



# Magazine Luiza

3Q15 Results Conference Call

November, 10<sup>st</sup> 2015

# 3Q15 Highlights

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## Sales

- Market share gains and higher gross margin
- Gross revenue decrease of 13.2% to R\$2.4 billion due to:
  - i) strong comparison basis (+15.7% in 3Q14);
  - ii) challenging macro economic scenario with steep drop in consumer confidence

## E-commerce

- E-commerce sales growth of 9.2%
- Participation of 22.0% of total sales (17.5% in 3Q14)

## Gross Margin

- Gross margin expanded by 110bps to 29.5% due to: (i) better sales mix, (ii) charging for shipping and assembly of products sold, (iii) greater participation of service revenues and (iv) better supplier terms

## EBITDA

- Despite improved gross margin, a lower sales performance during the quarter prevented better dilution of expenses resulting in a SG&A 1.0% lower YoY in nominal terms.
- EBITDA margin reached 5.3%, for EBITDA of R\$110.4 million in 3Q15

## Equity Income

- Luizacred and Luizaseg equity income reached R\$21.1 million in 3Q15, equivalent to 1.0% of net revenue

## Working Capital and Cash Flow

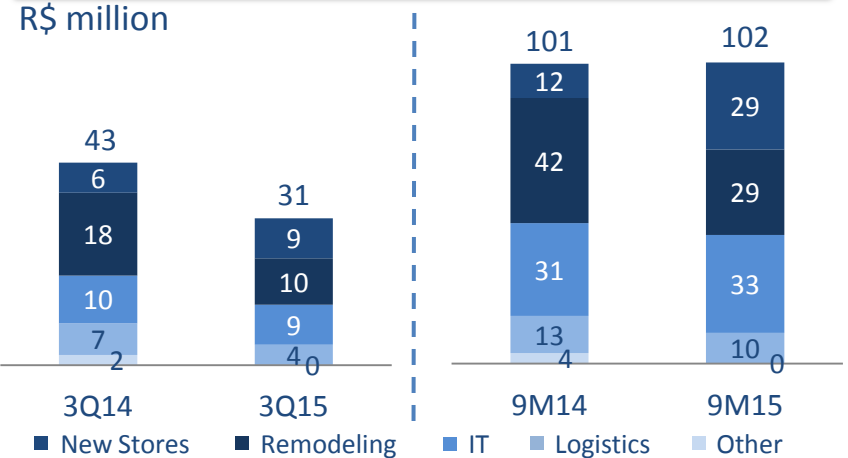
- Better operating cash flow during the third quarter with positive result of R\$93.5 million
- Greater balance between inventories and suppliers, reducing the level of inventory and increasing the average buying time

# Operating Highlights

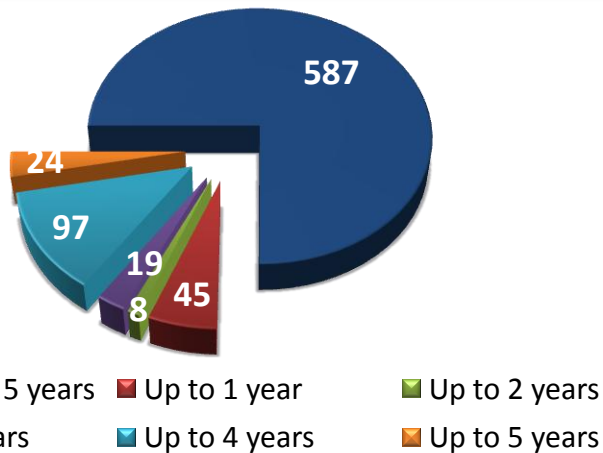
## Number of Stores



## Capex



## Average Age - Stores



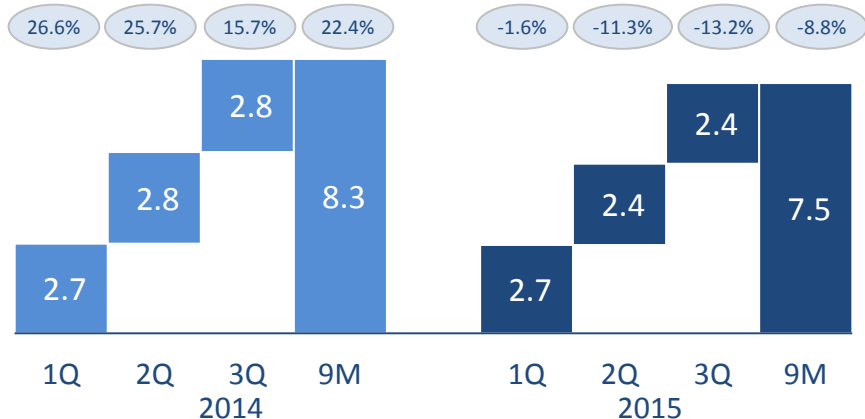
## Comments

- Opened 18 new stores in 3Q15 and 24 in 9M15
- Approximately 25% of stores are still in maturity process

# Sales Performance

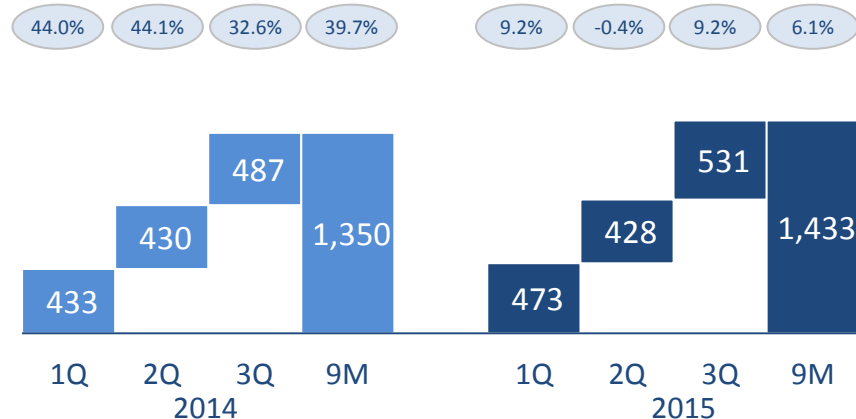
## Gross Revenue - Consolidated

R\$ billion

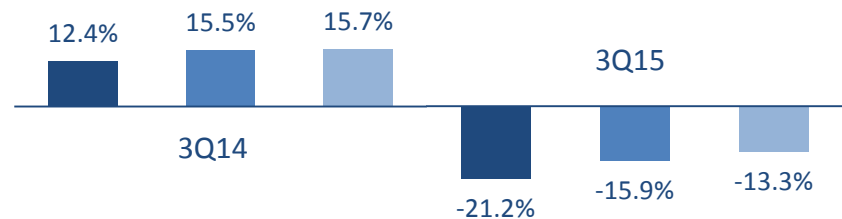


## Gross Revenue - Internet

R\$ million



## Same-Store Sales Growth



- Same-Store Sales Growth (Brick and mortar stores)
- Same-Store Sales Growth (including e-commerce)
- Total Retail Growth

## Comments

- Market share gains
- E-commerce sales growth of 9.2% to 22.0% of total sales
- Strong comparison basis (+15.5% SSS in 3Q14)
- The DCC reduction at Luizacred had 480bps impact in the consolidated SSS performance

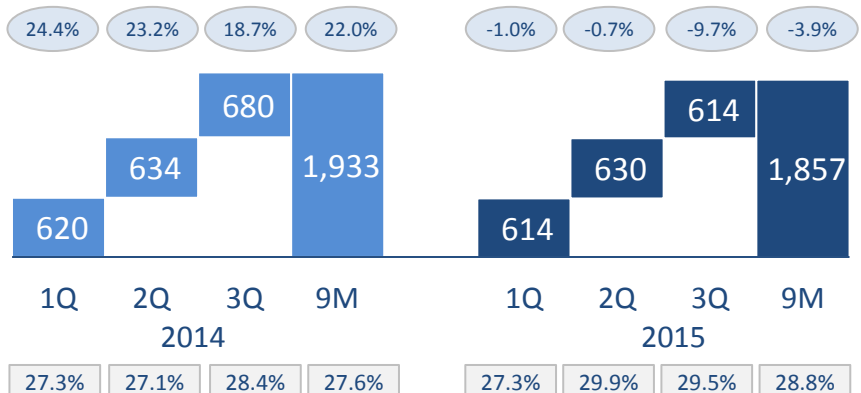
Growth over the same period of last year

# Gross Profit, Operating Expenses and Equity Income

## Gross Profit

R\$ billion

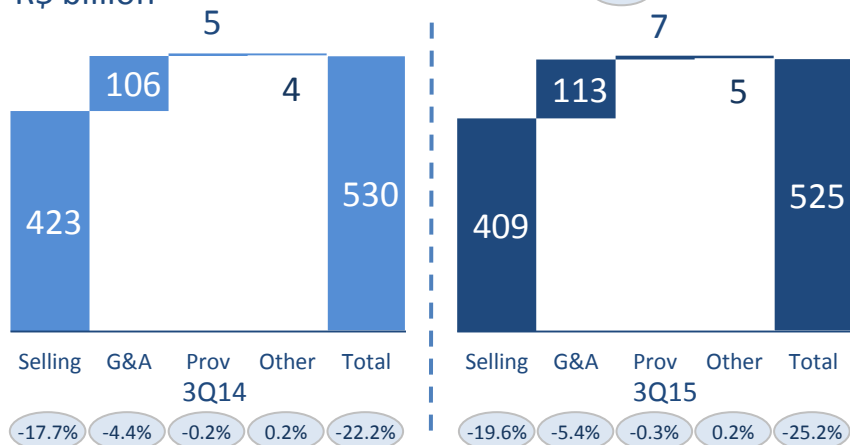
○ Growth  
□ Gross margin (%)



## Operating Expenses

R\$ billion

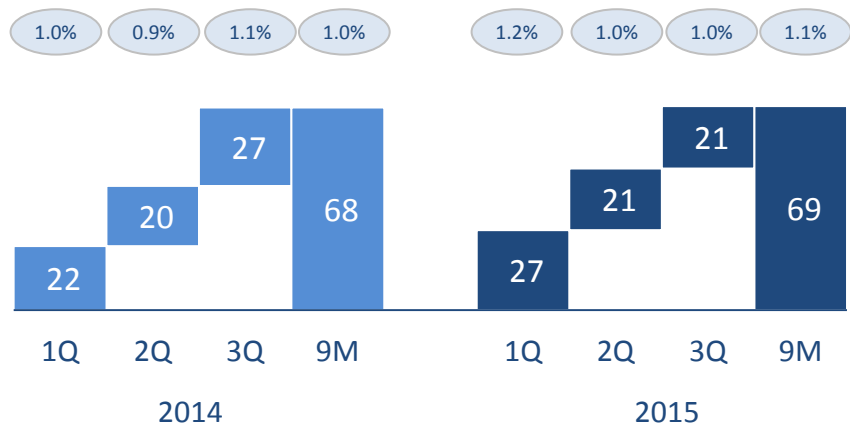
○ % Net Revenue



## Equity Income

R\$ million

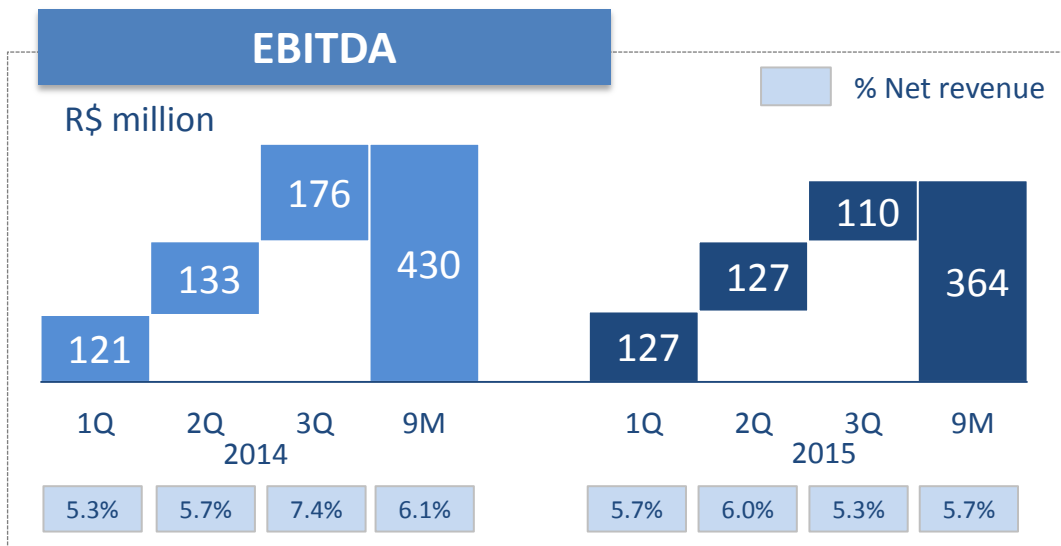
○ % Net Revenue



## Comments

- Gross Margin**
  - Increased to 29.5%, due to: i) a better sales mix; ii) shipping and assembly charges ; iii) increase in services participation and iv) better supply negotiations
- SG&A expenses**
  - Reduction of 1.0% YoY due to lower sales performance
- Equity Income**
  - Luizacred: net income of R\$34.5 million, 24.9% ROE
  - Luizaseg: net income of R\$7.7 million, 33.4% ROE

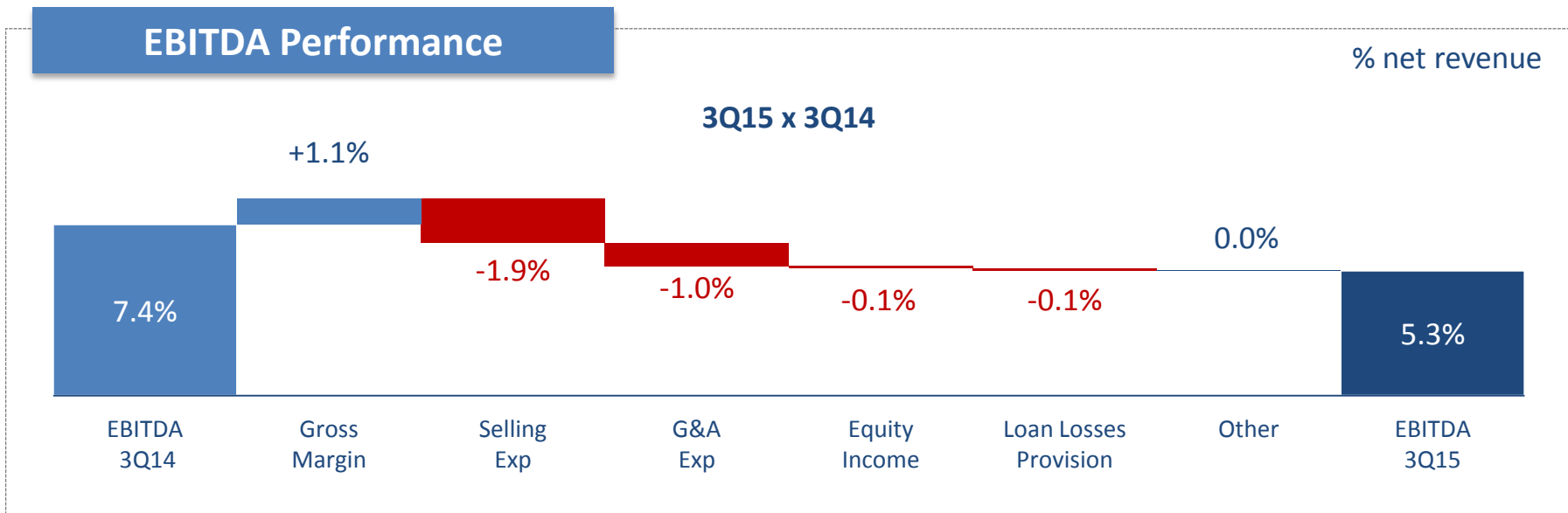
# EBITDA



## Comments

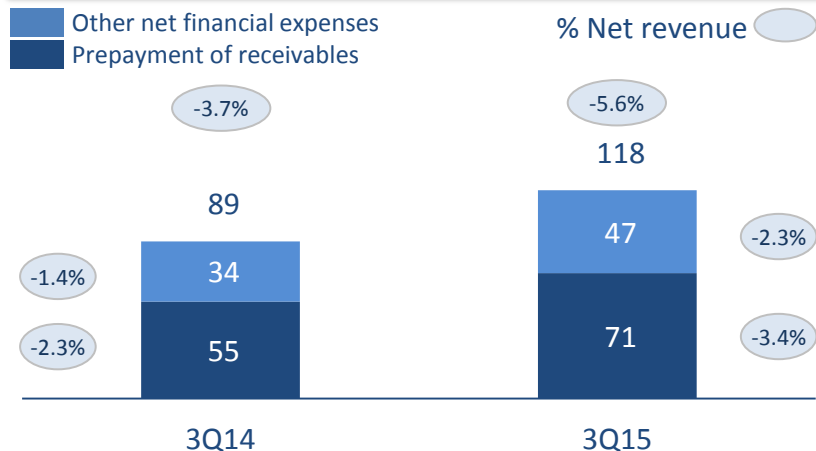
### EBITDA

- EBITDA of R\$110,4 million, equivalent a margin EBITDA of 5.3%
- Impacts:
  - (i) Gross margin gains of 110 bps and,
  - (ii) Lower sales performance prevented a better dilution of expenses

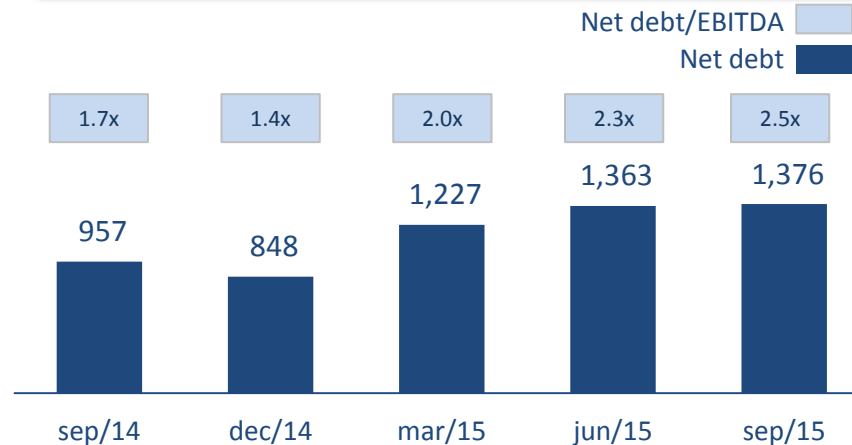


# Financial Results and Working Capital

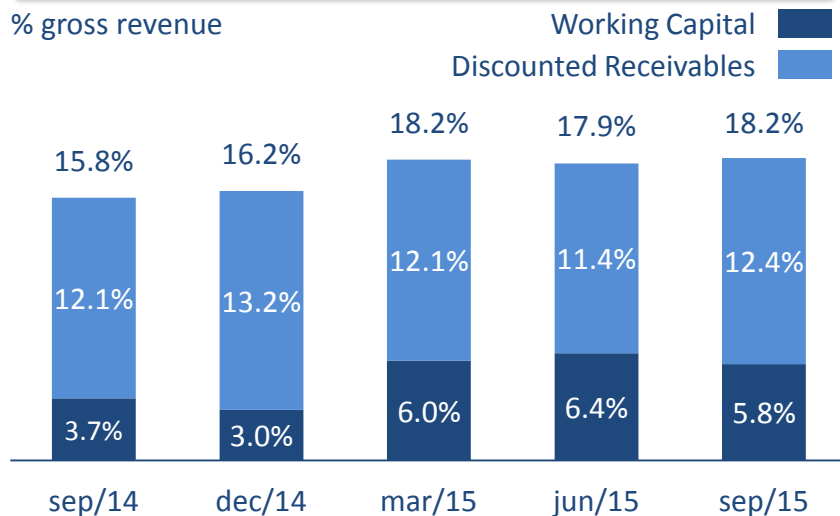
## Financial Results\*



## Net Debt



## Working Capital



## Comments

### Financial results

- Increased to R\$117.5 million in 3Q15 due to the higher interest rate and interest on prepayment of receivables

### Working Capital

- Improvement of R\$127.0 million in 3Q15 due to inventories reduction and higher average purchasing terms

### Net Debt

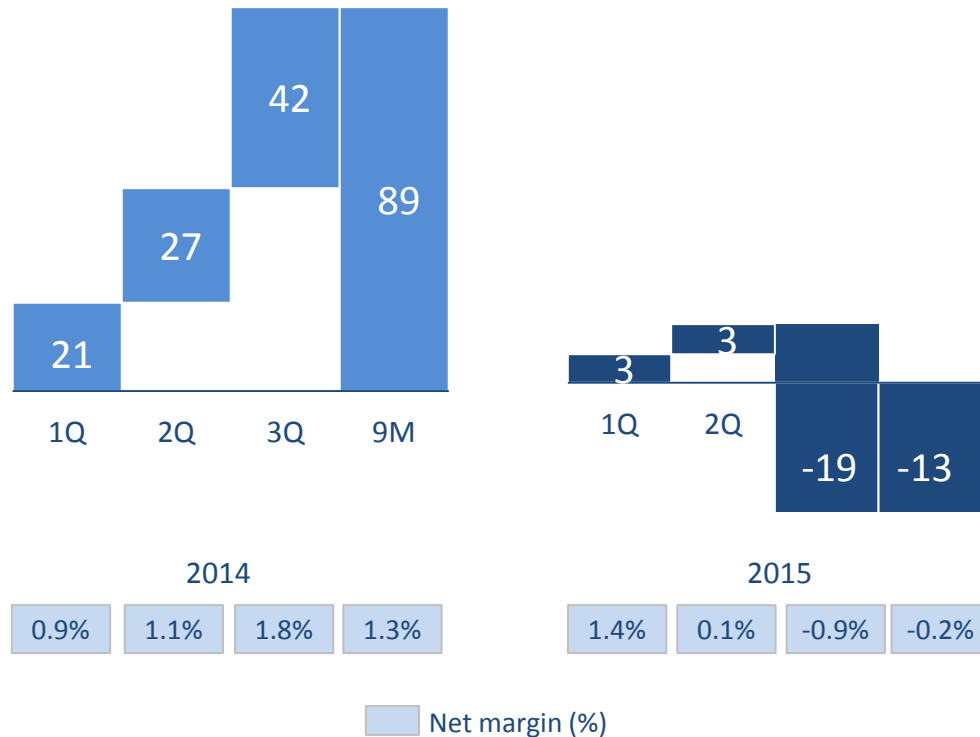
- Stable over 2Q15 mainly due to cash flow from operating activities of R\$93.5 million

\* Adjusted for Income from security fund

# Net Income

## Net Income

R\$ million



## Comments

### ▪ Net loss in 3Q15

- Net loss totaled R\$19.1 million, with a net margin of -0.9%
- Earnings impacted by sales performance, lower dilution of operating expenses and higher interest rate

### ▪ Net loss in 9M15

- Net loss reached R\$13.2 million, for a net margin of -0.2%

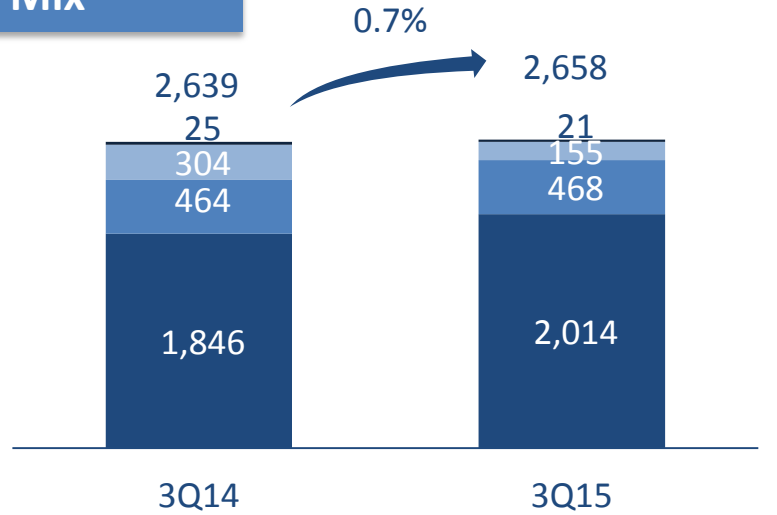


# Luizacred

## Revenue Mix

R\$ million

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



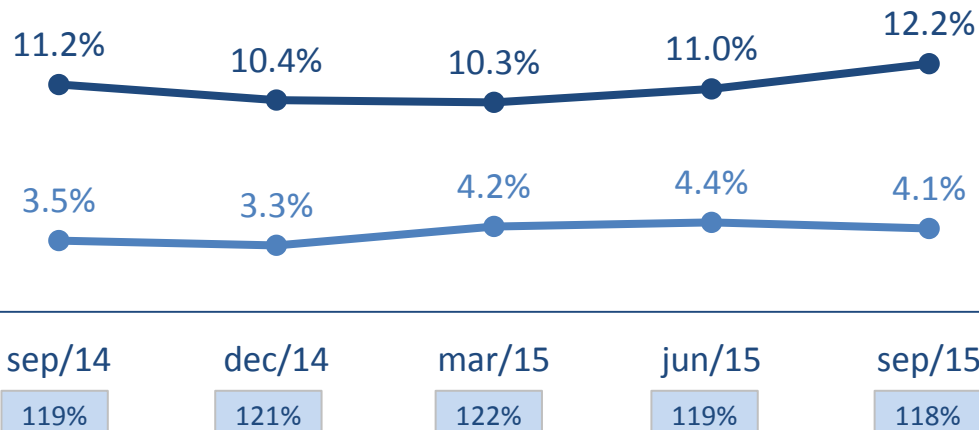
## Comments

- Increase in cardholder's base from 3.4 million to 3.6 million (+5.0%)
- Increase in total revenue, mainly in Luiza Card inside Magazine Luiza (+1.0%) and outside (+9.1%)
- 49.1% drop in DCC revenues due to a more conservative credit policy

## Overdue Payments

% portfolio

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



## Comments

- Portfolio coverage remained nearly stable in 118% in Set-15
- Provision for loan losses grew to R\$171.0 million in 3Q15 (R\$157.3 million in 3Q14) totaling an increase of R\$13.7 million
- Maintain the conservative credit approach: low approval rates and close monitoring of overdue payments

# Losango

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- This agreement allows Losango to offer DCC to Magazine Luiza clients
- Always the first DCC offer to Magazine Luiza clients' needs to be done by Luizacred
- Losango could only approve the customers DCC (and will keep 100% of the credit risk) for clients that didn't meet the approval set forth by Luizacred.
- Losango sales represented between 3% to 5% of daily credit at bricks and mortar stores

# Digital Transformation

**Vision:** From: “Traditional brick and mortar retailer with online presence ”  
To: “Digital company with points of sales and human warmth ”

## Pillars:



Multichannel



Digitalization of stores



Digital inclusion



To transform the site into a digital platform



Digital culture



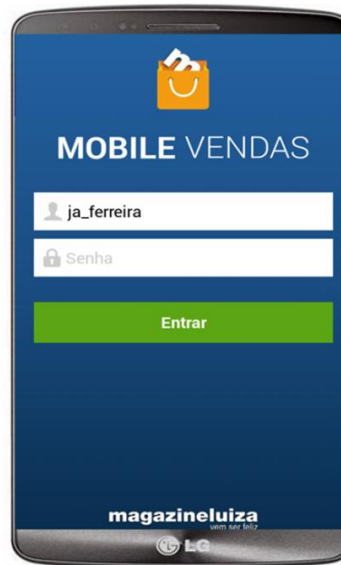
# Mobile Turn

## New App



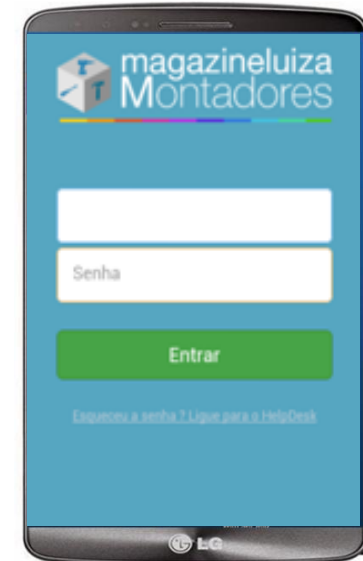
- Benefits
  - Wish List
  - 1-click buy option
  - Easy register of credit card info
  - Store locator and product availability info
- Personalized App
- Free shipping (promotion)

## Mobile Sales



- Target of 180 stores by YE2015
- Important sales time reduction
- Productivity gain
- 100% roll-out by YE2016
- Wi-fi available in 200 stores

## Mobile Assembly



- Available in São Paulo state since September
- Mobile Assemblers productivity gain of 50%
- 100% roll-out by YE 2016

# 2015 Outlook

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- Strengthen our multichannel strategy and reinforce digital transformation
- Grow above market, especially in the e-commerce
- Consolidate Northeast operations
- Maintain commercial competitiveness and media visibility
- Rationalize costs and expenses
- Focus on profitability of operation



# Investor Relations

## **Legal Disclaimer**

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