



Magazine Luiza

4Q15 and 2015 Results Conference Call

March, 1st 2016

4Q15 Highlights

Sales

- Challenging macro economic scenario with steep drop in consumer confidence
- Market share gains and higher gross margin
- Gross revenue decreased by 8.6% to R\$3.0 billion due to strong comparison basis (+10.1% in 4Q14)

E-commerce

- E-commerce sales growth of 19.1%
- Participation of 21.1% of total sales

Gross Margin

- Gross margin expanded by 110bps to 28.4% due to: (i) better sales mix, (ii) charging for shipping and assembly of products sold, and (iii) greater participation of service revenues

EBITDA

- Despite improved gross margin, a lower sales performance in the quarter prevented better dilution of expenses and better EBITDA margin
- EBITDA margin reached 4.0% for EBITDA of R\$100 million in 4Q15

Indebtness

- Reduction of adjusted net debt to R\$489 million in dec/15 from R\$1.215 million in sep/15, and adjusted net debt/EBITDA of 1.1x

Cash Flow

- Operating cash generation of R\$614 million and improved working capital

2015 Highlights

Sales

- Gross revenue decrease by 8.7% to R\$10.5 billion due to strong comparison basis (+18.7% in 2014)

E-commerce

- E-commerce sales growth of 9.8%
- Participation of 19.8% of total sales (340bps higher than 2014)

Gross Margin

- Gross margin expanded by 120bps to 28.7% due to: (i) better sales mix, (ii) charging for shipping and assembly of products sold, and (iii) greater participation of service revenues

EBITDA

- Despite improved gross margin, a lower sales performance during the quarter prevented better dilution of expenses and better EBITDA margin
- EBITDA margin reached 5.2% (100 bps lower YoY) for EBITDA of R\$465 million

Indebtness

- Reduction of adjusted net debt to R\$489 million in dec/15 from R\$651 million in dec/14 and adjusted net debt/EBITDA of 1.1x

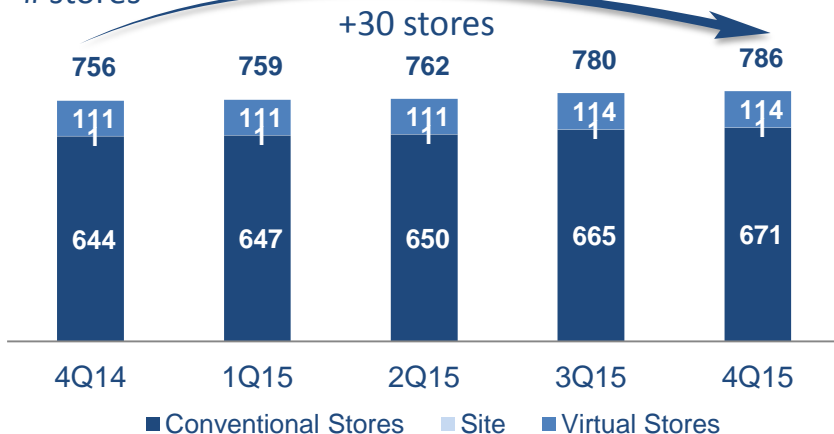
Cash Flow

- The cash position increased from R\$863 million in dec/14 to R\$1,162 million in dec/15, far superior than its short-term debt of R\$568 million

Operating Highlights

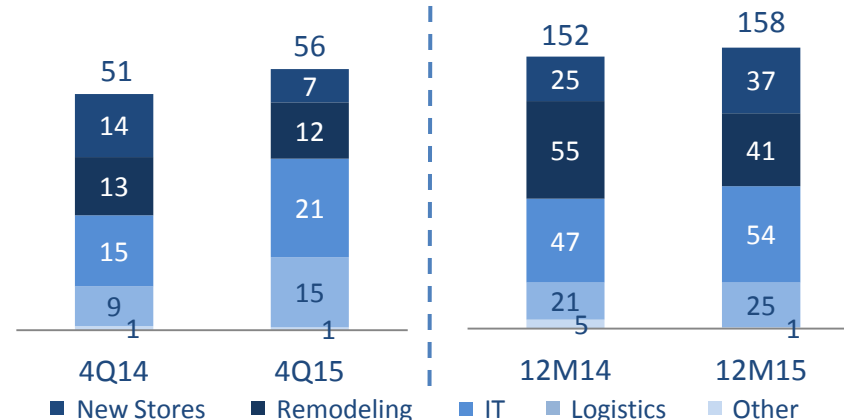
Number of Stores

stores

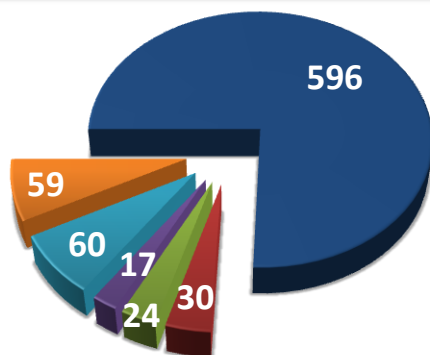


Capex

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

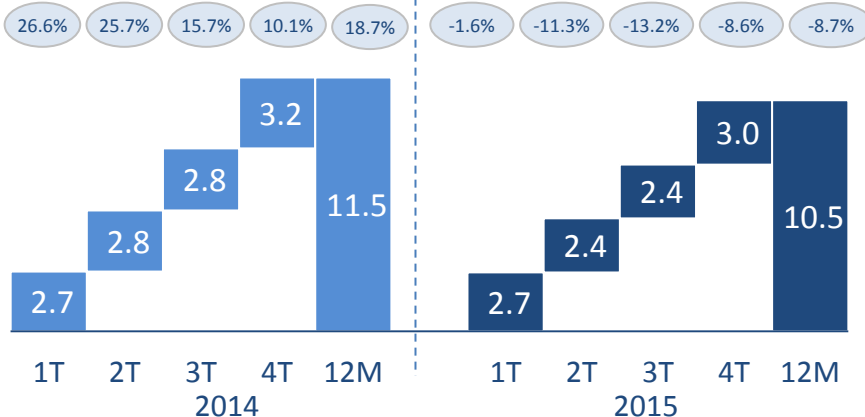
Comments

- Opening of 6 new stores in 4Q15 and 30 in 2015
- Approximately 24% of our stores are in maturation process
- R\$158 million Capex in 2015, 4% higher than 2014
- Greater percentage of 2015 Capex invested into new stores, IT projects and logistics

Sales Performance

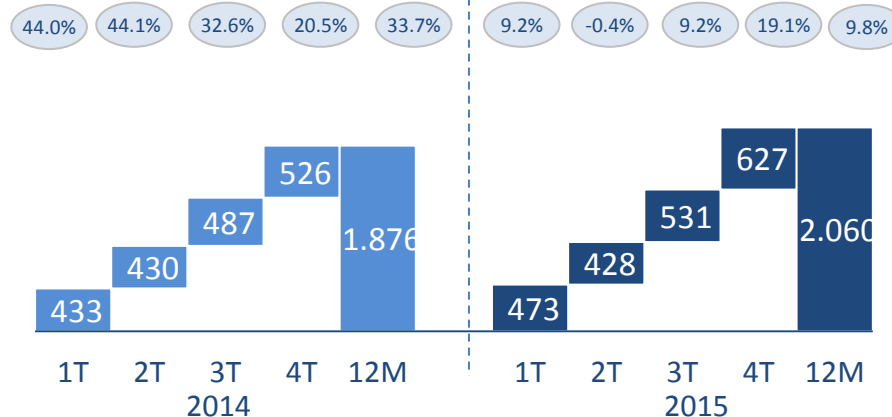
Gross Revenue - Consolidated

R\$ billion

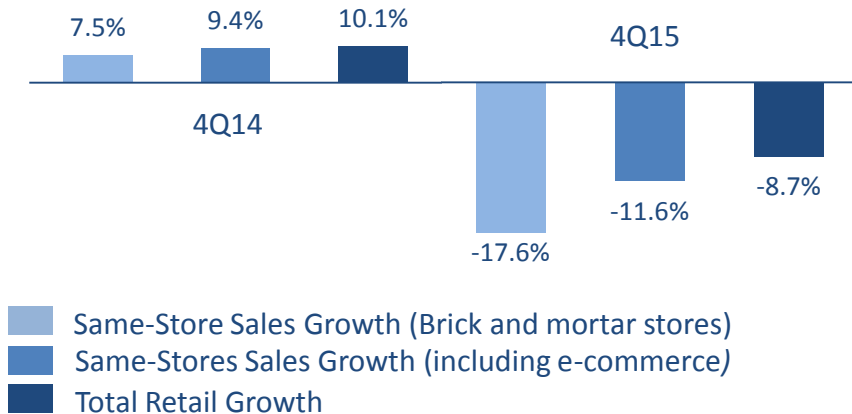


Gross Revenue - Internet

R\$ million



Same-Store Sales Growth



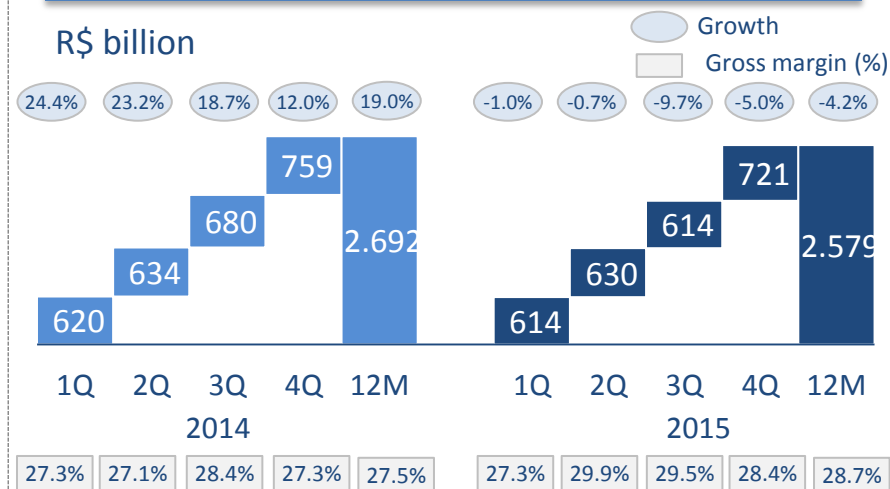
Comments

- Market share gains as per IBGE (Brazilian Institute for Statistics and Demography) and data from GFK
- E-commerce sales growth of 19.1% in 4Q15 and growth of 9.8% in 2015
- Strong comparison basis (+7.5% SSS in 4Q14) in bricks and mortar stores
- Challenging macro scenario

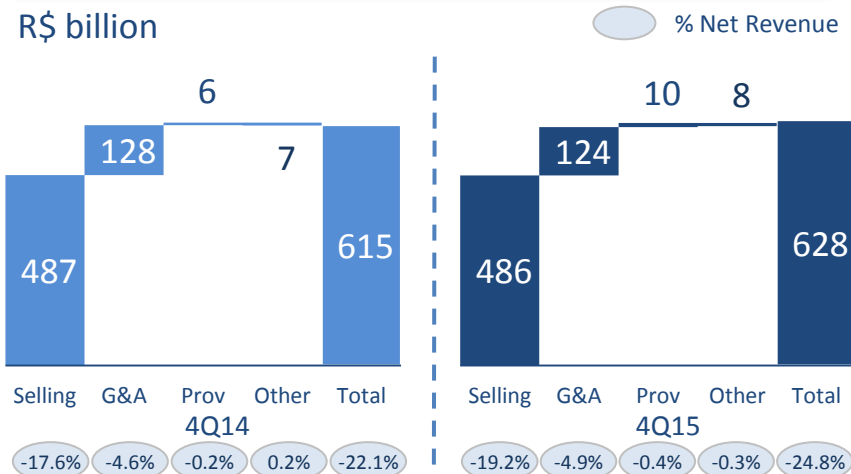
○ Growth over the same period of last year

Gross Profit, Operating Expenses and Equity Income

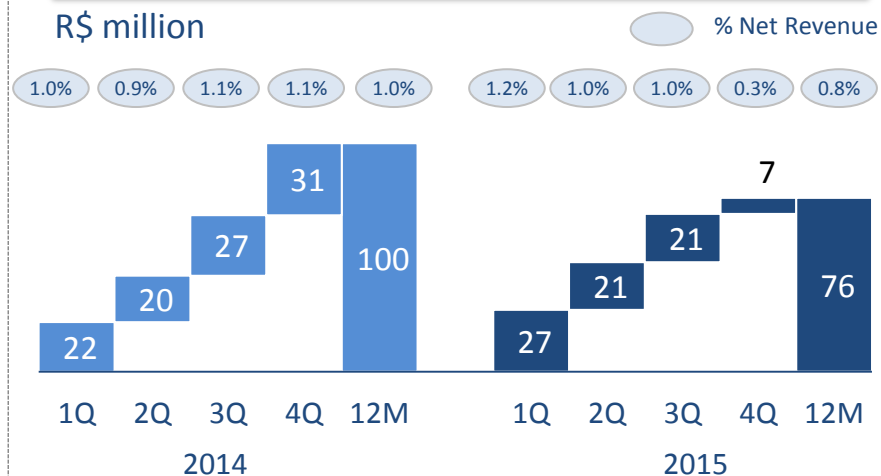
Gross Profit



Operating Expenses



Equity Income



Comments

■ Gross Margin

- Increased 110 bps to 28.7% in 2015, due to: i) a better sales mix; ii) shipping and assembly charges; and iii) increase in services participation

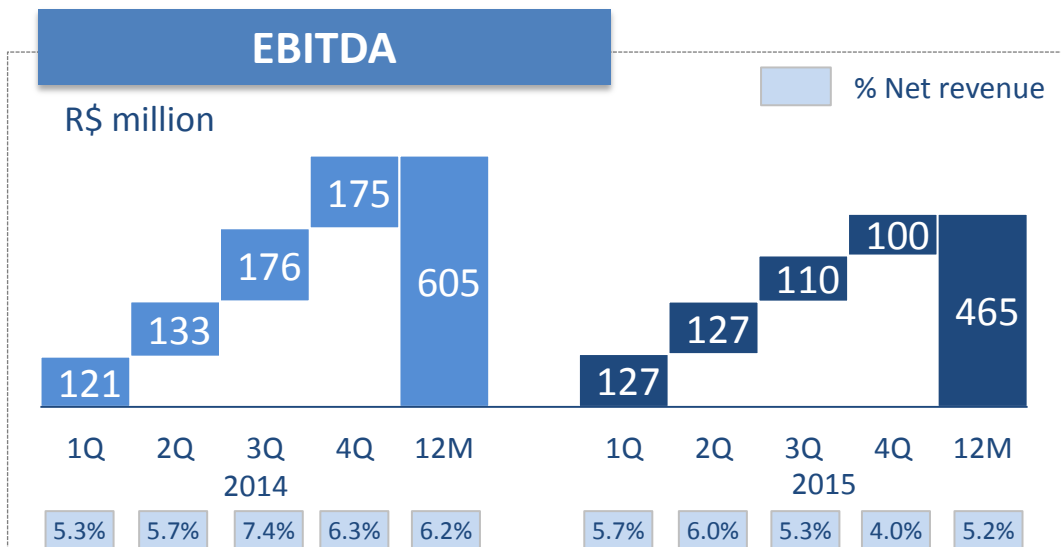
■ SG&A expenses

- Reduction of 1.0% YoY due to lower sales performance in 4Q15 and expenses were basically flat YoY

■ Equity Income

- Luizacred: Net income of R\$8 million in 4Q15, R\$123 million in 2015
- Luizaseg: Net income of R\$5 million in 4Q15, R\$28 million in 2015

EBITDA



Comments

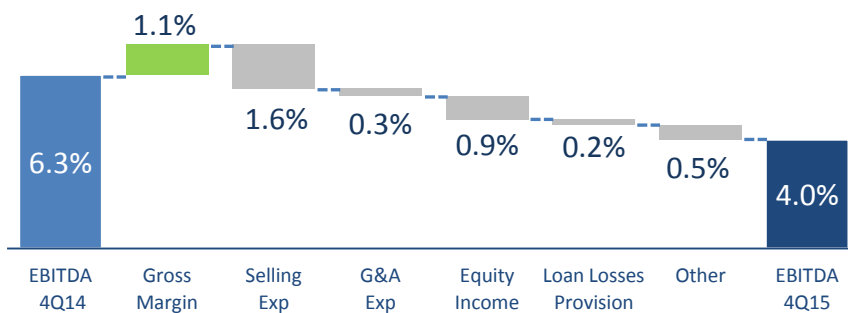
EBITDA

- 4Q15: Margin EBITDA of 4.0% (-230 bps.)
- 2015: Margin EBITDA of 5.2% (-100bps.) resulting in R\$465 million
- Impacts:**
 - Gross margin gains of 120bps
 - Lower sales performance prevented a better dilution of expenses
 - Lower result of Luizacred

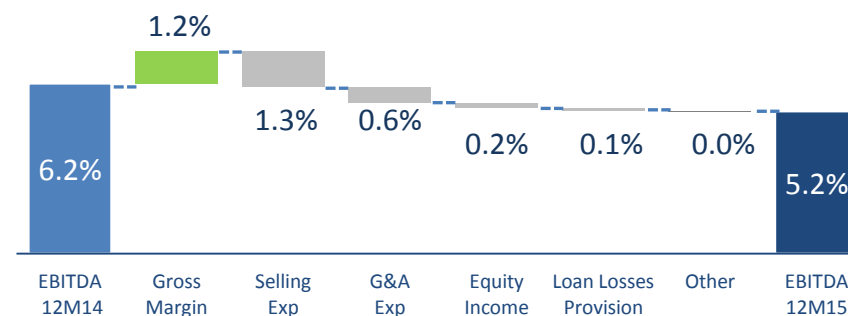
EBITDA Performance

% Net Revenue

4T14 x 4T15

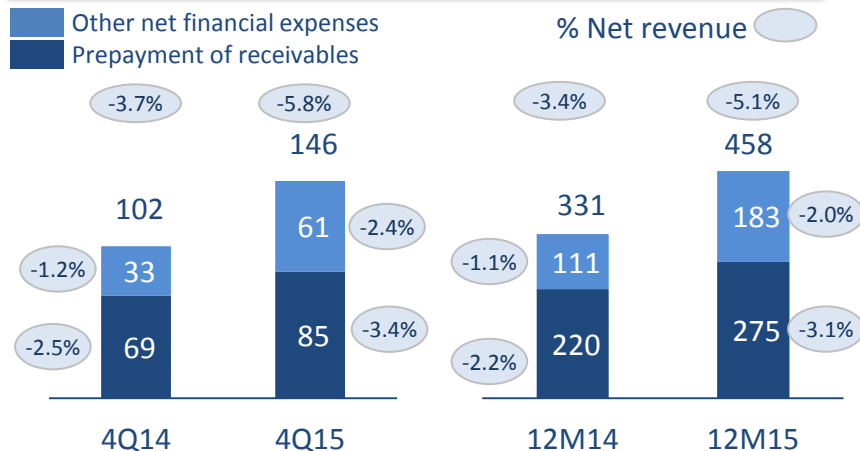


2014 x 2015

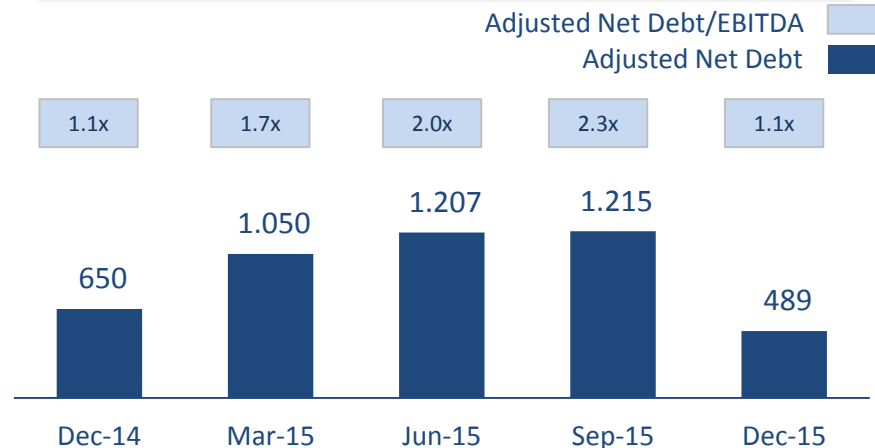


Financial Results and Working Capital

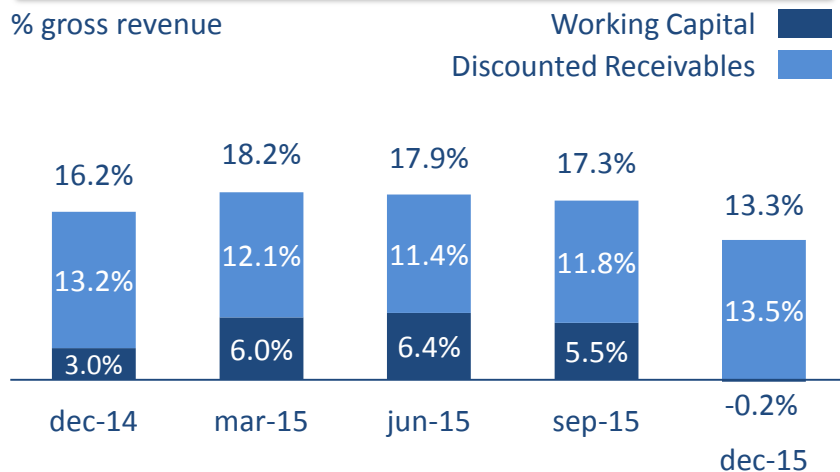
Financial Results*



Adjusted Net Debt**



Working Capital



Comments

Adjusted net financial results

- In 4Q15, net financial results increase to R\$146 million, due to higher interest as well as the anticipation of receivables

Working Capital

- Better working capital in 4Q15(-0.2% of gross sales LTM) due to accounts receivables, inventory and supplier terms

Net Debt

- Reduction of adjusted net debt to R\$489 million (reducing adjusted net debt/EBITDA to 1.1x)
- Increase in the cash and marketable securities to R\$1,162 million

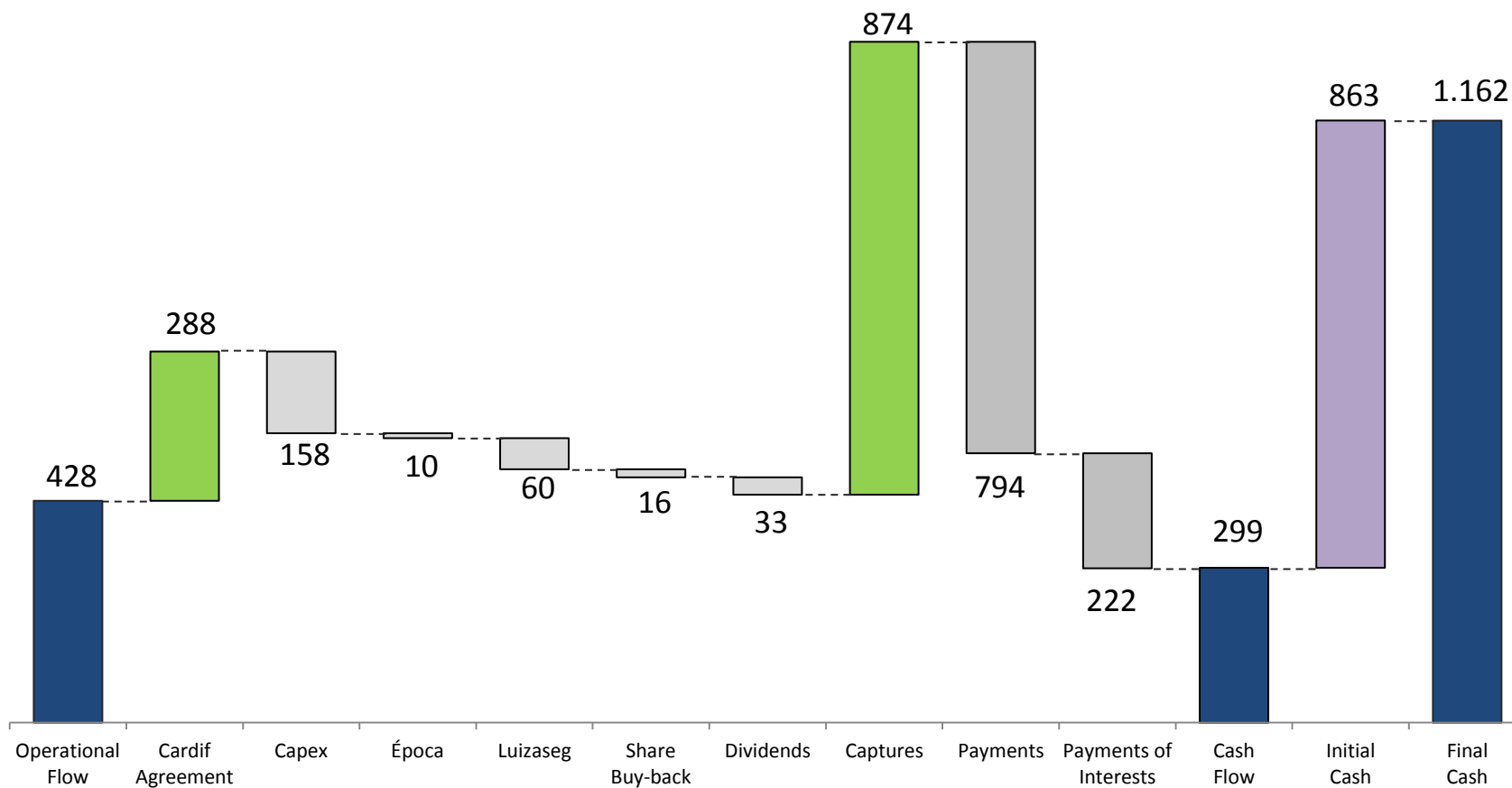
* Adjusted for Income from security fund

** Excluding the undiscounted credit card

Adjusted Cash Flow Statement

Cash Flow

R\$ million

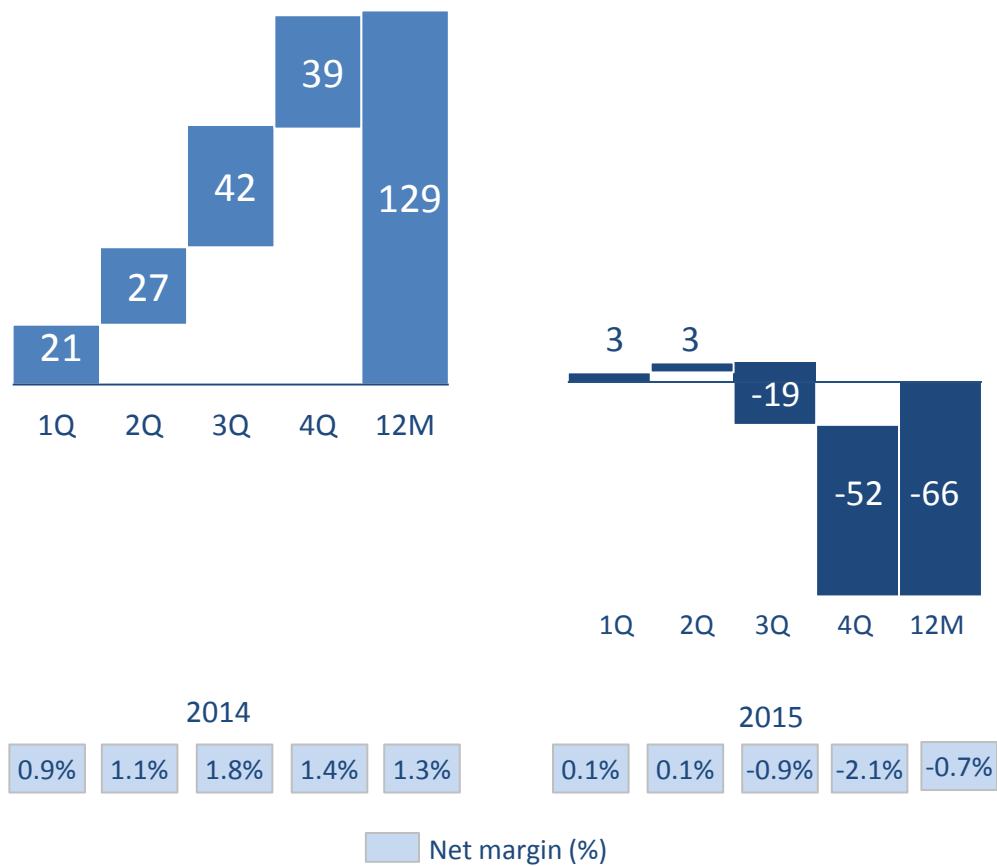


Note.: the only difference between the Cash Flow Statement and the Adjusted Cash Flow Statement is the treatment of securities as cash equivalents.

Net Income

Net Income

R\$ million



Comments

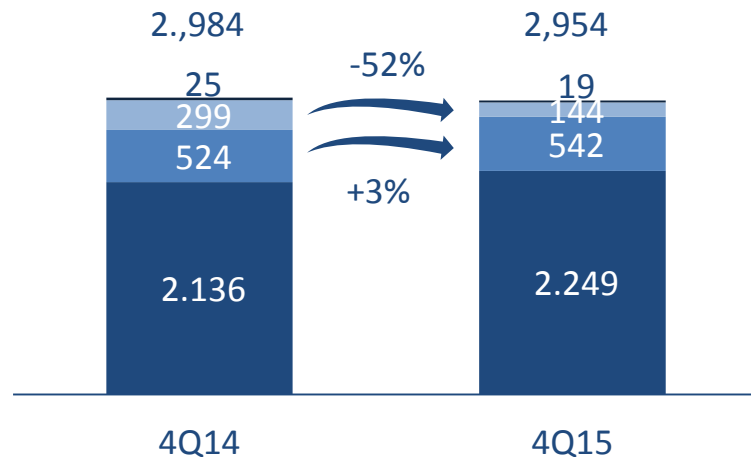
- **Net Income (loss) in 4Q15**
 - Net losses totaled R\$52 million, with net margin of -2.1%
 - Profitability impacted from lower sales performance, lower dilution of operating expenses and higher interest rate in the period
- **Net Income (loss) in 2015**
 - Net losses totaled R\$66 million, with a net margin of 0.7%

Luizacred - Revenue

4Q15 x 4Q14

R\$ million

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



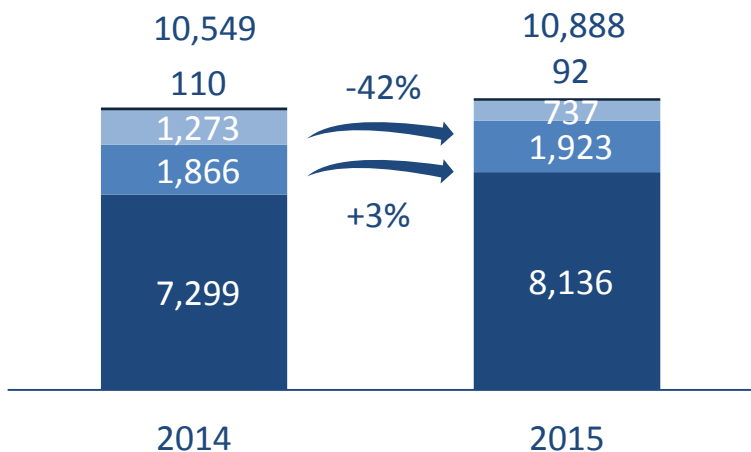
Comments

- Reduction in DCC revenues of 52% due to a more conservative credit policy
- Losango's project implemented in Oct/15

2015 x 2014

R\$ million

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



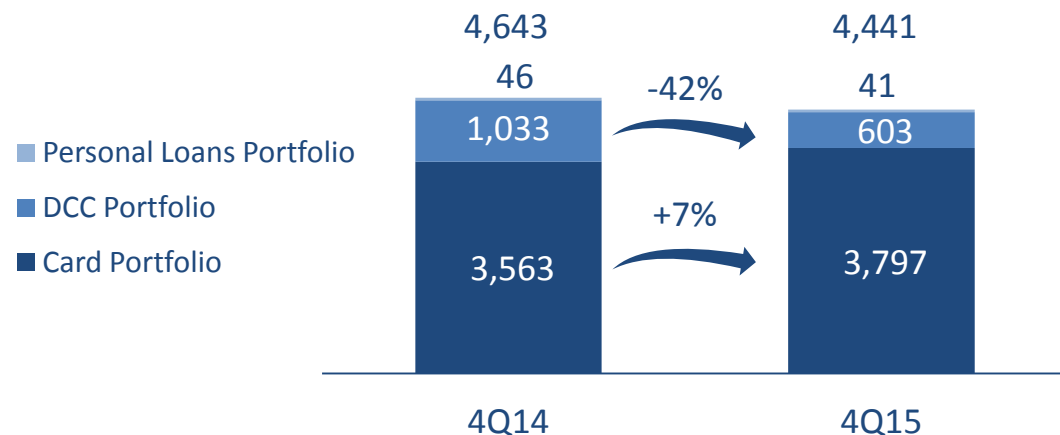
Comments

- Increase in cardholder's base from 3.4 to 3.6 million (+5%)
- Reduction in DCC revenues of 42% due to a more conservative credit policy
- Increase in Luiza Card inside ML in 3%

Luizacred – Portfolio and Overdue Payment

Portfolio

R\$ million



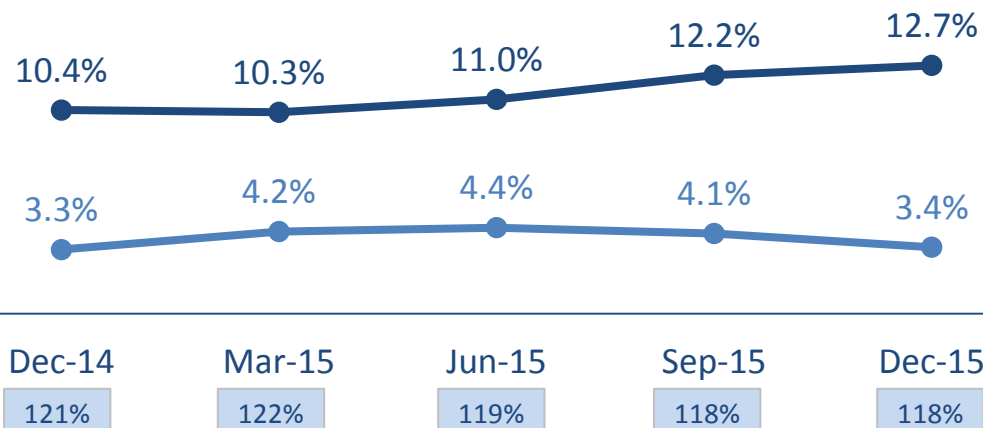
Comments

- Increase in Luiza Card portfolio was 7% higher at R\$3.8 billion
- Decrease in DCC portfolio by 42% to R\$0.6 billion

Overdue Payments

% portfolio

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



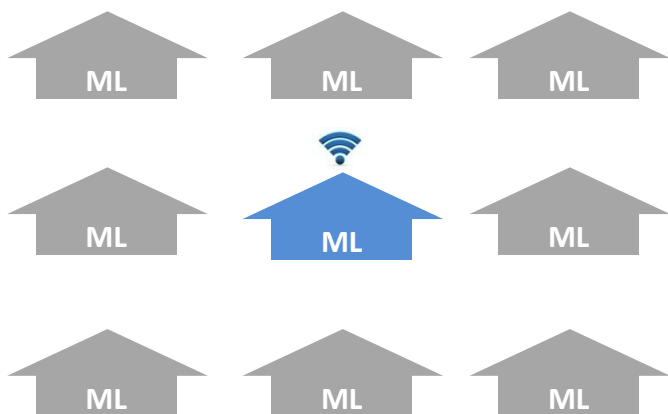
Comments

- Portfolio coverage remained stable sequentially at 118% in dec/15
- Provisions for loan losses increased from R\$123 million in 4Q14 to R\$166 million in 4Q15
- Maintain the conservative credit approach: low approval rates and close monitoring of overdue payments

Embrace the new movement #abraceonovo

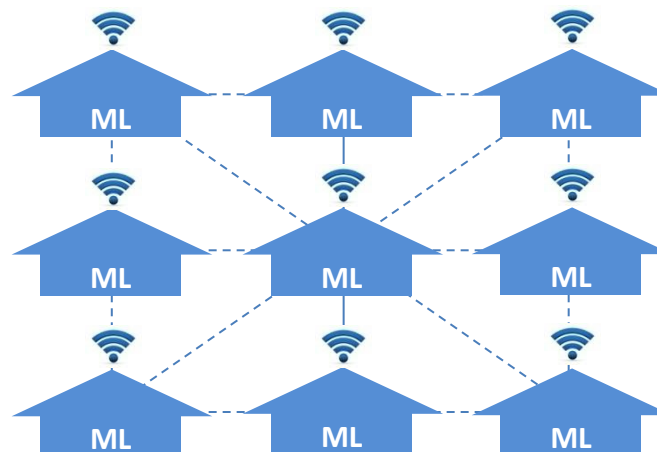
From :

Traditional brick and mortar retailer with online presence








To:

Digital company with points of sales and human affection



Digital Transformation

Pillars:

- 1  Digital inclusion
- 2  Digitalization of stores
- 3  Multichannel
- 4  To transform the site into a digital platform
- 5  Digital culture



movimento
#abraçenovo

2016 Outlook

- Accelerate the implementation of our digital transformation projects
- Continue to gain market share in a sustainable way
- Focus in the initiatives to reduce costs and expenses
- Maintain our conservative credit policy
- Ongoing efforts to improve working capital management
- Keep the Company among the best to work for in Brazil (as per GPTW ranking)



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