



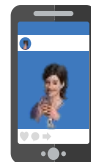
MAGALU

INSTITUTIONAL PRESENTATION
May 2018

COMPANY OVERVIEW



R\$ 44bn Gross Revenues
1Q18



35% of e-commerce

Share of total sales (1Q18)
vs. 29% in 1Q17



10m Active customers



3.5m Luizacards



20m unique visitors
digital channels
(2017)



858 Stores (1Q18)

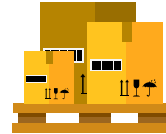


Focus on
**People and
innovation**

FINANCIAL HIGHLIGHTS: STRONG RESULTS...



+65% E-commerce
growth in 1Q18



28.9% gross margin
-80bps vs. 1Q17



+16% Physical Stores
SSS growth in 1Q18



21.2% SG&A
-100 bps vs. 1Q18



+30% Gross Revenues
growth in 1Q18



8.3% EBITDA margin
1Q18

...COUPLED WITH STRONG PROFITABILITY AND FINANCIAL DISCIPLINE



1.4% Financial Expenses
-280 bps vs. 1Q17



R\$147m Net Income
(vs. R\$59m in 1Q17)



R\$23m Equity in Subsidiaries
(1Q18)



R\$1,0 bi Cash Flow
from Operations (LTM)



R\$228m in Working Capital
Improvement (LTM)

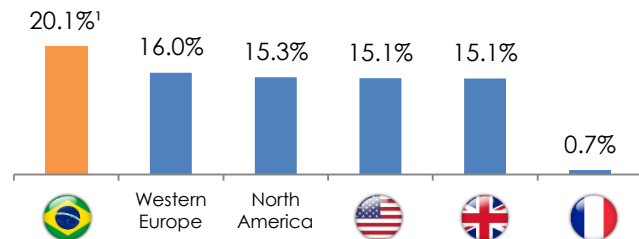


R\$1.3 bi
Net Cash Mar/18

... FOR A THRIVING MARKET

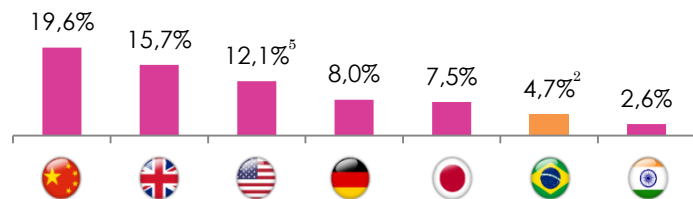
ONE OF THE FASTEST GROWING MARKETS ...

E-commerce market CAGR (2010 – 2016)



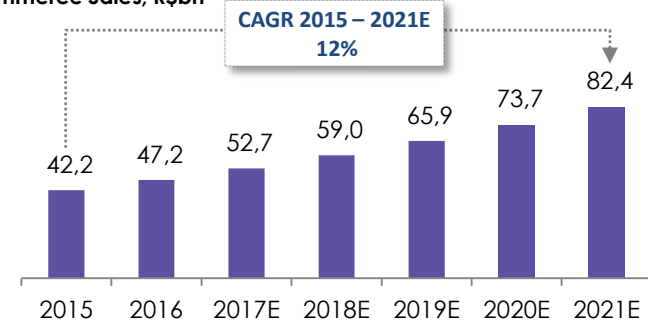
... BUT ONLINE RETAIL IS JUST GETTING STARTED ...

E-commerce as % of retail sales, 2016



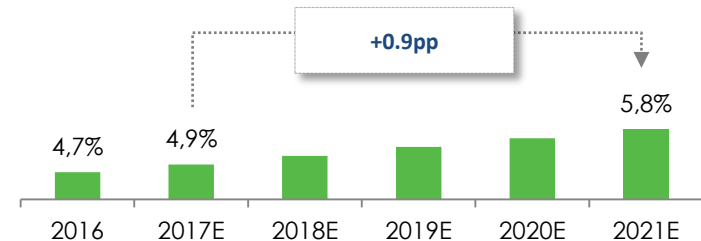
... EXPECTED TO GROW EVEN FURTHER ...

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 '2015-'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...



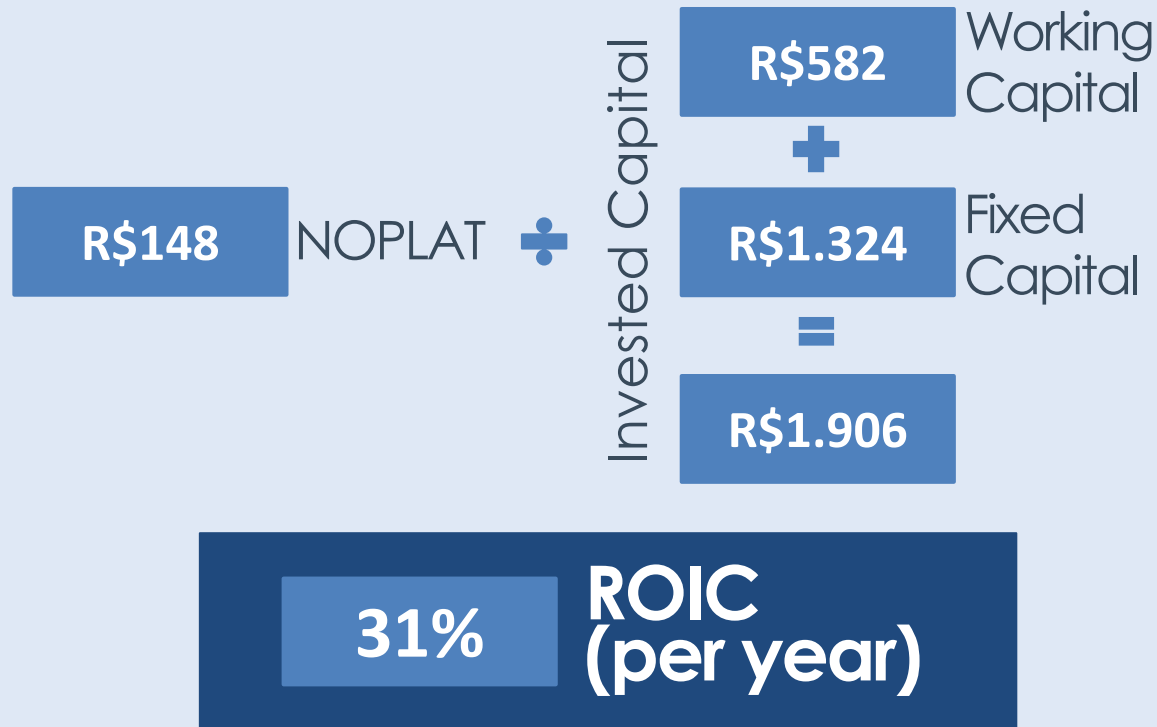


OMNICHANNEL
STRATEGY

THE ONLY PLAYER WITH A TRULY OMNICHANNEL OPERATION



ROIC GROWTH WITH PROFITABILITY

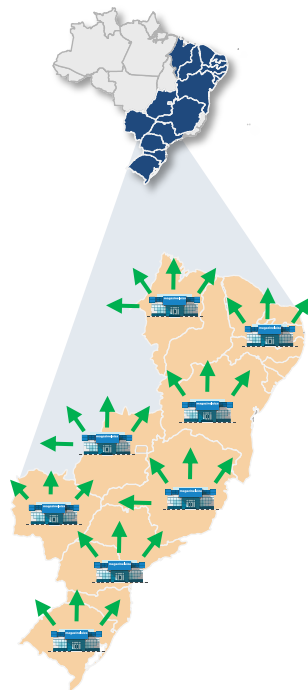




OMNICHANNEL STRATEGY

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



+1,5k 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





OMNICHANNEL STRATEGY

LOGBEE ACQUISITION

STRENGTHEN THE LOGISTICS PLATFORM



1

Accelerate express delivery

2

Launch Shipping from Store

3

Launch Fullfilment by Magalu

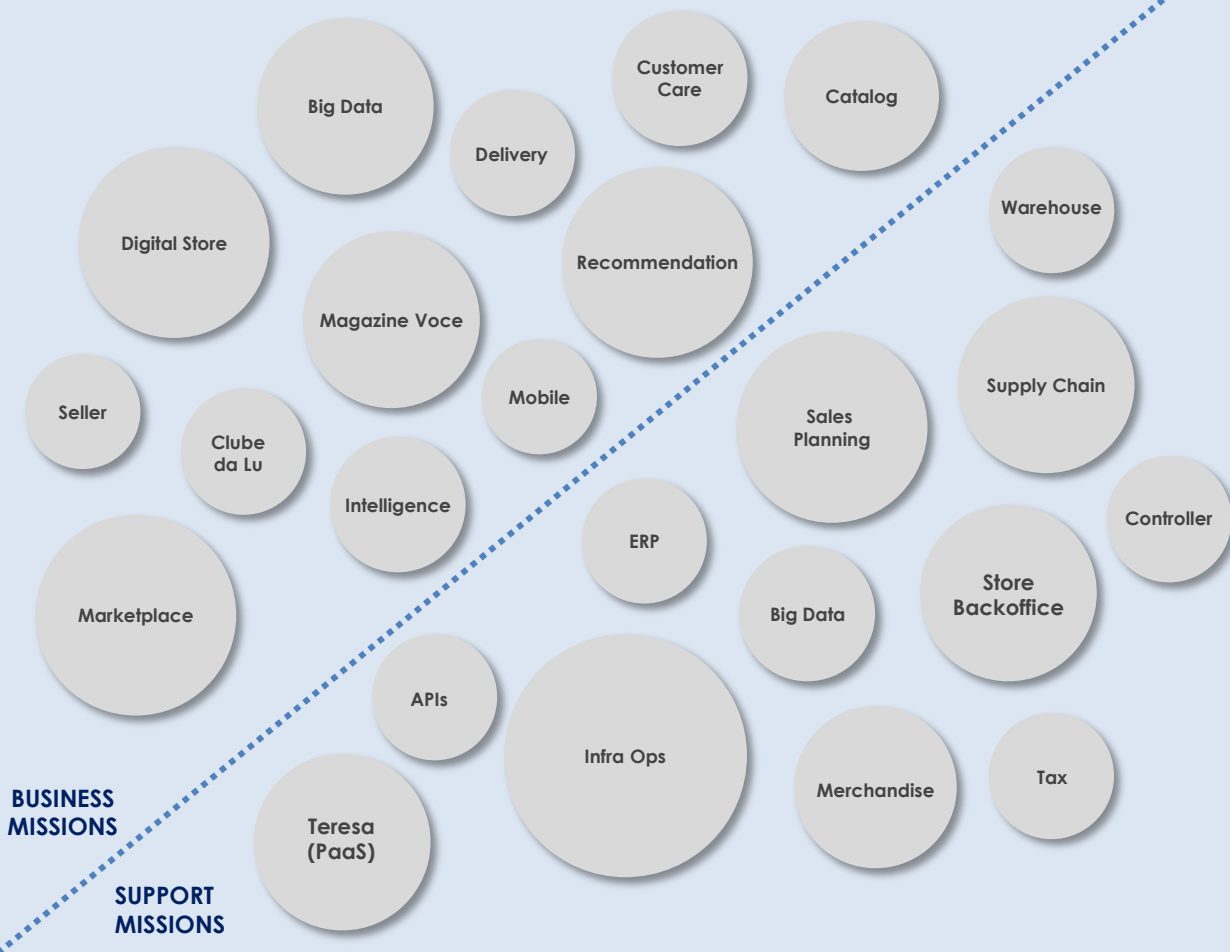
Logbee is responsible for
90% of São Paulo Express Delivery



LEAN, ENTREPRENEURIAL
CULTURE

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

+300 SOFTWARE ENGINEERS AND +40 TEAMS





DIGITAL STORES

FROM SELLING GOODS, TO PROVIDING DIGITAL INCLUSION

WHY OUR
PHYSICAL
STORES WILL
THRIVE IN THE
DIGITAL
ECONOMY



STORE PROCESS AUTOMATION
AND NEW SERVICES



1T18 HIGHLIGHTS MAGALU MARKETPLACE

+2.0MM SKU's



+1,2k sellers



R\$ 126MM GMV
1T18



Marketplace
In physical stores



RA 1000 seal
with marketplace



Magalu Entregas
30 Sellers
in the pilot



Magalu Ads
Custom Platform



27% Rejected
Sellers



CUSTOMER CENTRIC

MORE THAN
20 KPIs



CURRENT PHASE CUSTOMER CENTRIC



More than 20 KPIs...

	NPS
Growth	Number of unique active customers (overall)
	Number of unique active customers (physical stores)
	Number of unique active customers (e-commerce)
	Purchase frequency (per customer)
	App conversion
	E-commerce purchase frequency
	GMV generated via the App (R\$ billions)
	Number of monthly active users (MAU) on the App (millions)
	Number of Luiza card activations (millions)
	Number of Luiza cards activated and customers with direct to consumer credit (DDC)
Pre-Sales	Percentage of carts abandoned at check-out
	Click-through rate search
	Percentage of orders completed in D+2
	Availability of top items per distribution center (e-commerce)
	Availability of top items per distribution center (physical stores)
Post-Sales	Percentage of on-time deliveries
	Contact rate
	Percentage of first call resolutions per call center
	Percentage of customer satisfaction - Luiza Resolve
	Reclame Aqui (per million orders)
	Civil and Procon (per million orders)
	Average time between exchange request and refund



WINNING BUSINESS MODEL: OMNICHANNEL MARKETPLACE



magalu

	Pure B2C	Multi channel	Pure Market place	1P + 3P Market place	Omnichannel Marketplace
Margin	↓	↑	↑	↔	↑
Growth	↑	↔	↑	↑	↑
NPS	↑	↑	↓	↑	↑

VAITER
CORAGEM
DE VER O
BRASIL
NA MESMA TV
DO 7x1?

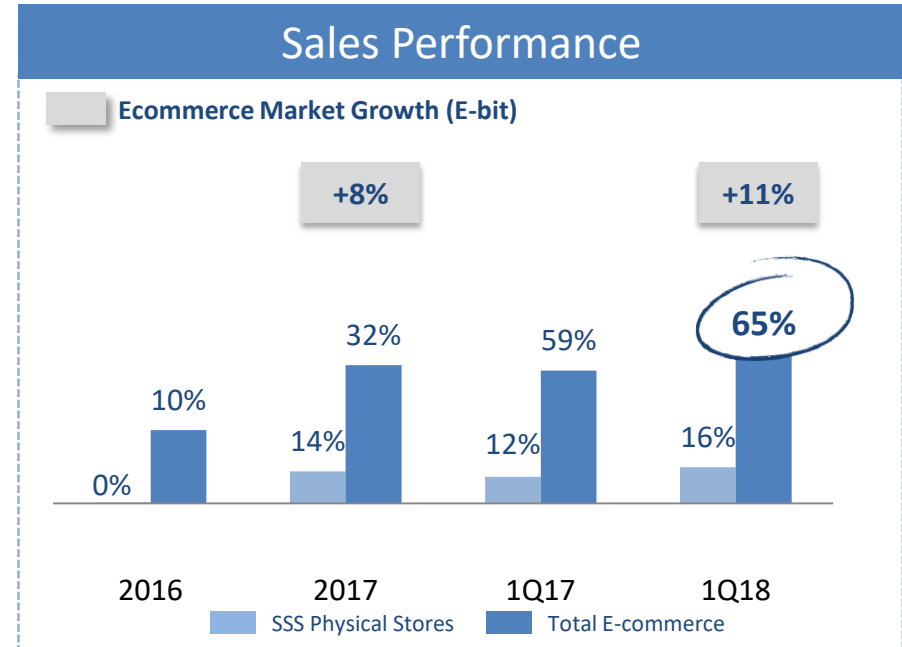
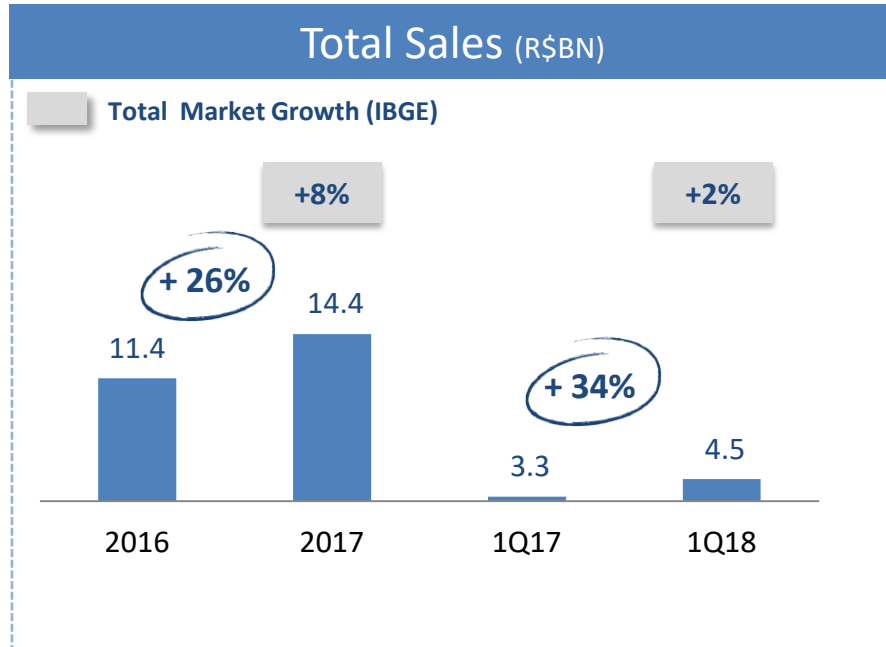




FINANCIALS

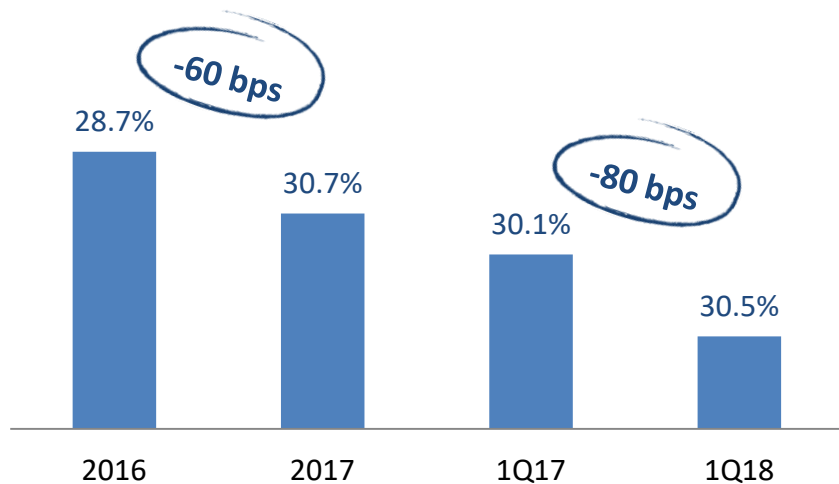
CONSISTENT MARKET SHARE GAINS

E-COMMERCE PERFORMANCE IS A HIGHLIGHT

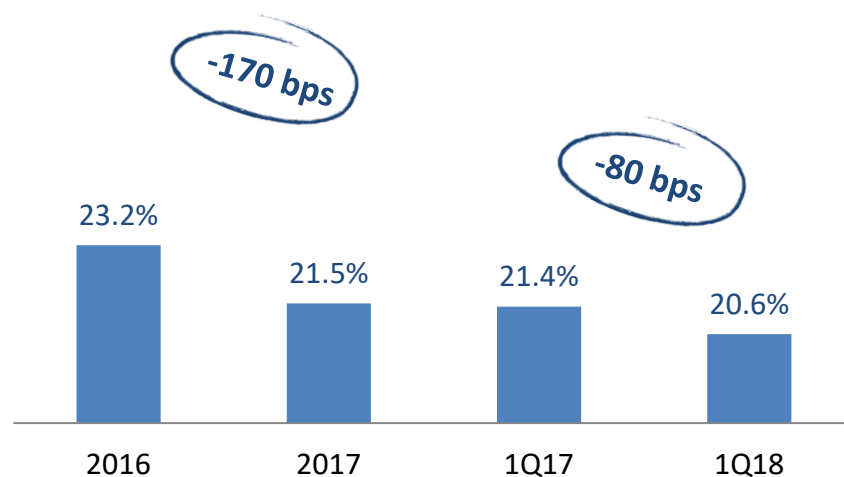


CONSISTENT GROSS MARGIN AND TIGHT EXPENSES CONTROL E-COMMERCE GROWTH AND OPERATING LEVERAGE

Gross Margin (% NR)

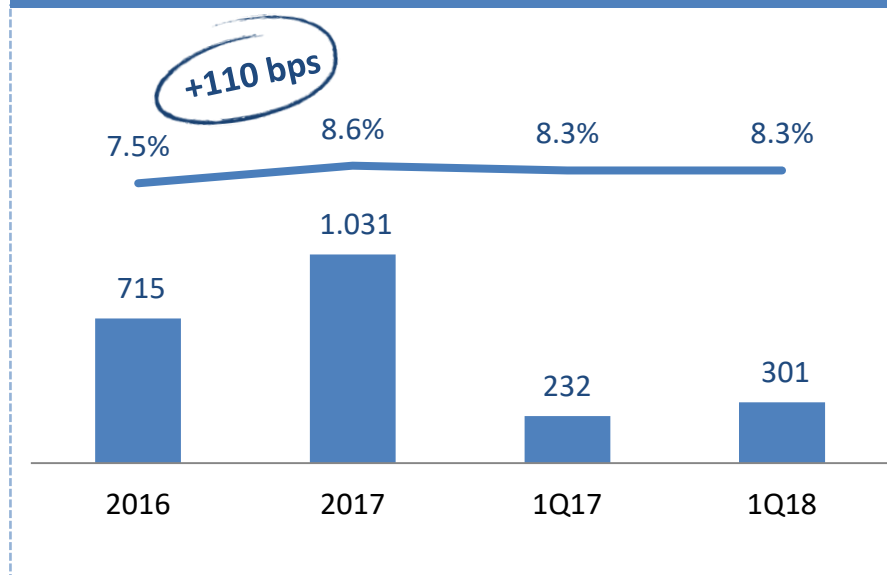


SG&A (% NR)

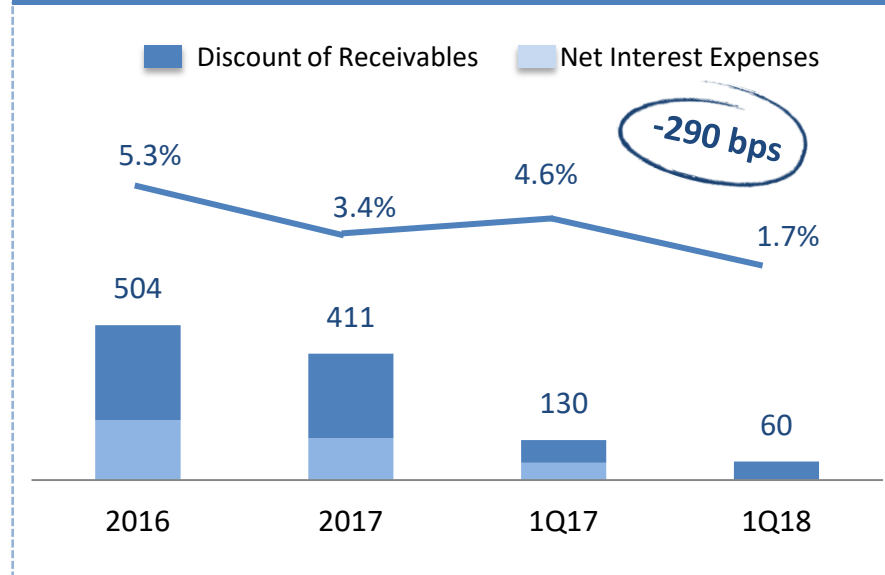


HIGHER EBITDA REFLECTS SALES PERFORMANCE, E-COMMERCE CONTRIBUTION AND EXPENSE CONTROL

EBITDA (R\$MM and % NR)



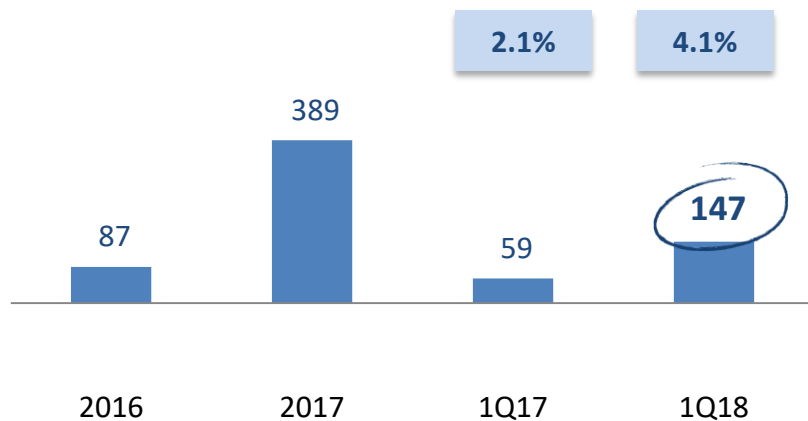
Financial Expense (R\$ MM and % NR)



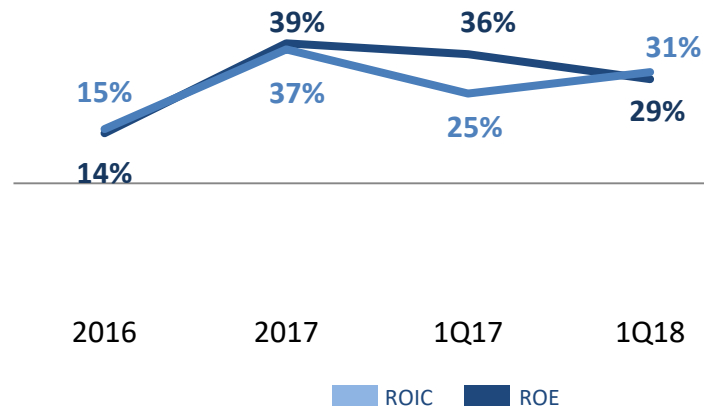
HIGHER NET INCOME, RETURN ON INVESTED CAPITAL (ROIC) AND ON EQUITY (ROE)

Net Income (R\$MM)

NET MARGIN

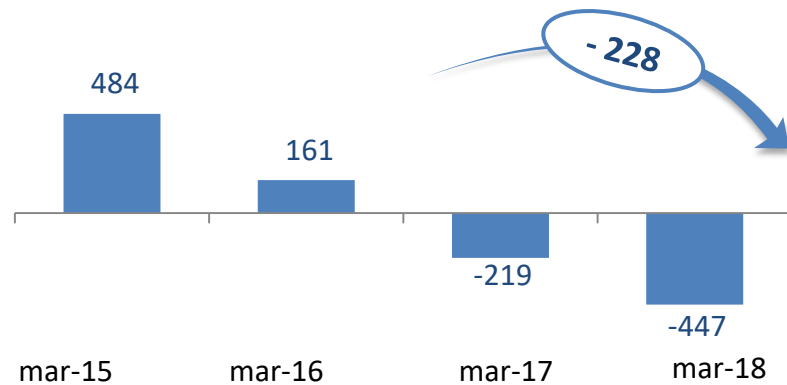


ROIC and ROE

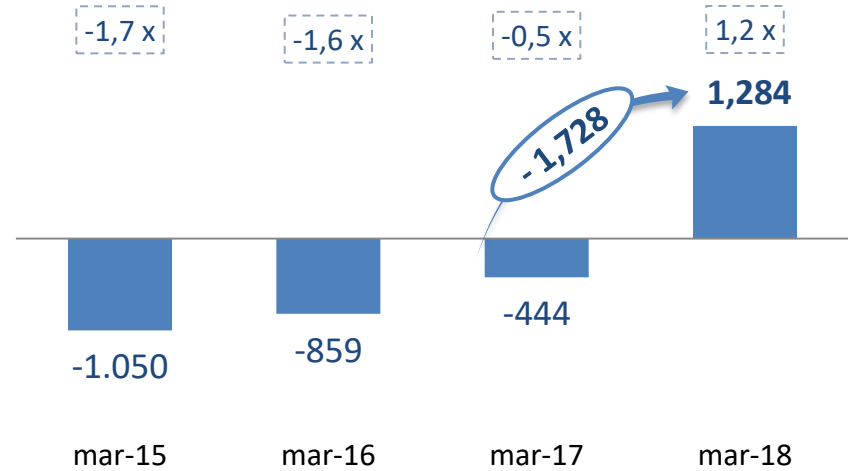


WORKING CAPITAL IMPROVEMENTS WITH NET CASH POSITION

Adjusted Working Capital (R\$MM)



Adjusted Net Cash (R\$ MM)



Adjusted Net Debt / EBITDA



THANK YOU