

Magazine Luiza

2Q18 Conference Call

August, 7 2018

MAGALU'S DIGITAL TRANSFORMATION...

FROM



**TRADITIONAL RETAILER
WITH A DIGITAL PRESENCE**



TODAY



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

... IS BASED ON 5 KEY PRINCIPLES



CUSTOMER CENTRIC

MORE THAN 20 KPIs



2Q18 Highlights

Sales

- Total sales grew 43%, reaching R\$4.6 billion
- Total Physical Store Sales grew 34% (27% in Same Store Sales)

E-commerce

- E-commerce grew 66% (reaching 33% of total sales)
- Marketplace sales for the quarter grew to R\$150 million

Gross Profit

- Gross profit grew 33% (a reduction of 0.9 p.p. in gross margin)
- Strong growth of E-commerce and the World Cup

Operational Expenses

- Dilution of expenses by 1.0 p.p. to 21.8% of net revenue
- Investments in the acquisition of new clientes and higher service levels

EBITDA Net Profit

- EBITDA grew 32% to R\$312 million (8.5% margin)
- Net income grew 94% to R\$141 million

Operating Cash Generation

- Over the last 12 months, adjusted cash flow reached R\$1.0 billion
- Adjusted working capital contributed R\$192 million

Capital Structure

- Adjusted net debt was reduced by R\$1.6 billion over the last 12 months
- In Jun/18 total cash reached R\$ 1.9 billion

Operating Highlights

Number of Stores

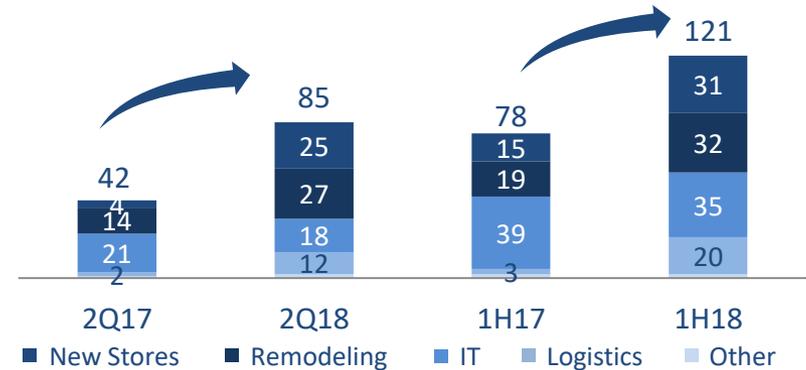
stores

+71 stores

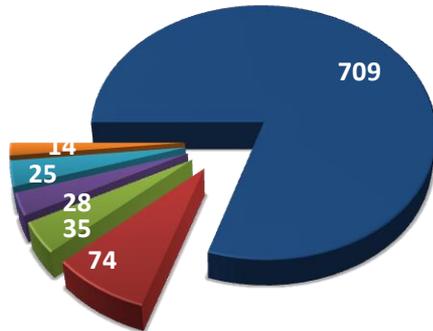


Capex

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

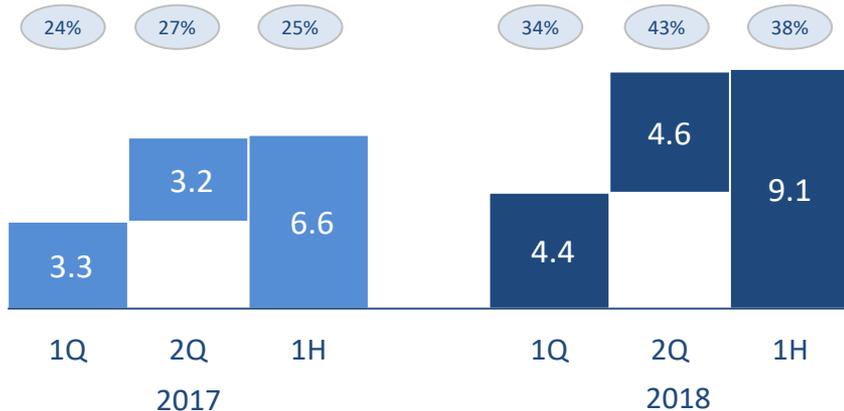
Highlights

- Opened 27 stores in 2Q18
- Around 20% of stores are still in the maturation process
- 2Q18 Capex was R\$85 million, in projects to support our digital transformation strategy

Sales Performance

Total Sales

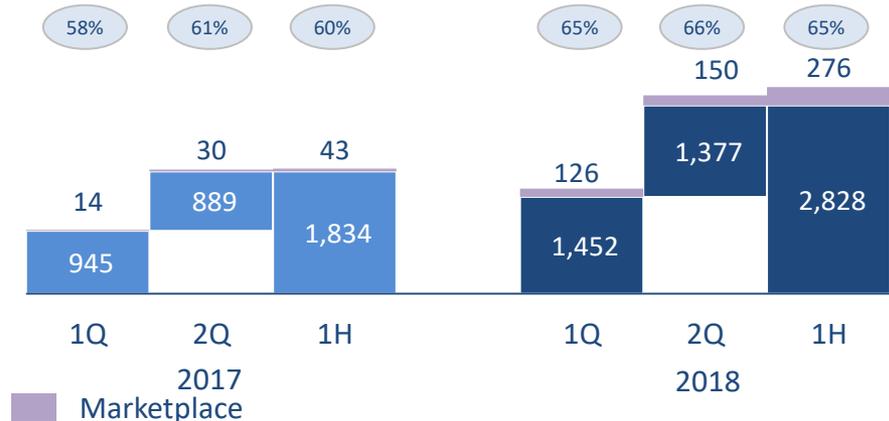
R\$ billion



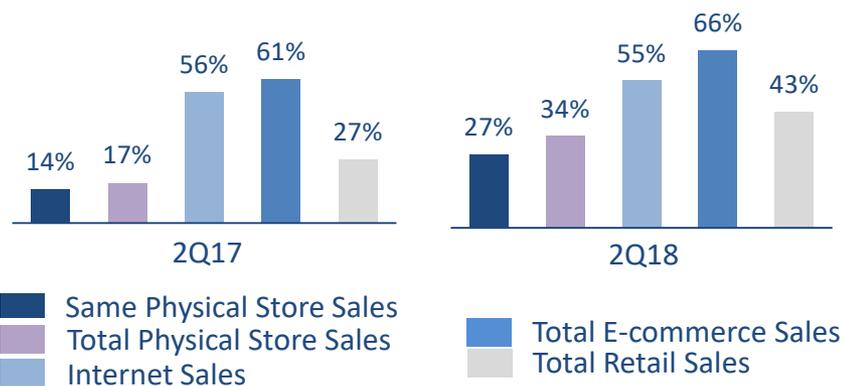
Sales – Total E-commerce*

R\$ million

* Website, App and Marketplace



Sales Growth



Highlights

- Highest quarterly growth in 5 years, even with a tough comparison basis
- E-commerce share rose from 28.5% to 33.0% in 2Q18
- By contrast, sales of furniture and domestic appliances in Brazil shrank -1.3% (PMC/IBGE)
- Brazilian e-commerce market grew +13.2% (E-bit)

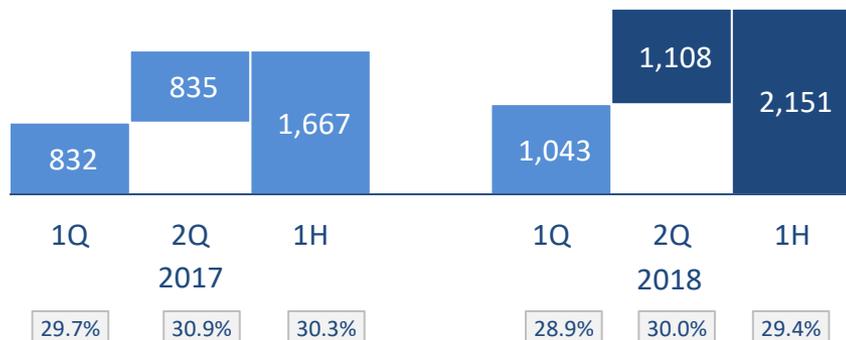
YoY growth comparison

Gross Profit, Operating Expenses and Equity Income

Gross Profit

R\$ million

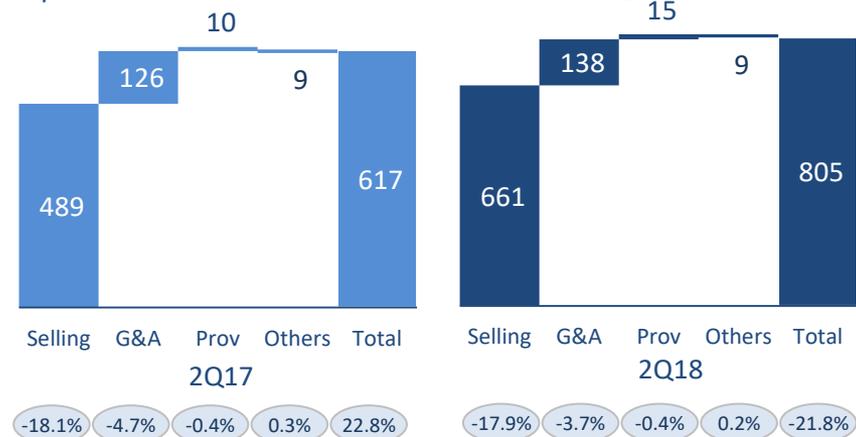
Gross margin (%)



Operating Expenses

R\$ million

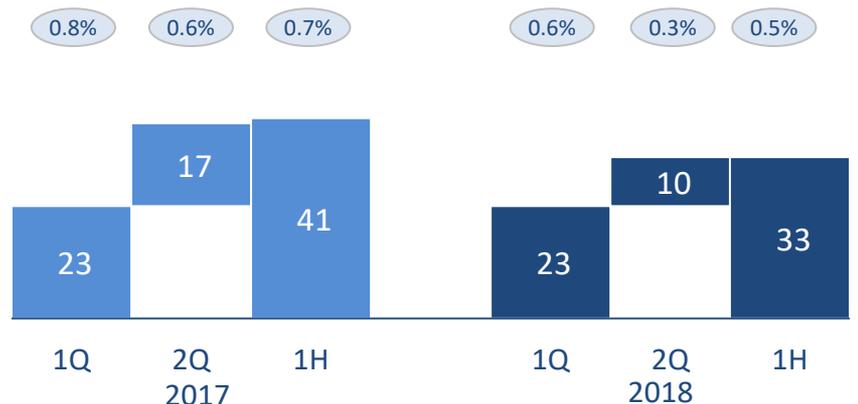
% Net Revenue



Equity Income

R\$ million

% Net Revenue



Highlights

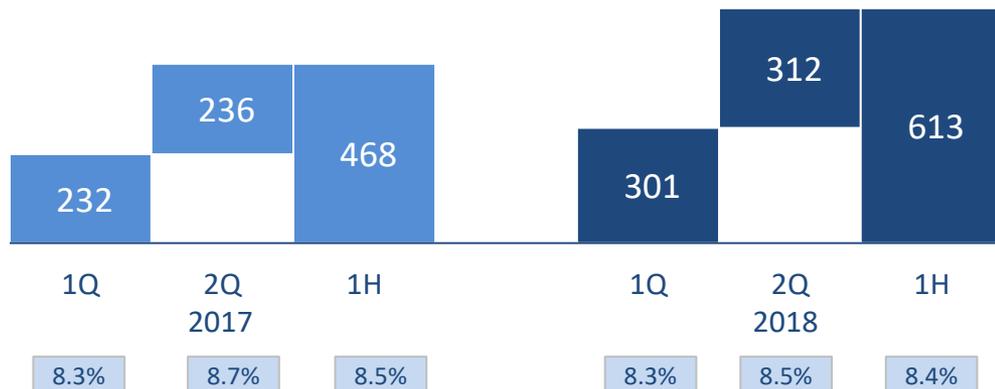
- **Gross profit**
Grew 33% (30% gross profit)
- **Operating Expenses**
Reduction of 100 bps to 21.8% of net revenue in 2Q18
- **Equity Income**
Luizacred: R\$8MM
Luizaseg: R\$2MM

EBITDA

EBITDA

R\$ million

■ % Net Revenue



Highlights

EBITDA

- EBITDA improved by 33%
- EBITDA margin of 8.5%
- Due to:
 - Sales growth
 - Positive e-commerce contribution
 - Dilution of operating expenses

EBITDA Performance

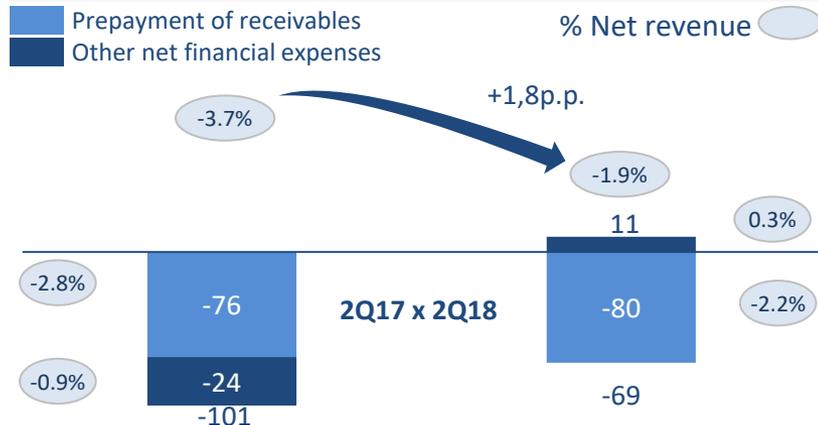
■ % Net Revenue

2Q17 x 2Q18

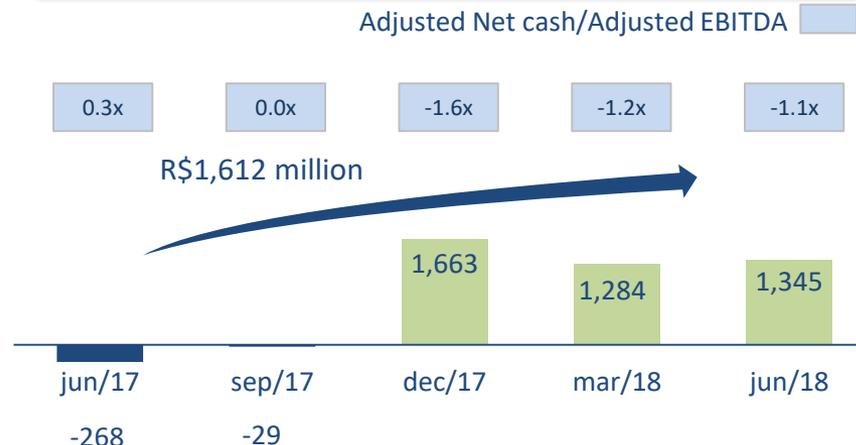


Financial Results and Working Capital

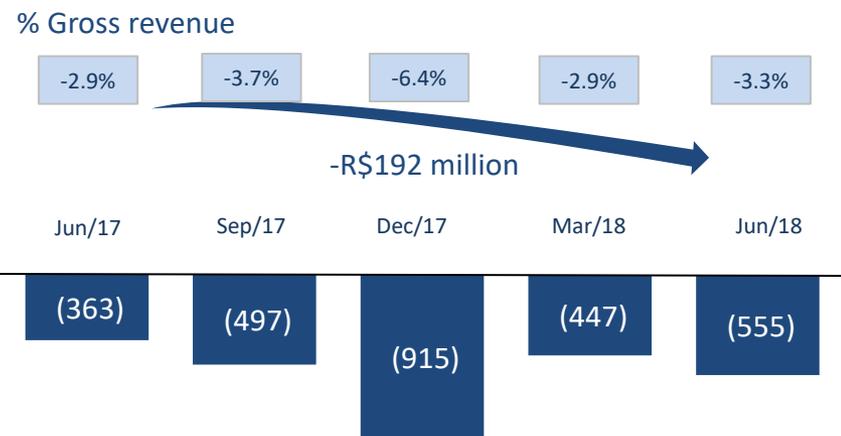
Financial Expenses*



Adjusted Net Cash**



Adjusted Working Capital



Highlights

- Financial results**
 31% reduction in financial expenses
- Working Capital**
 Adjusted working capital variation contributed R\$192 million to the generation of operating cash
- Net Cash**
 Total cash position of R\$ 1.9 billion (R\$0.9 billion in cash and R\$1.0 billion in credit card receivables)

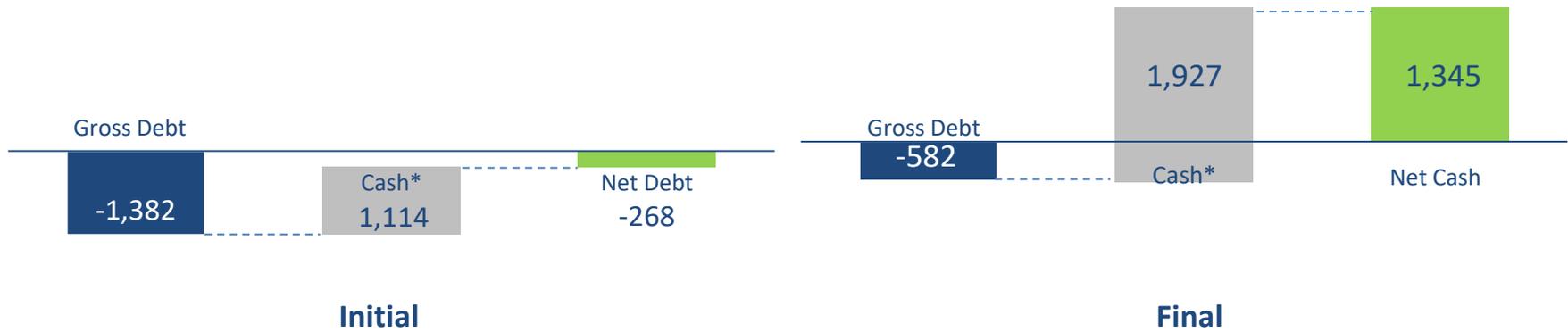
* Adjusted for income from fund

** Including credit card receivables

Capital Structure and Net Income

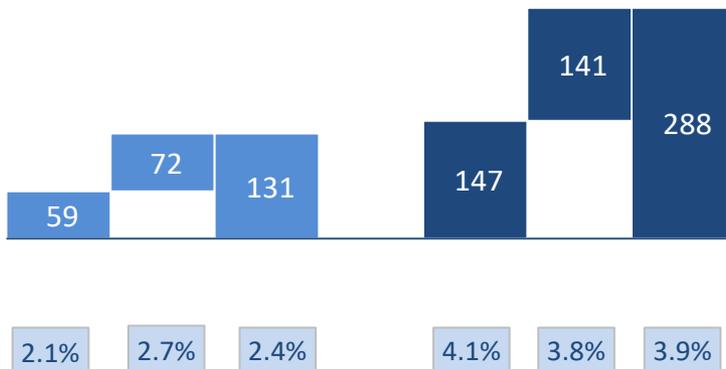
Capital Structure

LTM



* Cash and Credit card receivables

Net Income



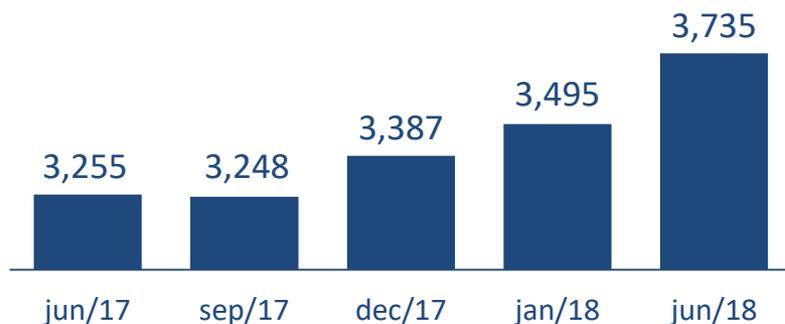
Highlights

- Capital Structure**
 Improved by R\$1.6 billion in the last twelve months
 In Jun/18 cash position of R\$1.9 billion: R\$0.9 billion of cash and R\$1.0 billion of credit card receivables
- Net Income**
 Net Income of R\$141 million
 ROIC of 29% and ROE of 26%

Luizacred

Card Base

Thousand



Highlights

- Luiza Card: higher loyalty, purchase frequency and average purchase price
- Luiza Card cardholder base grew 15% in the last 12 months
- Net addition of 240,000 new cards issued in 2Q18

Revenue

R\$ million

- Consumer Loans
- DCC
- Card - Inside ML
- Card - Outside ML



Highlights

- Revenue grew 37%
- Increase in revenues from Luiza Card inside ML stores (68%) and outside ML stores (29%)
- Credit portfolio reached R\$6.6 billion (+38% in LTM)

Luizacred - Net Income

Overdue Payments

% portfolio

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



jun-17

132%

sep-17

130%

dec-17

130%

mar-18

206%

jun-18

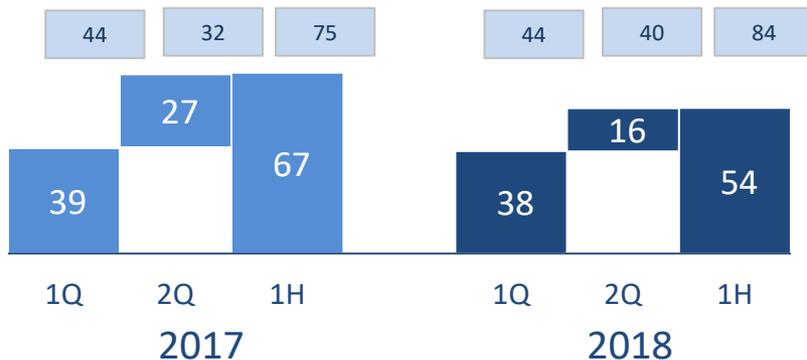
200%

Highlights

- NPL 90 reached 7.1% of total portfolio, a reduction of 130 bps (Jun/17)
- Lowest level in the last five years
- Portfolio coverage ratio rose 132% to 200% in compliance with IFRS 9

Net Income

R\$ million



1Q

44

2Q

32

1H

75

1Q

44

2Q

40

1H

84

2017

2018

Net Income in BRGAAP

Highlights

- Rise in provisions due to IFRS 9 (including credit limit provisions)
- Net profit of R\$16 million in 2Q18 with ROE of 12%
- Net profit in BRGAAP of R\$ 40 million with ROE of 22%



Investor Relations

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