

MAGALU



Conference Call 1Q20

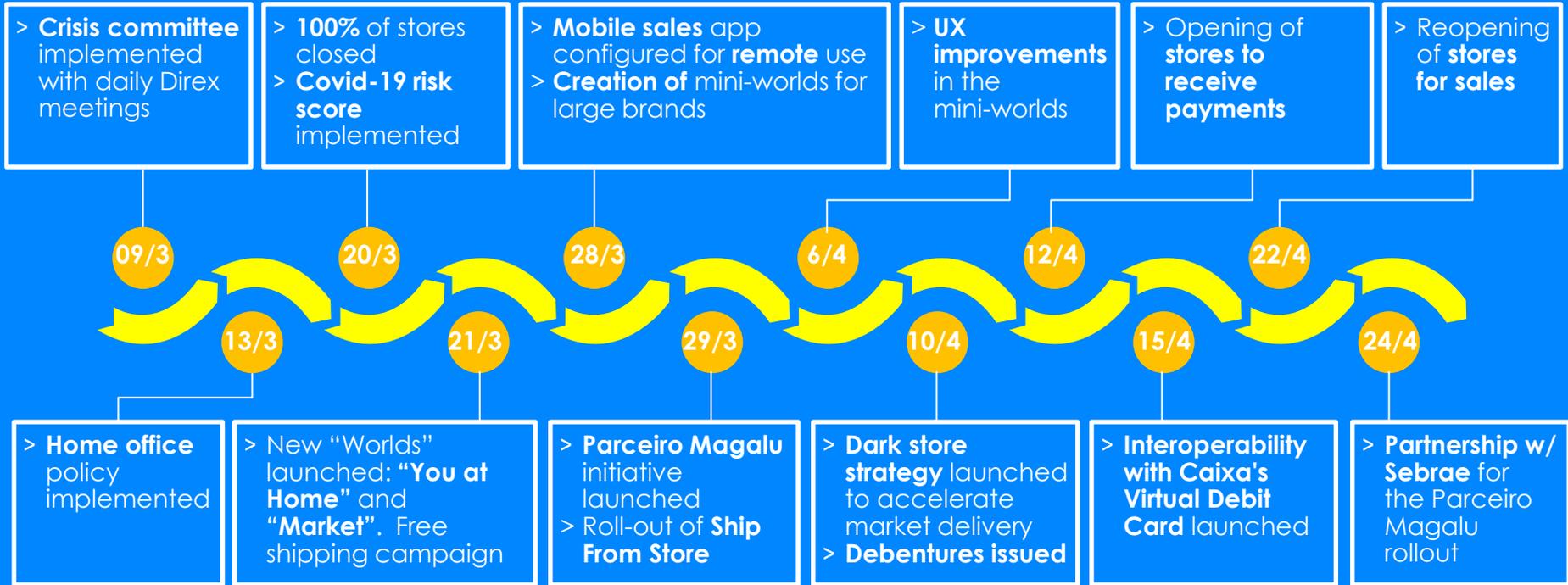
May 26, 2020

Covid-19: the Company acted quickly

Crisis Management Model:

- a. **12 Committees** for all strategic operations
- b. **Transformational goals** and targets for each
- c. Management and **monitoring routine** with **leaders** by subject and **weekly checkpoints** (at least)
- d. **Cash management** as one of the key decision making pillars

50 weeks in 5



46

Covid-19: 3 Missions for the current scenario



1 Health and Safety

Take care of our **employees' and customers' health**. Not in rhetoric, but **in practice**

2 Preserve Cash and Jobs

Preserve Cash, reduce expenses and save as **many jobs as possible**

3 Operational continuity / Laser focus

Ensure the operational **continuity of our business** and continue with our mission to **digitize Brazil**

Security protocols on DCs

Cleaning of equipment and workplaces, use of masks and alcohol gel, temperature measurement of the DCs employees

Strict reopening stores protocols

Strict reopening stores criteria, in compliance with all decrees and security measures established

Support for employees

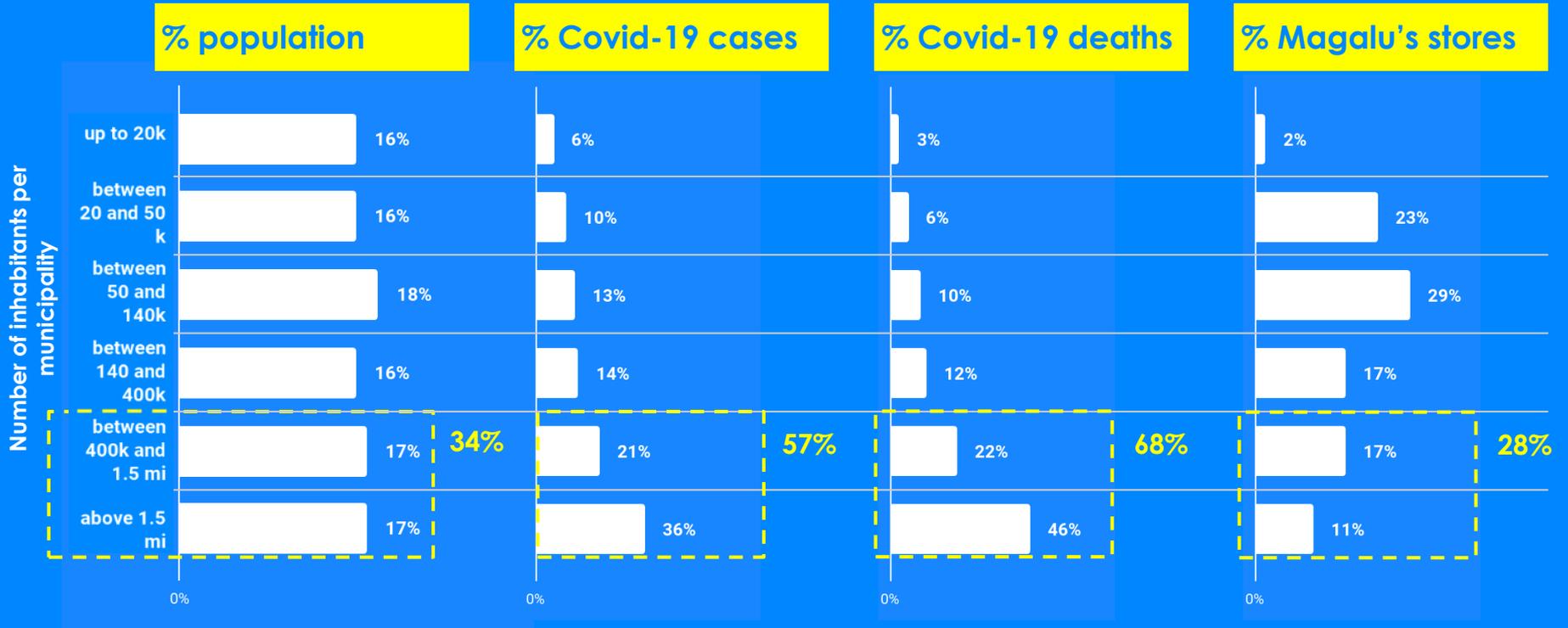
Home office in the offices, anticipation of food vouchers, reduction of the March sales target of stores and telemedicine channel to employees

Risk score to support decision making

Detailed risk score by municipality to support decision-making related to health and safety and the reopening of stores



Natural Hedge



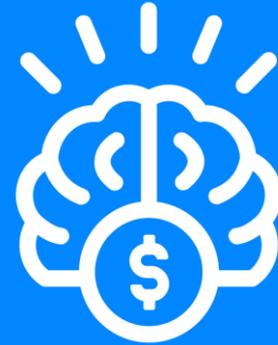
Source: IBGE; Health Departments; Magalu; Covid-19 data: updated until May 24

2 Cash and Jobs preservation

Austerity is the watchword

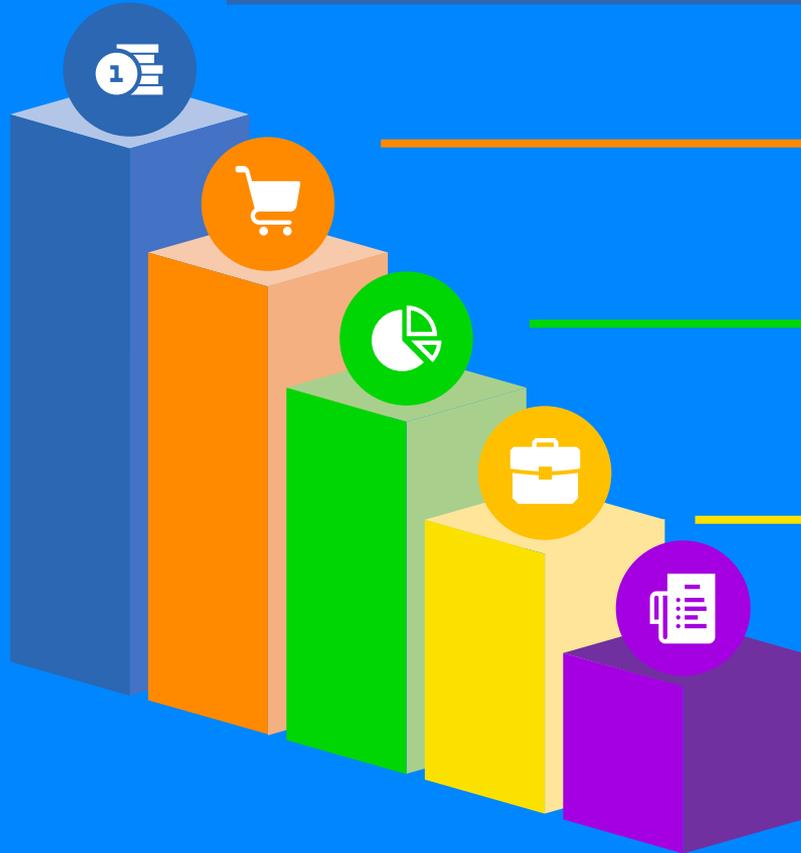


With the Follow-on and our recent results, **we are a cash-rich Company ...**



... that thinks and acts with the discipline and frugality **of a cash-poor Company**

Short-term measures and cash preservation



Cash reinforcement

We issued R\$800 million worth of debentures; discounted receivables to reinforce our cash position

Renegotiations and postponements

Expenses were renegotiated or postponed to preserve cash, however we were careful to pay small and medium sized suppliers on time

The whole company contributed

Leveraging Law 936, practically every employee reduced their wages and or working hours.

Executives setting an example

Salary reductions: CEO (80%), VP (80%), Directors and Board Members (50%), even before Law 936 was enacted

Alignment of interests

The controlling families' holding company agreed to reduce rent on properties occupied by Magalu

3 Operational continuity and Strategy acceleration



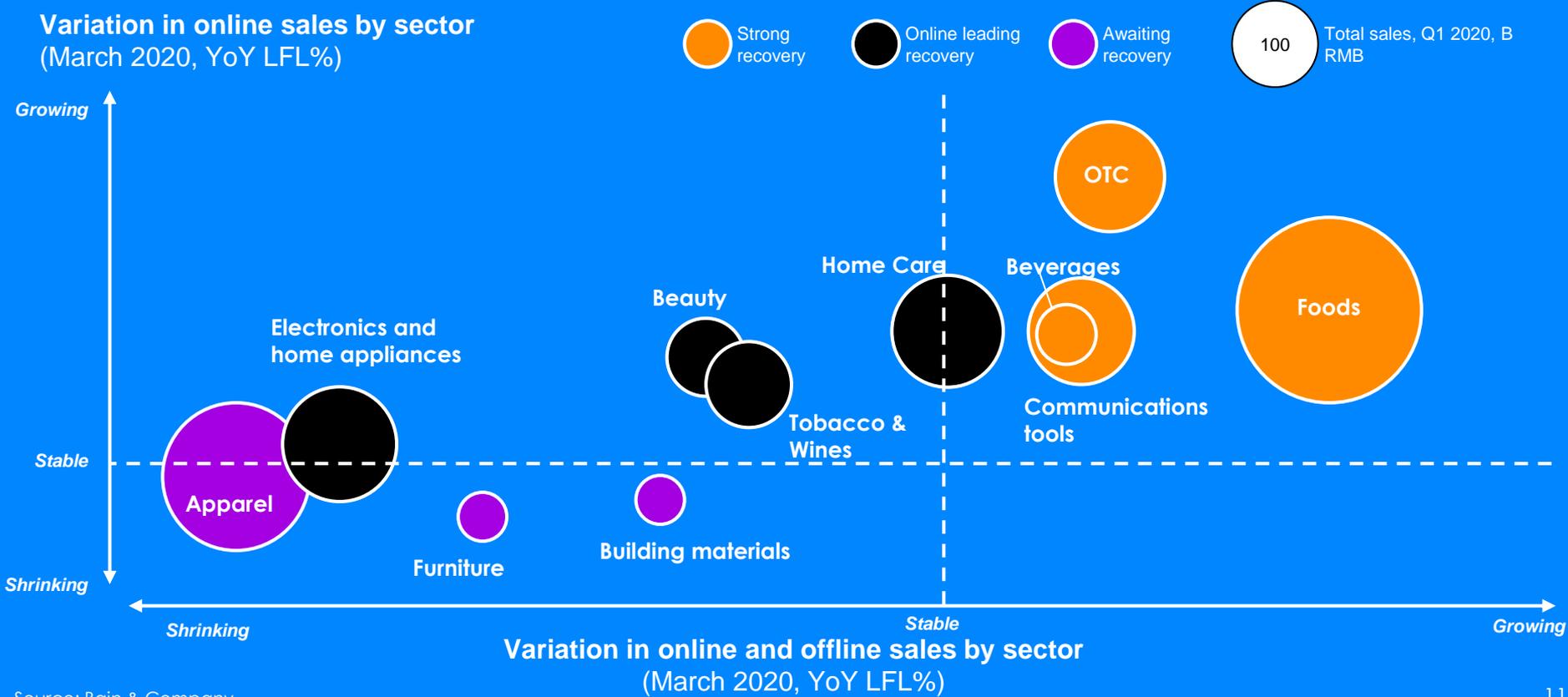
We made Magalu digital...

...and now we will make Brazil digital

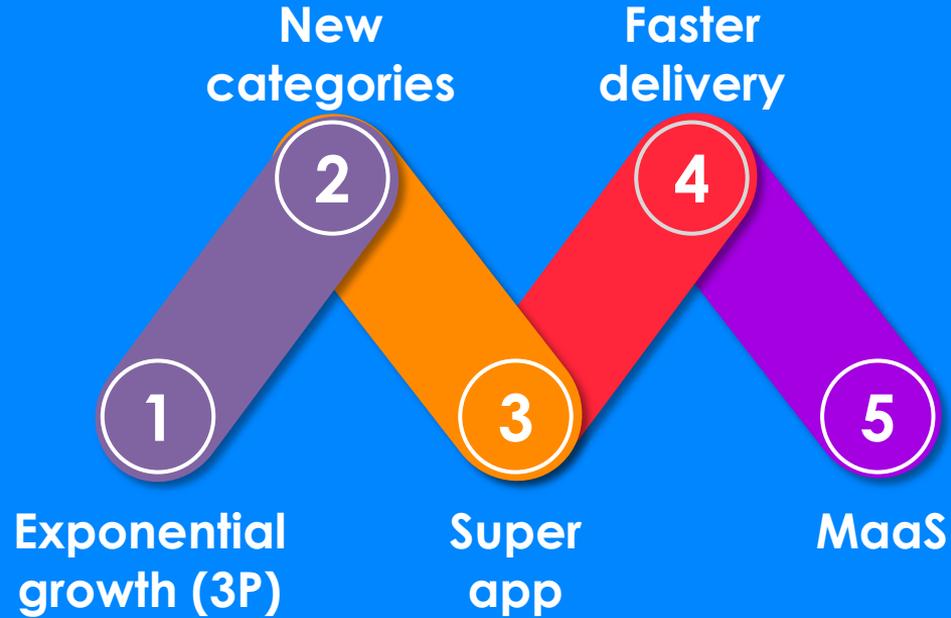


Retail Digitalization

Variation in online sales by sector
(March 2020, YoY LFL%)



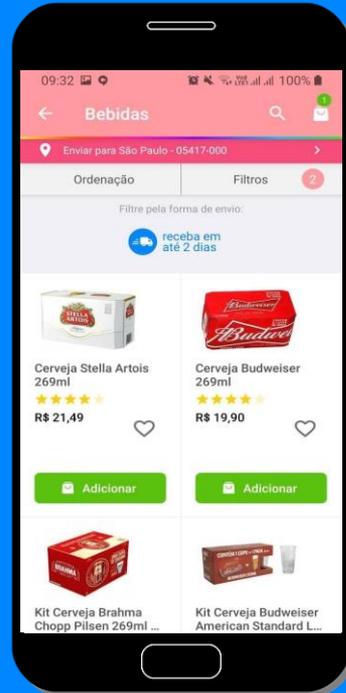
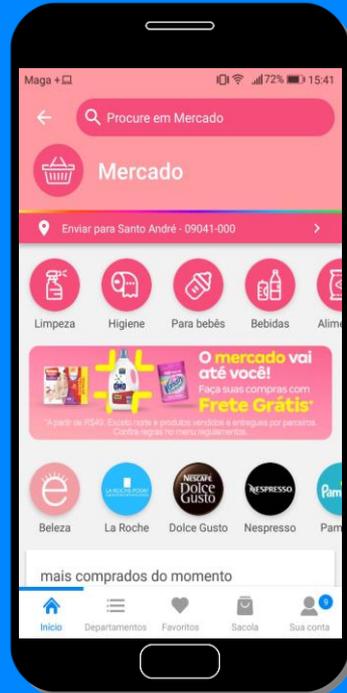
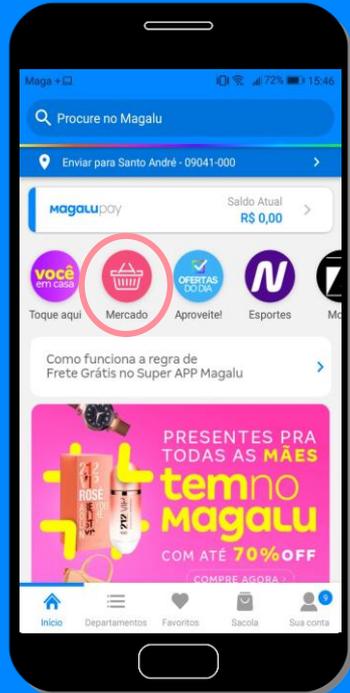
Strategic drivers



Best retail experience • Data-driven culture
• Sustainability and reputation

New categories and Super App

Non-perishable groceries and consumer goods #**temnomagalu**



+ Frequency
+ New customers

Worlds and Mini-Worlds

Largest category in terms of # of orders

Largest online seller of diapers and soap

- + Partners in the non-perishable grocery category
- + Assortment

CERVEJARIA
ambev



 **Reckitt
Benckiser**

P&G


Unilever


Nestlé

★ **Heineken**[®]


COLGATE-PALMOLIVE

NIVEA

 **Kimberly-Clark**
Essencial para uma vida melhor

DIAGEO



Elite
PROFESSIONAL
MELHORAMENTOS

L'ORÉAL

Jif

Partnerships and assortment

temnoMagalu

Major brands releases and new partnerships on the platform

NETSHOES



ZATTINI

RICHARDS



ANACAPRI

VR GOLLIONI

Le Postiche

L'OCCITANE
EN PROVENCE



RAFARILLO
Açúcar wood for



havaianas

PERNAMBUCANAS

FEVER

marisa

azaleia

ALME

ARAMIS

tng

GUESS

PAQUETÁ

DUMOND

ÉPOCA

L'OCCITANE
EN PROVENCE

Bioré

ReVie

colcci

DERSANI

BITUFO



DAXX

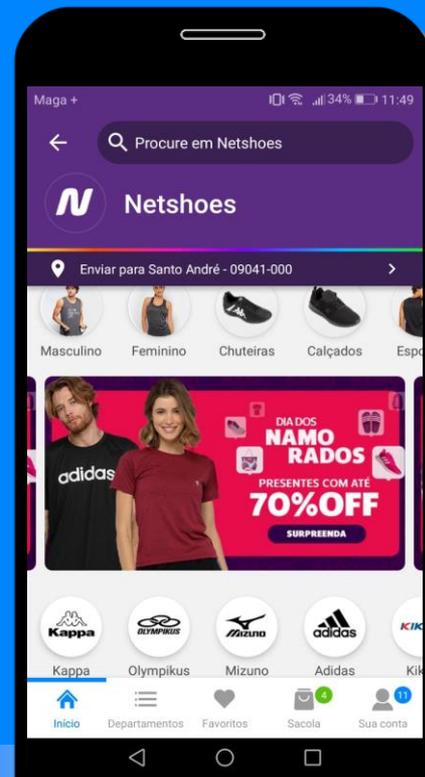


CORSTON
Coloração Creme



WELLA
SOFT
COLOR

Mustela

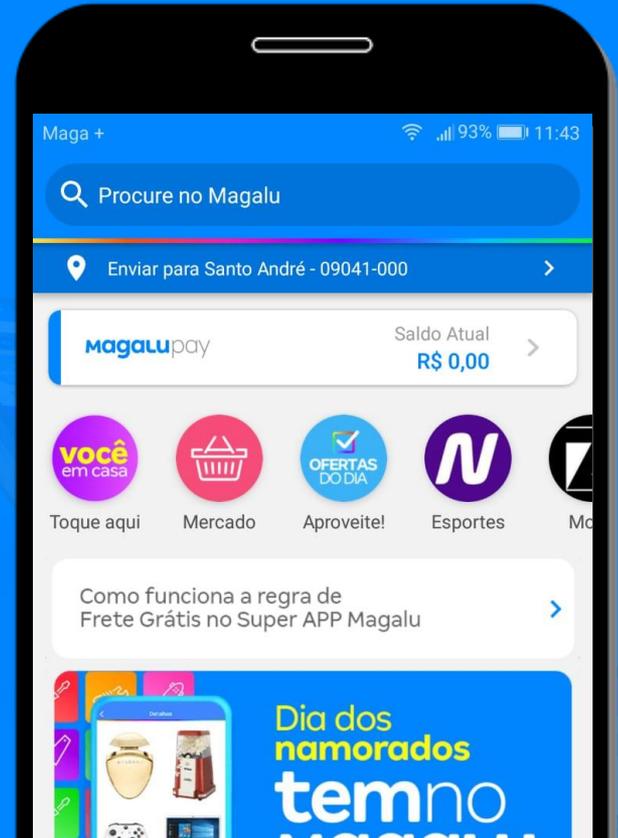


Super App

~70 % **Mobile Sales**
 (Mobile as % of Magalu e-commerce sales)

21 M **MAU**
 (Monthly active users. April/20)
 112% growth compared to April / 19

26 M **App install base**
 (Mar/20)



Faster delivery

Logbee Expansion



2018



2019



2020

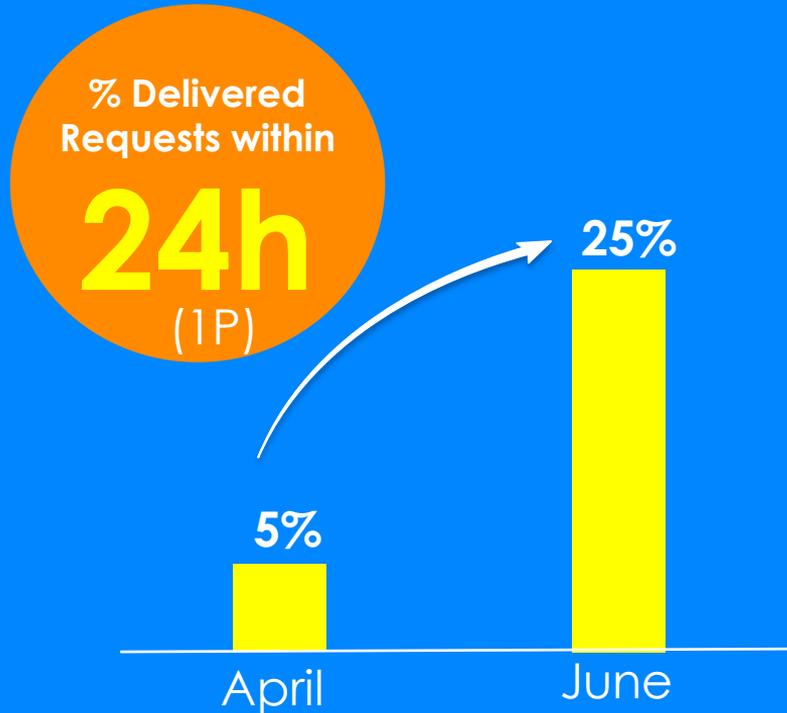
 **+600**

Stores with
Ship from Store

+90%

Coverage of
cities where we
have stores

Faster delivery



Logbee



60% courier deliveries

as of June

Malha Luiza

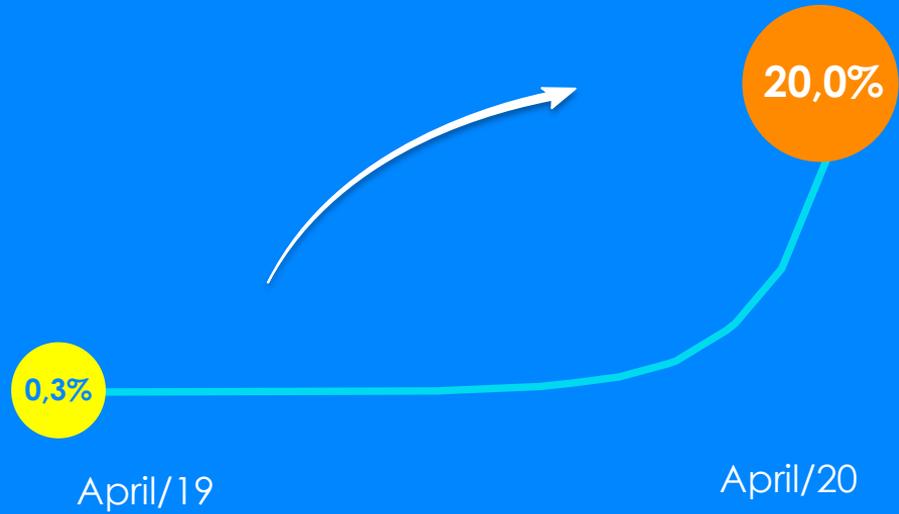


87% total deliveries

as of June

Magalu as a Service

Magalu Delivery - Cross Docking [% of Marketplace sales]

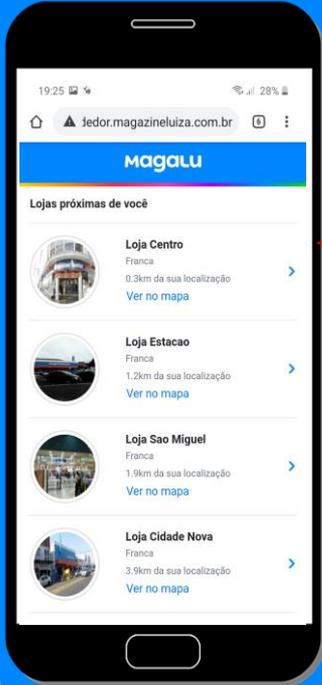


80% of Sellers serviced by Magalu Delivery

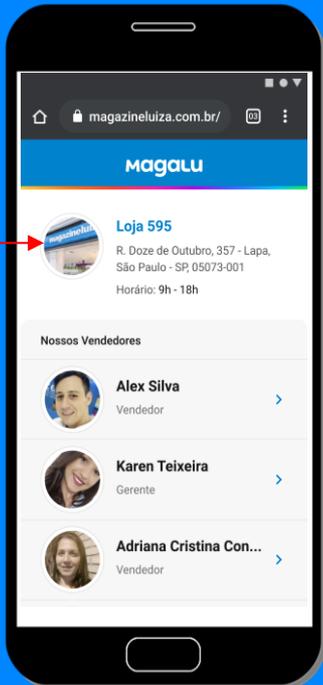
450 Sellers that we currently provide Cross Docking services

Mobile Remote Sales App for Store Employees

- Sale of products and services
- Sale goes to Physical Store
- Use of social networks



Customer



Salesman

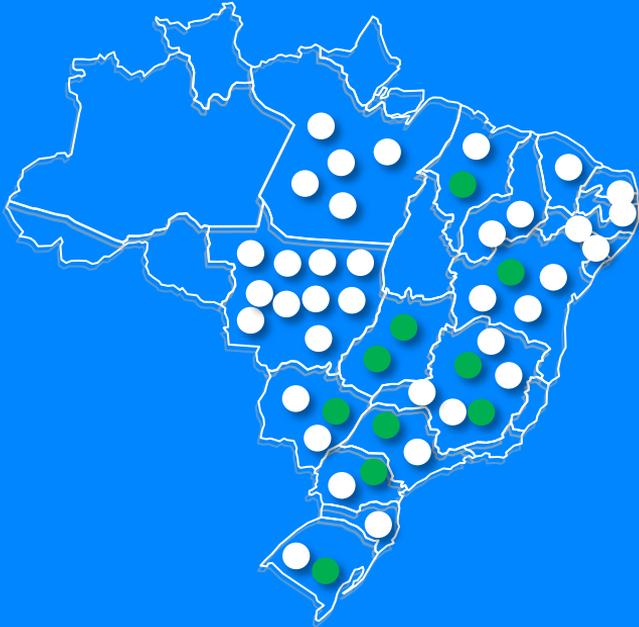


Customer



Physical stores

Store reopening



Illustrative example



Positive same store sales growth (SSS)



40% of the total **physical** stores reopened until May 25

Magalu as a Service



Retailers



Parceiro
Magalu



Freelancers



Enables small, offline merchants to sell online **even with their physical stores closed**

+20 k

Merchants

Extra income without leaving home selling Magalu products

+300 k

Individuals

Make Brazil digital

Magalu as a service



Anticipation of receivables at **lower rates** than the market



We reached the mark of more than **500 M of total transacted volume (TPV)**



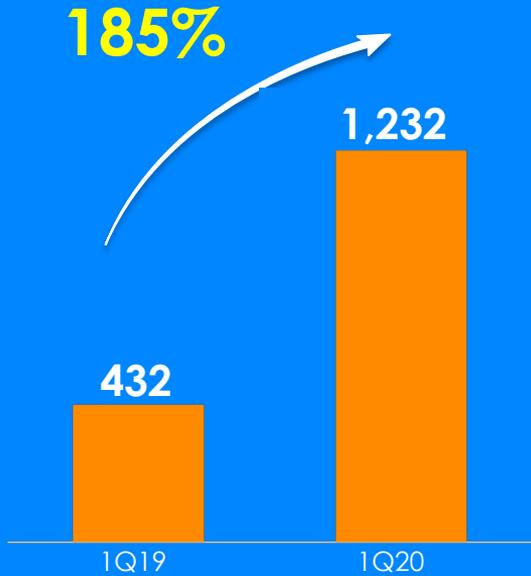
We filed the order with Bacen to become a **regulated payment institution**



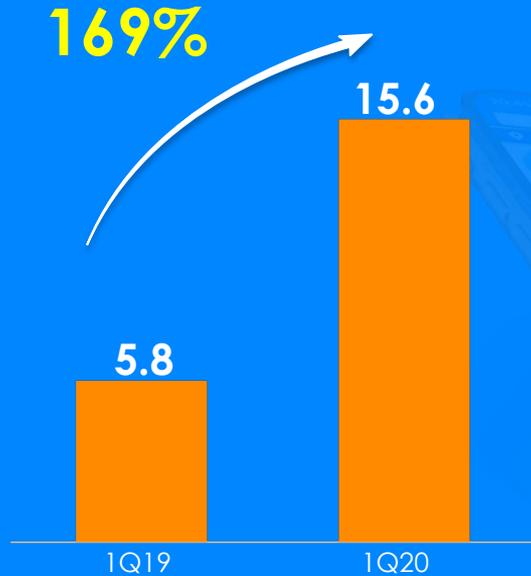
Structuring an **FIDC** to offer **credit** to the seller

Exponential growth (3P)

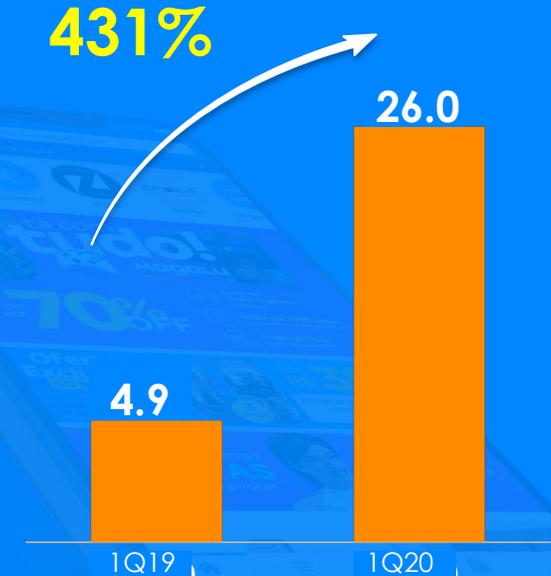
Marketplace sales [MM R\$]



Marketplace SKUs [MM]

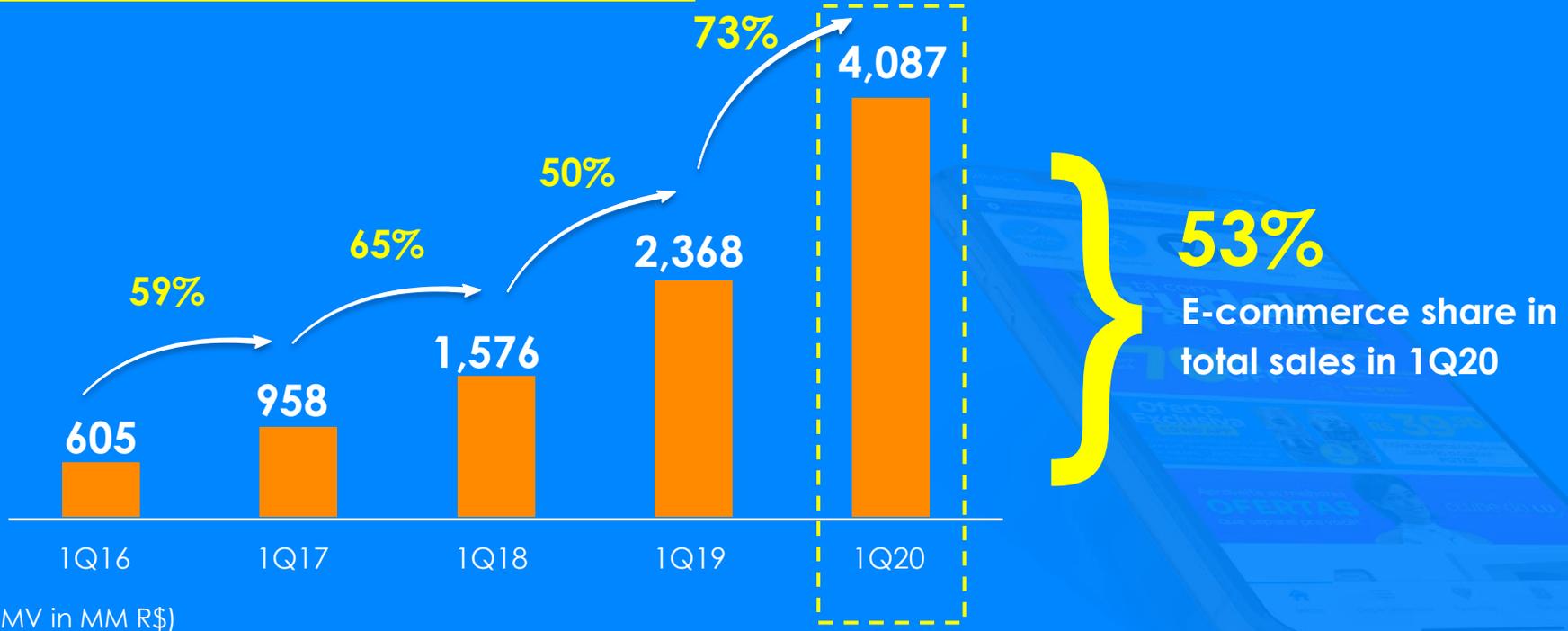


Marketplace Sellers [k]



E-commerce growth

Evolution of Online GMV [MM R\$; %]

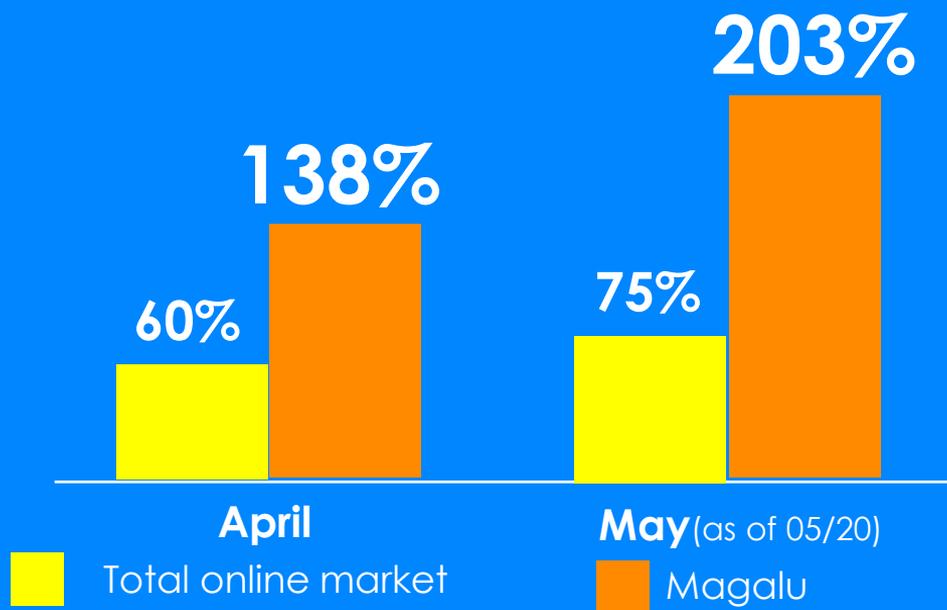


(GMV in MM R\$)

April and May

GMV online growth

[% YoY]



Total sales growth with partially closed stores

April
+6%

May
+46%

Total sales growth
[19 vs 20; May - as of 05/20]

The controlling families also did their part

- Purchase of artificial respirators, beds, mattresses and pillows for public hospitals ;
- Cardiac monitors for public hospitals, Hospital Emílio Ribas (São Paulo) and Santa Casa (Franca);
- Donation to the NGO Amigos do Bem (focused on improving the living conditions of people in the poorest regions of the Brazilian Northeast).
- Sale of 1,000 tablets and notebooks at cost price to public school teachers and students

**38 institutions
and 10 states
from Brazil assisted**

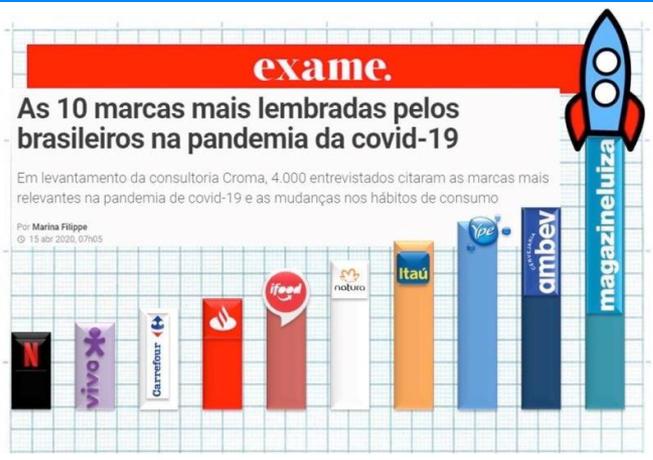
**R\$ 10 million in
donations
by the controlling
families**

While doing good, we further strengthened our brand

Exame Magazine

Medium and Message HSR Survey

Newspaper O Estado de Sao Paulo



HSR lista 20 marcas mais transformadoras na pandemia

Magalu, Netflix, Natura, O Boticário e Ambev lideram a relação das empresas que têm melhor percepção dos consumidores durante a crise



1Q20 Highlights

Sales

- Total sales grew 34%, reaching R\$7.7 billion
- Loss of sales with closed stores estimated at R \$ 500 million
- Same-store sales growth of -4.5% (8% same-store adjusted)

E-commerce

- E-commerce grew 73% (reaching 53% of total sales)
- Marketplace sales grew 185% (30% of E-commerce)

EBITDA

- Investments in service levels, customer acquisition and Netshoes
- Impact of temporary store closures
- Adjusted EBITDA of R\$274 million (8,9% to 5.2% margin)

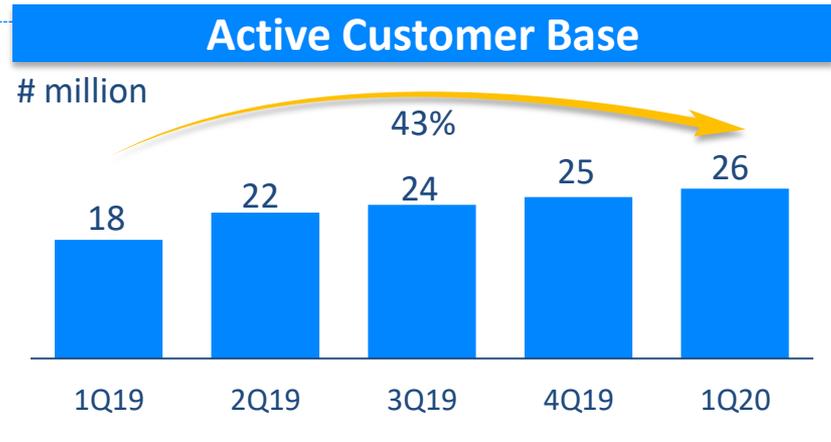
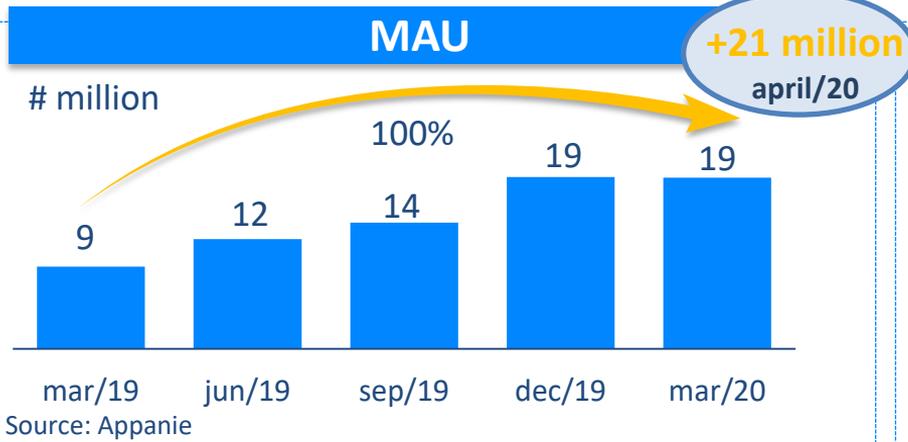
Net Profit

- Dilution of financial expenses from 2.3% to 1.8%
- Net income of R\$31 million (0.6% margin)
- Adjusted loss income of R\$8 million

Capital Structure

- Adjusted net cash of R\$3.8 billion in Mar/20
- Net cash position of R\$4.6 billion and of R\$5.4 billion including new debenture

Evolution of Users



Highlights

- 19 million MAU (including Magalu Superapp, Netshoes, Zattini and Época Cosméticos)

Highlights

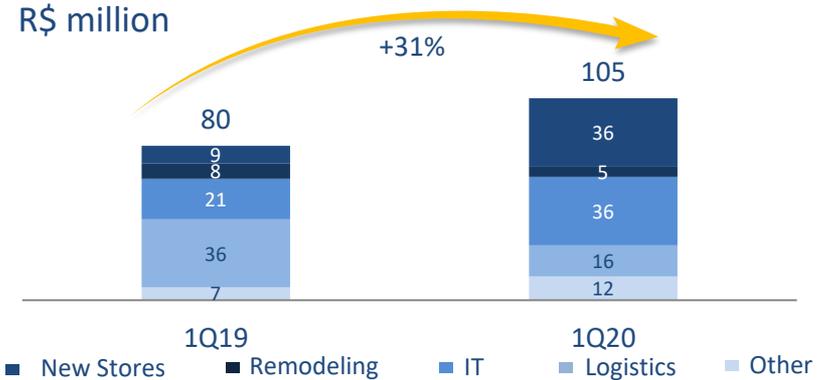
- Growth of 43% in active customer base
- Inclusion of new categories and investment in customer experience contributed to this growth
- The active customer base in e-commerce grew 94%, including Netshoes unique customers

Operating Highlights

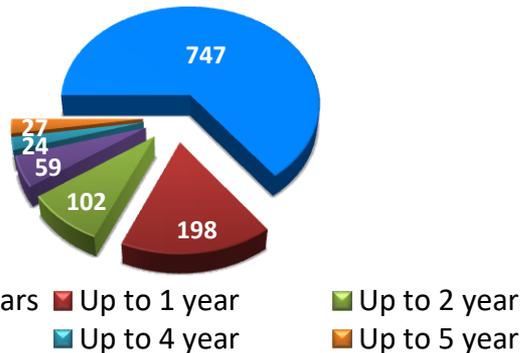
Number of Stores



Capex



Average Age - Stores



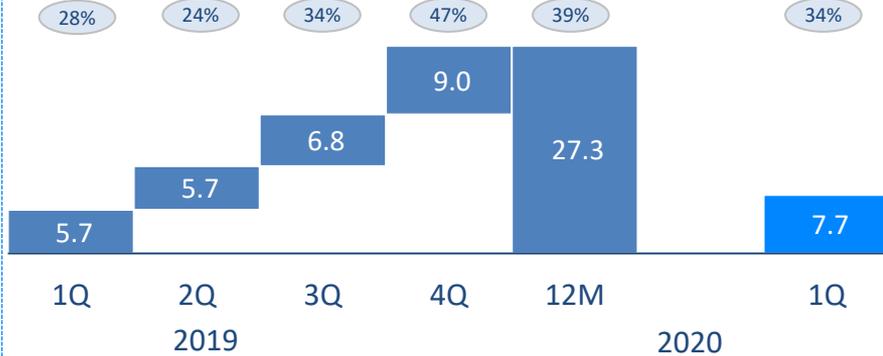
Highlights

- Opened 46 kiosks (Lojas Marisa Partnership)
- Opened 198 stores LTM
- Around 35% of stores are still in the maturation process
- Capex was R\$105 million in 1Q20, largely focused on projects to support growth

Sales Performance

Total Sales

R\$ billion



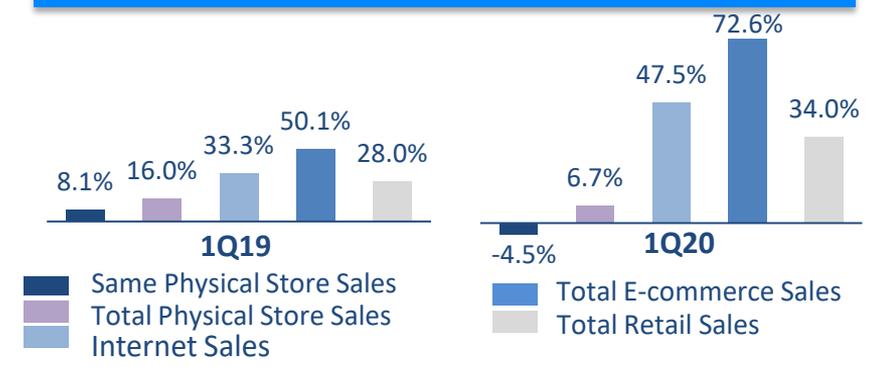
Sales – Total E-commerce*

R\$ million

* Website, App e Marketplace



Sales Growth

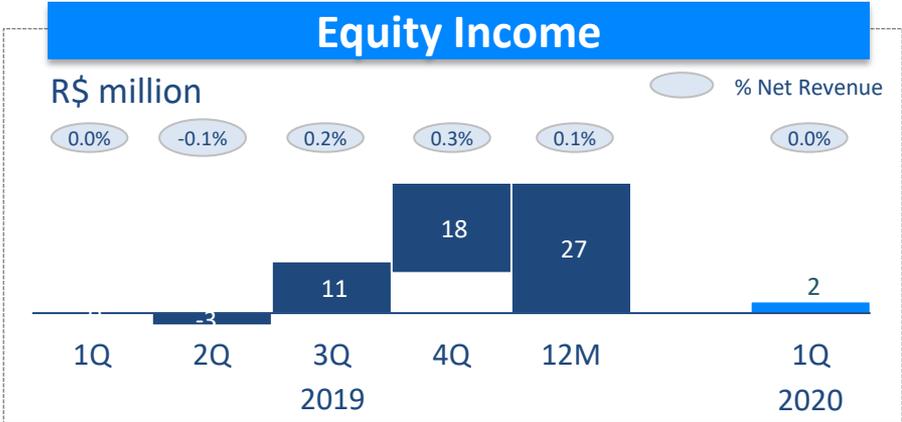
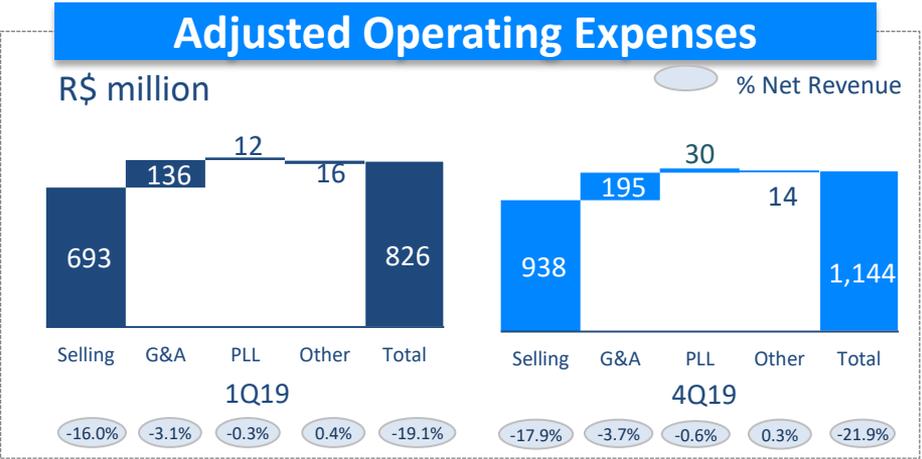
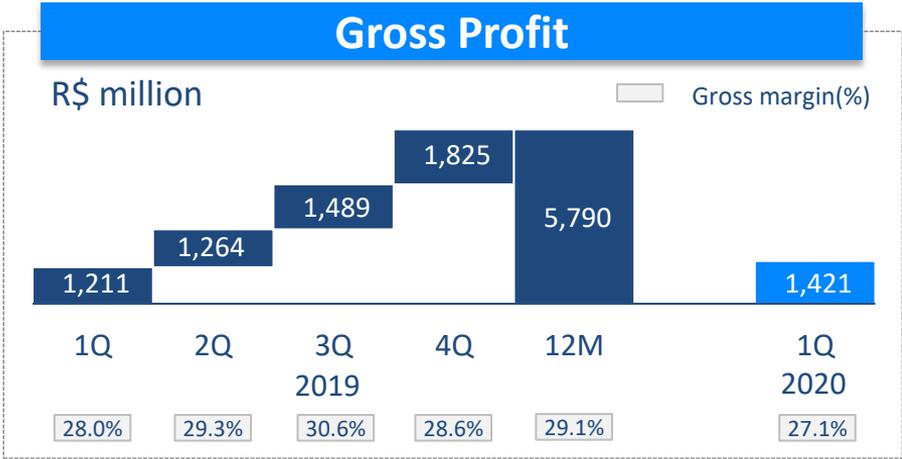


Highlights

- Growth of +34% in Total Sales
- E-commerce share rose from 41% to 53% in 1Q20
- By contrast, according to PMC/IBGE, the Brazilian retail market grew by only 5.6% during 1Q20 and sales of furniture and domestic appliances in Brazil grew by only 1.5% during the period
- Brazilian e-commerce market grew 23.8% in 1Q20 (Ebit)

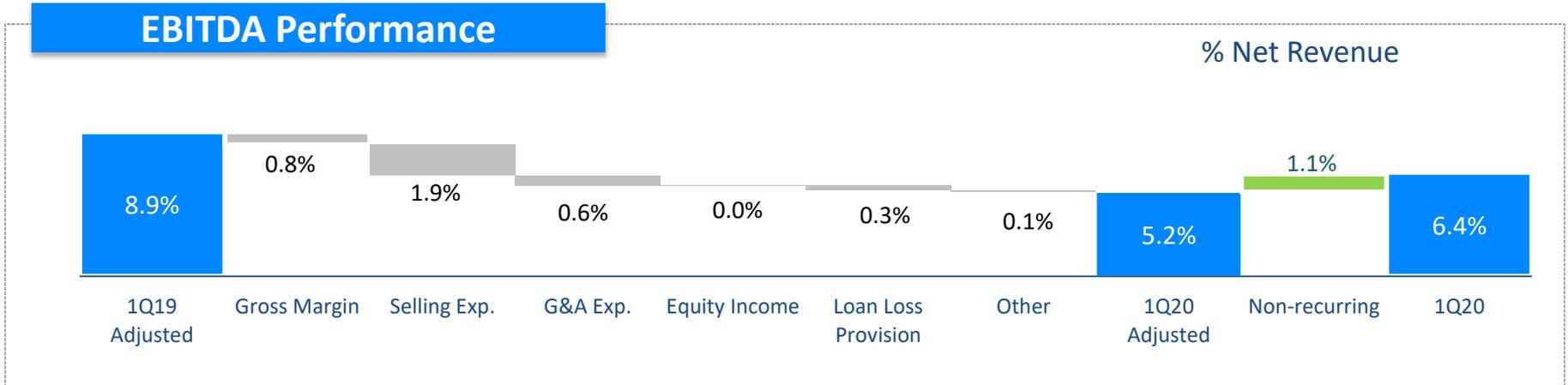
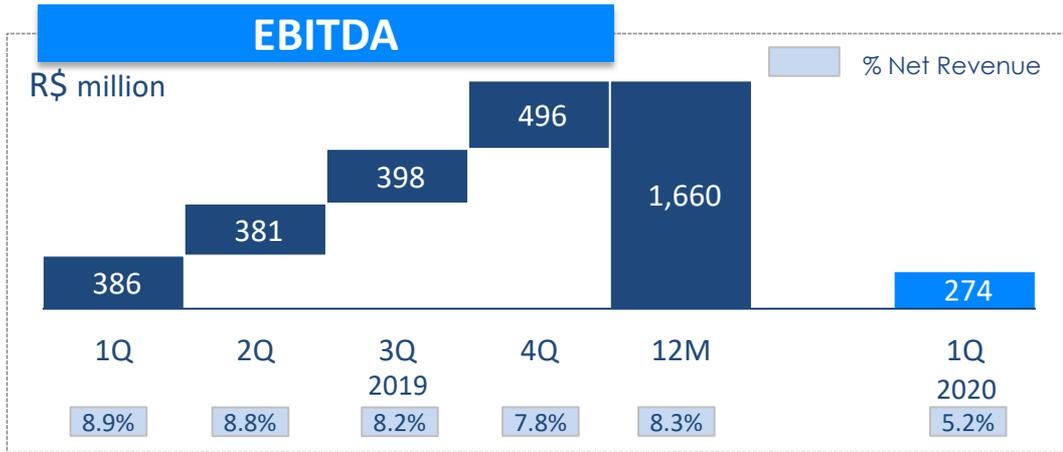
YoY growth comparasion

Gross Profit, Operating Expenses and Equity Income



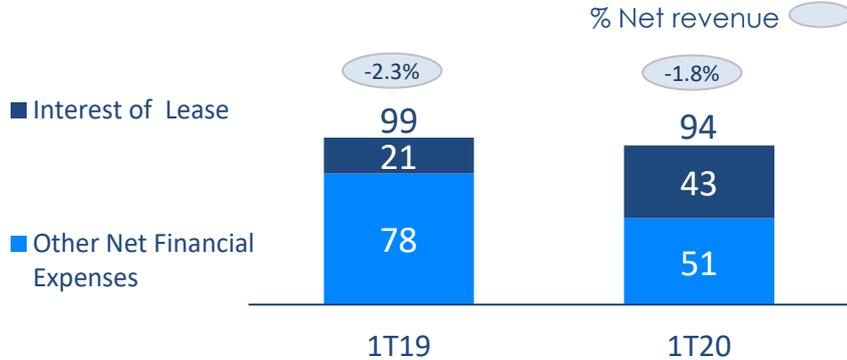
- ### Highlights
- Adjusted Operating Expenses**
 Investments in new customer acquisition; increased service level; Netshoes consolidation, and the effect of temporary store closures
 Stable as percentage of total sales (15.0% in 1Q20)
 - Equity Income**
 Luizacred: R\$4.8 million
 Luizaseg: (- R\$2.3 million)

EBITDA – Adjusted

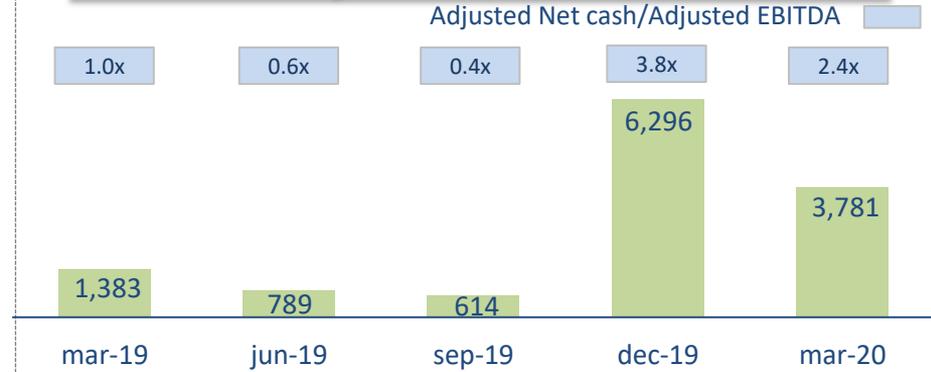


Financial Results and Working Capital

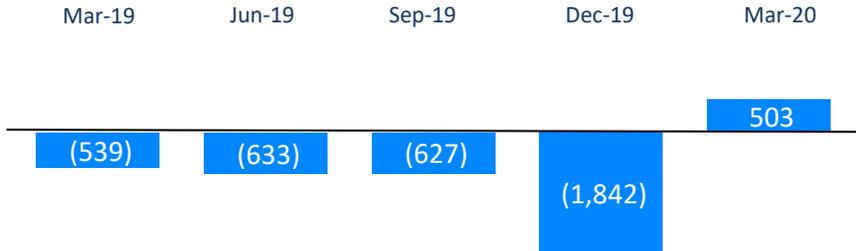
Financial Expenses



Adjusted Net Cash *



Adjusted Working Capital



Highlights

- **Financial Results**
Dilution of 50 bps
- **Working Capital**
Quarterly seasonality, accentuated by the effect of Covid-19
- **Capital Structure**
Variation in working capital, investments, acquisitions and the follow-on offering (Nov/19)

* Including credit card receivables

Adjusted Cash Flow and Net Income

Adjusted Cash Flow



Net Income Adjusted



Highlights

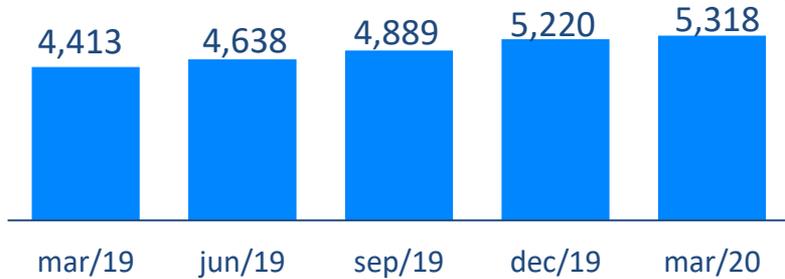
- Total Cash**
 Total cash position of R\$4.6 billion (R\$ 2.6 billion in cash and R\$ 2.0 billion in credit card receivables)
- Net Income**
 Adjusted Net Income of - R\$8 million in 1Q20
 With non-recurring revenues - net income of R\$ 30.8 million in 1Q20 (0.6% margin)

Luizacred

Card Base

Thousand

Cartão Luiza App
+1.1 million
customers



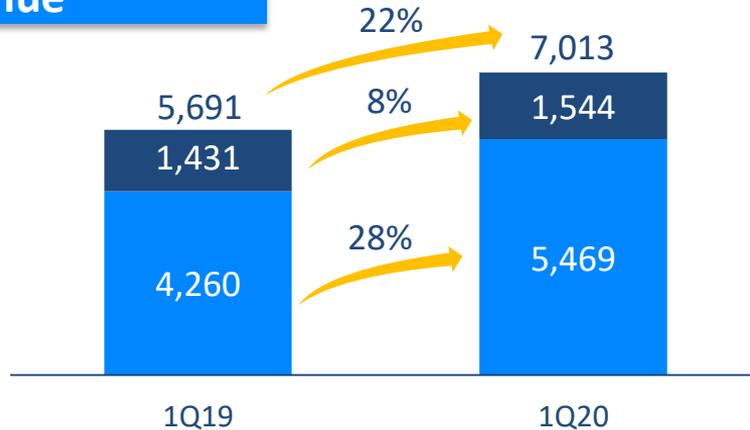
Highlights

- Luiza Card: higher loyalty, purchase frequency and average purchase price
- Luiza Card cardholder base grew 21% in the last 12 months
- Net addition of 97k new card issued in 1Q20

Revenue

R\$million

- Card - Inside ML
- Card - Outside ML



Highlights

- Revenue grew 22%
- Increase in revenues from Luiza Card inside ML Stores (8%) and outside ML Stores (28%)
- Credit portfolio reached R\$11.6 billion (+31% in LTM)

Luizacred – Net Income

Overdue Payments

% portfolio

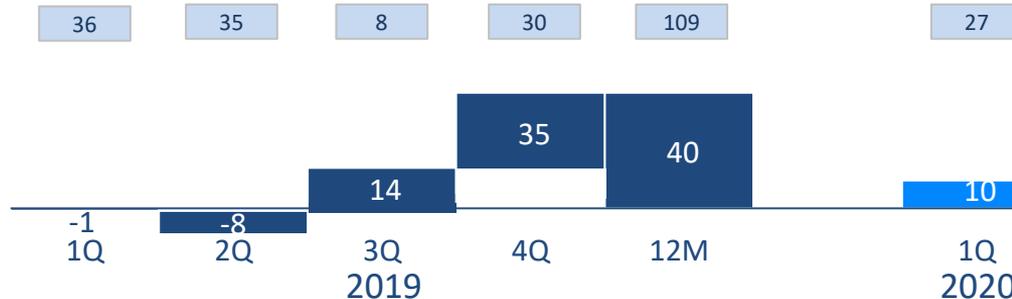


Highlights

- NPL until 90 was 3.3%
- Overdue payments still little impacted by temporary store closures in 1Q20
- Portfolio coverage ration was 175%
- Itaú Unibanco's conservative credit policy

Net Income

R\$ million



Highlights

- Difficulty of customers in paying bills in stores due Covid-19- related temporary store closures
- Incentives for digital payment of invoices, special offers for customers, contact by store staff and partial store reopening to receive payments

Net profit in compliance with accounting practices established by the Brazilian Central Bank



MAGALU

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