

Magazine Luiza

1Q18 Conference Call

May, 8 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



1Q18 Highlights

Sales

- Total sales grew 34%, reaching R\$4.5 billion
- Total Physical Store Sales grew 21% (16% SSS)

E-commerce

- E-commerce grew 65% (reaching 35% of total sales)
- Marketplace sales for the quarter grew to R\$126 million

Gross Profit

- Gross profit grew 25% (a reduction of 80 bps in gross margin)
- Solid sales growth with stable margins across all channels

Operational Expenses

- Dilution by 100 bps to 21.2% of net revenue
- E-commerce, operational leverage, Zero B. Budget, Matrix Exp. Mgmt

EBITDA Net Profit

- EBITDA grew 30% to R\$301 million (8.3% margin)
- Net income grew 152% to R\$148 million

Operating Cash Generation

- Over the last 12 months, cash flow from operations reached R\$1.0 billion
- Adjusted cash flow contributed R\$228 million over the last 12 months

Capital Structure

- Adjusted net debt was reduced by R\$1.7 billion over the LTM
- In March/18 total cash reached R\$ 2.1 billion

Operating Highlights

Number of Stores

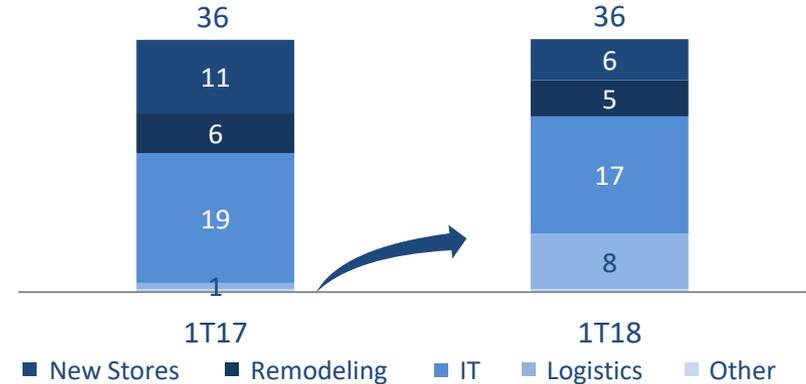
stores

+54 stores

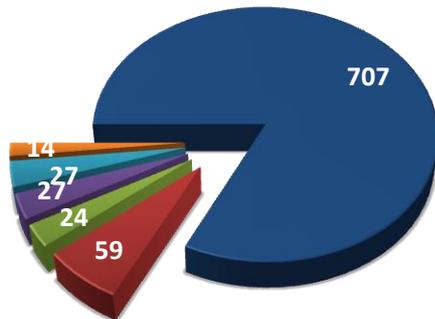


Capex

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 54 new stores in LTM: opened 3 stores and closed another 3 stores in 1Q18
- Around 18% of our stores are still in the maturation process
- 1Q18 Capex was R\$36 million, 68% of which was invested in IT and logistics projects in furtherance of our digital transformation strategy

Sales Performance

Total Sales

R\$ billion



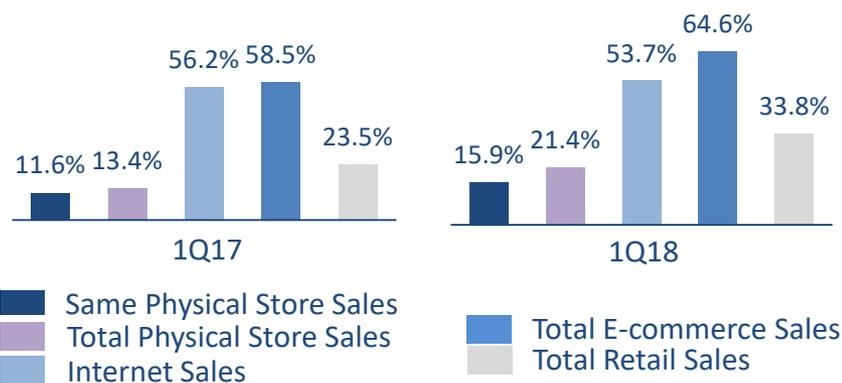
Sales – Total E-commerce*

R\$ million

* Website, App and Marketplace



Sales Growth



Highlights

- Highest quarterly growth in 5 years even with a tough comparison basis
- E-commerce share rose from 29% to 35% in 1Q18
- While sales of furniture and domestic appliances in Brazil grew only +1,7% (PMC/IBGE)
- And the Brazilian e-commerce market grew +11% (E-bit)

YoY growth comparison

Gross Profit, Operating Expenses and Equity Income

Gross Profit

R\$ million

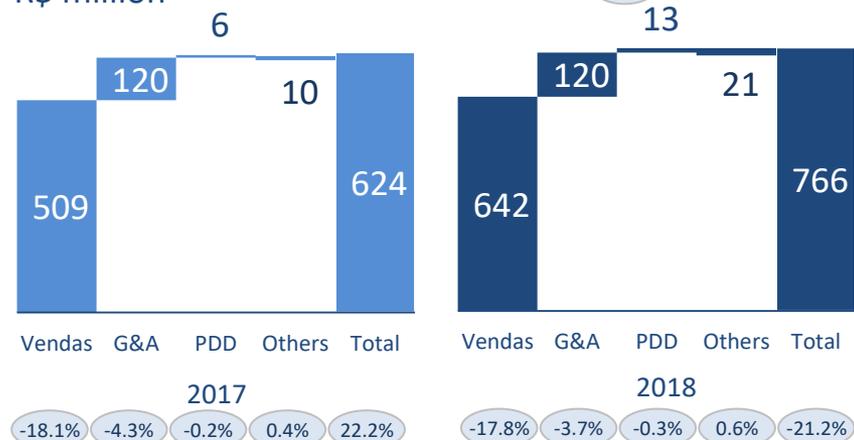
Gross margin (%)



Operating Expenses

R\$ million

% Net Revenue



Equity Income

R\$ million

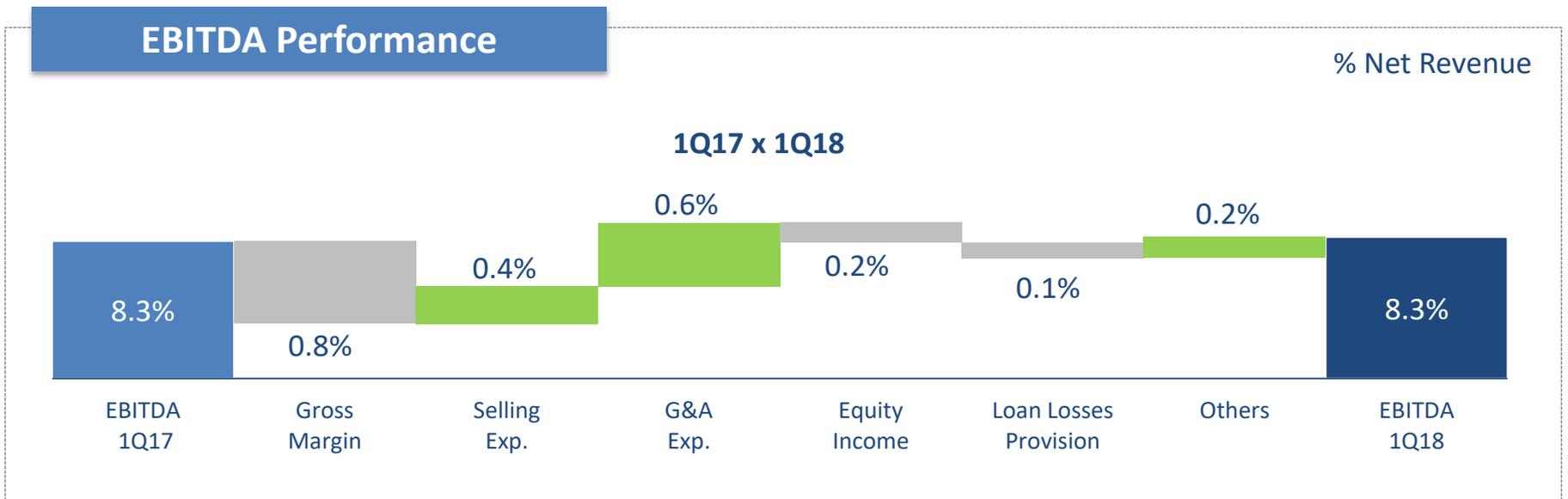
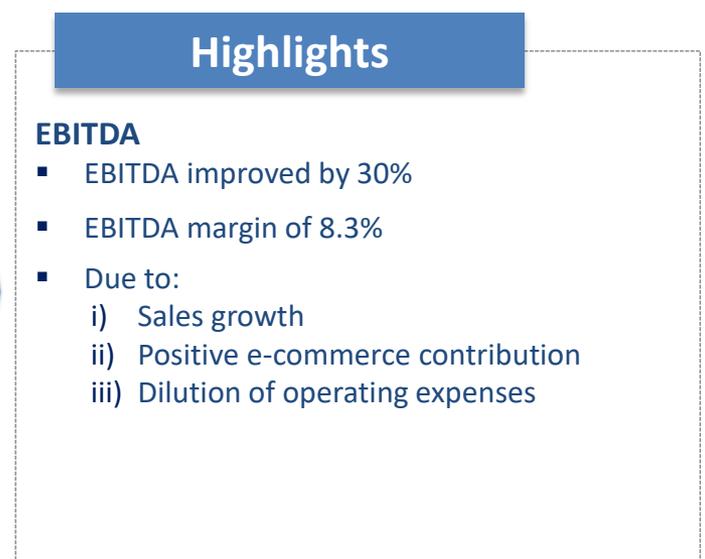
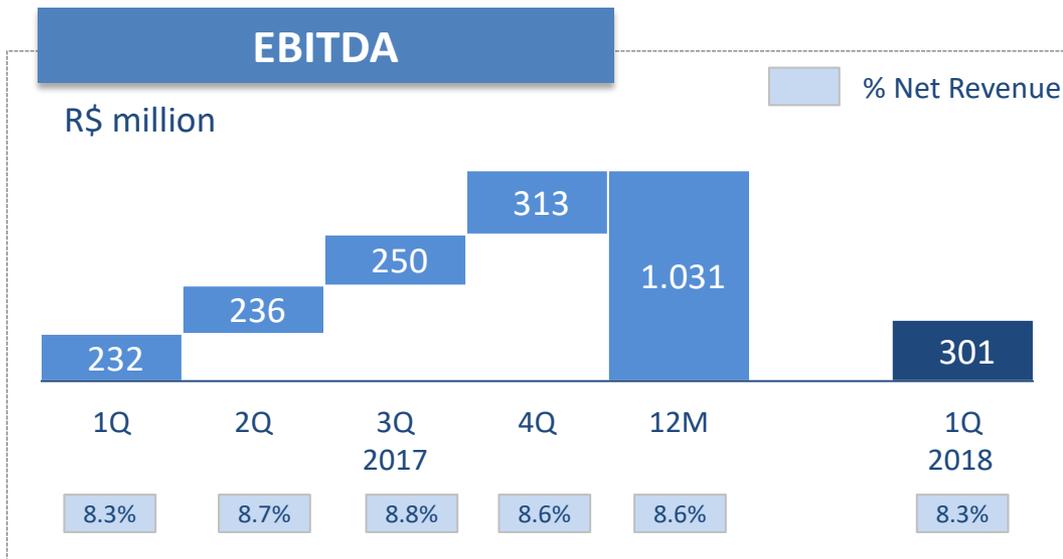
% Net Revenue



Highlights

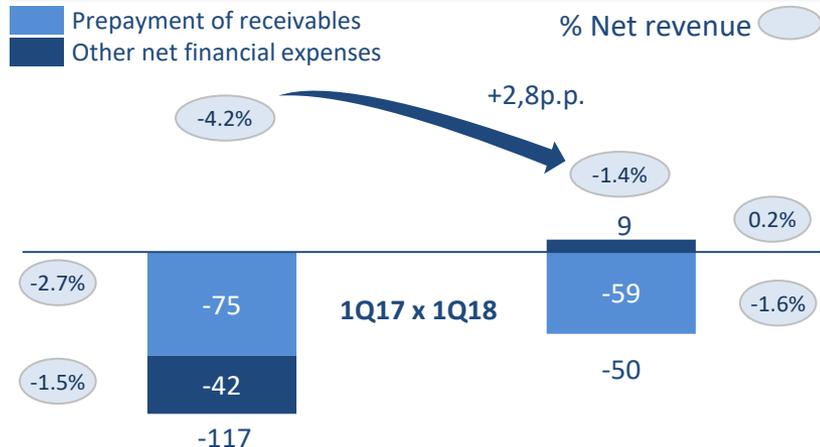
- **Gross profit**
Grew 25% (28.9% gross profit)
- **Operating Expenses**
Reduction of 100 bps to 21.2% of net revenue in 1Q18
- **Equity Income**
Luizacred: R\$19MM
Luizaseg: R\$4MM

EBITDA

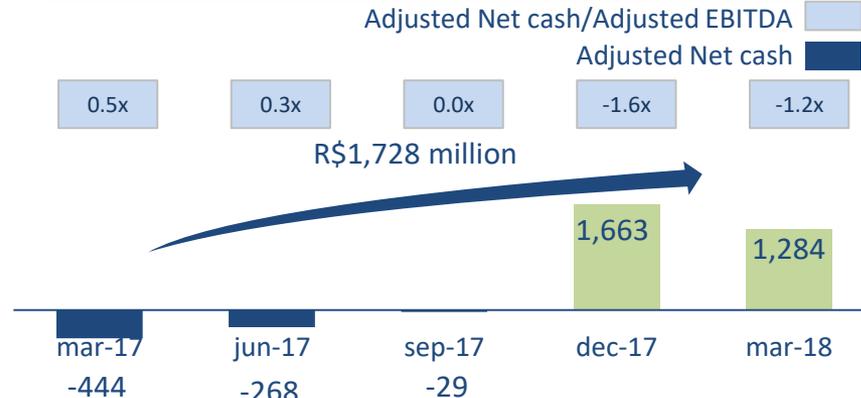


Financial Results and Working Capital

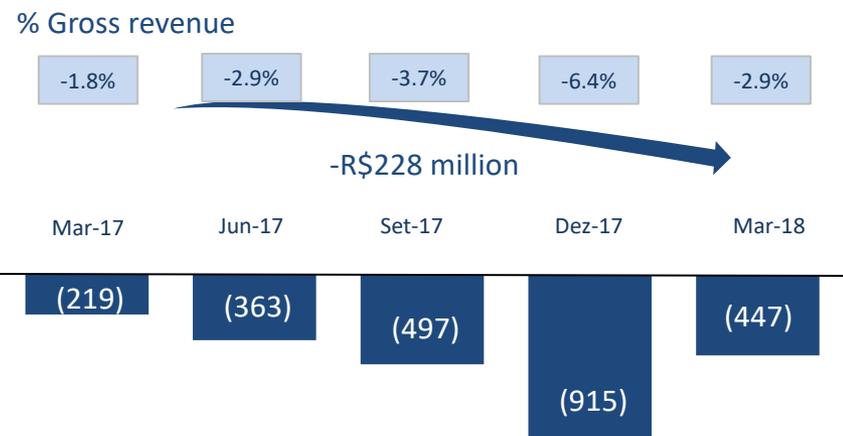
Financial Expenses*



Adjusted Net Cash**



Adjusted Working Capital



Highlights

- Financial results**
 Reduction of 57% in financial expenses
- Working Capital**
 Adjusted working capital variation contributed R\$228 million to the generation of operating cash
- Net Cash**
 Total cash position of R\$ 2.1 billion (R\$1.1 billion in cash and R\$1.0 billion in credit card receivables)

* Adjusted for income from fund

** Including credit card receivables

Capital Structure and Net Income

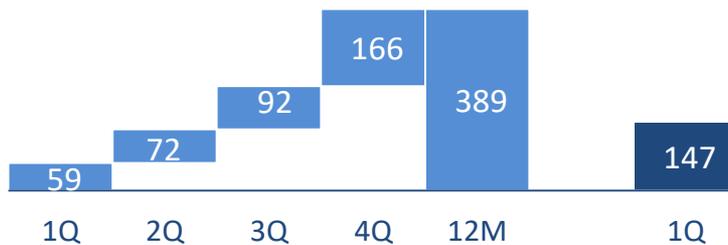
Capital Structure

LTM



* Cash and Credit card receivables

Net Income



Highlights

- Capital Structure**
 Improved by R\$1.73 billion in LTM
 In Mar/18 cash position of R\$2.1 billion: R\$1.1 billion of cash and R\$1.0 billion of credit card receivables
- Net Income**
 Net Income of R\$148 million
 ROIC of 31% and ROE of 29%

Luizacred

Revenue

R\$ million

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



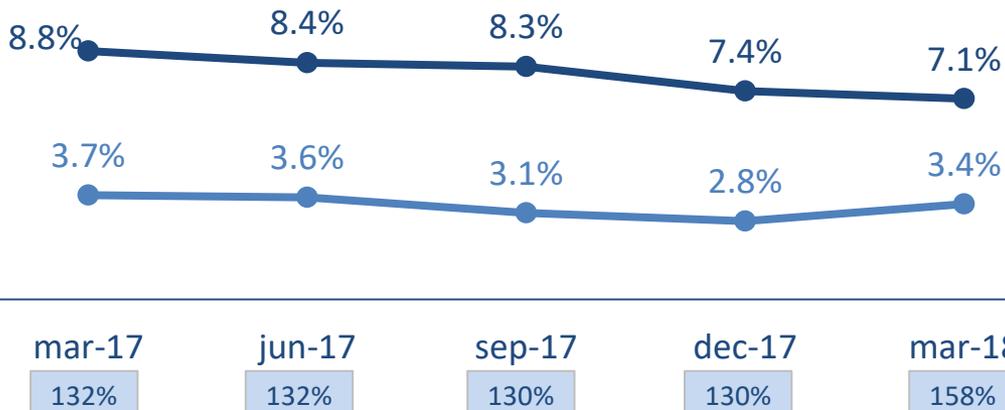
Highlights

- Revenue grew 32%
- Increase in revenues from Luiza Card inside ML stores (53%) and outside ML stores (30%)
- Credit portfolio reached R\$5.9 billion (+31% in LTM)
- Total Luiza Card base increased to 3.5 million cardholders

Overdue Payments

% portfolio

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



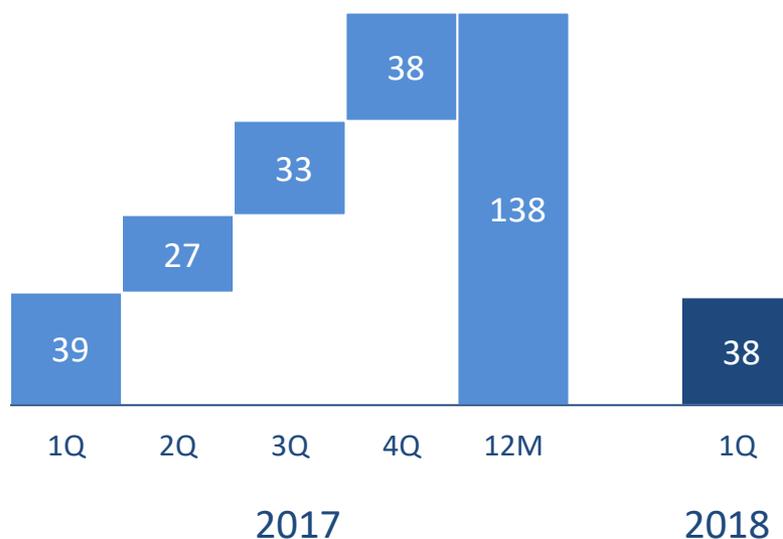
Highlights

- NPL 90 reached 7.1% of total portfolio, a reduction of 170 bps (Mar/17)
- Lowest level in the five last years
- Coverage ratio increased to 158% in Mar/18 due to IFRS 9 (132% in Mar/17)

Luizacred - Net Income

Net Income

R\$ million



Highlights

- Luizacard's portfolio grew 35%, and, reflecting the implementation of higher credit standards, the DCC portfolio fell 35%
- Improved short and long term past due loan indicators
- Net Income of R\$38 million in 1Q18 with ROE of 27%



Strengthen the Logistics Platform

1

Accelerate express delivery

2

Launch Shipping from Store

3

Launch Fullfilment by Magalu

4

Accelerate Magalu Entregas

5

Strengthen Malha Luiza



Investor Relations

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