



# Magazine Luiza

## 3Q18 Conference Call

November, 6 2018

# MAGALU'S DIGITAL TRANSFORMATION...

FROM



TODAY



**TRADITIONAL RETAILER  
WITH A DIGITAL PRESENCE**



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

# ... IS BASED ON 5 KEY PRINCIPLES



# CUSTOMER CENTRIC

MORE THAN 20 KPIs



# 3Q18 Highlights

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## Sales

- Total sales grew 34%, reaching R\$4.6 billion
- Total Physical Store Sales grew 24% (16% in Same Store Sales)

## E-commerce

- E-commerce grew 55% (reaching 36% of total sales)
- Marketplace sales for the quarter grew to R\$213 million

## Gross Profit

- Gross profit grew 23% (a reduction of 1.2 p.p. in gross margin)
- Strong growth of E-commerce

## Operational Expenses

- Dilution of expenses by 0.5 p.p. to 22.4% of net revenue
- Investments in the acquisition of new clientes and higher service levels

## EBITDA Net Profit

- EBITDA grew 11% to R\$279 million (7.6% margin)
- Net income grew 29% to R\$120 million

## Operating Cash Generation

- Over the last 12 months, adjusted cash flow reached R\$0.8 billion
- ROIC of 31% LTM

## Capital Structure

- Adjusted net debt was reduced by R\$1.3 billion over the last 12 months
- In Set/18 total cash reached R\$ 1.9 billion

# Operating Highlights

## Number of Stores

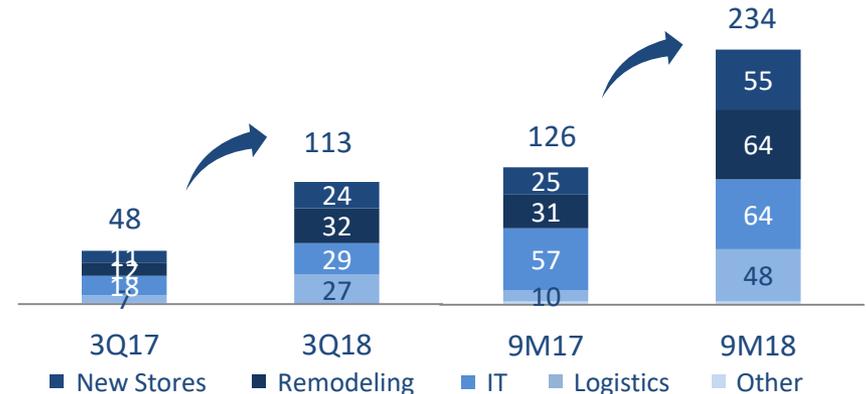
# stores

+83 stores

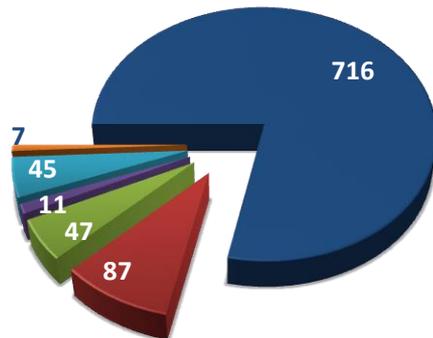


## Capex

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

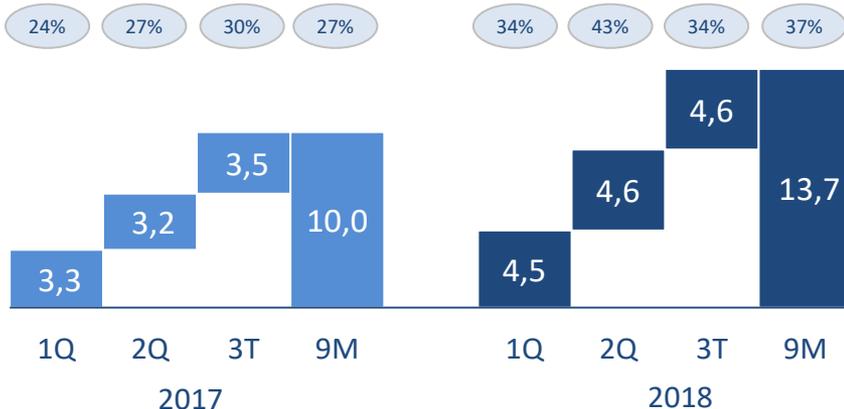
## Highlights

- Opened 29 stores in 3Q18
- Around 22% of stores are still in the maturation process
- 3Q18 Capex was R\$113 million, in projects to support our digital transformation strategy

# Sales Performance

## Total Sales

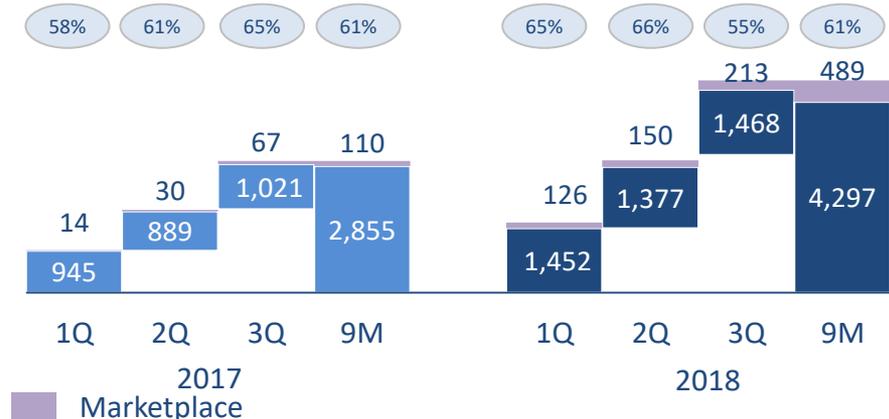
R\$ billion



## Sales – Total E-commerce\*

R\$ million

\* Website, App and Marketplace



## Sales Growth



## Highlights

- Same physical store sales of 16% even with a tough comparison basis
- E-commerce share rose from 31.3% to 36.2% in 3Q18
- By contrast, sales of furniture and domestic appliances in Brazil shrank -2.2% (PMC/IBGE)
- Brazilian e-commerce market grew 8.0% (E-bit)

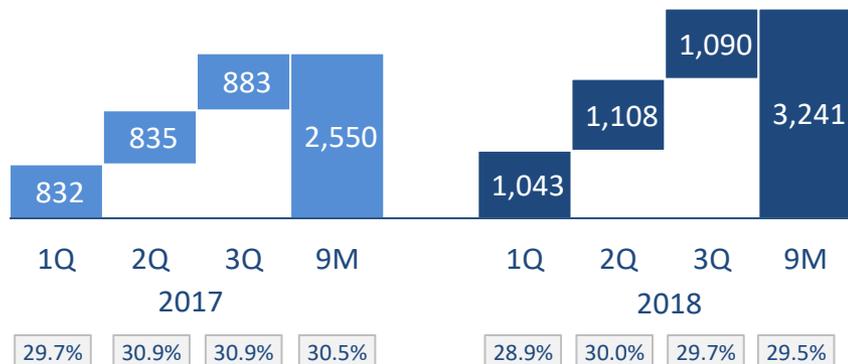
YoY growth comparison

# Gross Profit, Operating Expenses and Equity Income

## Gross Profit

R\$ million

Gross margin (%)



## Operating Expenses

R\$ million

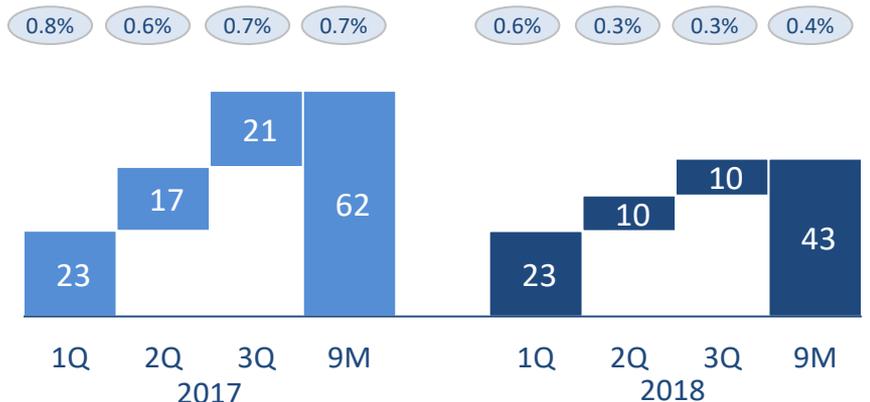
% Net Revenue



## Equity Income

R\$ million

% Net Revenue



## Highlights

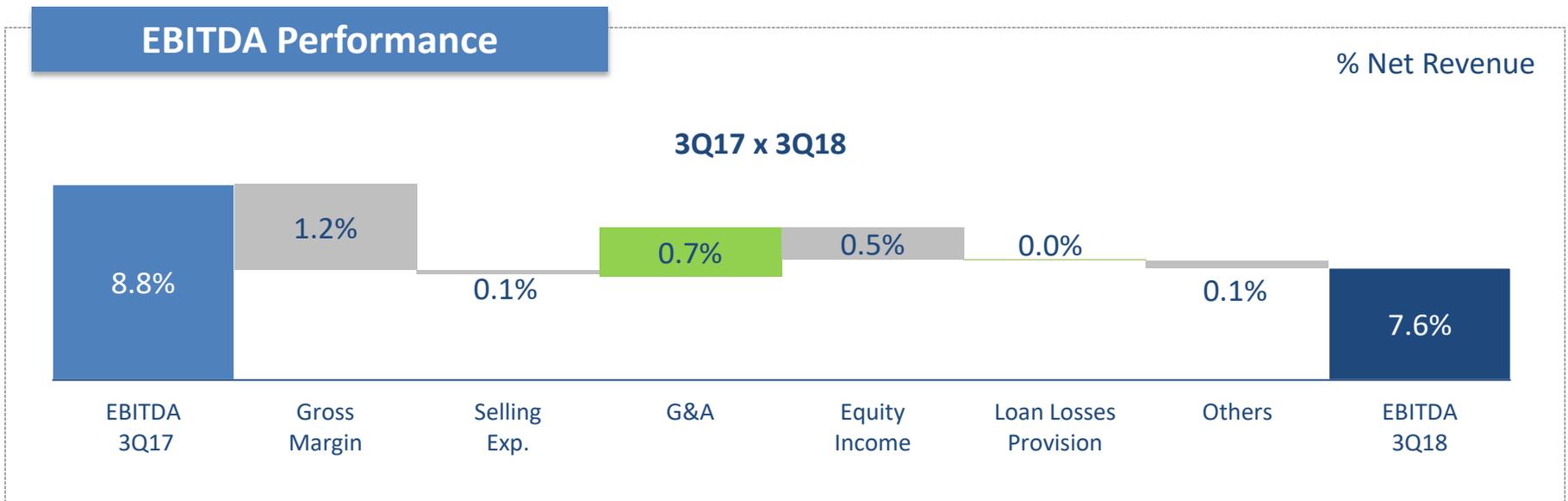
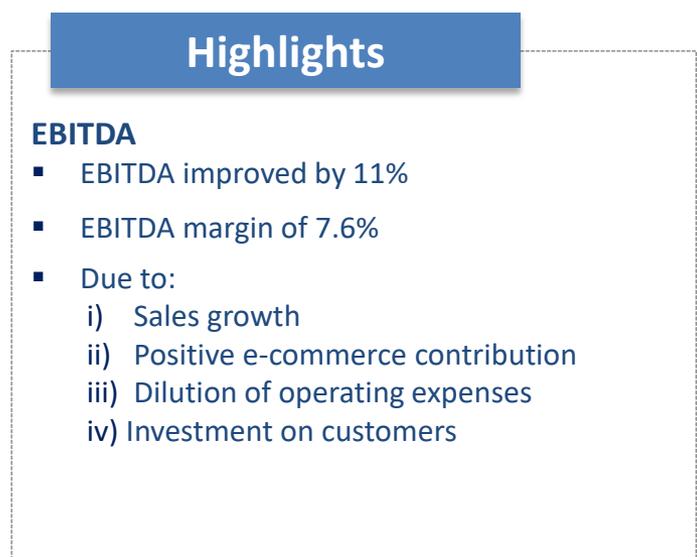
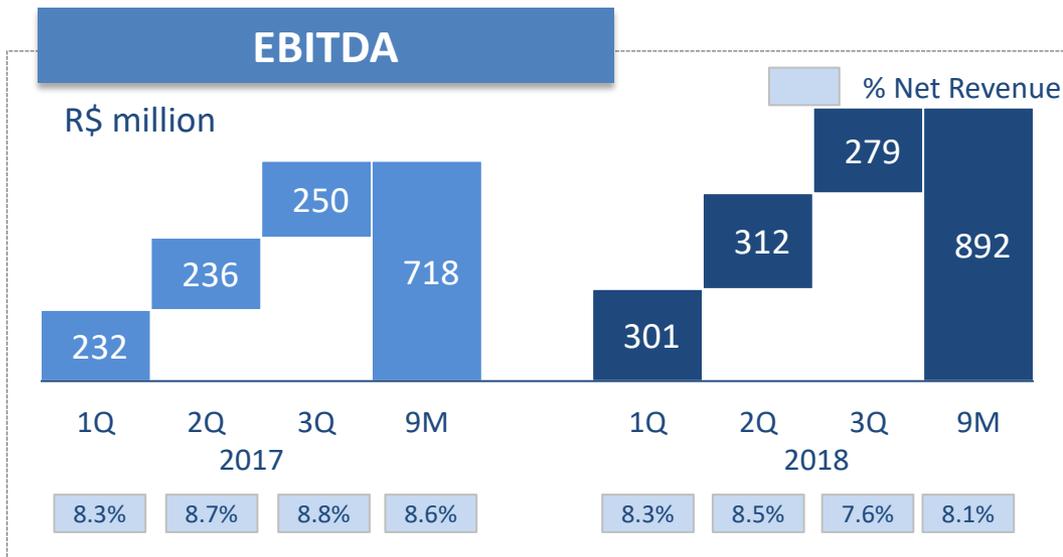
### Operating Expenses

Reduction of 50 bps to 22.4% of net revenue in 3Q18

### Additional investments on customers

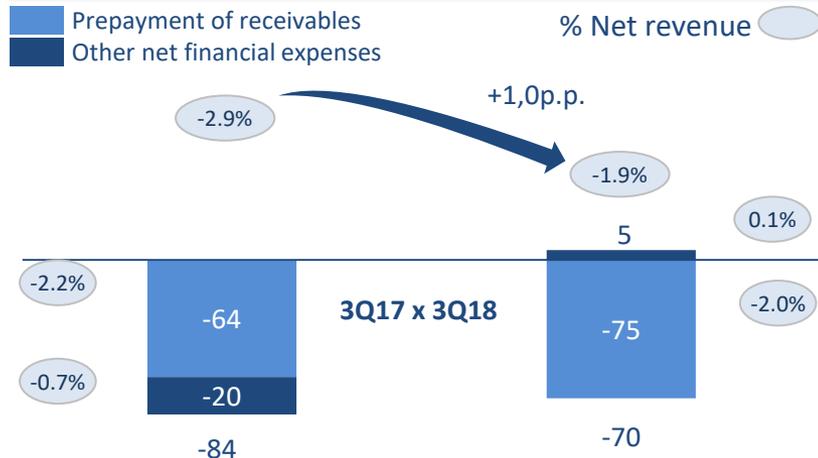
- i) R\$36 million – 1pp EBITDA margin
- ii) Logistics
- iii) Customer service
- iv) App
- v) Luiza Card

# EBITDA

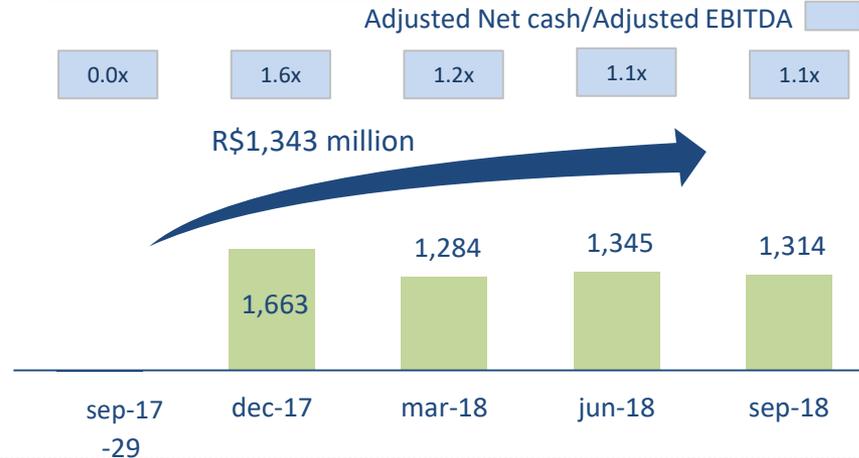


# Financial Results and Working Capital

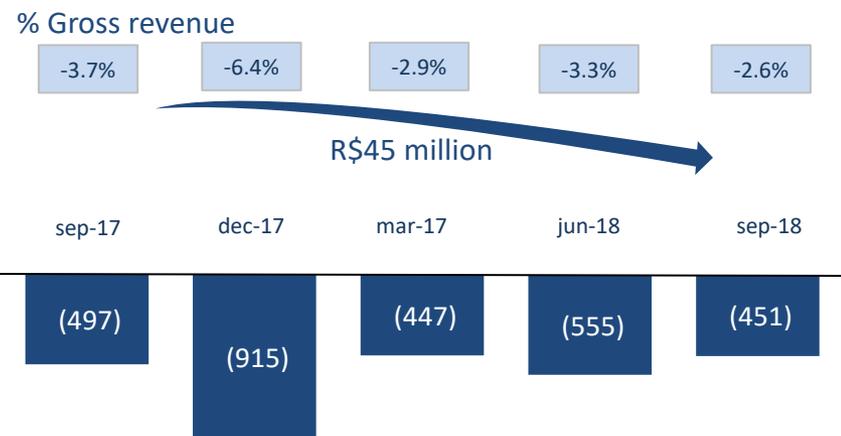
## Financial Expenses\*



## Adjusted Net Cash\*\*



## Adjusted Working Capital



## Highlights

- **Financial results**  
17% reduction in financial expenses
- **Working Capital**  
Disciplined working capital management
- **Net Cash**  
Total cash position of R\$ 1.9 billion (R\$0.7 billion in cash and R\$1.2 billion in credit card receivables)

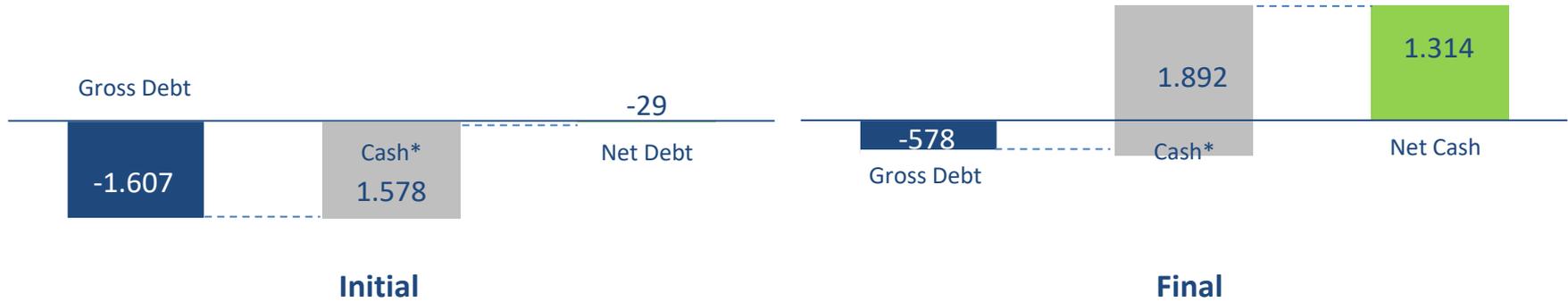
\* Adjusted for income from fund

\*\* Including credit card receivables

# Capital Structure and Net Income

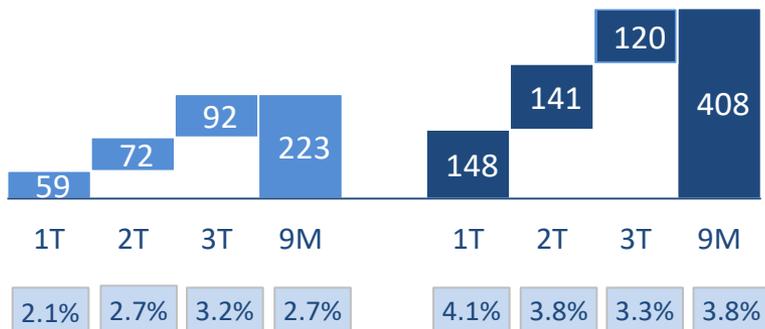
## Capital Structure

LTM



\* Cash and Credit card receivables

## Net Income



## Highlights

- Capital Structure**  
 Improved by R\$1.3 billion in the last twelve months  
 In Sep/18 cash position of R\$1.9 billion
- Net Income**  
 Net Income of R\$120 million  
 29.3% growth YoY  
 ROIC of 21% 3Q18 and 31% in the last twelve months

# Luizacred

## Card Base

Thousand

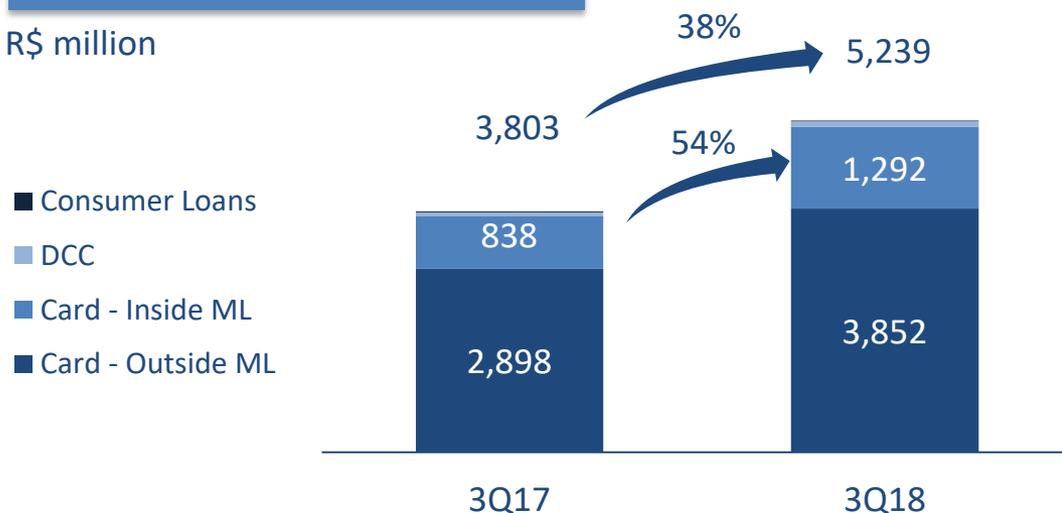


## Highlights

- Luiza Card: higher loyalty, purchase frequency and average purchase price
- Luiza Card cardholder base grew 22% in the last 12 months
- Net addition of 236,000 new cards issued in 3Q18

## Revenue

R\$ million



## Highlights

- Revenue grew 38%
- Increase in revenues from Luiza Card inside ML stores (54%) and outside ML stores (33%)
- Credit portfolio reached R\$7.3 billion (+44% in LTM)

# Luizacred - Net Income

## Overdue Payments

% portfolio

— Overdue beyond 90 days  
 — Overdue 15-90 days  
 Coverage Ratio (%)



sep/17

130%

dec/17

130%

mar-18

206%

jun-18

200%

sep/18

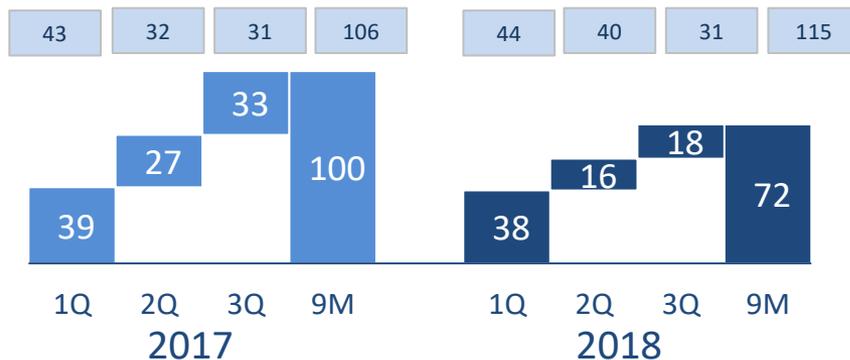
189%

## Highlights

- NPL 90 reached 7.4% of total portfolio, a reduction of 90 bps (Sep/17)
- Portfolio coverage ratio rose 130% to 189% in compliance with IFRS 9

## Net Income

R\$ million



Net Income in BRGAAP

## Highlights

- Rise in provisions due to IFRS 9 (including credit limit provisions)
- Net profit of R\$18 million in 3Q18 with ROE of 13%
- Net profit in BRGAAP of R\$ 31 million with ROE of 17%



# Investor Relations

## Legal Disclaimer

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