

Magazine Luiza

4Q16 and 2016 Conference Call

February, 20th 2017

4Q16 Highlights

Sales and Gross Margin

- Sales growth in all channels (+14% of gross revenue)
- Improvement in the performance of physical stores (SSS +6%)
- Market-share gains and higher gross margin (+70 bps)

E-commerce

- 26% of total sales and growth of 41%
- Market-share gains maintaining profitability

Operating Expenses

- Dilution of 230 bps to 22% of net revenue
- Zero Base Budget and Expenses Management Matrix

EBITDA and Net Income

- EBITDA was 126% higher to R\$227 million (margin of 8.0%)
- Net Income of R\$46 million

Working Capital

- Growth in operating cash generation to R\$654 million
- Better working capital management (reduction of R\$570 million)

Financial Leverage

- Reduction in adjusted net debt from R\$750 million in sep/16 to R\$ 136 million in dec/16
- Adjusted net debt/adjusted EBITDA down from 1.0x to 0.2x in dec/16

Luizacred

- NPL 90 reduction of 320 bps YoY (9.5% in 4Q16)
- Net Income of R\$25 million with ROE of 19%

2016 Highlights

Sales and Gross Margin

- Sales growth in all channels (+8% of gross revenue)
- Improvement in the performance of physical stores (SSS +0,3%)
- Market-share gains and higher gross margin (+130 bps)

E-commerce

- 24% of total sales and growth of 32%
- Launch of the Marketplace platform

Operating Expenses

- Dilution of 130 bps to 24% of net revenue
- Zero Base Budget and Expenses Management Matrix

EBITDA and Net Income

- EBITDA was 54% higher to R\$715 million (margin of 7.5%)
- Net Income expansion of 232% to R\$87 million

Working Capital

- Growth in operating cash generation to R\$657 million
- Better working capital management (reduction of R\$260 million)

Financial Leverage

- Net Debt reduction of R\$353 million in LTM
- Adjusted Net Debt/Adjusted EBITDA from 1.0x to 0.2x

Luizacred

- Relevant expansion of Luiza Card Revenue (+15%)
- Net Income of R\$102 million with ROE of 19%

Operating Highlights

Number of Stores

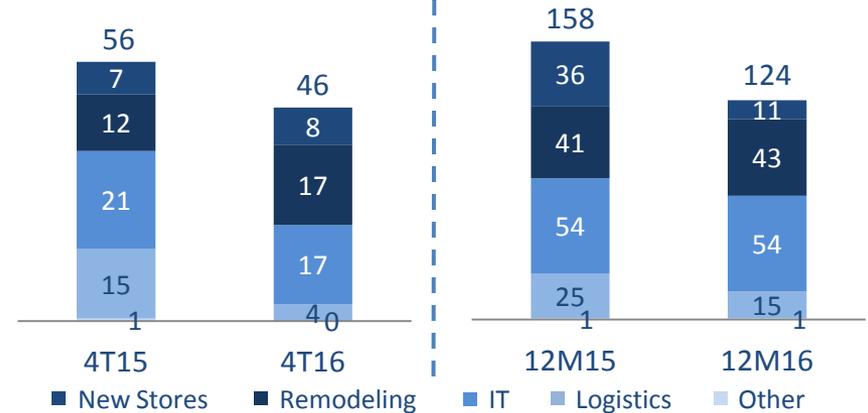
stores

+14 stores

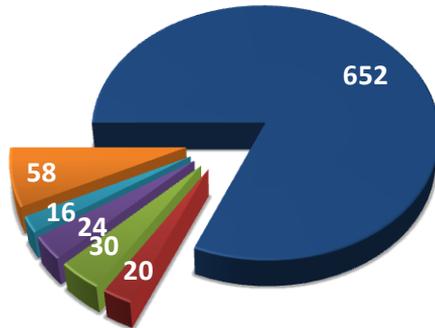


Capex

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

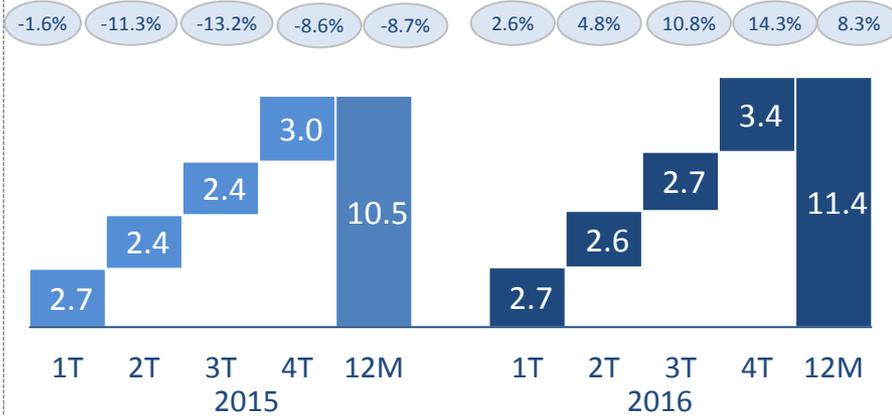
Comments

- Opened 20 new stores and closed 6 stores in 2016
- Around 19% of our stores are in maturation process
- Capex of R\$124 million in 2016, 56% favored IT and logistics projects

Sales Performance

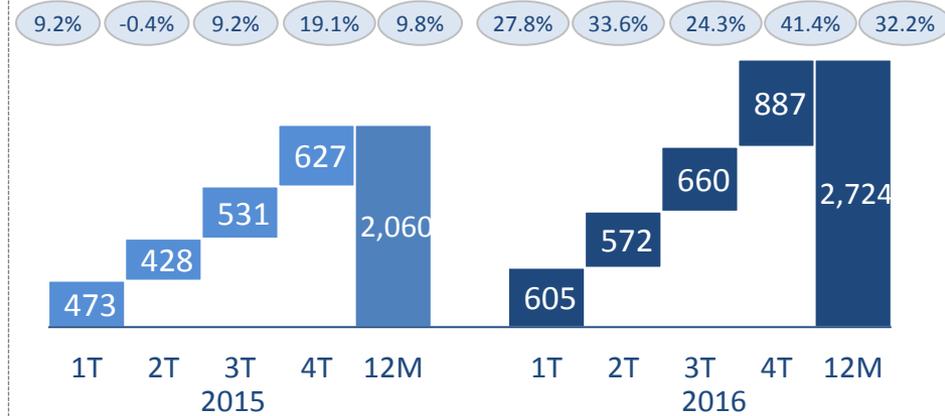
Gross Revenue - Consolidated

R\$ billion

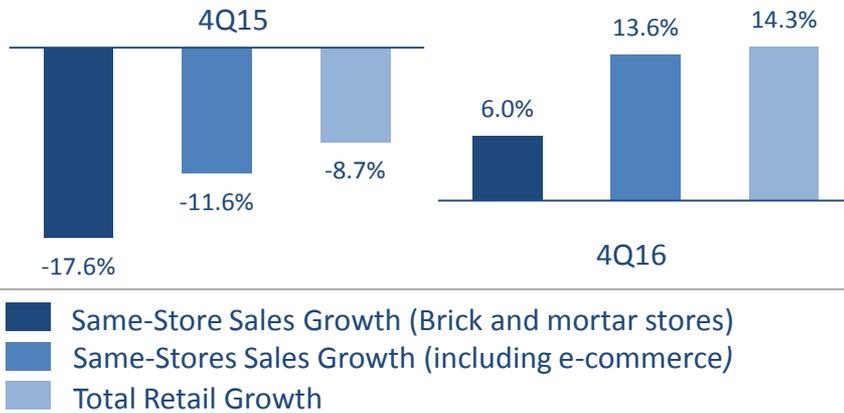


Gross Revenue - Internet

R\$ million



Same-Store Sales Growth



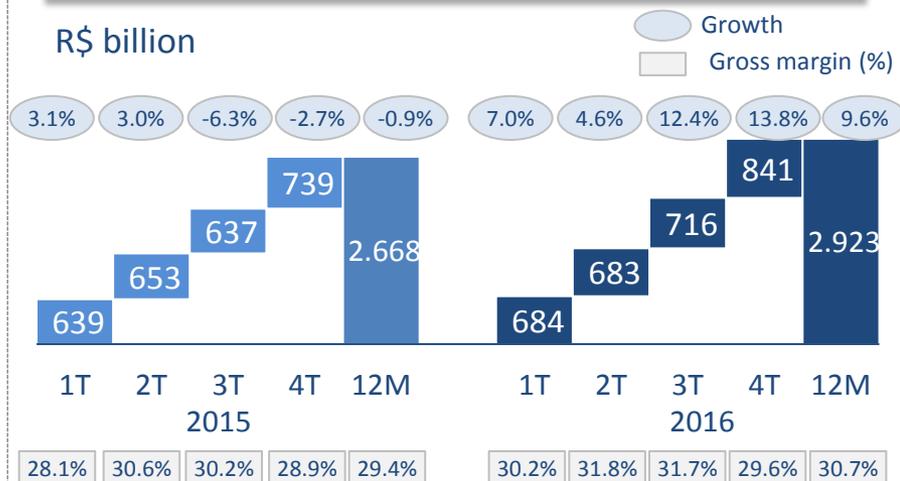
○ Growth over the same period of last year

Comments

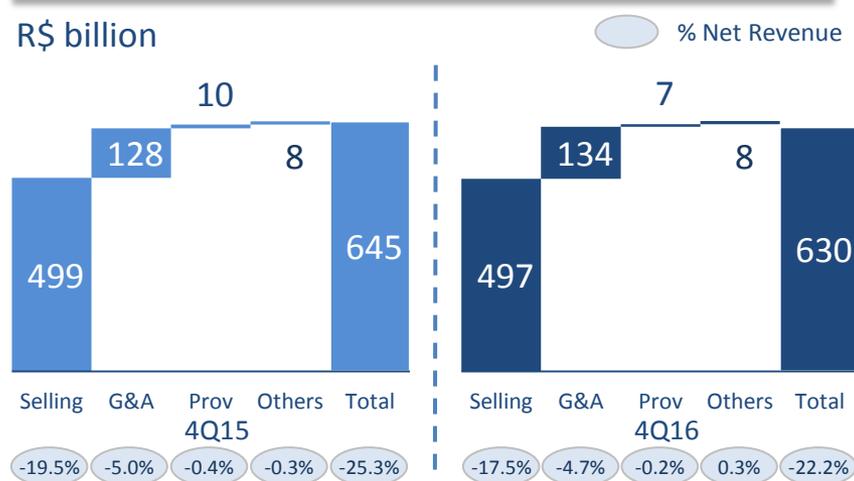
- Market share gains in main categories
- Improved SSS in brick and mortar stores (+6%) in 4Q16
- E-commerce accounted for 26% of total sales with 41% growth in 4Q16
- Market sales of furniture and domestic appliances decreased -7% this year (PMC/IBGE) vs. +8% Company's growth
- E-commerce market growth of +7% vs. +32% Company's E-commerce growth

Gross Profit, Operating Expenses and Equity Income

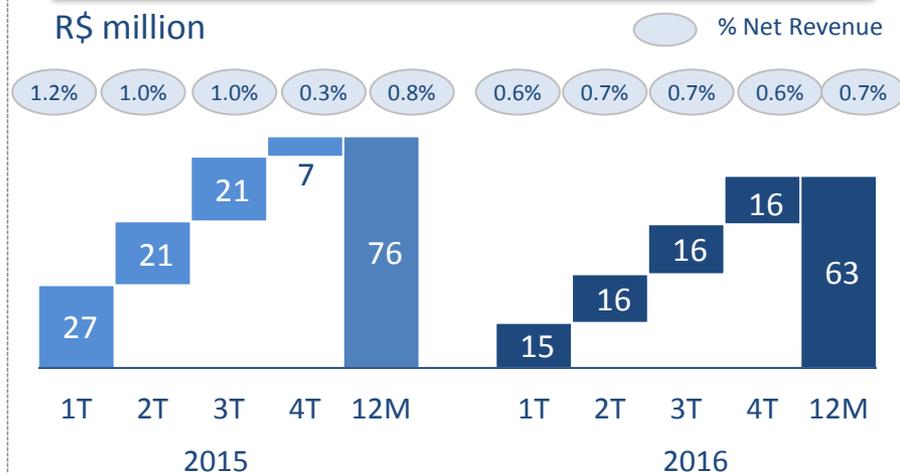
Gross Profit*



Operating Expenses



Equity Income



Comments

Gross margin

Increased 130 bps to 30.7% in 2016:

- i) more rational prices in the e-commerce and stores,
- ii) charging for shipping / assembly and iii) better sales mix

Operating Expenses

Reduction of 230 bps to 22.2% of net revenue in 4Q16

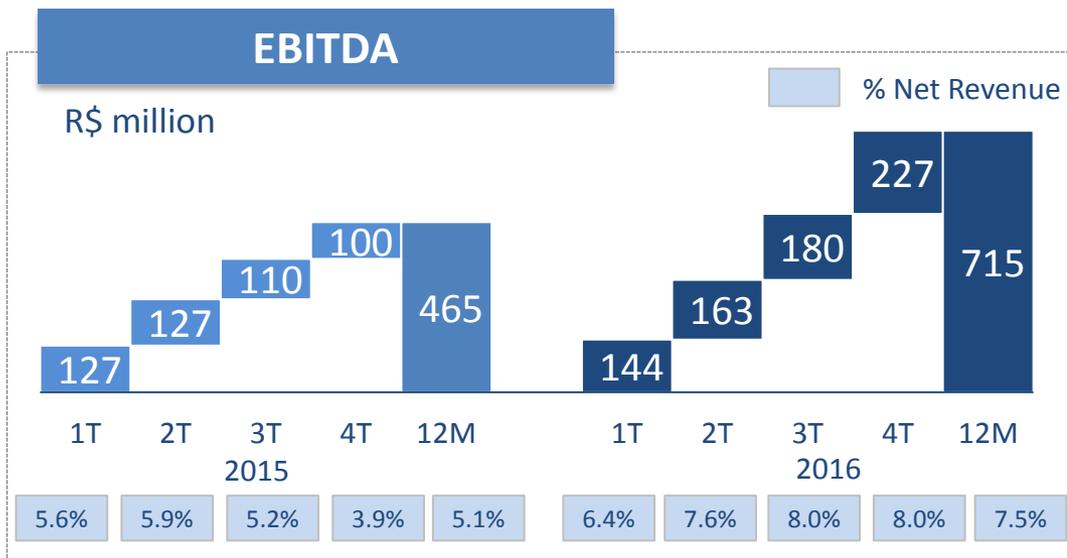
Equity Income

Luizacred: Net income of R\$25MM (4Q16)/ R\$102MM (2016)

Luizaseg: Net income of R\$6MM (4Q16)/ R\$24MM (2016)

* Due to the resumed charging of social contributions to the payroll, 2015 figures were reclassified from payroll taxes to selling expenses.

EBITDA



Considerações

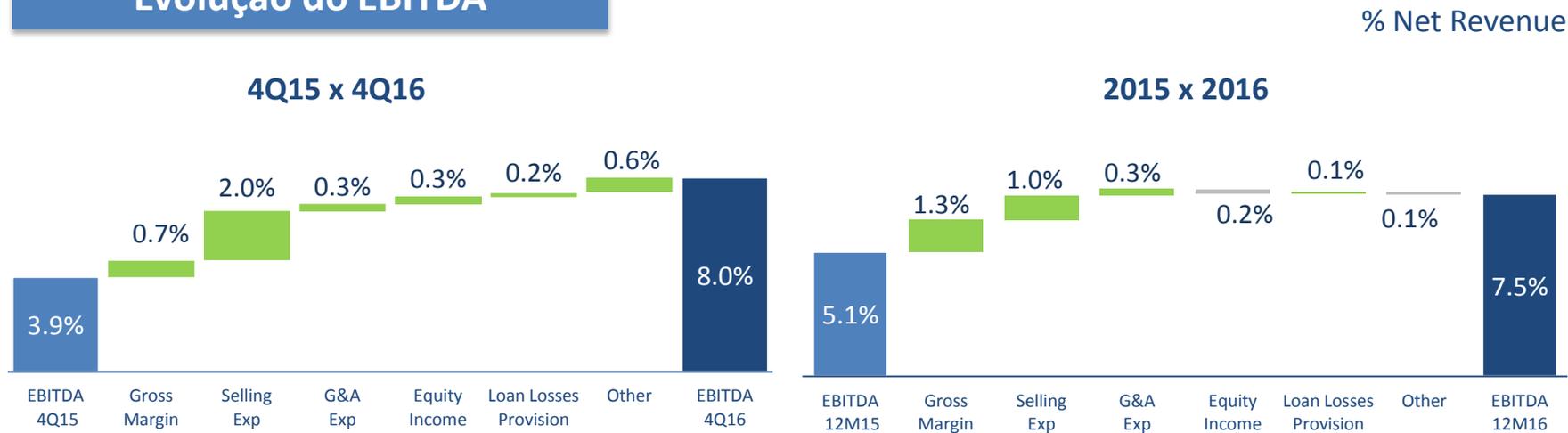
EBITDA

4Q16: EBITDA margin of 8.0% (+410 bps)
 2016: EBITDA margin of 7.5% (+240 bps)

Due to:

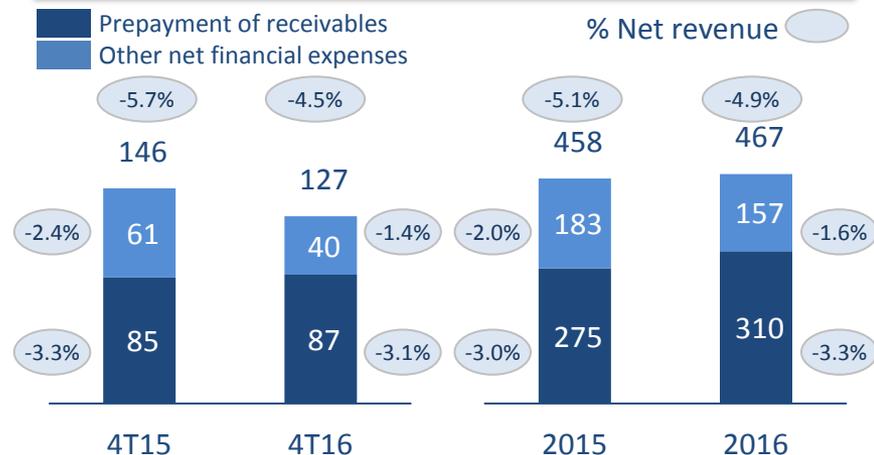
- i) Sales growth
- ii) Gross margin expansion
- iii) Better dilution of expenses
- iv) Positive e-commerce contribution

Evolução do EBITDA

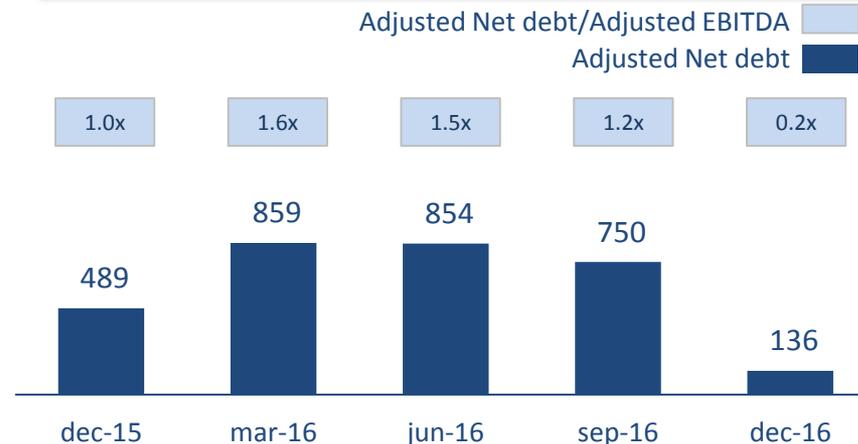


Financial Results and Working Capital

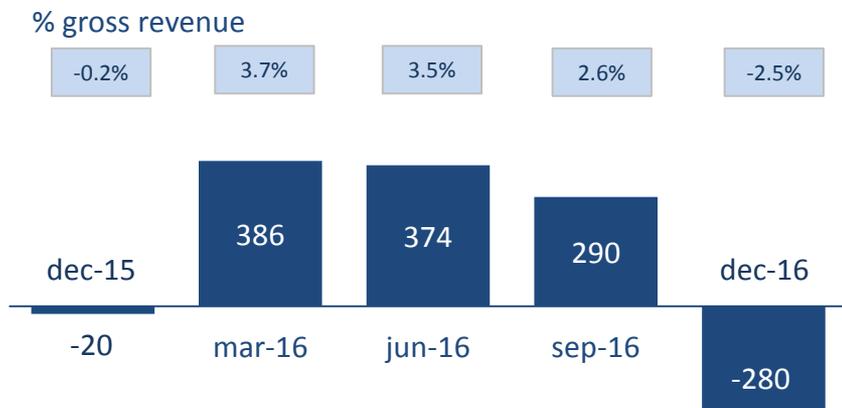
Financial Results*



Adjusted Net Debt**



Working Capital



Comments

- Adjusted financial results**
 Improved 120bps in 4Q16 to 4.5% due to net debt reduction and Selic rate decrease
- Working Capital**
 Negative working capital need of R\$280 million
 Improved balance between inventories and suppliers
- Net Debt**
 Reduction of R\$354 million in LTM
 Adjusted net debt/Adjusted EBITDA down from 1.0x to 0.2x

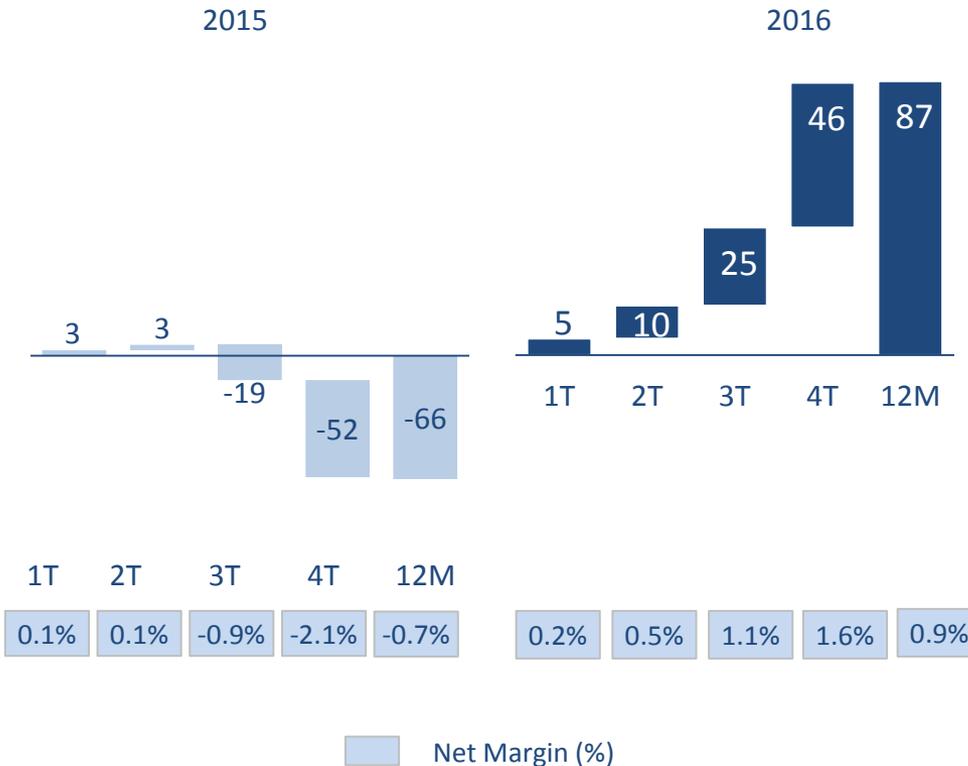
* Adjusted for Income from fund

** Excluding the credit cards which were advanced

Net Income

Net Income

R\$ million



Comments

Net Income

Net Income of R\$46 million in 4Q16 and R\$87 million in 2016

Mainly impacted by:

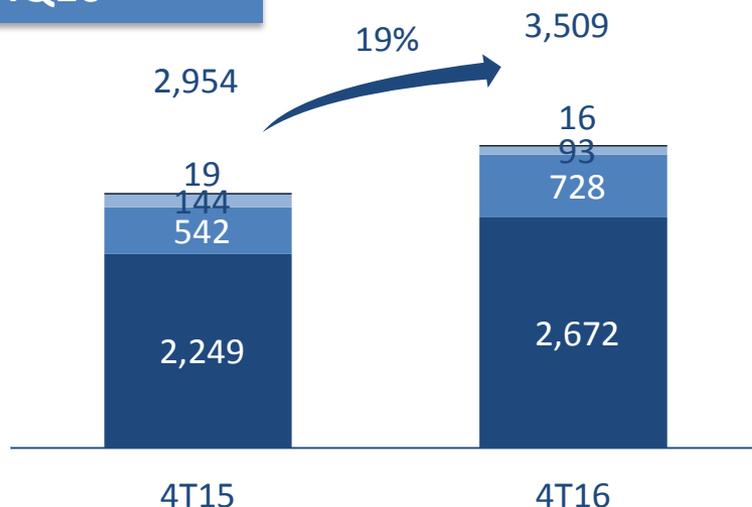
- i) better sales performance
- ii) gross margin expansion
- iii) dilution of expenses
- iv) better financial result

Luizacred – Revenue

4Q15 x 4Q16

R\$ million

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



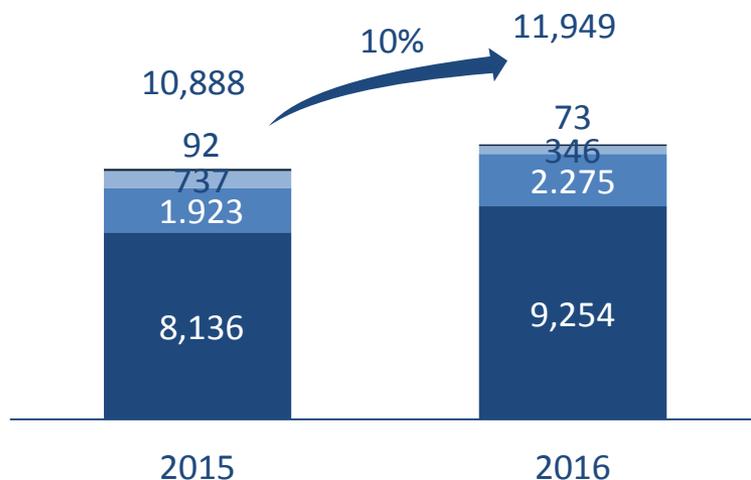
Comments

- +19% of revenue growth
- Increase in revenues from Luiza Card inside ML stores (34%) and outside ML (19%)

2015 x 2016

R\$ million

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



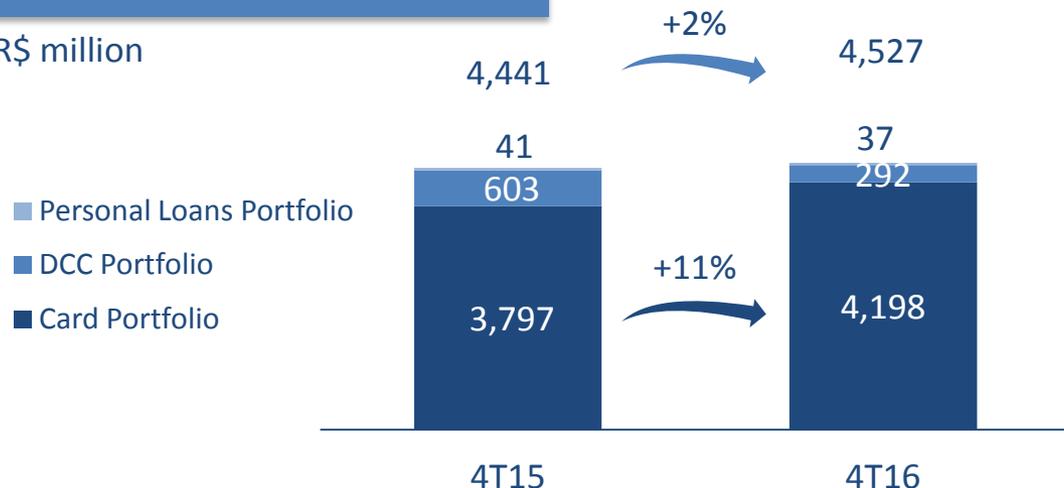
Comments

- +10% of revenue growth
- Increase in revenues from Luiza Card inside ML stores (18%) and outside ML (14%)

Luizacred – Portfolio and Overdue Payment

Portfolio

R\$ million



Comments

- Luiza Card portfolio growth of 11% in 4Q16 to R\$ 4.2 billion
- Decrease of DCC portfolio of 52% to R\$0.3 billion

Overdue Payments

% portfolio



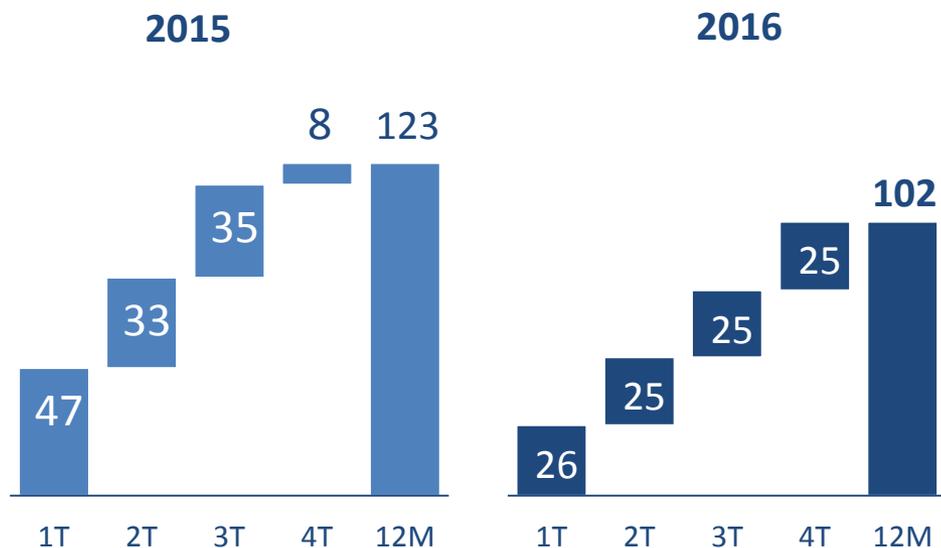
Comments

- Coverage ratio up to 128% in dec/16
- Decrease in NPL 90 of 320 bps to 9.5%
- Maintenance of conservative credit policy

Luizacred - Net Income

Net Income

R\$ million



Comments

- Growth in Luizacard's credit portfolio (+11%) versus reduction in DCC portfolio (-52%)
- Improved short and long term past due loan indicators in 2016
- Growth in Operating Income (+17%) from R\$161 million to R\$188 million.
- Net Income of R\$102 million with ROE of 19%

Strategic Pillars



- 1°  **MULTI CHANNEL**
- 2°  **DIGITAL INCLUSION**
- 3°  **DIGITAL STORES**
- 4°  **DIGITAL PLATFORM**
- 5°  **DIGITAL CULTURE**

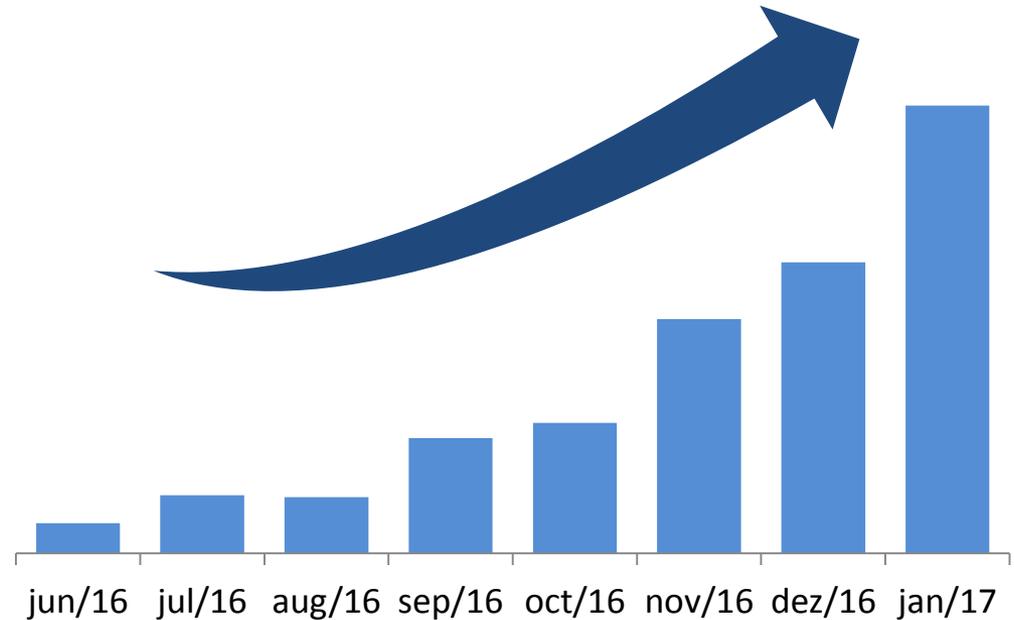
Multichannel – Retira Loja



100%
Stores



+100 mil
Delivered
Products



Digital Plataform - App



Best National Retail App – by
Google



Os melhores nacionais



Best E-commerce App



BRASIL 2016

Digital Platform – Marketplace

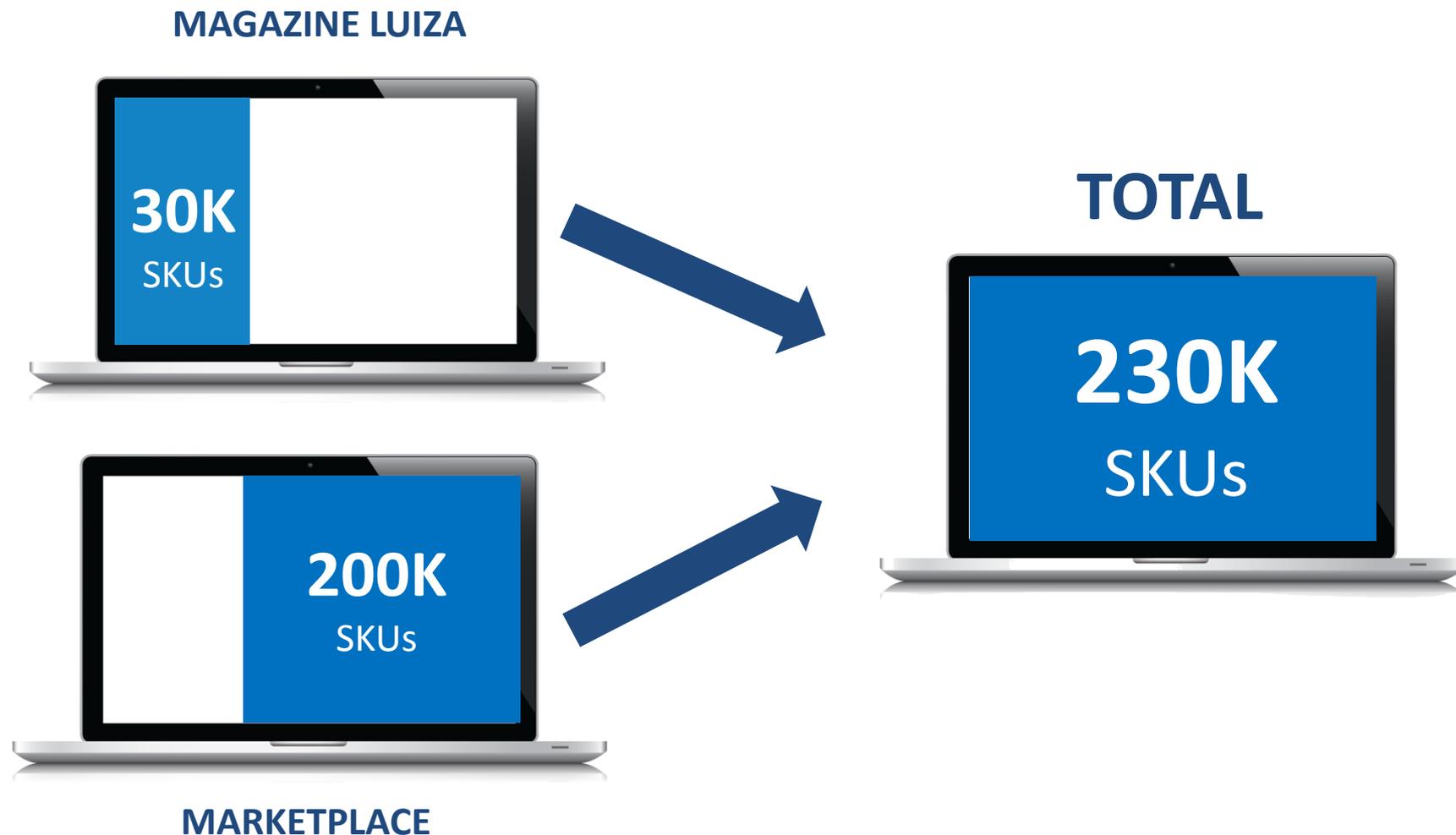
Current



New



Digital Platform – Current Assortment



2017 Outlook

- Accelerate and capture our digital transformation projects gains
- Focus in the evolution of Marketplace platform
- Continue to gain market share in a sustainable way
- Maintain the initiatives to reduce costs and expenses
- Continue the efforts to improve working capital management
- Intensify the opening of new stores
- Reduction in Financial Expenses with the decrease of Selic rate and Debt



Investor Relations

Legal Disclaimer

ri@magazineluiza.com.br

www.magazineluiza.com.br/ri

Any statement made in this presentation referring to the Company's business outlook, projections and financial and operating goals represent beliefs, expectations about the future of the business, as well as assumptions of Magazine Luiza's management and are solely based on information currently available to the Company. Future considerations are not a guarantee of performance. These involve risks, uncertainties and assumptions since they refer to forward-looking events and, therefore, depend on circumstances that may not occur. These forward-looking statements depend substantially on the approvals and other necessary procedures for the projects, market conditions, and performance of the Brazilian economy, the sector and international markets and hence are subject to change without prior notice. Thus, it is important to understand that such changes in conditions, as well as other operating factors may affect the Company's future results and lead to outcomes that may be materially different from those expressed in such future considerations. This presentation also includes accounting data and non-accounting data such as operating, pro forma financial data and projections based on the Management's expectations. Non-accounting data has not been reviewed by the Company's independent auditors.