



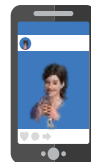
MAGALU

INSTITUTIONAL PRESENTATION
February 2018

COMPANY OVERVIEW



R\$13.4bn Gross Revenues LTM



30% of e-commerce

Share of total sales (3Q17)
vs. 25% in 3Q16



10m Active customers



3m Luizacards



20m unique visitors¹
digital channels



858 Stores (2017)

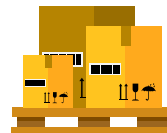


Focus on
People and innovation

FINANCIAL HIGHLIGHTS: STRONG RESULTS...



+55% E-commerce
growth in 3Q17



30.9% gross margin
-80bps vs. 3Q16



+19% Physical Stores
growth in 3Q17



22.1% SG&A
-160 bps vs. 3Q16



+27% Gross Revenues
growth in 3Q17



8.8% EBITDA margin
+80 bps vs. 3Q16

...COUPLED WITH STRONG PROFITABILITY AND FINANCIAL DISCIPLINE



3.2% Financial Expenses
-240 bps vs. 3Q16



R\$92m Net Income
(vs. R\$25m in 3Q16)



ROIC: 36%^(3Q17)
ROE: 43%^(3Q17)



R\$974m Cash Flow
from Operations (LTM)



R\$546m in Working Capital
Improvement (LTM)



R\$722m Net Debt
Reduction (LTM)

CLEAR GROWTH DRIVERS...

BRAZIL HAS A LARGE AND YOUNG POPULATION...



206m
people



~56% less than 35 years old



68%
connected
in 2016

... COUPLED WITH STRONG SOCIAL MEDIA USE, SOLID E-COMMERCE GROWTH AND A ROBUST BANKING SYSTEM



+120m users



48m
active e-commerce users



84m credit cards



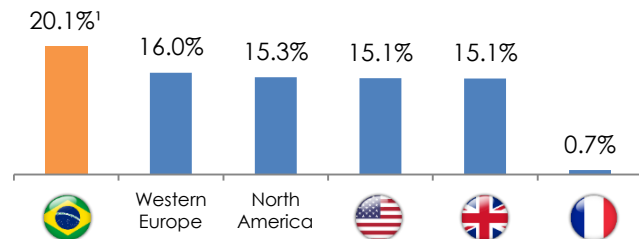
R\$699bn
In payments
done through
credit cards

Source: IBGE, Internet Worldstats, We Are Social, E-bit and ABECs

... FOR A THRIVING MARKET

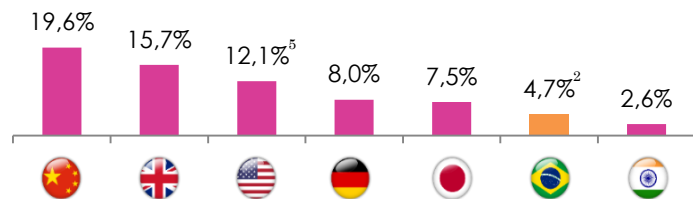
ONE OF THE FASTEST GROWING MARKETS ...

E-commerce market CAGR (2010 – 2016)



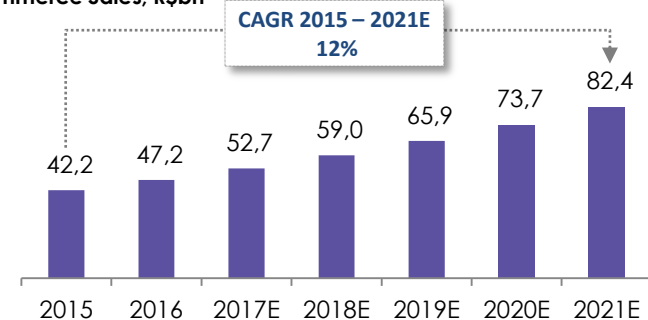
... BUT ONLINE RETAIL IS JUST GETTING STARTED ...

E-commerce as % of retail sales, 2016



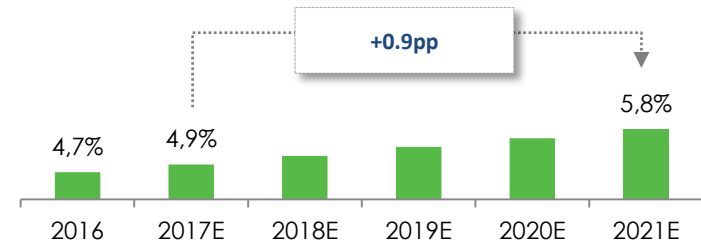
... EXPECTED TO GROW EVEN FURTHER ...

E-commerce Sales, R\$bn³



... WITH FURTHER ROOM FOR EXPANSION

E-commerce as % of retail sales



Source: E-bit, Euromonitor, eMarketer

¹ E-bit; ² Euromonitor; ³ Implied market values from '2017E-'2020E assuming 12% expected CAGR from '2015-'2021E; ⁴ Market size expected for 2017E; ⁵ Excluding auto, gas and food sales

MARKETS WITH STRUCTURAL CHALLENGES

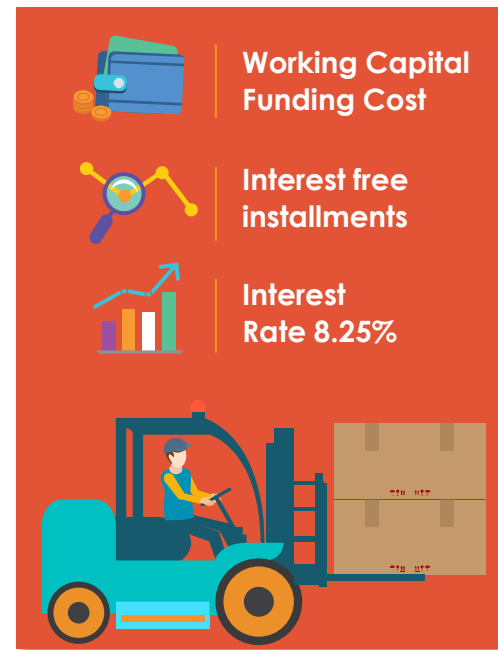
INFRASTRUCTURE



TAXES



COSTS



MAGALU'S DIGITAL TRANSFORMATION...



... IS BASED ON 5 KEY PRINCIPLES





OMNICHANNEL
STRATEGY

THE ONLY PLAYER WITH A TRULY OMNICHANNEL OPERATION

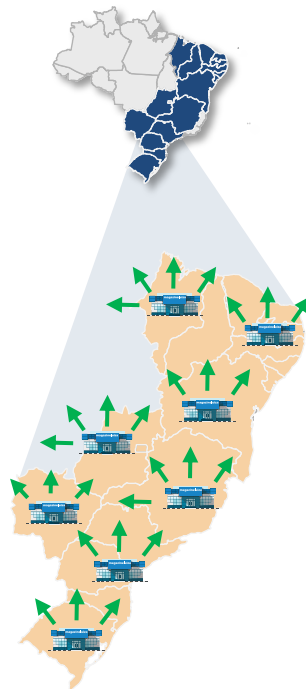




OMNICHANNEL STRATEGY

FULLY INTEGRATED LOGISTICS PLATFORM

Luiza Network



Integrated nationwide
logistics & distribution
capabilities

Shoppable Distribution Centers



858 stores
Shoppable
Distribution
Centers
(SDC)



1.9
million sf of storage
area in SDCs



Logistics & distribution capabilities



+1,3k Delivery
Partners



10 Distribution
Centers
(DC)



3.5
million sf of
storage area in DCs



5.4

million sf of total storage
area (stores and DCs)



Shared distribution
centers



Integrated ERP

Faster and cheaper
last mile delivery



Free in store pick-up
mostly up to 48hrs





DIGITAL STORES

WHY OUR
PHYSICAL
STORES WILL
THRIVE IN THE
DIGITAL
ECONOMY

FROM SELLING GOODS, TO PROVIDING DIGITAL INCLUSION



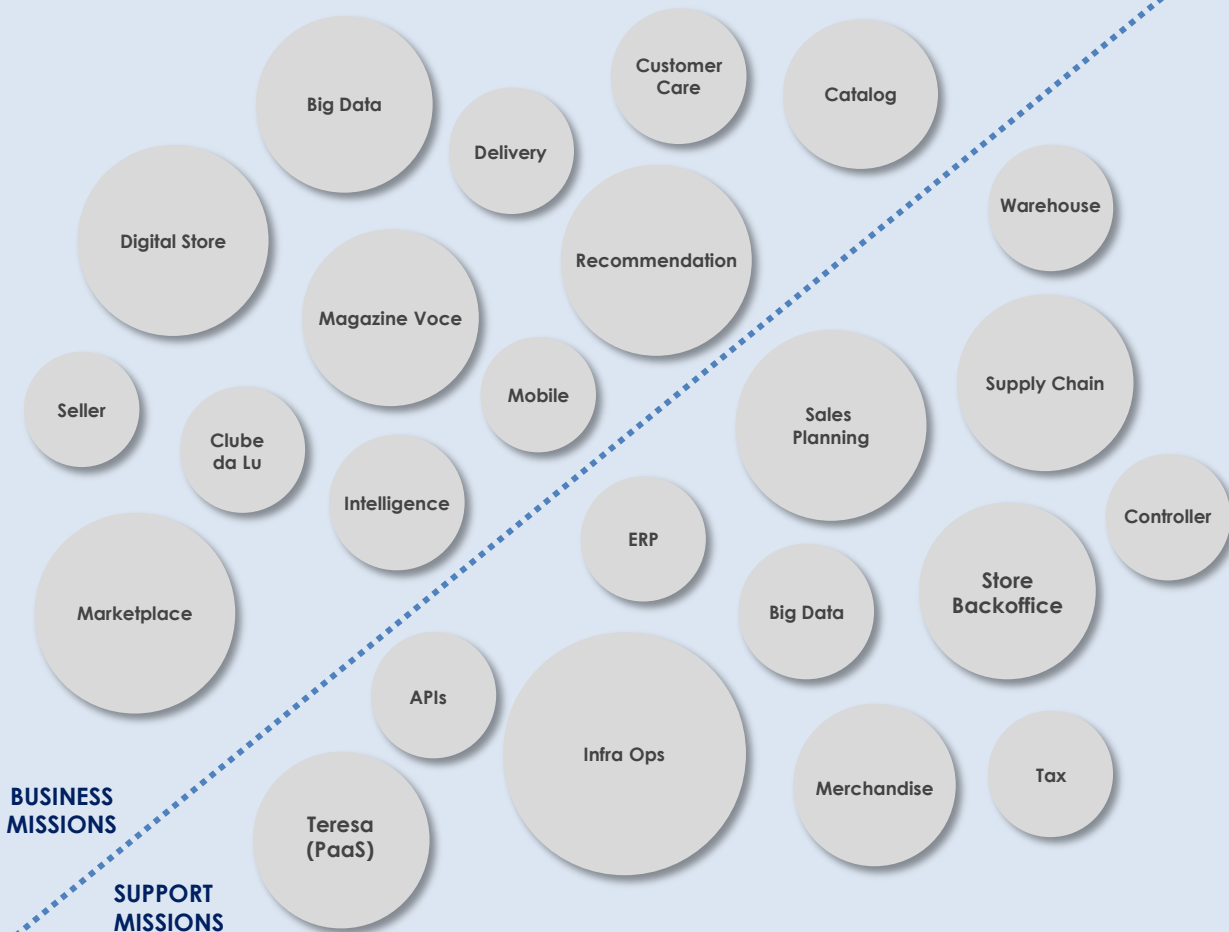
STORE PROCESS AUTOMATION
AND NEW SERVICES



LEAN, ENTREPRENEURIAL
CULTURE

OPERATING **TODAY** AT THE SPEED OF A **STARTUP**

+300 SOFTWARE ENGINEERS AND +40 TEAMS





LEAN, ENTREPRENEURIAL CULTURE

30

Deploys/day

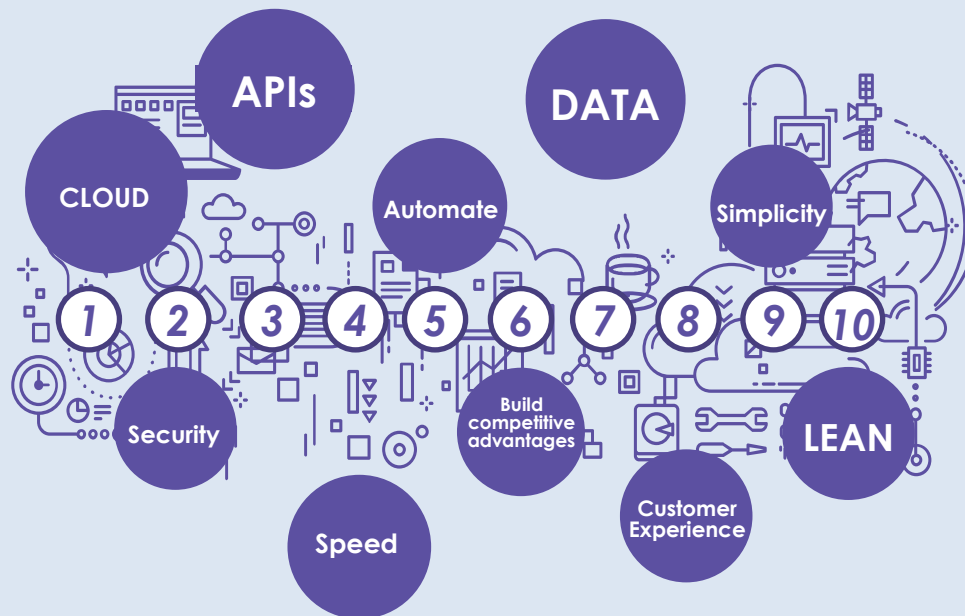
220

Micro
services

1.7B

API
calls/month

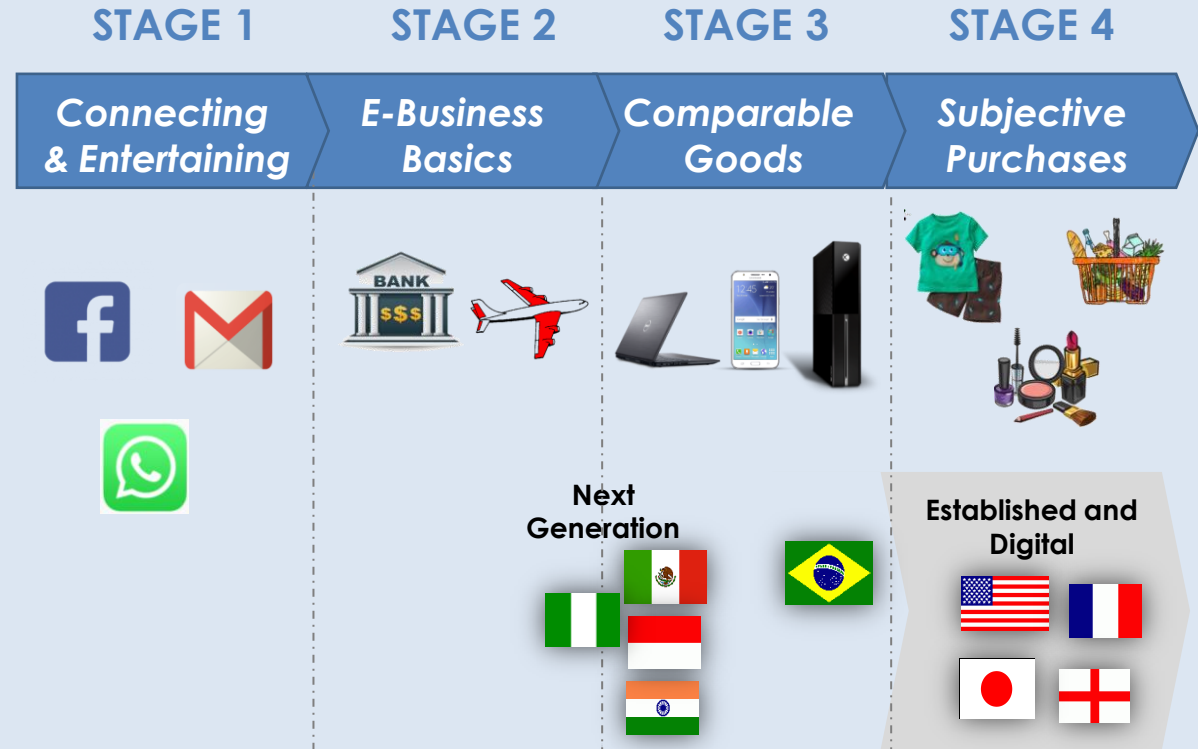
ARCHITECTED TO WIN





DIGITAL SALES PLATFORM

THE NEXT
BIG OPPORTUNITY
IS IN
LONG TAIL





DIGITAL SALES PLATFORM

1P AND 3P USER EXPERIENCES INDISTINGUISHABLE

FIRST CLASS PARTNERSHIPS...



Small and medium size retailers



Leaders in complementary segments



Sellers with focus on customer satisfaction



Direct competitors



Players with informal inventory

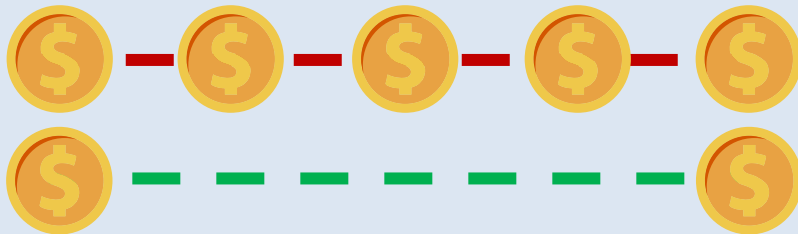


Sellers with poor levels of service



... IMPROVING BUSINESS EFFICIENCY

REDUCING INTERMEDIATIONS TO REDUCE COSTS





DIGITAL SALES PLATFORM

MAGALU AS A SERVICE

magazineluiza
marketplace

1st Stage | MVP (until Dec-16)

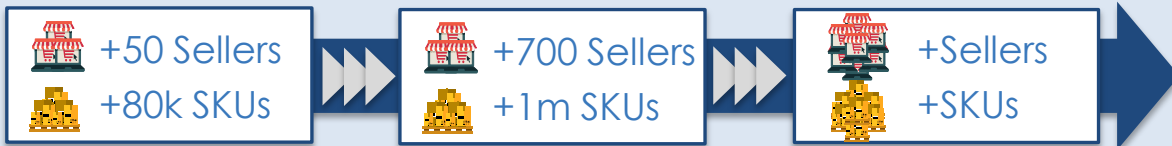
- ✓ Platform stabilization
- ✓ Customer Service Center (CSC)
- ✓ Integration with VTEX
- ✓ Complementary Categories

2nd Stage | Expansion (until Dec-17)

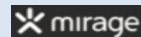
- ✓ New Products Page
- ✓ APIs opened to 3rd parties
- ✓ Integration with All Platforms

3rd Stage | Scale (2018 onward)

- ✓ Integration with Physical Stores
- ✓ Magalu Ads
- ✓ Magalu Payments
- ✓ Fulfillment by Magalu



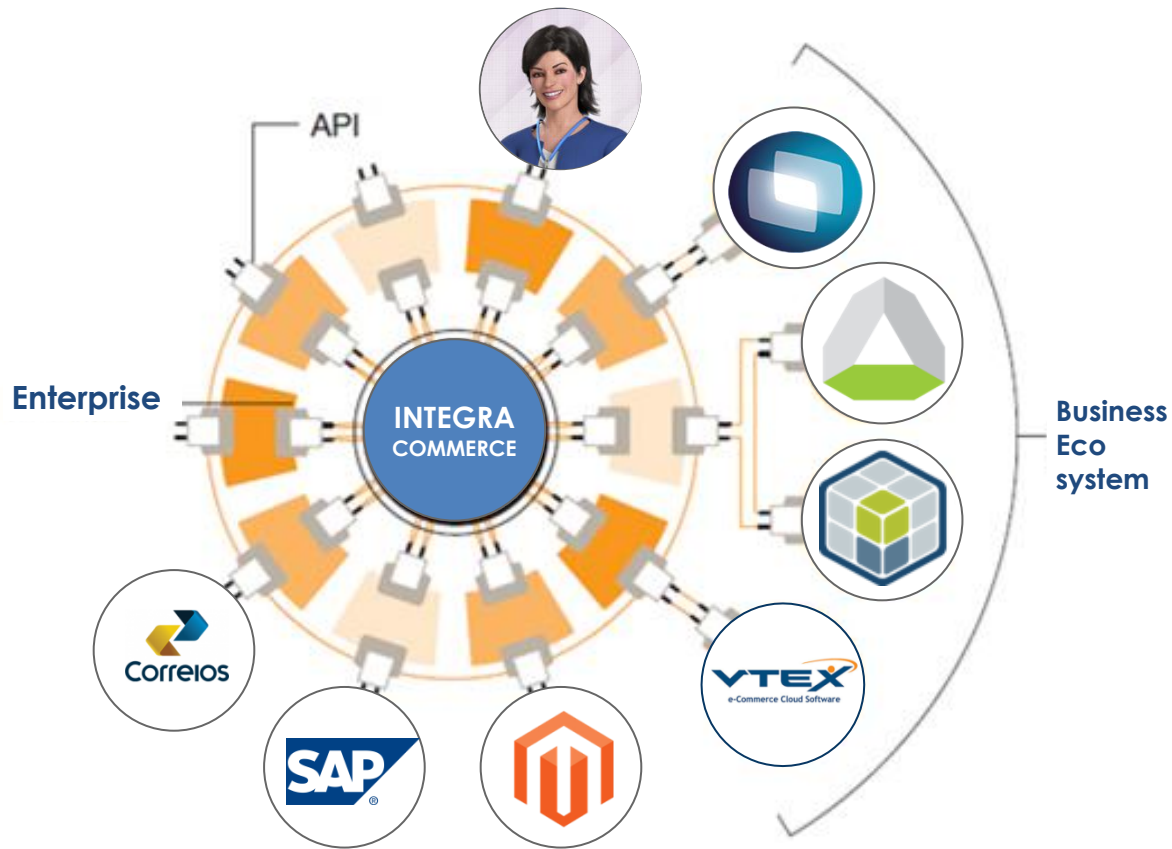
Current sellers





**DIGITAL SALES
PLATFORM**

STRATEGIC ACQUISITION ACCELERATED MARKETPLACE GROWTH

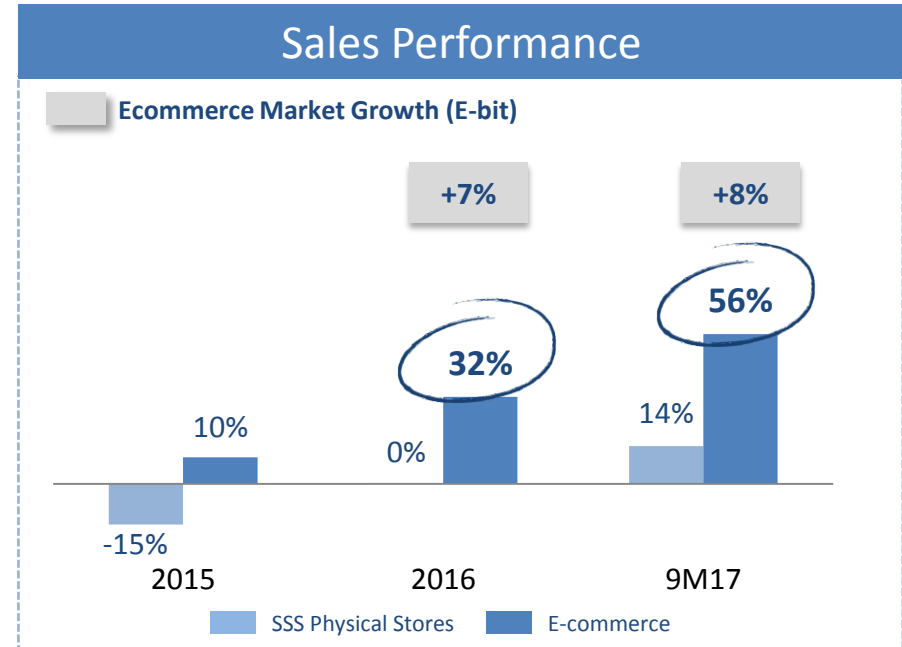
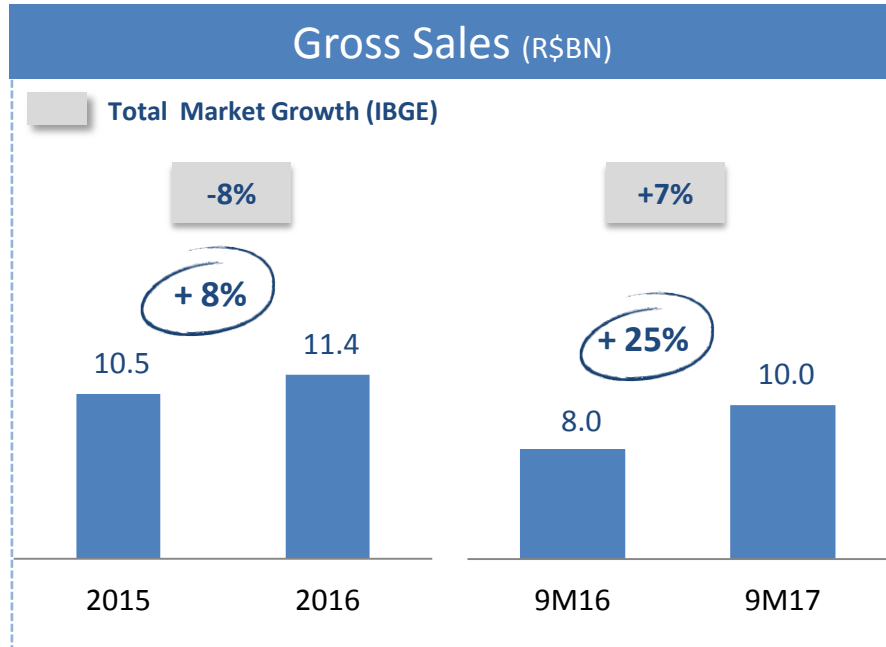




FINANCIALS

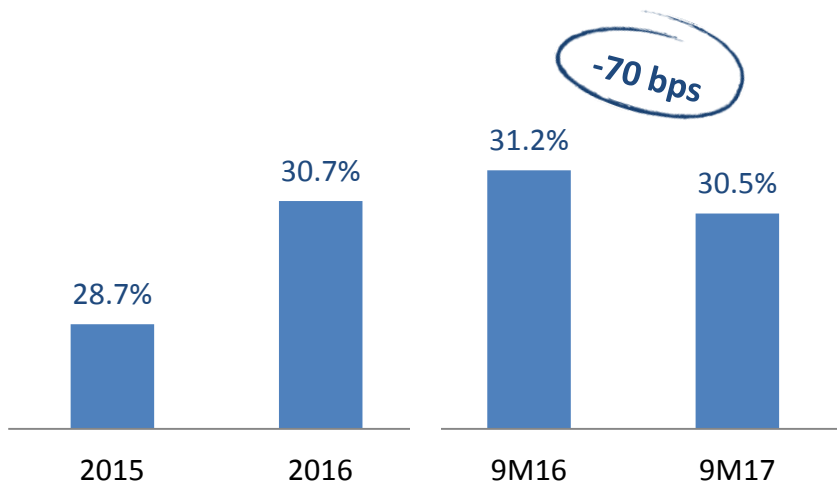
CONSISTENT MARKET SHARE GAINS

E-COMMERCE PERFORMANCE IS A HIGHLIGHT

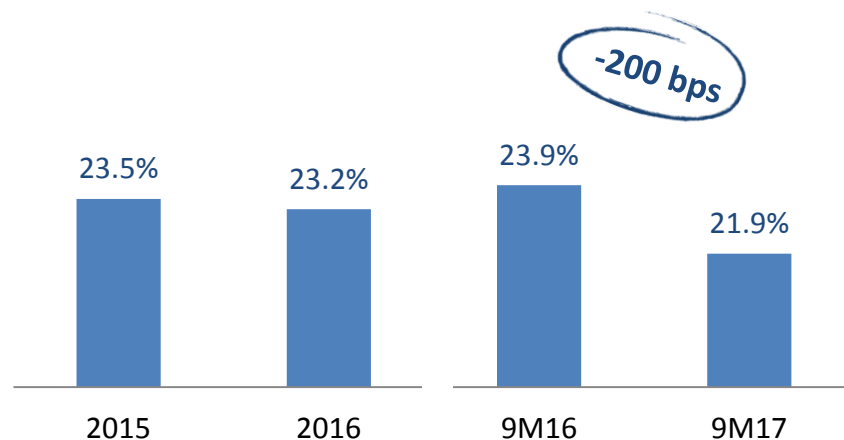


CONSISTENT GROSS MARGIN AND TIGHT EXPENSES CONTROL E-COMMERCE GROWTH AND OPERATING LEVERAGE

Gross Margin (% NR)

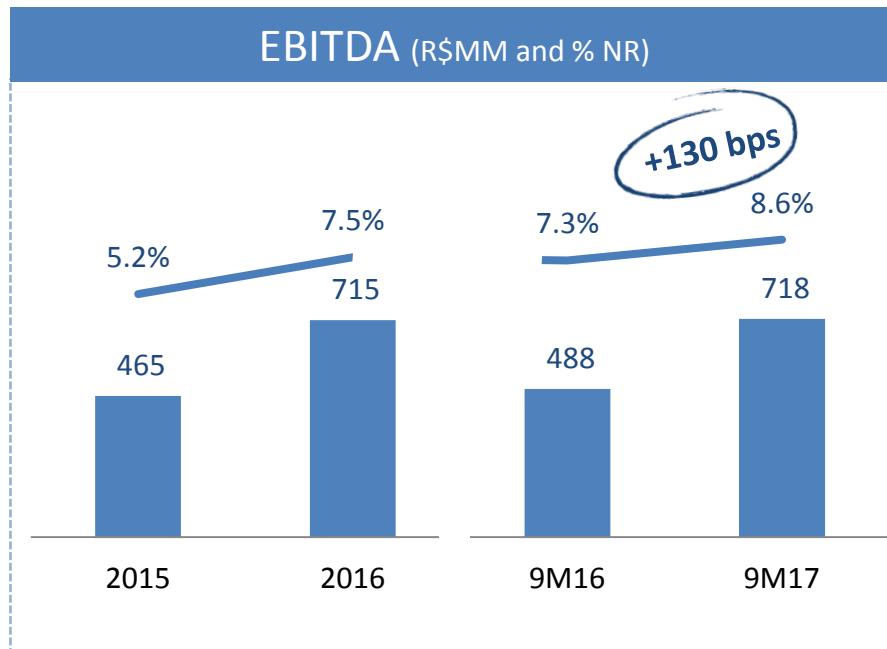


SG&A (% NR)

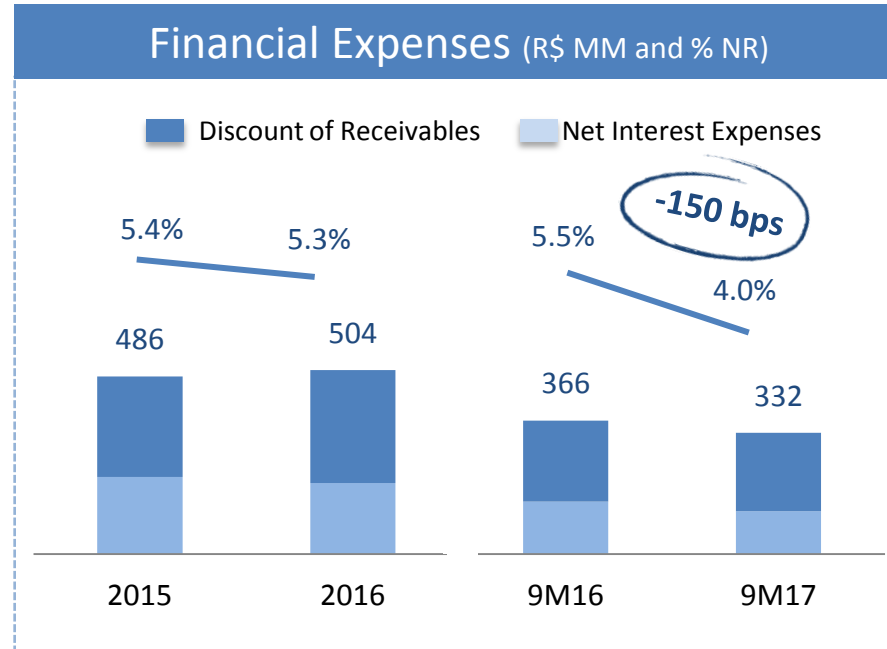


HIGHER EBITDA REFLECTS SALES PERFORMANCE, E-COMMERCE CONTRIBUTION AND EXPENSES CONTROL

EBITDA (R\$MM and % NR)

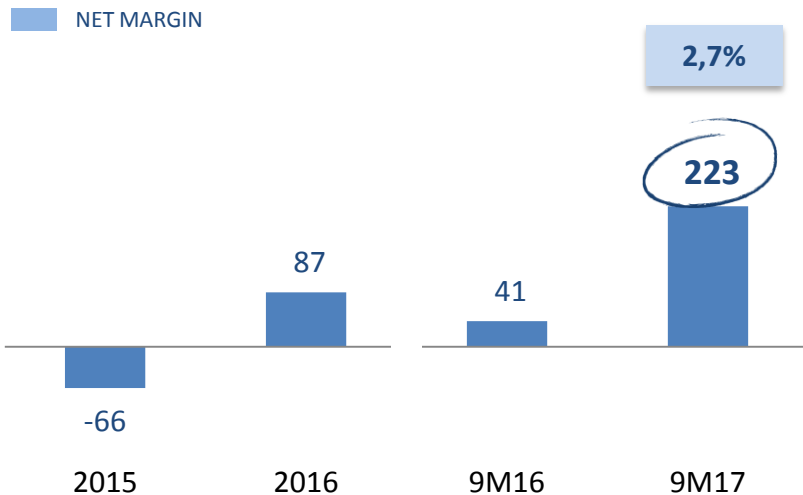


Financial Expenses (R\$ MM and % NR)

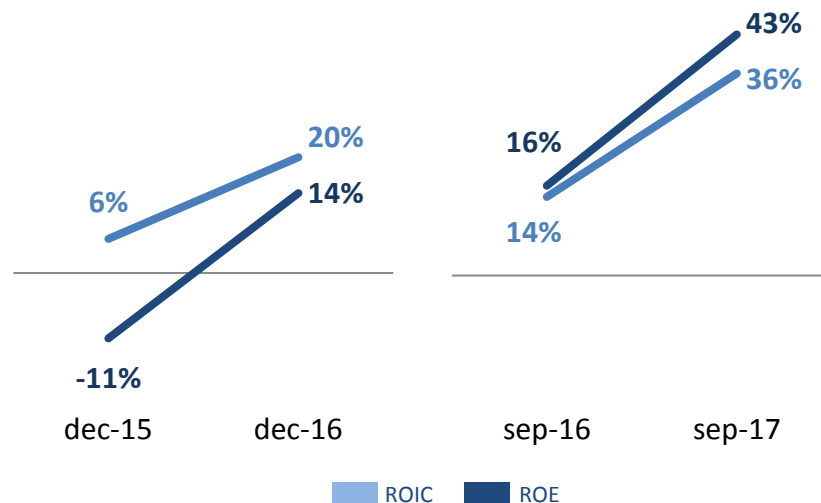


HIGHER NET INCOME, RETURN ON INVESTED CAPITAL (ROIC) AND ON EQUITY (ROE)

Net Income (R\$MM)

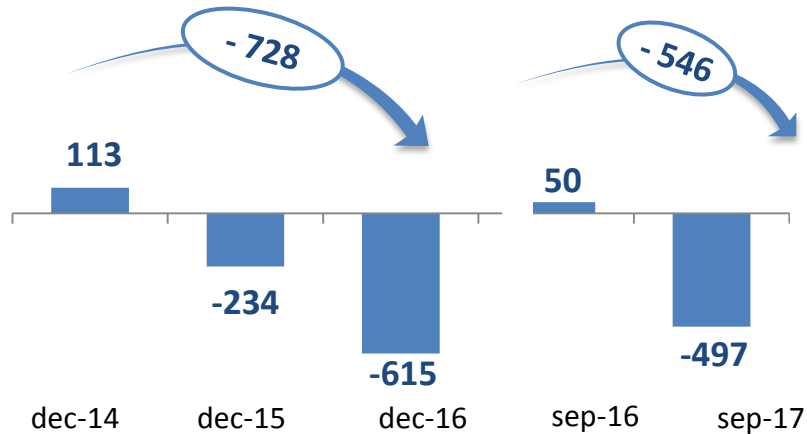


ROIC and ROE

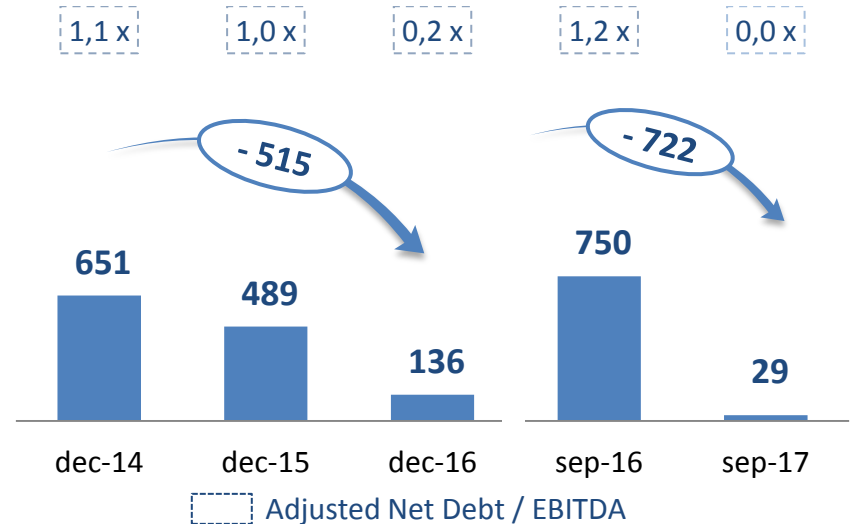


WORKING CAPITAL IMPROVEMENTS WITH CONSISTENT NET DEBT REDUCTION

Adjusted Working Capital (R\$MM)



Adjusted Net Debt (R\$ MM)





THANK YOU