



Magazine Luiza

2Q16 Results Conference Call

August, 4th 2016

2Q16 Key-Messages Highlights

Sales and Gross Margin

- Gross revenue growth of 4.8% to R\$2.6 billion, with market-share gains and higher gross margin (+120 bps)

E-commerce

- Gross revenue growth of 33.6% to R\$572.1 million to 22.5% of total sales

Operating Expenses

- Operating expenses were 2.1% lower YoY, in nominal terms, for 80bps dilution as a result of tighter expense management

EBITDA and Net Income

- EBITDA was 28.9% higher at R\$163.2 million (margin of 7.6%) and Net Income of R\$10.4 million (margin of 0.5%)

Financial Leverage

- Reduction in adjusted net debt by R\$352.6 million in the last twelve months (adjusted net debt/adjusted EBITDA down from 2.0x to 1.5x)

Working Capital

- Better working capital management and operating cash flow generation for positive result of R\$98.7 million

Luizacred

- Net Income of R\$25.2 million, with ROE of 18.8% and improved short and long term non-performing loan indicators (- 110 bps)

Operating Highlights

Number of Stores

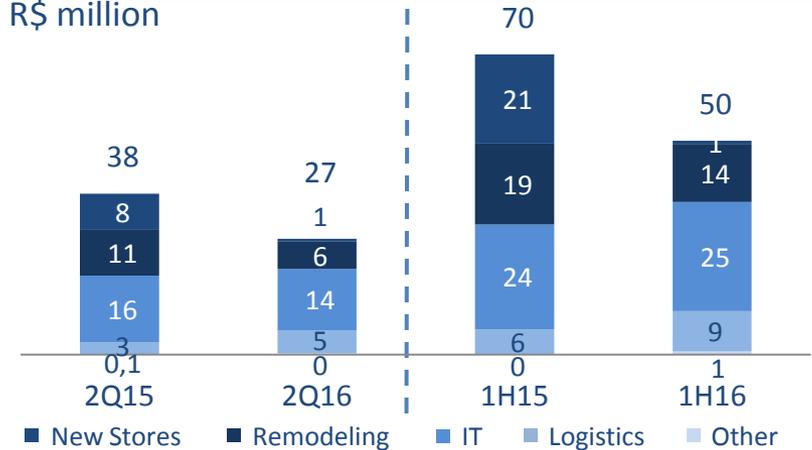
stores

+25 stores

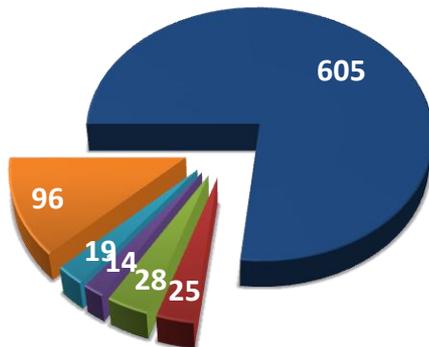


Capex

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

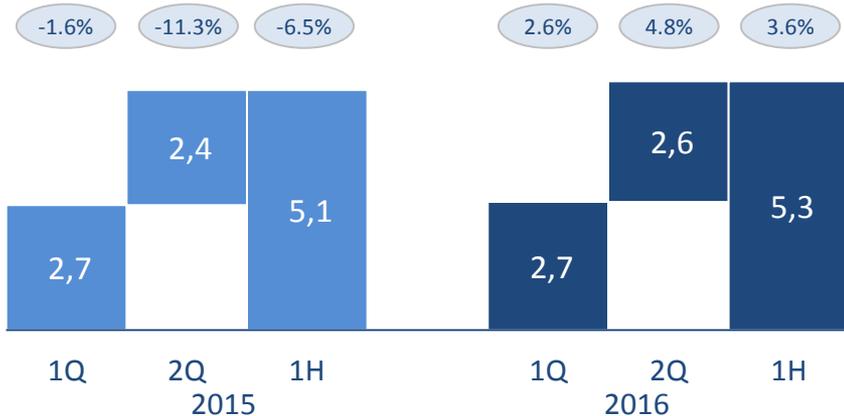
Comments

- Opened 25 new stores in the last 12 months and 1 new store in 2Q16
- 23% of our stores are in maturation process
- Capex of R\$27 million, 28% lower YoY and favored IT and Logistics upgrades.

Sales Performance

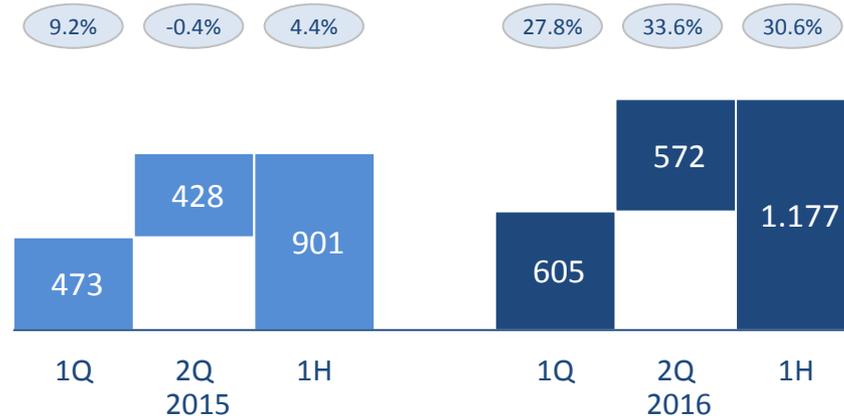
Gross Revenue - Consolidated

R\$ billion



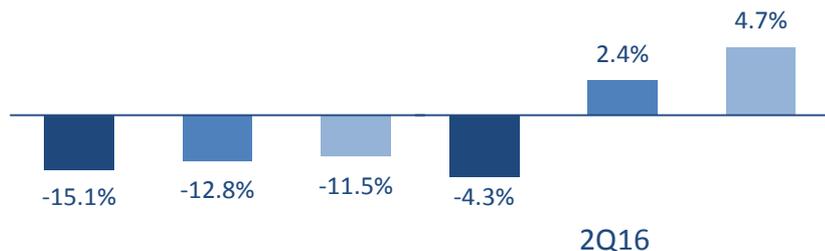
Gross Revenue - Internet

R\$ million



Same-Store Sales Growth

2Q15



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

Comments

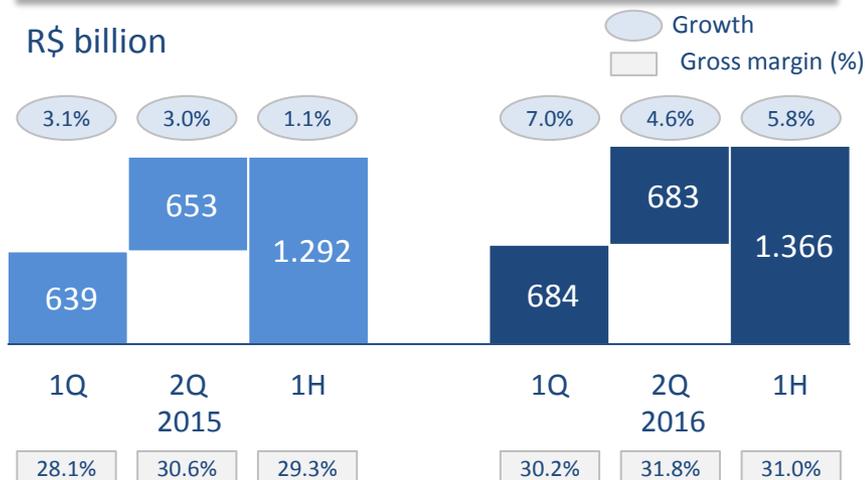
- Market share gains as per IBGE and data from GFK for the first 5 months of the year
- Improved SSS performance
(+34 growth in e-commerce and -4% in brick and mortar stores)
30% increase in e-commerce sales in 1H16 vs 5% growth for the market (e-Bit)
- E-commerce accounted for 23% of total sales

Growth over the same period of last year

Gross Profit, Operating Expenses and Equity Income

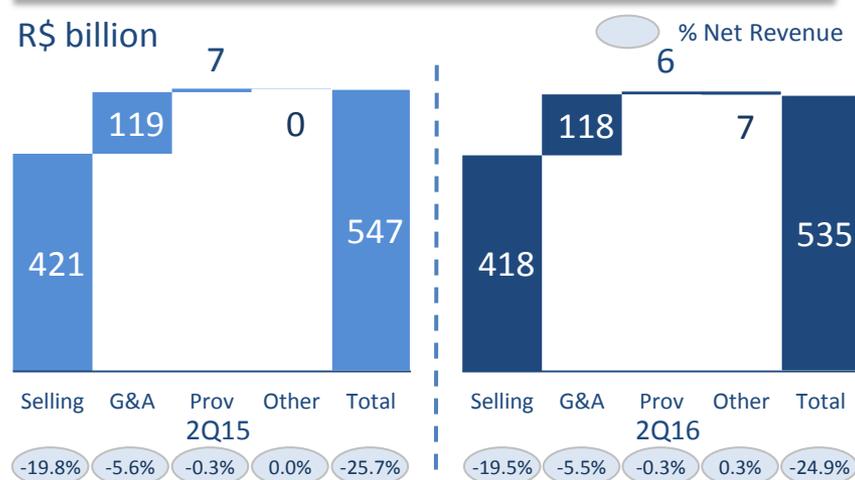
Gross Profit*

R\$ billion



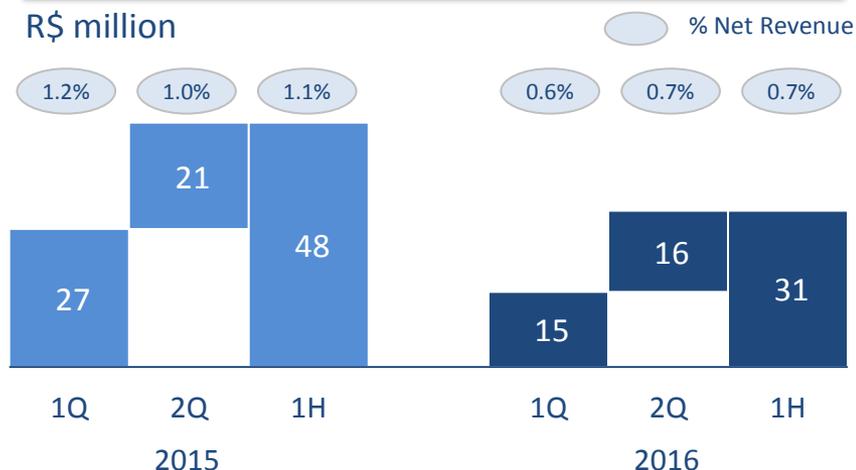
Operating Expenses

R\$ billion



Equity Income

R\$ million



Comments

▪ Gross margin

- Increase to 31.8% in 2Q16 due to: i) better sales mix, ii) charging for shipping and assembly and (iii) more rational prices in the e-commerce

▪ Operating Expenses

- Reduction of 2.1%, in nominal terms, in 2Q16

▪ Equity Income

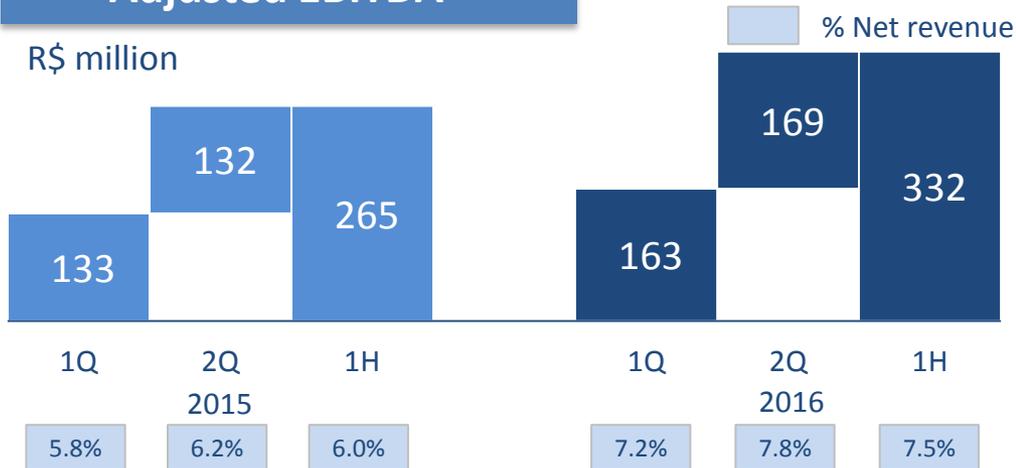
- Luizacred: Net income of R\$25 million in 1H16
- Luizaseg: Net income of R\$6 million in 1H16

* 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

- Adjusted EBITDA reached 7.8%, up 160 bps and increase of 27.2% YoY
- Explained by:
 - Sales performance
 - Higher gross margin
 - Tight expense control

EBITDA Performance

% net revenue

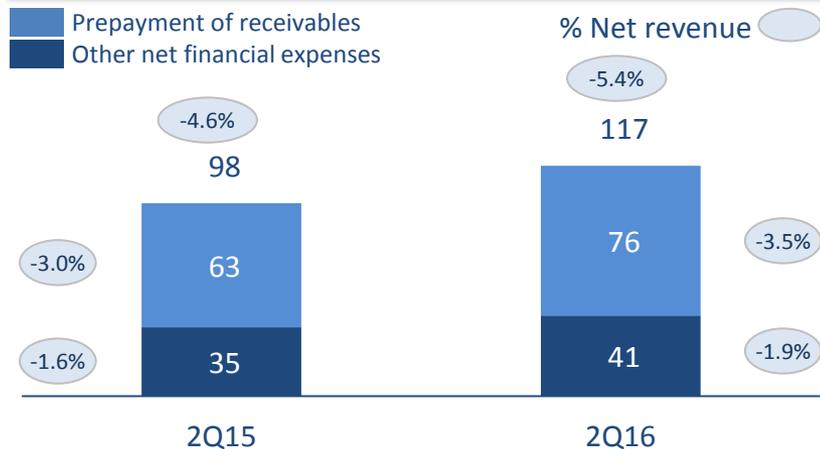
2Q15 x 2Q16



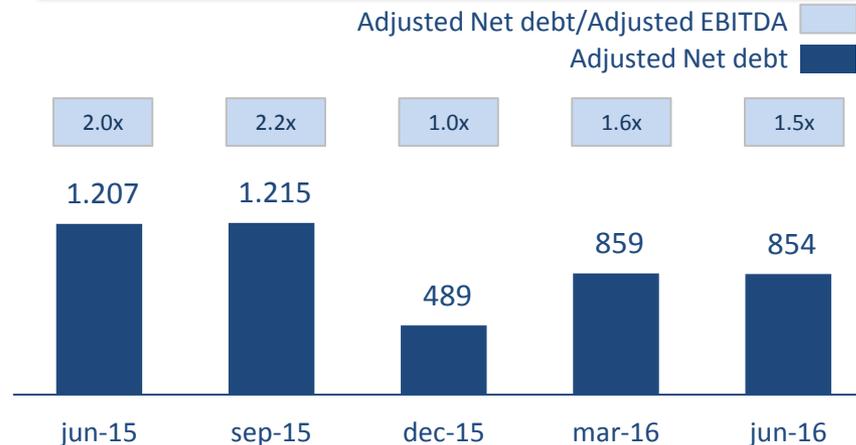
* Adjusted with non-recurring expenses

Financial Results and Working Capital

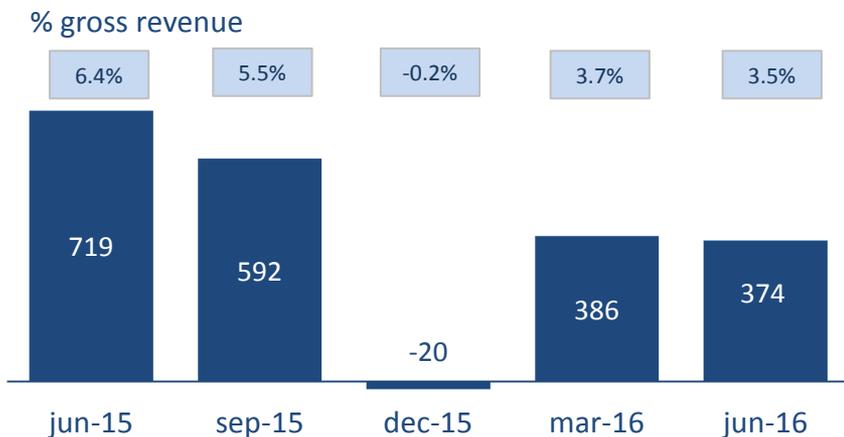
Financial Results*



Adjusted Net Debt**



Working Capital



Comments

- **Adjusted financial results**
 - Reflects mainly higher interest rate in the period
- **Working Capital**
 - Important reduction in working capital needs with increase in supplier terms
- **Net Debt**
 - Decrease of R\$353 million in LTM
 - Adjusted net debt/Adjusted EBITDA down from 2.0x to 1.5x

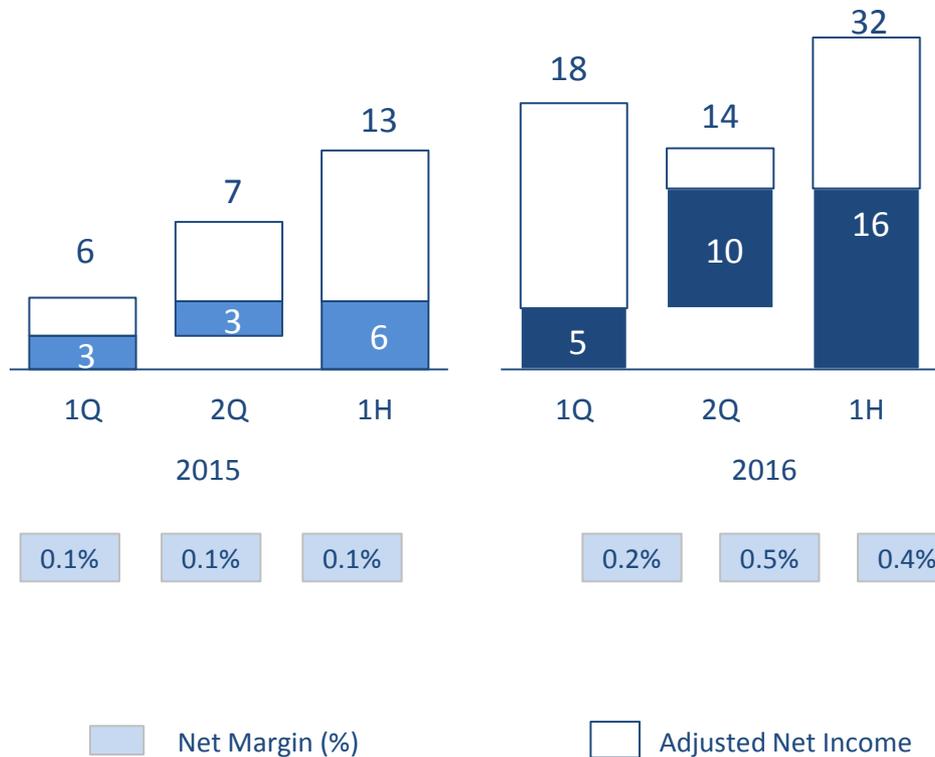
* Adjusted for Income from fund

** Excluding the credit cards which were advanced

Net Income

Net Income

R\$ million



Comments

Net Income

- 2Q16: Net Income of R\$10 million
- 1H16: Net Income of R\$16 million

Adjusted Net Income by non-recurring expenses

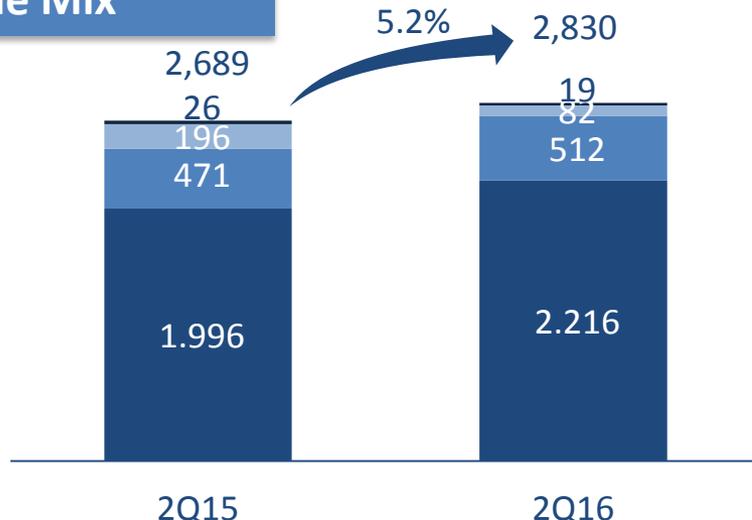
- 2Q16: Adjusted Net Income of R\$14 million (net margin of 0.6%)
- 1H16: Adjusted Net Income of R\$32 million (net margin of 0.7%)

Luizacred

Revenue Mix

R\$ million

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

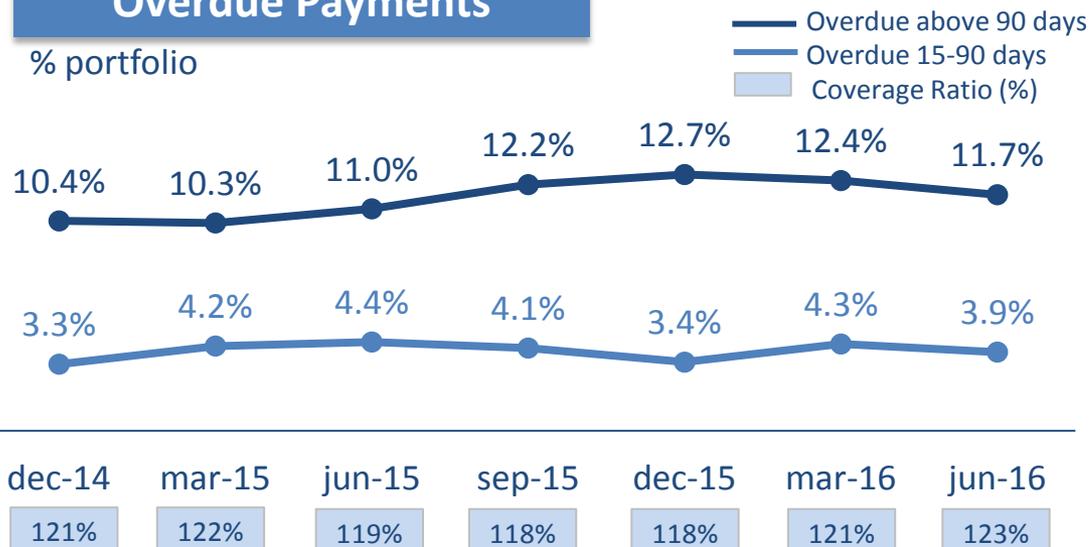


Comments

- 5% revenue growth
- Increase in revenues from Luiza Card inside ML stores (9%) and outside ML (11%)
- Decrease of 58% in Direct Consumer Credit (DCC) due to more conservative credit policy

Overdue Payments

% portfolio



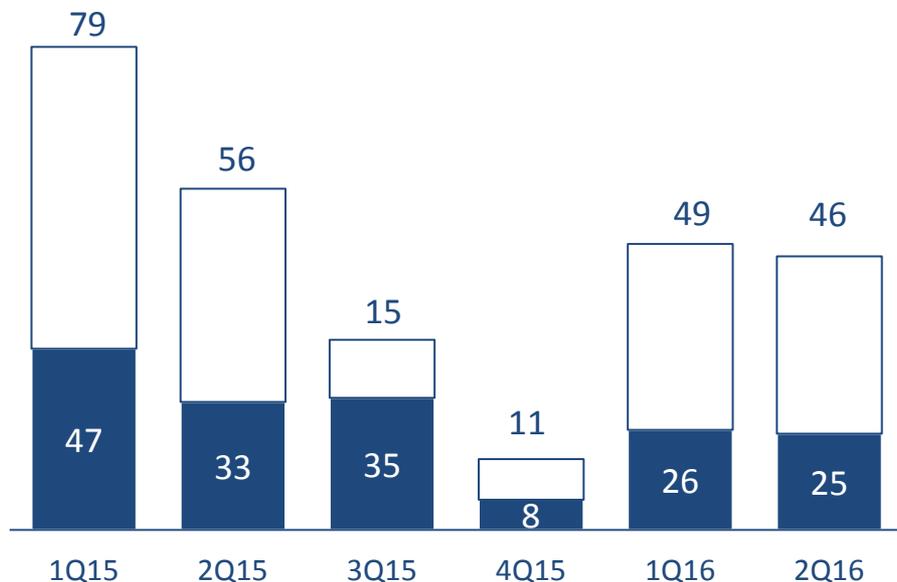
Comments

- Coverage ratio up to 123%
- Decrease in Non-Performing Loans (NPL) vs 1Q16
- Keep the conservative credit approach: low approval rates
- Improved provisioning expenses when compared to recent quarters

Luizacred Net Income

Net Income

R\$ million



□ Operating Income

■ Net Income

Considerações

- Increase in revenues of Luiza Card inside ML (+8.7%) and outside ML (+11.0%)
- Conservative credit approach resulted in lower approval for DCC in Luizacred's portfolio (58% lower YoY), partially compensated by Losango's approval which accounted for 5% of brick and mortar sales
- Growth in Luizacard credit portfolio (+3.7%) versus drop in DCC (-53.2%)
- Improved short and long term past due loan indicators in 2016
- Better performance when compared to 2H15, ROE of 18.8% in 2Q16

Digital Transformation Strategy

Pillars:

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



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