

3Q19 Conference Call October 30, 2019



Drivers 2019

magalu



E-commerce

- Growth of 96% (54% without Netshoes)

- 14 million MAU including Magalu Superapp, Netshoes, Zattini and Época Cosméticos

- Netshoes: sales growth (R\$700 million) and margin EBITDA break-even

- Netshoes:
 - In Store Pick up at Magalu stores
 - Netshoes environment inside the Magalu Superapp
 - Catalog Integration

- *Shipping from store* now available in more than 145 stores

Marketplace

- Growth of 300% (vs 3Q18)
- R\$854 million of GMV (26% of total e-commerce sales)

- 11 thousand sellers and 12 million SKU's
- 1st ExpoMagalu with more than 1,200 sellers

- 100% of transactions have invoice issuance

- Magalu Entregas: basic model: 72% of sellers

Physical Stores

- Entry in two new states: Mato Grosso and Pará (with a historical inauguration)

- 52 new stores opened during the quarter, our 1000th store launched in Franco da Rocha

- Marketshare gains of 1.5p.p.

- Total sales up 19% (9% same store sales)

Clients

- 24 million active customers (+44% versus 3Q18)
- RA 1000 Seal at physical stores and e-commerce (including marketplace) – highest score
- First call resolution reached 95%
- Average NPS of 79% (+3 p.p.)
- Express Delivery: 42% of total last-mile deliveries

3Q19 Highlights - Adjusted

Sales

- Total sales grew 47%, reaching R\$6.8 billion
- Total Physical Store Sales grew 19% (9% in Same Store Sales)

E-commerce

- E-commerce grew 96% (reaching 48% of total sales)
- Marketplace sales grew 300% (26% of share)

Gross Profit

- Gross profit grew 37% (a increase of 0.9 p.p. in gross margin)
- New categories, especially by Netshoes sales, and marketplace

Operational Expenses

- Represent 24% of net revenue
- Netshoes, investments in service levels and customer acquisition

EBITDA Net Profit

- EBITDA of R\$301 million (6.2% margin)
- Net income of R\$136 million (2.8% margin)

Operating Cash Generation

- Cash flow from operations reached R\$0.8 billion in LTM
- ROIC of 20% (3Q19) and 23% LTM

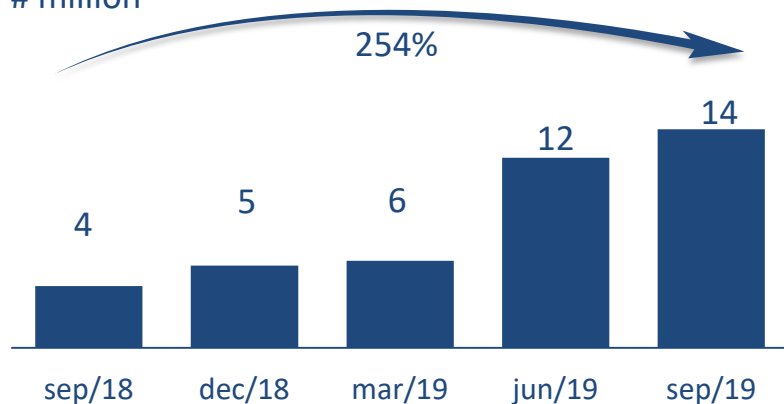
Capital Structure

- Adjusted net cash of R\$0.6 billion in Sep/19
- Net cash position of R\$1.8 billion

Evolution of Users

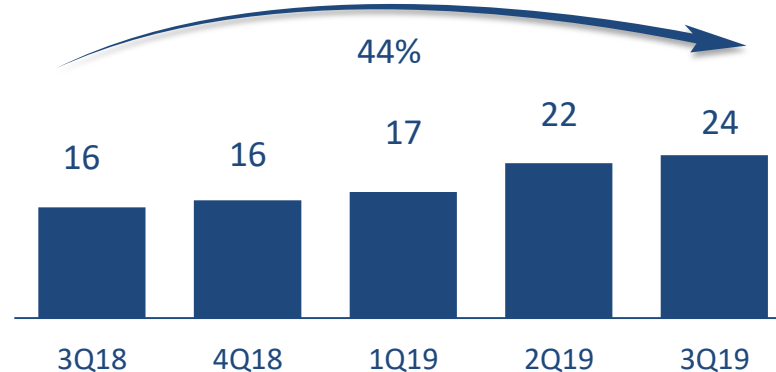
MAU

million



Active Customer Base

million



Highlights

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

Highlights

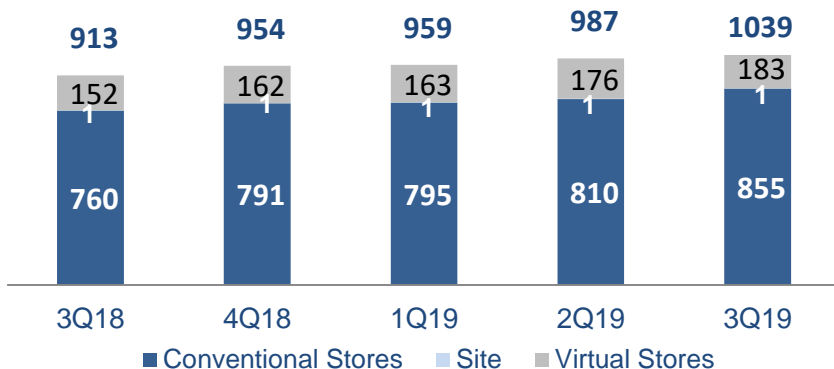
- Growth of 44% in active customer base
- Inclusion of new categories and investment in customer experience contributed to this growth
- The active customer base in e-commerce grew 98,8% considering Netshoes unique customers

Operating Highlights

Number of Stores

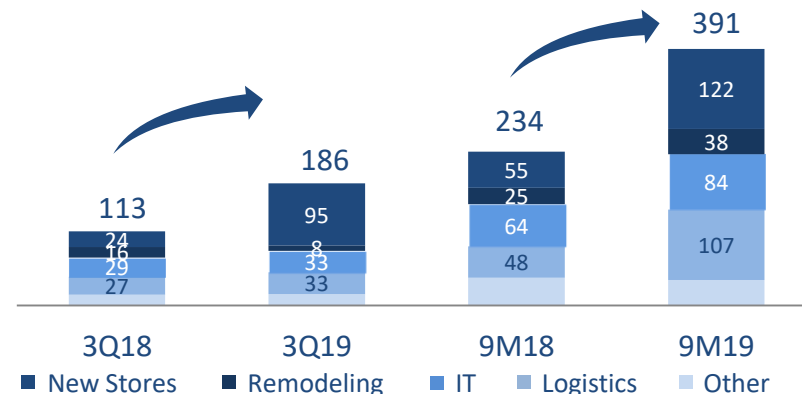
stores

+126 stores

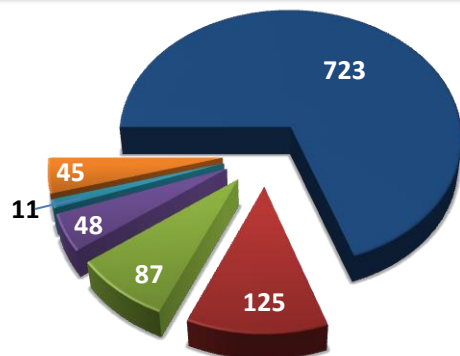


Capex

R\$ million



Average Age - Stores



- More than 5 years
- Up to 1 year
- Up to 2 year
- Up to 3 year
- Up to 4 year
- Up to 5 year

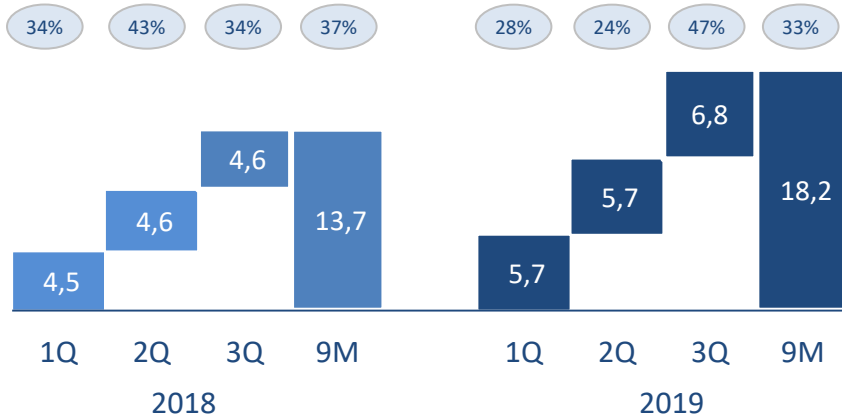
Highlights

- Opened 52 stores in 3Q19 and entered in the states of Pará and Mato Grosso
- Around 30% of stores are still in the maturation process
- Capex was R\$186 million, in projects to support growth

Sales Performance

Total Sales

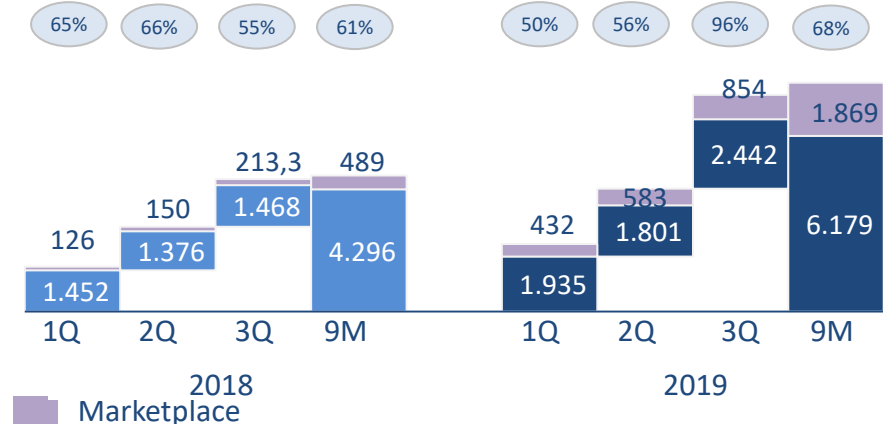
R\$ billion



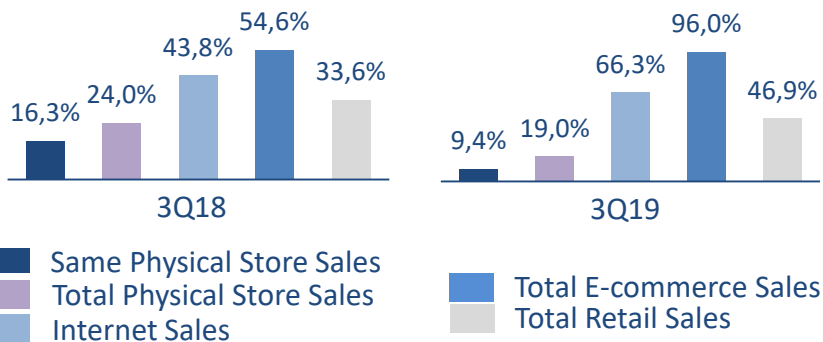
Sales – Total E-commerce*

R\$ million

* Website, App and Marketplace



Sales Growth



Highlights

- E-commerce share rose from 36% to 48% in 3Q19
- By contrast, sales of furniture and domestic appliances in Brazil grew only 4.1% in the first eight months (PMC/IBGE)
- Brazilian e-commerce market grew 27.4% (E-bit)

YoY growth comparison

Gross Profit, Operating Expenses and Equity Income

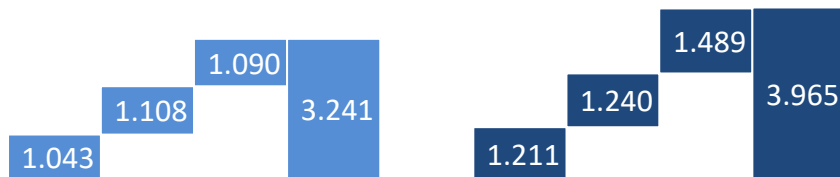
Gross Profit

R\$ million

Gross margin (%)

28.9% 30.0% 29.7% 29.5%

28.0% 29.2% 30.6% 29.4%

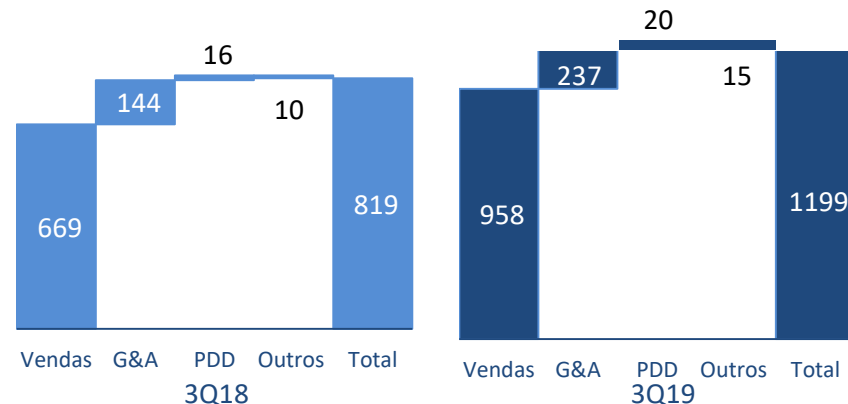


1Q 2Q 3Q 9M 1Q 2Q 3Q 9M
2018 2019

Operating Expenses

R\$ million

% Net Revenue



-18,2% -3,9% -0,4% 0,3% -22,3% -19,7% -4,9% -0,4% 0,3% -24,6%

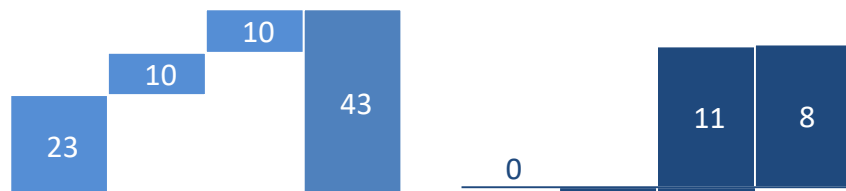
Equity Income

R\$ million

% Net Revenue

0.6% 0.3% 0.3% 0.4%

0% -0.1% 0.2% 0.1%



1Q 2Q 3Q 9M 1Q 2Q 3Q 9M
2018 2019

Highlights

Operating Expenses

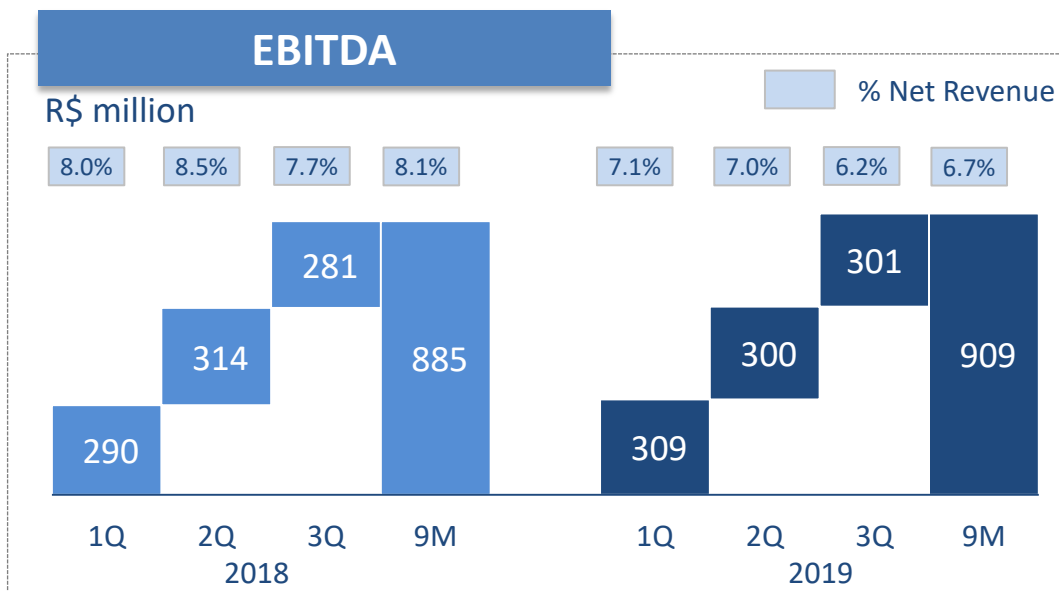
24.6% of Net Revenue – Netshoes and investments in new customer acquisition and increased service level

Equity Income

Luizacred: R\$7.2 million

Luizaseg: R\$3.4 million

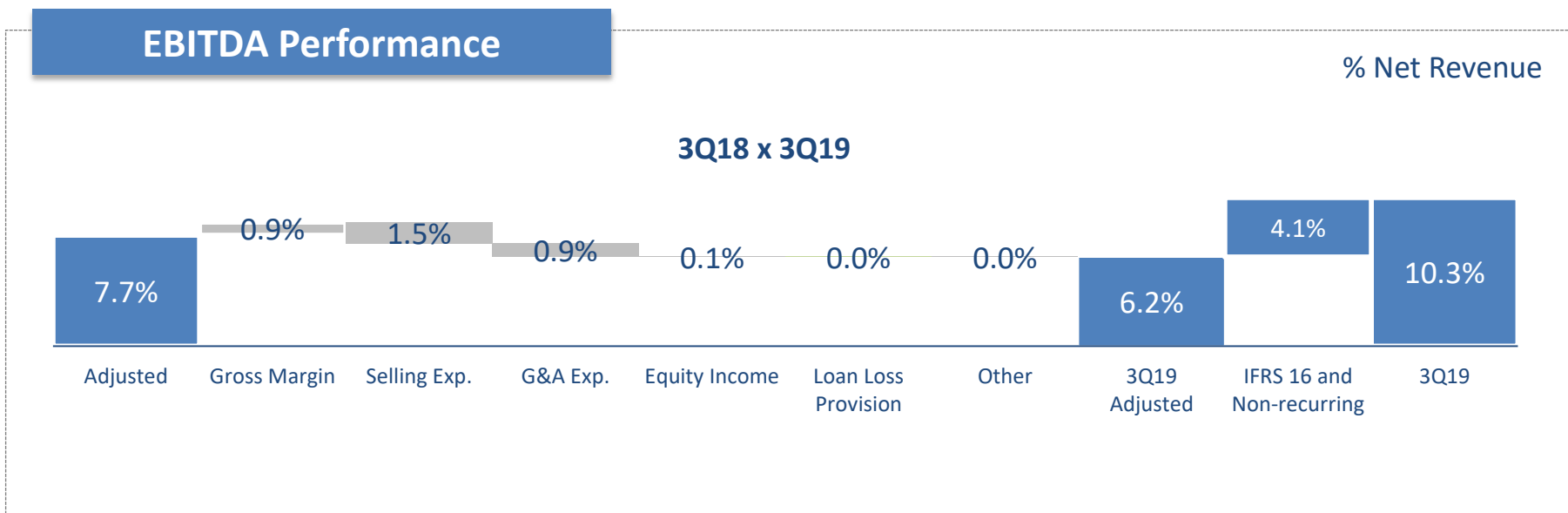
EBITDA



Highlights

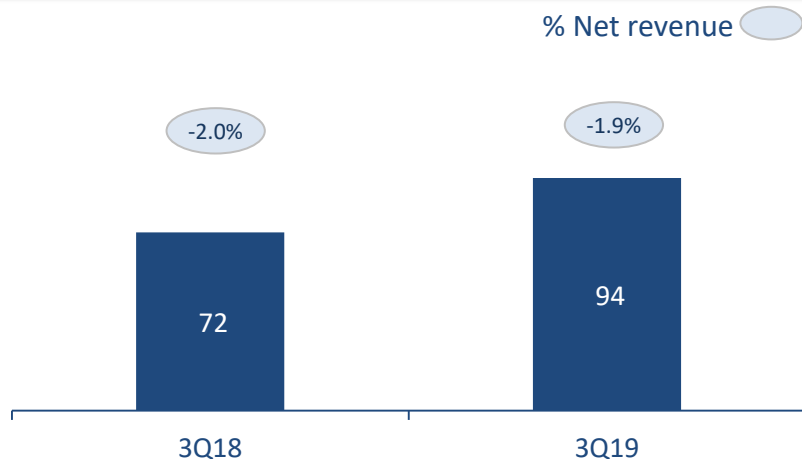
EBITDA

- Adjusted EBITDA of R\$301 million
- EBITDA margin of 6.2%
- Due to:
 - Sales growth
 - Positive e-commerce contribution
 - Investment on customers
 - Netshoes

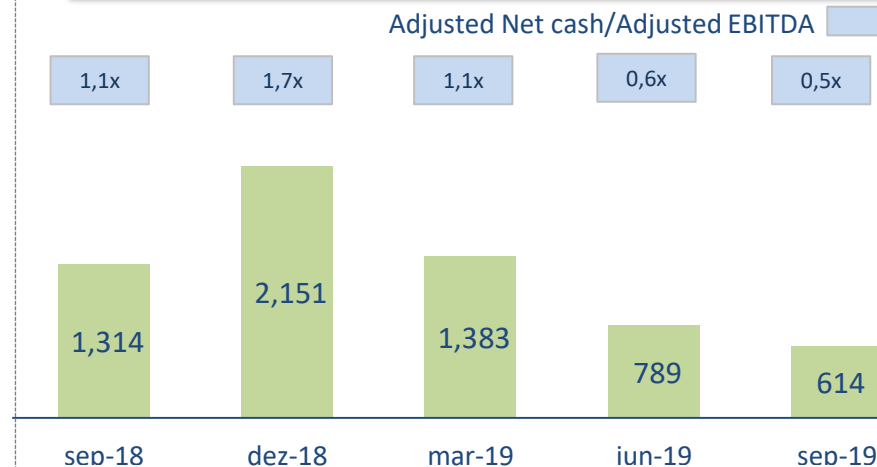


Financial Results and Working Capital

Adjusted Financial Expenses

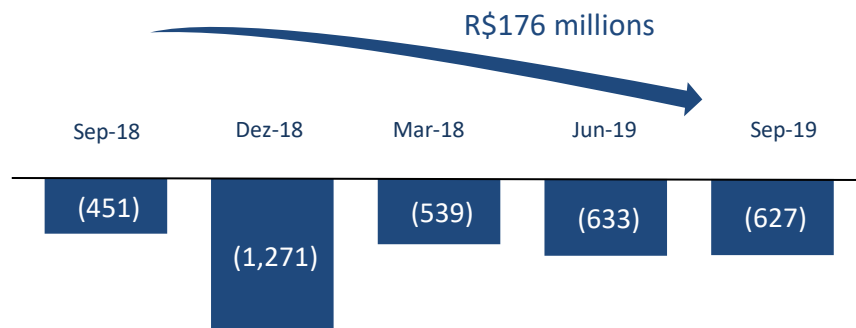


Adjusted Net Cash**



Adjusted Working Capital

% Gross revenue



Highlights

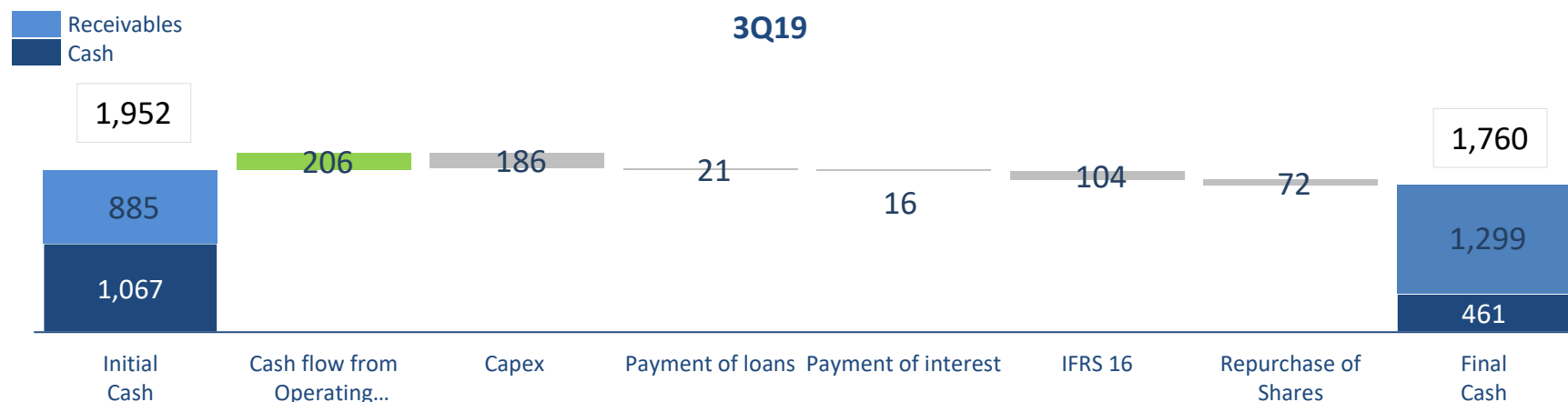
- Financial results**
 Pro forma Net Financial Results R\$93.9 million in 3Q19
- Working Capital**
 Disciplined working capital management
- Capital Structure**
 Net cash variation it totally related to the Netshoes acquisition (jun/19)

** Including credit card receivables

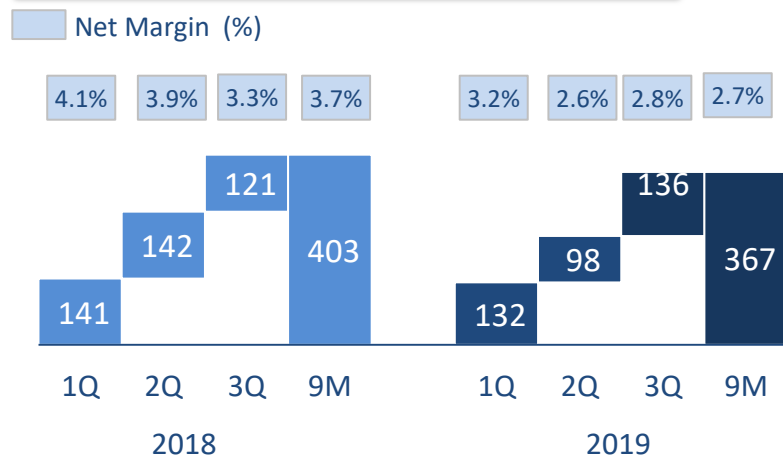
Adjusted Cash Flow and Net Income

Adjusted Cash Flow

3Q19



Net Income Adjusted



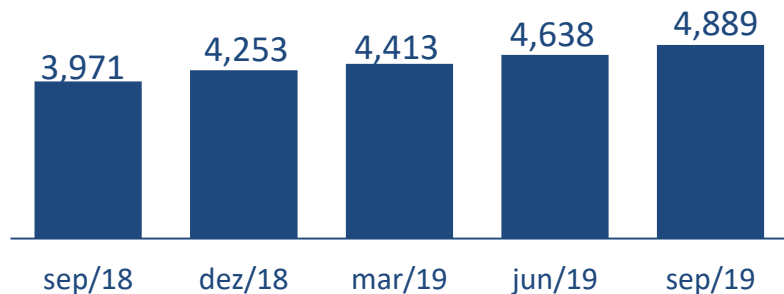
Highlights

- Net Cash**
 Total cash position of R\$1.8 billion (R\$0.5 billion in cash and R\$1.3 billion in credit card receivables)
- Net Income**
 Adjusted Net Income of R\$136 million in 3Q19

Luizacred

Card Base

Thousand



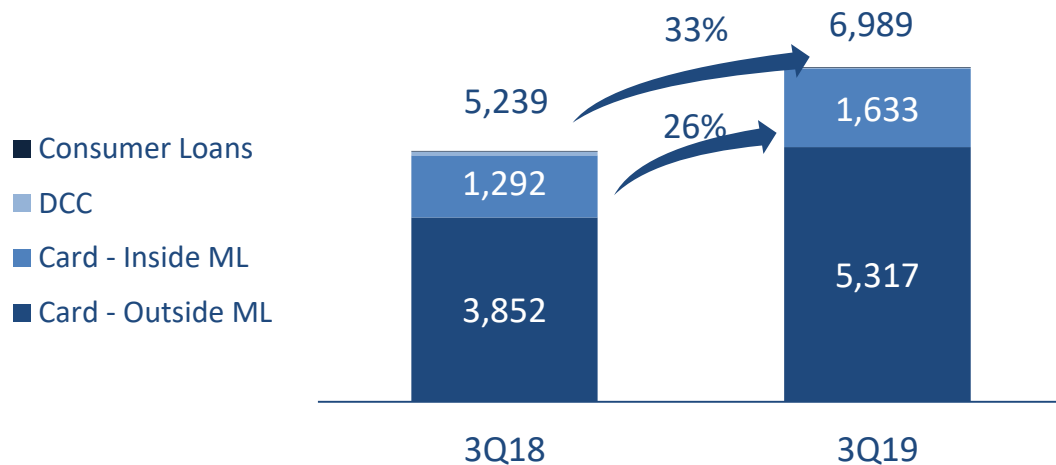
Cartão Luiza App
+786k
downloads

Highlights

- Luiza Card: higher loyalty, purchase frequency and average purchase price
- Luiza Card cardholder base grew 23% in the last 12 months
- Net addition of 251,000 new cards issued in 3Q19

Revenue

R\$ million



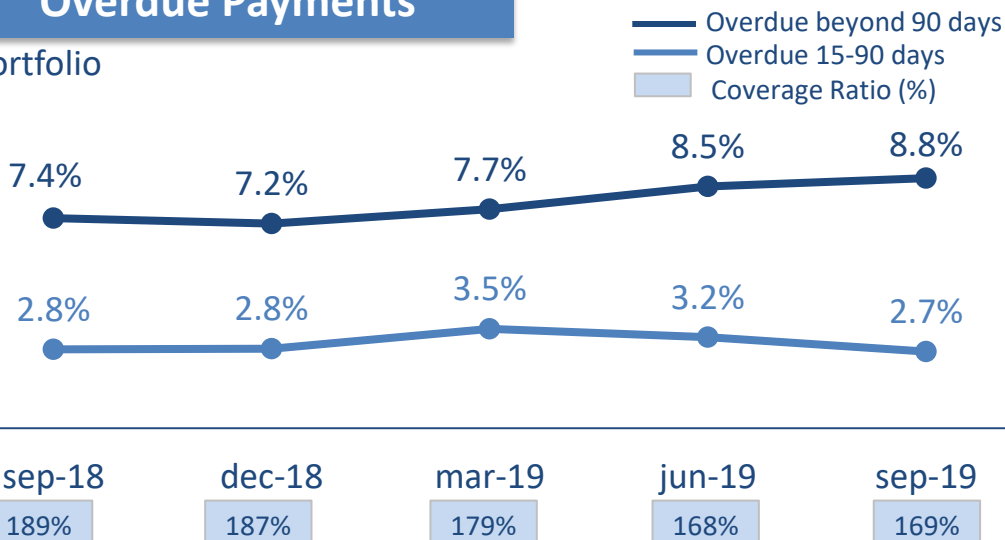
Highlights

- Revenue grew 33%
- Increase in revenues from Luiza Card inside ML stores (26%) and outside ML stores (38%)
- Credit portfolio reached R\$10.3 billion (+42% in LTM)

Luizacred - Net Income

Overdue Payments

% portfolio

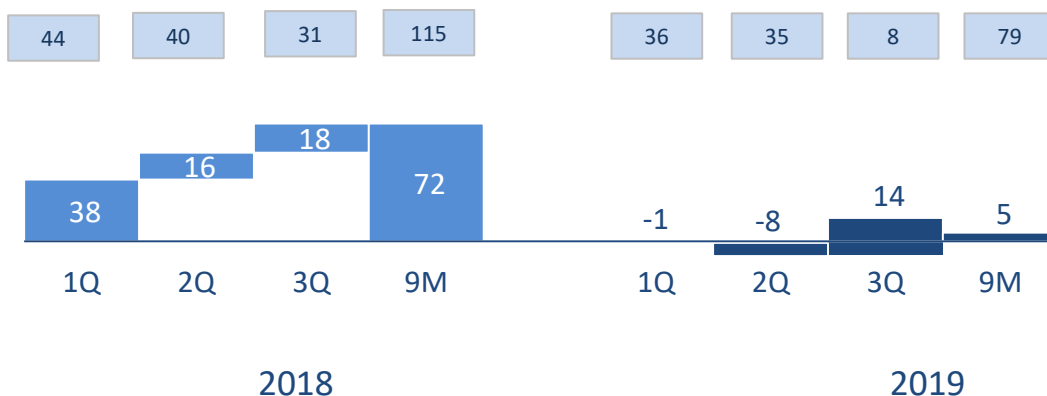


Highlights

- NPL 90 reached 8.8% of total portfolio
- Portfolio coverage ratio was 169%
- NPL 90 improved in 3Q19 to 2.7%

Net Income

R\$ million



Highlights

- Rise in provisions due to IFRS 9 and credit portfolio growth (including credit limit provisions)
- Net Income of R\$14 million in IFRS

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

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