



Magazine Luiza

3Q14 Conference Call

October. 31 2014

3Q14 Highlights

Sales

- Net revenue growth of 18.3% in 3Q14: SSS increase of 15.5% (+32.6% in e-commerce and +12.4% in stores)

E-commerce

- Currently represents 17.5% of total sales. It is gradually becoming more relevant as % of total sales, generating positive contribution to overall results

Operating Expenses

- Strong operating leverage: dilution of 100 bps in 3Q14 (Sales and SG&A expenses up 13.1% vs. sales growth of 18.3%)

EBITDA

- EBITDA increased by 43.9% yoy to R\$176.0 million in 3Q14, for 130bps expansion in EBITDA margin to 7.4%

Luizacred

- Luizacred equity income more than doubled yoy in 3Q14 to R\$24.3 million, equivalent to ROE of 37.0%

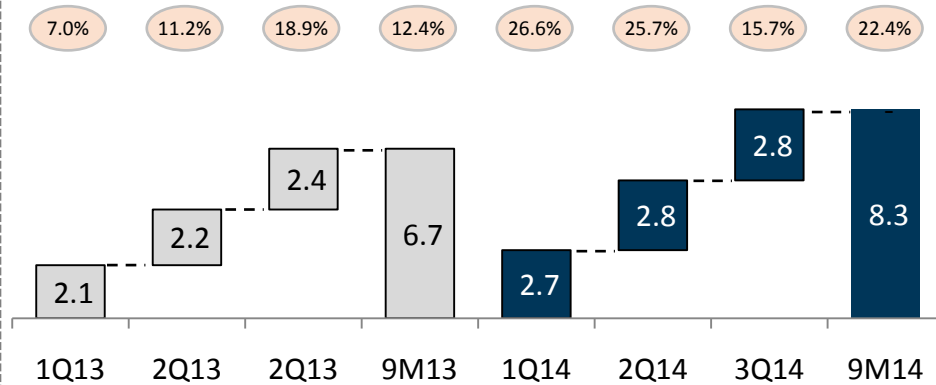
Net Income

- Net income increased by 65.8% to R\$42.1 million in 3Q14, for net margin of 1.8% and ROE of 23.2%

Sales Performance

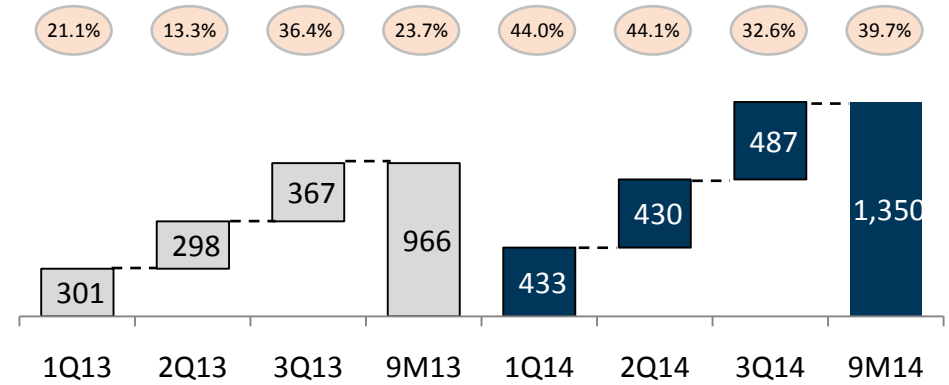
Gross Revenue - Consolidated

R\$ billion

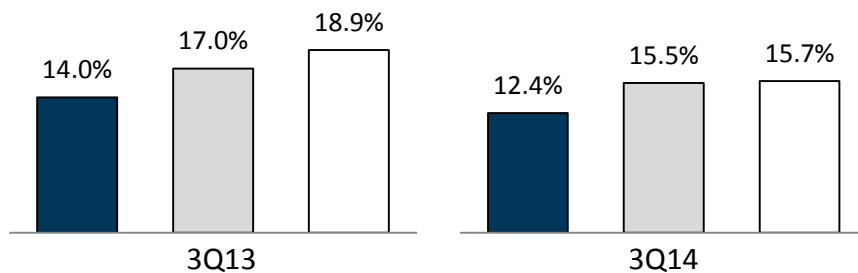


Gross Revenue - Internet

R\$ million



Same-Store Sales Growth



Same-Stores Sales Growth (Physical Stores)
 Same-Stores Sales Growth (including e-commerce)
 Total Retail Growth

Growth over the same period of last year

Comments

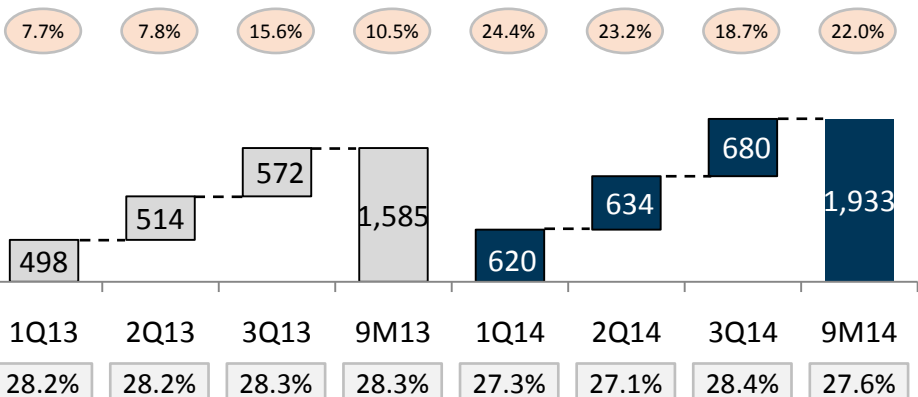
- Consolidated net revenue up 18.3% in 3Q14
 - 15.5% SSS growth:
 - SSS of 12.4% in stores and 32.6% in *e-commerce*
- Evolution of stores in Northeast region, in maturity process
- Growth of smartphones

Gross Profit, Operating Expenses and Equity Income

Gross Profit

R\$ million

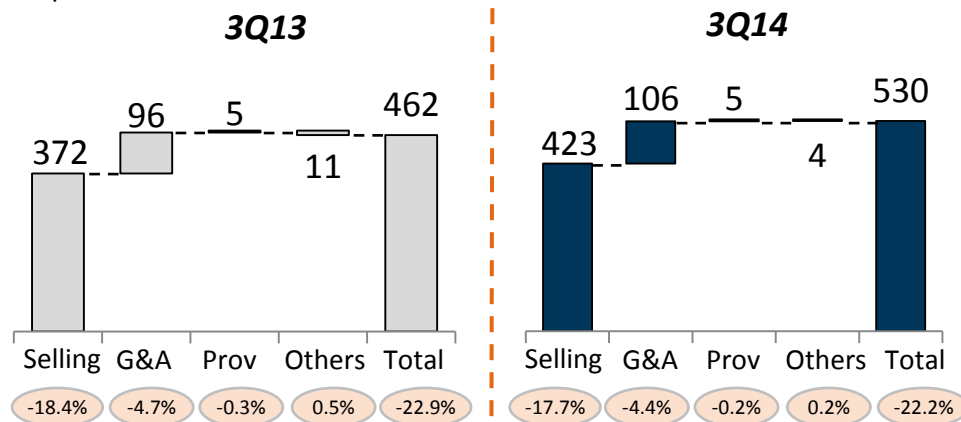
○ Growth
□ Gross Margin (%)



Operating Expenses

R\$ million

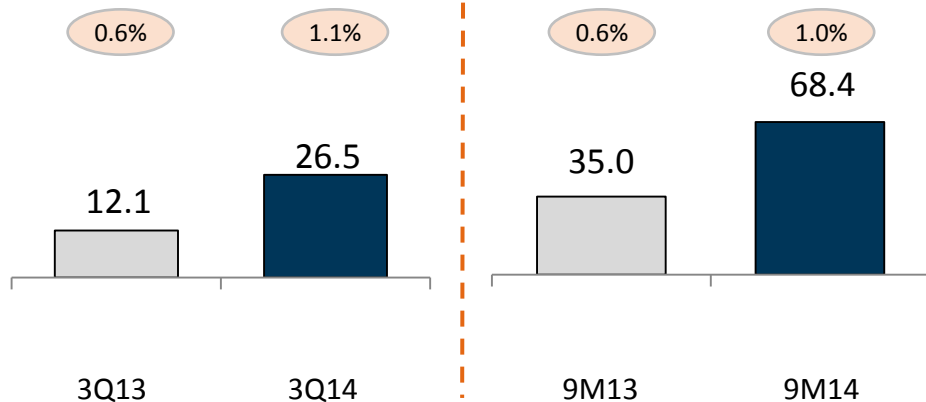
○ % Net Revenue



Equity Income

R\$ million

○ % Net Revenue



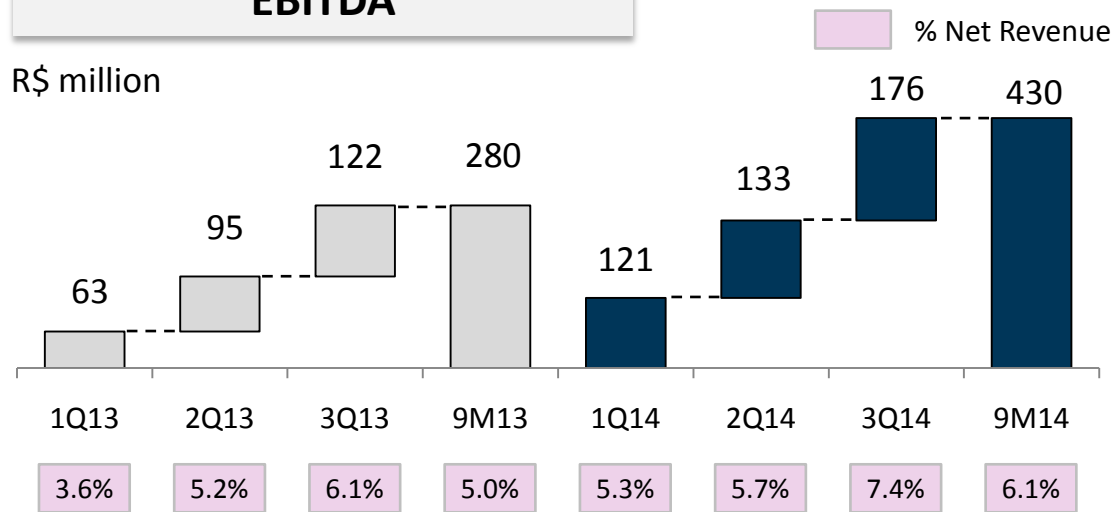
Comments

- Gross Profit**
 - Increase of 18.7% in 3Q14 yoy to R\$679.5 million
 - Margin increase due to mix effect
- Operating Expenses**
 - Dilution of 100 bps on total operating expenses versus 3Q13
- Equity Income**
 - Better profitability of Luizacred
 - EBITDA margin of 20.4% in 3Q14 (from 9.9% in 3Q13)
 - Net margin of 11.8% in 3Q14 (from 5.3% in 3Q13)

EBITDA

EBITDA

R\$ million

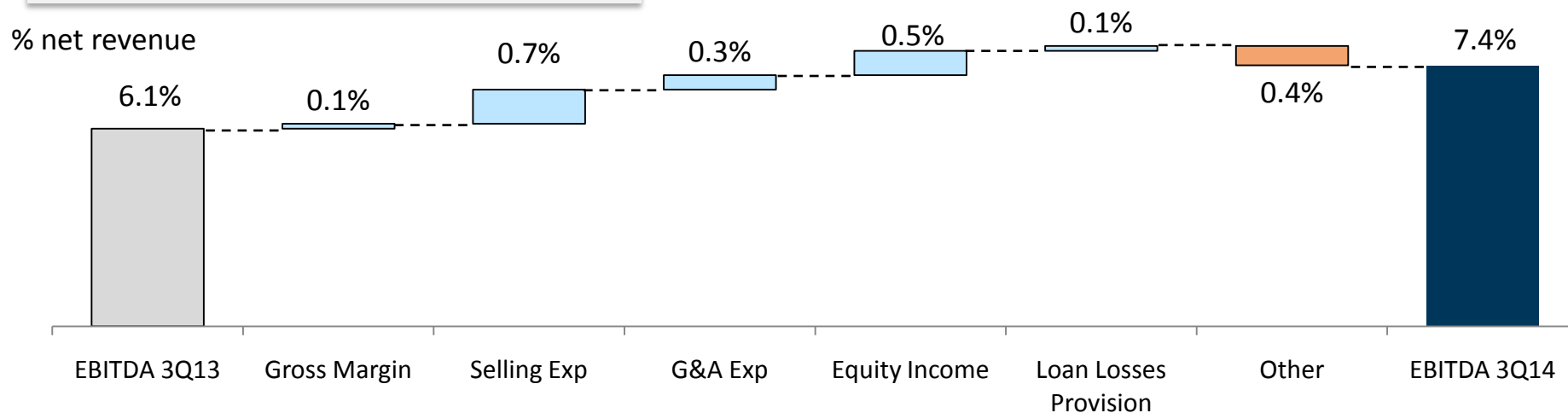


Comments

- EBITDA**
 - EBITDA margin increase of 130bps versus 3Q13 (7.4% in 3Q14)
 - Positive contribution from: i) good sales performance in all channels; ii) better gross margin; iii) dilution of operating expenses and iii) increase in equity income
 - EBITDA margin increase of 110 bps *versus* 9M13 (6.1% in 9M14)

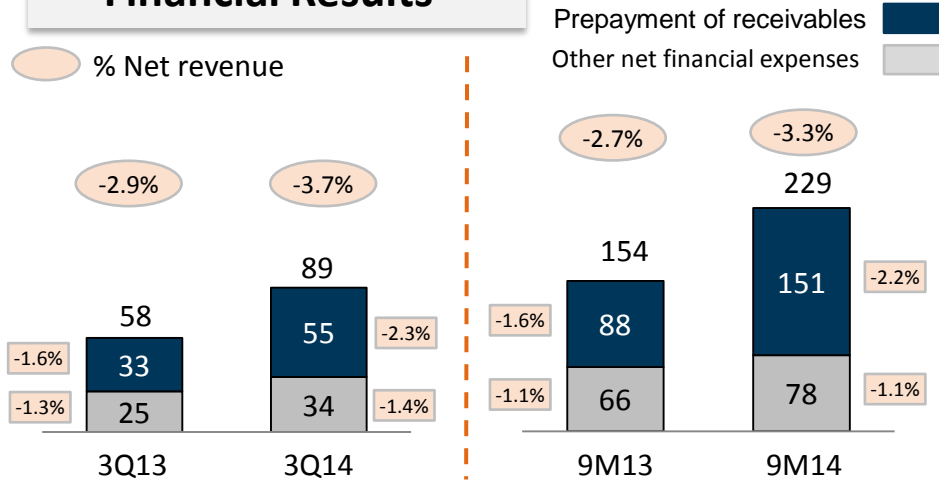
EBITDA Performance

% net revenue

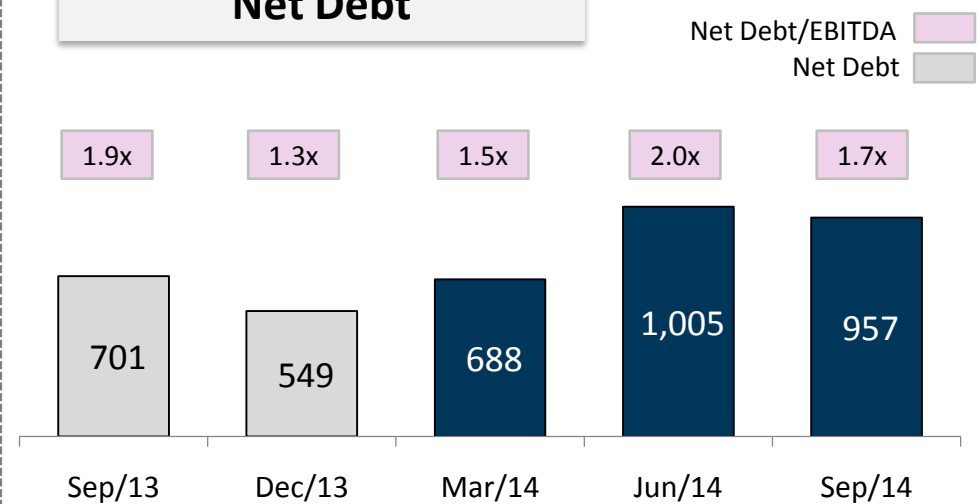


Financial Results

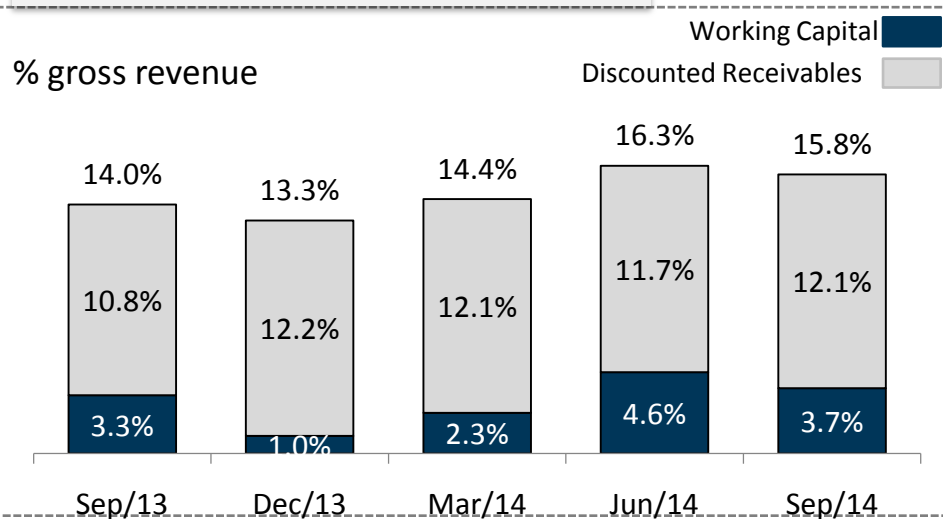
Financial Results*



Net Debt



Working Capital



Comments

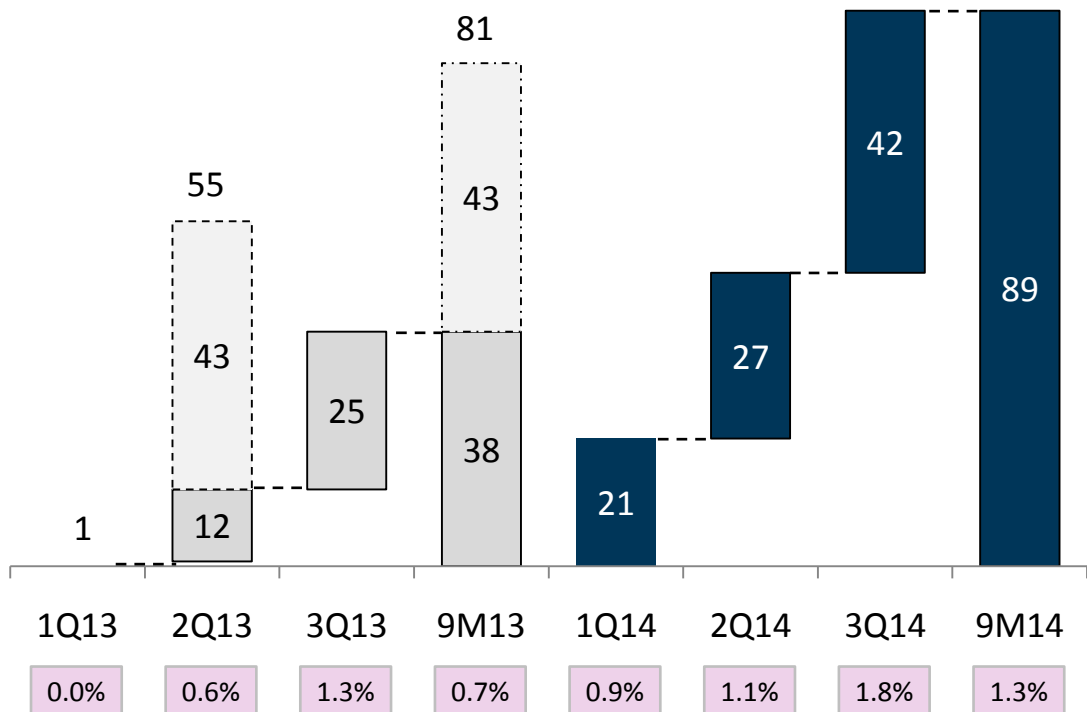
- Adjusted financial results**
 - Increase of 53.1% in net financial expenses to 3.7% of net sales due to higher CDI rate in the period and greater discounting of receivables
- Working Capital**
 - Reduction in working capital needs to 3.7% of gross sales in Sep-14. Better inventory turns (+4 days) and payment terms (+10 days)
- Net Debt**
 - Decrease in leverage to 1.7x EBITDA in Sep-14, from 1.9x in Sep-13

* Adjusted of income from securities

Net Income

Net Income

R\$ million



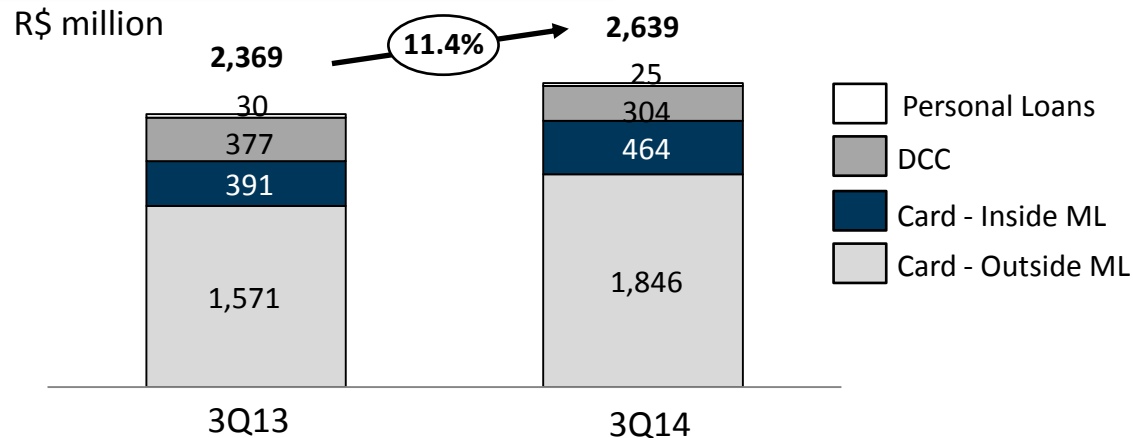
Net Margin (%) Net Income (non-recurring)

Comments

- Record net income in 3Q14
 - Net income growth of 65.8% to R\$42.1 million in 3Q14, for net margin of 1.8%
 - ROE of 23.2%
 - In 9M14 net income reached R\$89.3 million for net margin of 1.3%

Luizacred

Revenue Mix

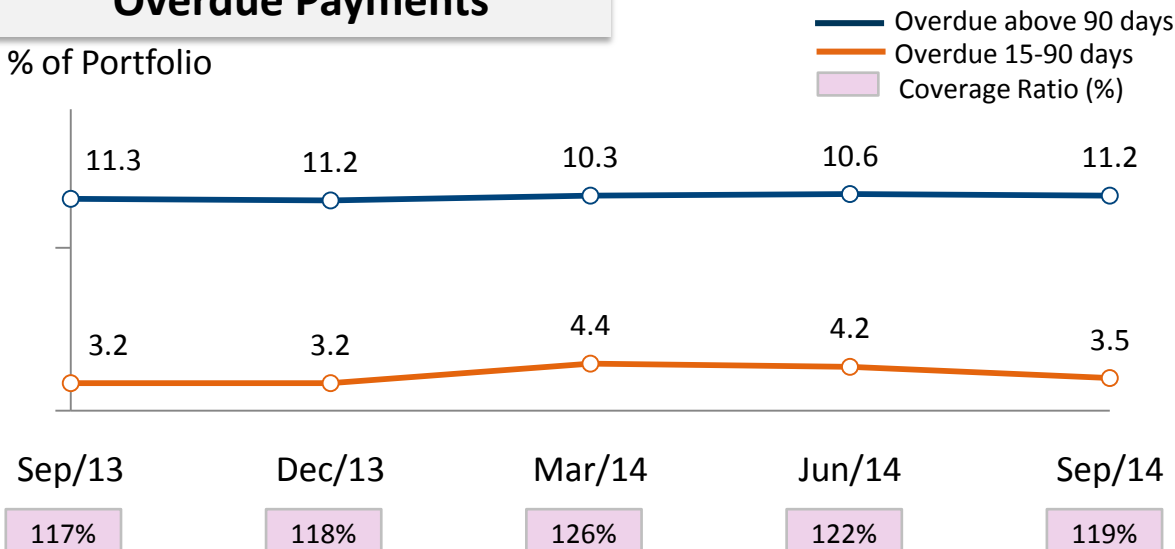


Comments

- Gross billings increase of 11.4% in 3Q14
- Participation in DCC and Luiza Card sales of 32% in 3Q14 (from 37% in 3Q13)

Overdue Payments

% of Portfolio



Comments

- Provisions over total sales (credit and service revenues) drop from 44.1% in 3Q13 to 31.3% in 3Q14
- Provision for bad debts decreased from 4.3% in 3Q13 to 3.0% in 3Q14
- Conservative credit approach: low approval rates and close monitoring of overdue payments

2014 Outlook

Sales

- SSS growth FY2014: mid-double-digit
- Better productivity at Baú and Maia
- E-commerce growth in FY2014 > 25%

Gross Margin

- Closing the margin gap between Southeast/South and Northeastern stores
- Inventory and Pricing Projects underway
- Better sales mix in 2H14 with higher margin categories

EBITDA Margin

- Additional synergy gains and expense reduction opportunities
- Greater service revenue participation in overall mix
- Operating efficiency project in Luizacred



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