



# Magazine Luiza

2Q14 Conference Call

August, 1 2014

# 2Q14 Highlights

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## Sales

- Net revenue growth of 28.5% in 2Q14: SSS increase of 24,5% (+44,1% in e-commerce and +21.3% in stores)

## Operating Expenses

- Strong operating leverage: dilution of 160 bps in 2Q14 (SG&A expenses up 19.9% vs. sales growth of 28.5% )

## EBITDA

- EBITDA increased by 40.3% yoy to R\$133.0 million in 2Q14, for 50bps expansion in EBITDA margin to 5.7%

## Luizacred

- Equity income jumped by 79.9% yoy in 2Q14 to R\$18.1 million, equivalent to ROE of 30%

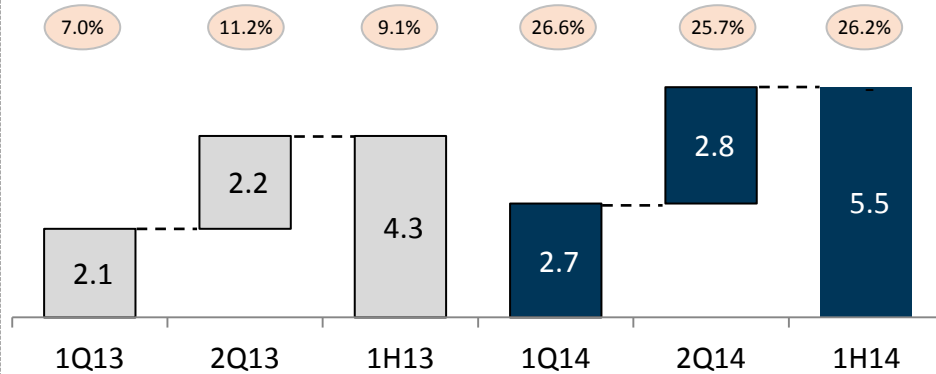
## Net Income

- Net income increased by 130.6% to R\$26.6 million in 2Q14, for net margin of 1.1%

# Sales Performance

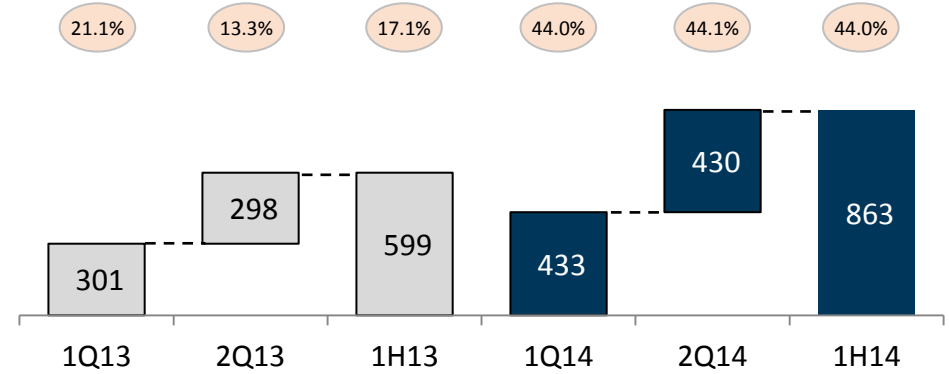
## Gross Revenue - Consolidated

R\$ billion

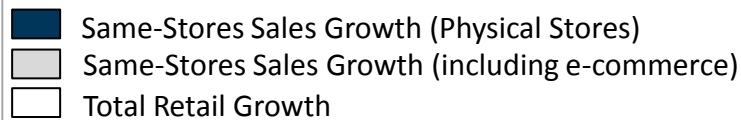
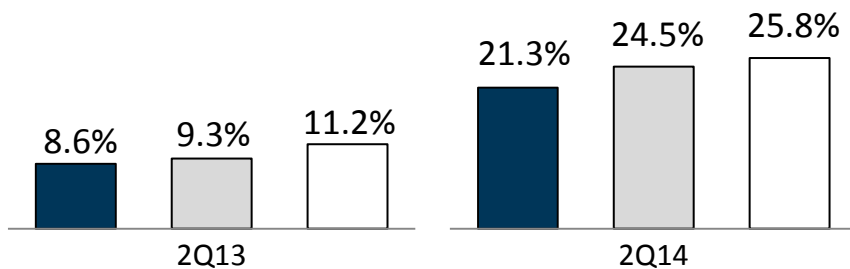


## Gross Revenue - Internet

R\$ million



## Same-Store Sales Growth



Growth over the same period of last year

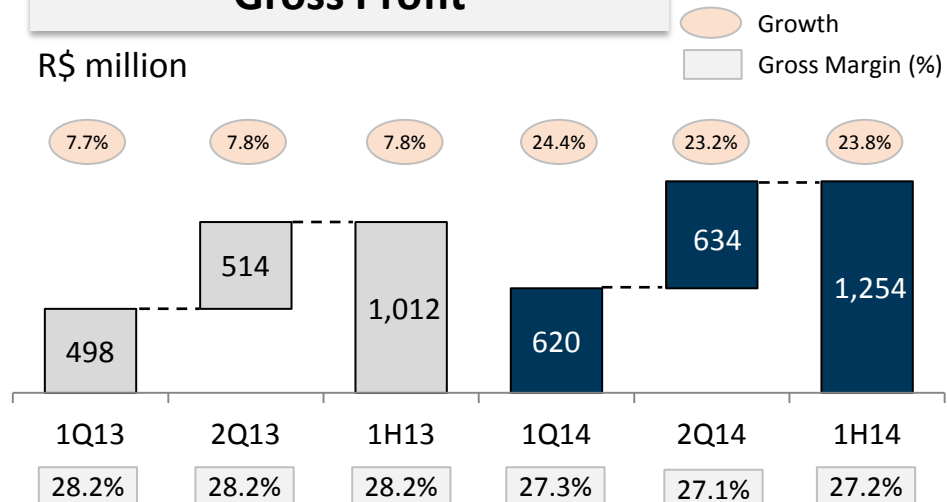
## Comments

- **Net revenue up 28.5% in 2Q14**
  - **24.5% SSS growth:** SSS of 21.3% in stores and 44.1% in e-commerce
- **World Cup sponsorship** on Globo television network fueled sales increase at stores, but specially online given nationwide media coverage
- **Building for you (Prédio Pra Você)**

# Gross Profit, Operating Expenses and Equity Income

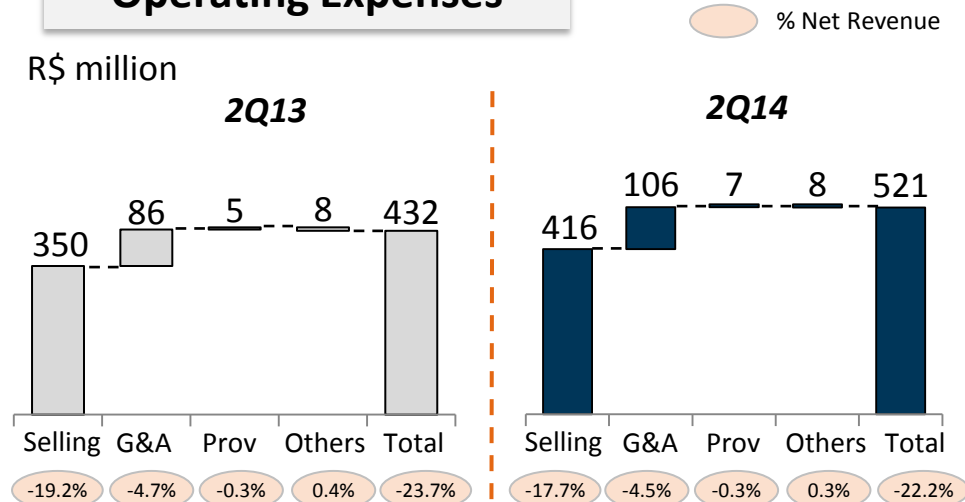
## Gross Profit

R\$ million



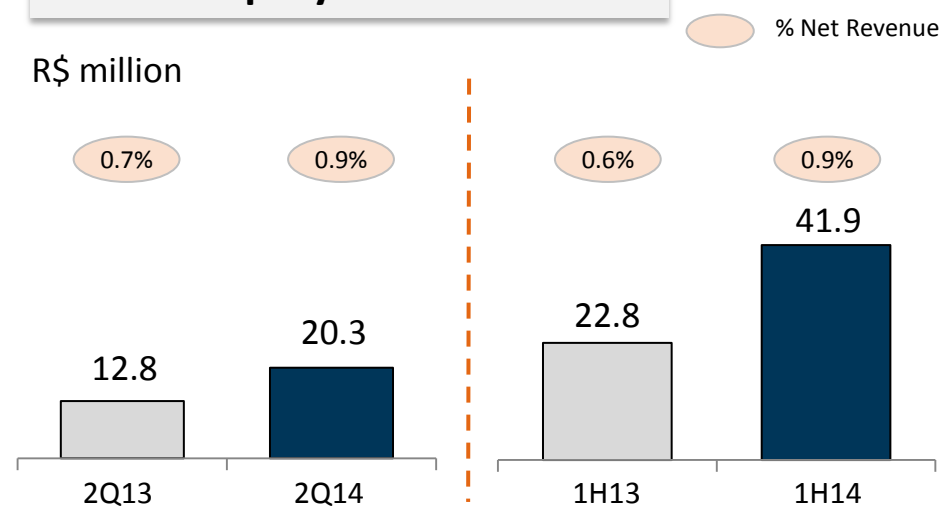
## Operating Expenses

R\$ million



## Equity Income

R\$ million



## Comments

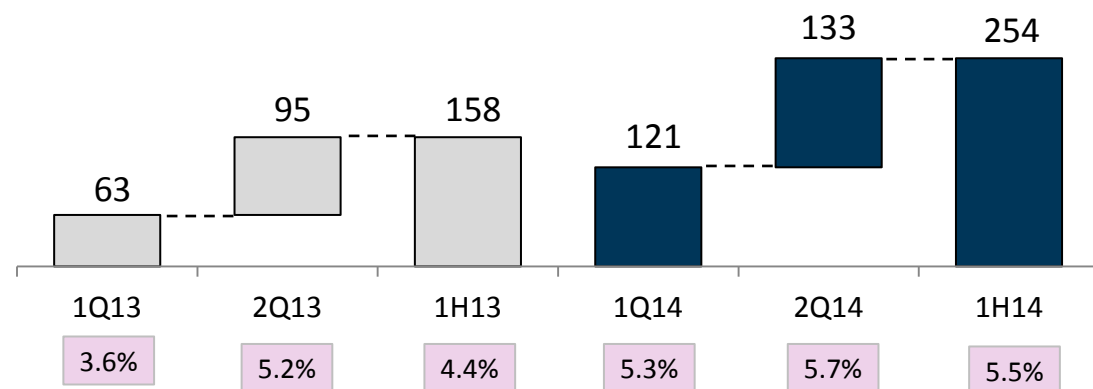
- Gross Profit**
  - Increase of 23.2% in 2Q14 yoy to R\$633.7 million
  - Margin drop due to mix and tax effect (ST)
- Operating Expenses**
  - Dilution of 150 bps on total operating expenses versus 2Q13
- Equity Income**
  - Better profitability of Luizacred
  - EBITDA margin up to 15.5% in 2Q14 (from 10.5% in 2Q13)
  - Net margin of 8.8% in 2Q14 (from 5.7% in 2Q13)

# EBITDA

## Adjusted EBITDA

R\$ million

 % Net Revenue



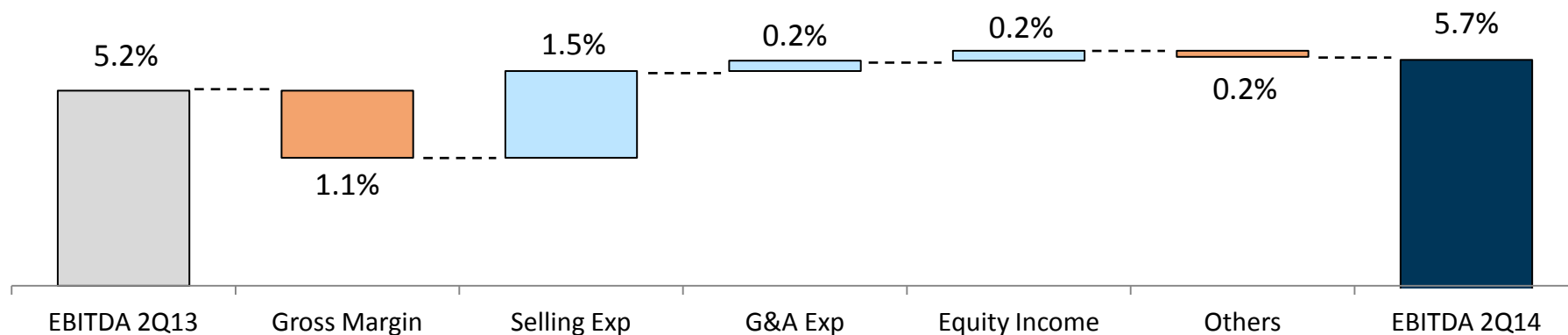
## Comments

### EBITDA

- EBITDA margin increase of 50bps to 5.7% in 2Q14.
- Positive contribution from: i) sales performance across all channels; ii) good dilution of operating expenses and iii) solid equity income
- EBITDA margin increase of 110 bps *versus* 1H13 (5.5% in 1H14)

## Adjusted EBITDA Performance

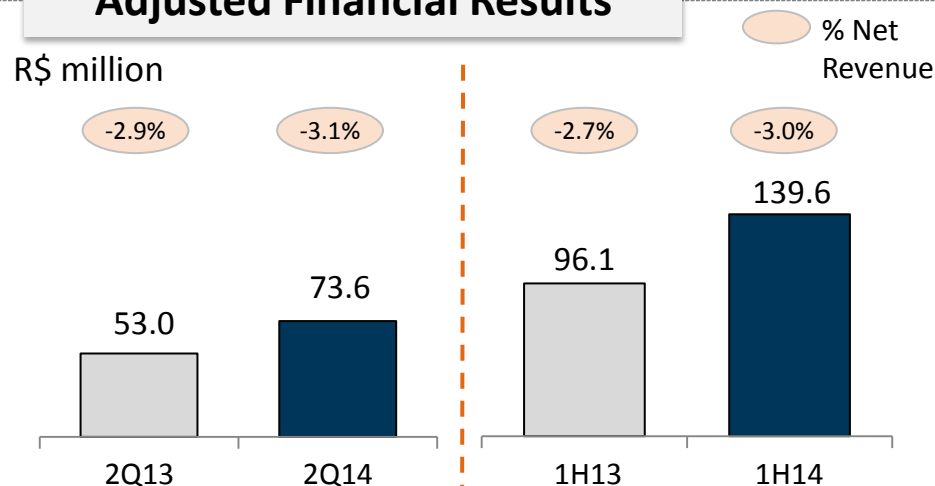
% net revenue



# Financial Results

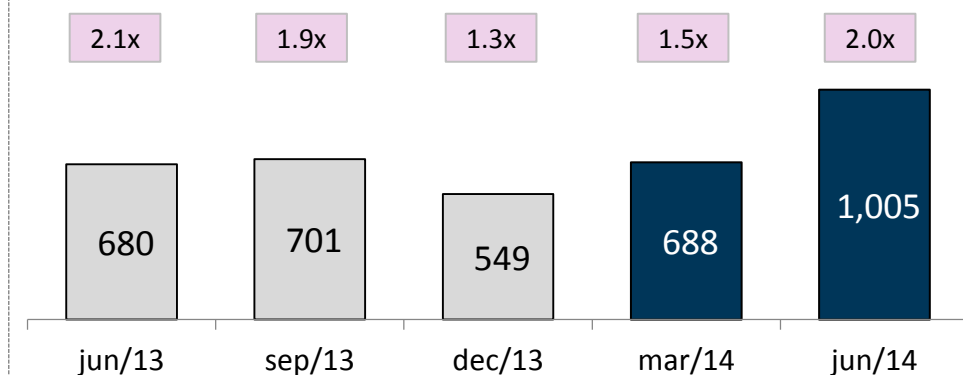
## Adjusted Financial Results

R\$ million



## Net Debt

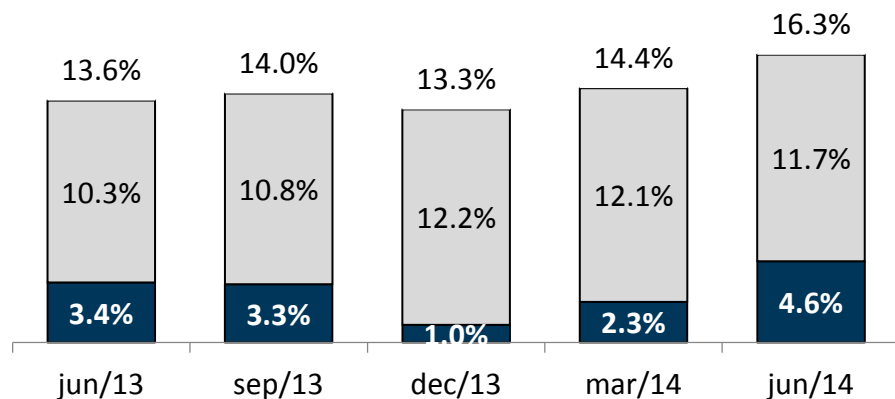
Net Debt/EBITDA  
Net Debt



## Working Capital

% gross revenue

Working Capital  
Discounted Receivables



## Comments

### Adjusted financial results

- Increase of 38.8% in net financial expenses to 3.1% of net sales due to higher CDI rate in the period and discounting of receivables

### Working Capital

- Increase in working capital needs to 4.6% of gross sales in 2Q14, but faster inventory turns.

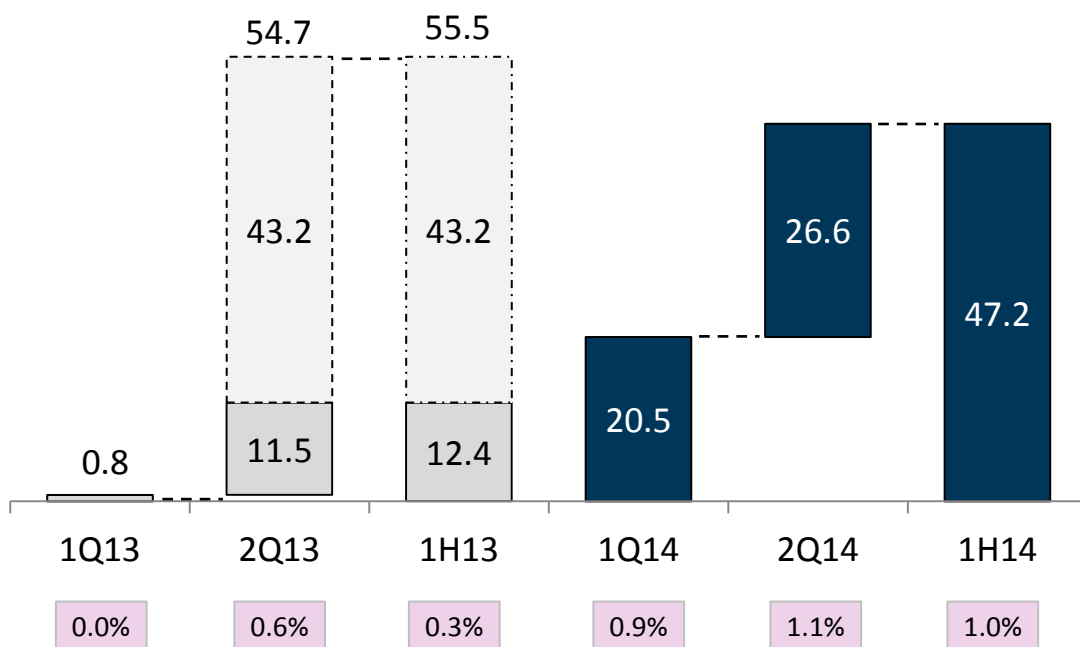
### Net Debt

- Decrease in leverage to 2.0x EBITDA in 2Q14, from 2.1x in 2Q13

# Net Income

## Net Income

R\$ million



Net Margin (%)    Net Income (non-recurring)

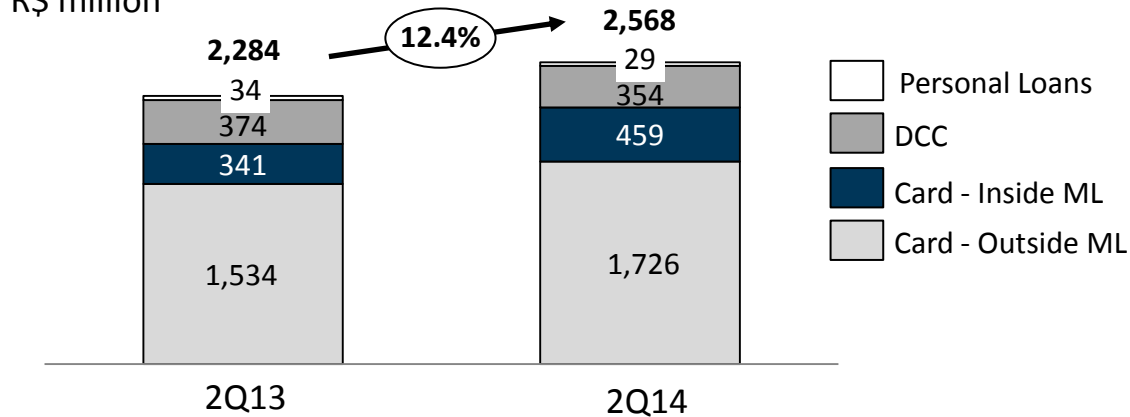
## Comments

- Net income more than doubled yoy in 2Q14
  - Adjusted net income growth of 130.6% to R\$26.6 million in 2Q14, for net margin of 1.1%
  - In 1H14 net income reached R\$47.2 million for net margin of 1.0%

# Luizacred

## Revenue Mix

R\$ million

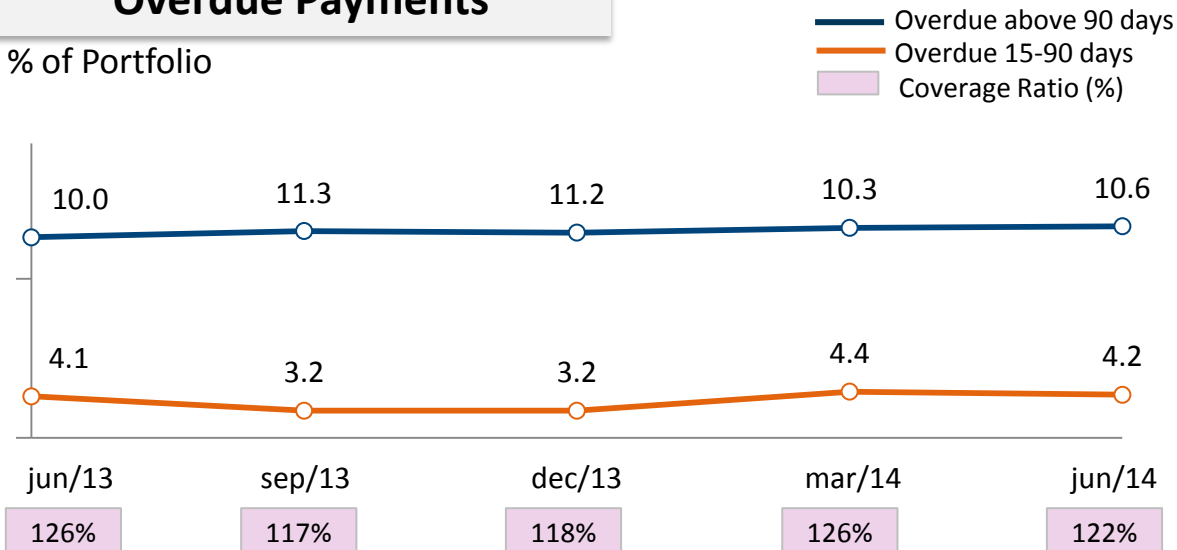


## Comments

- Gross billings increase of 12.4% in 2Q14
- Participation in DCC and Luiza Card sales of 34% in 2Q14 (from 36% in 2Q13)

## Overdue Payments

% of Portfolio



## Comments

- Provisions over total sales (credit and service revenues) drop from 44.1% in 2Q13 to 36.7% in 2Q14
- Provision for bad debts decreased from 4.2% in 2Q13 to 3.5% in 2Q14
- Conservative credit approach: low approval rates and close monitoring of overdue payments



# 2014 Outlook

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## Sales

- SSS growth FY2014: low-double-digit
- Better productivity at Baú and Maia
- E-commerce growth in FY2014: > 25%

## Gross Margin

- Closing the margin gap between Southeast/South and Northeastern stores
- Inventory and Pricing Projects underway
- Better sales mix in 2H14 with higher margin categories

## EBITDA Margin

- Additional synergy gains and expense reduction opportunities
- Greater service revenue participation in overall mix
- Operating efficiency project in Luizacred



# Investor Relations

[ri@magazineluiza.com.br](mailto:ri@magazineluiza.com.br)

[www.magazineluiza.com.br/ri](http://www.magazineluiza.com.br/ri)

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