TRANSCRIPT OF THE CONFERENCE CALL

3Q16 Results

October 31, 2016

Operator:

Good morning, ladies and gentlemen. Thank you for waiting and welcome to Magazine Luiza's *conference call* for the 3Q16 results.

At this moment, all the participants are connected only as listeners. Later, we will open the Q&A session and all the instructions for your participation will be provided. If you need any assistance during the conference call, please, press *0 to request the help of an operator.

Now, I would like to give the floor to Mr. Frederico Trajano, CEO of Magazine Luiza. Please, Mr. Frederico, you may proceed.

Frederico Trajano:

Good morning, everyone. Thank you for attending our results *call*. I'm here today with the members of our Executive Office, who will, like me, remain available at the end of the presentation for any questions. Today, we have here with us Mr. Roberto Bellissimo, our CFO, Mrs. Isabel Bonfim, our Financial Administrative Officer, Mr. Fabrício Garcia, our Operational Commercial Officer for Physical Stores, Mr. Eduardo Galanternick, our E-Commerce Officer and Mr. Marcelo Ferreira, the Executive Officer responsible for LuizaCred.

Let's start with the results. This was, without a doubt, the best quarter of the year. It was a very balanced quarter, with a significant improvement in virtually all indicators issued.

My initial emphasis goes to the sales area. And we had another highlight in our e-commerce area, with a 24% growth. Even with the higher comparison base of last year, the e-commerce area reached an historical record of almost 25% of the Company's revenue. This record is being highly celebrated by us.

But the e-commerce was not the only area shining. Physical stores also grew for the first time since the crisis began. In the last six quarters, we could not reach a growth in the same store sales.

I want to highlight this growing participation of our division at Northeast stores, which is an important region for us and that grew a lot; the virtual stores, which are stores that we have in cities with less than 50,000 inhabitants, also had a very positive performance in this quarter and the recovery of the stores matches the one of our division at Greater São Paulo, including São Paulo, but also all the cities of the Greater São Paulo region.

From the standpoint of the division, these were the main highlights. I would also like to reinforce that all the main categories, telephony, image and white goods, also grew in the quarter. The white goods account grew, despite our cold month of September, which had a small impact in the comparison base with last year, in which the September month was very warm. Even so, the category managed to grow.

We also had an evolution in our gross margin. On this, I would like to say that the best companies I know do not compromise their profitability to gain market share. They have competitive prices, because this is important, but they also win the customers loyalty mainly through a high service level and a close and respectful relationship with their customers.

It is within this group of companies that I want Magazine Luiza to continuously becoming part of it, with the best grades in Reclame Aqui, high rates of INPS in stores and maintaining a very active and sophisticated CRM. I see our CRM as one of the best in the retail segment.

Regarding the expenses, perhaps, after sales, the indicator that pleases me the most among all of these results, with the work of our entire team, because it is very difficult to dilute fixed costs, to dilute the expenses in a country such as Brazil, which is highly indexed and which has a high inflation, because virtually all of your expenses have increased with the inflation rate, at 8%, 9% per year, therefore, managing to dilute the expenses and keep them nominally stable requires a great effort from the teams, who are working in order to restrain these accounts.

We had an extraordinary work carried out by the teams who were part of both our zero-based budget, ZBB, and our expenses matrix management, EMM, which were the two projects that we have started since the end of last year, with an intense focus. It was a difficult scenario and now we are reaping the benefits of these projects, these negotiations and all the work carried out by these teams. With all of this, it was possible to present a 1.4 percentage points dilution of the SG&A for the quarter, which is very significant. Roberto Bellissimo will give you more details on this later.

The improvement in sales, the margin increase and the decrease of expenses made our EBITDA jump 63.4% to R$180 million, a high number, with a margin of 8%. To conclude, it bears noting that, the profitability often does not translate into cash, but we have achieved this on this quarter.

We had a good operating cash generation, with an improved working capital and we have managed, with a good result and materializing this result into cash, to reduce our net debt by R$465 million, bringing our leverage ratio, net debt over EBITDA, to 1.2x, a historically low number, which gives us a favorable condition for the future.

Before giving the floor to Roberto, I would like to say that, in our view, in the Company's view, the worst of the crisis is behind us. I say this because the scenario is no longer getting worse. The scenario is not good, but it stopped getting worse and now has recovery prospects.

I feel that Magazine Luiza is coming out of this crisis much stronger, in the financial and operational aspects, to capture the three main trends of the Brazilian economy as well as the consumer segment. I believe that Magazine Luiza is a company with a very favorable and advantageous condition to capture the benefits of these three major trends.

In my view, these trends are: the e-commerce growth, with the increased insertion of broadband and of *mobile* access in Brazil, so I see Magazine Luiza as one of the best companies, if not the best, to capture the e-commerce growth and we have been proving this in the recent quarters, not only this year, but also in the last two quarters of the past yea, we have grown well above the market and, I point out, with profitability.

The second phenomenon is the gradual recovery of the economy as a whole. I foresee that it is very likely that nothing will happen concerning the political aspect, so it is very likely we will have a gradual economic recovery in 2017 and, in my perception, we are well positioned to also grow in the physical stores retail, with this economic recovery for the next year.

And, finally, with the decrease of the Selic rate, which will probably lead to a substantial reduction of one of our main expenses, in this case the financial expense, and also to the improvement of LuizaCred's number, which also suffers a strong impact from the reduction of the Selic. Therefore, I believe that we are, once again, well fitted to capture the benefits of this economic recovery and of the better days for these indicators that I have mentioned above and for this migration phenomenon in the e-commerce segment.

With that said, Mr. Roberto will take over the presentation. I'll remain available for any questions at the end.

Roberto Bellissimo:

Good morning, everyone. Thank you for attending our conference. Let's start on page three, where we show the evolution of the stores. We opened four stores in the quarter and 11 in the last 12 months. We have more openings planned for the last quarter of this year.

When we look at the investments, we have invested R$28 million in the 3Q, R$78 million in the year, a number smaller than last year's. However, specifically in technology, the investment was higher than last year, because it is one of our strategic focuses.

On the next page, on page four, we would like to highlight the evolution of the quarter-to-quarter growth. It is clear that the growth of the 1Q was of approximately 3%, then 5% in the 2Q and now 11% in the 3Q, which shows an evolution. In the full year, we had an 6% growth and, when compared to the IBGE data, showing a downturn of 8% in the segment, then we have a difference of 14 percentage points, a much greater difference than the one demonstrated by our gain in *market share*.

Below, the physical stores growth is noteworthy, growing more than 5% in the quarter, this being its first growth since the crisis began. The beginning of the year was negative and after this we have this recovery.

The e-commerce growth is also noteworthy, growing 24% in the quarter, totaling 28% in the year. According to the Ebit, the e-commerce market grew 10% in the quarter, while we grew 24%. For the full year, the market grew 7%, while we grew 28%. So, there is also a strong gain of online *market share*.

On the next page, page five, we show the consistent evolution of the gross margin, 1.5 percentage points higher than last year. In the breakdown of operating expenses, we show that the expenses with sales fell by 1 percentage point against the revenues, a strong dilution, and we also show that the administrative expenses fell by 0.5 percentage points.

After, we have a gross margin 1.5 percentage points higher and a reduction of almost 1.5 percentage points in the sales and administrative operating expenses, an evolution of almost 3 percentage points in the EBITDA. We also had a reduction effect of the equity, by 0.3 percentage points, mainly in LuizaCred. We will speak more about this later, but both LuizaCred and LuizaSeg remain very consistent, contributing to our equity with around R$15 million, R$16 million each quarter, representing 0.7% of the net revenue.

On the next page, page six, we show that this evolution of the EBITDA went from around 5% in the same quarter last year to 8% on this quarter, one of the highest EBITDA margins since we became a publicly-held company. This is, without a doubt, a result of the margin growth, of the dilution of the operating expenses, a strict control of the expenses with OBV and the expenses matrix management.

On page seven, we somewhat detail the financial result, which also improved in this quarter - when compared to last year - for the first time this year. In the quarter, the Selic has been comparable to the same Selic of last year. We have improved 40 b.p. in the quarter, with emphasis on other financial expenses ex-interest from the prepayment of receivables, which decreased from R$47 million to R$37 million, basically representing the service cost of our debt, which had a reduction due to the decrease in the debt level.

The interest of the prepayment of receivables grew mainly as a result of the growth of sales itself. The growth of the Luiza Card was very strong in the quarter and is also in line with our strategy. The sales through our Luiza Card grew more than 20% and the sales through third-party cards also grew, mainly as a result of the e-commerce growth.

It is worth remembering that this expense is fully connected to the CDI, which has begun to fall and should keep on falling in the coming quarters in a manner that will probably benefit our financial expenses in the future.

When we look at the net debt, we have reduced over R$100 million in the quarter. From June to September we had a reduction from R$850 million to R$750 million and, when we look at the last 12 months, we had a reduction of R$465 million, which led to a great reduction of the leverage, both because of the EBITDA growth and the reduction in the net debt. That's why we have achieved a very large reduction in the leverage and why the working capital has contributed to our cash generation.

In 12 months, we have improved the working capital by R$300 million, and, for the quarter, by a little more than R$80 million. Virtually all accounts, but mainly in a better ratio of inventory and suppliers, and now our balance of suppliers' finances in our inventory, so we have a positive trend for cash generation, with growth in sales as well.

On page eight, we show the evolution of the net profit, with a profit of R$25 million for the quarter and of R$41 million for the year, also influenced by the level of financial expenses. Then, on page nine, we show some data on LuizaCred, emphasizing the growth of the revenues of LuizaCred as a whole, around 12%.

In Luiza Card, especially within Magazine, 22%, we can say that the participation of Luiza Card in Magazine Luiza's physical stores is at the highest level ever, thanks to a very strong effort for the partnership between stores and LuizaCred. Luiza Card is a very important tool to build our customer loyalty.

Another very important highlight in the outcome of the LuizaCred is the NPL that, as you can see, at the end of last year was at 12.7% and, in nine months, fell to 10.6%. It fell more than 2 points in nine months, returning to its historical levels before the crisis, at the end of 2014, at the beginning of 2015, and this has helped LuizaCred to reduce the expenses with provisions for doubtful accounts and to improve its results.

On page ten, we showed that LuizaCred's operating profit went from R$15 million in the 3Q15 to R$45 million this year. Last year, it had had a tax credit due to the increase in the rates of these financial institutions. This year, we do not have this effect. We have a higher tax burden; therefore, the net profit was lower, but the operating profit was much higher than last year, with an annualized ROE of 19%, which is also a very healthy return.

I will now give the floor back to Frederico.

Frederico Trajano:

We are now available for questions. I want to emphasize that, in this release, we provided a lot more information on our strategy of digital transformation. Remembering that the Company's strategy is to transform itself, going from a traditional retail business with a digital area to a digital company with physical locations. We have five pillars for this digital transformation: multi-channel, digital inclusion, digital store, *market place* platform and digital culture.

We have 25 projects within these five pillars and we have provided, in this release, enough visibility on the development of these projects. I recommend the reading. In this release, we have uncovered a little more on how we are materializing and executing this strategy.

As I said, the executive officers are now available to answer your questions, including Luiz Rego, our Procurement Executive Officer, who is also here in the room. We are waiting for your questions.

Fabio Monteiro, BTG Pactual:

Good morning, everyone. I want to know a little more on the growth of *same-store* in physical stores, which is of 5.5%. You gave plenty details for the e-commerce growth, but for physical stores I would like to understand if this had some prominence, also in the segment. You said you have gain *share* in image, white goods and telephony. I was wondering if there was some *highlight* here, or even by region, if the growth was balanced in all regions.

And, if you may also give me some *color* on the effect of the digitalization of the physical stores, which I think is not available in all stores yet, but how much this is also contributing to the growth of physical stores. Thank you.

Frederico Trajano:

Fabio, thank you for your question. As I said, we had, from the point of view of physical stores, a great performance at the Northeast, which had a result with a growth close to the e-commerce, a significant growth, on a basis that still has a lot of room to grow, we still have plenty of growth opportunities there.

Our online stores, which can also be viewed as digital stores, are those stores that we have in cities with less than 50,000 inhabitants, also had a very positive result. They have been having a positive result for some time, but especially on this quarter, with smaller markets, where we have a good market share, but that keep on growing and have a very good performance.

I want to emphasize the Greater São Paulo, which is usually the first to suffer from and the first to recover in times of economic inflection. So, we had a very positive quarter for the Greater São Paulo, that suffered a lot in the previous quarters. The team management of São Paulo's division achieved a great *turnaround* for us.

On the category, I'll let Fabrício speak a little about it, to reinforce somethings I've mentioned. I'll be back later to talk about the digital.

Fabrício Garcia:

Good morning, Fabio. In the case of the categories, the big highlights were on the white goods, image and telephony, in addition to housewares, which also grew a lot. In telephony and image, we grew by double digits; in telephony by two high digits and in image by two low digits. In white goods, we grew by one low digit.

From what we can see in the market, the only player that is growing in image and white goods is Magazine Luiza. We are seeing a lot of market in these categories.

On the Greater São Paulo, as Frederico said, I think the growth of the Greater São Paulo, in addition to all the work we have being carrying out in the stores, that this is the result of our focus on the digital transformation here in this region, so that helped a lot too. We have traded the technology furniture of almost every store in the area and this is helping us gain *market share*.

On the effect of the digital transformation, we have grown in the stores we have transformed 10 percentage points more than the growth of other stores. So, it's adding a lot of revenues as well.

I think that those are the main highlights, the major *highlights* of our growth in physical stores.

Fabio Monteiro:

Just a *follow-up*: remind us of how many stores have already gone through the digital transformation and the time estimate to reach 100%, please.

Fabrício Garcia:

In the case of the technology furniture in which we can try on the product, we will end the year with 687 stores and we will have 120 left, which we'll probably have ready by April or May next year. By May next year, 100% of the stores will have the technology furniture.

When we say technology furniture, we consider cellphones, computers and image as well, so the store is much more beautiful and more enjoyable. Now, about the service that we mentioned in the release, we have a supplementation program. During the next year, we will have 100% of the stores with the services deployed.

For example, the *smart* service in which we exchange the phone, paying with a used phone to purchase a new one. We already have 71 stores rolled-out, we will roll-out 150 by the end of the year and, over the next year, all the stores of the company will be rolled-out.

I think that, by the end of next year, 100% of the stores will have 100% of the services we are proposing.

Fabio Monteiro:

That's great. Thank you very much.

Guilherme Assis, Brasil Plural:

Good morning, everyone. Thank you for choosing my question. I wanted to know a little more about the plan to open stores. You have mentioned that you opened, if I'm not mistaken, four stores in the quarter and more in the 12 months. We can see that the market is very difficult, but I understand that the Company has a long-term vision of the business.

Can you give us an idea of what you consider to be a sustainable pace to open stores? We may think that, for the next year, for example, you may speed up this store expansion.

And, speaking of the opportunities you perceive, in which regions you think there would be more opportunities to this recovery of the growth and to a higher gain in *market share*? This is one of the questions.

Another question, concerning the *market place*, I think this is part of the digital transformation strategy. I think you have already managed to implement. I want to know more about the progress of the *rollout*, what we should expect in terms of SKUs and what you already have, and what is the goal in terms of SKUs and in terms of participation of the sale of your e-commerce channel.

These are the questions, thank you.

Frederico Trajano:

Guilherme, good morning. Thank you for your questions. I'll answer the first question, about the opening of new stores, then Eduardo will give you more highlights on the *market place*. I stress that we gave this some visibility in the release, but he will talk a little about the progress of the project.

About the stores, being very very careful so we don't receive an official letter from CVM, we cannot give any *guidance*, we have already received several them on this subject. What I can say is this: in the 1H, we have really opened only a few stores, even because of the scenario, which was a crisis scenario in which we were focusing the entire expansion team to renegotiate the existing agreements.

Almost everyone in my expansion team was renegotiating the rental agreement and not focusing on expansion. So, we've opened a few stores, several stores that is below what we would like for the future. Again, our model is multi-channel, we strongly believe that physical stores are still relevant in the market.

Our e-commerce has a higher *share* in all markets in which we have physical stores and the sum of the channels it's not one plus one equals two, it's one plus one equals more than two in the case of the multi-channel. So, for us, it is important to be present in more markets and to have a greater presence in physical stores, being careful for these physical stores to remain lean so we do not have high expenditures with the opening of new stores.

We're not paying glove, we're being very disciplined, only renting average-sized areas, not to large, even small, with a very low rent cost per square meter, a military discipline to open stores. That said, we'll tend to increase the number of stores opened and I want to say that the stores, in addition to being a sales point, are a distribution point as well.

Our stores are also becoming small DCs. Virtually 100% of the stores will have the option to 'retrieve at the store' by the end of the year. We have more than 500 stores with the option to 'retrieve at the store' this year, so the store is a huge differentiator for the e-commerce also, in order to reduce the cost of delivery of the e-commerce, which is the main cost we have with it. Whereas in the store the main cost is with the payroll, the main cost of the e-commerce is with the delivery.

Having a capitalized network of stores is the importance of the e-commerce. Therefore, I cannot quantify this for you, but we will again open a significant number of stores for the future, respecting these rules of rationality that I've mentioned to you.

Guilherme Assis:

If I may, I would like to explore this subject a little further. Can you give us an idea of where you see more opportunities to gain *market share* by opening stores, in terms of region? You have mentioned here that the Northeast was a major vector of the quarter's growth. Do you think that you have the opportunity to grow even more in the Northeast or do you have any specific region you see an opportunity to grow in the future?

Frederico Trajano:

What I can say is that, at least for the next two years, we have already mapped the current states in which we have stores, with more than 300 possibilities to open new stores. Mapped, this is not a *guidance*. We have mapped the potential to open more than 300 stores, between online and physical, in all states we have.

We have no preference for a specific state, for us being inside the TV signal, propagating, being within the radius of a distribution center, having a population that supports the opening of a store, any market is valid. We focus on finding points that fit that description I mentioned: glove, low rent and suitable size.

If we find these conditions in any of the regions, we will open a store, with no specific preference.

Eduardo Galanternick:

As for the *market place*, as we published in the release, we reached 40,000 SKUs on the first phase we talked about, which is MGP, until September, early October this year. We are entering a second phase, which is the expansion phase, that's how we call it, and it will last until the end of the year.

Our biggest concern at this phase is to ensure the catalog consistency. Our main concern is to maintain a good customer experience. It is essential that the catalog is well formatted and that the products have a good matching. In this second phase, which will last until the end of the year, we expect to place at least 40,000 additional SKUs and then we will enter in the phase we call the scaling phase next year.

Our goal is to, within our catalog, absorb what we have in the Brazilian market. We understand that currently the Brazilian market revolves around 750 to up to 1 million SKUs being marketed, and we'll be ready for it.

Guilherme Assis:

About the *sellers* you have, you've mentioned some names in the release, some major, like Polishop, and some minor. I want to understand the strategy's progress and the progress of the negotiations to bring more *sellers* into your platform, and how is this connected with the evolution of the SKUs.

I understand that the goal is, perhaps, getting near or above 1 million SKUs of *market place*. Do you have an estimated time for this to happen? So, we can try to estimate the growth of the *market place*.

Eduardo Galanternick:

In general terms, today, we have a very strong relationship with these market *sellers*. We started our integration through a partnership with VTEX, therefore going back to the guys who used this platform. We are integrating with other platforms, which will drive some of the categories that we are inserting.

Initially, we started with incremental categories, things we did not work with. From September on, we are now working with items in categories that we already work with. And regarding the speed of implementation, we believe it will gain scale in the coming year, together with the platforms increasingly integrated.

We cannot exactly say where we will be at the end of next year, we cannot give a *guidance* on it, but we believe that we will increasingly have a progressive speed following the integration with several platforms.

Guilherme Assis:

In VTEX, for example, in the partnership, do you have an idea of how many potential *sellers* it can bring to you? Is this how you analyze it? How do you see this? And, beyond VTEX, which is the other way, do you have an internal structure to also be able to capture and assemble a relationship with *sellers*?

Frederico Trajano:

VTEX has over a thousand retailers on the platform, therefore, only in VTEX, we have huge field for growth. We have in our CRM base that we are already attending fairs. More than 300 retailers have shown interest in entering the platform.

We are growing very carefully because we have a huge concern, given our historical reputation of customer service. We now have the best grades of Reclame Aqui, we are among the best in all categories we sell.

We always receive awards in consumer service awards, so we are very careful to expand with enough consistency and making sure that we will put sellers that have the same concern for the service as we do. This is something we're taking into account in order to not speed all costs, show a high GMV, but at the expense of our customer service.

We will insert other platforms, which is natural, they are already automatically integrated. We have a well-automated platform that we have developed together with Luizalabs, which has open APIs so that even companies that are not on these platforms can be integrated, but again, the pace of expansion will depend a lot on the *seller*, if it has the same concern for the consumer as Magazine Luiza has. These is one of the things we're being very careful with in the expansion.

Guilherme Assis:

All right, thank you. If I may, I wish to ask one last question, but I don't know if it's to you or maybe more to Fabrício. As for your inventory level, now at the end of the quarter. In my calculations, which I don’t know if it matches yours, you have an inventory of 79 days. That compares with the 74 of last year.

I wanted to understand, within this strategy, what is expected for your 4Q, for the Black Friday at the end of the month and for Christmas, and how this is reflected in this inventory number. If this additional five days, according to my calculations, means that you have a better outlook for the 4Q and for these two very important events. These are the questions, thank you.

Frederico Trajano:

Our expectation is very good for the end of the year. We intend to have a good Black Friday, an aggressive Christmas. We have a gold day too, which is very strong. Part of this inventory, we are supplied with summer products. It is worth remembering that the temperature has not rised yet, this reflects a bit in the inventory. We hope to have a warm November and December; this will greatly boost the sale as well.

I think that these two things, betting on the year-end season and on seasonal products, reflect these five days. But, on the other hand, we are managing to extend the deadline with suppliers, which is offsetting our working capital.

Guilherme Assis:

All right, thank you all.

Pedro Fagundes, Goldman Sachs:

Good morning everyone, thank you. I have two questions. The first, taking advantage of the procurement management, I wanted to understand a little better the relationship you have today with the suppliers.

More specifically, two points: the first one, on the one hand, whether in fact there is an flexibilization of the pricing with suppliers, in order to share some of the bill of a harder macro at this time. We saw some comments on this, resulting from Electrolux and other. And, on the other hand, understand a little if you still have some tail end of exchange rate, with the strongest currency here in Brazil versus last year.

The second question, the second point, concerns the online marketplace. Just to have your *update*, a better understanding of the trend in the recent competitive environment, if you think it has been a little tougher, a little more competitive and, yet on this point, how the *takes rates* of the Company are behaving with this level of growth. That's it, thank you.

Frederico Trajano:

Pedro, thanks for the question. I myself will answer it. About the suppliers, we have a very close relationship, we are one of the main customers of virtually every supplier of the segment we work in. We have a win-win policy, we do not believe that we can win at the expense of the supplier.

I think the way the Magazine Luiza sees these relationships is that it has to be good for both sides, or is not good for anyone. Finally, moments of crisis, times of economic recovery, are always times we sit down and talk about it, we do not simply send them the bill. We have discussed, planned, everyone wants to increase the sales, everyone wants to improve the profitability and the more balanced the relationship, the better it is for everyone.

I do not put a lot of faith in these stories of *top down*, of demanding something, I think it has to be a win-win partnership, a productive, long-term, solid relationship.

On your second question, definitely, we're saying this since the beginning of the year, even at the end of last year we were already saying this. We already expected a much more rational market. I always say that the crisis has several negative aspects, but that it also has positive ones. During a crisis, no one can mess up a lot, because it is too expensive to be irrational in the crisis.

So, both online and offline, we felt that there was a rationalization process. Companies that sometimes relied on the excess liquidity in the market, on a lot of credit with the supplier, on a lot of credit with the banks and on plenty of room to increase the capital and to make the capital increase without giving a lot of explanation. In the end, companies end up taking advantage of these moments to finance the growth of operational models that were not sustainable.

I think, from what I can see on the market, from what I can hear in interviews, from what I can see on public information, that the movement for rationality is reversible, given that the market is no longer getting worse, but we still have a long way to go before we go back to the heydays of the past. I think that the rationality will walk hand in hand with that.

I see that, not only for this last quarter, but also for the next year, most of the players, even if they do not want to, will have to be rational and, in that sense, Magazine Luiza gets a lot of advantages, because we always were a rational player, as I said at the beginning of our presentation, when I referred to the gross margin.

Finally, on the foreign exchange, it is still early to say. It's stable, it has one or another good deal for the Black Friday, but nothing very relevant. I imagine that, for the next year, it will be a more relevant issue in order to lower the price of the products that have a high international component index, mainly electronics, but not exclusively.

But, for this year, is a minor factor. I think that, next year, it will probably be more relevant.

Pedro Fagundes:

Got it, perfect. Do you have an idea of the proportion of how much of the cost of the merchandise is dollarized? Do you have some notion on that?

Frederico Trajano:

There are components in the electronics industry that are 70% dollarized, electronic components. Then, in the furniture and white goods segments, this percentage is lower. I do not have a percentage to give to you, but it goes from a very small percentage in some cases, to products that have a higher dollarized component, such as telephony products.

Pedro Fagundes:

Great, perfect. Thank you.

Giovana Scottini, Eleven:

Good morning everyone, thank you for choosing my question. My question concerns the option to retrieve at the store. You have mentioned that you will end the year with 687 stores in this in store piscking model. I was wondering what other initiatives there for the multi-channel. Could you comment further on that? Thank you.

Frederico Trajano:

Thank you for your question. We have several initiatives. This is the one we have been focusing most of our efforts at the time, because we want to quickly achieve this for 100% of the stores. The current model to retrieve at the store is a model in which you purchase on the website, we send the new merchandise from the distribution center to the store and you go there to retrieve it.

The next step for the model to retrieve at the store is, once implemented in all branches, to make possible for the person to buy the product on the website and retrieve the product directly from the inventory of the store. And then we will save on the delivery time. So now, for example, the model to retrieve at the store has a delivery period of 48 to 72 hours, depending somewhat on the supply flow to each store.

With the product already at the store's inventory, which is the next step, we can deliver the goods on the same day. So that's the next step.

Another multi-channel project that we are already completing: today the customer can buy the product on the website and return the product in any store. But this process was not absolutely without friction, it was a somewhat bureaucratic process for the customer at the time to return the product in the store and we are redefining all the policies and improving the systems of return and cancellation of purchase in the store, so that the consumer experience in the store, and also the store incentive programs, is improved.

We will complement the policies now for 100% of the stores and the tools throughout the next year, because the consumers who sometimes regret the online purchase will be able to return the product. He will not have to wait for a period of seven days to change the product, which sometimes is the delivery time of the carrier. He knows that he will be able to immediately exchange the product at the store or cancel the purchase immediately and receive his money back in the store.

These are the projects that are a priority, from the point of view of the multi-channel. The *mobile* sales, which is the project we talked about at the beginning of the release, which currently 100% of the sellers are already selling at the physical stores, from *mobile* sales. The *mobile* sales is also an integrated tool.

If you have purchased something online and you go purchase something at the store for the first time, when you give us your e-mail or social security number, we already have all of your data, your purchase history, so you do not need to create a new account. You buy from the seller, pay for the purchase and receive the invoice by email, which makes the process a lot easier, which nonetheless is also a multi-channel project.

Thank you for the question.

Giovana Scottini:

That's great. Thank you.

Operator:

This concludes the Q&A session. I would like to give the floor back to Mr. Frederico Trajano for his final remarks. Please, Mr. Frederico, you may proceed.

Frederico Trajano:

I would like once again to thank all those attending this *call,* to thank my fellow officers here for their participation and wish you all a good day.

Operator:

Magazine Luiza's call conference is concluded. We would like to thank everyone's participation and wish you a good day.