

Magazine Luiza

2Q17 Conference Call

August, 1th 2017

2Q17 Highlights

Sales

- Sales growth of 26% reaching R\$3.2 billion
- SSS growth of 24% (+15% bricks and mortar)
- Market-share gains (*versus* +5% market growth)

E-commerce

- Growth of 55% versus market growth of 12% (E-bit)
- Share of 28% in total sales

Gross Profit

- Gross profit grew 22%, reaching R\$ 835 million
- Solid sales growth with flat margins per channel

Operational Expenses

- Dilution in 210bps to 23% of net revenue
- Expenses growth of 15% versus sales growth of 26%
- Operational Leverage, e-commerce growth, ZBB e EMM

EBITDA Net Profit

- Evolution of EBITDA from 45% to R\$ 236 million (8,7% margin)
- Evolution of net income to R\$ 72 million (ROE of 40%)

Working Capital Leverage

- Improvement in adjusted working capital need of R\$ 516 million
- Adjusted net debt reduction of R\$587 million to R\$268 million
- Adjusted net debt/adjusted EBITDA down from 1.5x to 0.3x

Luizacred

- Reduction of NPL 90 by 330bps with Luiza Card growth
- Net income of R\$ 27 million with ROE of 19%

Operating Highlights

Number of Stores

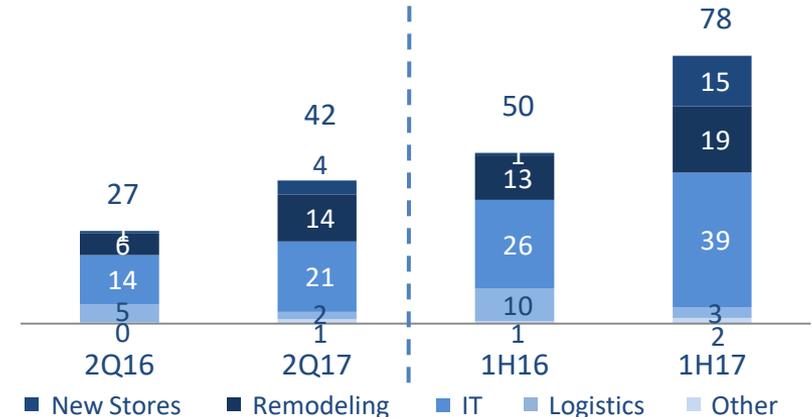
stores

+27 stores

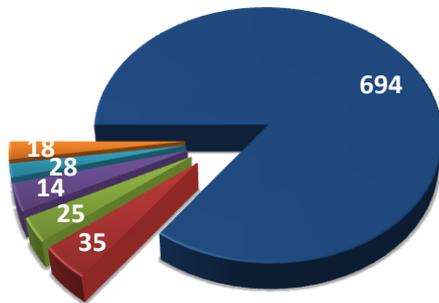


Capex

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

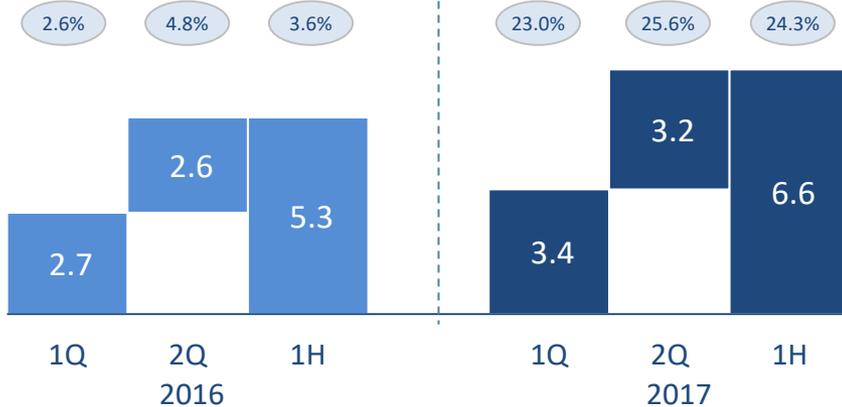
Comments

- Opened 27 new stores in the last 12 months
- Around 15% of our stores are in maturation process
- Capex of R\$42 million on 2Q17, and 49% of total investments went to IT projects due to our digital transformation strategy

Gross Revenue Performance

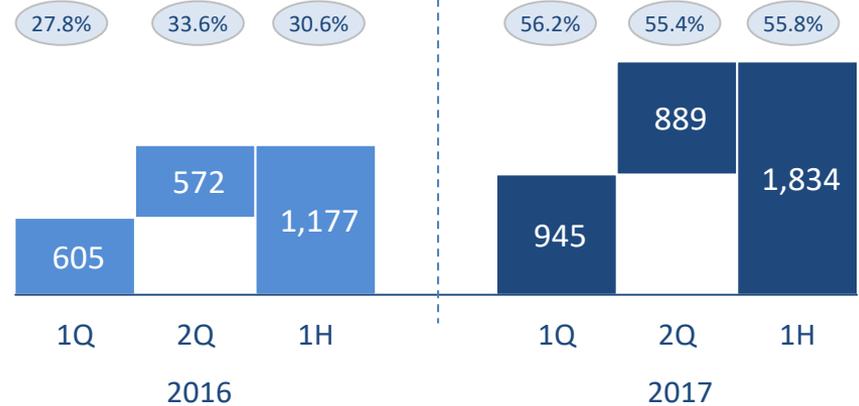
Gross Revenue - Consolidated

R\$ billion

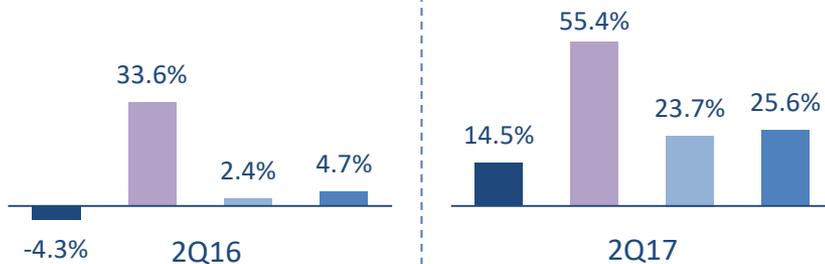


Gross Revenue - Internet

R\$ million



Same-Store Sales Growth



- Same Physical Store Sales Growth
- Ecommerce Growth
- SameStoreSales Growth
- Total Retail Sales Growth

Comments

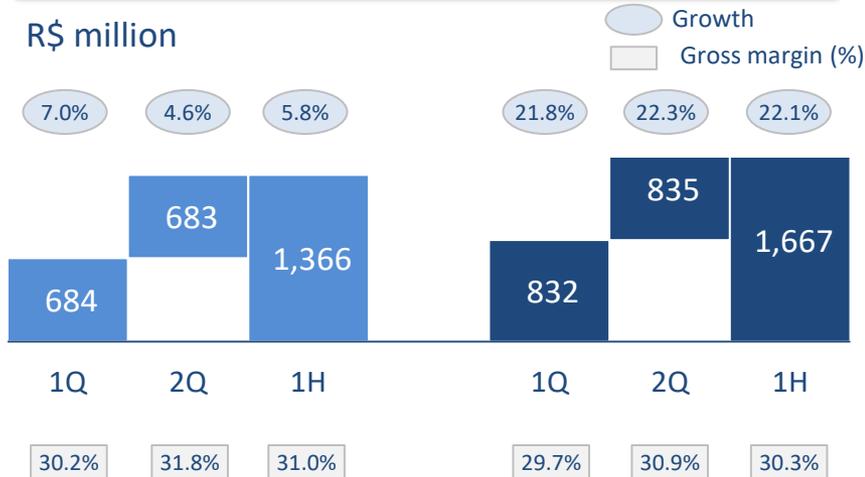
- Market share gains in main categories
- SSS in brick and mortar stores (+15%) in 2Q17
- E-commerce accounted for 28% of total sales (from 23%)
- Market sales of furniture and domestic appliances +5% (PMC/IBGE)
- E-commerce market growth of +12%

Growth over the same period of last year

Gross Profit, Operating Expenses and Equity Income

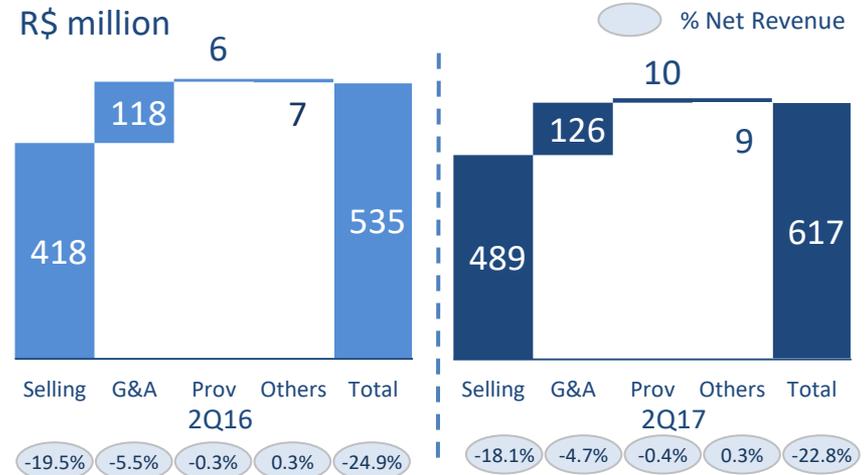
Gross Profit

R\$ million



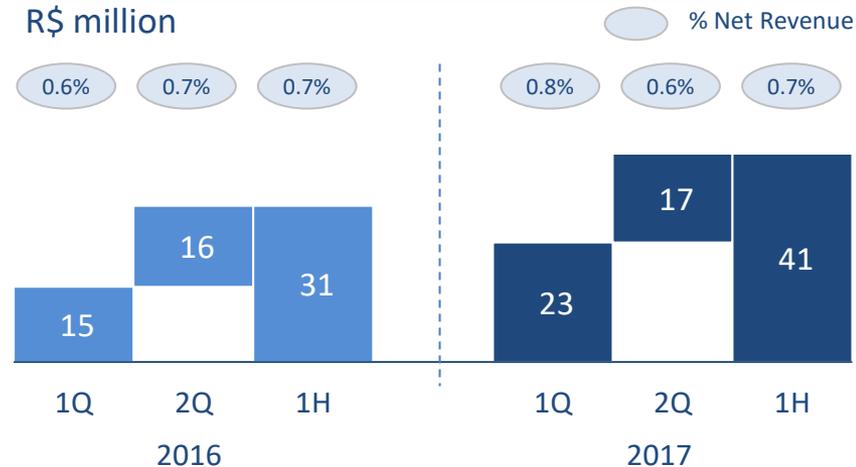
Operating Expenses

R\$ million



Equity Income

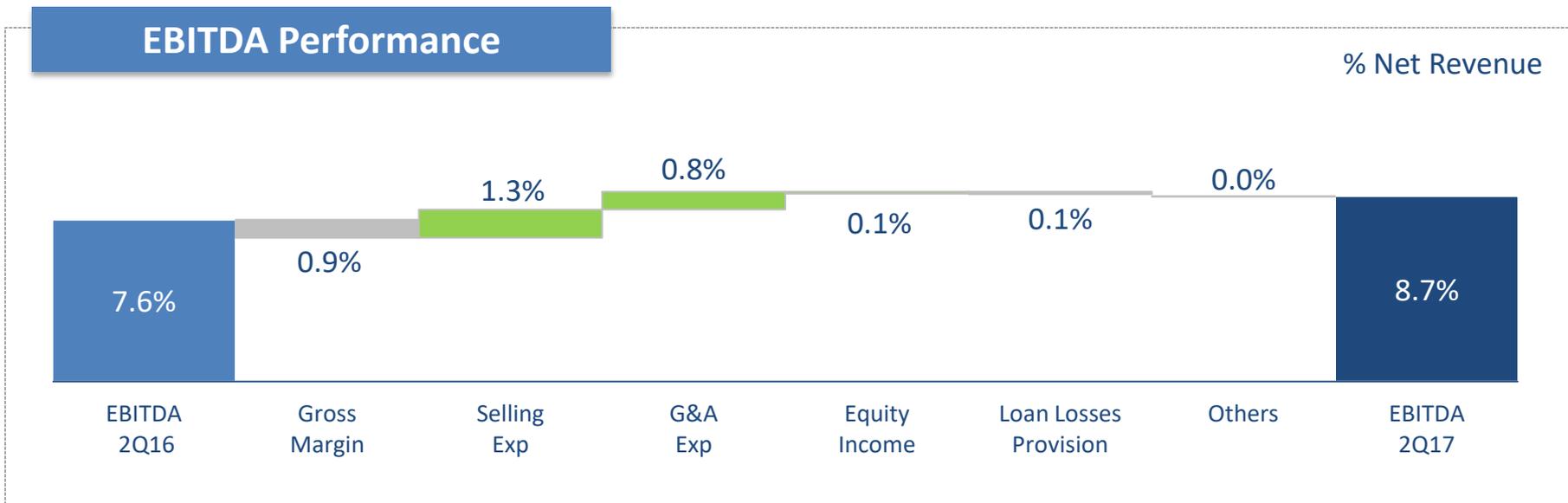
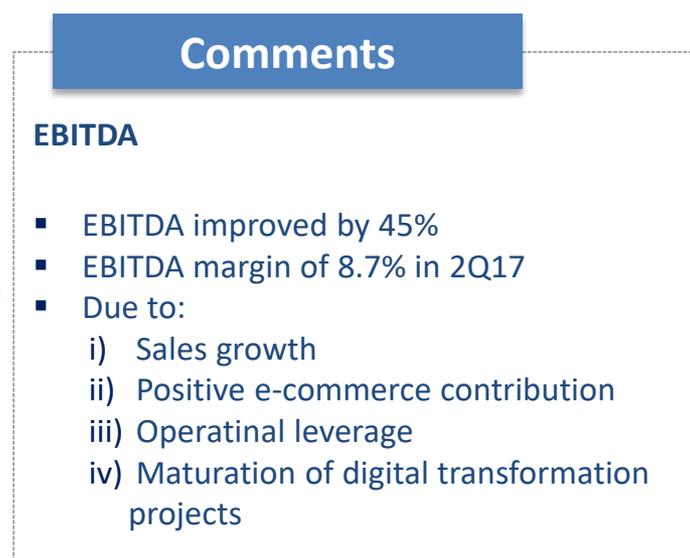
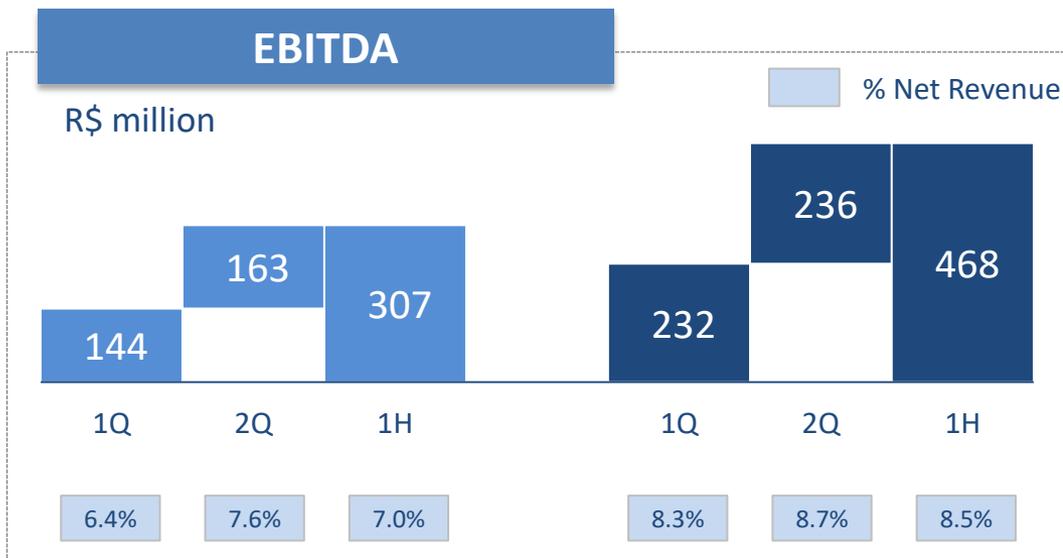
R\$ million



Comments

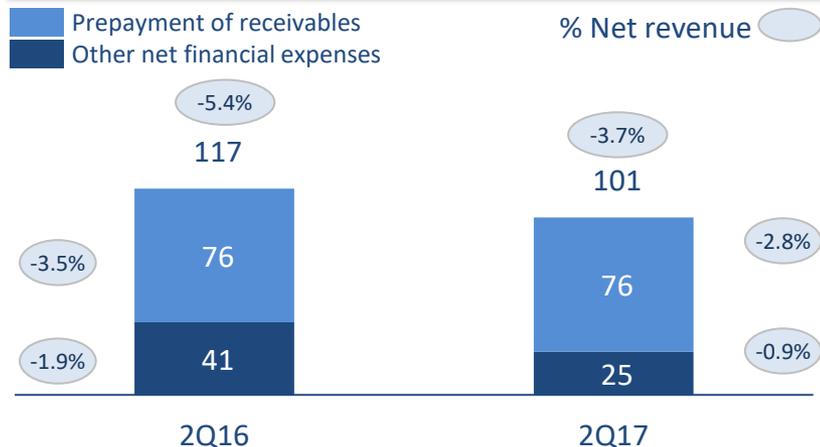
- **Gross profit**
Flat margins per channel
- **Operating Expenses**
Reduction of 210 bps to 22.8% of net revenue in 2Q17
- **Equity Income**
Luizacred: R\$13.6MM in 2Q17
Luizaseg: R\$3.9MM in 2Q17

EBITDA

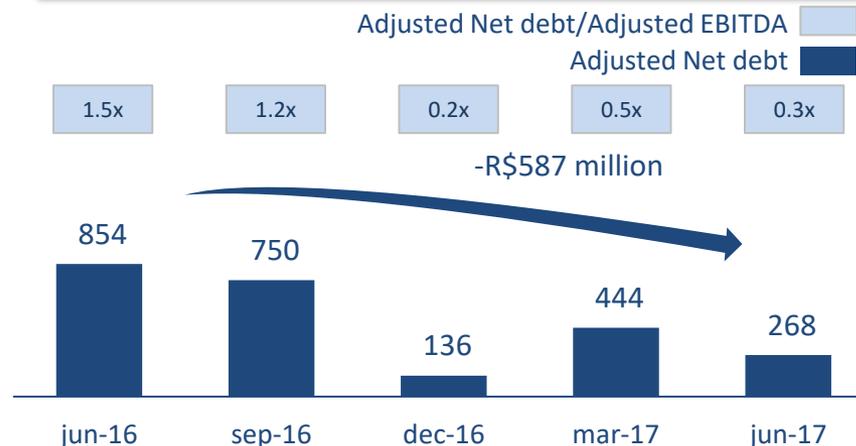


Financial Results and Working Capital

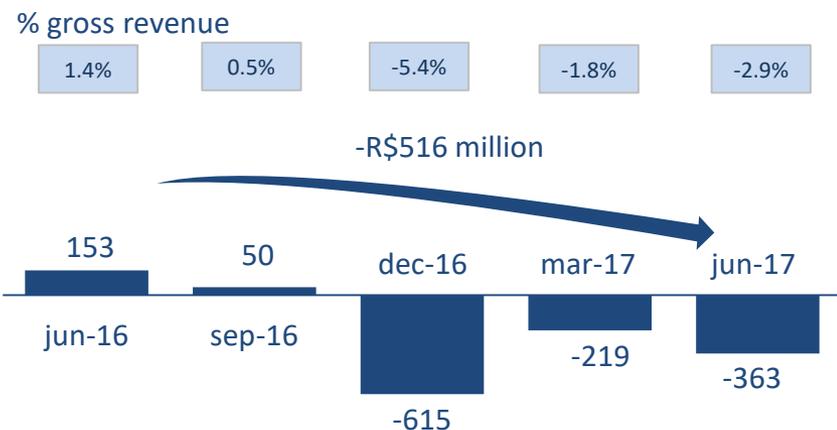
Financial Results*



Adjusted Net Debt**



Adjusted Working Capital



Comments

- Financial results**
 Improved 170bps in 2Q17 to 3.7% due to net debt reduction and Selic rate decrease
- Working Capital**
 Improvement in adjusted working capital of R\$516 million LTM
- Net Debt**
 Reduction of R\$587 million in LTM

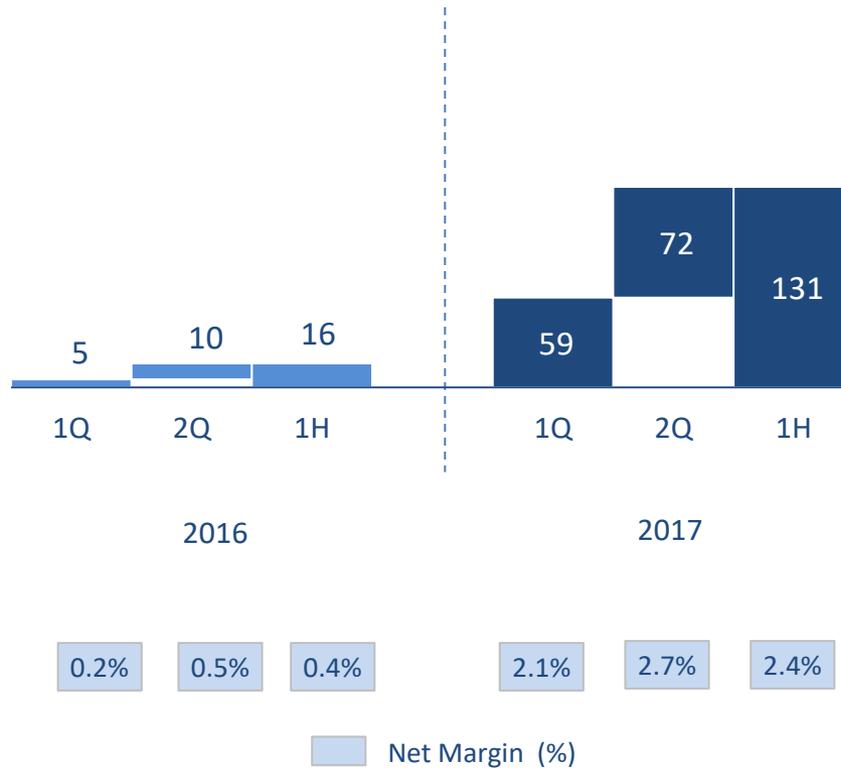
* Adjusted for Income from fund

** Excluding the credit cards which were advanced

Net Income

Net Income

R\$ million



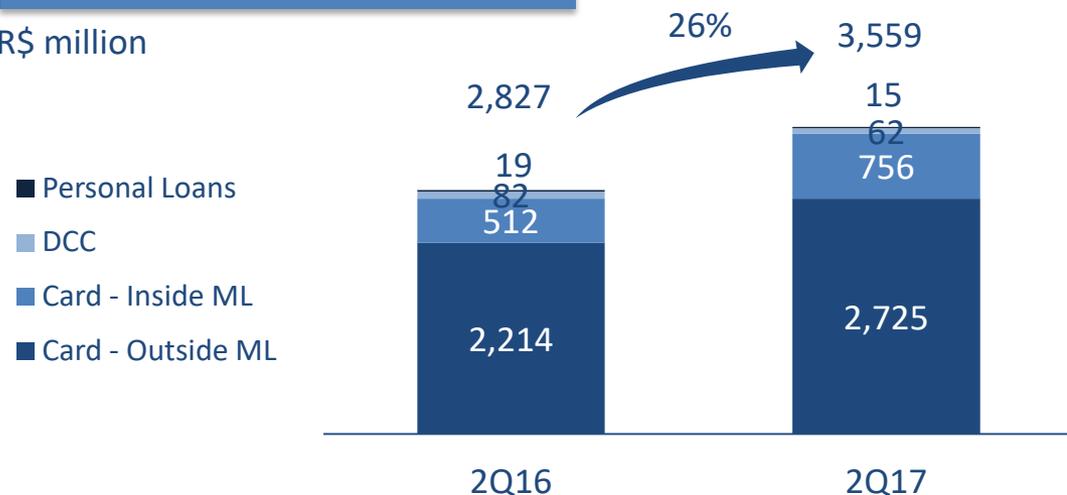
Comments

- Net Income of R\$72 million in 2Q17 with net margin of 2.7%
- ROE of 39%
- Maily impacted by:
 - i) better sales performance
 - ii) dilution of expenses
 - iii) better financial result

Luizacred

Revenue

R\$ million



Comments

- +26% of revenue growth
- Increase in revenues from Luiza Card inside ML stores (48%) and outside ML (23%)

Overdue Payments

% portfolio



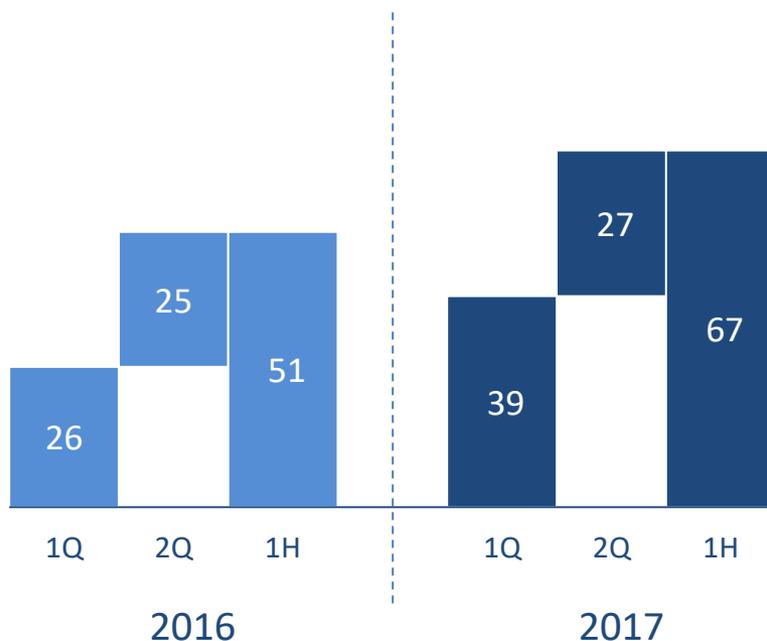
Comments

- NPL 90 reached 8.4% of total portfolio, 330bps reduction (jun/16)
- Coverage ratio flat at 132%

Luizacred - Net Income

Net Income

R\$ million



Comments

- Growth in Luizacard's portfolio (+21%) versus reduction in DCC portfolio (-37%)
- Improved short and long term past due loan indicators in 2Q17
- Reduction in expenses with provisions for loan losses
- Net Income of R\$27million in 2Q17 with ROE of 19%

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



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