Magalu

Conference Call 2Q23

August 15, 2023

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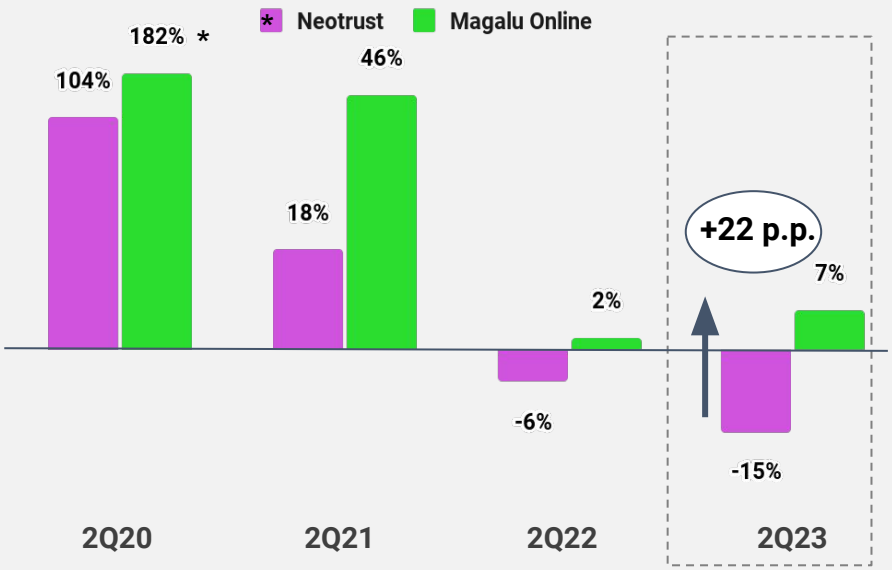
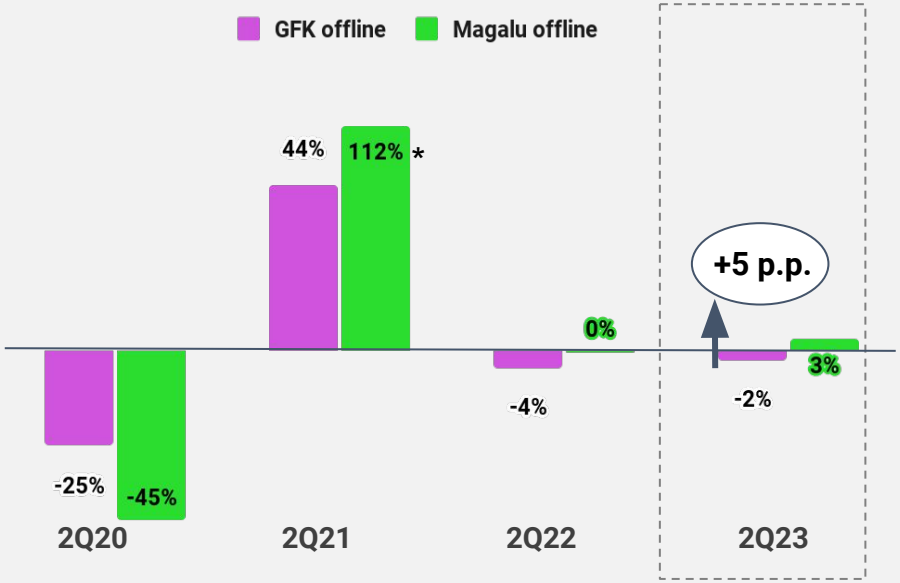
Magalu

In 2Q23, Magalu achieved above market growth across all channels, including **22 p.p. online and 5 p.p. offline**

YoY Growth: E-commerce market vs Magalu e-commerce
[%]



YoY Growth: Offline market vs Magalu physical stores
[%]

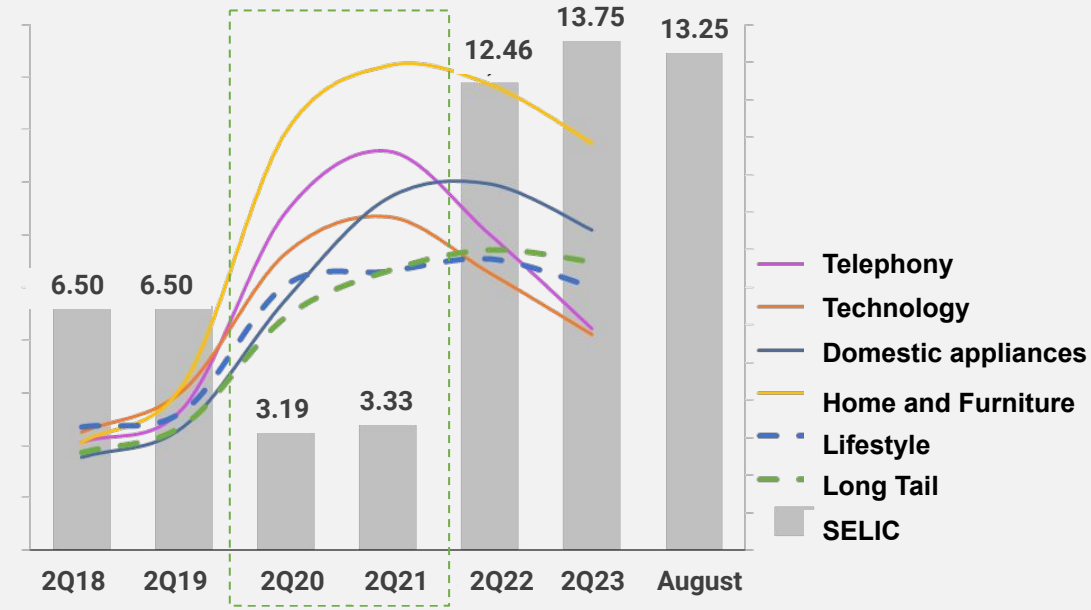


Source: Neotrust; GFK; Magalu

* Images not to scale

When interest rates fall, the durables category tends to resume growth

Growth of e-commerce GMV per category vs interest rates
[Base 100 = 1Q18; Average meta SELIC]



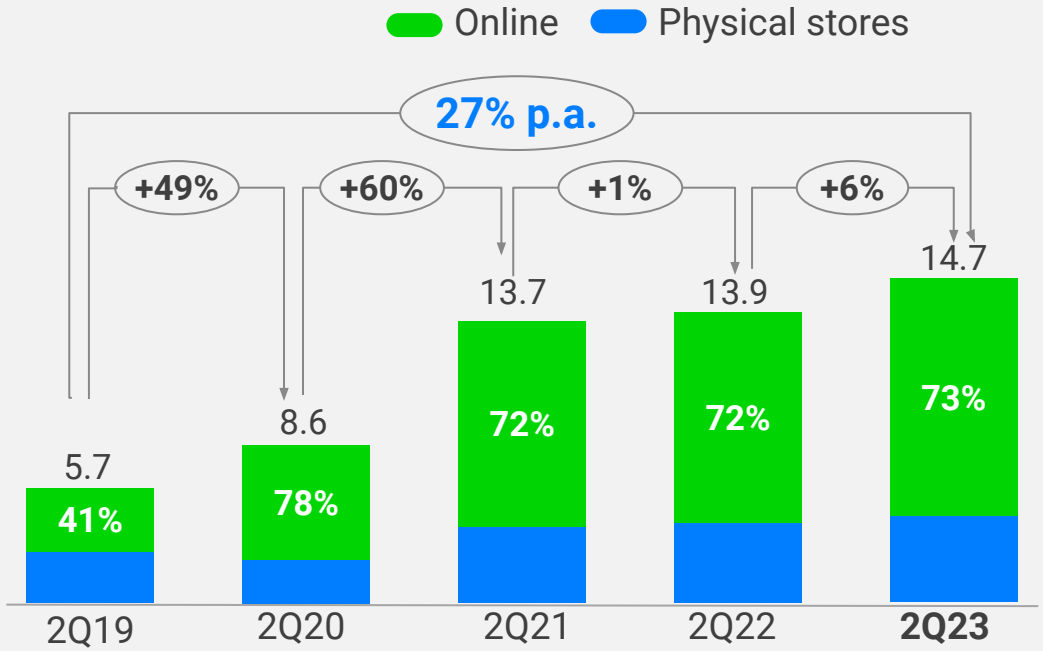
Sales of traditional categories are more sensitive to the movement of interest rates - telephones and technology show a drop from 2Q22

Sales of non-traditional / long-tail categories are more resistant to the volatility of interest rates

Source: Neotrust; BACEN

Over the last 4 years, total sales **grew an average of 27%** per year, reaching **R$ 14.7 billion** in 2Q23

Total sales growth
[Billion R$; %]



Sales growth across all channels in 2Q23

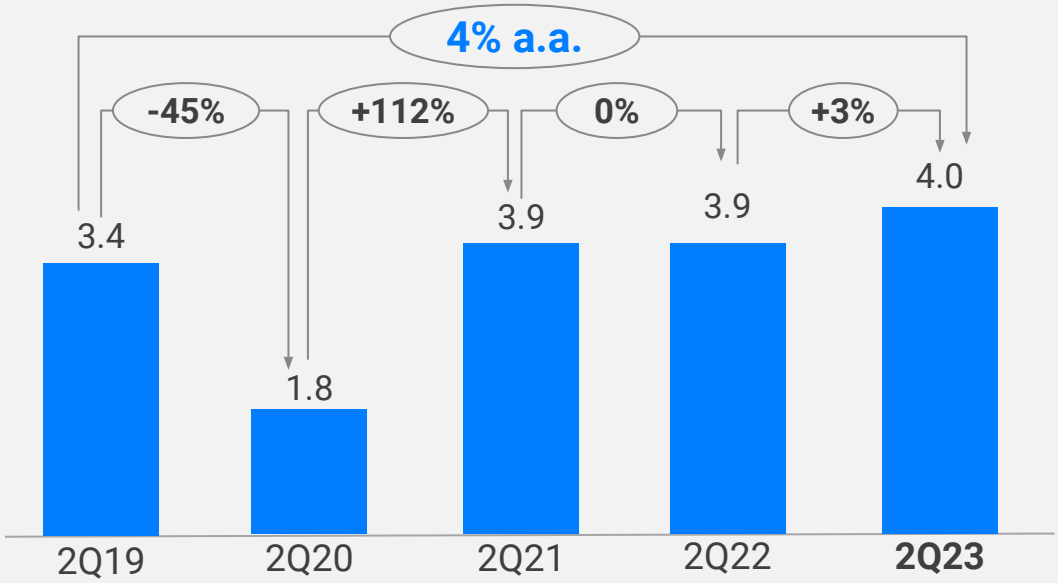
6%

Growth of total sales
[2Q23 vs 2Q22]

Magalu reached the highest level of market share ever

In 2Q23, **physical store sales** reached **R$ 4.0 billion**, with **1.0 p.p. of market share gains**

Growth of physical stores sales
[Billion R$; %]



3%

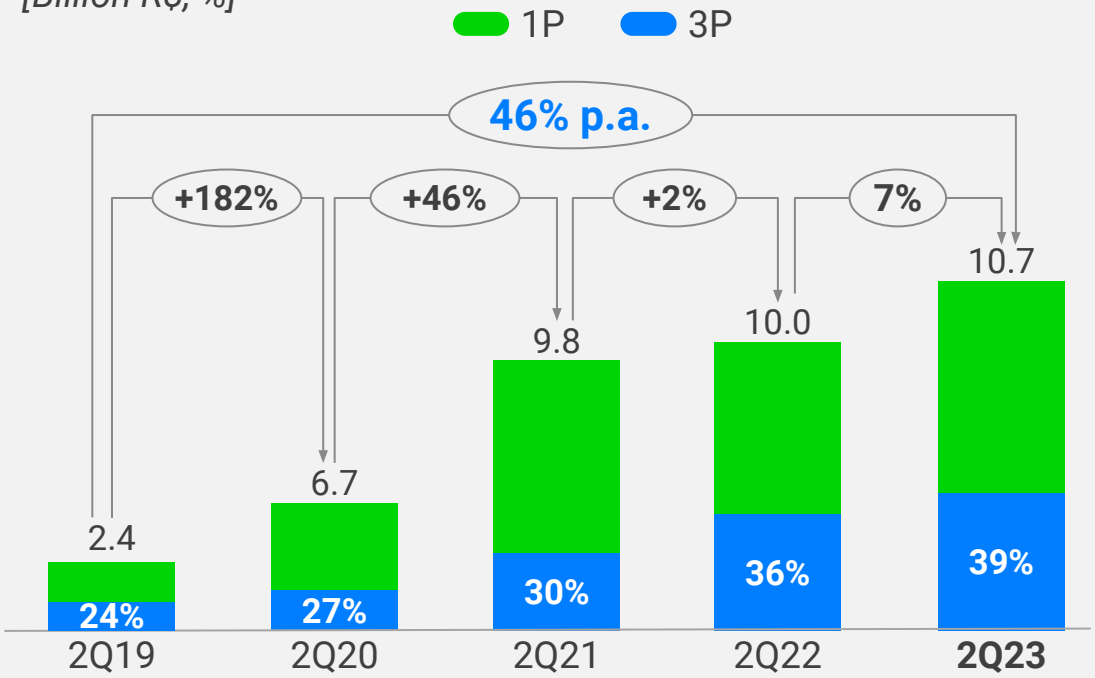
Growth of physical stores sales
[2Q23 vs 2Q22]

1.0 p.p.

Market share gain
[2Q23 vs 2Q22; *GFK*]

Over the last 4 years, **our e-commerce business grew an average of 46% per year**, reaching **R$10.7 billion** in sales in 2Q23

Growth of e-commerce sales
[Billion R$; %]

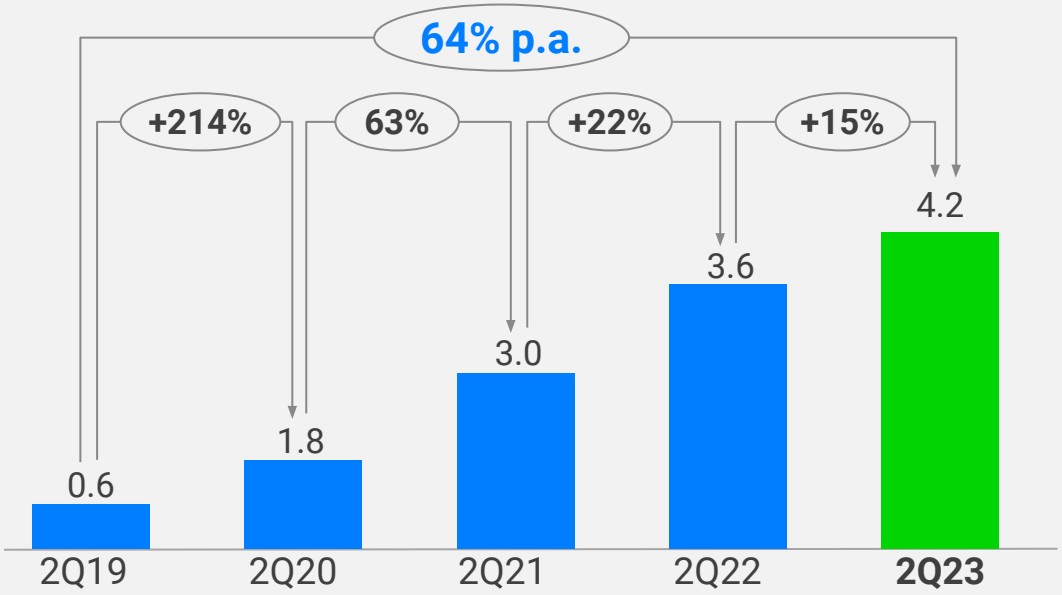


7%
Growth of e-commerce sales
[2Q23 vs 2Q22]

6 p.p. market share gain
Versus a decrease of 15% for the overall e-commerce market in Brazil
[2Q23 vs 2Q22; *Neotrust*]

Over the last 4 years, our marketplace business grew an average of 64% per year, reaching **R$4.2 billion** in sales in 2Q23

Growth of marketplace sales
[Billion R$; %]



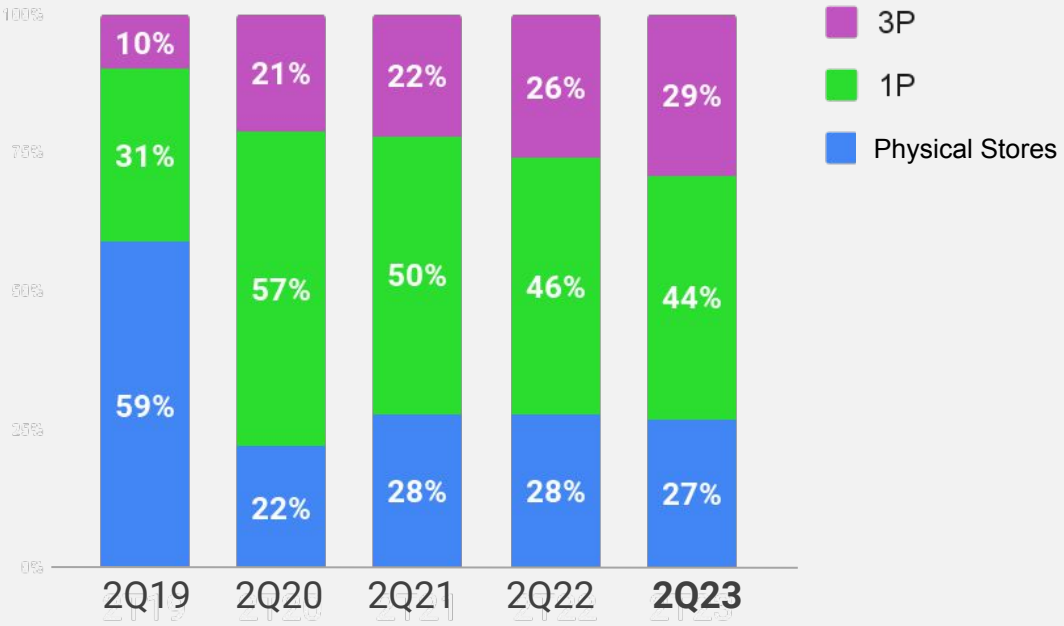
64%
4-year average annual marketplace growth
[2Q23 vs 2Q19]

15%
Growth of marketplace sales
[2Q23 vs 2Q22]

Increasing the marketplace take-rate boosted profitability without impacting sales

Magalu's marketplace sales once again surpassed physical store sales, **and the marketplace has the potential to become our largest sales channel**

Share of sales per channel
[% GMV; 2Q19-2Q23]



29%

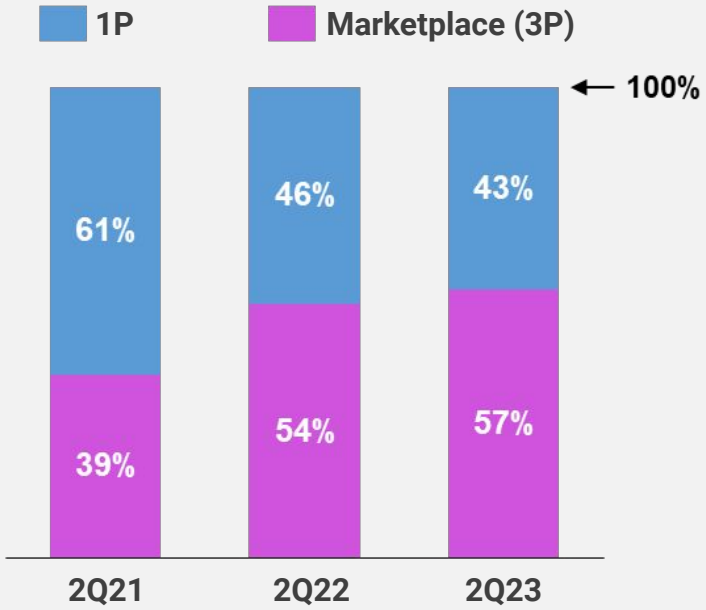
Share of 3P sales as a percentage of total sales [%; 2Q23]

39%

Share of 3P sales as a percentage of online sales [%; 2Q23]

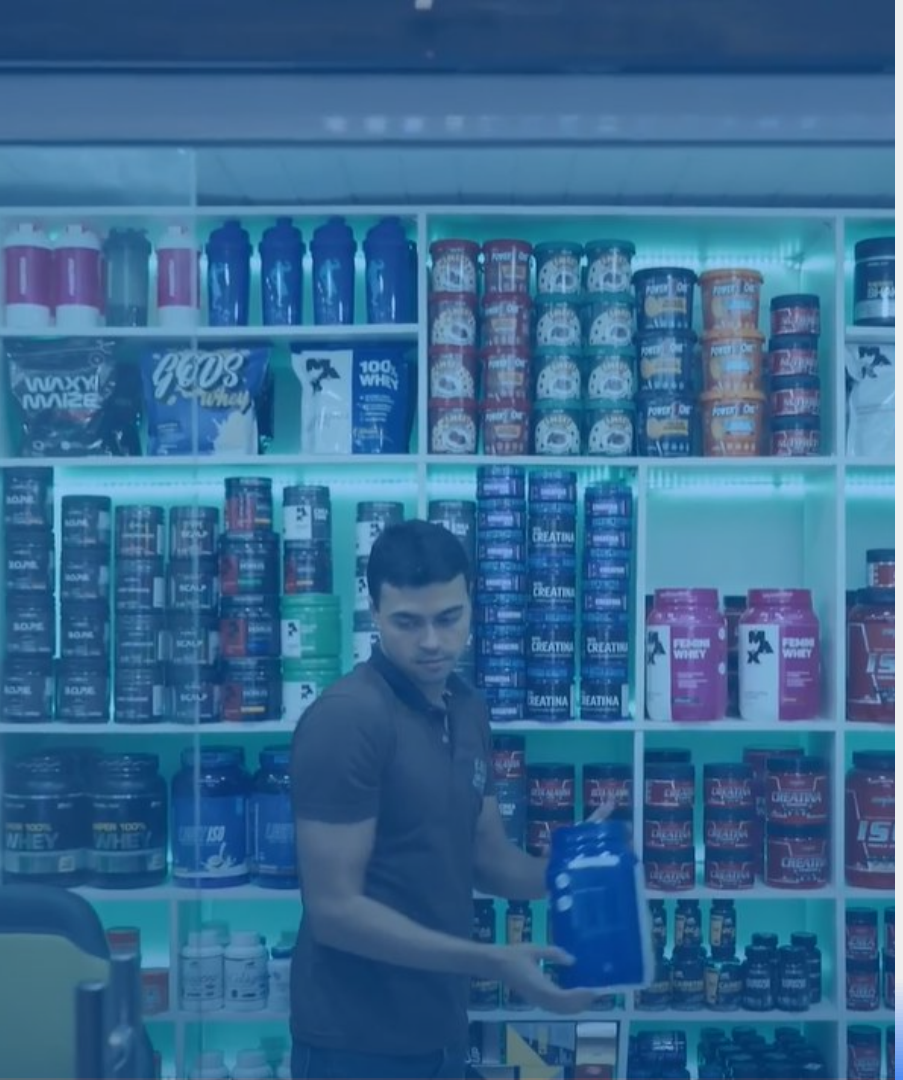
The marketplace is the principal channel for originating new customers and has the highest purchase frequency

Channel of origination, percentage of new customers
[% of new customers per channel; 2Q21-2Q23]



57% **of new customers were originated by the marketplace** [%; 2Q23]

+70% **of the total active customer base purchased products from the marketplace channel during the last 12 months** [%; 2Q23]



Number of sellers
that are already part of our marketplace

300k

+200k are small to medium-sized businesses who joined the marketplace via Partner Magalu

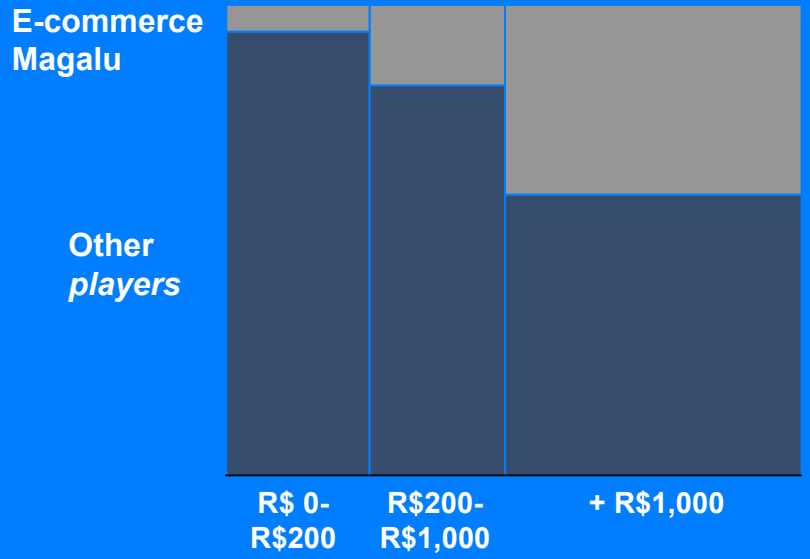
32k

2Q20 — **Today**

Contribution of **Partner Magalu in** the hunting of new sellers

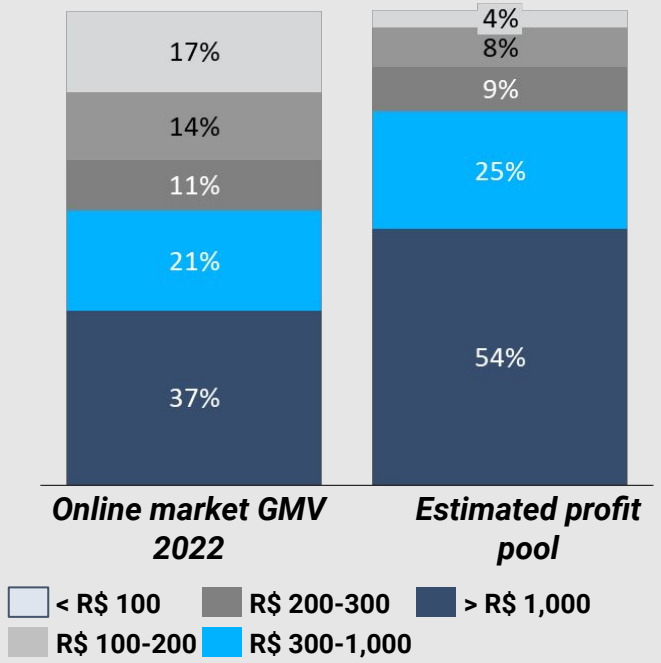
Magalu's strategy is to continue growing, mainly in families with better unit economics

Magalu's share of the online market by average ticket range [% 2Q23]



Source:: Neotrust; Magalu; YipitData NOTE: Profit pool calculation based on internal data using the median of profitability per seller's average ticket

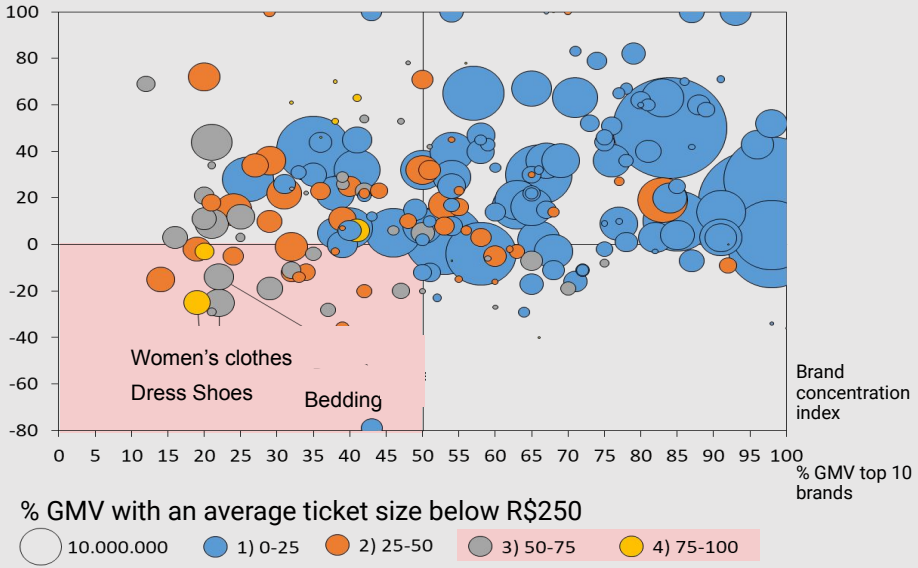
Estimated Online Market GMV and Profit Pool by Price Range *[R$ Billion; 2022]*



Magalu has a defensible product mix with less exposure to new cross-border rules. **Only 3% of our GMV** is derived from families susceptible to cross-border competition.

At risk families: lower ickets items, in families with low brand penetration, with cubic volumes conducive to air transport

***2Q23 vs 2Q22** [%; Growth YoY]*



17 high risk families - predominantly clothing and housewares

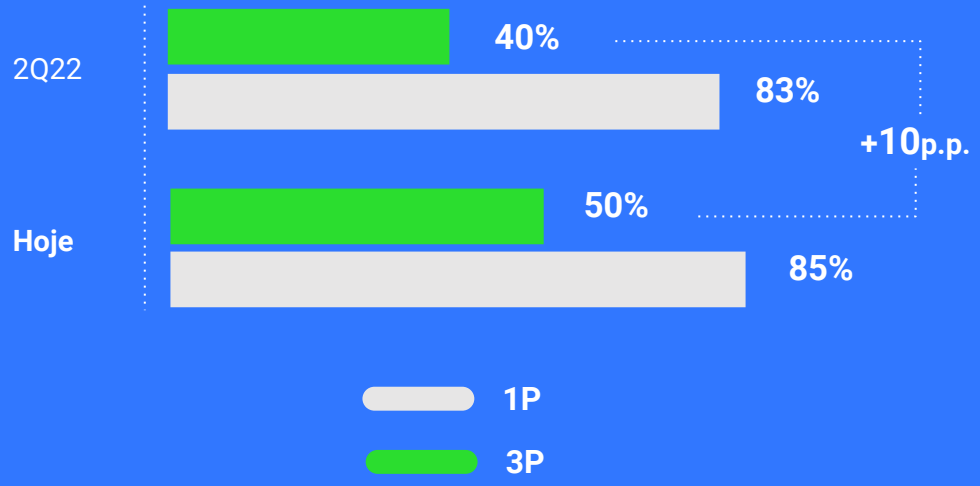
- Kitchen accessories
- Lipstick and eyeshadow kits
- Dress shoes
- Athletic wear
- Bedding
- Dolls
- Women's clothing
- Pants
- Sandles
- Children's clothes
- Shirts and blouses
- Hair treatments

Increase marketplace conversion rates by expanding our logistics offerings, **raising service levels and shortening delivery times**

80%

of marketplace offers pass through **Magalu Entregas**

Percentage of marketplace orders delivered by Magalu Entregas in up to 48 hours



Magalu's Fulfillment Operation completed one year, with solid growth, gains in scale and the possibility of future expansion

Truly multichannel fulfillment

Faster delivery

- The same vehicle that supplies the physical stores also transports 1P and 3P e-commerce items, items for in-store pick-up, and delivers to customers' homes

Lower costs

- Shared infrastructure, already optimized to handle light and heavy items
- Fulfillment operating costs are spread across our current distribution centers with no investment required for expansion

Example: Louveira distribution center

- storing +30,000 products from sellers, occupying only 7% of the total area
- +70% of the light products shipped from this distribution center are from the marketplace
- +25% cost savings compared to other models
- +25% average conversion rate of stored products

Our **physical stores** play a fundamental role in making the marketplace multichannel, providing our partners with **value added logistics services**

Drop-off

+584
Agency Magalu stores optimized for drop-off

77k
Sellers using the stores as postal agencies

3P in-store pick up

+1.1k
stores enabled for in-store pick up of marketplace items

28%
of marketplace orders are delivered via in-store pick up

Our **financial services for sellers**

R$10 Bi
Total TPV in 2Q23
+18% vs 2Q22

7.4 Million
PIX transactions
vs. 3.7 million in 2Q22

fintech . magalu

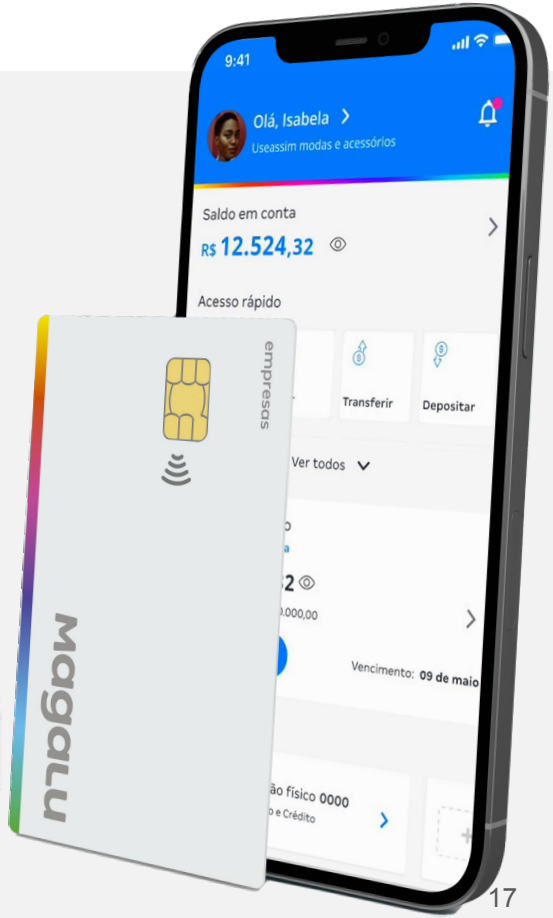
- Hub Fintech concluded its reverse incorporation of Magalu Pagamentos
- This enabled the integration of Kabum and Estante Virtual into our financial ecosystem

Highlight

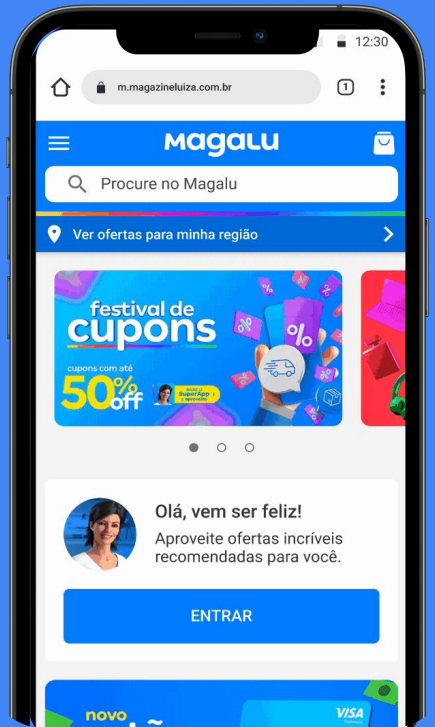
magalupay empresas

+56k
entrepreneurs already have our **Digital Accounts**

+R$325 Mi
Digital Account TPV of Sellers in 2Q23



Magalu ads



5.2K

Active seller advertisers
[#; 2Q23]

16K

Campaigns created during the quarter
[#; 2Q23]

Sponsored search ads grew

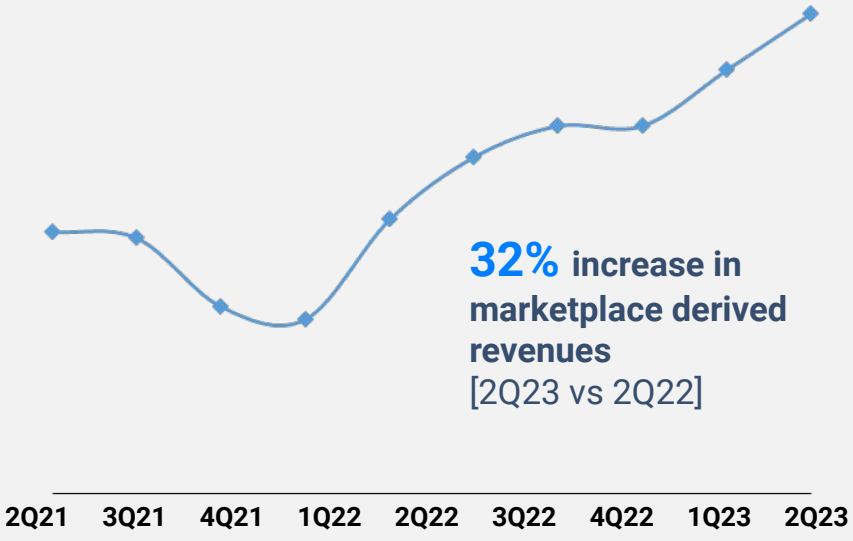
FOUR-FOLD

vs 2Q22

⬆ 45% vs 1Q23

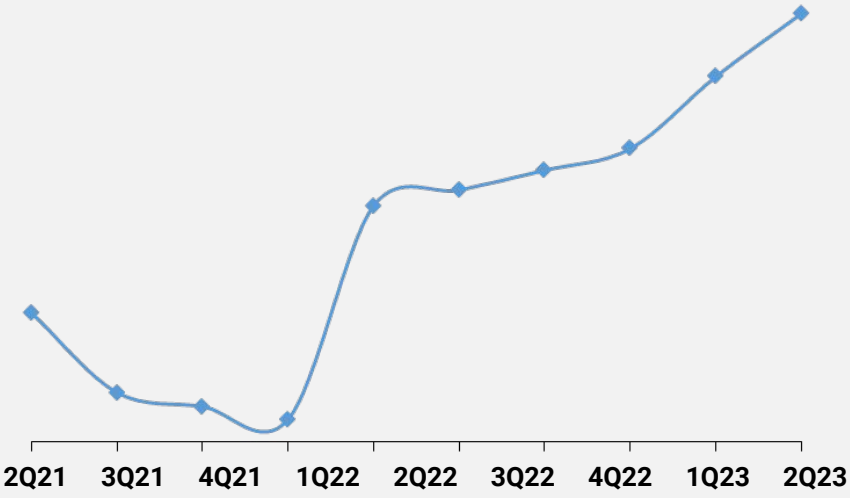
In addition to increasing sales, **we significantly increased the profitability of our marketplace**

Growth of the 3P take-rate
[% GMV; 2Q21-2Q23]



32% **increase in marketplace derived revenues**
[2Q23 vs 2Q22]

Growth of the 3P contribution margin
[% GMV; 2Q21-2Q23]



Financial Highlights

Financial Highlights - 2Q23

7% **E-commerce Growth**

15% **3P Growth**

2% **1P Growth**

3% **Physical Store Sales Growth**

R$14.7 **Billion in Total Sales**
(Growth of 6%)

28.8% **Gross Margin**
(vs 28.6% of margin in 2Q22)

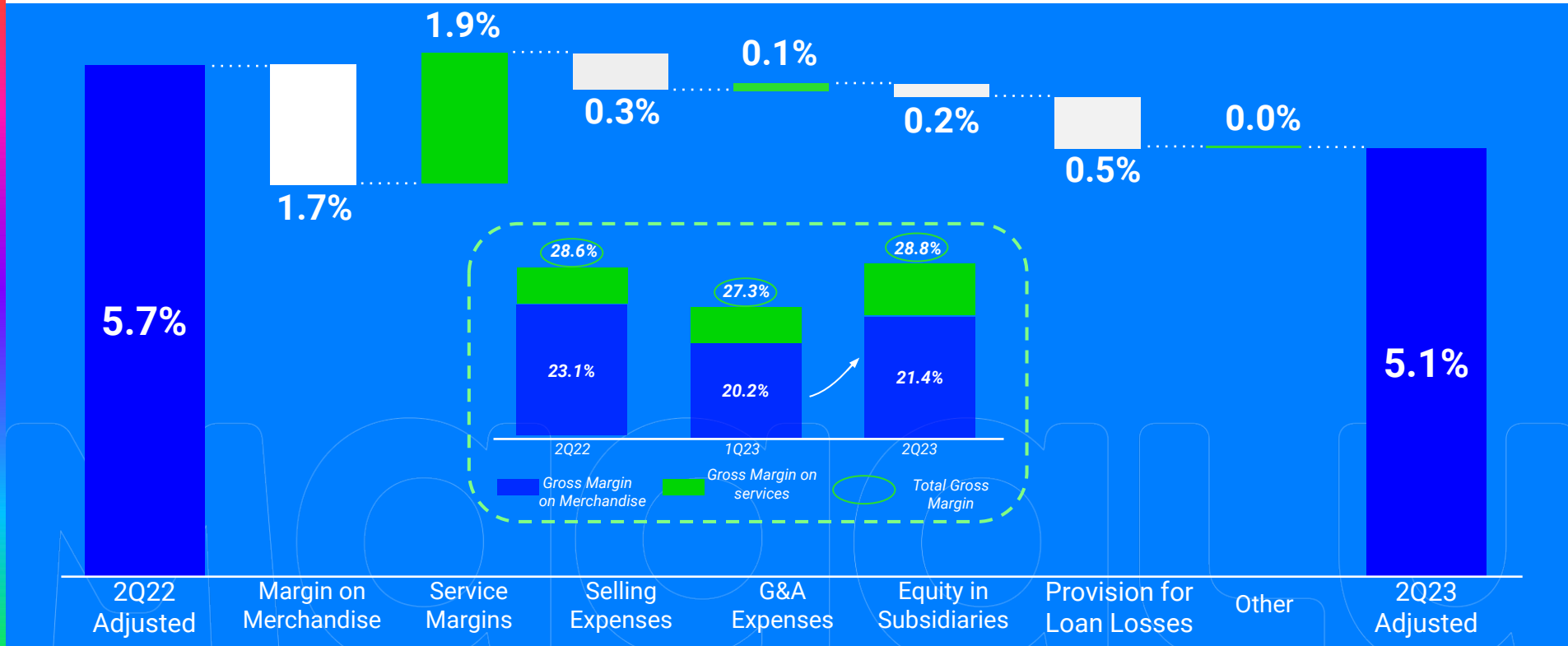
R$440 **Million in Adjusted EBITDA** *
(5.1% of margin)

-R$199 **Million in Adjusted Net Income** *
(-2.3% of margin)

*Disconsidering non-recurring expenses in the amount of R$155.9 million (R$102.9 million net of taxes)

Adjusted EBITDA Margin Growth

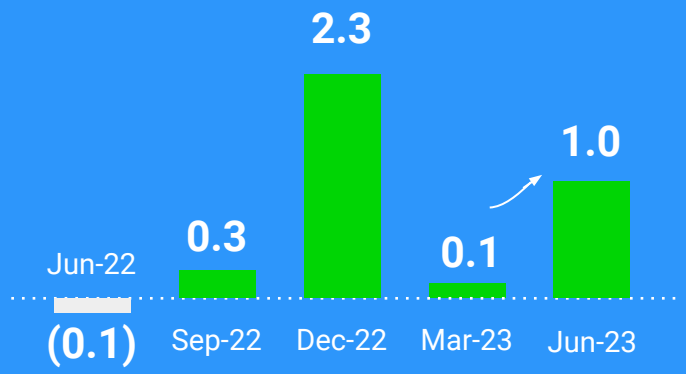
The services margin increased the total gross margin by 1.9 p.p., fully offsetting the tax increase



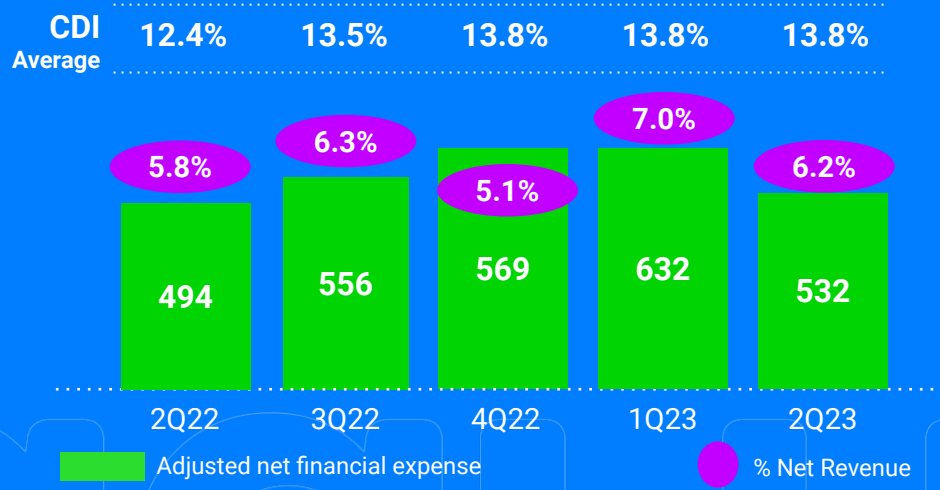
Growth of Working Capital, with an increase in the suppliers balance

Financial expense R$100 million lower compared to 1Q23

Adjusted working capital (R$ Billion)



Adjusted net financial expense (R$ Million)



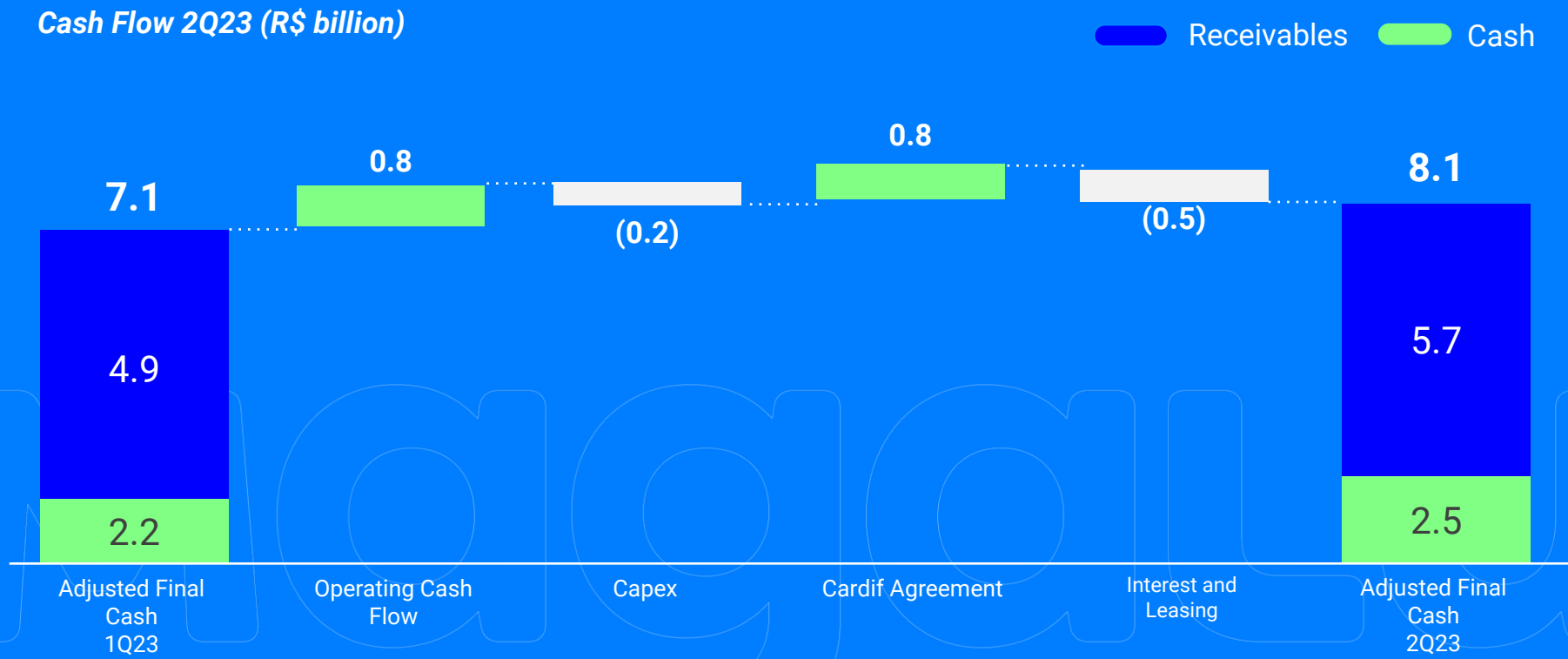
Working capital improvement increase in suppliers balance

PIX and cash sales on e-commerce grew **+15 p.p.**

Reduction in interest rates will boost sales, lending and reduce financial expense

R$1.0 billion increase in cash in 2Q23, reaching R$8.1 billion

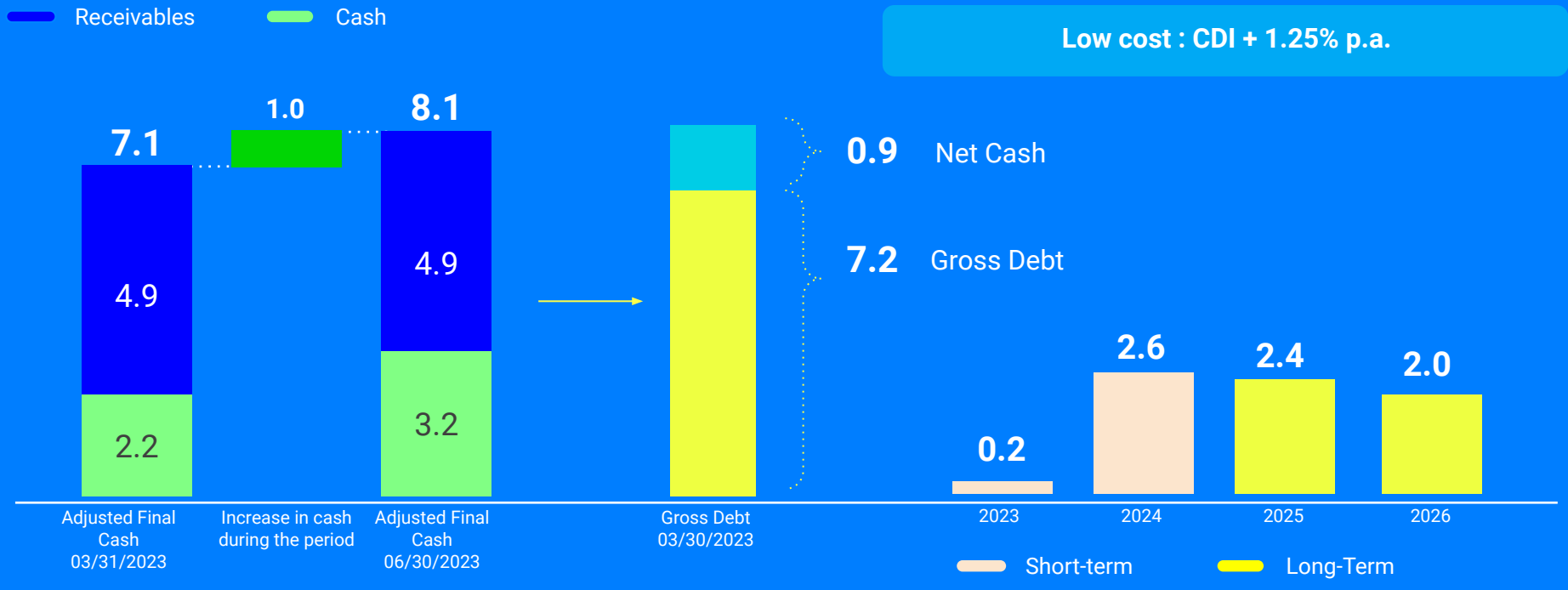
Operating Cash Generation of R$846 million on 2Q23



We ended 2Q23 with a Net Cash position of R$0.9 billion

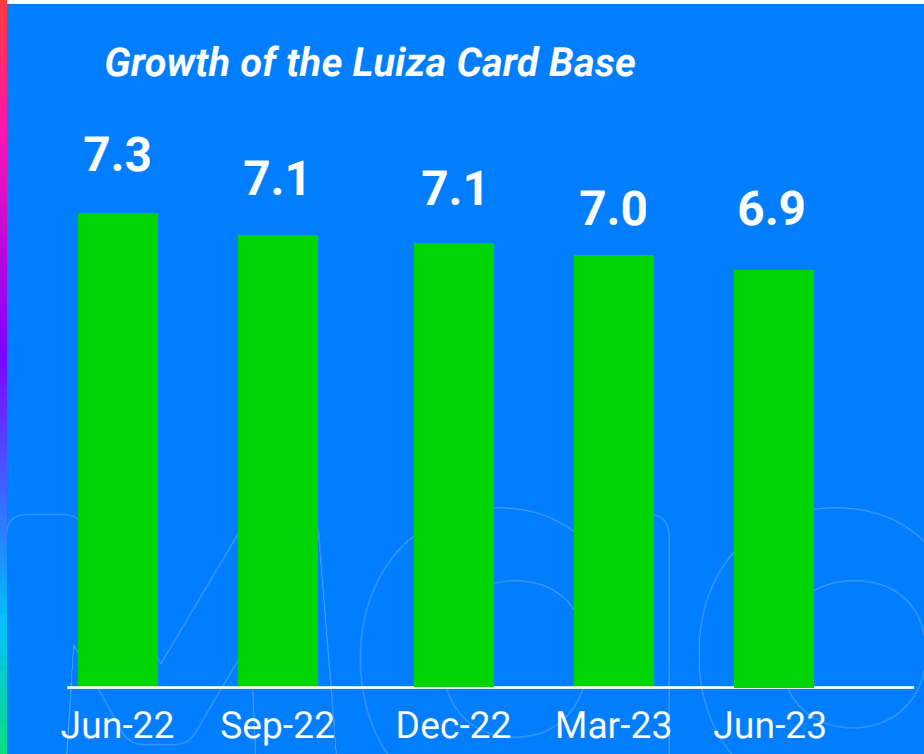
Total Cash position ~3 times short-term debt

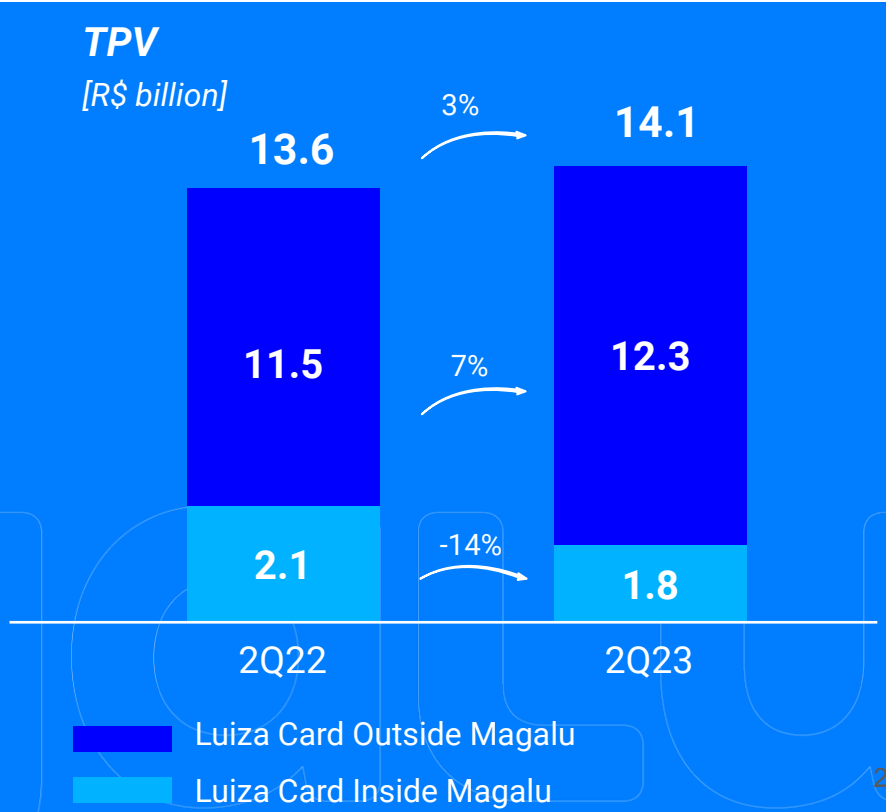
Cash and Debt



Luizacred

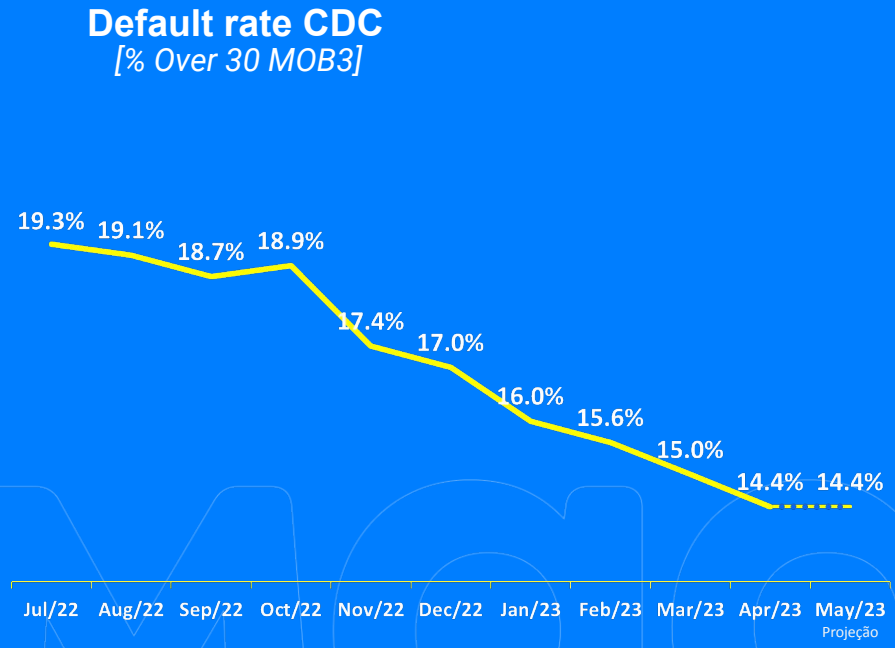
3% growth in credit card TPV, reaching **R$14.1 billion**
The credit portfolio is now **R$20.0 billion**

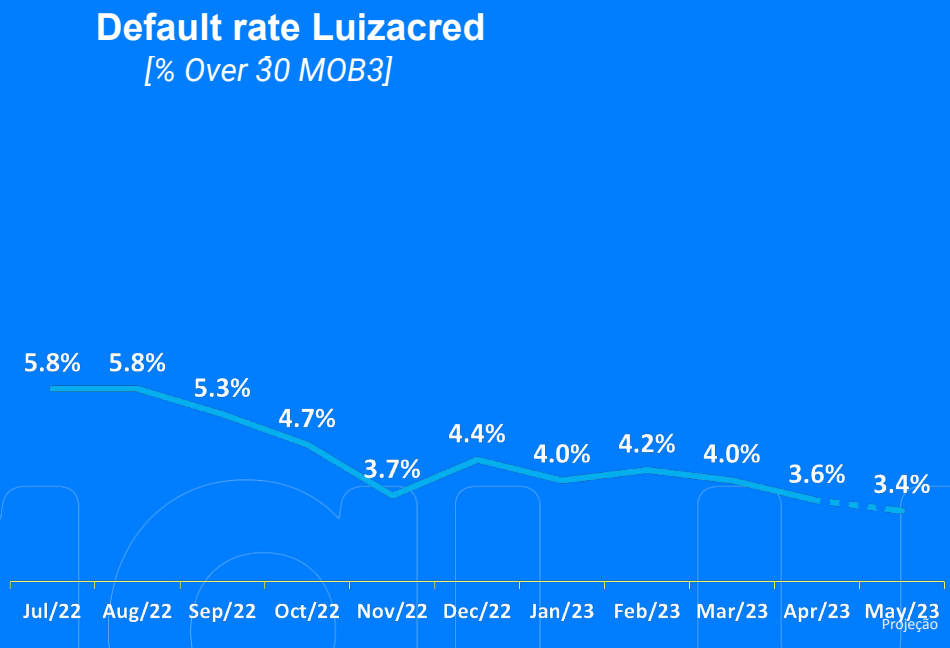




Default rates: CDC and Luizacred

Normalization of the overdue loan portfolio with the lowest short-term default rate indicators in the last five years



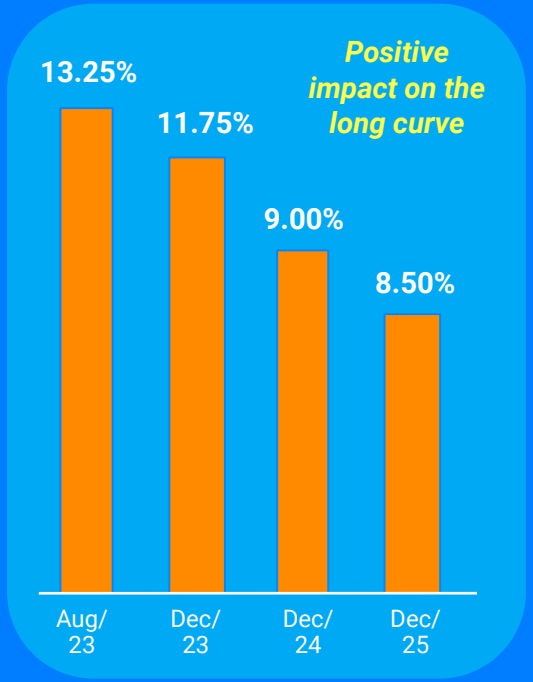


The 2Q23 cohorts have the lowest default rates of any cohort in the last five years

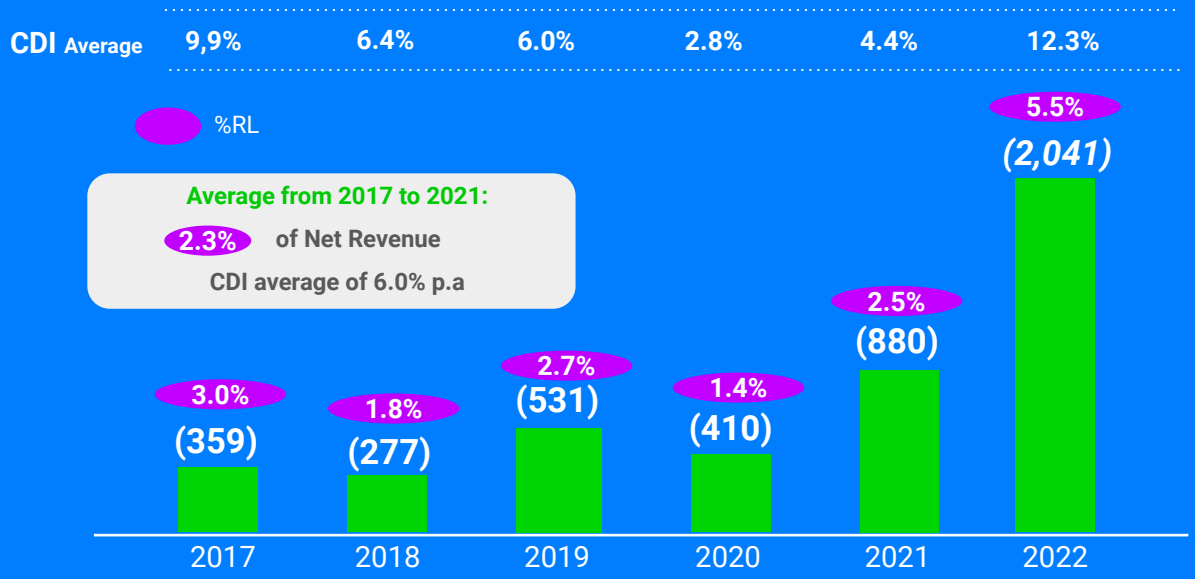
The fall in interest rates will boost sales, lending and reduce financial expense

Selic Rate

Focus - Bacen



Adjusted net financial expense (R$ Million)



We estimate that each percentage point reduction in the Selic rate generates a savings of R$150 million per year in financial expense

Magalu Ecosystem

INVESTOR RELATIONS

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MAGAZINELUIZA.COM.BR/RI

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