

DIGITAL
TRANSFORMATION



Magazine Luiza

BTG Pactual VII Latin American CEO Conference - NY

October/16

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Overview

Digital Transformation

Financials

Overview



787 stores



R\$12bi Gross Sales



+20k
employees



TARGET
Middle Class

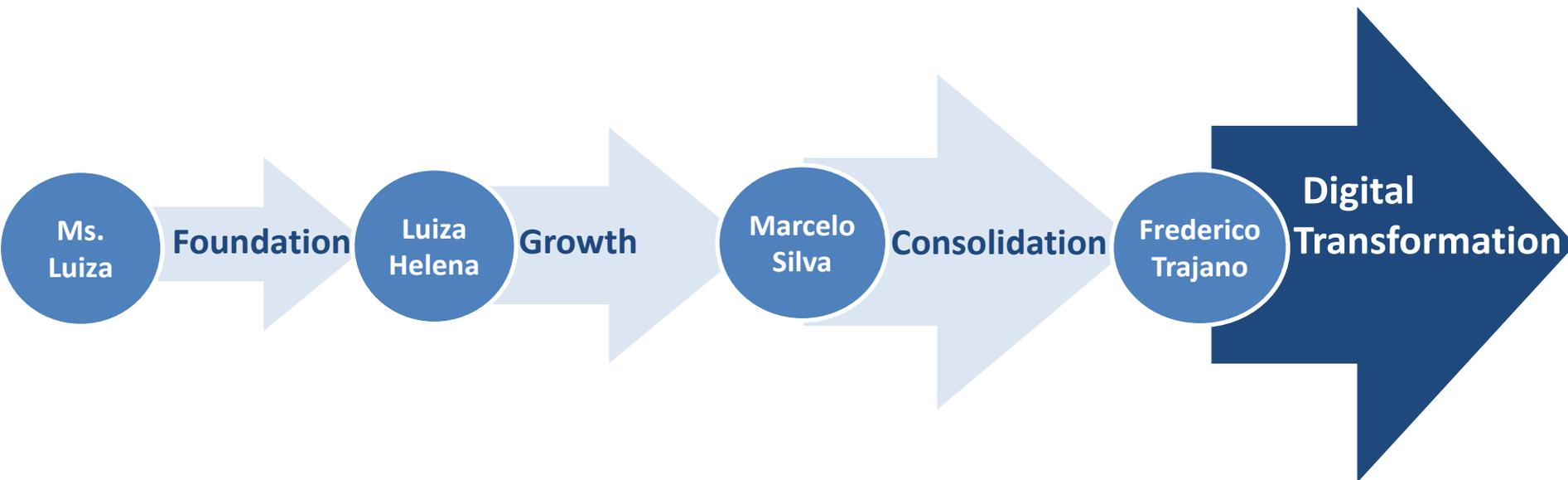
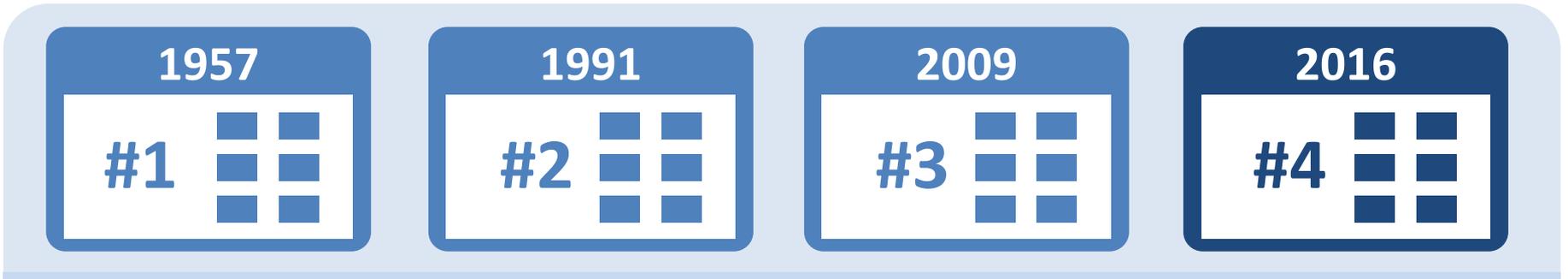


45 million
customers



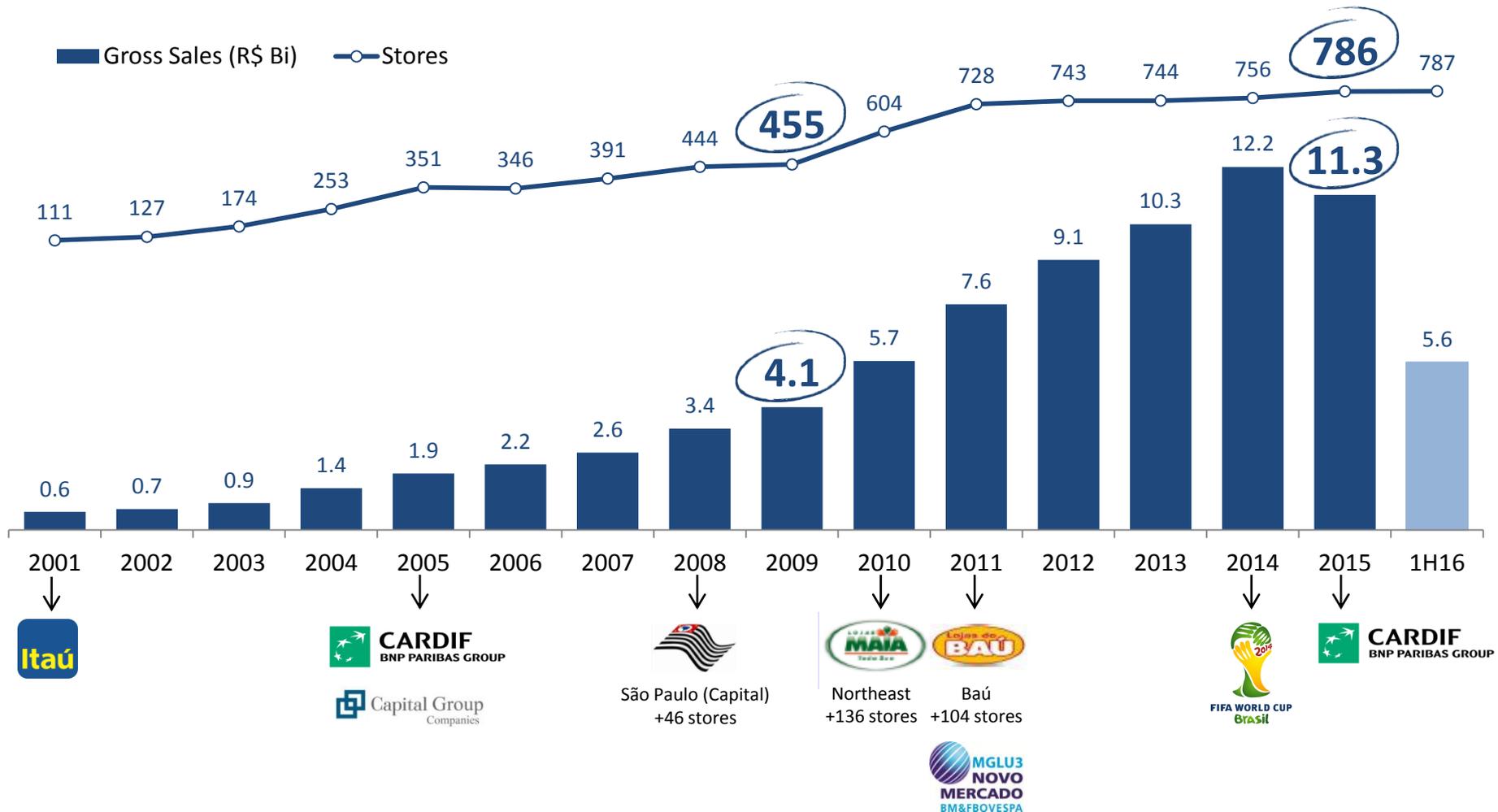
Focus on
**People and
Innovation**

Strategic Cycles



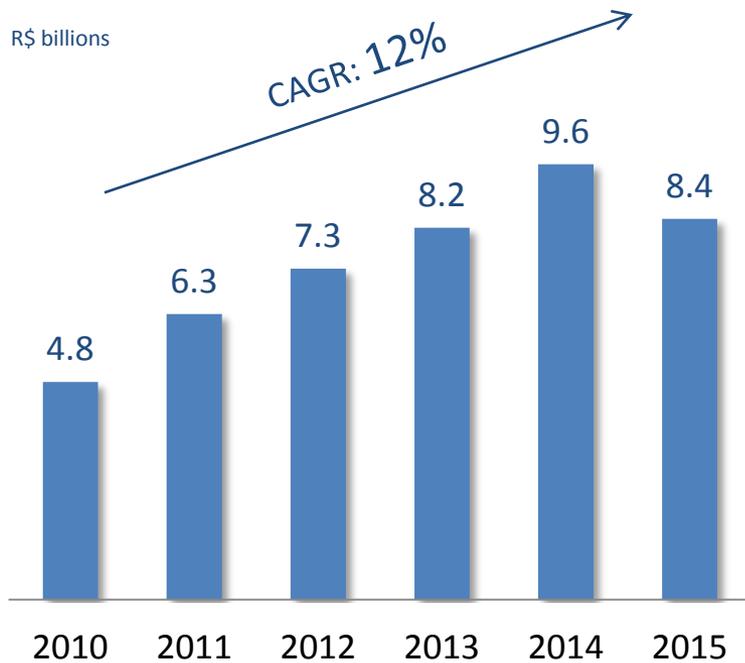
Growth track record

CAGR: **+23%**

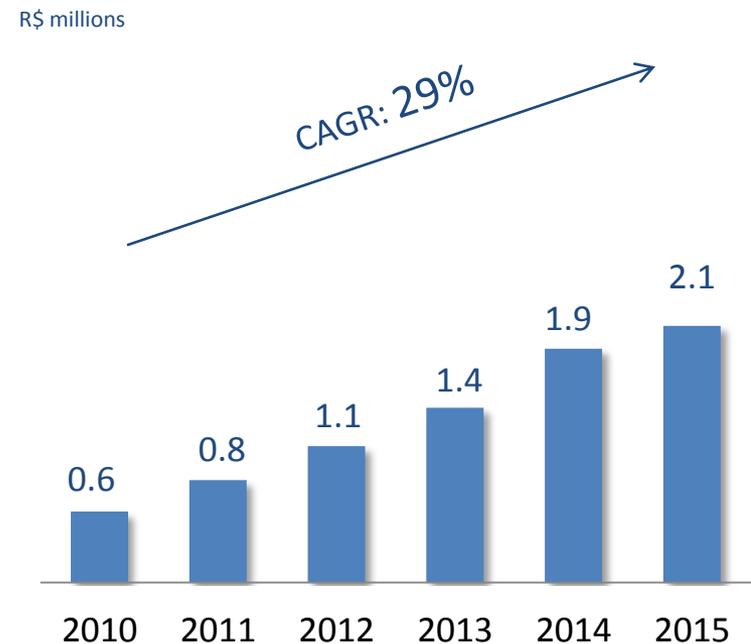


Strong growth on and offline

Brick and mortar sales



E-commerce sales



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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



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

From:

Traditional brick and mortar retailer with
online presence



Digital Transformation

To:

Digital company with points of sales and
human affection



Strategic Pillars



1°



**MULTI
CHANNEL**

2°



**DIGITAL
INCLUSION**

3°



**DIGITAL
STORES**

4°



**DIGITAL
PLATFORM**

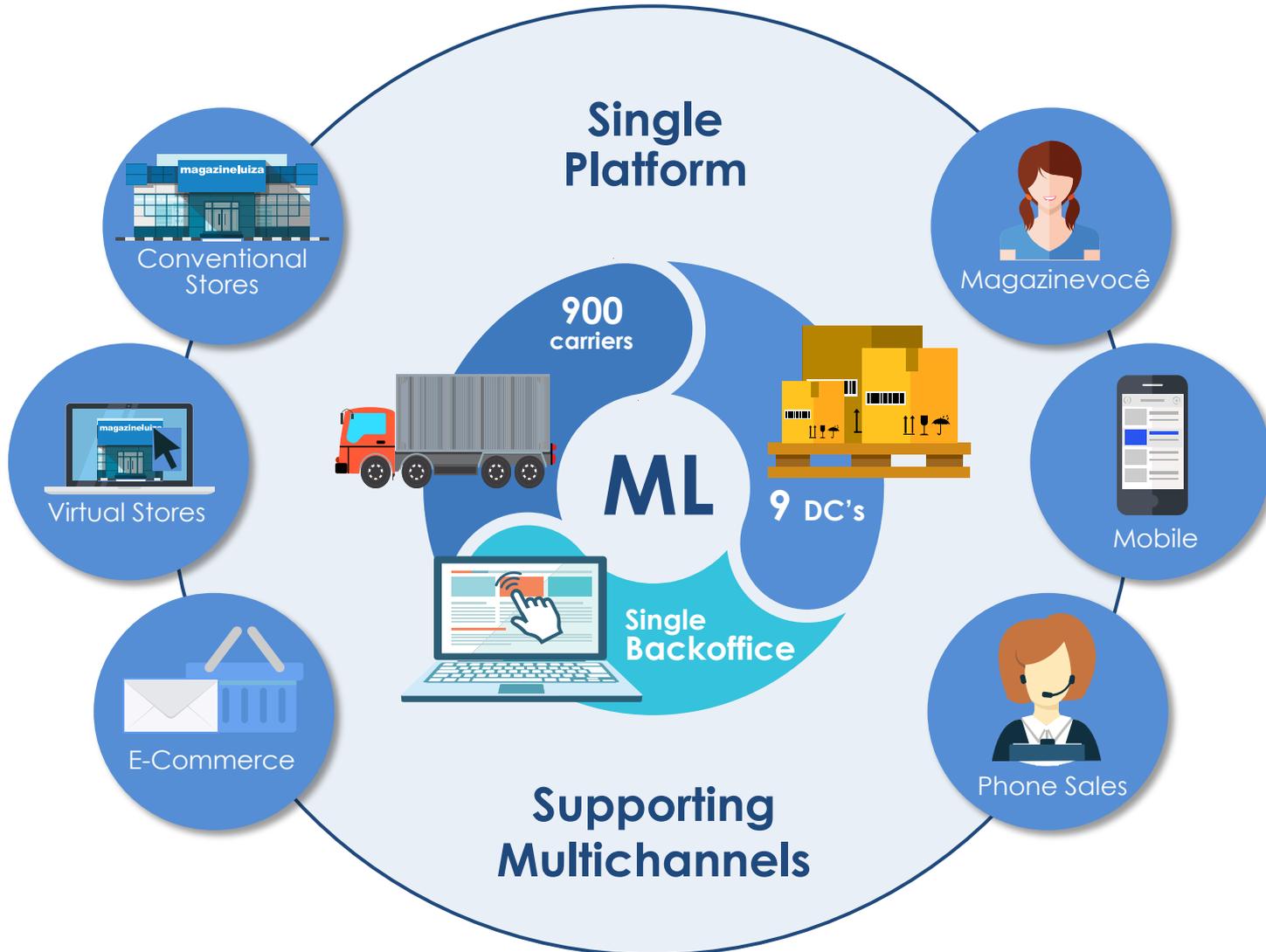
5°



**DIGITAL
CULTURE**



Multichannel





Some multichannel figures

Sales



- + 30% of growth in 1H16 (+5% in Ebit)
- 22% of total sales in 1H16 (+5 p.p. YoY)
- Market share gains with increase profitability

App



- + 2MM downloads
- + 10% of share in audience (+7 p.p. YoY)
- + 10% of total sales in site (+8 p.p. YoY)

Mobile Site



- ~40% of share in audience (+8 p.p. YoY)
- +10% of total sales in site (+1 p.p. YoY)

Pick up at Store

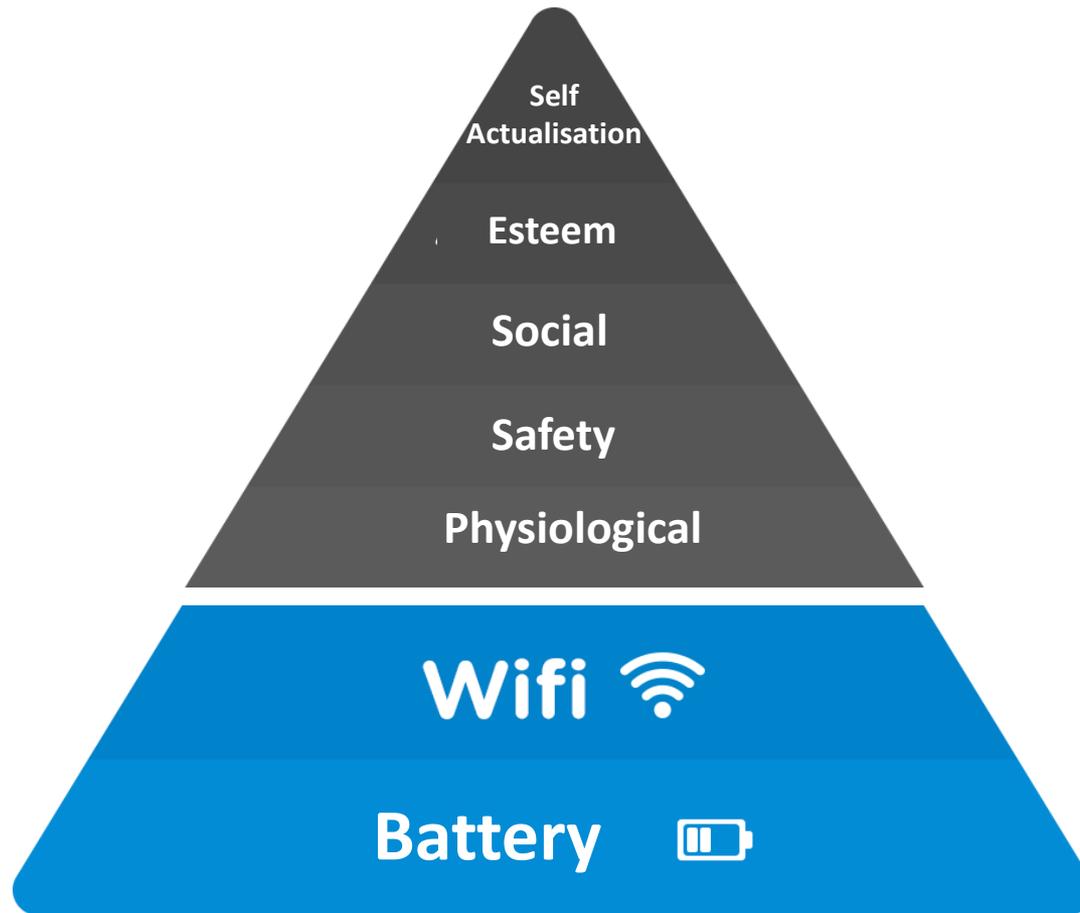


- + 300 stores
- + 28% of customers didn't know the store
- + 15% purchased some product / additional service



Digital Inclusion

Maslow Hierarchy of Needs





Digital Stores





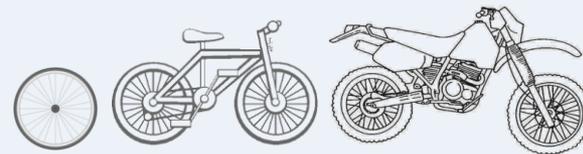
Digital Culture

Luizalabs



Integrated Teams

Agility Culture



MVP Culture (Minimum Viable Product)



Developing projects

Project	Today (% of total stores)	Dec/17* (% of total stores)
Wifi for Store	100%	100%
Mobile Sales	78%	100%
Mobile Inventory	15%	100%
Mobile Pin Pad	13%	100%
Pick up at Store	40%	100%
New mobile showroom	70%	100%
Accessories/Games	10%	100%
BuyBack Program	10%	100%
You Digital	Pilot	100%
Content Card	Pilot	100%
Postpaid Mobile Plans	Pilot	100%

* These deadlines may still change.



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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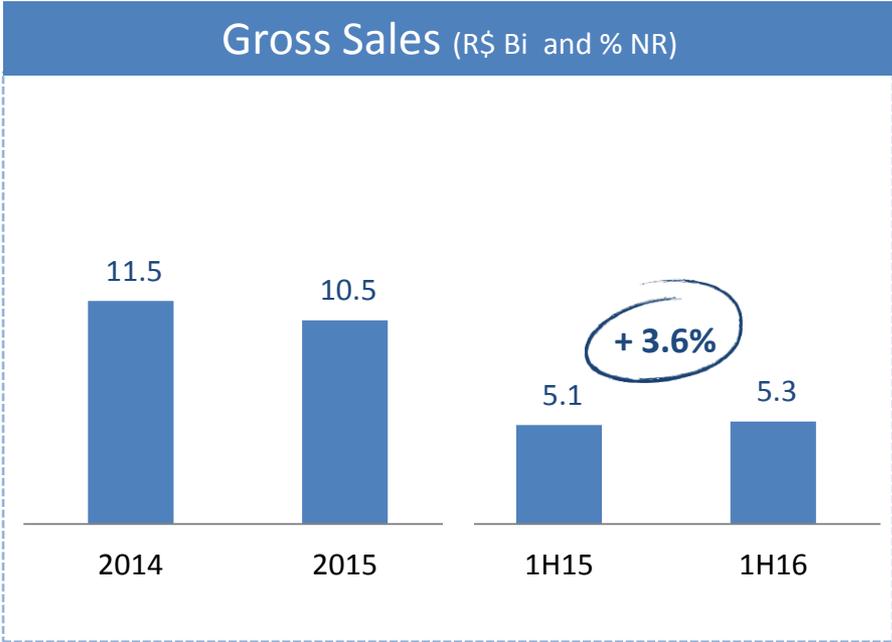
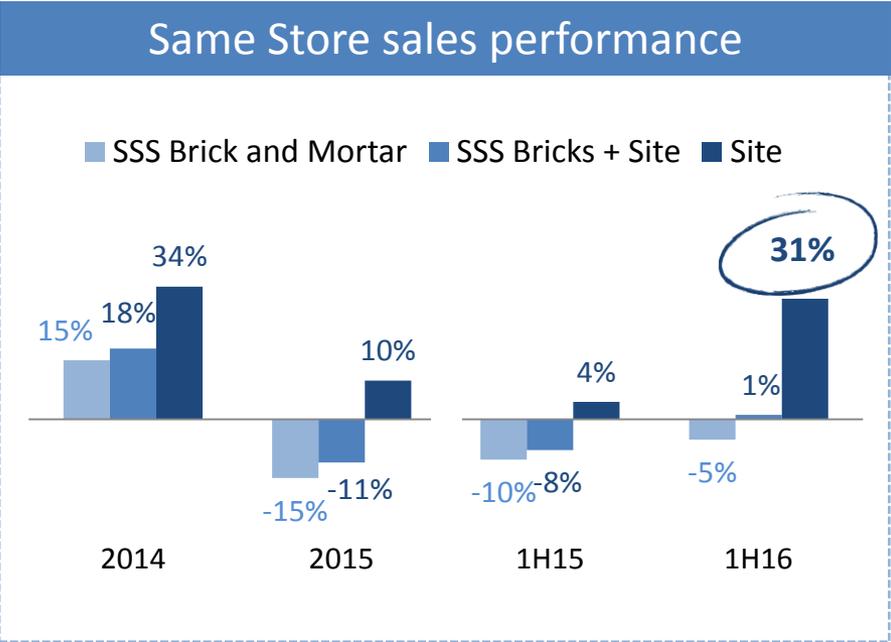
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Sales Trends

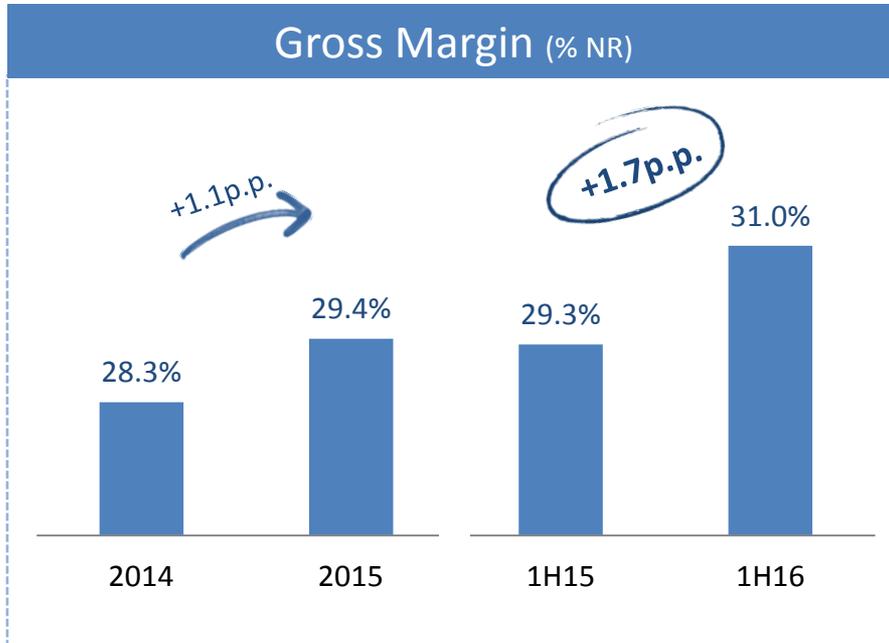
Consistent market share gains with profitability, E-commerce performance a highlight



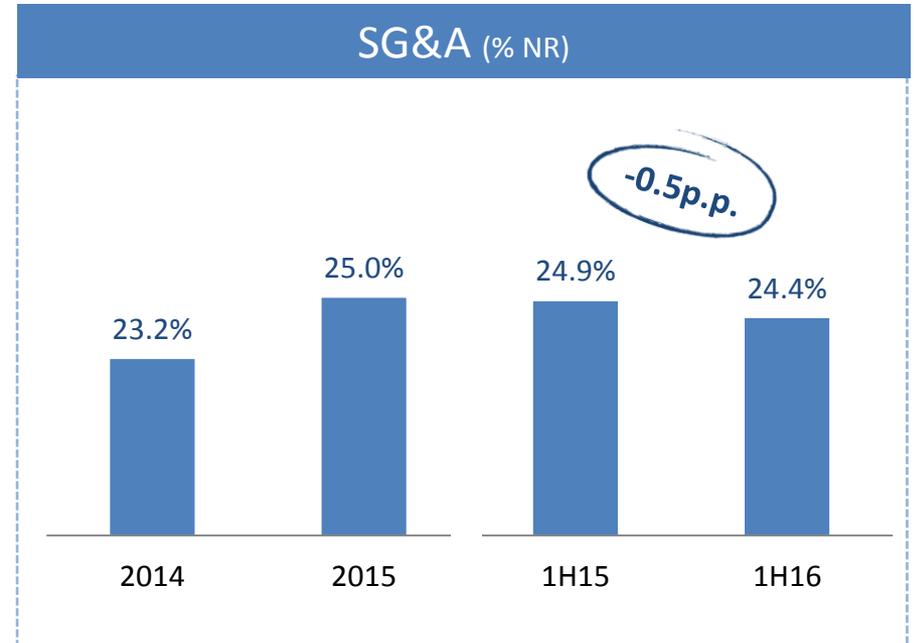
Gross Margin and Operating Expenses

Higher gross margin and
Tight expense control

Gross Margin (% NR)



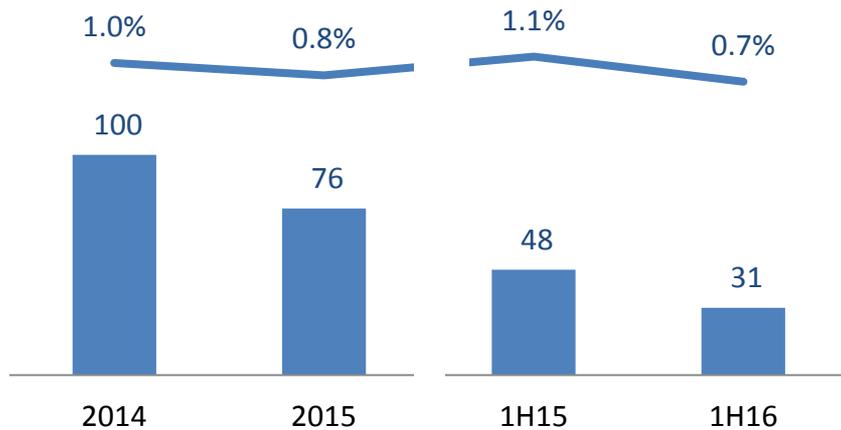
SG&A (% NR)



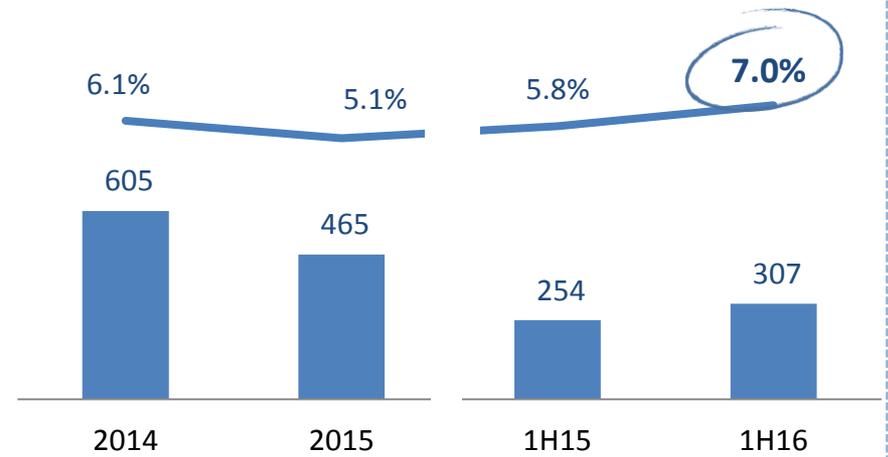
Equity Income and EBITDA

Higher EBITDA reflects higher gross margin and expense control

Equity Income (R\$ MM and % NR)

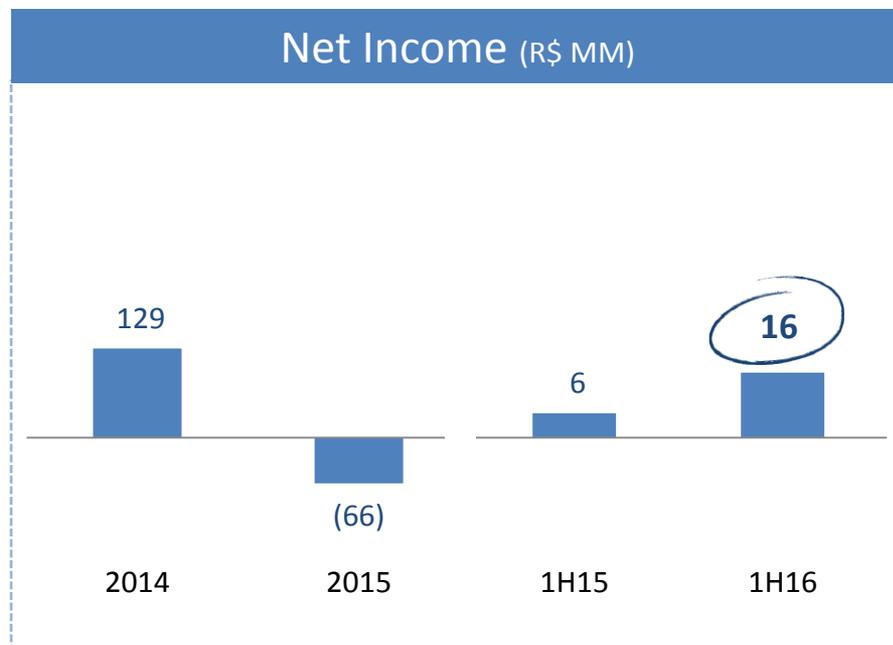
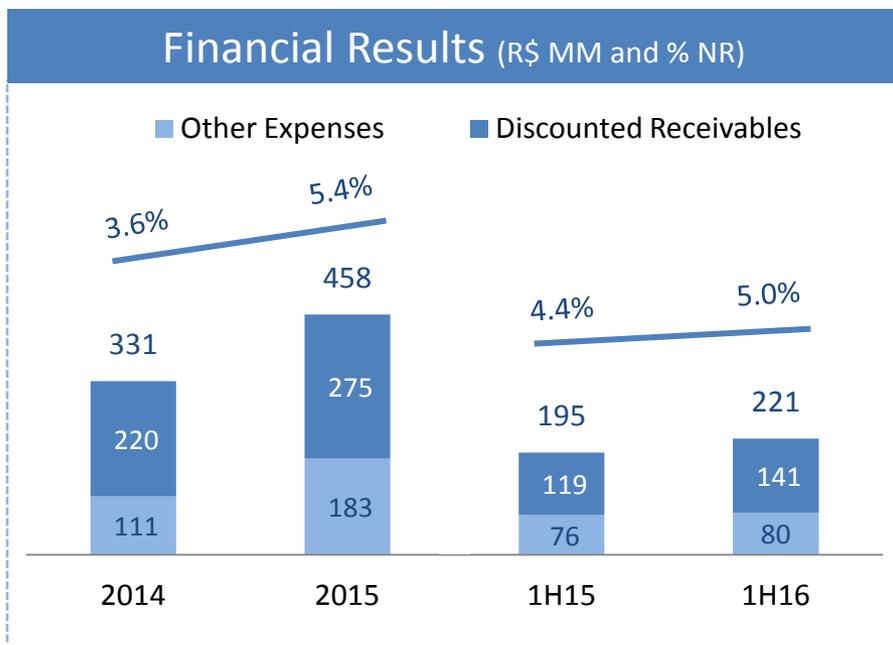


EBITDA (R\$ MM and % NR)



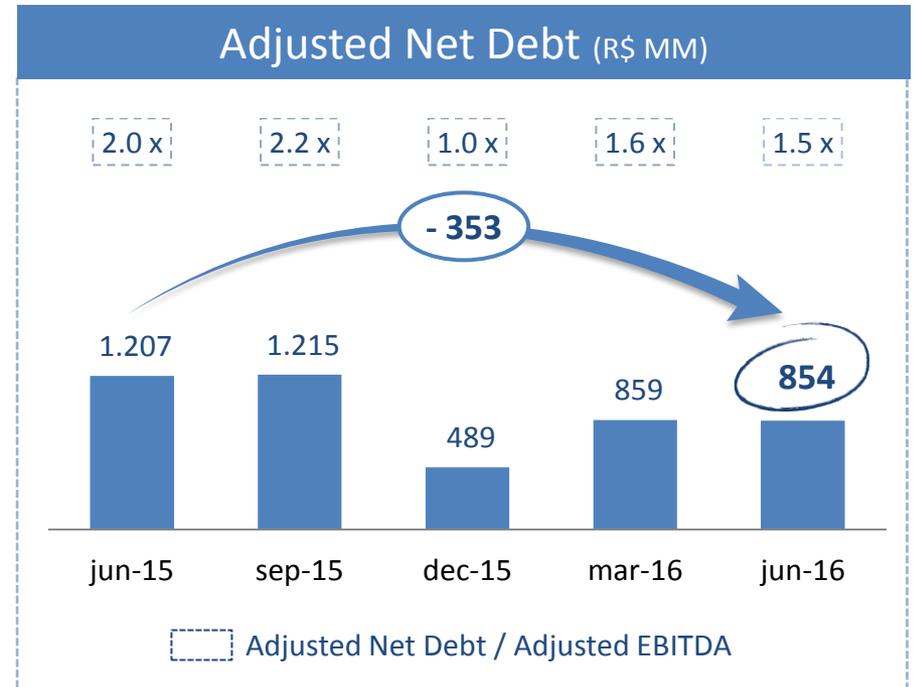
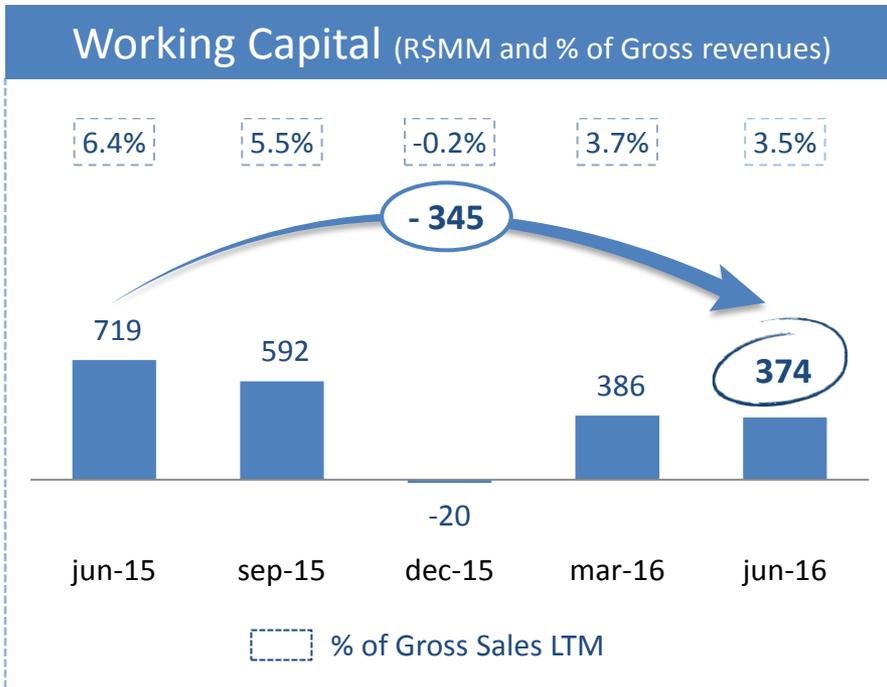
Financial Results and Net Income

Net income jumps 166% to R\$16 million
Adjusted net income of R\$32 million in 1H16



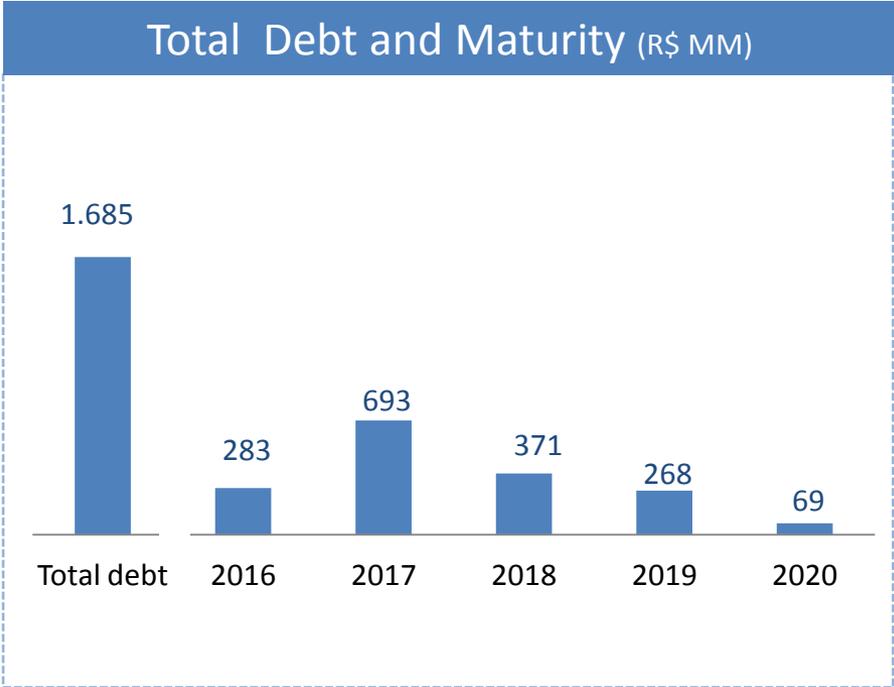
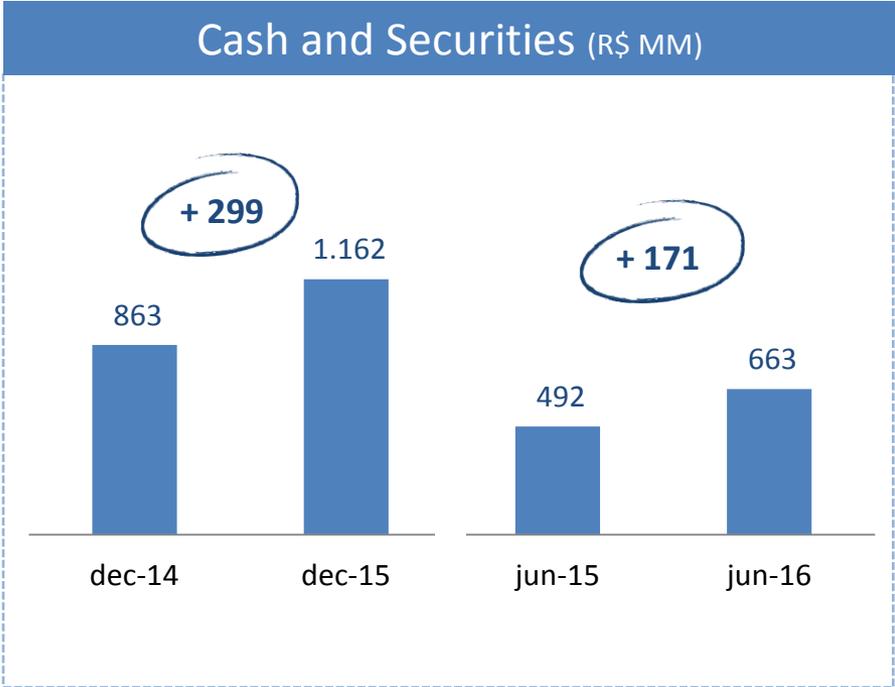
Working Capital and Adjusted Net Debt

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



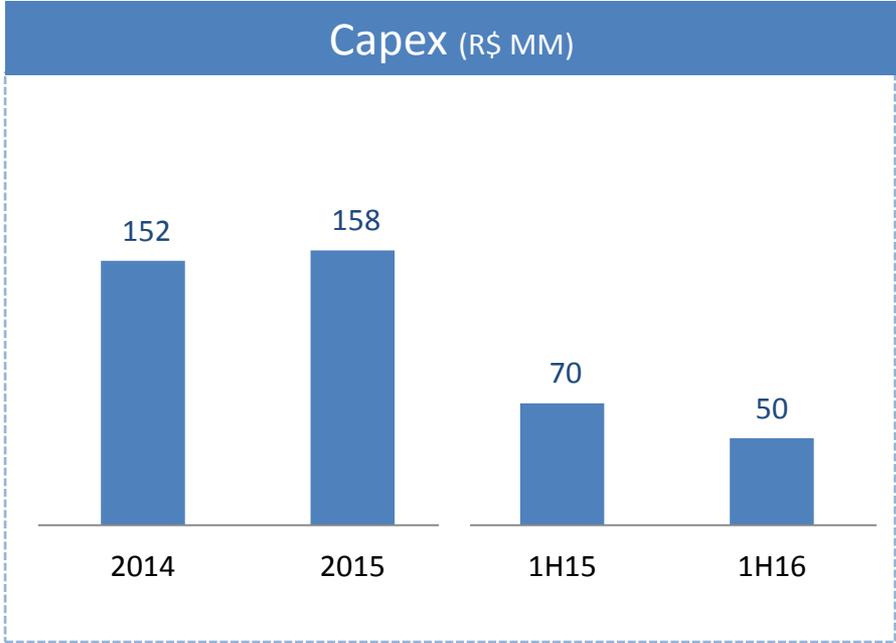
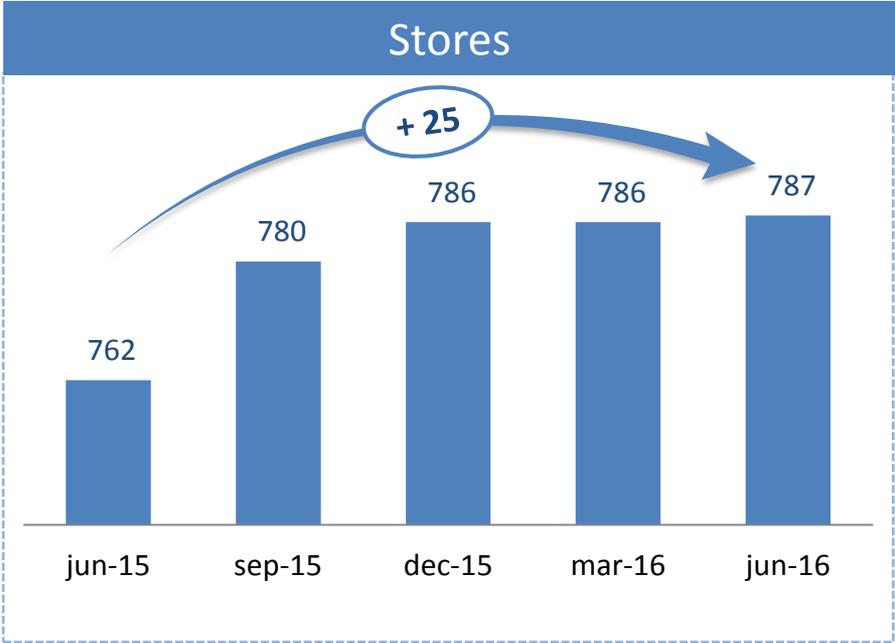
Capital Structure

Increase in cash and in debt profile



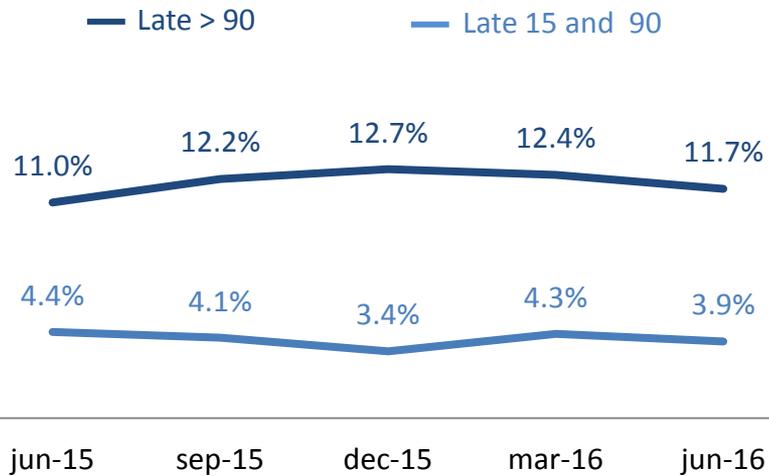
Store openings and Capex

25 new store opened in last 12 months
Greater part of capex towards IT and logistics

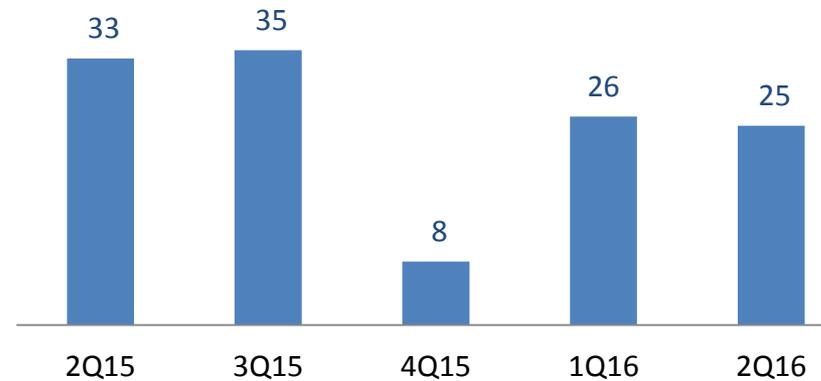


Improved profitability and revenue growth (+5%)

NPL (% of portfolio)

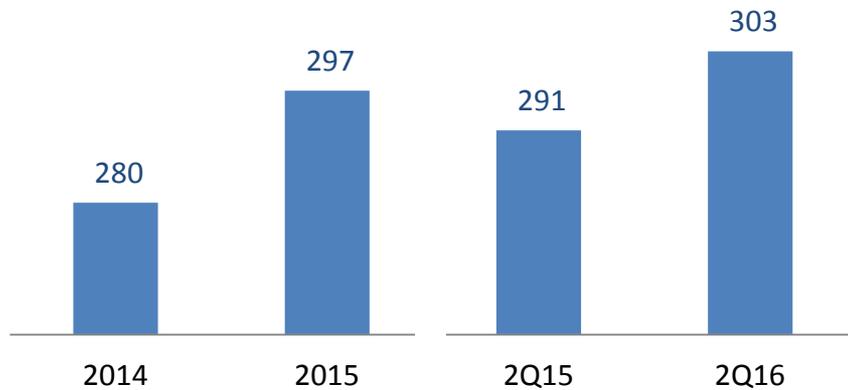


Net Income (R\$ MM)

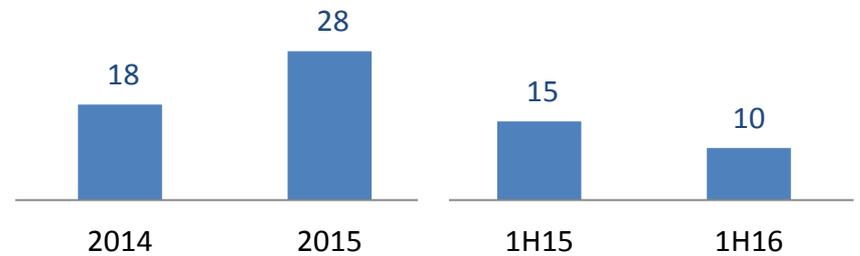


Important partnership to offer insurance services Strong cash flow generation

Cash and securities (R\$ MM)



Net Income (R\$ MM)



2016 Outlook

- Accelerate the implementation of digital transformation projects
- Continue to gain market share in a sustainable way
- Focus in the initiatives to reduce costs and expenses
- Maintain our conservative credit policy
- Ongoing efforts to improve working capital management
- Keep the Company among the best to work for in Brazil (as per GPTW ranking)



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