



Magazine Luiza

4Q14 and 2014 Results Conference Call

February, 27th 2015

2014 Highlights

Sales

- Net revenue growth of 20.9% in 2014: SSS increase of 17.8% (+33.7% in e-commerce and +15,1% in stores)

E-commerce

- Represented 16.4% of total sales from 14.6% of 2013.

Operating Expenses

- Good operating leverage: dilution of 130 bps in 2014 (sales and SG&A expenses up 14.1 % versus sales growth of 20.9%)

Adjusted EBITDA

- Adjusted EBITDA increased by 47.0% yoy to R\$605.3 million in 2014, for 110 bps expansion in EBITDA margin to 6.2%

Luizacred

- Luizacred equity income more than double in 2014 to R\$90.4 million, equivalent to ROE of 36.1%

Adjusted Net Income

- Adjusted net income increased by 81.8% to R\$128.6 million in 2014, for net margin of 1.3% and ROE of 17.9%

4Q14 Highlights

Sales

- Net revenue growth of 12.0% in 4Q14: SSS increase of 9.4% (+20.5% in e-commerce and +7,5% in stores)

E-commerce

- Currently represents 16.3% of total sales in 4Q14 over 14.9% yoy.

Operating Expenses

- Strong operating leverage: dilution of 60 bps in 4Q14 (sales and SG&A expenses up 8.9 % versus sales growth of 12.0%)

EBITDA

- EBITDA increased by 33.1% yoy to R\$175.4 million in 4Q14, for 100 bps expansion in EBITDA margin to 6.3%

Luizacred

- Luizacred equity income increased 65.5% in 4Q14 to R\$28.2 million, equivalent to ROE of 40.7%

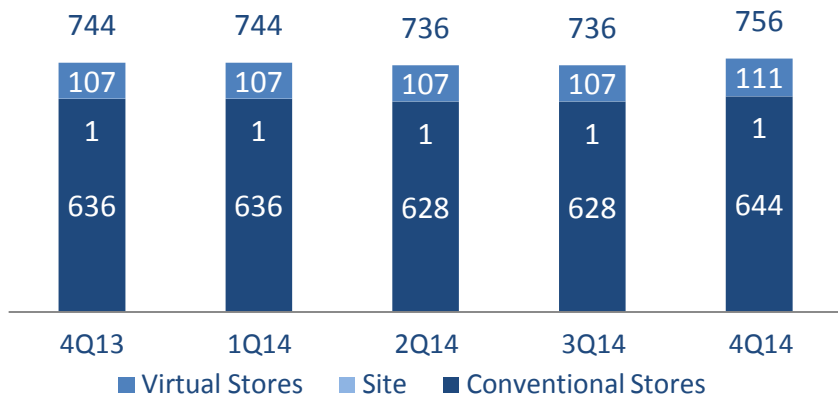
Net Income

- Net income increased by 19.2% to R\$39.3 million in 4Q14, for net margin of 1.4% and ROE of 21.0%

Operational Performance

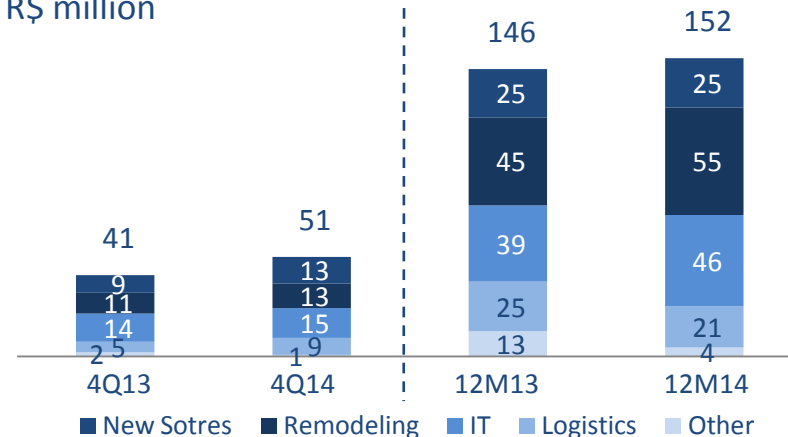
Number of Stores

stores

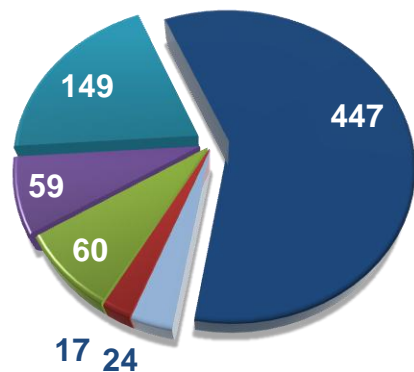


Capex

R\$ million



Average Age - Stores



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

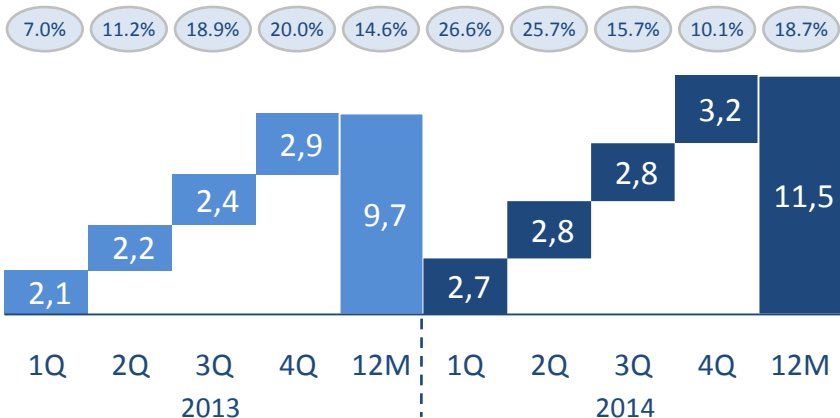
Comments

- Opened 24 new stores and closed 12 stores in 2014
- Approximately 41% of stores are still in the maturity process
- Investments mainly in opening new stores and remodeling 60 stores throughout 2014

Sales Performance

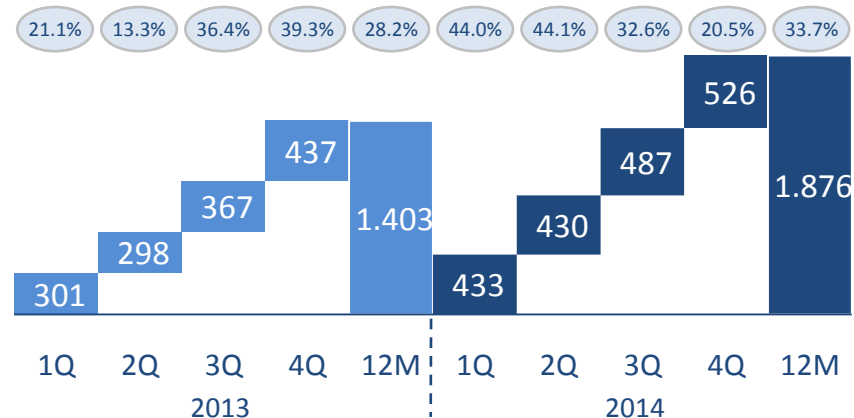
Gross Revenue - Consolidated

R\$ billion

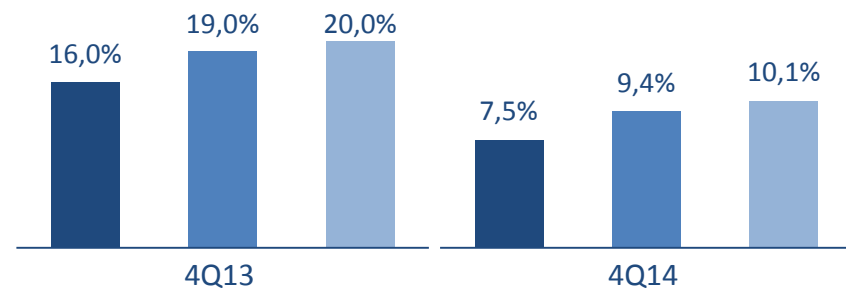


Gross Revenue - Internet

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

- Consolidated net revenue : up 12.0% in 4Q14
- 9.4% SSS growth (SSS of +7.5% in stores and +20.5% in e-commerce)
- E-commerce performance: tough comparison basis

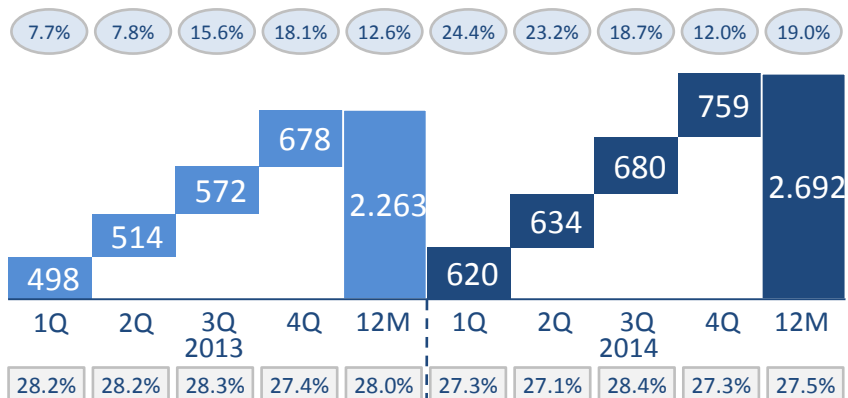
Growth over the same period of last year

Gross Profit, Operating Expenses and Equity Income

Gross Profit

R\$ billion

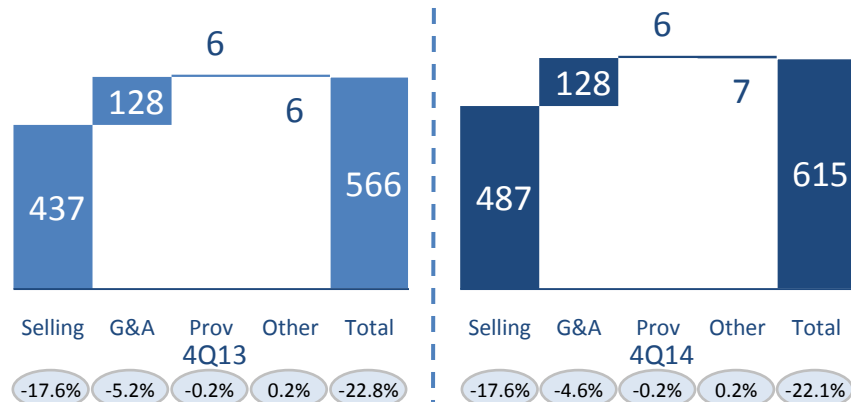
○ Growth
□ Gross margin (%)



Operating Expenses

R\$ billion

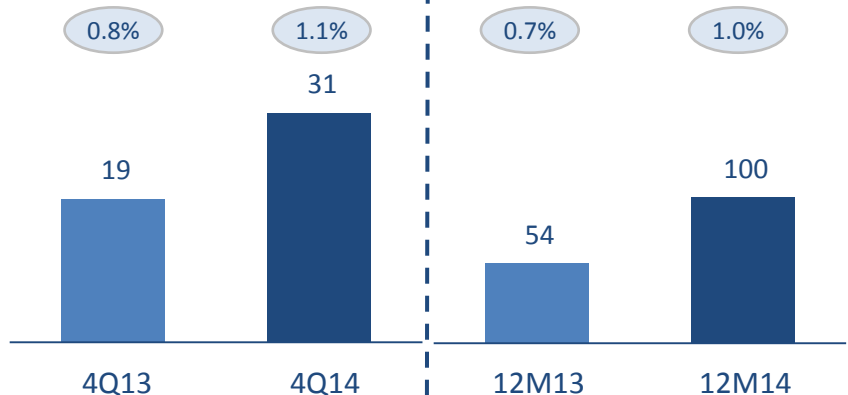
○ % Net Revenue



Equity Income

R\$ million

○ % Net Revenue



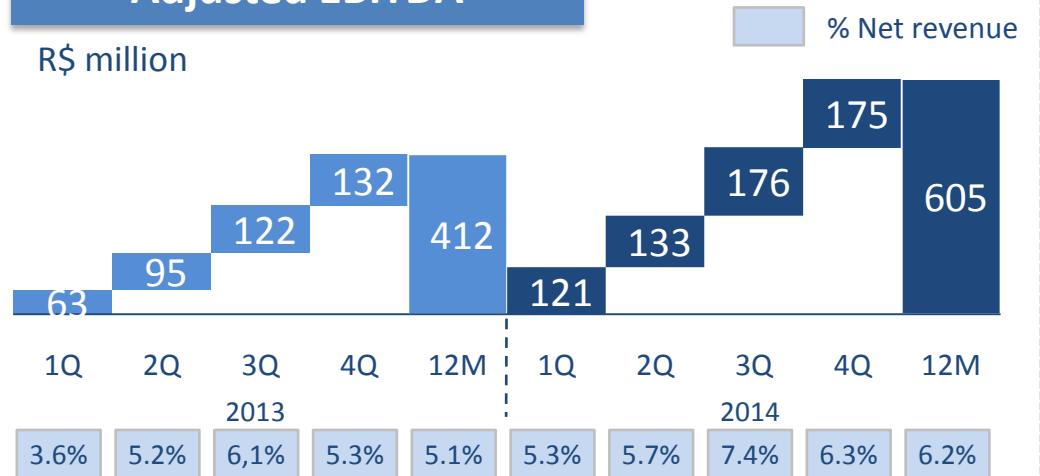
Comments

- **Gross Profit**
 - Increase of 19.0%, outpaced gross revenue growth
- **Operating Expenses**
 - Dilution of 60 bps on total operating expenses *versus* 4Q13
- **Equity Income**
 - Better profitability in Luizacred:
 - EBITDA margin to 21.9% in 4Q14 (15.4% in 4Q13)
 - Net margin of 13.2% in 4Q14 (9.1% in 4Q13)

EBITDA

Adjusted EBITDA

R\$ million



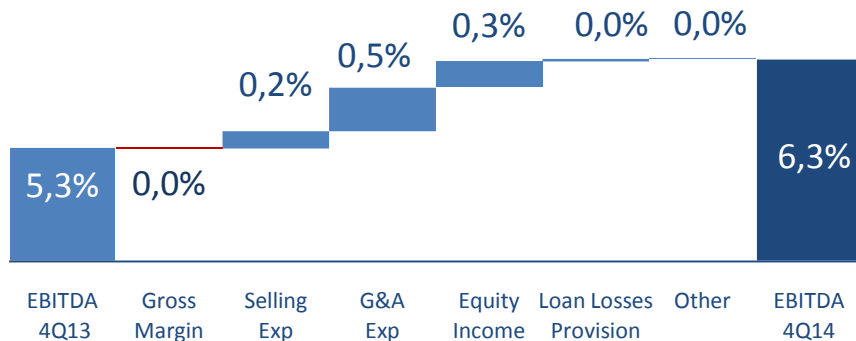
Comments

EBITDA

- EBITDA margin increase of 100 bps *versus* 4Q13 (6.3% in 4Q14)
- Impacts: i) good sales performance in all channels; ii) dilution of operating expenses and iii) increase in equity income
- EBITDA margin increase of 110 bps *versus* 12M13 (6.2% in 12M14)

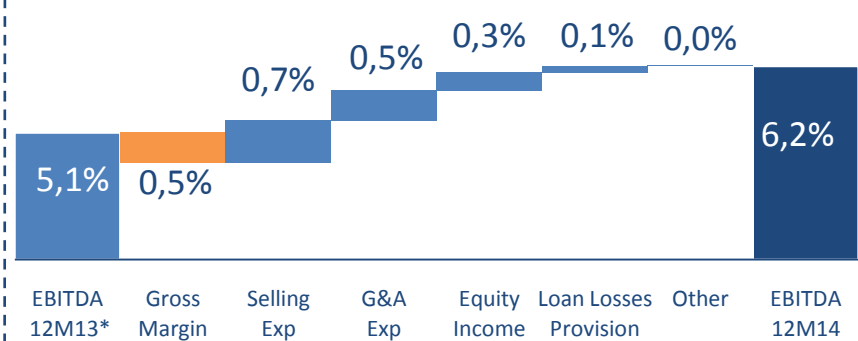
EBITDA Performance

4Q14 x 4Q13



% net revenue

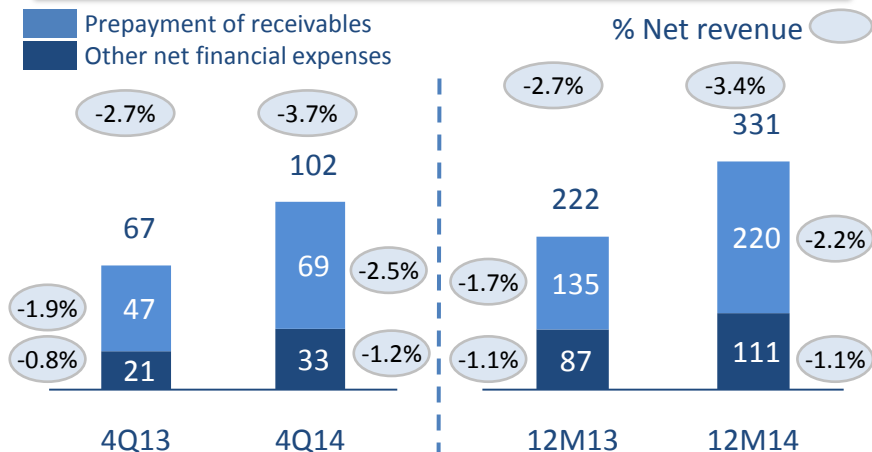
2014 x 2013



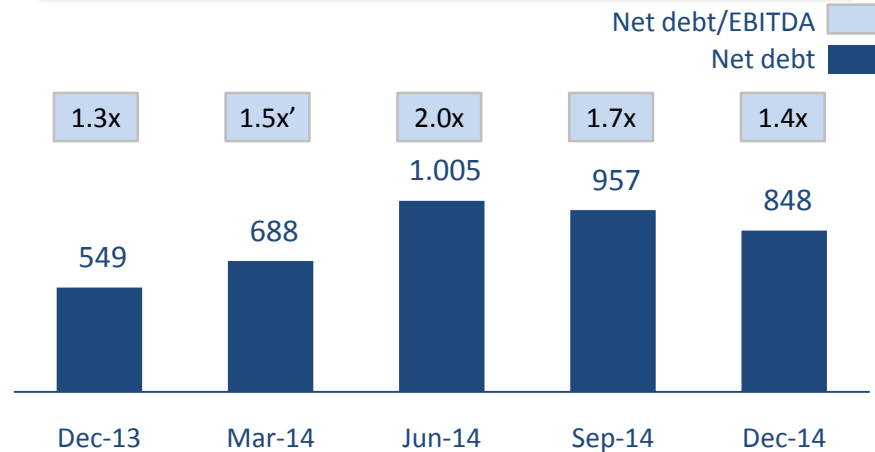
* Adjusted EBITDA

Financial Results and Working Capital

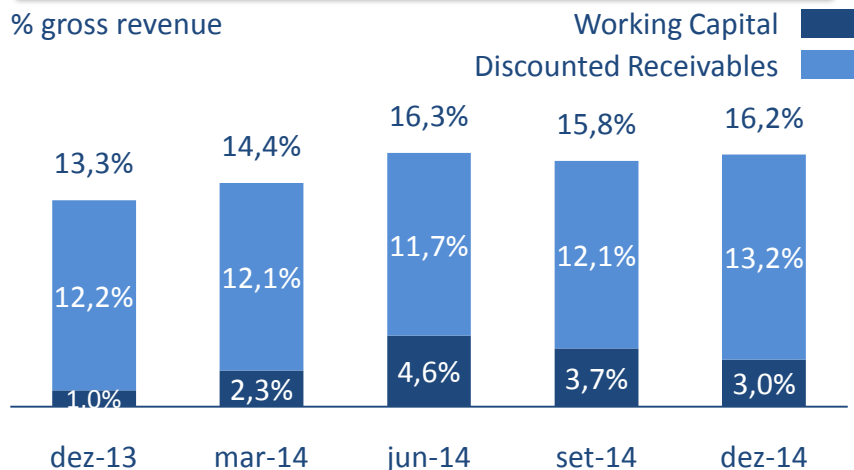
Financial Results*



Net Debt



Working Capital



Comments

Adjusted financial results

- Increase of 51.2% in net financial expenses to 3.7% of net sales in 4Q14 (versus 2.7% in 4Q13) due to higher CDI rate in the period and greater discounting of receivables

Working Capital

- Reduction in working capital needs to 3.0% of gross sales in Dec-14. Better payment terms in 7 days

Net Debt

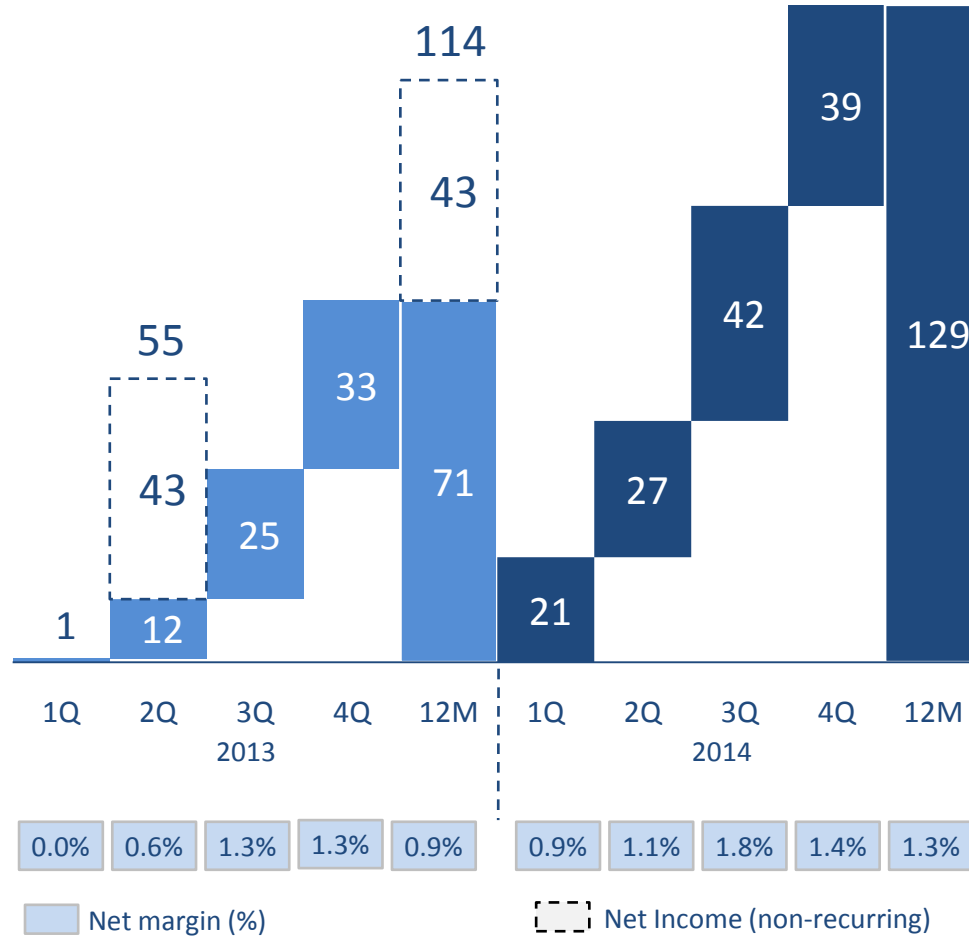
- Decrease in leverage to 1.4x EBITDA in Dec-14 from 1.7x in Sep-14

* Adjusted for Income from securities

Net Income

Net Income

R\$ million



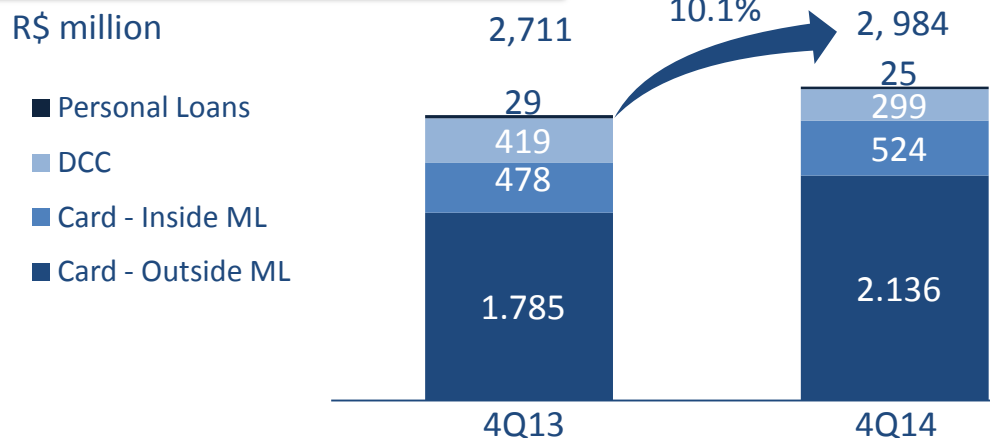
Comments

Recurring net income in 4Q14

- Net income growth of 19.2% to R\$39.3 million in 4Q14, for a net margin of 1.4%
- ROE of 21.0%
- In 12M14 net income reached R\$128.6 million for a net margin of 1.3%

Luizacred

Revenue Mix

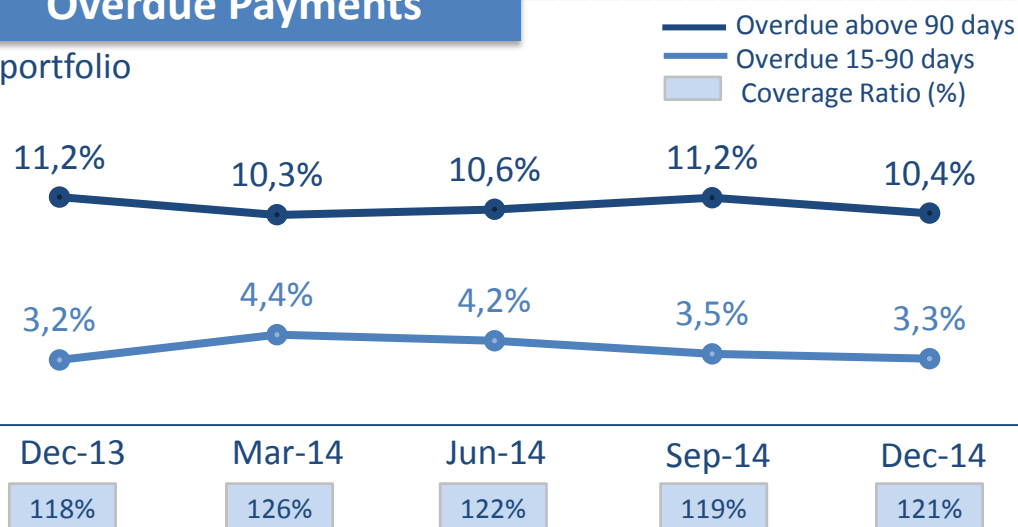


Comments

- Gross billings of 10.1% in 4Q14
- Increase of Luiza Card inside Magazine Luiza and reduction in DCC share, due to a more restrictive credit policy

Overdue Payments

% portfolio



Comments

- Provisions over total sales drop from 37.3% in 4Q13 to 28.7% in 4Q14
- Provision for bad debts decreased from 3.4% in 4Q13 to 2.6% in 4Q14
- Maintain the conservative credit approach: low approval rates and close monitoring of overdue payments

2015 Outlook

- Strengthen our multichannel strategy
- Grow higher than market average
- Consolidate Northeast stores
- Maintain commercial competitiveness and media visibility
- Rationalize costs and expenses dilution
- Focus on profitability of operation



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