

# Magazine Luiza

## 4Q17 Conference Call

February, 23 2018

# MAGALU'S DIGITAL TRANSFORMATION...

FROM



**TRADITIONAL  
RETAIL  
COMPANY WITH  
DIGITAL  
PRESENCE**

TODAY



**DIGITAL  
PLATFORM WITH  
PHYSICAL  
PRESENCE AND  
HUMAN TOUCH**



# ... IS BASED ON 5 KEY PRINCIPLES



# 4Q17 Highlights

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## Sales

- Total sales growth of 31%, reaching R\$4.4 billion
- Total Physical Store Sales Growth of 20% (15% SSS)

## E-commerce

- Total e-commerce growth of 60% (47% in traditional e-commerce (1P))
- Marketplace sales of R\$120 million

## Gross Profit

- Gross profit growth of 26% (reduction of 40 bps in gross margin)
- Solid sales growth with flat margins across all channels

## Operational Expenses

- Dilution by 100 bps to 21.2% of net revenue
- E-commerce, operational leverage, ZBB, EMM, Luizacred and Luizaseg

## EBITDA Net Profit

- EBITDA growth of 38% to R\$313 million (8.6% margin)
- Growth of net income to R\$166 million (growth of 260%)

## Operating Cash Generation

- Over the last 12 months, cash flow from operations reached R\$1.0 billion
- Improvement of inventory turnover and working capital

## Capital Structure

- Adjusted net debt reduced by R\$1.8 billion LTM
- Secondary offering of shares in the amount of R\$1.1 billion

# 2017 Highlights

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## Sales

- Total sales growth of 28%, reaching R\$14.4 billion
- Total Physical Store Sales Growth of 17% (14% SSS)

## E-commerce

- Total e-commerce growth of 61% (53% in traditional e-commerce (1P))
- Marketplace sales of R\$230 million

## Gross Profit

- Gross profit growth of 23% (reduction of 60 bps in gross margin)
- Solid sales growth with flat margins across all channels

## Operational Expenses

- Dilution by 170 bps to 22.2% of net revenue
- Expense growth of 17% versus sales growth of 26%

## EBITDA Net Profit

- EBITDA growth of 44% to R\$ 1.0 billion (8.6% margin)
- Growth of net income to R\$389 million (growth of 349%)

## Operating Cash Generation

- Cash flow from operations growth 34% to R\$1.0 billion
- Working capital variation contributed R\$300 million

## Capital Structure

- Net cash of R\$1.7 billion in Dec/17
- Gross debt of R\$900 million versus total cash of R\$2.5 billion

# Operating Highlights

## Number of Stores

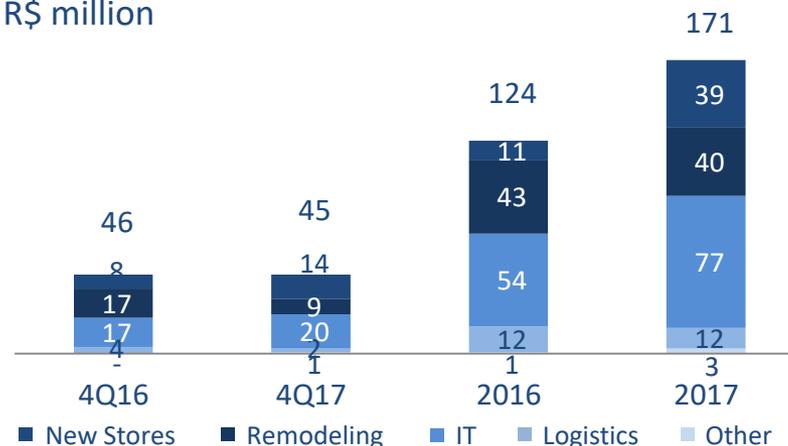
# stores

+58 stores

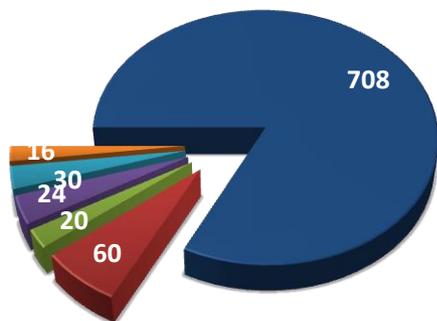


## Capex

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

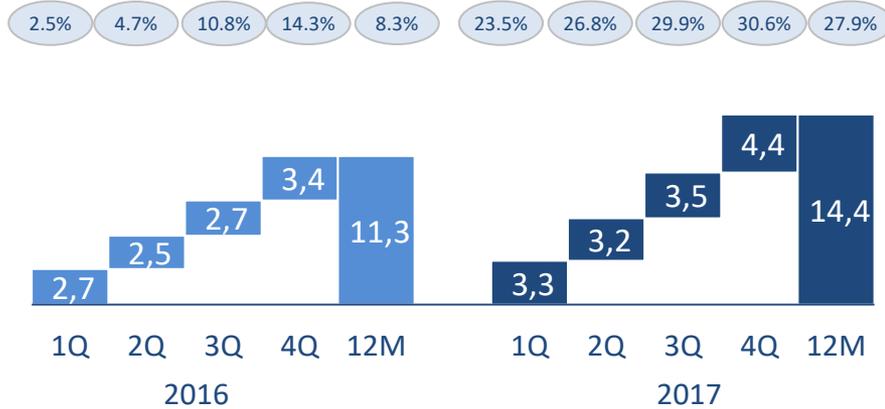
## Highlights

- Opened 60 new stores and closed 2 stores in LTM
- Around 17% of our stores are still in the maturation process
- 4Q17 Capex was R\$45 million, 49% of which was invested in IT and logistics projects in furtherance of our digital transformation strategy

# Sales Performance

## Total Sales

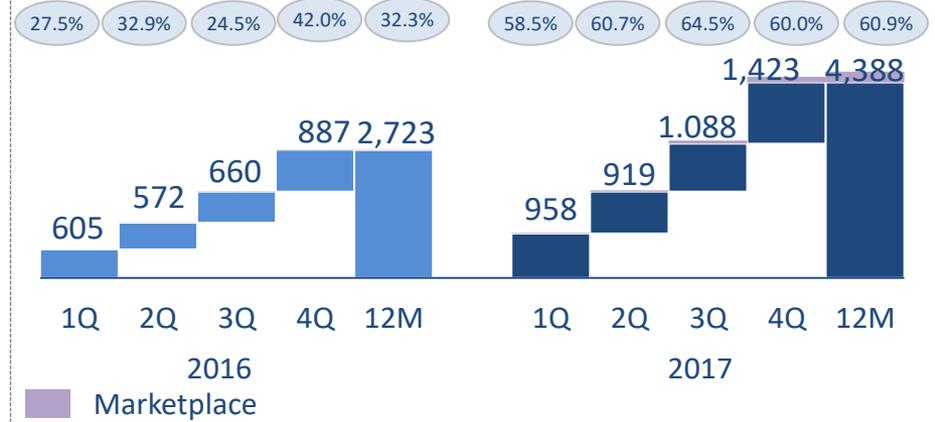
R\$ billion



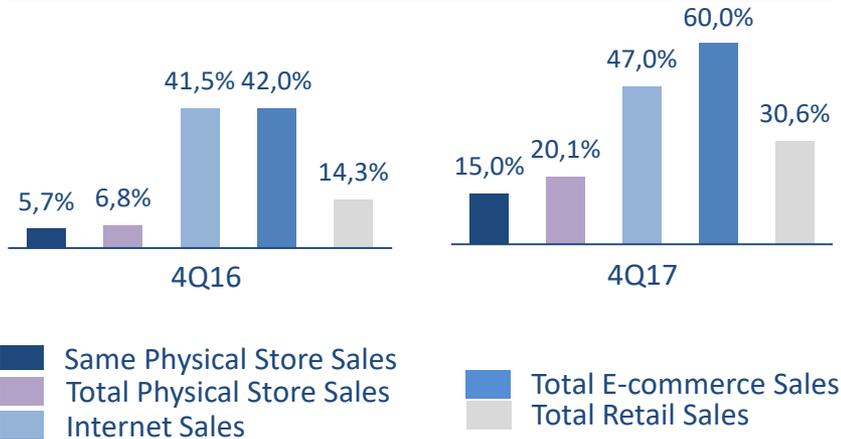
## Sales – Total E-commerce\*

R\$ million

\* Website, App and Marketplace



## Same-Store Sales Growth



## Highlights

- Highest quarterly growth in 5 years even with a tough comparison basis
- E-commerce share in total sales from 26% to 32% in 4Q17
- Sales of furniture and domestic appliances in the Brazilian market +8% (PMC/IBGE)
- Brazilian e-commerce market growth of +6% (E-bit)

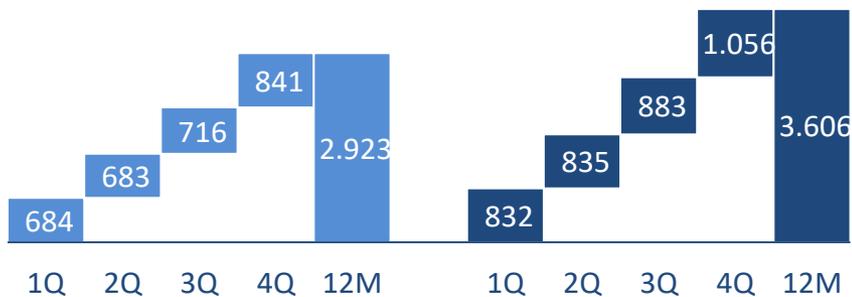
YoY growth comparison

# Gross Profit, Operating Expenses and Equity Income

## Gross Profit

R\$ million

Gross margin (%)



2016

2017

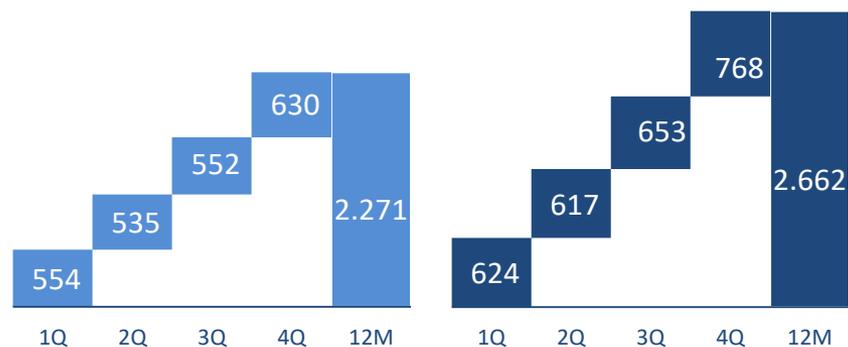
30.2% 31.8% 31.7% 29.6% 30.7%

29.7% 30.9% 30.9% 29.2% 30.1%

## Operating Expenses

R\$ million

% Net Revenue



2016

2017

-24.5% 24.9% 24.4% 22.2% 23.9%

22.2% 22.8% 22.9% 21.2% 22.2%

## Equity Income

R\$ million

% Net Revenue



2016

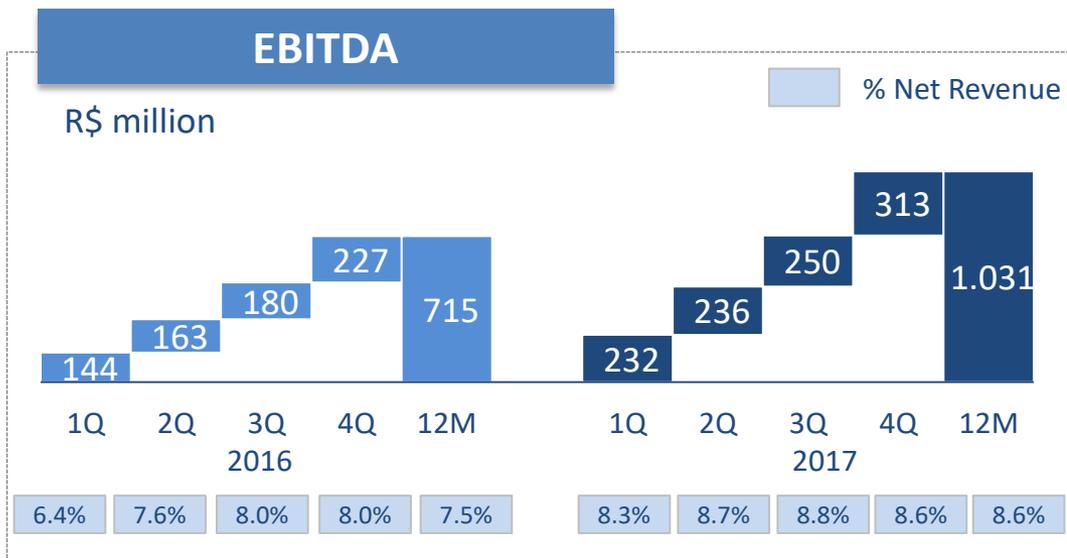
2017

0.6% 0.7% 0.7% 0.6% 0.7% 0.8% 0.6% 0.7% 0.7% 0.7%

## Highlights

- **Gross profit**  
Growth of 26% (29.2% gross profit)
- **Operating Expenses**  
Reduction of 100 bps to 21.2% of net revenue in 4Q17
- **Equity Income**  
Luizacred: R\$19MM in 4Q17 (+50%)  
Luizaseg: R\$5.5MM in 4Q17 (+82%)

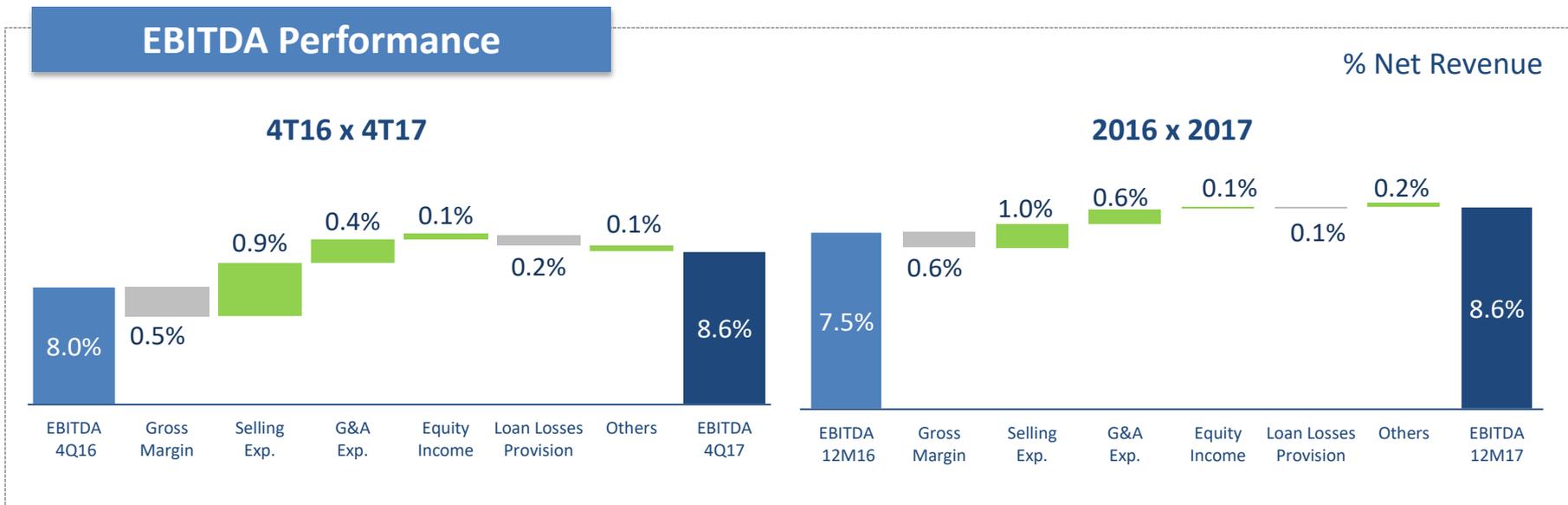
# EBITDA



## Highlights

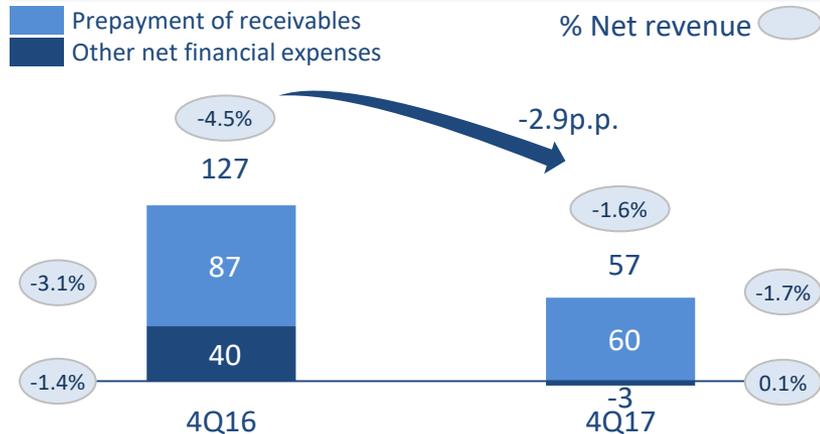
### EBITDA

- EBITDA improved by 38% in 4Q17 and 44% in 2017
- EBITDA margin of 8.6% in 4Q17
- Due to:
  - i) Sales growth
  - ii) Positive e-commerce contribution
  - iii) Dilution of operating expenses
  - iv) Luizacred
  - v) Luizaseg

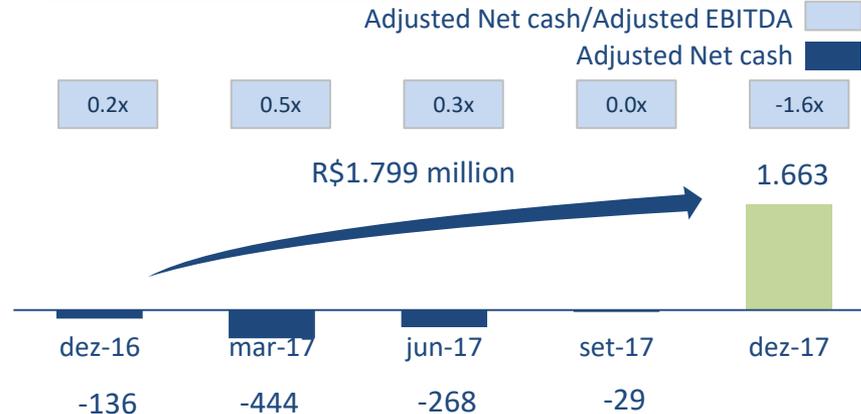


# Financial Results and Working Capital

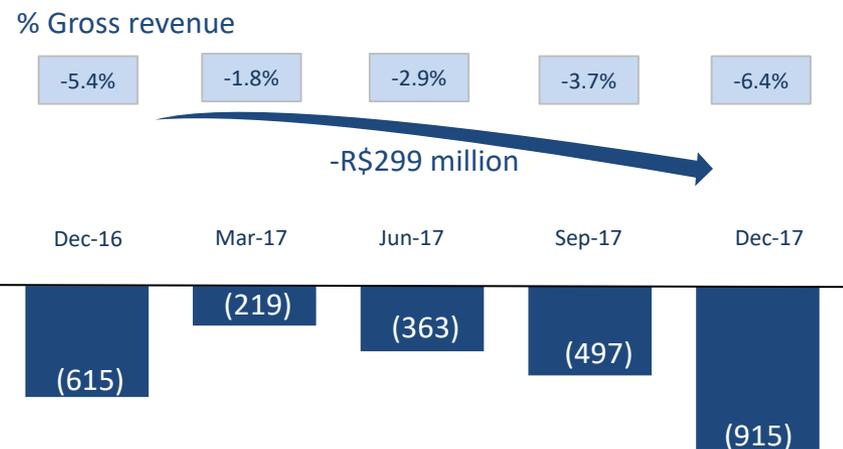
## Financial Expenses\*



## Adjusted Net Cash\*\*



## Adjusted Working Capital



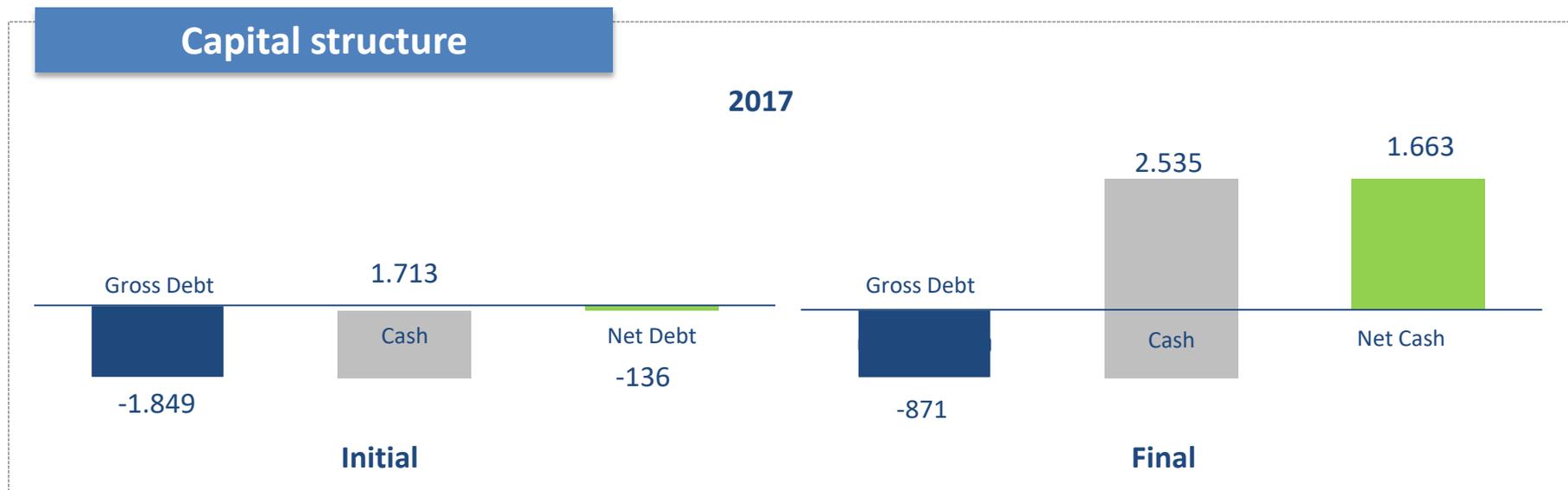
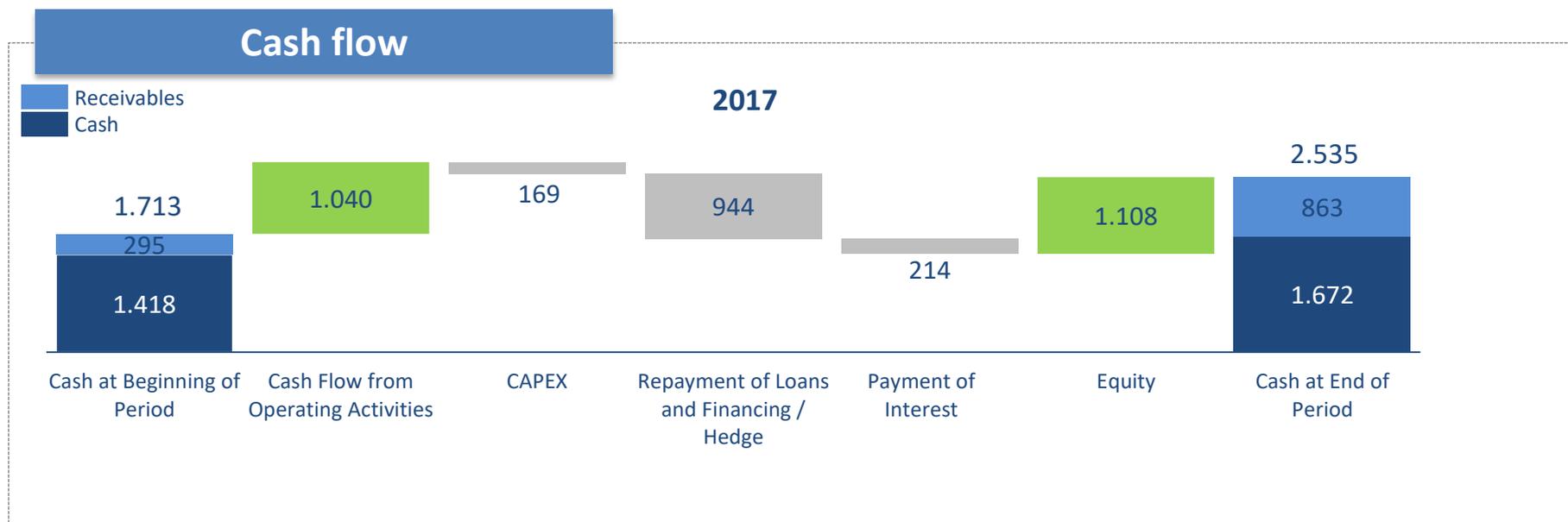
## Highlights

- Financial results**
  - Reduction of 55% in financial expenses
- Working Capital**
  - Improvement in adjusted working capital of R\$299 million LTM
  - Improvement in inventory turnover from 72 to 69 days
- Net Cash**
  - Improved R\$1.8 billion: R\$1.1 billion from the follow on operations and R\$0.7 billion free cash flow

\* Adjusted for income from fund

\*\* Including adjusted credit card receivables

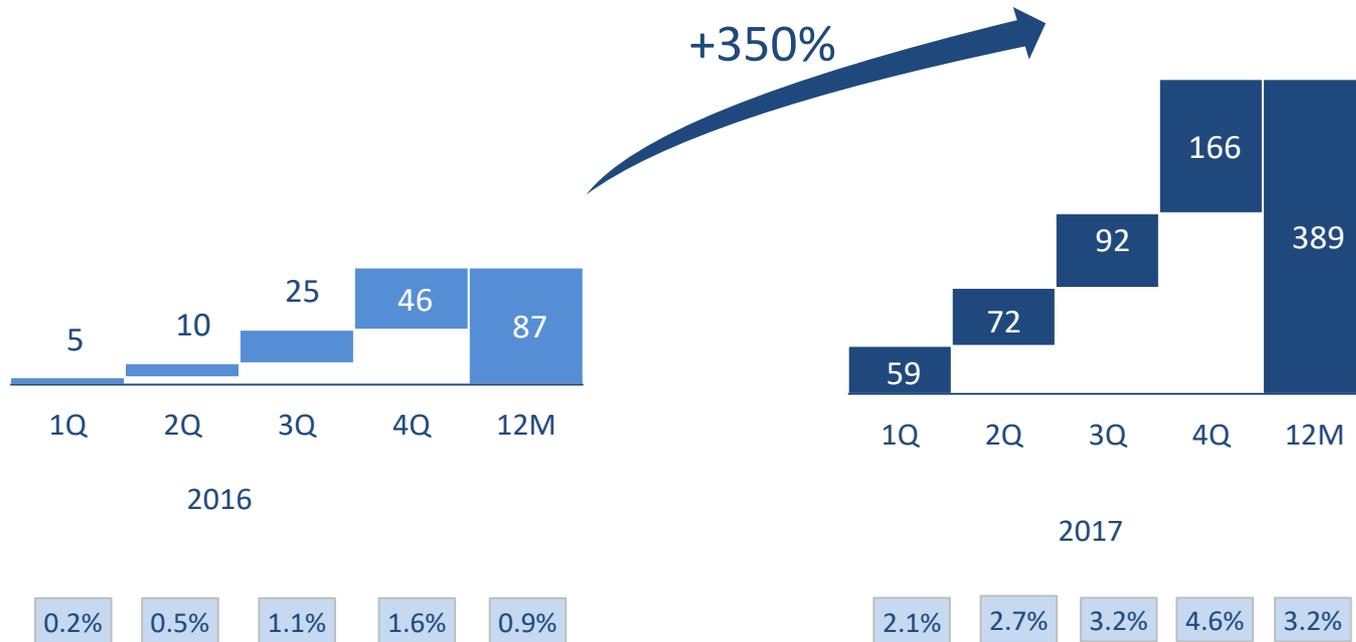
# Adjusted Cash Flow



# Net Income

## Net Income

R\$ million



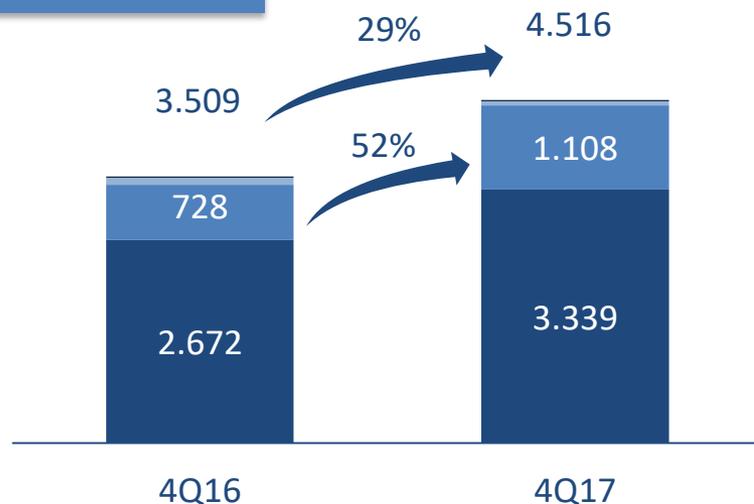
Net Margin (%)

# Luizacred

## Revenue

R\$ million

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



## Highlights

- Revenue growth of +29%
- Increase in revenues from Luiza Card inside ML stores (52%) and outside ML stores (25%)
- Credit portfolio reached R\$5.7 billion (+27% in LTM)
- Total Luiza Card base increased to 3.4 million

## Overdue Payments

% portfolio

- Overdue above 90 days
- Overdue 15-90 days
- Coverage Ratio(%)



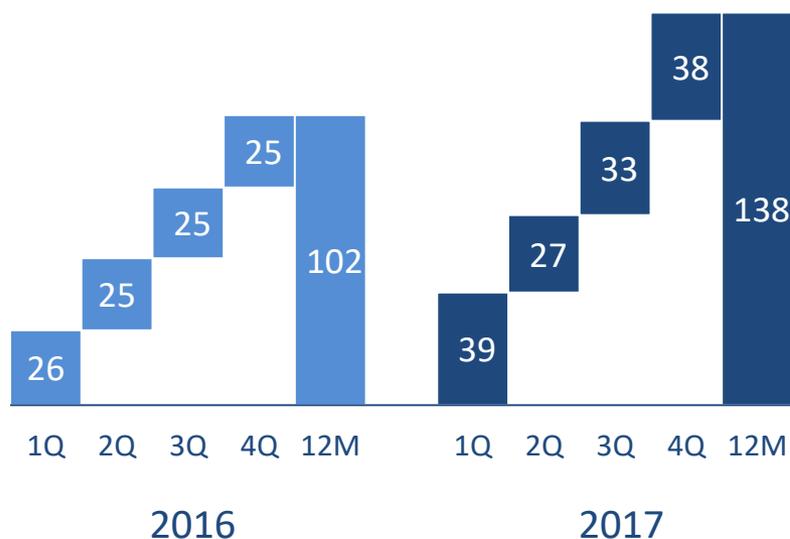
## Highlights

- NPL 90 reached 7.4% of total portfolio, 210 bps reduction (Dec/16)
- Lowest level in the five last years
- Coverage ratio increased to 130% in Dec/17 (128% in Dec/16)

# Luizacred - Net Income

## Net Income

R\$ million



## Highlights

- Growth in Luizacard's portfolio (+31%) versus reduction in DCC portfolio (-32%)
- Improved short and long term past due loan indicators in 4Q17
- Reduction in expenses with provisions for loan losses
- Net Income of R\$38 million in 4Q17 with ROE of 23%



# Investor Relations

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