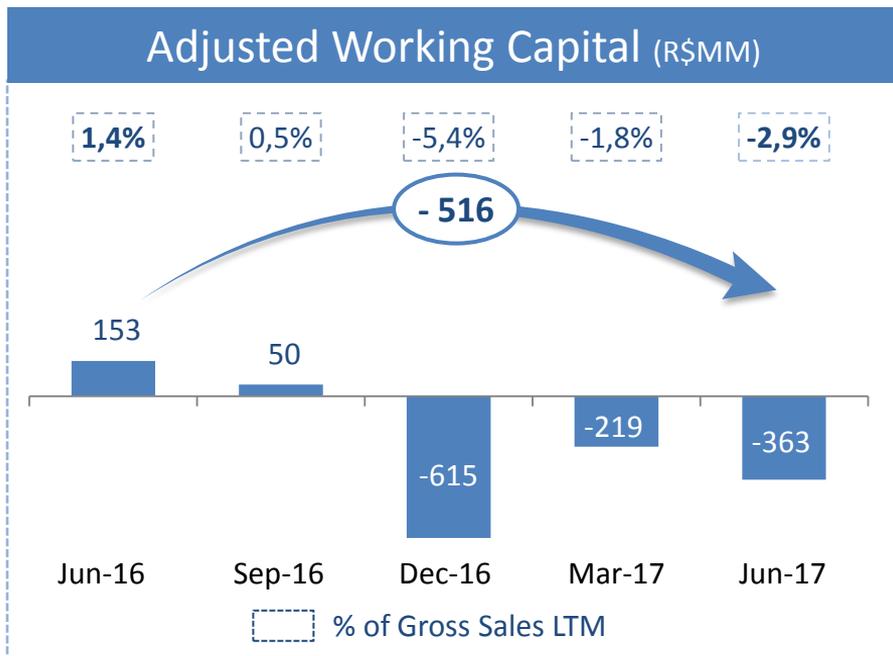


Net Income (R\$MM)



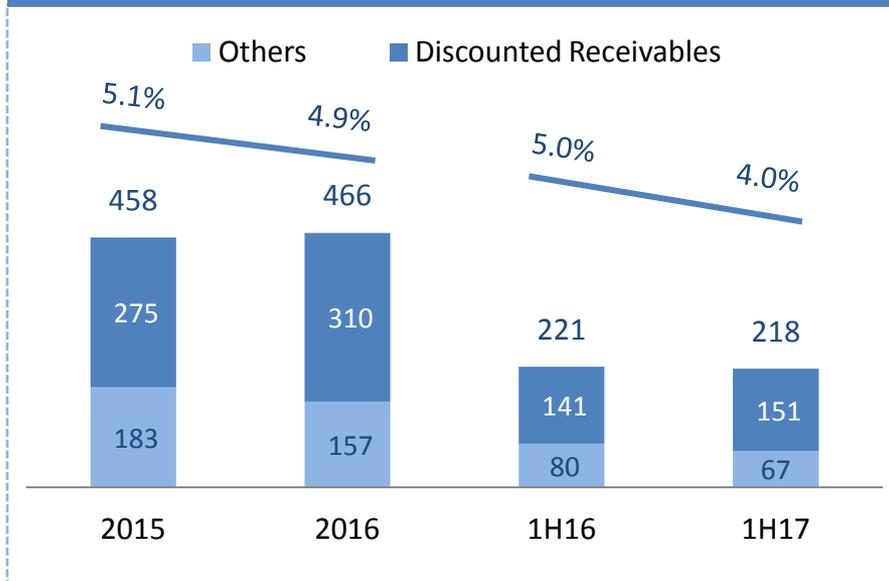
Net Margin

WORKING CAPITAL NEEDS REDUCTION AND GREATER PART OF CAPEX TOWARDS IT AND LOGISTICS

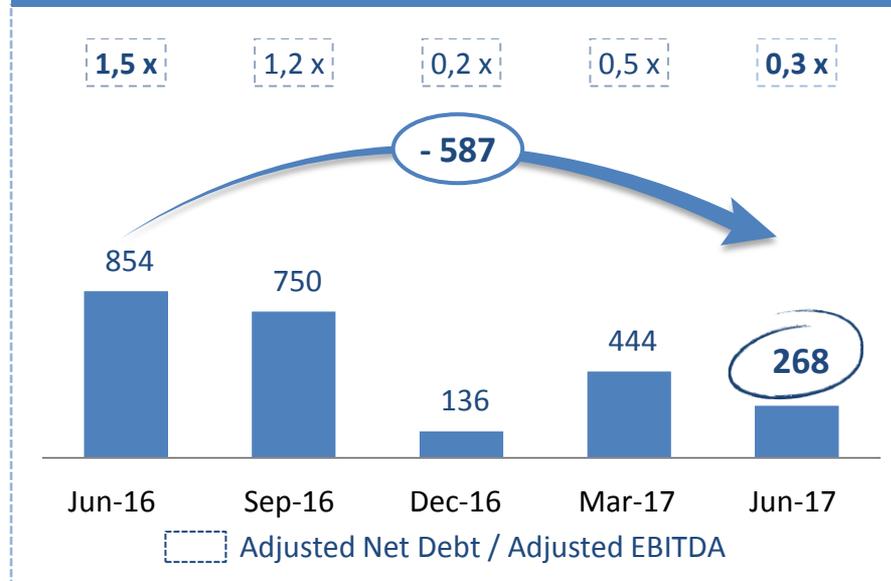


CONSISTENT FINANCIAL RESULTS WITH CONTINUED NET DEBT IMPROVEMENTS

Adjusted Financial Results (R\$ MM and % NR)



Adjusted Net Debt (R\$ MM)



2017 Outlook

- Accelerate and capture our digital transformation projects gains
- Focus in the evolution of Marketplace platform
- Continue to gain market share in a sustainable way
- Improve level of services and customer experience
- 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



THANK YOU