



Magazine Luiza

3Q17 Conference Call

November, 1st 2017

3Q17 Highlights

Sales

- 3Q17 total sales of R\$3.4 billion
- Sales growth of 27% (*versus* +7% for the market)
- SSS growth of 25% (+15% bricks and mortar)

E-commerce

- Growth of 55% (*versus* market growth of 9% (E-bit))
- Now 30% of total sales

Gross Profit

- Gross profit growth of 23%, reaching R\$883 million
- Solid sales growth with flat margins across all channels

Operational Expenses

- Dilution by 160bps to 22.9% of net revenue
- Expense growth of 18% *versus* sales growth of 26%
- Operational Leverage, e-commerce growth, ZBB e EMM

EBITDA Net Profit

- EBITDA growth of 39% to R\$ 250 million (8.8% margin)
- Growth of net income to R\$ 92 million (ROE of 43%)

Operating Cash Generation

- Over the last 12 months, cash flow from operations reached R\$974 million
- Improvement of inventory turnover and average purchase period
- Working capital variation contributed R\$390 million

Leverage

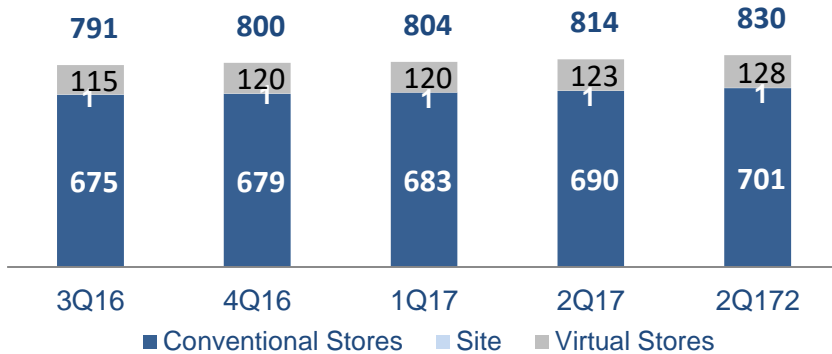
- Adjusted net debt reduced by R\$722 million LTM
- Adjusted net debt reduced by R\$239 million in 3Q17

Operating Highlights

Number of Stores

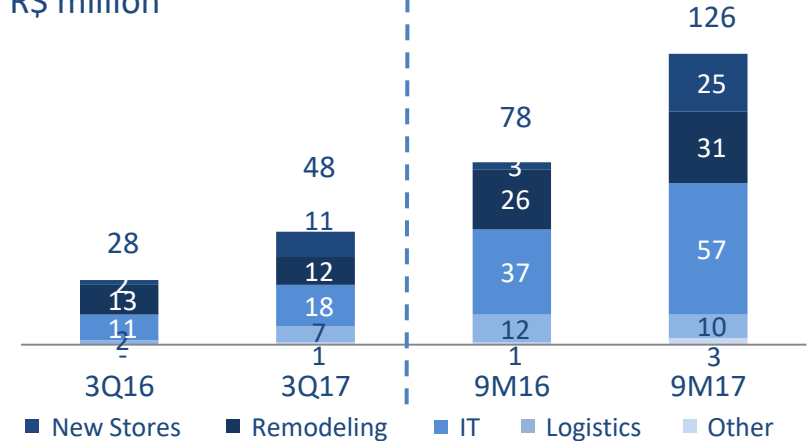
stores

+39 stores

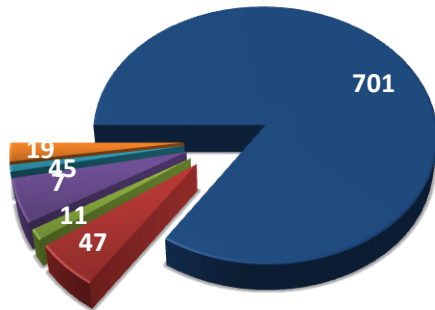


Capex

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

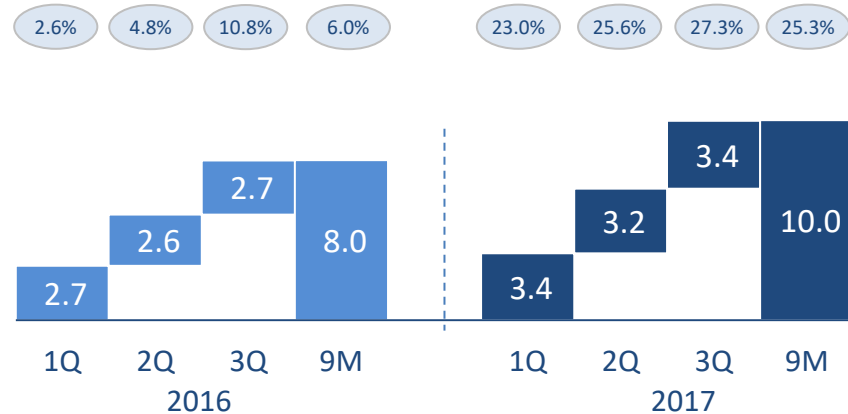
Comments

- Opened 39 new stores in the last 12 months
- Around 16% of our stores are in the maturation process
- Capex of R\$48 million in 3Q17, and 37% of total investments went to IT projects due to our digital transformation strategy

Gross Revenue Performance

Gross Revenue - Consolidated

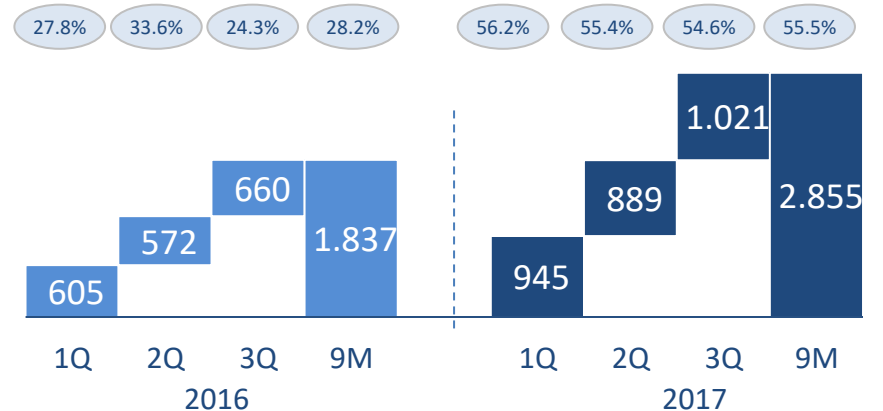
R\$ billion



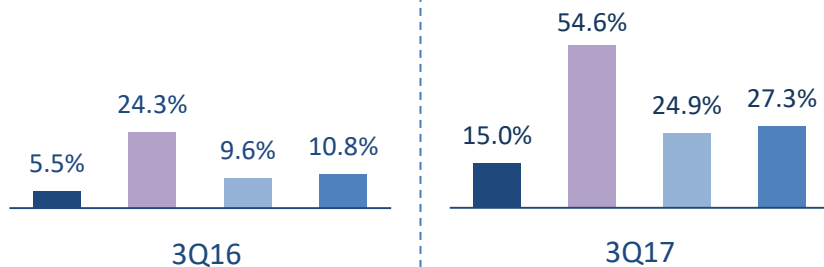
Gross Revenue – E-commerce*

R\$ million

* Website and App



Same-Store Sales Growth



- Same Store Sales Growth (Physical stores)
- E-commerce Growth
- Same Store Sales Growth
- Total Retail Sales Growth

Comments

- Market share gains across the main categories
- SSS in brick and mortar stores (+15%) in 3Q17
- E-commerce accounted for 30% of total sales (up from 25%)
- Sales of furniture and domestic appliances in the Brazilian market +7% (PMC/IBGE)
- Brazilian e-commerce market growth of +9% (E-bit)

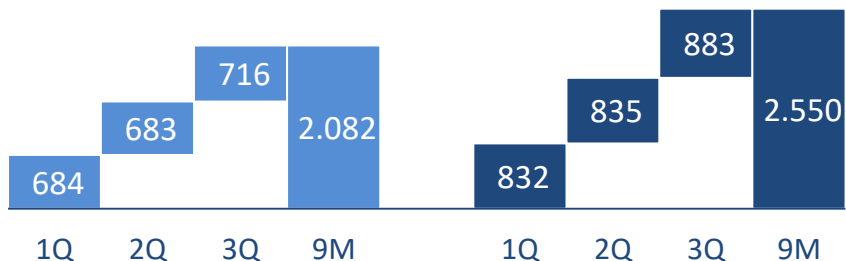
Growth over the same period of last year

Gross Profit, Operating Expenses and Equity Income

Gross Profit

R\$ million

Gross margin (%)



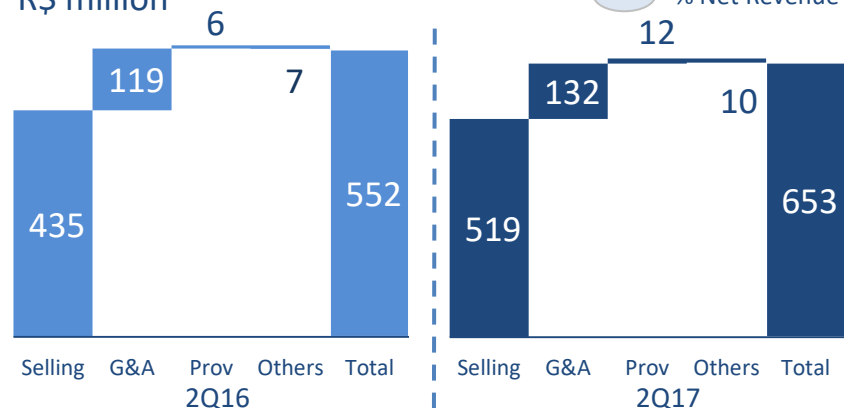
30.2% 31.8% 31.7% 31.2%

29.7% 30.9% 30.9% 30.5%

Operating Expenses

R\$ million

% Net Revenue



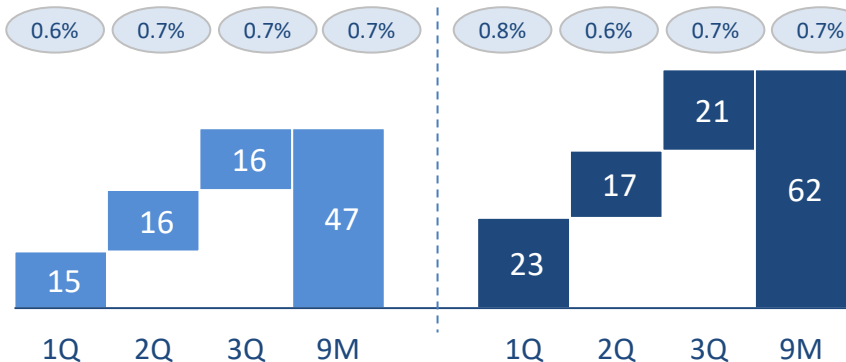
-19.2% -5.2% -0.3% 0.3% -24.4%

-18.2% -4.6% -0.4% 0.3% -22.9%

Equity Income

R\$ million

% Net Revenue



0.6% 0.7% 0.7% 0.7%

0.8% 0.6% 0.7% 0.7%

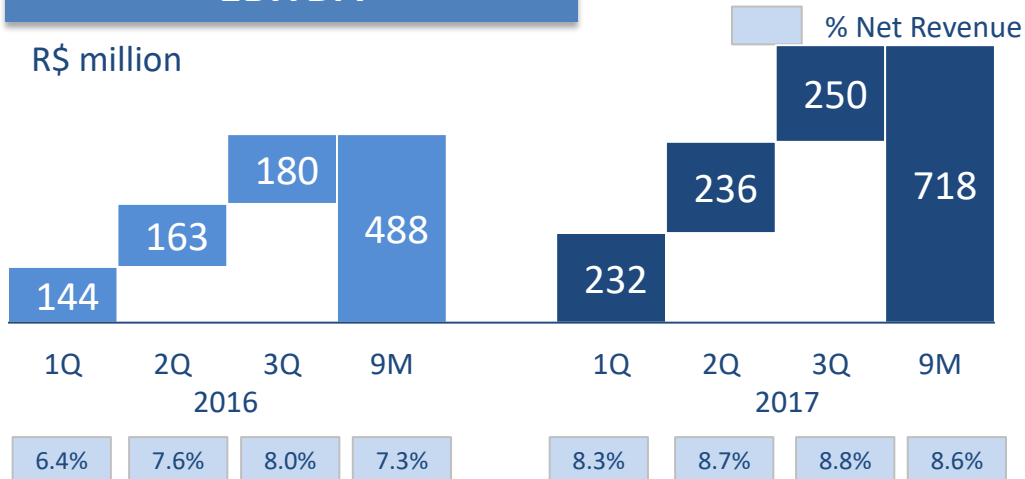
Comments

- **Gross profit**
Growth of 23.3% (30.9% gross profit)
- **Operating Expenses**
Reduction of 150 bps to 22.9% of net revenue in 3Q17
- **Equity Income**
Luizacred: R\$16.5MM in 3Q17 (+33%)
Luizaseg: R\$4.3MM in 3Q17 (+10%)

EBITDA

EBITDA

R\$ million



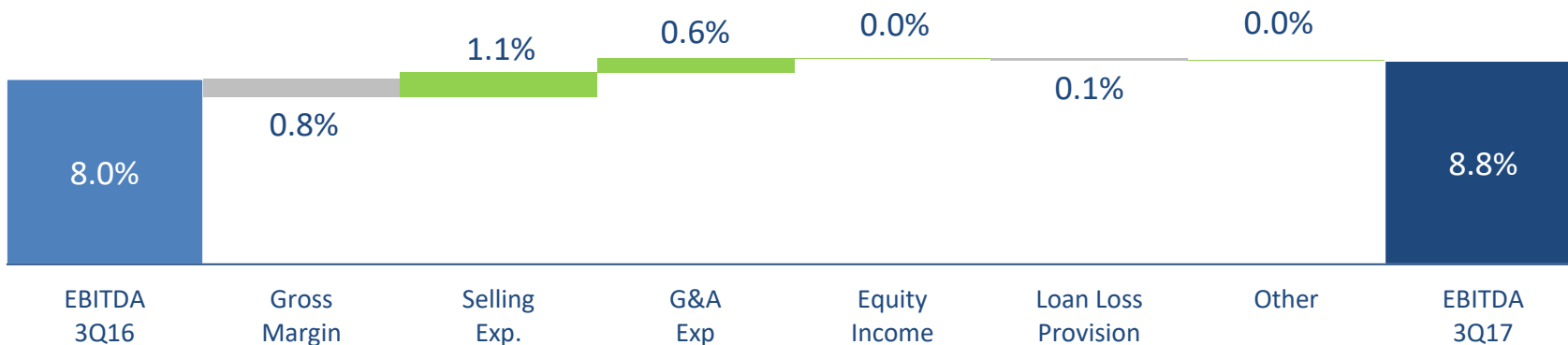
Comments

EBITDA

- EBITDA improved by 39%
- EBITDA margin of 8.8% in 3Q17
- Due to:
 - Sales growth
 - Positive e-commerce contribution
 - Dilution of operating expenses

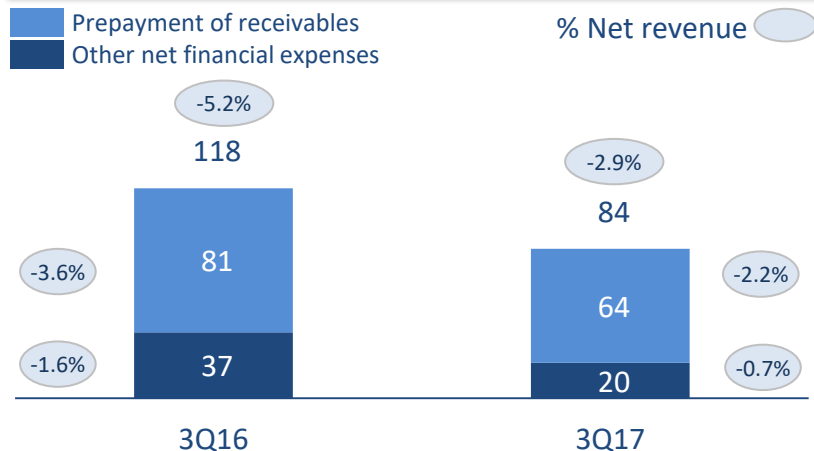
EBITDA Performance

% Net Revenue

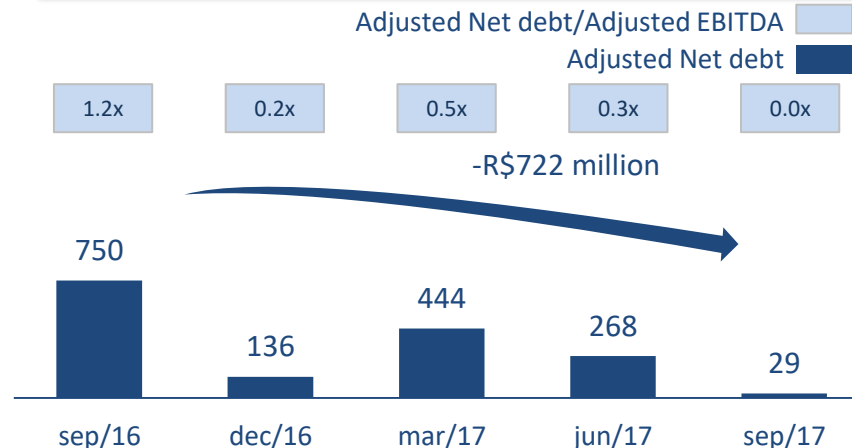


Financial Results and Working Capital

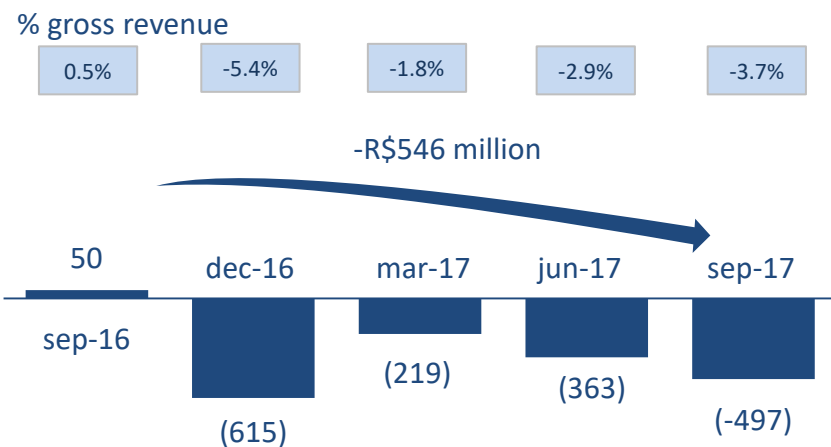
Financial Results*



Adjusted Net Debt**



Adjusted Working Capital



Comments

- Financial results**
 Improved 230bps in 3Q17 to 2.9% due to net debt reduction and Selic rate decrease
- Working Capital**
 Improvement in adjusted working capital of R\$546 million LTM
 Improvement in inventory turnover and lead time
- Net Debt**
 Reduction of R\$722 million in LTM

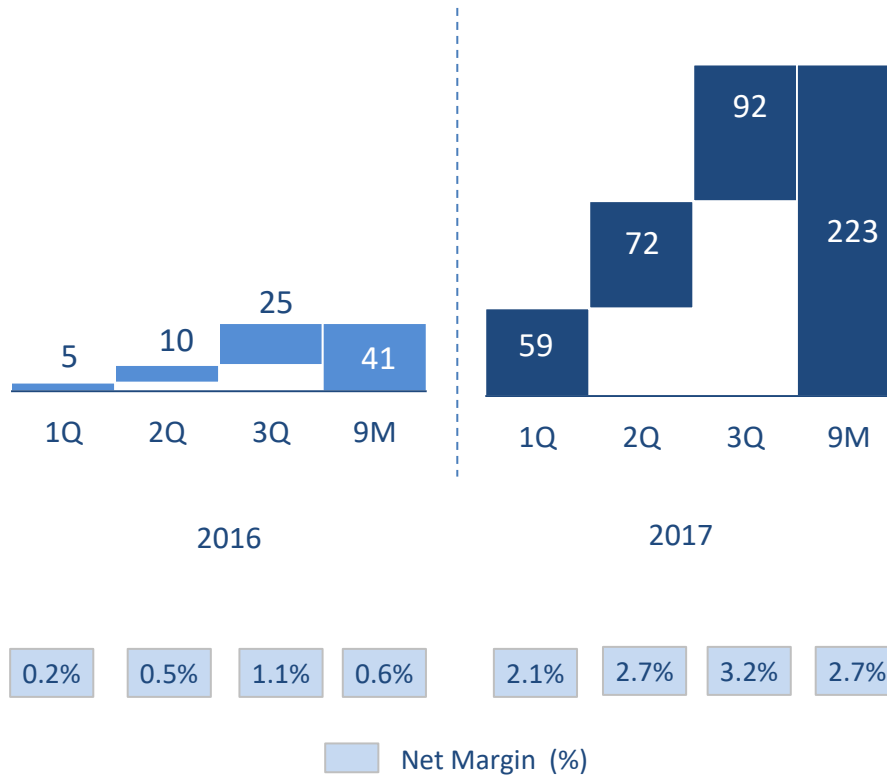
* Adjusted for income from fund

** Excluding the credit cards which were advanced

Net Income

Net Income

R\$ million



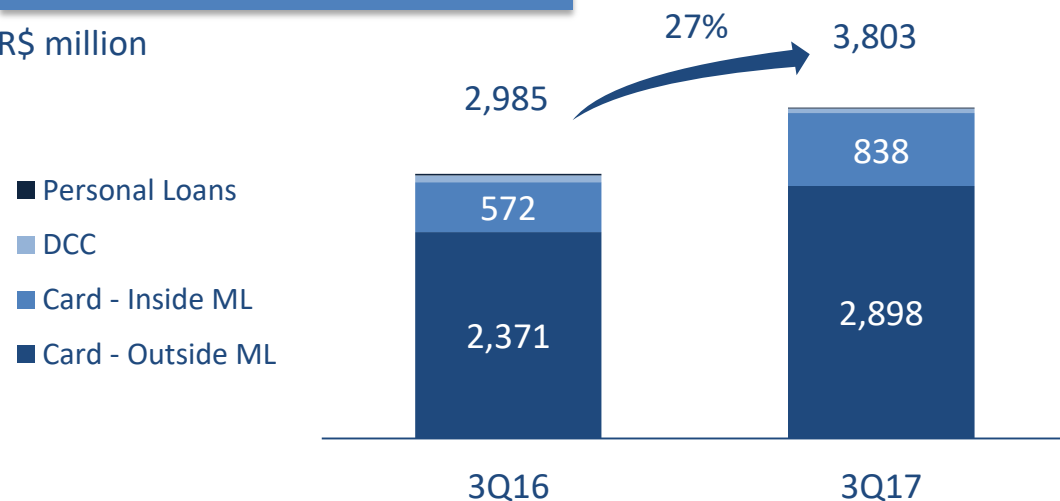
Comments

- Net Income of R\$92 million in 3Q17 with net margin of 3.2% and R\$223 million in 9M17.
- ROE of 43% and ROIC of 36%
- Mainly impacted by:
 - i) better sales performance
 - ii) dilution of expenses
 - iii) better financial results

Luizacred

Revenue

R\$ million

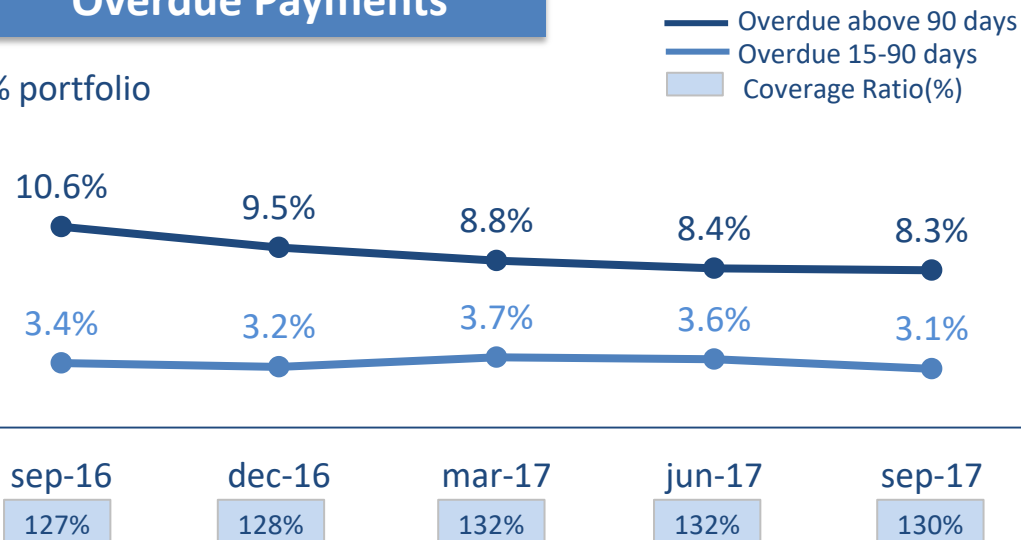


Comments

- Revenue growth of +27%
- Increase in revenues from Luiza Card inside ML stores (47%) and outside ML (25%)

Overdue Payments

% portfolio



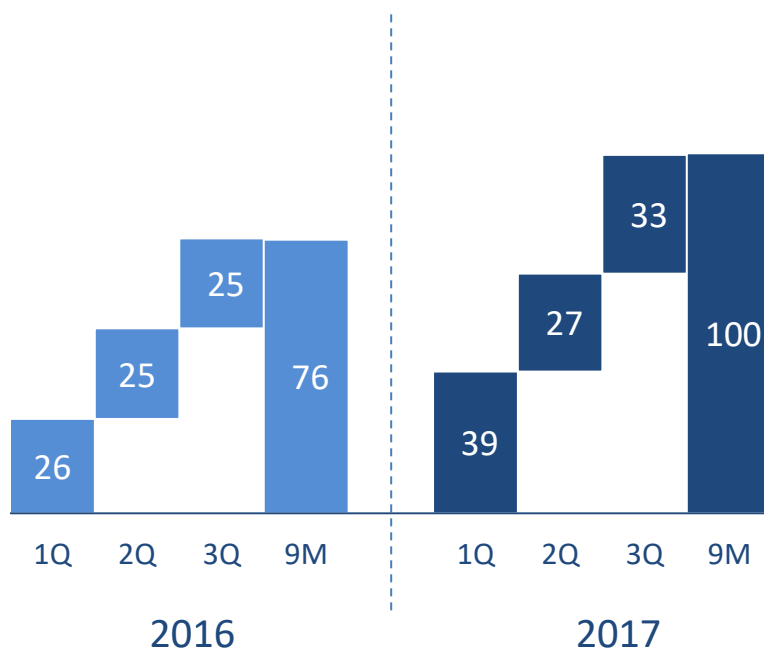
Comments

- NPL 90 reached 8.3% of total portfolio, 230bps reduction (set/16). Lowest level over the five last years.
- Coverage ratio increased to 130% in sep/17 (127% in sep/16)

Luizacred - Net Income

Net Income

R\$ million



Comments

- Growth in Luizacard's portfolio (+25%) versus reduction in DCC portfolio (-33%)
- Improved short and long term past due loan indicators in 3Q17
- Reduction in expenses with provisions for loan losses
- Net Income of R\$33million in 3Q17 with ROE of 23%

2017 Outlook

- Accelerate our digital transformation and capture gains
- Focus on the expansion of the Marketplace platform
- Continue to gain market share in a sustainable way
- Maintain existing initiatives to reduce costs and expenses
- Continue efforts to improve working capital management
- Increase new store openings
- Continue reduction of financial expenses via decrease in SELIC and debt



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