



1Q14 Conference Call

May, 08th 2014

magazineluiza
vem ser feliz

1Q14 Highlights

Significant same-store-sales growth of 25.4%, with better profitability

- **28.5% YoY increase in net revenue in 1Q14 to R\$2.3 billion**
 - Same-store-sales: 25.4% increase *versus* 1Q13 (**SSS of 22.3% at bricks and mortars stores and of 44.0% in e-commerce in 1Q14**)
 - Magazine ended 1Q14 with 744 stores (13 new store opened versus 1Q13)
- **On a comparable basis, gross margin of 28.0% in 1Q14 (-0,2 bp *versus* 1Q13)**
 - Increase in gross margin in Northeastern stores
 - E-commerce sales represented 16.1% of consolidated sales in 1Q14 (+1,9 bps versus 1Q13)
 - Strong performance of higher-margin categories, such as smartphones and tablets
 - Including the INSS reclassification effect, gross margin was 0.9 bps lower in 1Q14
- **Reduction total operating expenses of 2.2 bps (23.0% in 1Q14 versus 25.2% in 1Q13)**
 - Net sales rose by 28.5% compared with operating expenses increase of 16.9% in 1Q14, allowing for good operating leverage
 - INSS accounting effect of 0.7 bps – total expenses represented to 23.7% in 1Q14
- **Equity Income: record net income at Luizacred**
 - Higher financial intermediation margin , default rates and reduction in operating expenses at Luizacred
 - Increase in **EBITDA margin to 17.8%** in 1Q14 (8.7% in 1Q13)
 - Increase in **net margin to 10.2%** in 1Q14 *versus* 4.6% in 1Q13 (equivalent to ROE of 35.7% in 1Q14)
- **Consolidated EBITDA of R\$120.8 million in 1Q14, with EBITDA margin of 5.3%** (1.7 bps increase versus 1Q13)
 - Increase in consolidated EBITDA of 92.5% in 1Q14 versus 28.5% increase in net sales
- **Record net income for a first quarter totalling R\$20.5 million in 1Q14, with net margin in 0.9%**
 - Reported net income grew more than twenty five times YoY and it doesn't include any extraordinary gain.

Prédio pra Você (Whole Building for You) Promotion

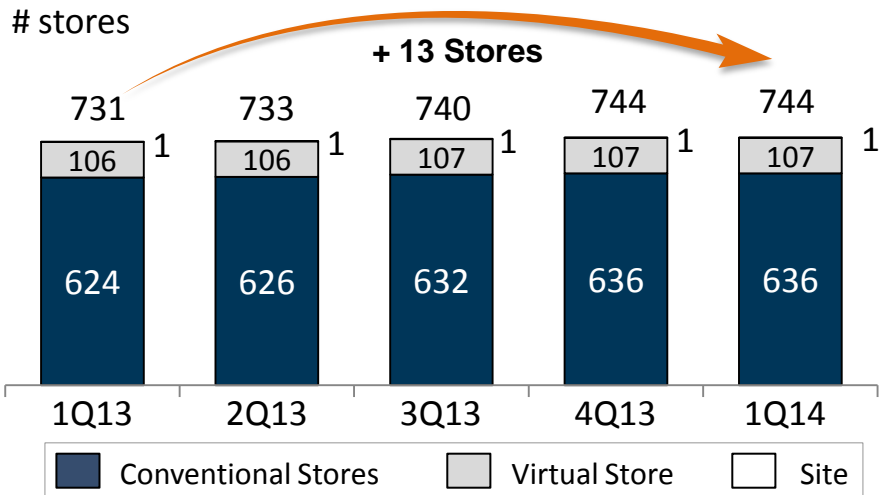
This is the biggest and most innovative promotion ever launched in Brazil's retail sector.

- For each R\$100.00 spent at Magazine Luiza stores, clients receive a coupon and qualify for the building draw.
- Promotion valid from Nov 24, 2013 to August 15, 2014.
- First winner was announced in April, but there is a second draw in August

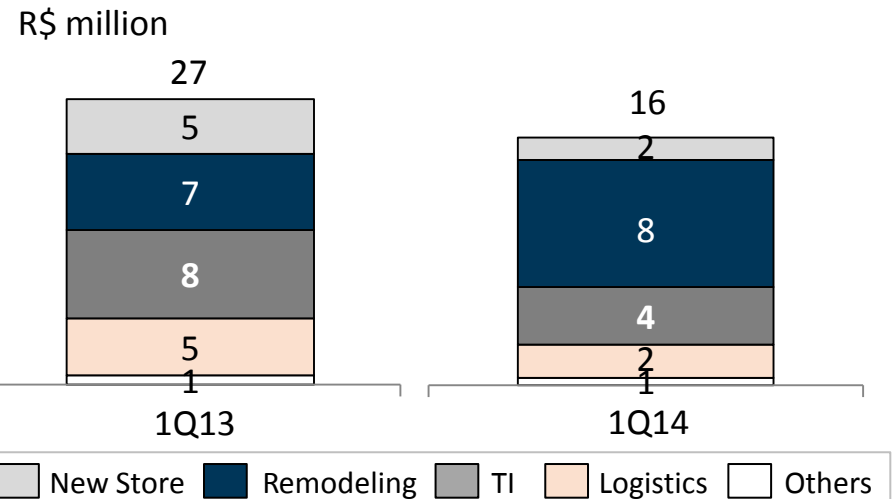


Operational Performance – Stores

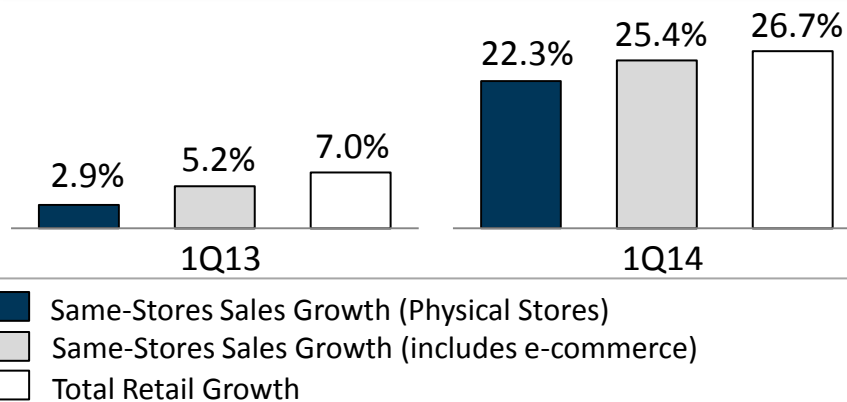
Number of Stores



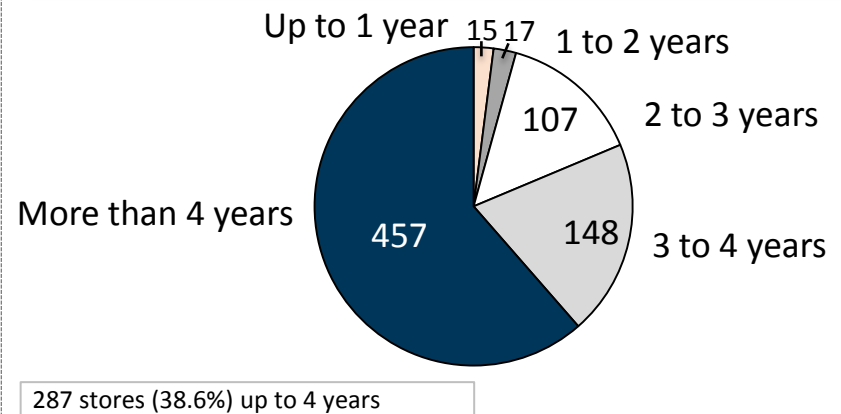
Investments



Same-Store Sales Growth



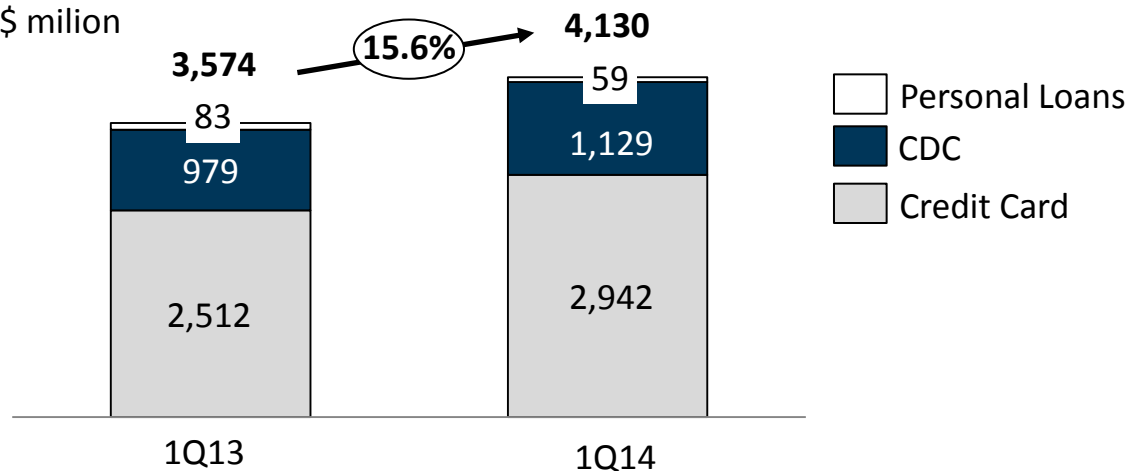
Average Age - Stores



Operational Performance – Luizacred

Portfolio Breakdown

R\$ million

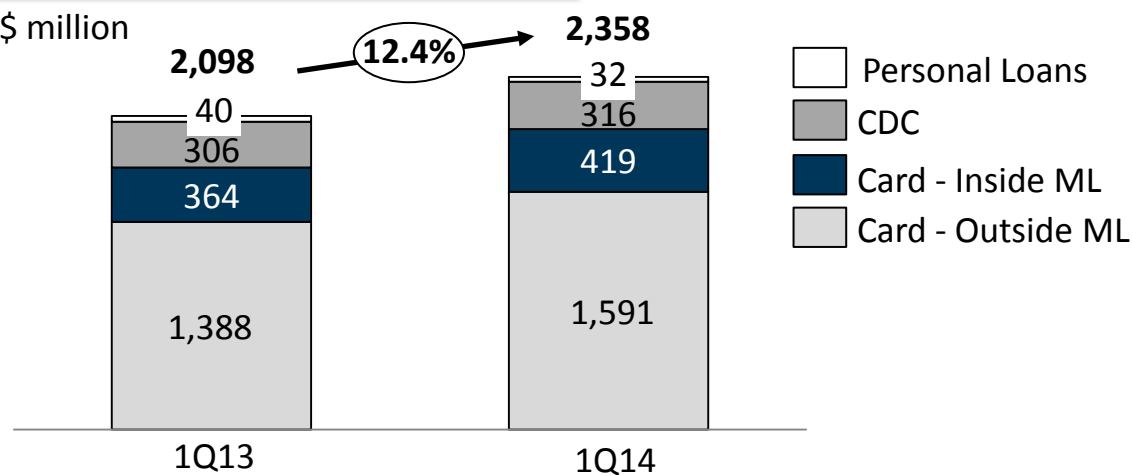


Comments

- 15.6% increase in total credit portfolio
- 12.4% increase in total revenue
- Luizacred financed 32% of Magazine Luiza retail sales in 1Q14 (*versus* 34% in 1Q13)
- 9% YoY reduction in the total number of Luiza cardholders to 3.4 million in 1Q14

Luizacred Revenue mix

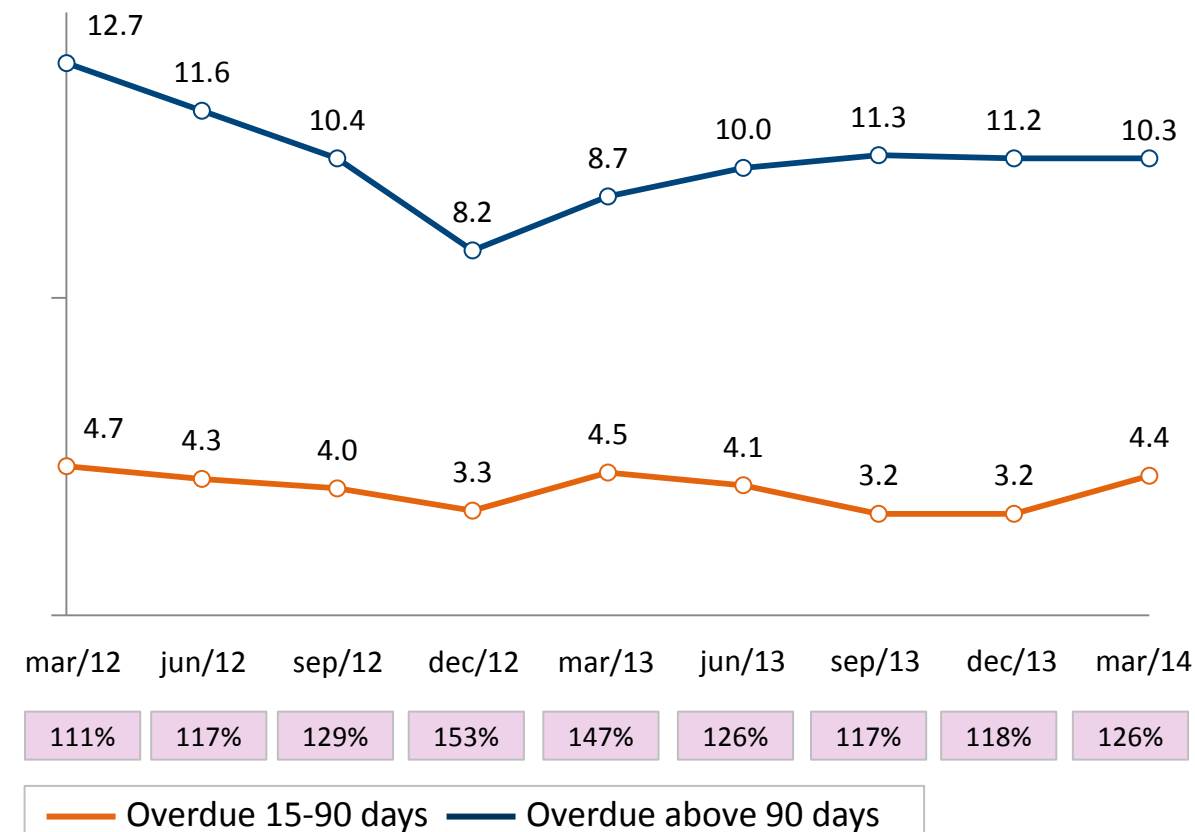
R\$ million



Luizacred Portfolio

Overdue Payments

% of portfolio



Comments

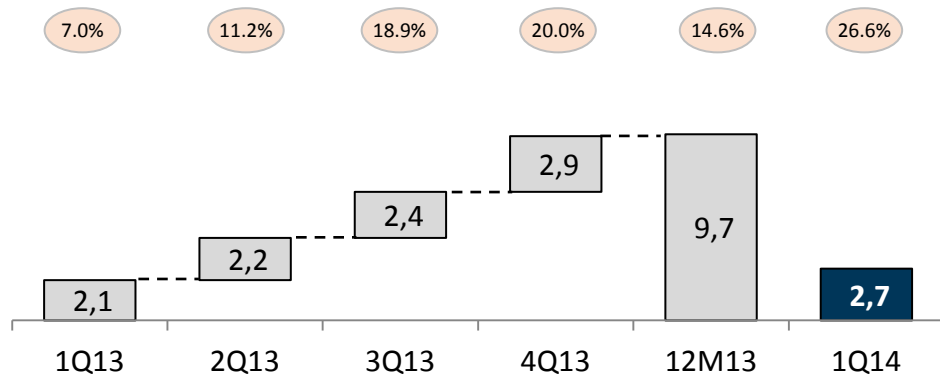
- Provision for Loan Losses (PLL) over total sales (credit and services): reduction from 46.2% in 1Q13 to 36.2% in 1Q14
- YoY decrease of 9.2% in the level of provisions to R\$141.4 million in 1Q14
- Provision over total portfolio: decrease from 4.4% in 1Q13 to 3.4% in 1Q14
- **Maintained conservative strategy to credit analysis and approval in 1Q14**

Coverage Ratio (%)

Gross Revenue and Gross Profit

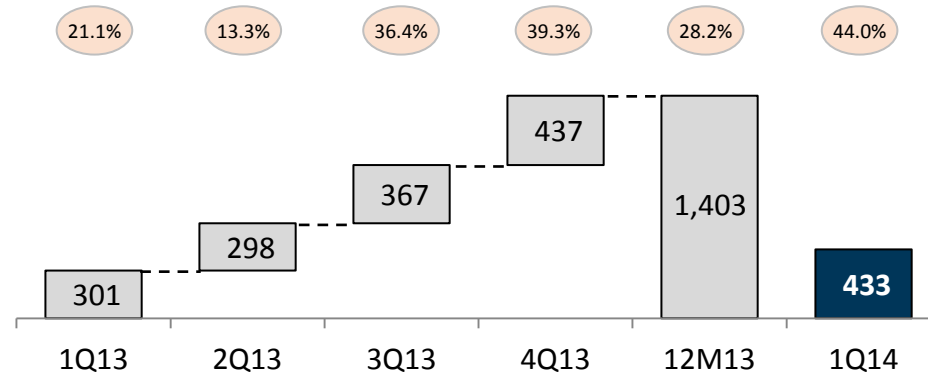
Gross Revenue - Consolidated

R\$ billion



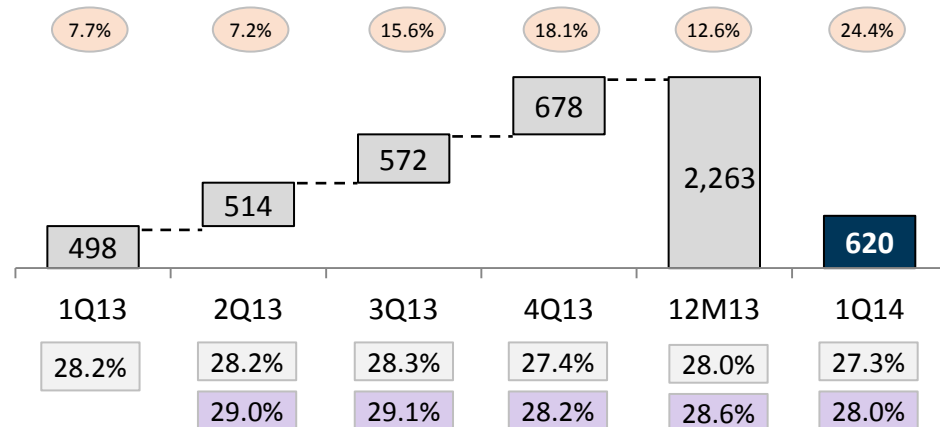
Gross Revenue - Internet

R\$ million



Gross Profit - Consolidated

R\$ million



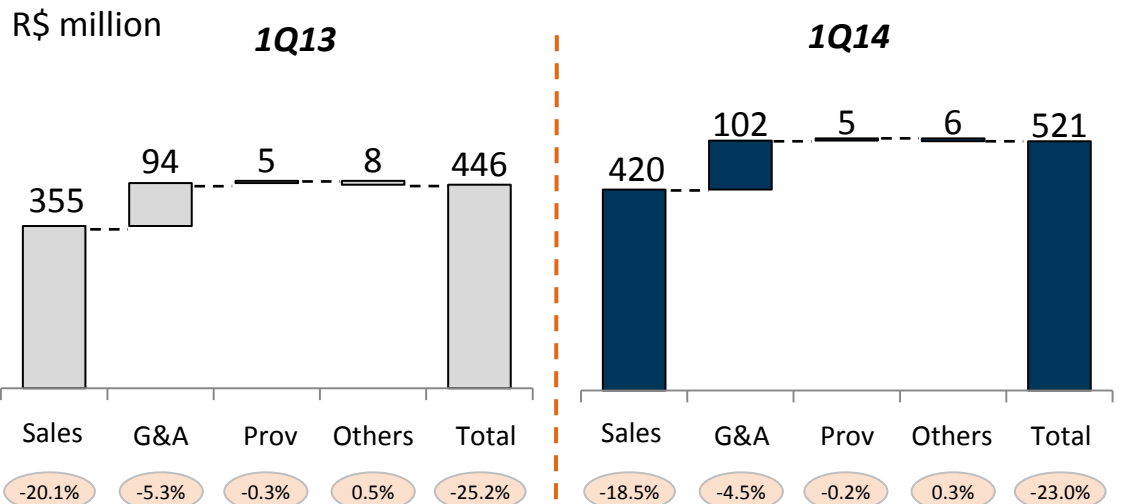
Comments

- Consolidated net sales: rise of 28.5% YoY in 1Q14
 - 25.4% increase in same store sales (SSS of 22.3% in bricks and mortars and of 44.0% in e-commerce in 1Q14)
- On a comparable basis, gross margin of 28.0% in 1Q14 (-0,2 bp versus 1Q13)
- Increase in gross margin in Northeastern stores
- Greater participation of e-commerce to 16.1% of retail sales in 1Q14
- Better performance of higher-margin categories

○ Growth over the same period of last year

Operating Expenses and Others Expenses (Revenues)

Operating Expenses



Comments

- 2.2 bps reduction versus 1Q13**
 - Selling expenses – 1.6 bps lower *versus* 1Q13 (INSS accounting effect of 0.5 bp)
 - G&A expenses – 0.8 bp lower *versus* 1Q13 (INSS tax accounting effect of 0.2 bp)
- Other operating expenses (revenues)**
 - Deferred revenues: recurring effect R\$7.9 million in 1Q14
 - Provision for tax losses of R\$1.7 million in 1Q14
 - There were no extraordinary expenses in 1Q14

Others Operating Expenses (Revenues)

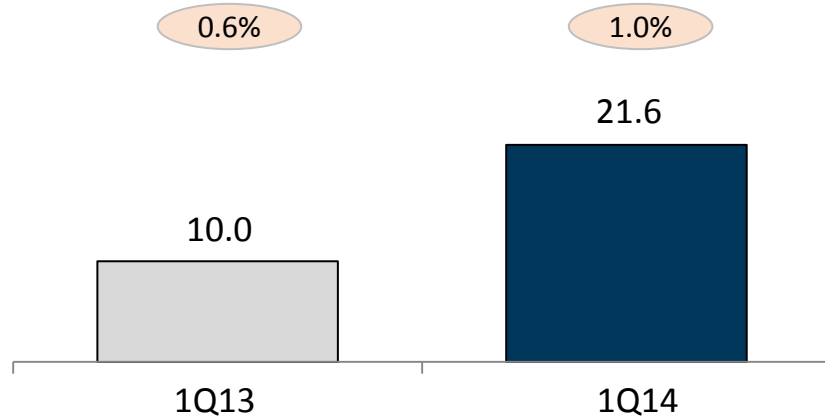


Equity Income and EBITDA

Equity Income

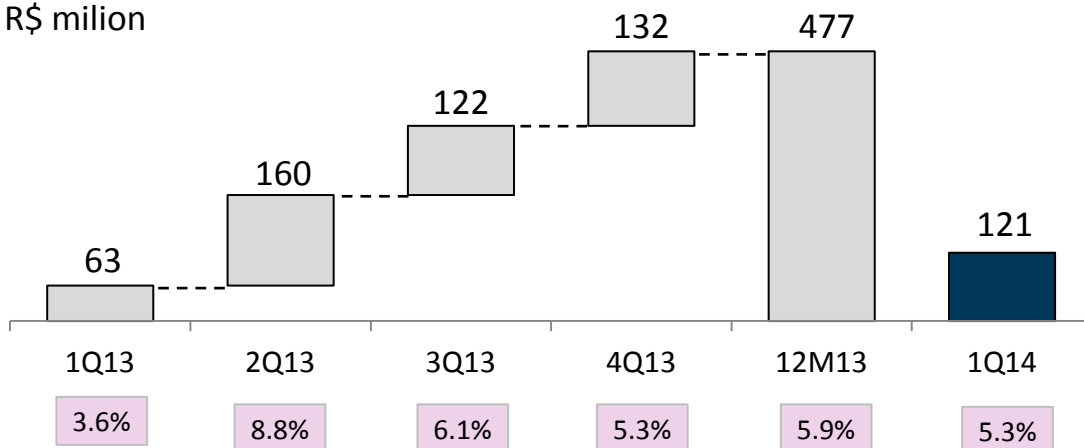
R\$ million

○ % Net Revenue



EBITDA

R\$ million



Comments

Equity Income

- Positively impacted by strong performance at Luizacred
 - Lower operating expenses and provisions for loan losses
 - Increase in EBITDA margin to 17.8% in 1Q14 (8.7% in 1Q13)
 - Increase in net margin to 10.2% in 1Q14 (4.6% in 1Q13)
 - ROE of 35.7% in 1Q14

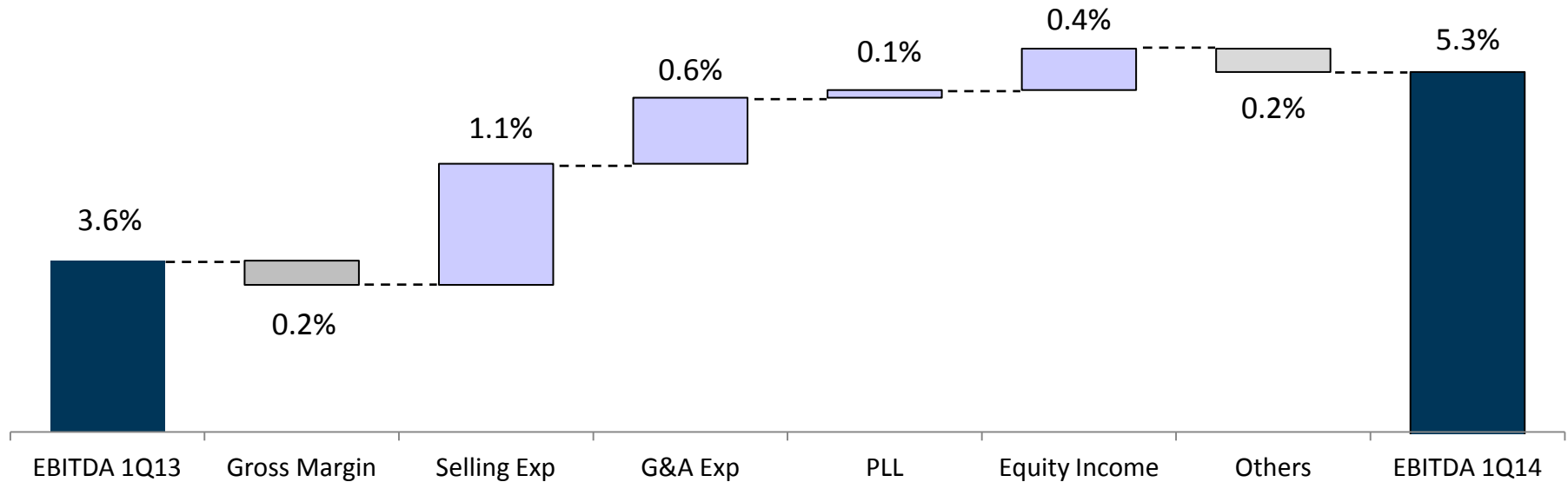
Consolidated EBITDA

- Increase in EBITDA margin to 5.3% in 1Q14, up from 3.6% in 1Q13
- Positive impact from: i) sales growth ; ii) expense dilution and iii) strong equity income of Luizacred

EBITDA Evolution (on comparable basis)

1Q13 x 1Q14

% net revenue

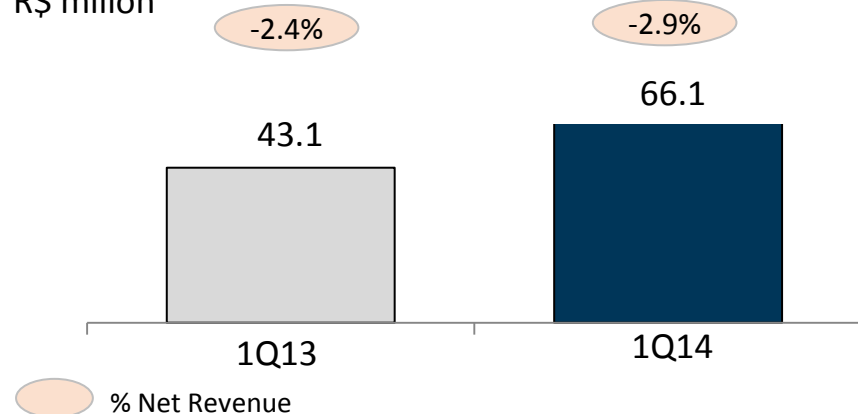


Obs.: excluding the impact of the social security tax reclassification

Financial Results – Consolidated

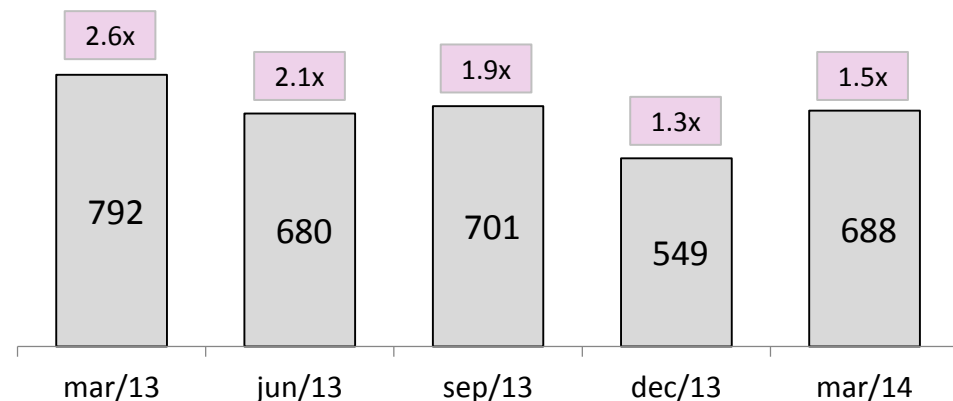
Adjusted Financial Results

R\$ million



Net Debt

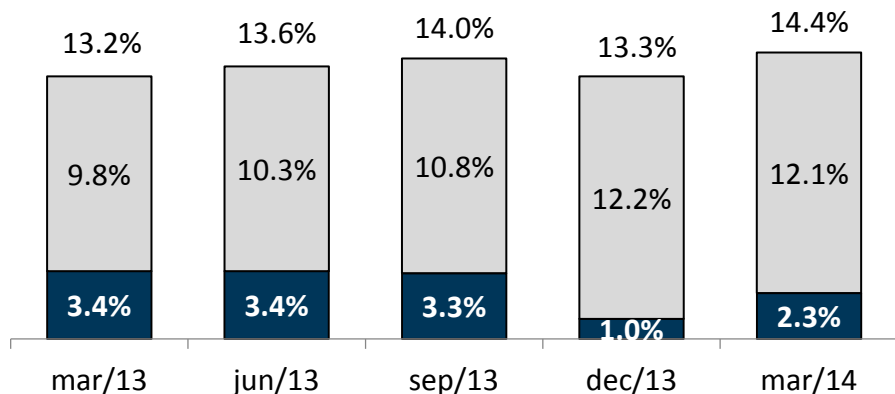
Net Debt/EBITDA
Net Debt



Working Capital

% gross revenue

Working Capital
Discounted Receivables



Comments

Adjusted Financial Results

- Net financial results rose by 53,5%, equivalent to 2.9% of net revenue in 1Q14, due to the higher interest rates in the period

Working Capital

- Reduction to 2.3% of sales in 1Q14, down from 3.4% in 1Q13

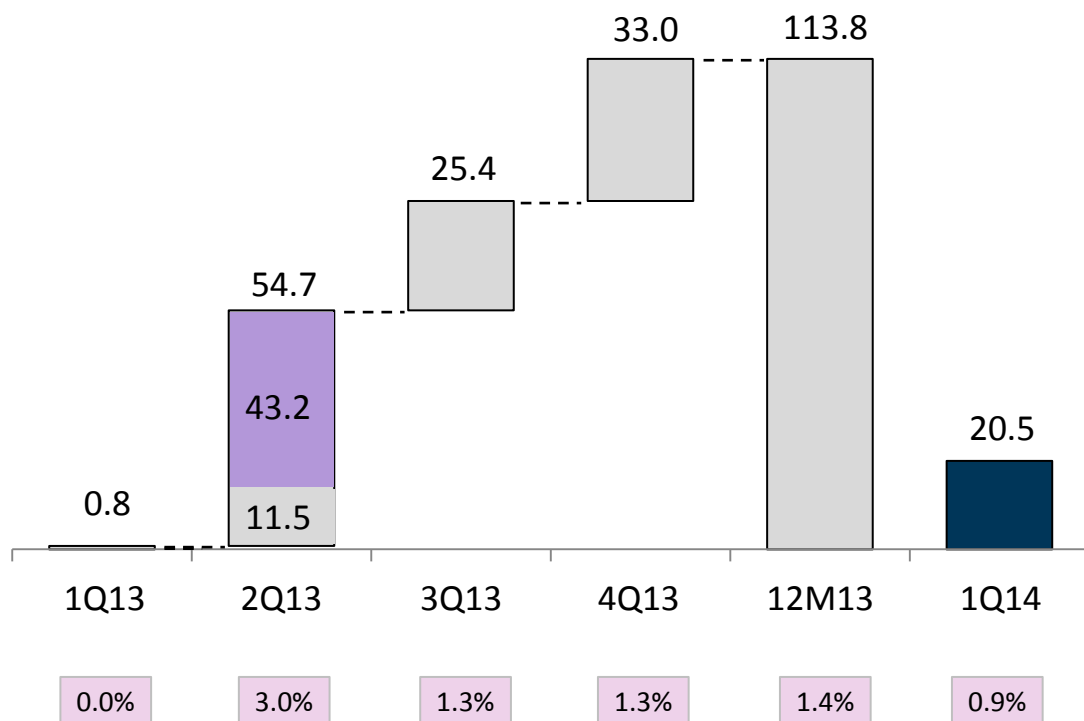
Net Debt

- Overall indebtedness reduced to 1.5x net debt/EBITDA, from 2.6x in 1Q13

Net Income

Net Income

R\$ million



Net Margin (%)

Comments

- Record net income for a first quarter
 - R\$20.5 million with net margin of 0.9% in 1Q14
 - Reported net income was 25x higher YoY and it doesn't include any extraordinary gains.

2014 Outlook

Sales performance

- To grow SSS at a double-digit rate in bricks and mortars and in e-commerce
 - World Soccer Cup effect and greater marketing effort as a result of the Globo TV sponsorship
 - Better productivity at integrated chains (Baú and Maia)

Stable gross margin

- Continue to improve gross margin in Northeastern stores
- Maintain gross margin stable elsewhere
- Better inventory management (Inventory Management Project)
- Better pricing and margins (Pricing Project)
- Continue to improve sales mix so to mitigate margin pressure from greater contribution of e-commerce and TV sales in our 1H14 performance

EBITDA margin expansion

- Additional gains are expected owing to consolidation of projects that have been mapped out in 2013 and are going to be fully executed in 2014
 - Store maturation process
 - Greater participation from services revenue
 - To improve operational efficiency at Luizacred



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