



Magazine Luiza

2Q15 Results Conference Call

July, 31st 2015

2Q15 Highlights

Sales

- Consistent market share gains
- Net revenue reduction of 10.1% to R\$2.1 billion: i) strong comparison basis (SSS of +24.5% in 2Q14); ii) TV sales effect and iii) more challenge macroeconomic environment

E-commerce

- E-commerce share in total sales increased to 17.6% in 2Q15 from 15.7% YoY

Operating Expenses

- SG&A expenses fell by 0.9% in 2Q15 YoY, due to lower sales performance

EBITDA

- EBITDA margin increased 30 bps to 6.0% reaching R\$126.6 million in 2Q15, due to: gross margin gain and equity income improvement

Equity Income

- Luizacred and Luizaseg equity income presented an excellent performance once again to R\$20.8 million compared to 2Q14

Net Income

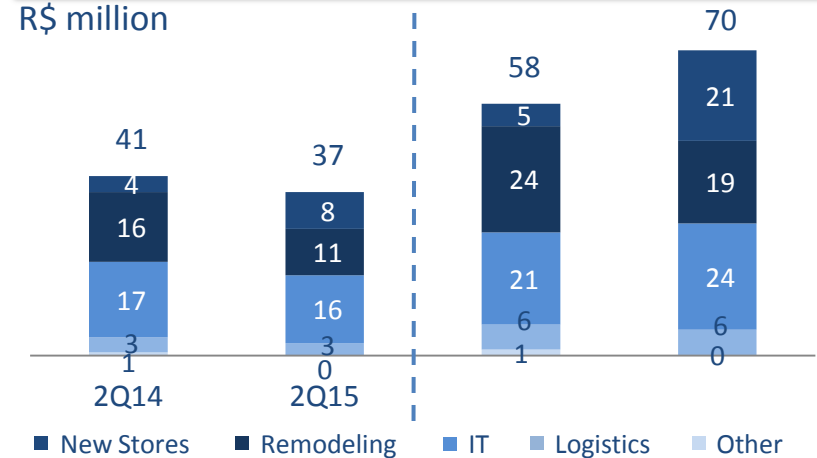
- Net income of R\$3.0 million in 2Q15, for net margin of 0.1%

Operating Highlights

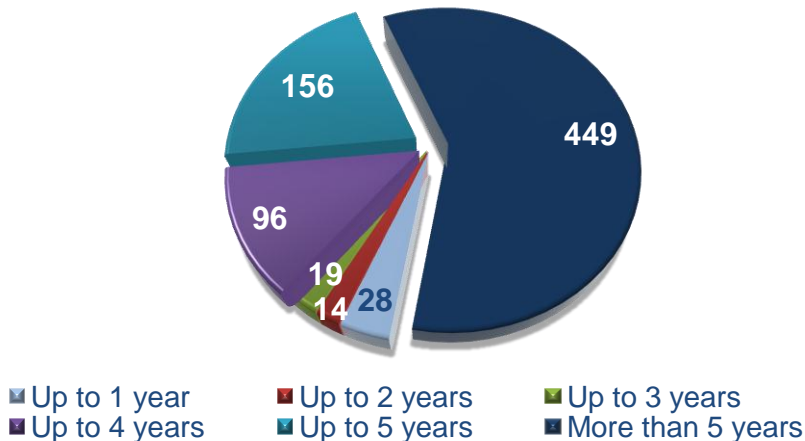
Number of Stores



Capex



Average Age - Stores



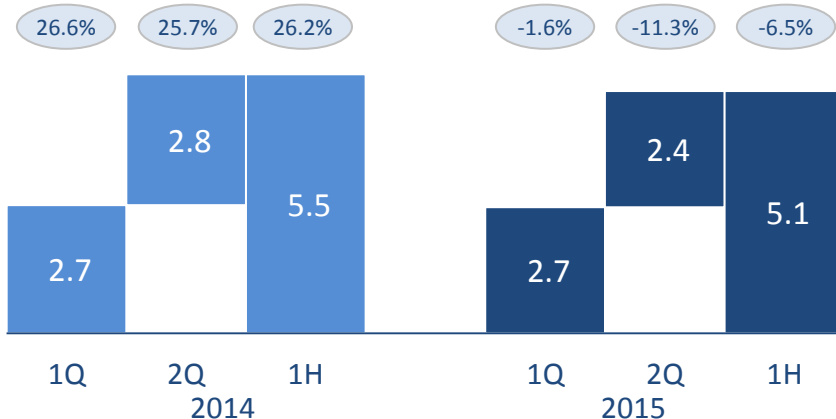
Comments

- Opened 3 new stores in 2Q15
- Approximately 41% of stores are still in the maturity process

Sales Performance

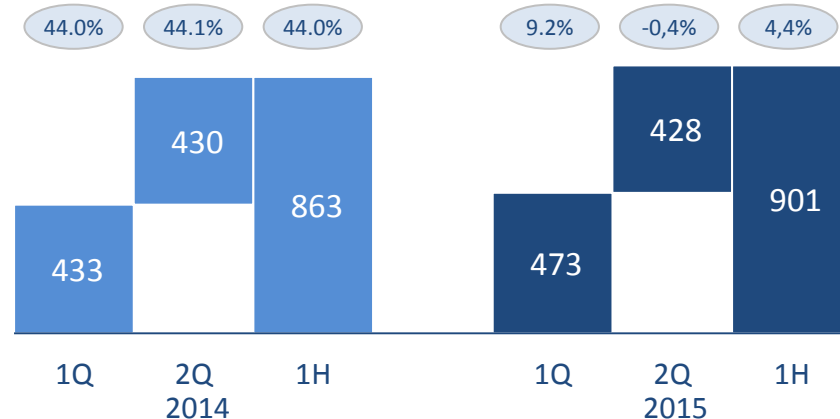
Gross Revenue - Consolidated

R\$ billion

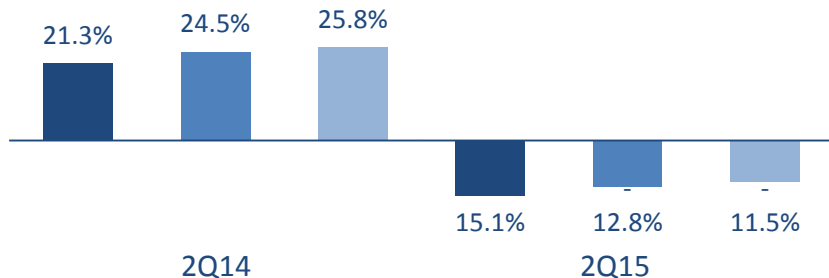


Gross Revenue - Internet

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

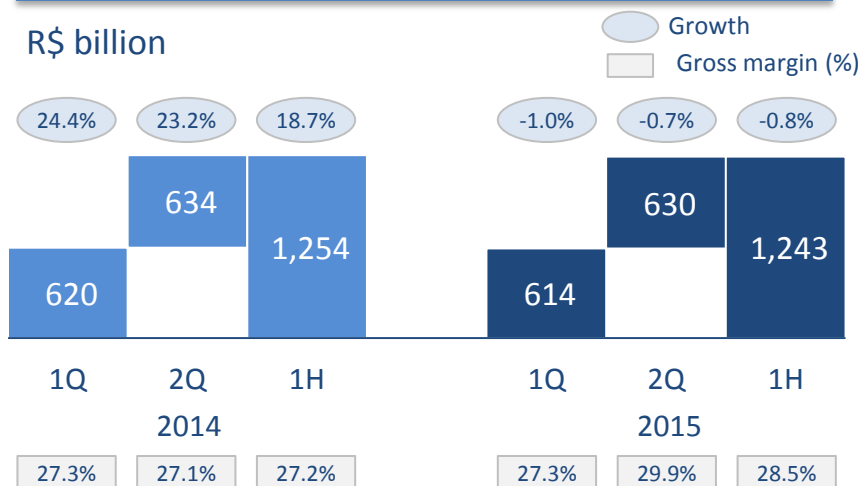
- Market share gains
- Sales increase excluding World Cup effect (0.6%)
- Strong comparison basis (+24.5% SSS in 2Q14)

Growth over the same period of last year

Gross Profit, Operating Expenses and Equity Income

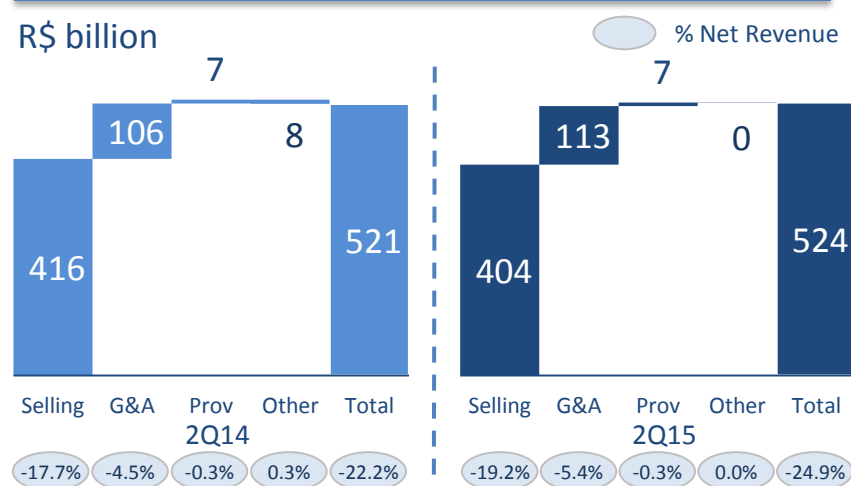
Gross Profit

R\$ billion



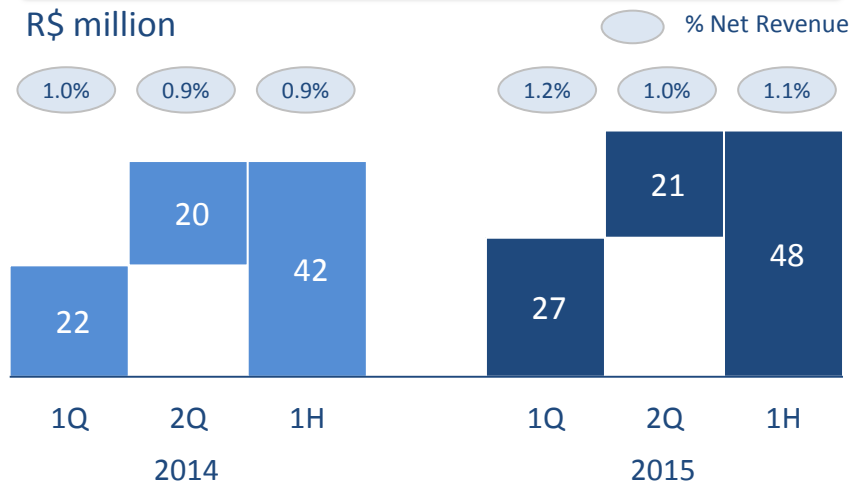
Operating Expenses

R\$ billion



Equity Income

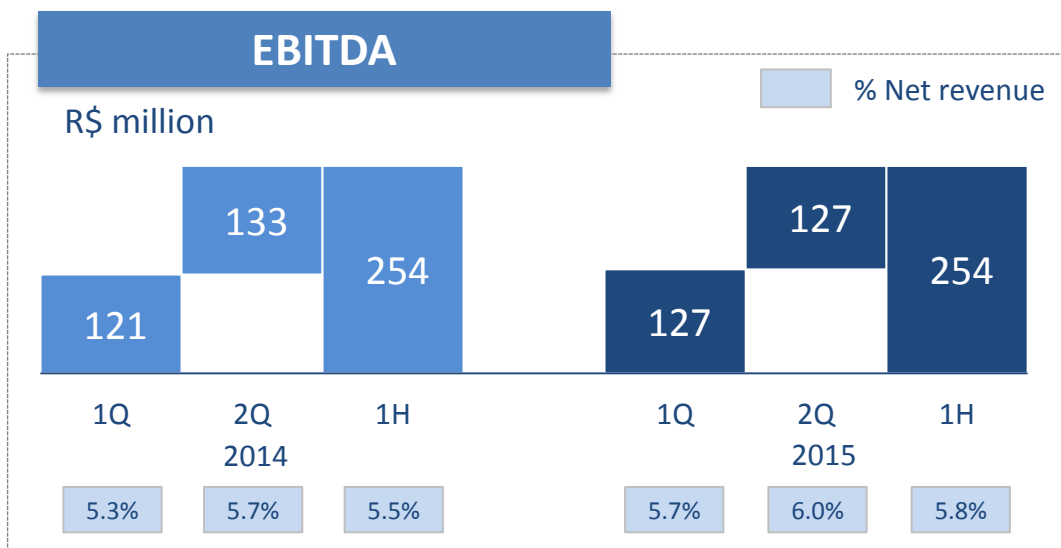
R\$ million



Comments

- Gross Margin**
 - Increased to 29.9%, due to: i) a better sales mix; ii) freight and assembly charging in SE; iii) increase in services participation and iv) better supply negotiations
- SG&A expenses**
 - Reduction of 0.9% YoY due to lower sales performance
- Equity Income**
 - Luizacred : net income of R\$33.5 million, 25.4% ROE
 - Luizaseg : net income of R\$8.2 million, 40.9% ROE

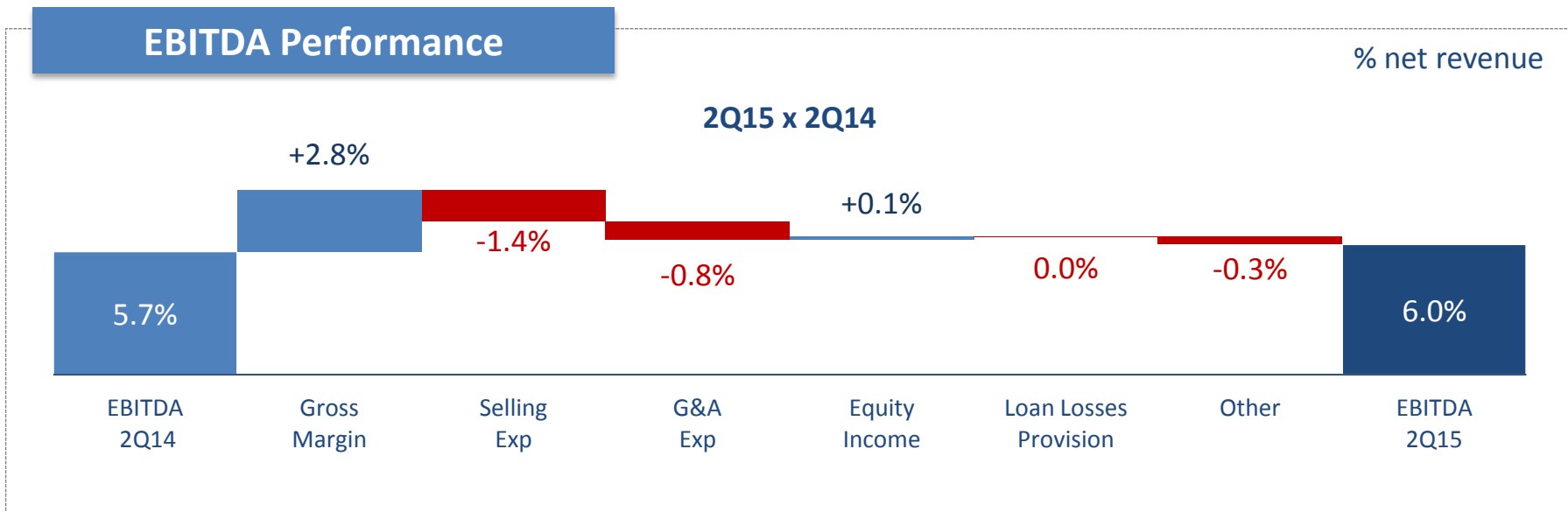
EBITDA



Comments

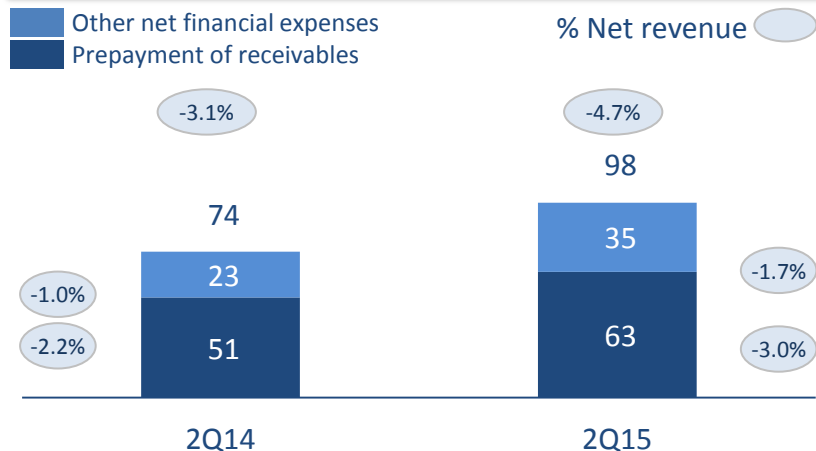
EBITDA

- EBITDA margin of 6.0%, 30 bps increase versus 2Q14
- Impacts:
 - (i) Gross margin gains of 280 bps and,
 - (ii) Increase in equity income from Luizacred and Luizaseg

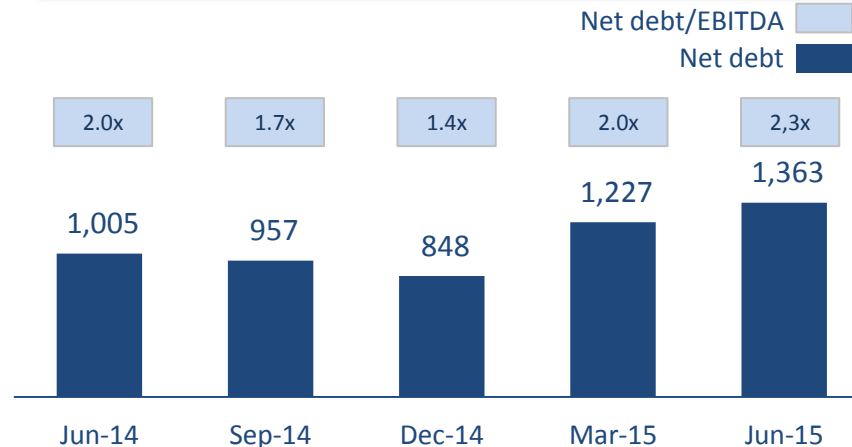


Financial Results and Working Capital

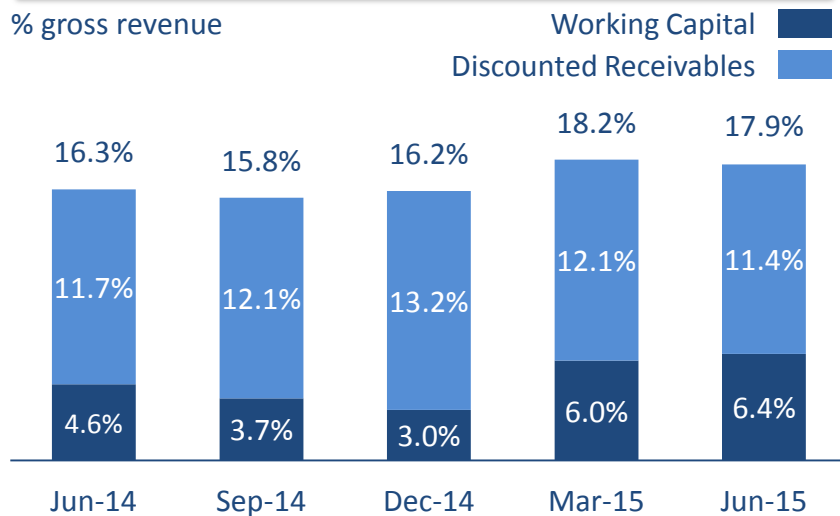
Financial Results*



Net Debt



Working Capital



Comments

Financial results

- 4.7% of net sales in 2Q15 (3.1% in 2Q14) due to higher interest rates in the period and working capital needs variation

Working Capital

- Rose to 6.4% of LTM sales in Jun/15 mainly due to lower sales performance

Net Debt

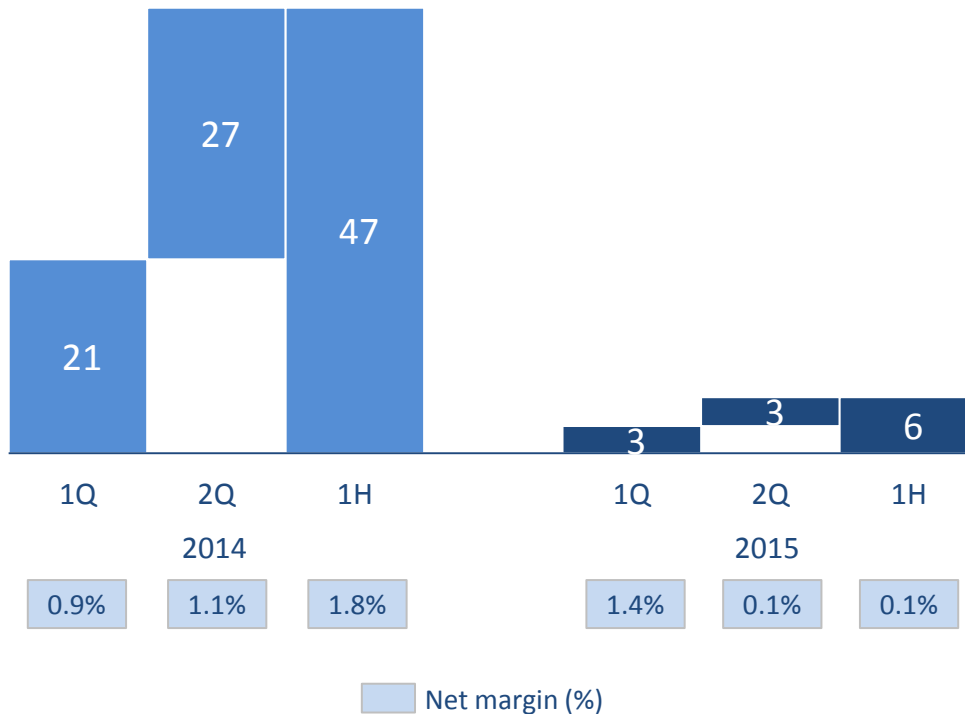
- Increase in leverage in 0.3x EBITDA from Jun-14 to Jun-15

* Adjusted for Income from security fund

Net Income

Net Income

R\$ million



Comments

Net income in 2Q15

- Net income totaled R\$3.0 million, for a net margin of 0.1%
- Earnings impacted by sales performance and higher financial expenses due to higher interest rate in the period

Net income in 1H15

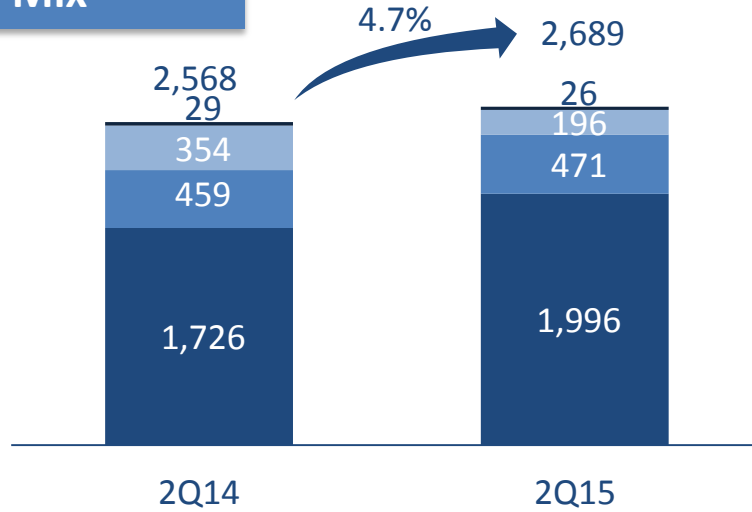
- Net income reached R\$5.9 million, for a net margin of 0.1%
- Earnings impacted by stronger comparison basis and World Cup effect which positively impacted 1H14

Luizacred

Revenue Mix

R\$ million

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



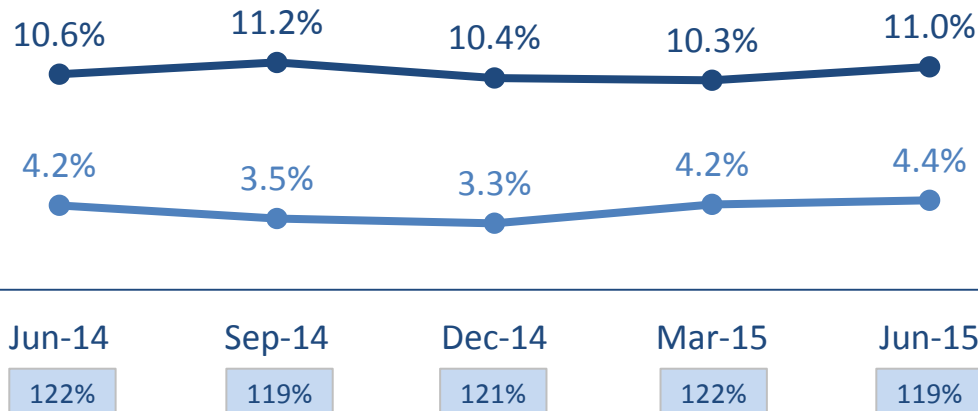
Comments

- Increase in cardholder's base from 3.4 million to 3.5 million (+3.6%)
- Gross billings up 4.7% in 2Q15
- Increase of 2.7% of Luiza Card revenue inside Magazine Luiza stores and 15.7% outside
- 44.8% drop in DCC revenues on more conservative credit policy

Overdue Payments

% portfolio

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



Comments

- Provision for loan losses over total sales nearly stable in 45.4% in 2Q15 from 45.5% in 2Q14
- Provision for bad debts stable in 3.5% in 2Q15 and in 2Q14
- Maintain the conservative credit approach: low approval rates and close monitoring of overdue payments


2015 Outlook

- Strengthen our multichannel strategy
- Grow above market average
- Consolidate Northeast operations
- Maintain commercial competitiveness and media visibility
- Rationalize costs and expenses dilution
- Focus on profitability of operation


#abraceonovo (#embrace thenew) Movement

 From: “Traditional retail Company with e-commerce operation”
Into: “Digital Company, with physical locations and human heat”

 Enhance the multichannel approach to the business
(multichannel clients are more loyal)

 Digitalize the store experience
(mobile sales and mobile assembler)

 Increase site and stores integration

 To be present where, when and how our clients prefer



movimento
#abraceonovo



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