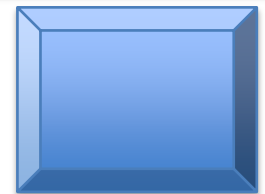




Magazine Luiza

Institutional Presentation

August 2016



magazineluiza
vem ser feliz

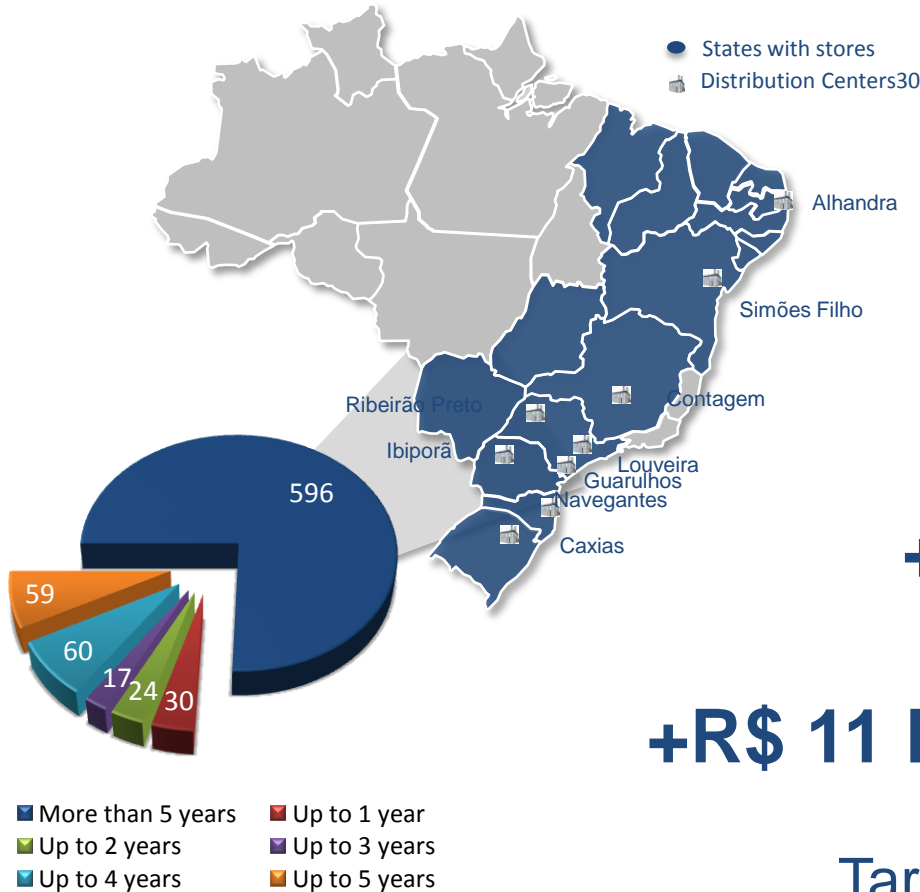
Magazine Luiza

Overview

Digital Transformation

Financials

Overview of Magazine Luiza



787 stores

~20k employees

+45 Mln customers

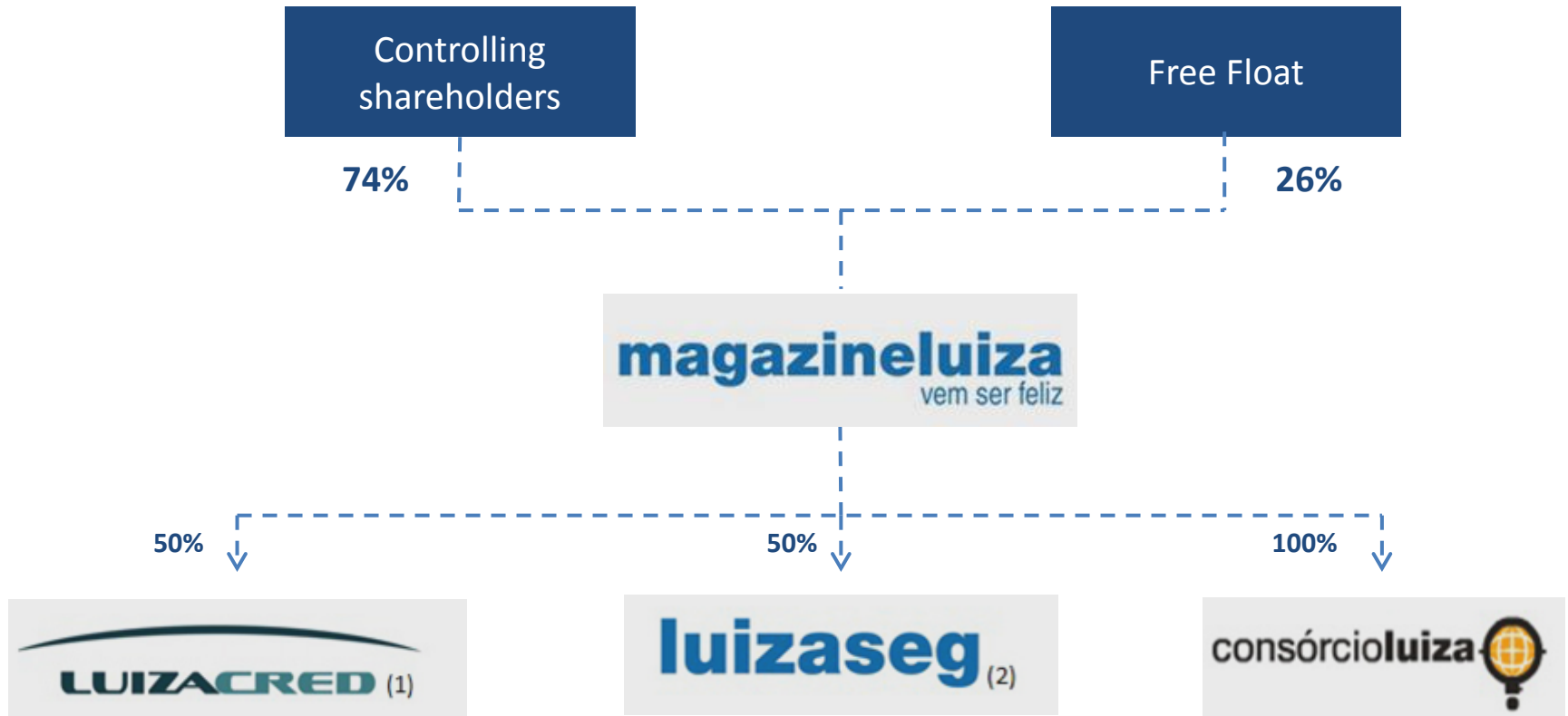
+R\$ 11 billion Gross Sales

Target **middle class**

Focus on **people** and **innovation**



Corporate Structure

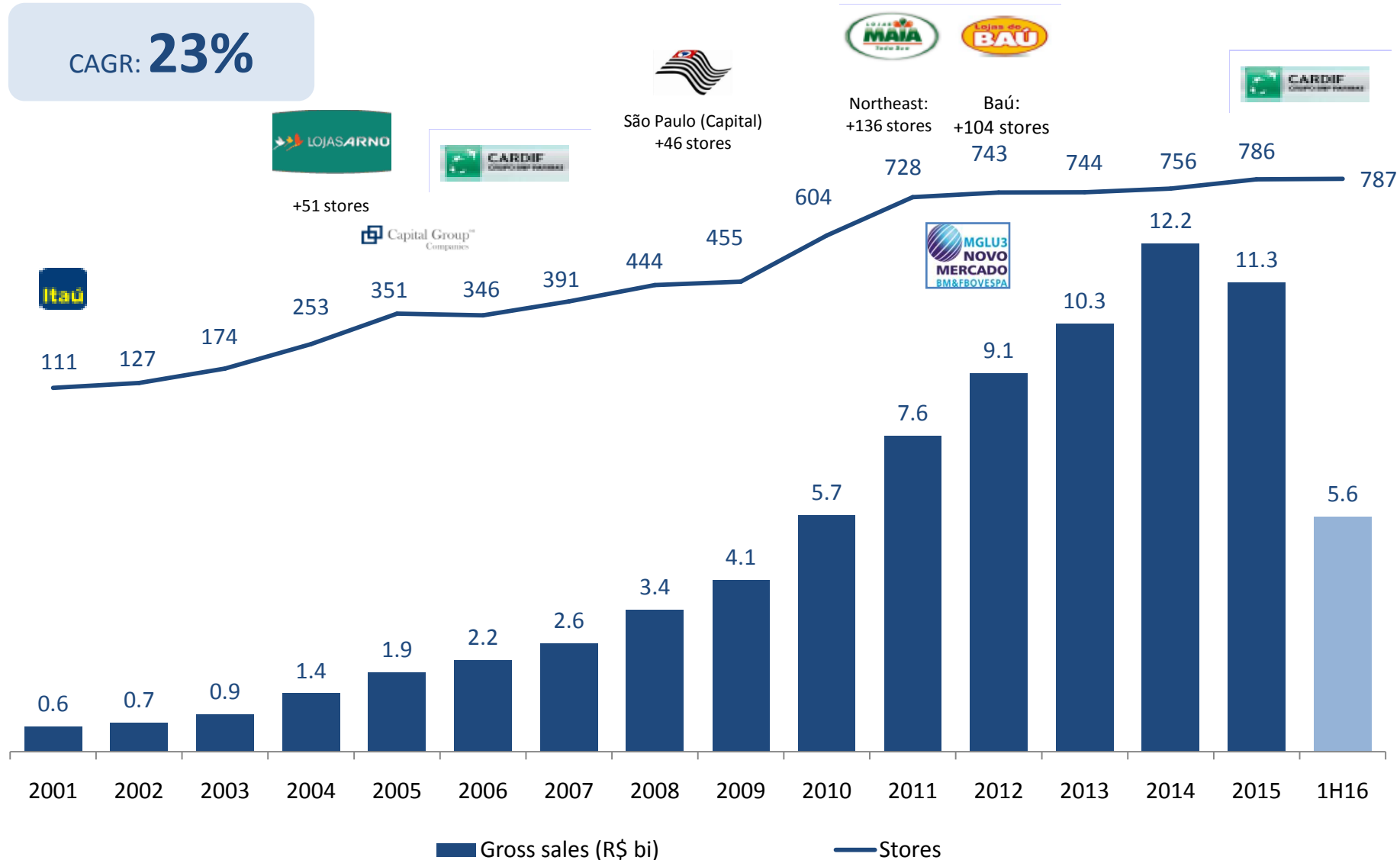


(1) Joint-Venture with Itaú Unibanco

(2) Joint-Venture with Cardif

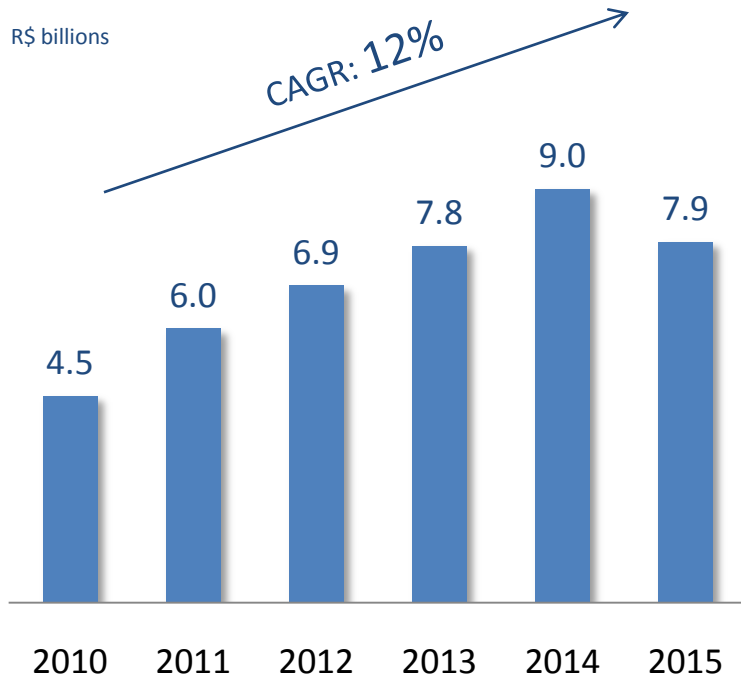
Growth track record

CAGR: **23%**

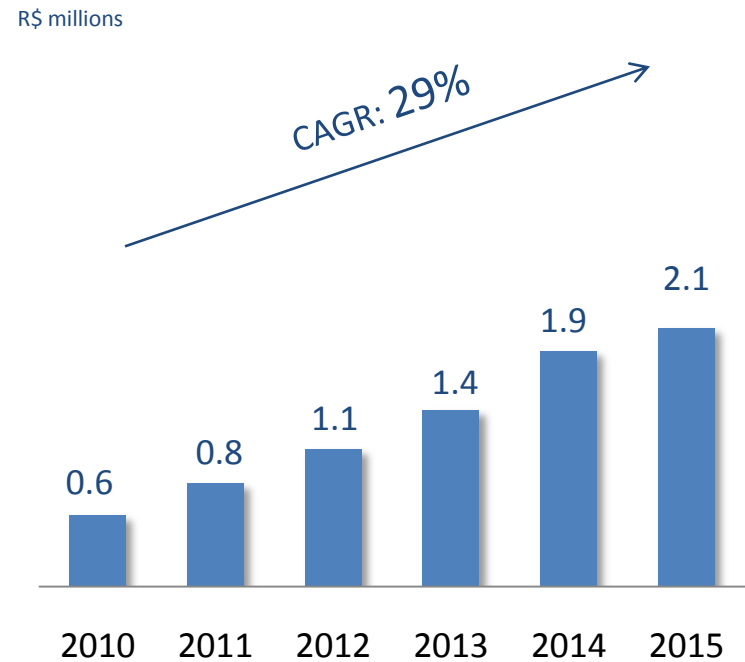


Strong growth on and offline

Brick and mortar sales



E-commerce sales



Magazine Luiza

Overview

Digital Transformation

Financials

Digital transformation in Brazil

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

Digital transformation in Brazil

...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:

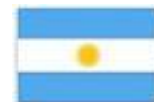
25%



=



+



+



But we have our challenges...



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

Multichannel operation

Single operating platform



Serving multiple channels



Conventional stores



Virtual stores



E-commerce



Teleshopping



Mobile

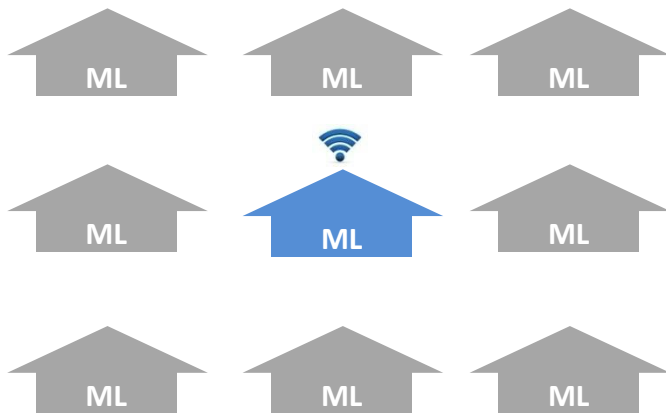


magazine você

Digital Transformation

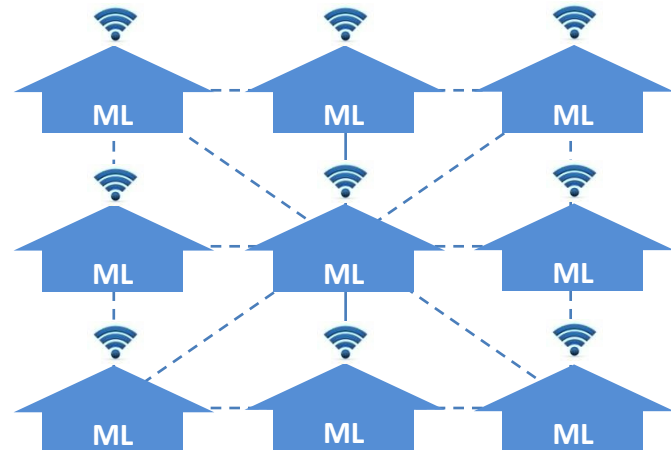
From :

Traditional brick and mortar retailer with online presence








To:

Digital company with points of sales and human affection



Digital Transformation

Pillars:

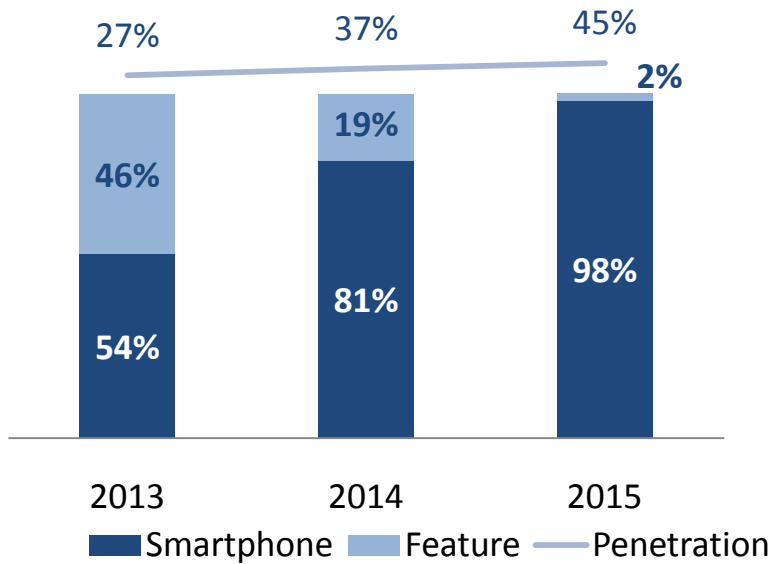
- 1  Digital inclusion
- 2  Digitalization of stores
- 3  Multichannel
- 4  To transform the site into a digital platform
- 5  Digital culture

1

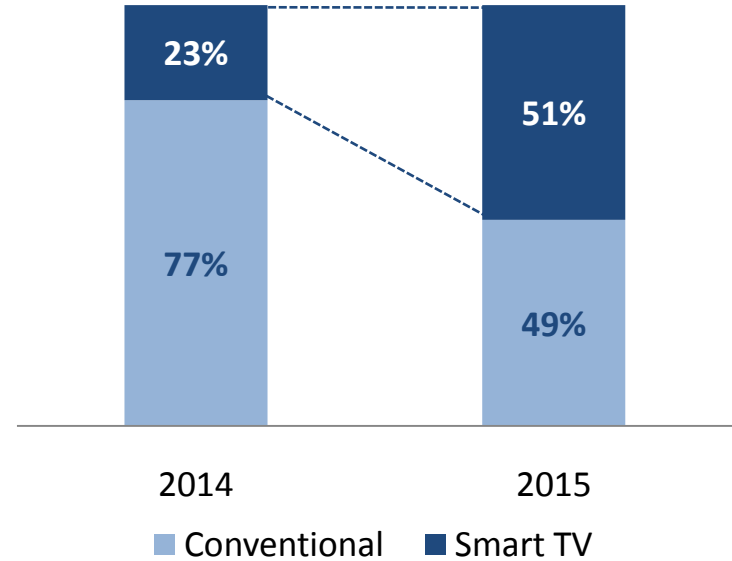


Digital inclusion

Feature x Smartphone



TVs



Source: GFK for market information and Ibope for penetration

Mobitech leveraging technology sales



1



Digital Inclusion

We launched a “Digital Mission” campaign valid from August to December 2016 to promote digital inclusion



missão digital

promoção

missão digital

Digitilize your life and win many prizes

-  **Internet turbinada grátis**
For desktops and smartphones
-  **Netflix**
Free for a year
-  **Até 50 mil**
Top selling digital items
-  **Consultor de tecnologia**
24 hours
-  Participation in Globo TV show
É de Casa

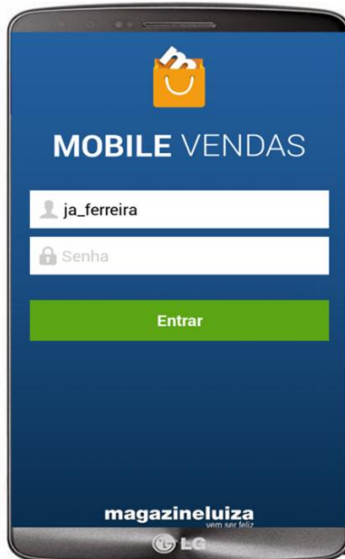
[compre e inscreva-se](#)

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Digitalization of stores

Mobile Sales



- Implemented in 330 stores in 1H16
- Important sales time reduction
- Productivity gains
- 100% roll-out by YE2016
- Wi-Fi available in 360 stores by 1H16

Local digital media to activate physical stores



- 787 stores with fan pages
- Tamboreen: easy house add admin
- Managers create their own campaigns

CRM 2.0



- 1 million personalized emails
- Unique front page
- In store transactional and clickstream information



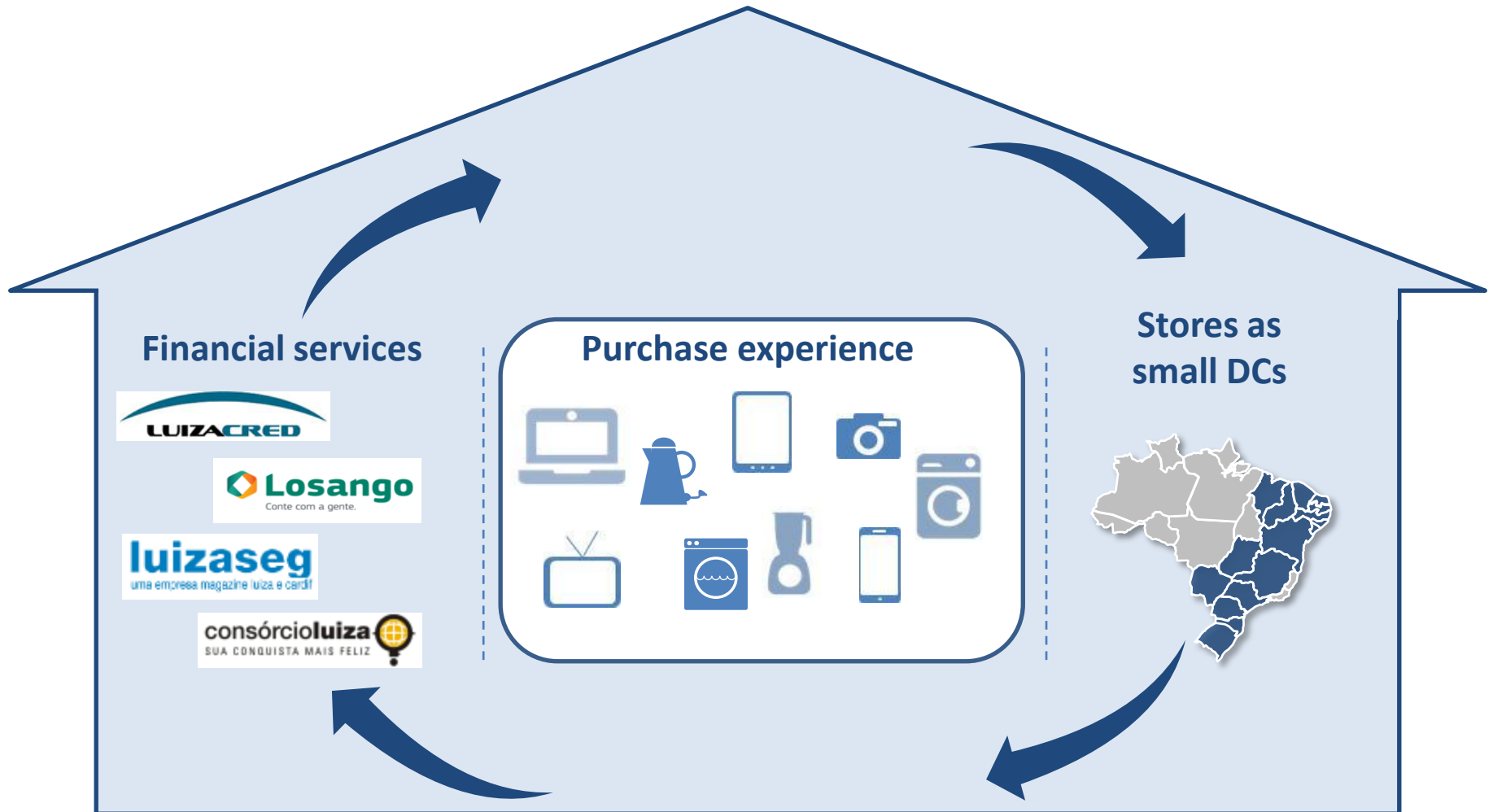
Mobile Assembly



- Available in São Paulo state since September/15
- Mobile Assemblers productivity gain of 50%
- 100% roll-out by YE 2016



Multichannel





3 Multichannel new initiatives

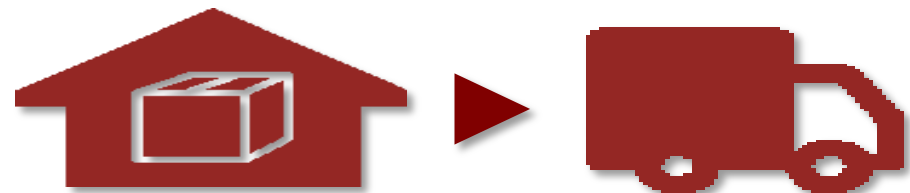
E-commerce and marketplace inventory available for stores



Sell online and pick up at store



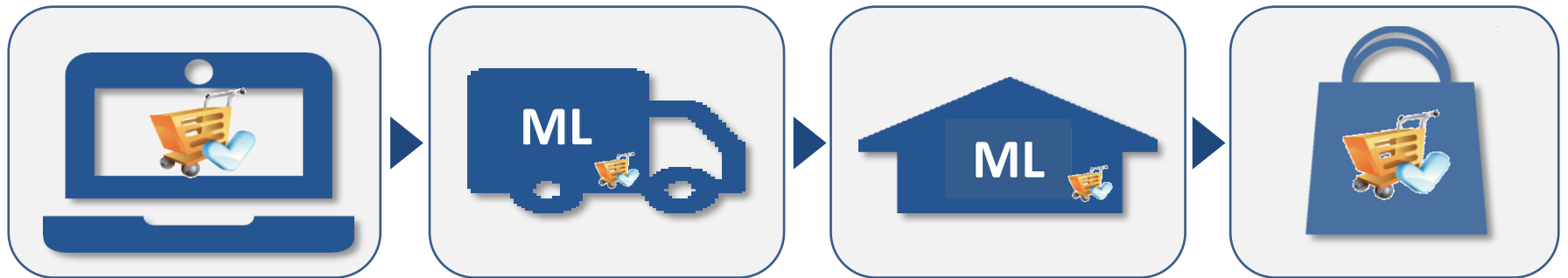
Sell online using store inventory





Pick up from store

Available where, when and how the customer wants...



For the Customer

- ✓ Free shipping
- ✓ Opportunity to cross-sell
- ✓ Faster delivery
- ✓ Allows customer to visit the store more often

For Magazine Luiza

- Takes advantage of regular product transfers from warehouse to stores
- Low marginal delivery cost
- Lower shipping costs in our e-commerce
- Opportunity to cross-sell other financial and insurance products



Best E-commerce App

Features

- Wish list
- One click buy
- Easy storage of credit card info
- Store information
- Store geolocation and display of available inventory
- Personalized App
- Free shipping (limited promotion)



eawards
BRASIL 2016

Best mobile app

Design
Content
Communication
Easy to use
Easy to search





MarketPlace

magazineluiza
marketplace



- Plug and play platform
- Greater assortment
- Flexible commission
- Margin management



Digital Culture

Sales Channels

Magazine Você
Quero de Casamento
App Mobile
Clube da Lu



Digital Plataforma

Marketplace
B2B
Phone sales
Gateway Internal Payments
Plataform Financial Services
Samsung Online Store

Multichannel

Pick from store
Brazil delivery network
Bino

Intelligence

Bob
Integrated Client Vision
App Insights



Store Digitalization

Mobile Sales
Mobile Assemblers
Mobile Payments



Mobile Sales



In store Wi-Fi



Mobile assembly



Mobile stockist

Infrastructure

Cloud computing



Magazine Luiza

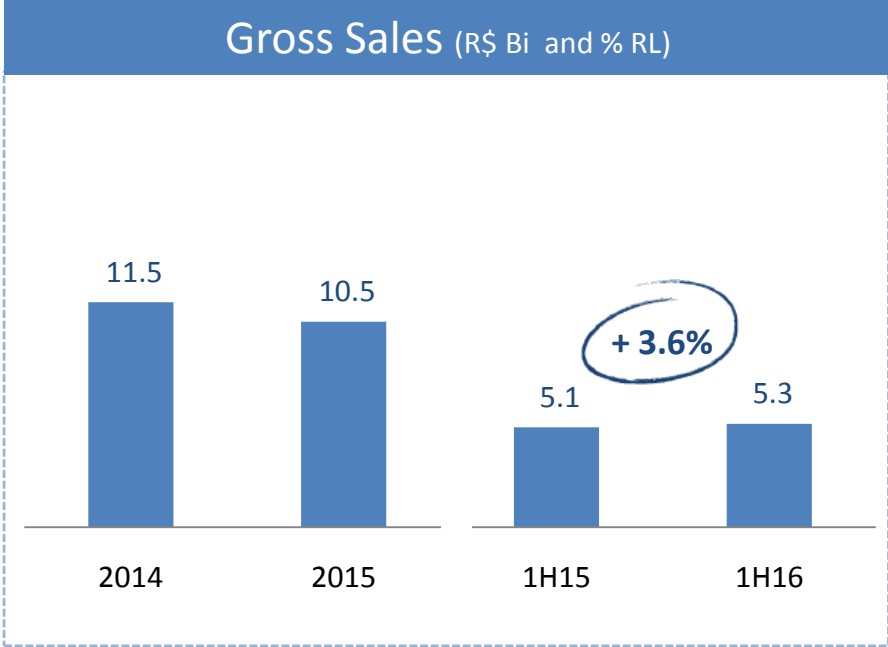
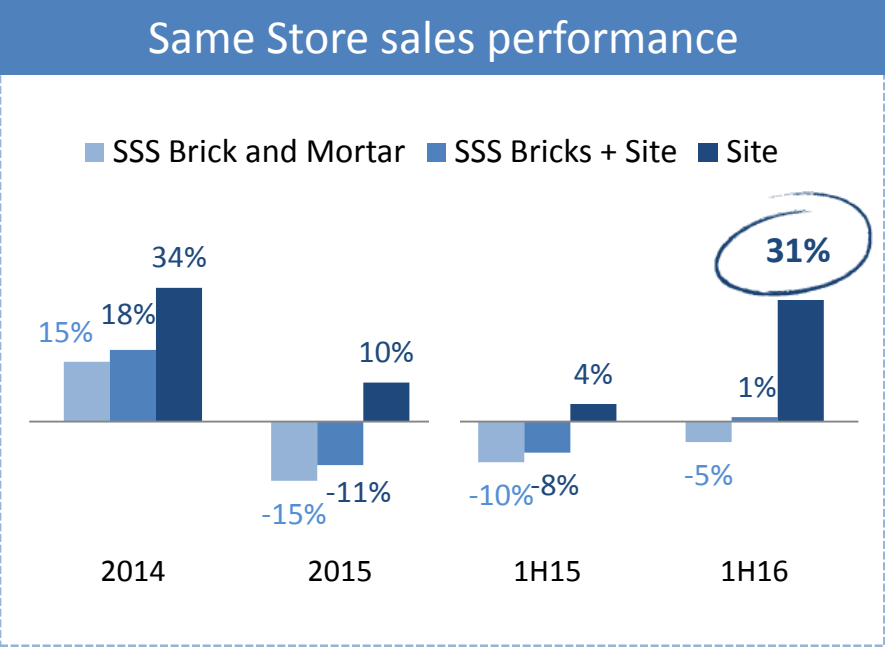
Overview

Digital Transformation

Financials

Sales Trends

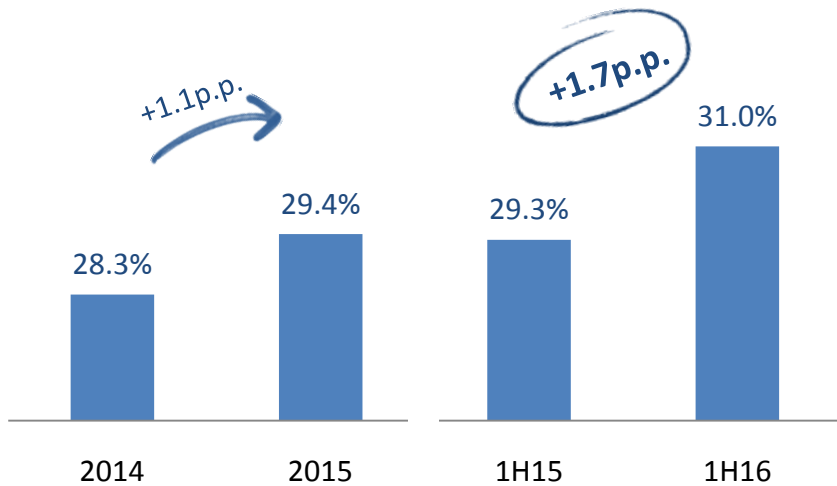
Consistent market share gains with profitability, E-commerce performance a highlight



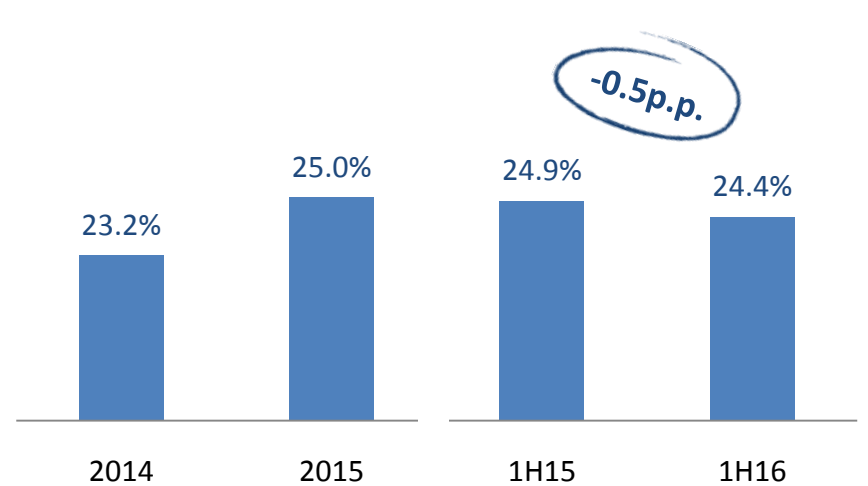
Gross Margin and Operating Expenses

Higher gross margin and
Tight expense control

Gross Margin (R\$ Bi and % RL)



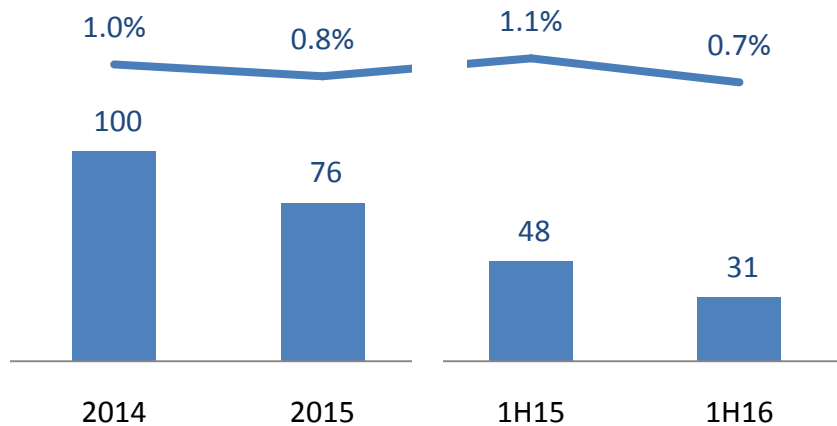
SG&A (% RL)



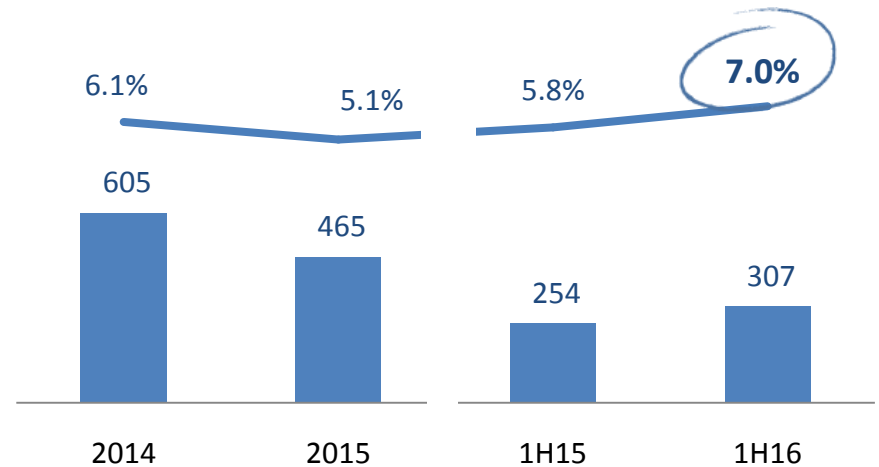
Equity Income and EBITDA

Higher EBITDA reflects higher gross margin and expense control

Equity Income (R\$ Bi and % RL)



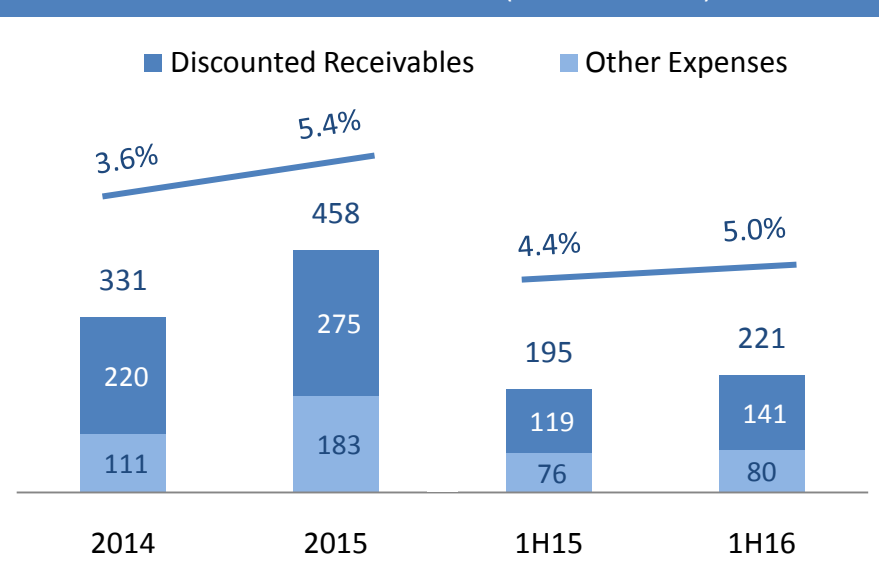
EBITDA (R\$ Bi and % RL)



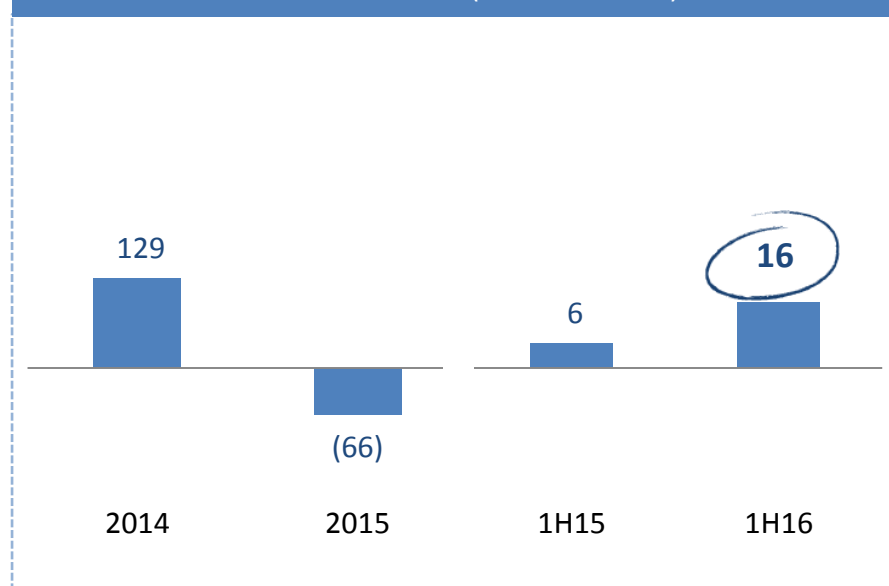
Financial Results and Net Income

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

Financial Results (R\$ Bi and % RL)

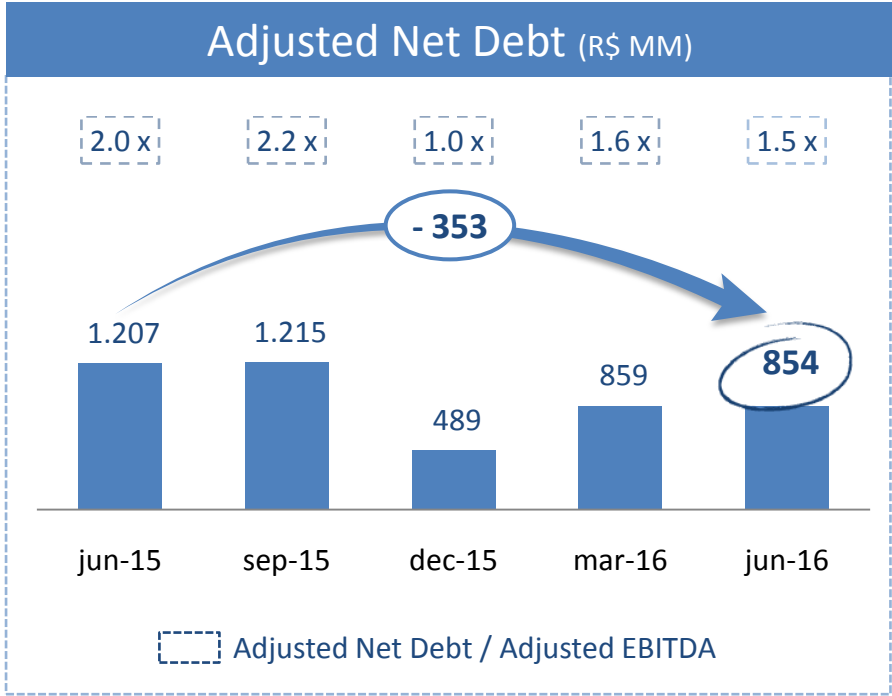
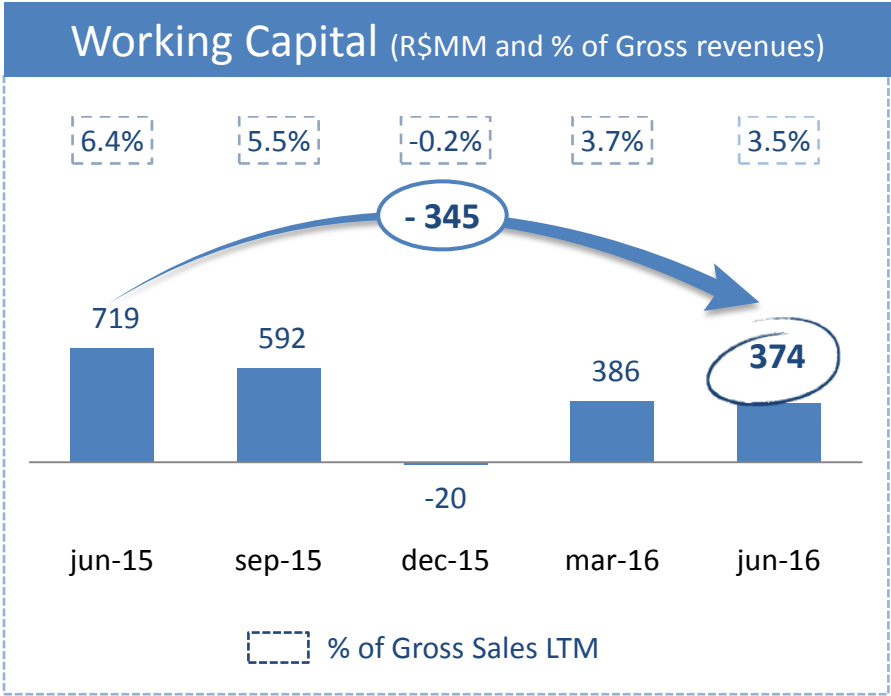


Net Income (R\$ Bi and % RL)



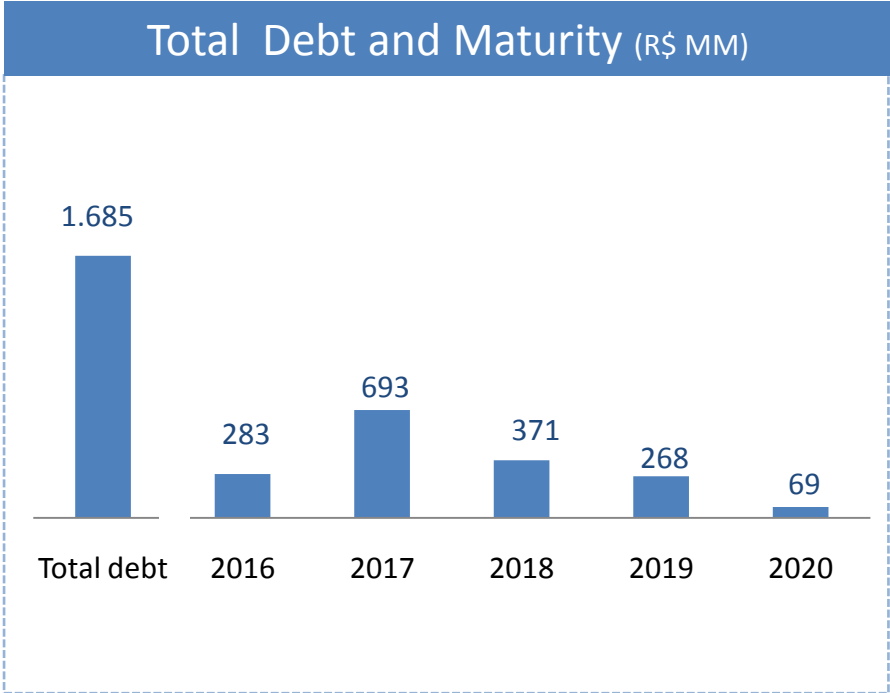
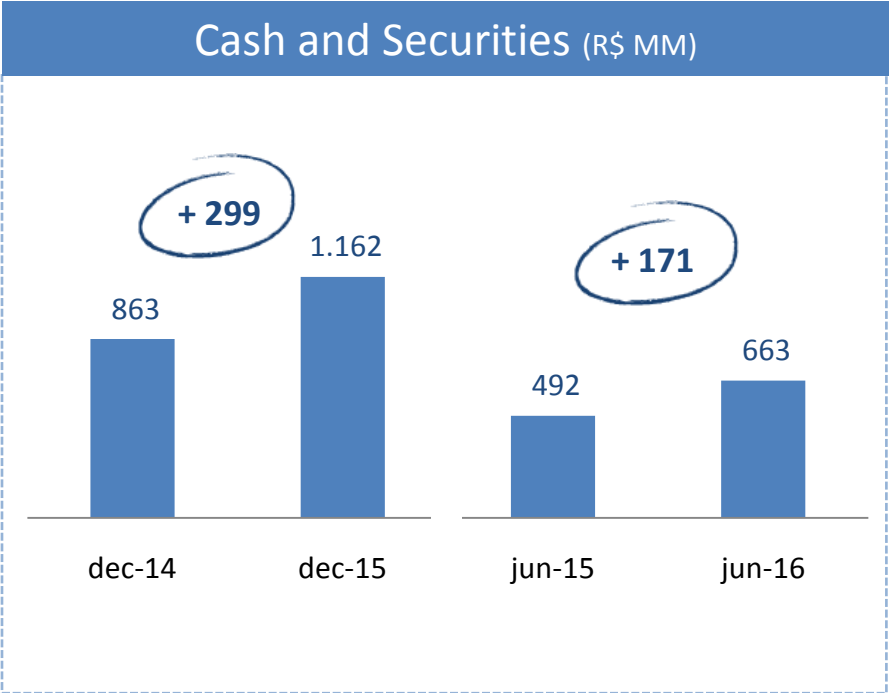
Working Capital and Adjusted Net Debt

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



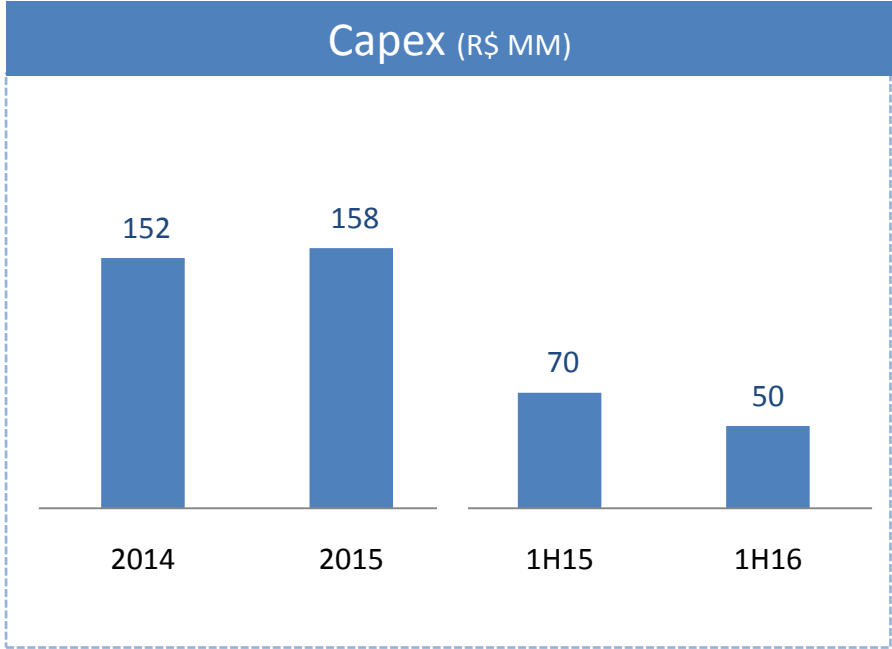
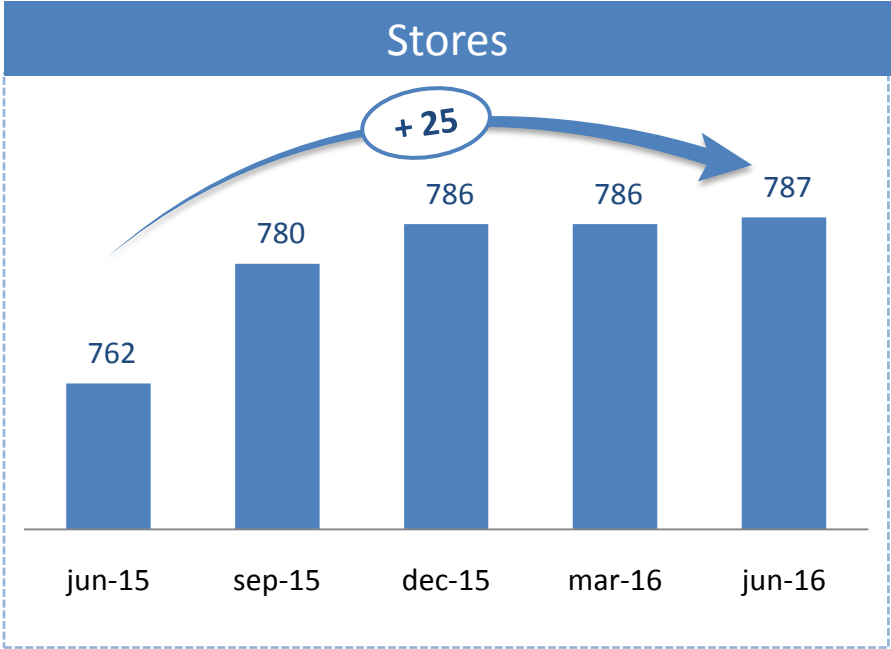
Capital Structure

Increase in cash and reduction in net debt



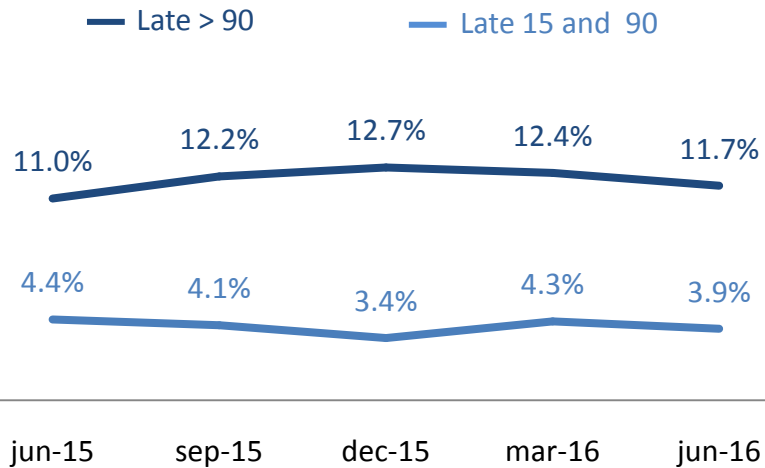
Store openings and Capex

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

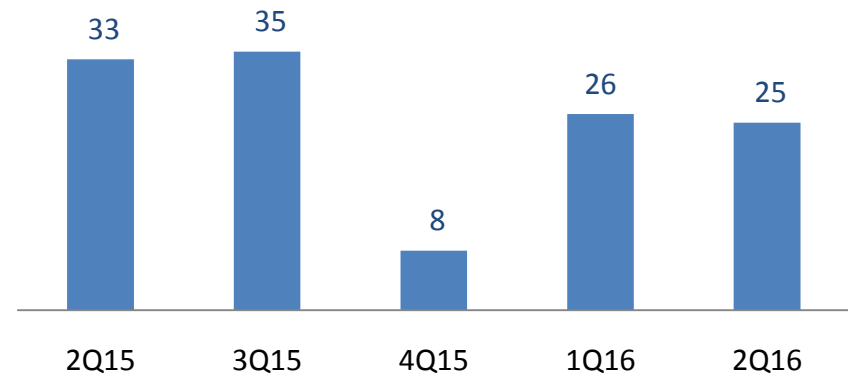


Lower NPLs and improved profitability

NPL (% of portfolio)

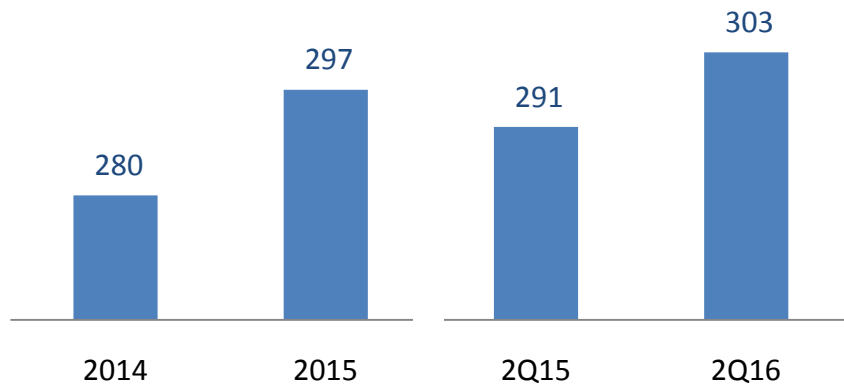


Net Income (R\$ MM)

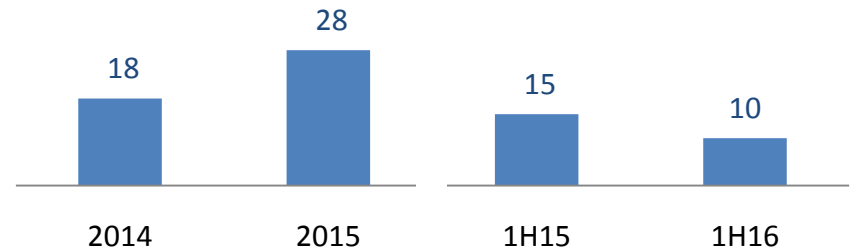


Important partnership to offer insurance services Strong cash flow generation

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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