



MAGALU

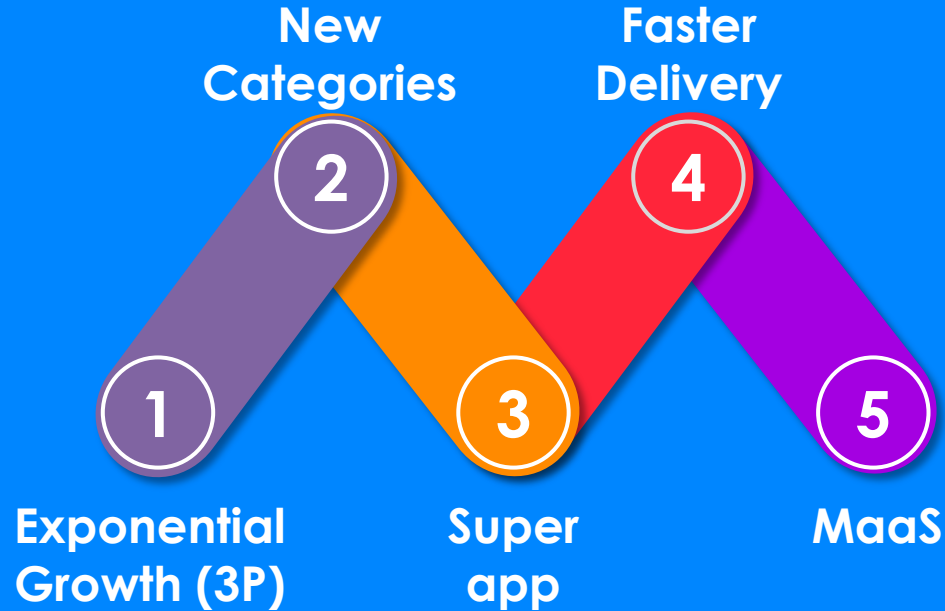
Conference Call 4Q19

February 17, 2020

Magalu's Evolution in 2019



Drivers 2019



Best in class customer experience • Data driven approach
 • Sustainability and reputation

Exponencial Growth

25 M

Active customer base
(+46% - 4Q19 vs 4Q18)

51%

Total Sales Growth
(4Q19 vs 4Q18)

1,113

Stores
(+69 new stores and +5 kiosks
Lojas Marisa partnership 4Q19)

93%

Total E-commerce Growth
(4Q19 vs 4Q18)

15 k

Number of Selles
(4Q19)

216%

Marketplace Growth
(4Q19 vs 4Q18)

13 M

SKUs
(4Q19)

26%

Physical Stores Sales Growth
(+13% same store sales – 4Q19 vs 4Q18)

New Categories

Penetration as

% of e-comm



	Market Size (R\$B)	Penetration	Penetration	Gap to USA
Fashion	7.5	4.0%	21.1%	17.1%
Beauty and personal Care	3.0	2.8%	13.5%	10.7%
Consumer eletronics	32.2	23.6%	28.6%	5.0%
Furnitures	5.4	8.8%	14.9%	6.1%
Pharmacy	0.5	1.5%	11.6%	10.1%
Pet	0.5	2.6%	16.1%	13.5%
Food and beverage	1.4	0.5%	1.4%	0.9%
HIC	0.6	1.7%	7.8%	6.1%
Toys	1.5	12.9%	23.6%	10.7%
Home Care	0.1	0.5%	2.6%	2.1%
Video games	0.3	18.9%	20.4%	1.5%

Additional potential on top

core categories (R\$B)



New Categories

NETSHOES

+  ZATTINI

6 M

Active customer

12 M

Orders per year

R\$ 200

Average ticket

1,000

3P Sellers

350k

SKUs

- 4Q19: EBITDA break-even

**estante
virtual**

20 M

Books

3 M

Books sold per year

R\$ 120 M

GMV in 2019

6,000

3P Sellers

1 M

Active customer

- New and used books

• High purchase frequency

• Active customer base increase

Super app

56 %

Mobile Sales

(Mobile as % of Magalu e-commerce sales)

19 M

MAU

(Monthly active users. Dec/19)

26 M

App install base

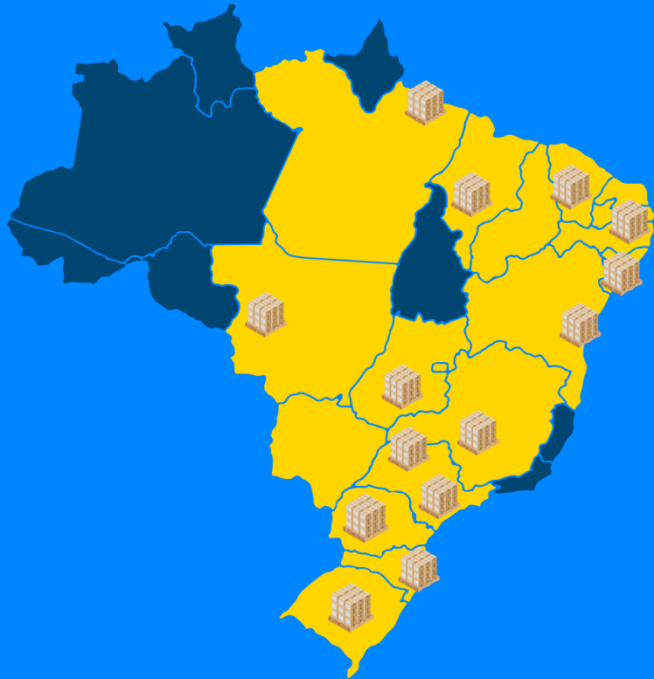
(Dec/19)

Magalupay

Launch



Faster Delivery



+66%

Orders delivered in
up to 48h
(Dec/19)

+200

Stores with
Ship from Store
(Dec/19)

38%

In store pick-up
(Dec/19)

127

Cities covered by
Logbee

+20

Stores with Netshoes'
in store pick-up

Magalu as a Service - MaaS

MAGALU Entregas

1st Phase

Extending umbrella contracts

75% of sellers



2nd Phase

First mile collect / cross-docking

350 sellers



3rd Phase

Storage and fulfillment

NEXT



✓ Reduce marketplace lead time

✓ Enable in-store pick-up for marketplace items

✓ Increase conversion

✓ Increase service levels

✓ Take rate expansion

✓ Enable fulfillment by Magalu

Magalu as a Service - MaaS

MAGALU
Pagamentos

Additional monetization of marketplace growth

Ability to monitor the value chain and control the payment flow

Ability to offer resources at below market rates



2,000

Sellers on platform

Rollout

1Q20

Best in class customer experience

78% Average NPS
2019
(1P + Physical Stores)

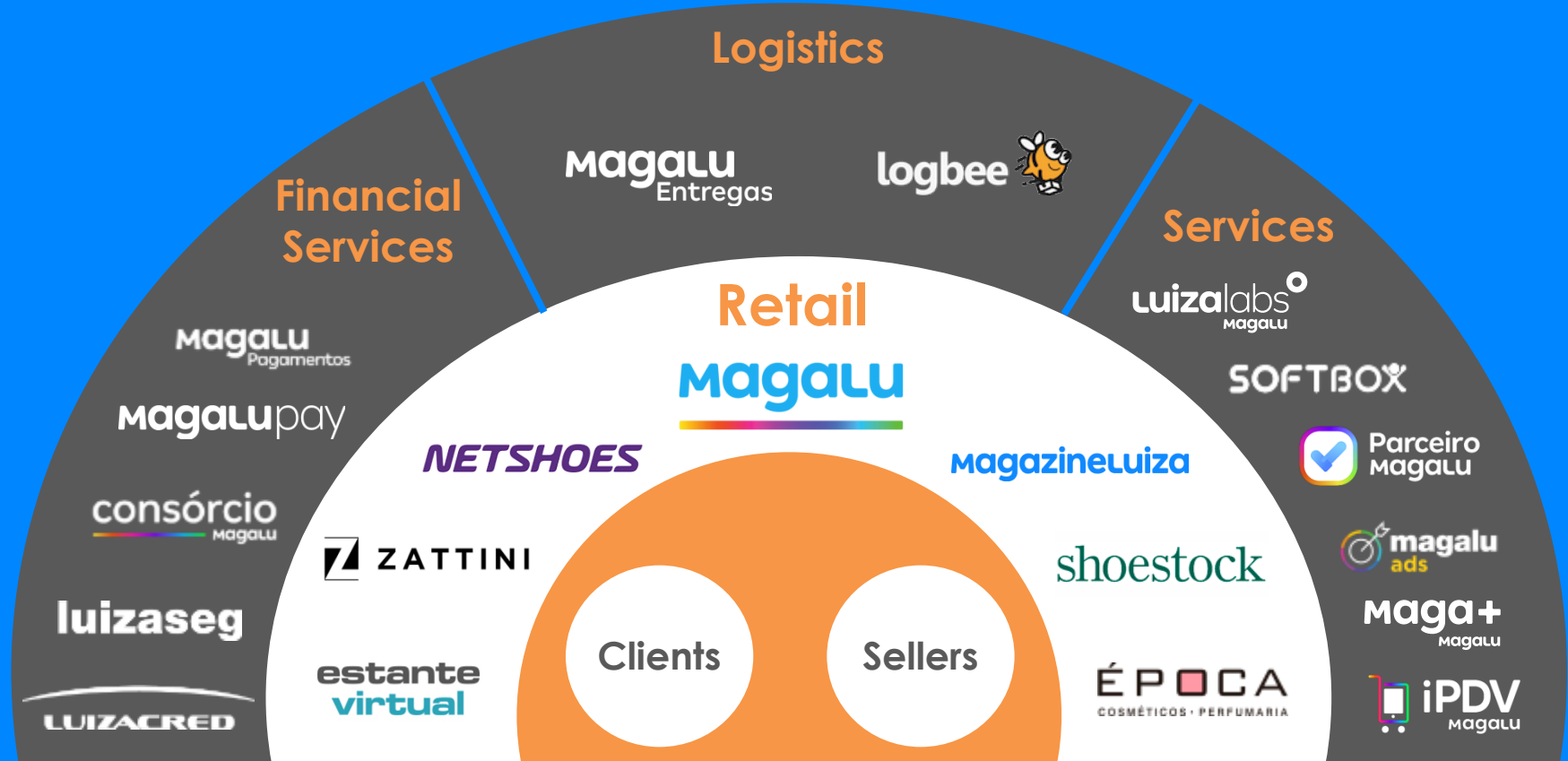
93 % First call resolution

**RA1000
Ranking** Physical Store
and E-commerce
(1P + 3P)
(Reclame Aqui)



Invoices issued for
transactions

Magalu's Ecosystem



4Q19 Highlights - Adjusted¹

Sales

- Total sales grew 51%, reaching R\$9.0 billion
- Total Physical Store sales grew 26% (13% in Same Store Sales)

E-commerce

- E-commerce grew 93% (reaching 48% of total sales)
- Marketplace sales grew 216% (27% of E-commerce)

Gross Profit

- Gross profit grew 41% (increase of 0.5 p.p. in gross margin)
- New categories, especially by Netshoes and marketplace

Operational Expenses

- Represent 23% of net revenue
- Netshoes, investments in service levels and customer acquisition
- Stable as percentage of total sales (from 16.2% in 4Q18 to 16.1% in 4Q19)

EBITDA Net Profit

- EBITDA of R\$395 million (6.2% margin)
- Net income of R\$185 million (2.9% margin)

Operating Cash Generation

- Cash from operations reached R\$1.7 billion in 4Q19 and R\$1.5 billion in 2019
- ROIC of 24% (4Q19) and 21% in 2019

Capital Structure

- Adjusted net cash of R\$6.3 billion in Dec/19
- Net cash position of R\$7.1 billion

2019 Highlights - Adjusted¹

Sales

- Total sales grew 39%, reaching R\$27.3 billion
- Total Physical Store sales grew 18% (8% in Same Store Sales)

E-commerce

- E-commerce grew 76% (reaching 45% of total sales)
- Marketplace sales grew 254% (24% of E-commerce)

Gross Profit

- Gross profit grew 28%
- New categories, led by Netshoes and marketplace

Operational Expenses

- Represent 23% of net revenue
- Netshoes, investments in service levels and customer acquisition
- 16.5% of total sales(-60 bps YoY)

EBITDA Net Profit

- EBITDA of R\$1,304 million (6.6% margin)
- Net income of R\$552 million (2.8% margin)

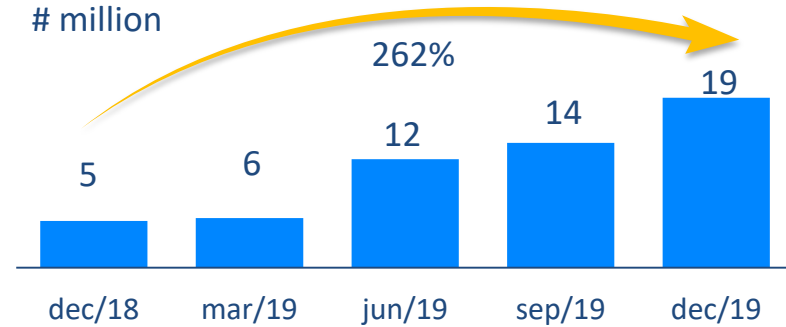
Operating Cash Generation

- Cash from operations reached R\$1.5 billion in 2019
- ROIC of 24% (4Q19) and 21% in 2019

Evolution of Users

MAU

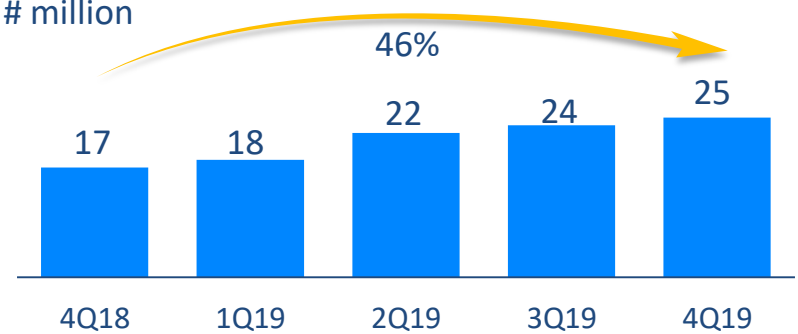
million



Source: Appanie

Active Customer Base

million



Highlights

- 19 million MAU (including Magalu Superapp, Netshoes, Zattini and Época Cosméticos)

Highlights

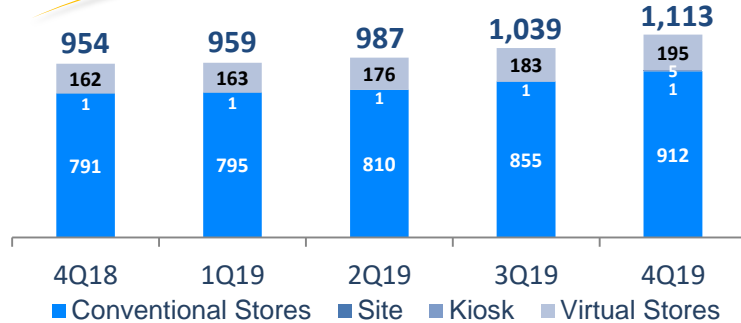
- Growth of 46% in active customer base
- Inclusion of new categories and investment in customer experience contributed to this growth
- The active customer base in e-commerce grew 97%, including Netshoes unique customers

Operating Highlights

Number of Stores

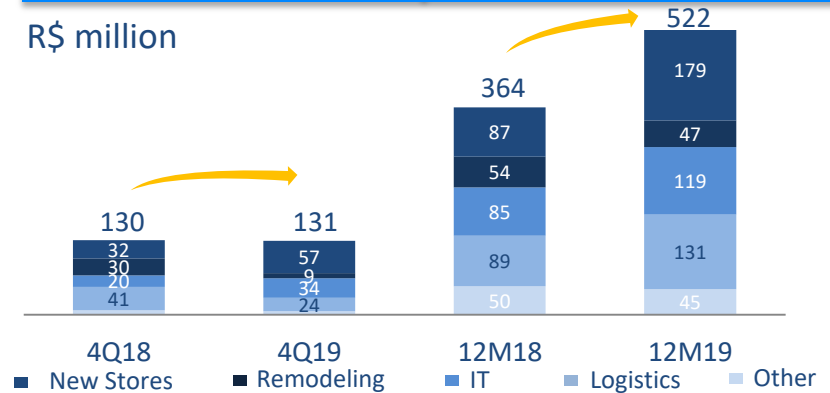
stores

+159 stores

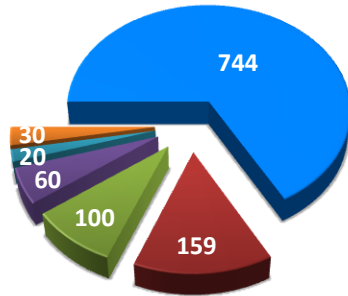


Capex

R\$ million



Average Age - Stores



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

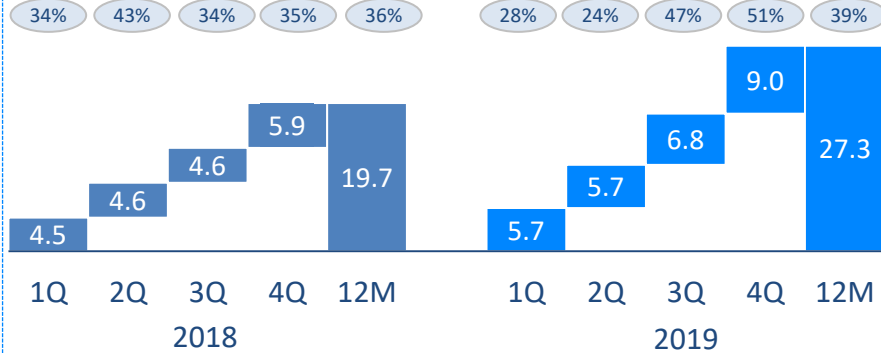
Highlights

- Opened 69 stores in 4Q19 and 5 kiosks (Lojas Marisa Partnership)
- Opened 159 stores in 2019
- Around 33% of stores are still in the maturation process
- Capex was R\$131 million in 4Q19, largely focused on projects to support growth

Sales Performance

Total Sales

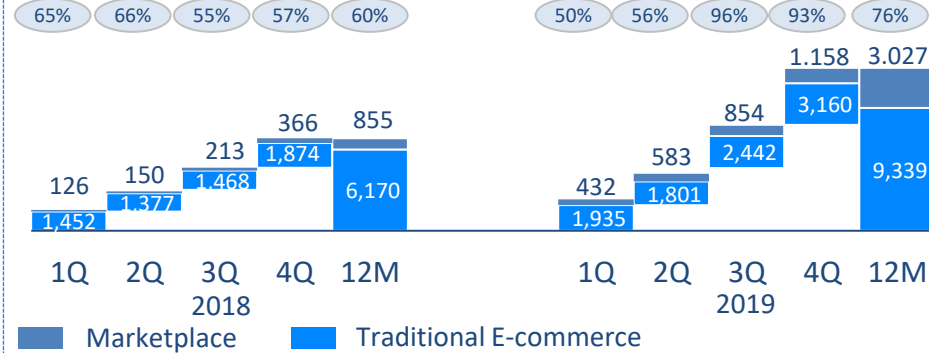
R\$ billion



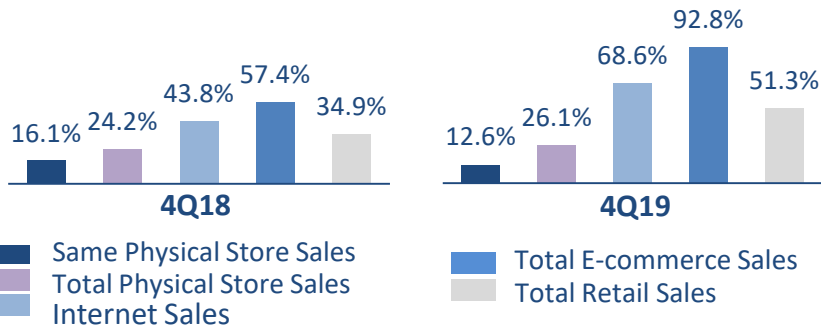
Sales – Total E-commerce*

R\$ million

* Website, App e Marketplace



Sales Growth



Highlights

- Growth of +51% in Total Sales
- E-commerce share rose from 38% to 48% in 4Q19
- By contrast, sales of furniture and domestic appliances in Brazil grew only 6.7% in 2019 (PMC/IBGE)
- Brazilian e-commerce market grew 16.3% in 2019 (Ebit)

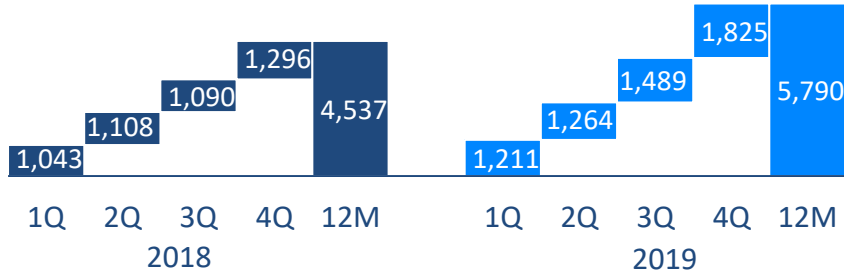
YoY growth comparasion

Gross Profit, Operating Expenses and Equity Income

Gross Profit

R\$ million

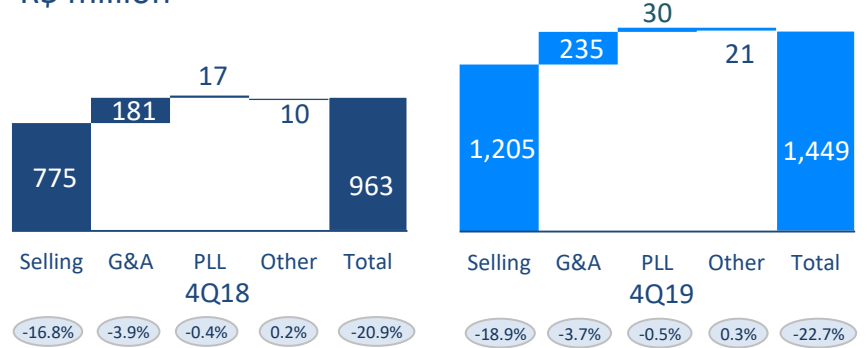
Gross margin(%)



Operating Expenses

R\$ million

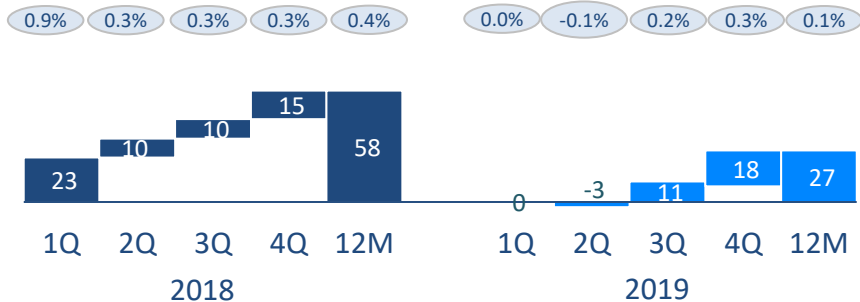
% Net Revenue



Equity Income

R\$ million

% Net Revenue



Highlights

Operating Expenses

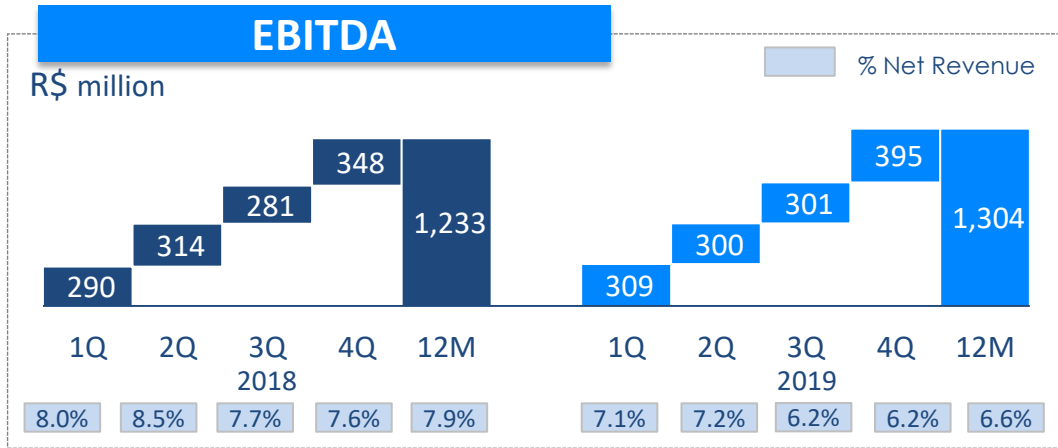
22.7% of Net Revenue – Investments in new customer acquisition, increased service level, Netshoes consolidation
Stable as percentage of total sales (16.1% in 4Q19)

Equity Income

Luizacred: R\$17.4 million

Luizaseg: R\$1.0 million

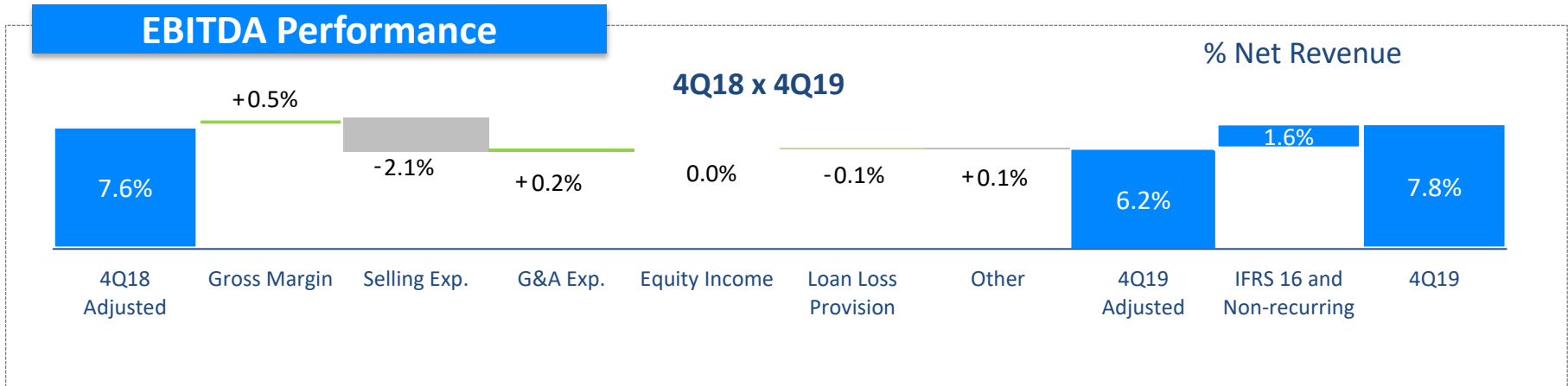
EBITDA – Adjusted



Highlights

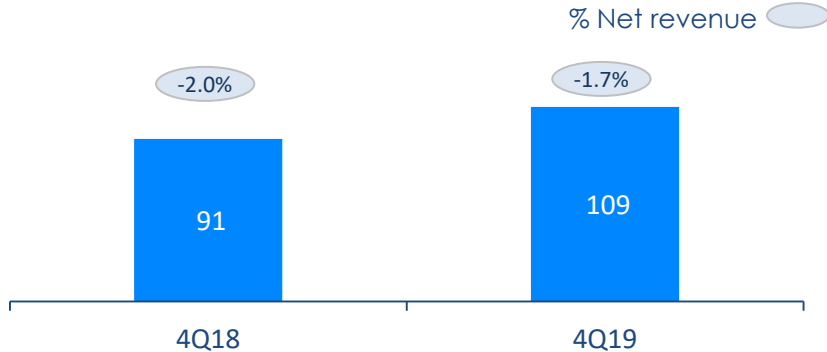
EBITDA

- EBITDA of R\$394.5 million
- EBITDA margin of 6.2%
- Due to:
 - Sales growth
 - Positive e-commerce contribution
 - Investment on customers
 - Netshoes

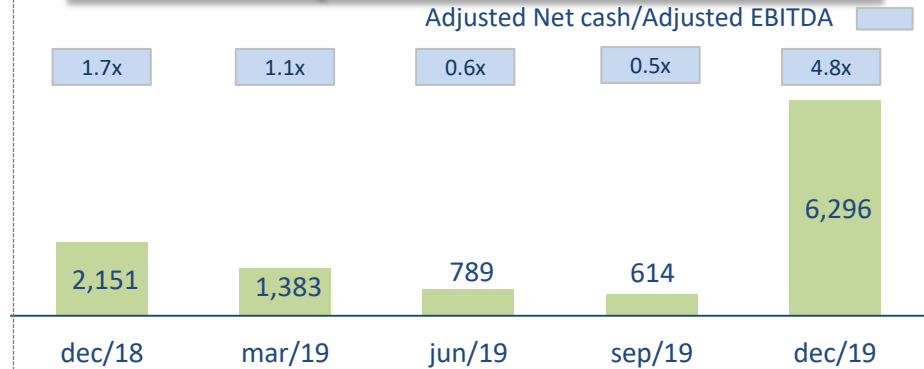


Financial Results and Working Capital

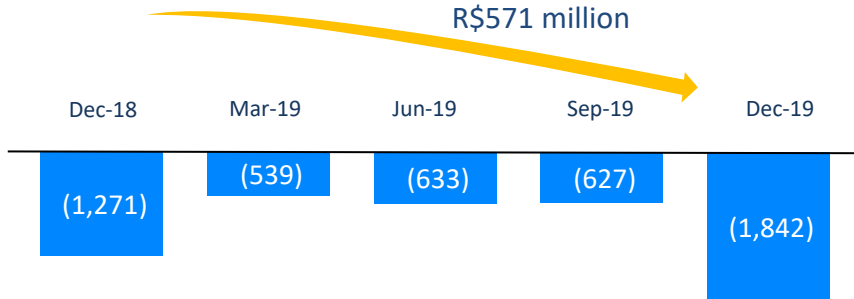
Adjusted Financial Expenses



Adjusted Net Cash **



Adjusted Working Capital



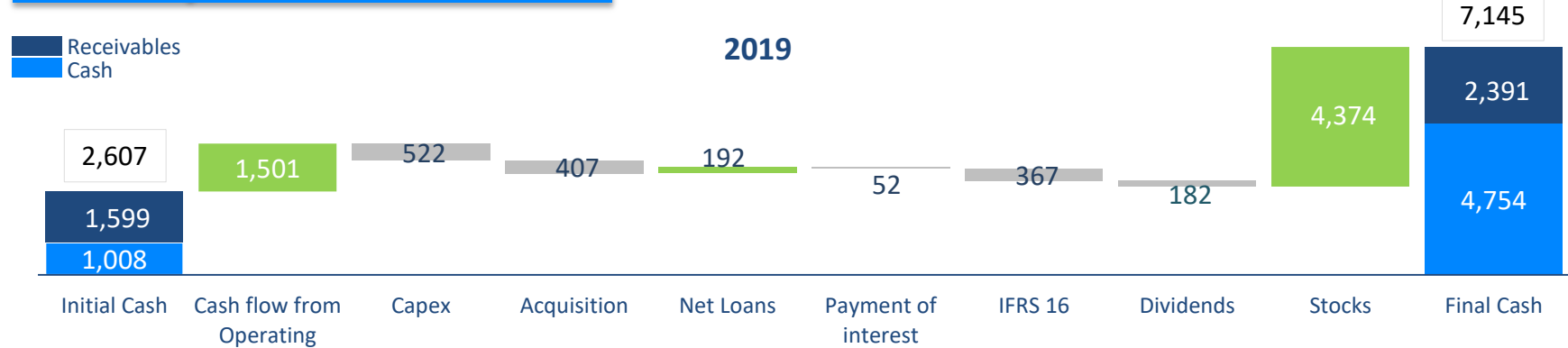
Highlights

- **Financial Results**
Dilution of 30 bps
- **Working Capital**
Disciplined working capital management
- **Capital Structure**
Net cash variation related to Follow On offering (Nov/19) and strong cash generation during the period

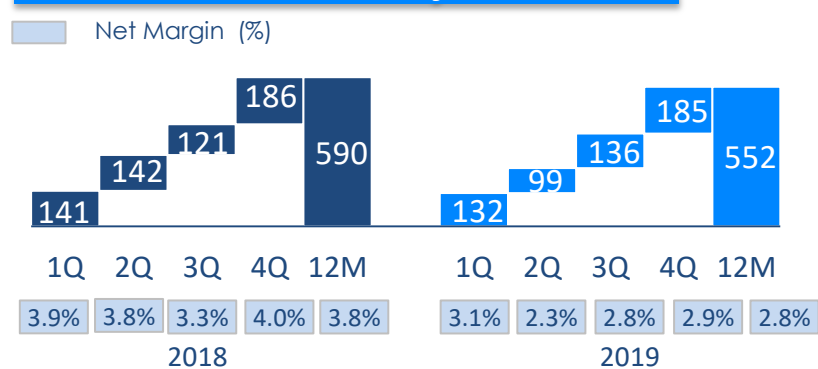
** Including credit card receivables

Adjusted Cash Flow and Net Income

Adjusted Cash Flow



Net Income Adjusted



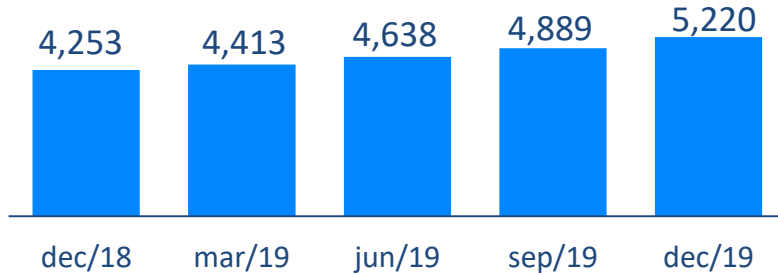
Highlights

- Net Cash**
 Total cash position of R\$7.1 billion (R\$ 4.7 billion in cash and R\$ 2.4 billion in credit card receivables)
- Net Income**
 Adjusted Net Income of R\$185 million in 4Q19

Luizacred

Card Base

Thousand



Cartão Luiza App
+1 million
customers

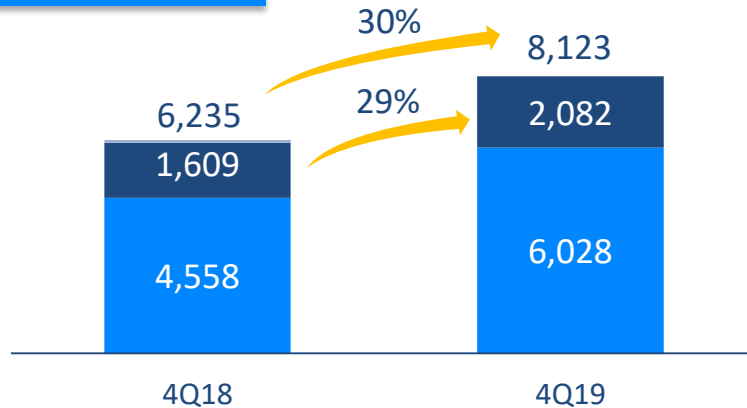
Highlights

- Luiza Card: higher loyalty, purchase frequency and average purchase price
- Luiza Card cardholder base grew 23% in the last 12 months
- Net addition of 331k new card issued in 4Q19

Revenue

R\$million

- Consumer Loans
- DCC
- Card - Inside ML
- Card - Outside ML



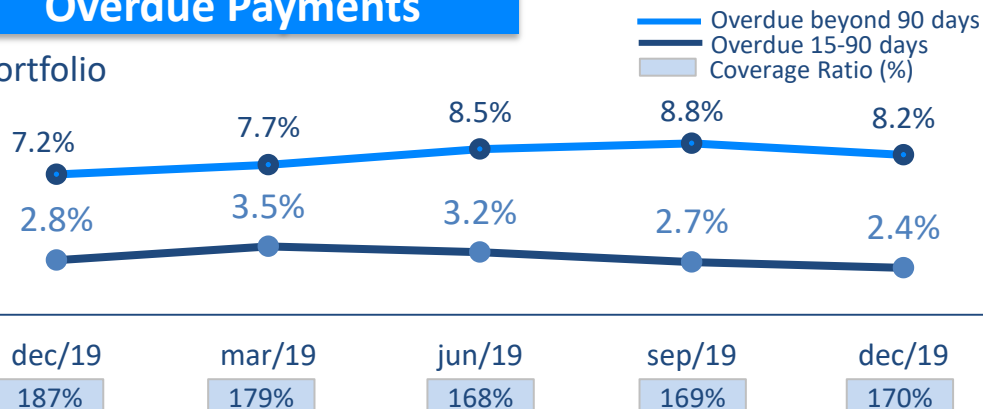
Highlights

- Revenue grew 30%
- Increase in revenues from Luiza Card inside ML Stores (29%) and outside ML Stores (32%)
- Credit portfolio reached R\$11.5 billion (+37% in LTM)

Luizacred – Net Income

Overdue Payments

% portfolio

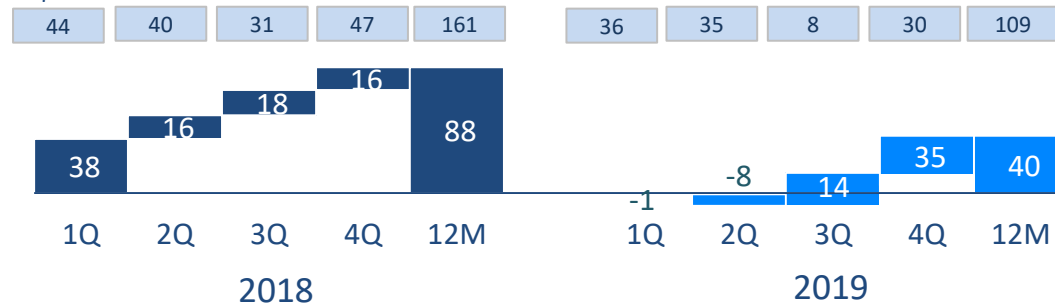


Highlights

- NPL 90 reached 8.2% of total portfolio (reduction of 0.6 p. p. compared to Sep-19)
- Portfolio coverage ration was 170%
- NPL 90 improved in 4Q19 to 2.4%, best historical level

Net Income

R\$ million



Highlights

- Net Income of R\$35 million in IFRS in 4Q19

Net profit in compliance with accounting practices established by the Brazilian Central Bank

Investments and goals 2020

Investments

Next steps for acquired companies

- > Strategic consulting, end of certain contracts and Netshoes' distribution center change

Luiza Card clients and Digital Account

- > Active user base growth and digital account launch

Logistic efficiency

- > Supply frequency increase, capacity expansion, new distribution centers opening and stores expansion (entry into 2 new states)

New technologies development

- > Expenses for Magalu as a Service (MaaS) project development

Netshoes and Estante Virtual integration

- > 100% In-store pick-up, unique SKU catalog, product search efficiency and app integration

Increase purchase frequency

- > Active customer loyalty and SuperApp relevance

Reduced delivery time

- > Magalu Entregas roll-out in cross docking model and 3P in-store pick-up and partnerships roll-out

Fostering Magalu ecosystem

- > Magalu Pagamentos roll-out, increase seller and SuperApp installed base

Goals



MAGALU

INVESTOR RELATIONS

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MAGAZINELUIZA.COM.BR/RI

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