



Magazine Luiza

1Q16 Results Conference Call

May, 6th 2016

1Q16 Highlights

Sales

- Increase in gross sales of 3% to R\$2.7 billion
- Market share gains and higher gross margin
- Improvement in SSS

E-commerce

- E-commerce sales growth of 28%
- Participation of 22% of total sales

Gross Margin

- Gross margin expanded by 210bps to 30.2% due to: (i) better sales mix, (ii) charging for shipping and assembly on all sales and (iii) greater operational efficiency across all channels

EBITDA and Net Income

- Better sales performance, the increase in gross margin and improved dilution of expenses, positively contributed to the 13% growth in EBITDA to R\$144 million
- Adjusted EBITDA margin reached 7.2% on 1Q16
- Net Income of R\$5 million and adjusted net income of R\$18 million

Cash Flow

- Significant reduction in working capital needs, with lower inventory balance at R\$109 million and higher suppliers balance of R\$155 million.

Indebtness

- Adjusted net debt decreased by R\$191 million to R\$ 849 million in mar/16 (adjusted net debt/adjusted EBITDA of 1.6x)
- LTM gross debt was R\$115 million lower, while cash and short-term investments increased cash position by R\$69 million to R\$721 million

Luizacred

- Growth on Luiza Card sales inside Magazine Luiza stores of 5% and 9% outside
- Net income 45% lower YoY at R\$26 million

Operating Highlights

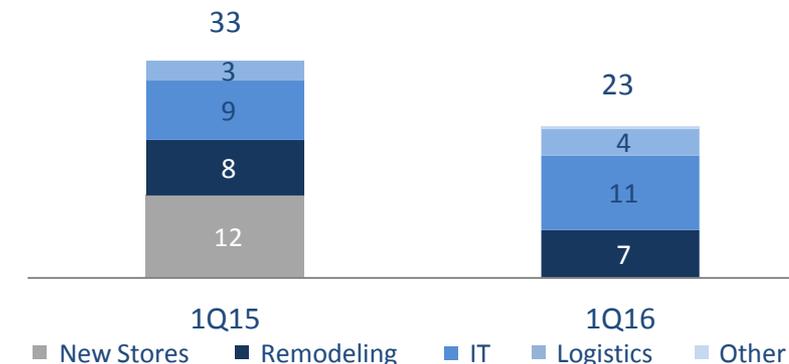
Number of Stores

stores

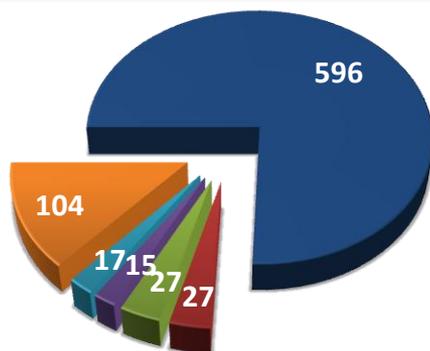


Capex

R\$ million



Average Age - Stores



- More than 5 years
- Up to 1 year
- Up to 2 years
- Up to 3 years
- Up to 4 years
- Up to 5 years

Comments

- Opening of 27 new stores over the last 12 months
- 24% of our stores are in maturation process
- R\$123 million Capex, 30% lower than 1Q15
- Greater percentage of 1Q16 Capex invested into IT projects and logistics

Sales Performance

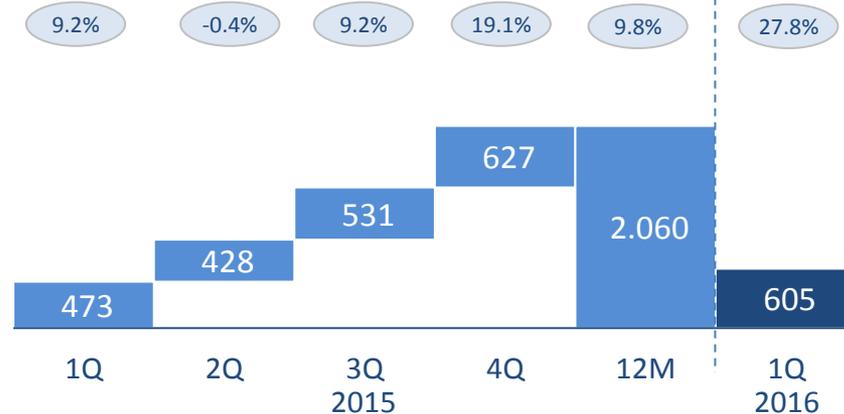
Gross Revenue

R\$ billion

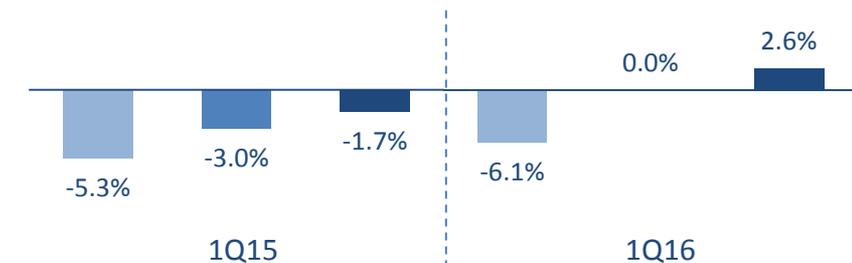


Gross Revenue - Internet

R\$ million



Same-Store Sales Growth



- Same-Store Sales Growth (Brick and mortar stores)
- Same-Store Sales Growth (including e-commerce)
- Total Retail Growth

Comments

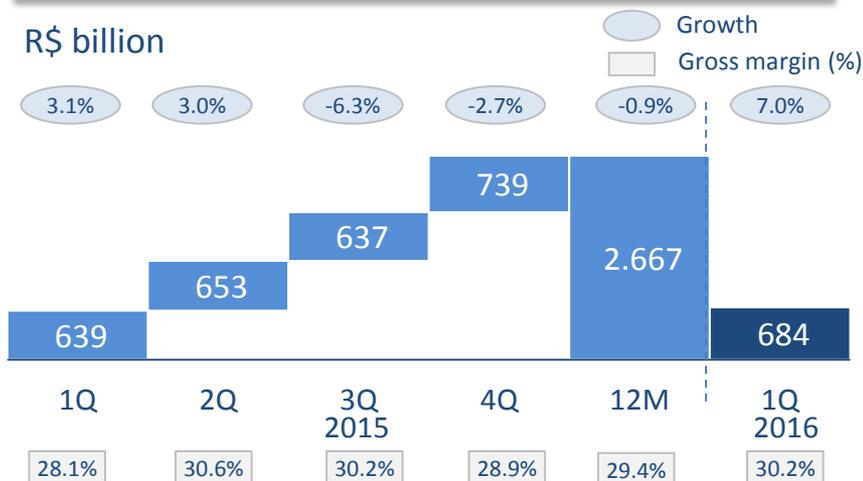
- Market share gains as per IBGE (Brazilian Institute for Statistics and Demography) and data from GFK for the first two months of the year
- Improvement in total SSS : +28% e-commerce and -6% in stores
- E-commerce sales accounted for 22% of total sales

○ Growth over the same period of last year

Gross Profit, Operating Expenses and Equity Income

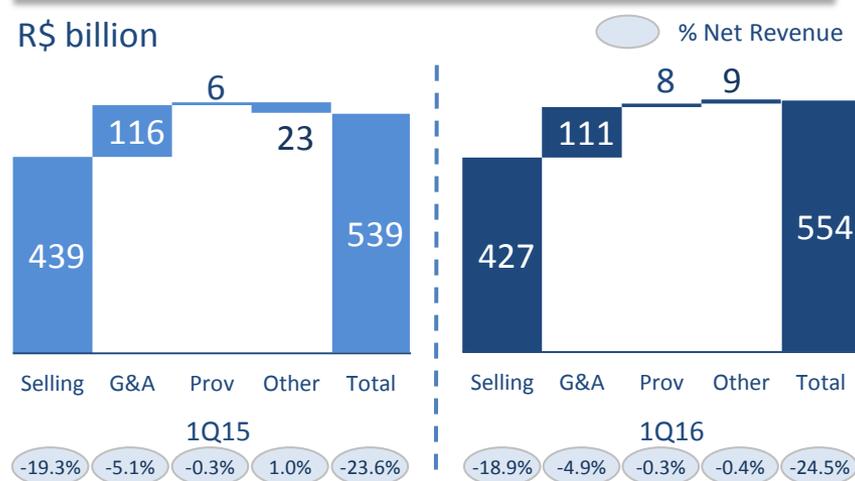
Gross Profit*

R\$ billion



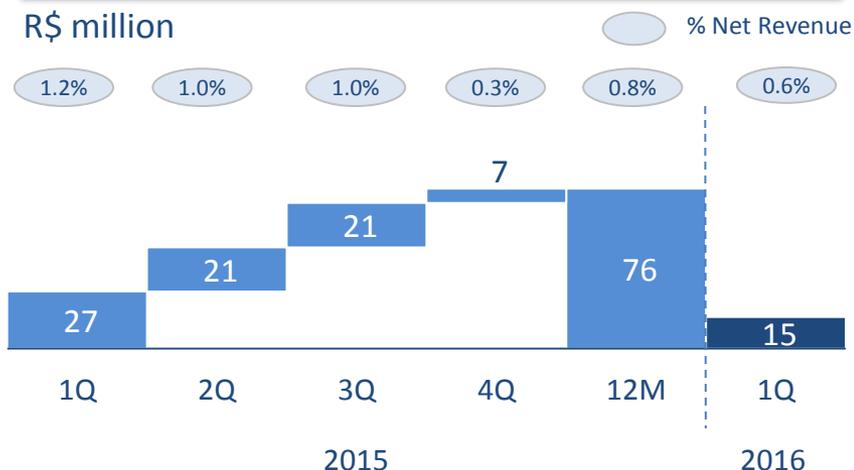
Operating Expenses

R\$ billion



Equity Income

R\$ million



Comments

Gross Margin

- Gross margin expanded by 210bps to 30.2% due to: (i) better sales mix, (ii) charging for shipping and assembly of products sold, and (iii) greater operational efficiency across all channels

SG&A expenses

- Reduction of 3% in nominal terms to 23,8% (-60 bps)

Equity Income

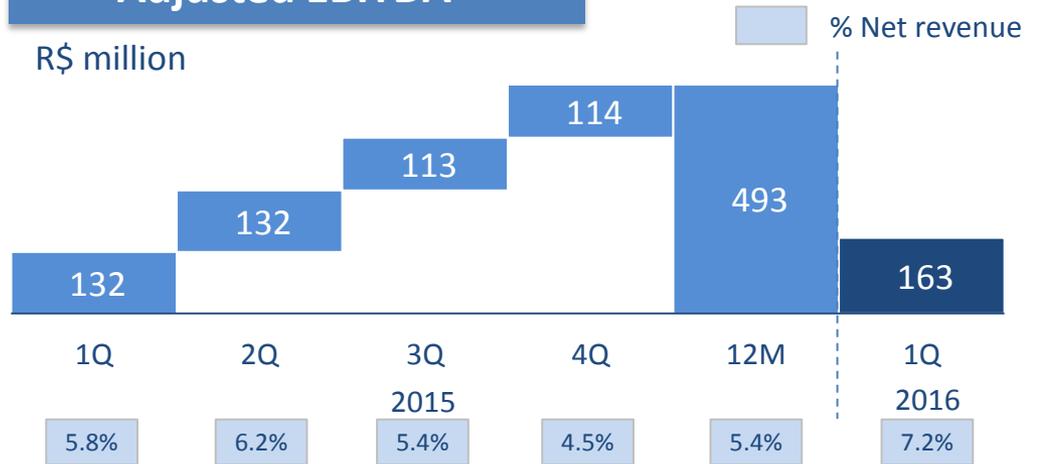
- Luizacred: Net Income of R\$13 million
- Luizaseg: Net Income of R\$2 million

* Due to the resumed charging of social contributions to the payroll, 2015 figures were reclassified from payroll taxes to selling expenses.

EBITDA

Adjusted EBITDA*

R\$ million



Comments

EBITDA

- EBITDA improved by 13% to R\$144 million
- Adjusted EBITDA margin of 7.2% excludes the impact of non-recurring expenses of R\$19 million
- Explained by:
 - Total sales growth,
 - Gross margin expansion,
 - Better dilution of expenses

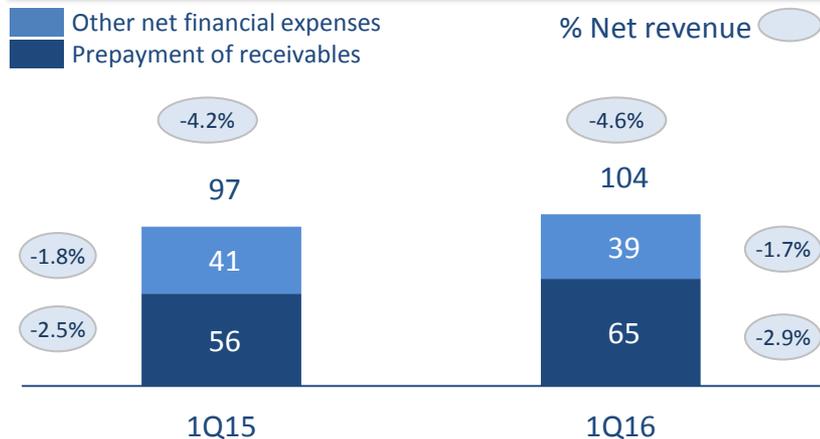
EBITDA Performance



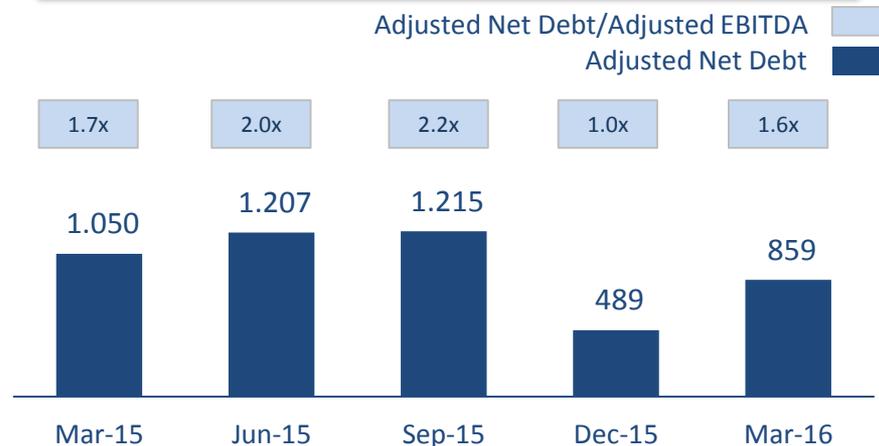
* Adjusted with non-recurring expenses

Financial Results and Working Capital

Financial Results*



Adjusted Net Debt**



Working Capital



Comments

Adjusted net financial results

- Adjusted financial results reached R\$104 million due to: (i) lower net debt and (ii) higher interest rates

Working Capital

- Improvement in working capital needs due to lower inventory balance and higher supplier balance

Net Debt

- Reduction of R\$191 million to R\$849 million in mar/16
- Adjusted net debt/adjusted EBITDA of 1.6x

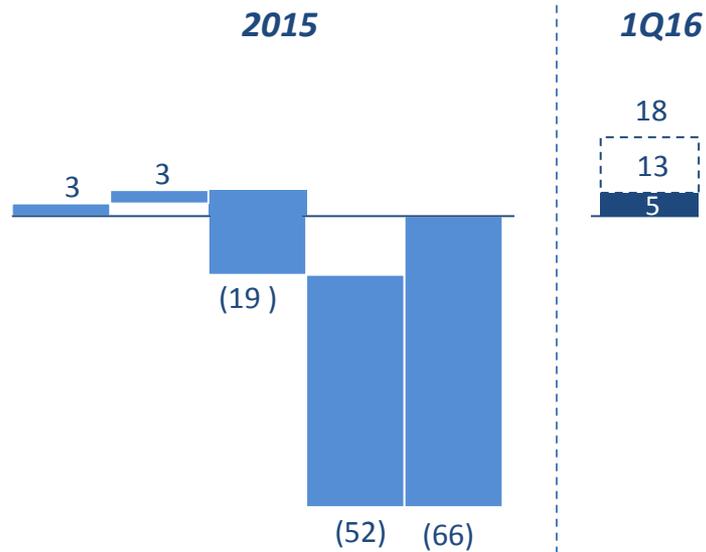
* Adjusted for Income from security fund

** Excluding the undiscounted credit card

Net Income

Net Income

R\$ million



0.3%

0.3%

-0.8%

-1.7%

-0.5%

0.2%

Net margin (%)

Adjusted Net Income

Comments

Net Income

- Net income totaled R\$5 million (+84% YoY)

Adjusted Net Income

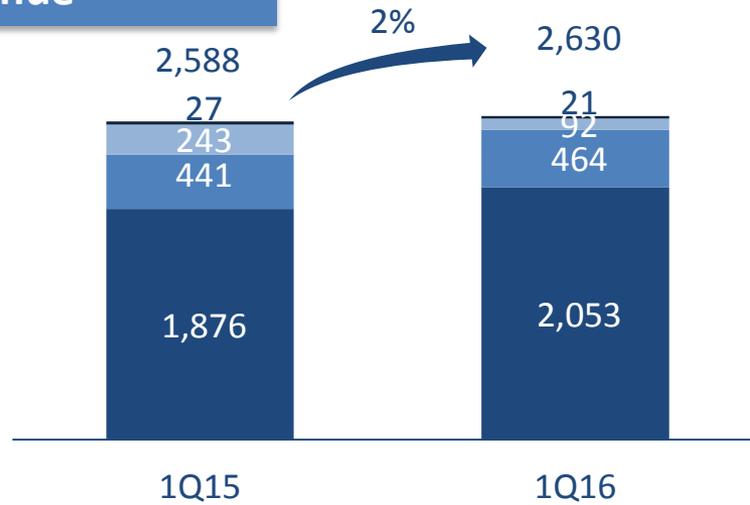
- Net Income adjusted for non-recurring expenses totaled R\$18 million (0.8% of net margin)

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Revenue

R\$ million

- Personal Loans
- DCC
- Card - Inside ML
- Card - Outside ML



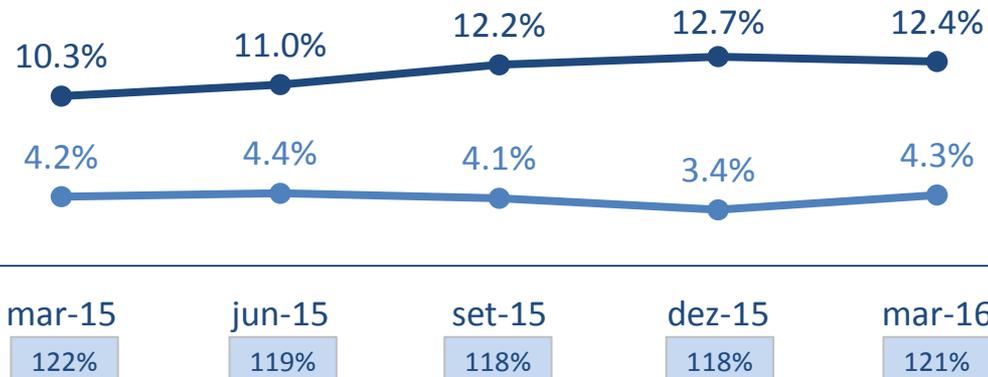
Comments

- Growth of 2% on total revenues
- Growth on Luiza Card revenues inside ML stores of 5% and 9% outside ML
- Reduction of 62% on DCC revenue due to a more conservative credit policy
- DCC approved by Losango accounted for 5.3% of store sales in the period

Overdue Payments

% portfolio

- Overdue above 90 days
- Overdue 15-90 days
- Coverage Ratio (%)



Comments

- Portfolio coverage remained basically stable at 121% in mar/16
- Provision for loan losses improved significantly compared with previous quarters
- Overdue above 90 days at 12.4%, lower than 4Q15
- Mix changes with greater emphasis on Luiza card.
- Keep the conservative credit approach: low approval rates

Digital Transformation

Pillars:

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



movimento
#abraceonovo

2016 Outlook

- Accelerate the implementation of our 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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