



# MAGALU

## 4Q18 Conference Call

February 22, 2019

# Physical Stores

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- 200 bps marketshare gains , growth in all categories and region
- 100 new stores represented a gain of 70 bps in total growth
- In 2018, 101 stores remodeled as mini DC's
- Pilot of Mobile check-out and Digital Credit during Black Friday

# E-commerce

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- Most downloaded retail app during Black Friday (6 millions MAU)
- More than 30% of last mile deliveries are made in less than 48h
- Logbee is responsible for 14% of e-commerce deliveries in 200 cities
- Launch of the 12/12 delivery model in 4Q18

# Marketplace

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- More than 3,300 sellers and 4MM SKU's
- More than R\$850 million of GMV in 2018
- Magalu Entregas:
  - Magalu Entregas - basic model: 50% of sellers and more than 30% of orders
  - Fullfilment by: Pilot with 20 sellers
- Magalu Pagamentos with more than 2,000 sellers in the platform

# Customers

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- 17 million active customers (+34% versus 2017)
- Customer satisfaction Index (CSAT) higher than 80%
- First call resolution rose 19% in 4Q18
- Reduction of 29% at Procon complaints
- RA 1000 Seal at physical stores and e-commerce

# 4Q18 Highlights

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## Sales

- Total sales grew 35%, reaching R\$5.9 billion
- Total Physical Store Sales grew 24% (16% in Same Store Sales)

## E-commerce

- E-commerce grew 57% (reaching 38% of total sales)
- Marketplace sales for the quarter grew to R\$366 million

## Gross Profit

- Gross profit grew 23% (a reduction of 1.1 p.p. in gross margin)
- Strong growth of E-commerce

## Operational Expenses

- Dilution of expenses by 40 bps to 20.8% of net revenue
- Investments in the acquisition of new clientes and higher service levels

## EBITDA Net Profit

- EBITDA grew 13% to R\$353 million (7.7% margin)
- Net income grew 15% to R\$190 million
- ROE 33%

## Operating Cash Generation

- Over the last 3 months, adjusted cash flow reached R\$1.0 billion
- ROIC of 39%

## Capital Structure

- Adjusted net cash was increased by R\$488 million over the last 12 months
- In Dec/18 net cash position of R\$2.2 billion

# 2018 Highlights

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## Sales

- Total sales grew 36%, reaching R\$19.7 billion
- Total Physical Store Sales grew 26% (19% in Same Store Sales)

## E-commerce

- E-commerce grew 60% (reaching 36% of total sales)
- Marketplace sales for the year grew to R\$855 million

## Gross Profit

- Gross profit grew 26% (a reduction of 100 bps. in gross margin)
- Strong growth of E-commerce

## Operational Expenses

- Dilution of expenses by 70 bps to 21,5% of net revenue
- Investments in the acquisition of new clientes and higher service levels

## EBITDA Net Profit

- EBITDA grew 21% to R\$1.2 billion (8.0% margin)
- Net income grew 54% to R\$597 million

## Operating Cash Generation

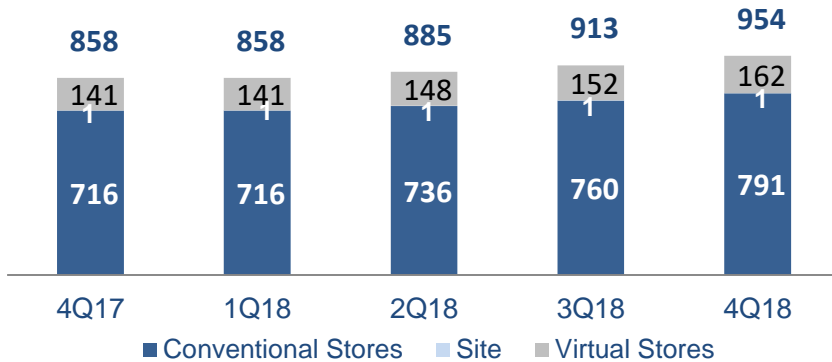
- Over the last 12 months, adjusted cash flow reached R\$1.1 billion
- ROIC of 32%

# Operating Highlights

## Number of Stores

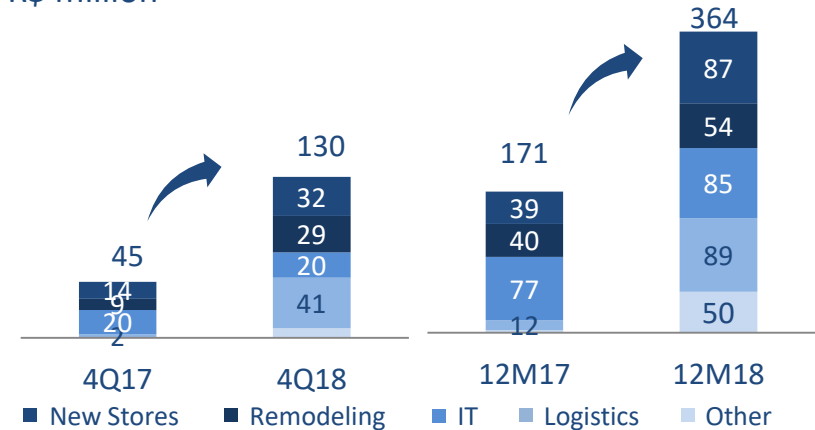
# stores

+96 stores

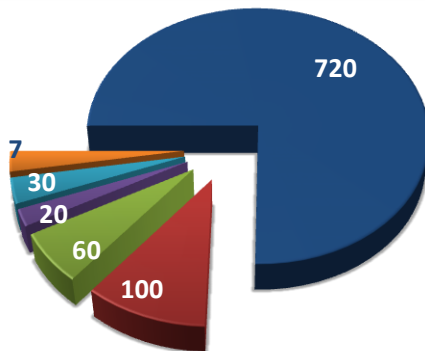


## Capex

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

## Highlights

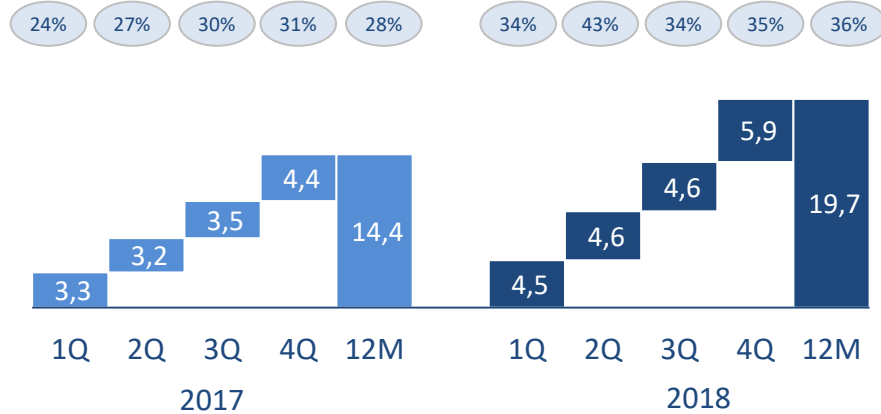
- Opened 41 stores in 4Q18
- Around 25% of stores are still in the maturation process
- 4Q18 Capex was R\$130 million, in projects to support growth and our digital transformation strategy



# Sales Performance

## Total Sales

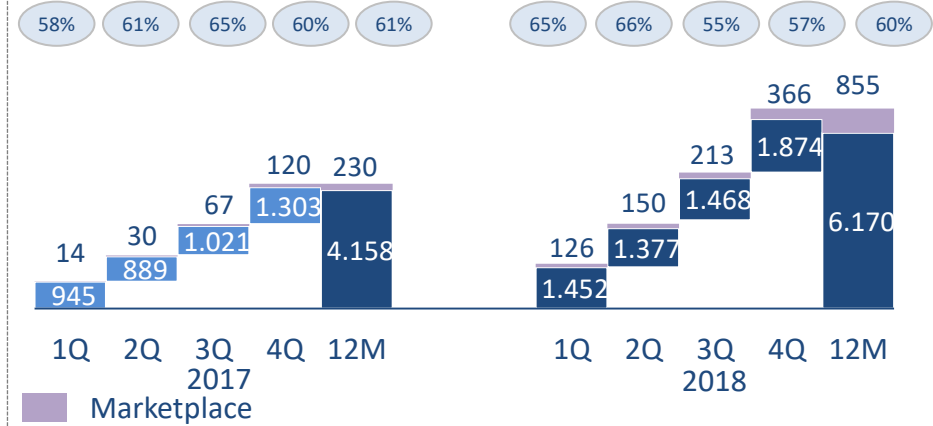
R\$ billion



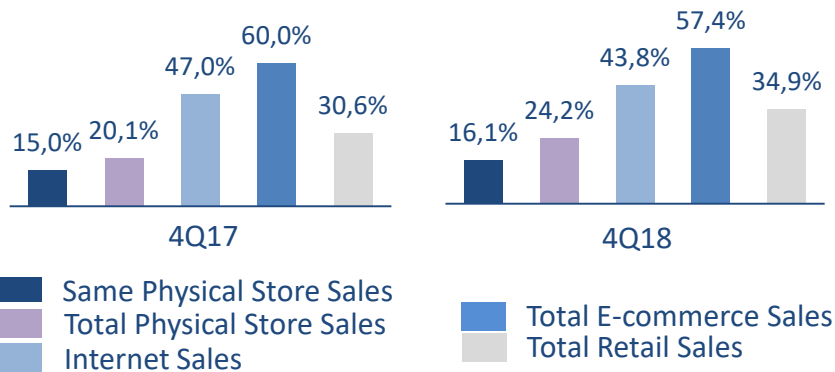
## Sales – Total E-commerce\*

R\$ million

\* Website, App and Marketplace



## Sales Growth



## Highlights

- Same physical store sales of 16% (4Q18) even with a tough comparison basis
- E-commerce share rose from 32.3% to 37.7% in 4Q18
- By contrast, sales of furniture and domestic appliances in Brazil shrank -1.4% in 2018 (PMC/IBGE)
- Brazilian e-commerce market grew 13.4% (E-bit)

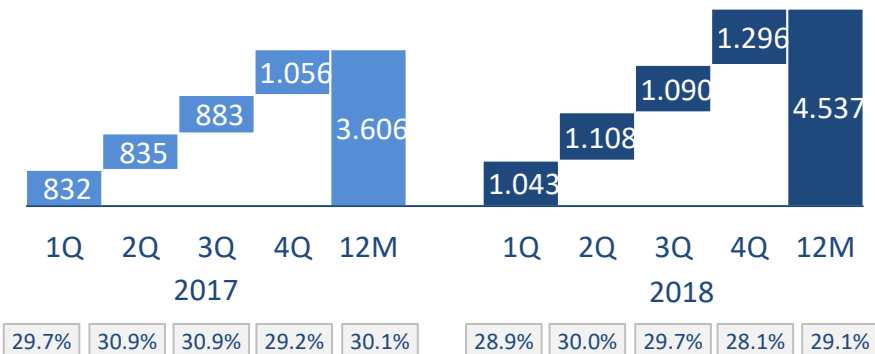
YoY growth comparison

# Gross Profit, Operating Expenses and Equity Income

## Gross Profit

R\$ million

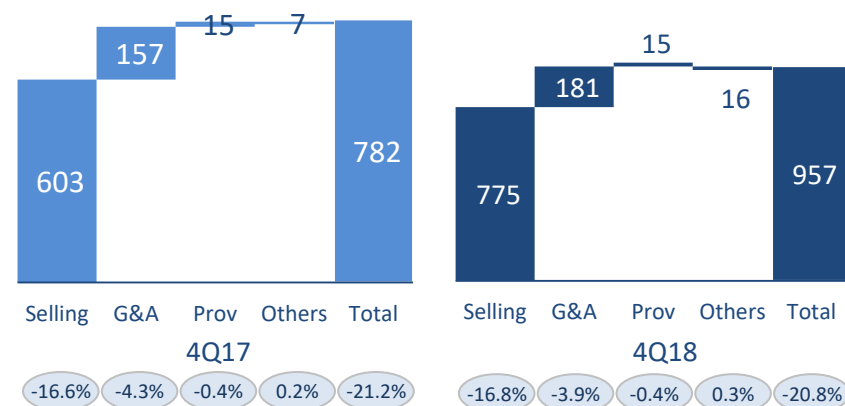
□ Gross margin (%)



## Operating Expenses

R\$ million

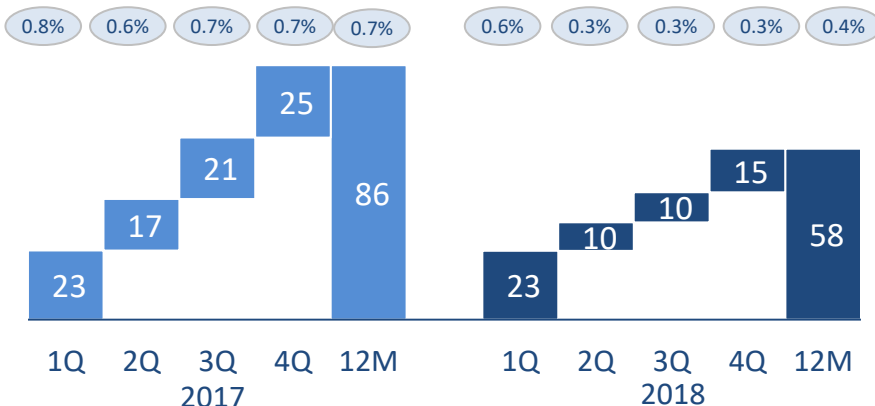
○ % Net Revenue



## Equity Income

R\$ million

○ % Net Revenue



## Highlights

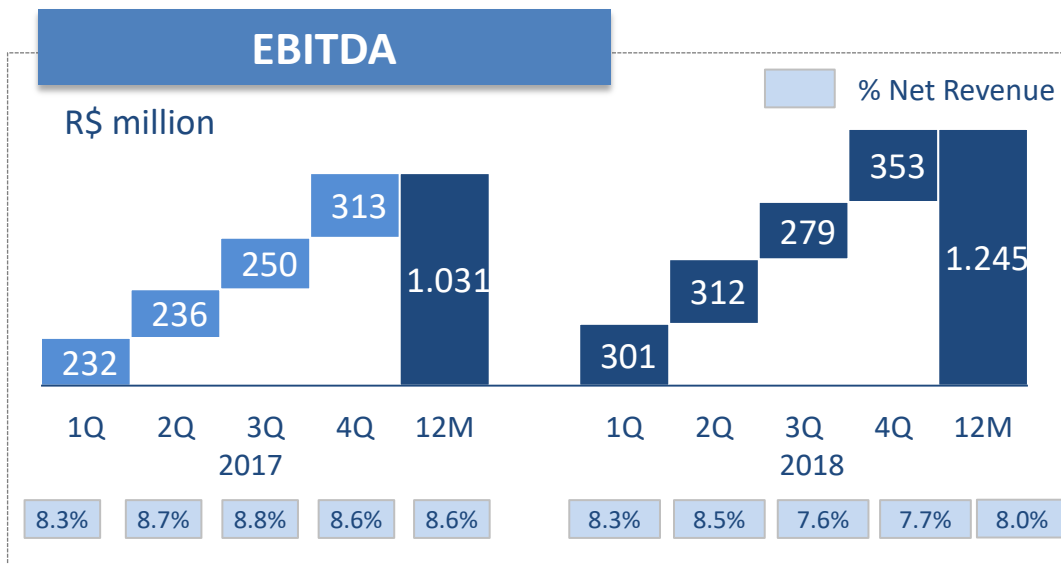
### Operating Expenses

Reduction of 40 bps to 20.8% of net revenue in 4Q18

### Additional investments on customers

- i) 120 bps EBITDA margin
- ii) Logistics
- iii) Customer service
- iv) App
- v) Luiza Card

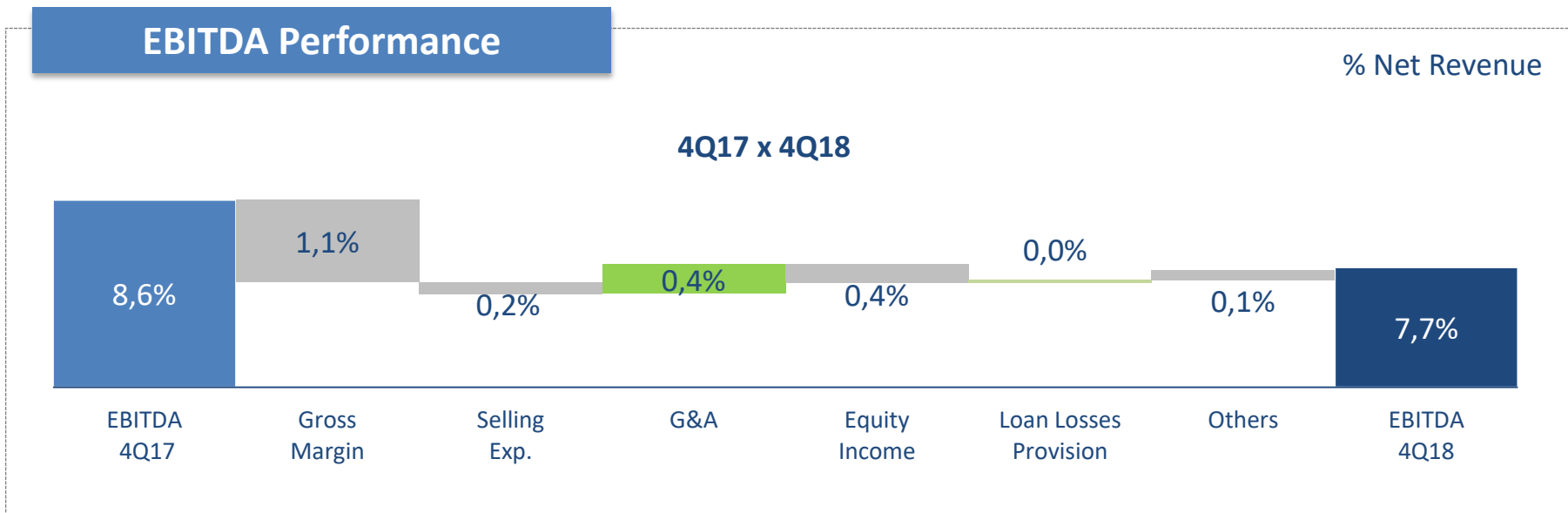
# EBITDA



## Highlights

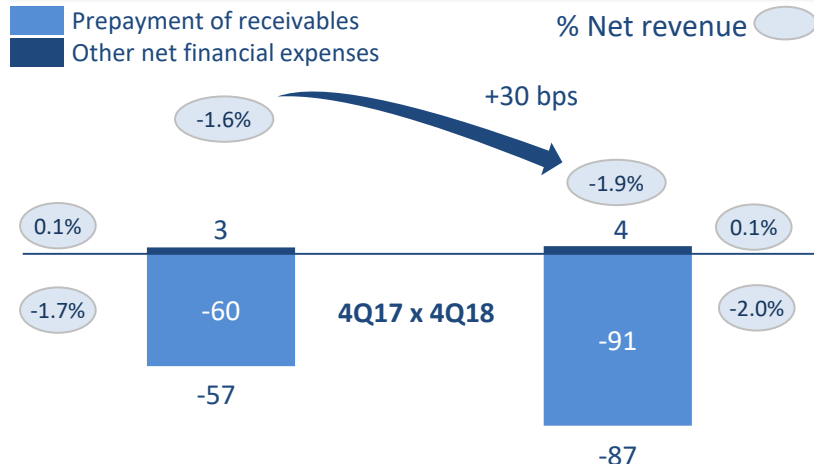
### EBITDA

- EBITDA improved by 13%
- EBITDA margin of 7.7%
- Due to:
  - i) Sales growth
  - ii) Positive e-commerce contribution
  - iii) Dilution of operating expenses
  - iv) Investment on customers

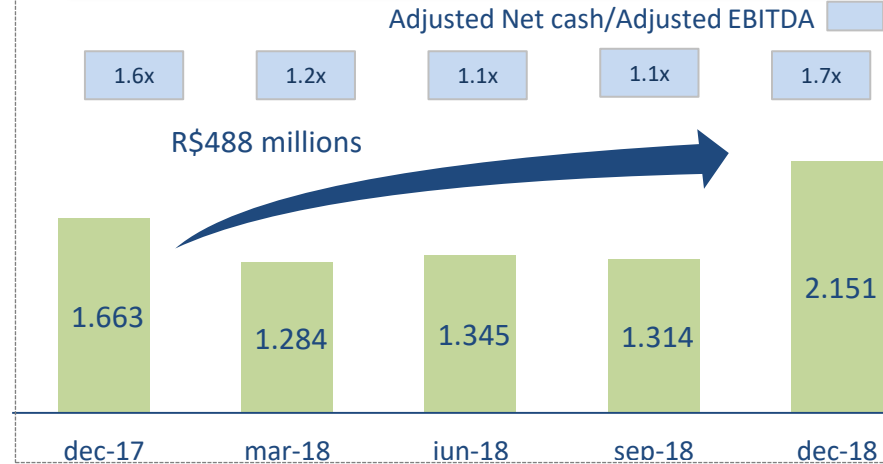


# Financial Results and Working Capital

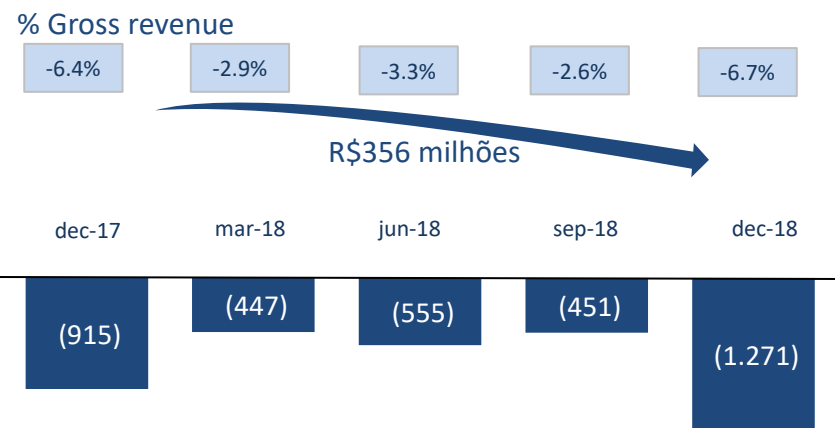
## Financial Expenses\*



## Adjusted Net Cash\*\*



## Adjusted Working Capital



## Highlights

- Financial results**  
 Financial Revenue net of prepayment of receivables R\$4 million in 4Q18
- Working Capital**  
 Disciplined working capital management
- Net Cash**  
 Total cash position of R\$2.6 billion (R\$1.0 billion in cash and R\$1.6 billion in credit card receivables)

\* Adjusted for income from fund

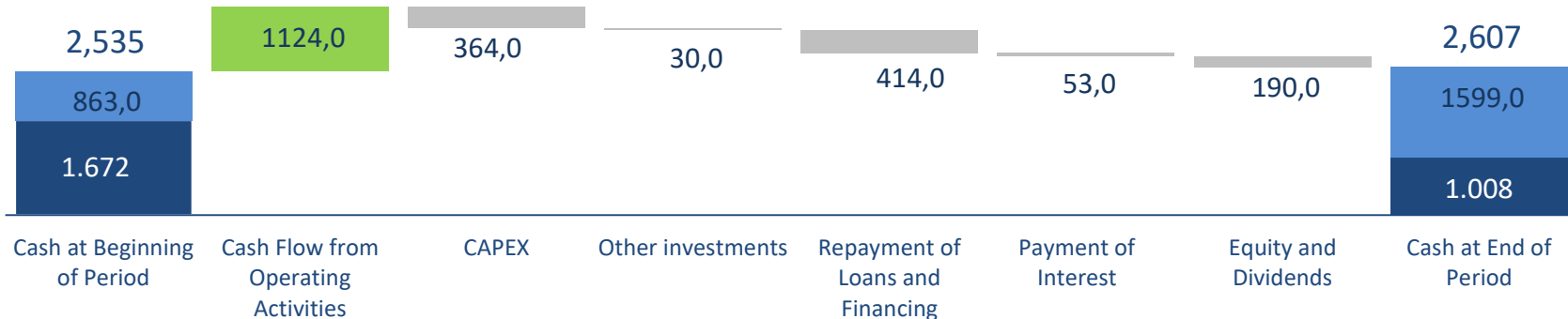
\*\* Including credit card receivables

# Adjusted Cash Flow and Net Income

## Adjusted Cash Flow

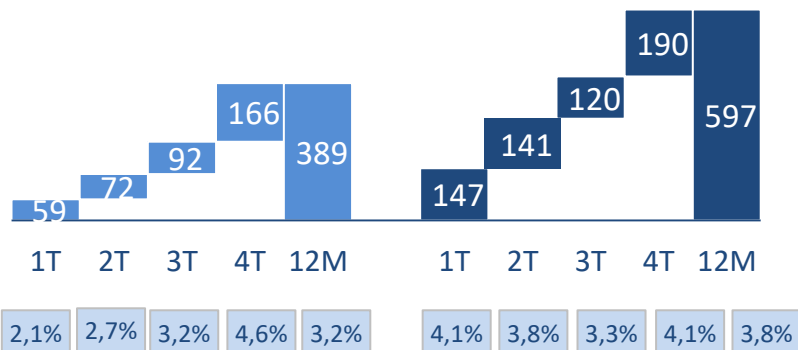
2018

Receivables  
Cash



## Net Income

Net Margin (%)



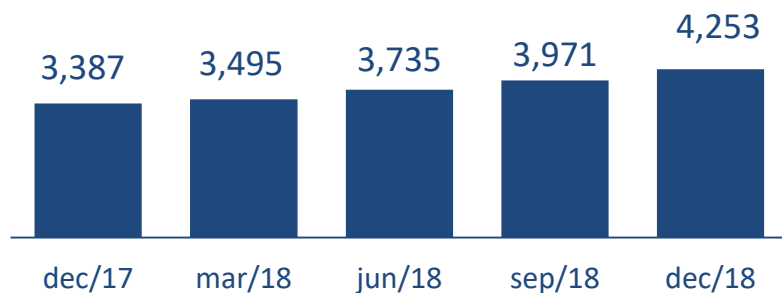
## Destques

- Capital Structure**  
 Improved by R\$488 million in the last twelve months  
 In Dec/18 cash position of R\$2.2 billion
- Net Income**  
 Net Income of R\$190 million  
 29.3% growth QoQ  
 ROIC 39% in the last twelve months

# Luizacred

## Card Base

Thousand

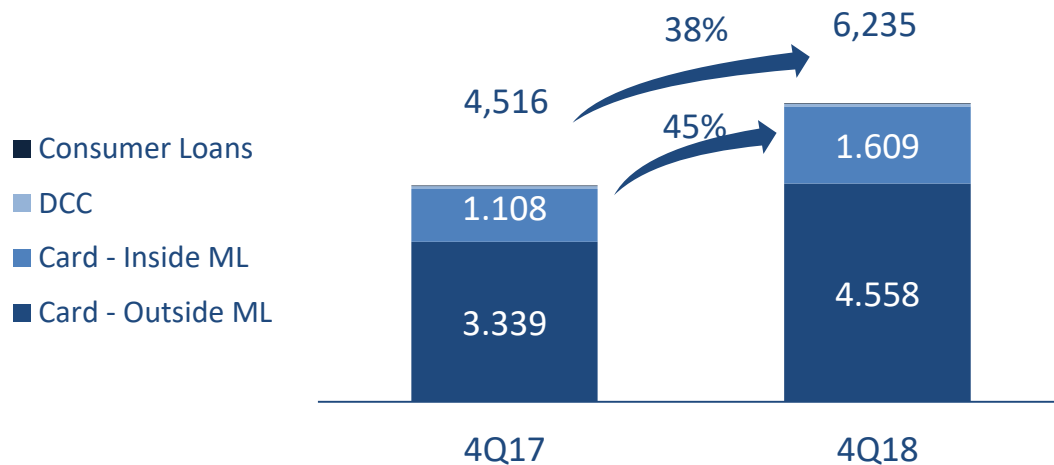


## Highlights

- Luiza Card: higher loyalty, purchase frequency and average purchase price
- Luiza Card cardholder base grew 26% in the last 12 months
- Net addition of 281,000 new cards issued in 4Q18

## Revenue

R\$ million



## Highlights

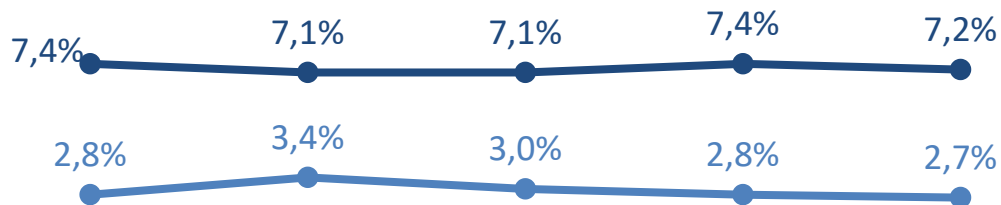
- Revenue grew 38%
- Increase in revenues from Luiza Card inside ML stores (45%) and outside ML stores (36%)
- Credit portfolio reached R\$8.4 billion (+47% in LTM)
- Luizacred revenue in 2018 reached R\$20 billion

# Luizacred - Net Income

## Overdue Payments

% portfolio

— Overdue beyond 90 days  
— Overdue 15-90 days  
■ Coverage Ratio (%)



dec-17

mar-18

jun-18

sep-18

dec-18

130%

206%

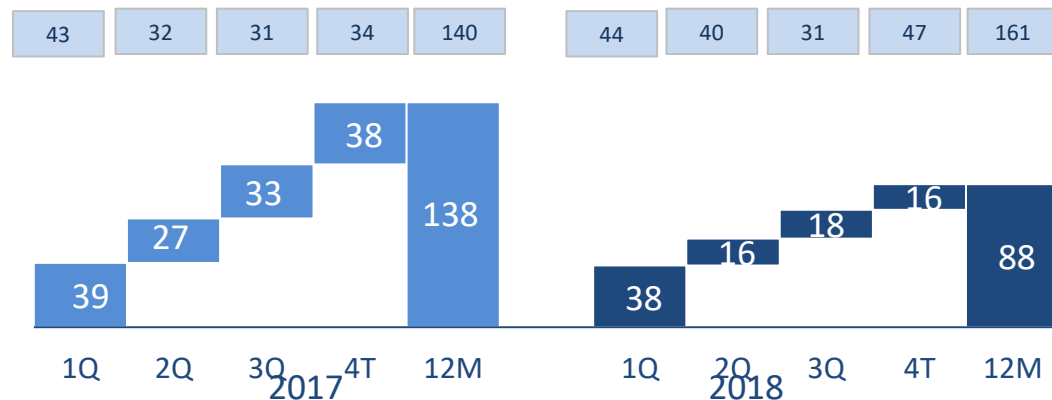
200%

189%

187%

## Net Income

R\$ million



1Q

2Q

3Q

4T

12M

2017

1Q

2Q

3Q

4T

12M

2018

Net Income in BRGAAP

## Highlights

- NPL 90 reached 7.2% of total portfolio, a reduction of 20 bps (Dec/17)
- Portfolio coverage ratio rose 130% to 187% in compliance with IFRS 9

## Highlights

- Rise in provisions due to IFRS 9 (including credit limit provisions)
- Net profit of R\$16 million in 4Q18 with ROE of 11%
- Net profit in BRGAAP of R\$ 47 million with ROE of 24%



# INVESTOR RELATIONS

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