



# Magazine Luiza

1Q15 Results Conference Call

May, 8<sup>th</sup> 2015

# 1Q15 Highlights

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## Sales

- Market share gains when compared to PMC performance in Jan-Feb
- Net revenue basically stable at R\$2.25 billion: SSS decrease of 3.0% (+9.2% in e-commerce and -5,3% in stores)

## E-commerce

- E-commerce share in total sales increased to 17.9% in 1Q15 from 16.1% yoy

## Operating Expenses

- Better expense control: SG&A expenses rose by 1.6% yoy, much lower than inflation

## EBITDA

- EBITDA increased by 5.5% yoy to R\$127.4 million in 1Q15, for 40 bps expansion in EBITDA margin to 5.7%

## Luizacred

- Luizacred equity income increased 19.4% in 1Q15 to R\$23.7 million, for ROE of 35.1% and,

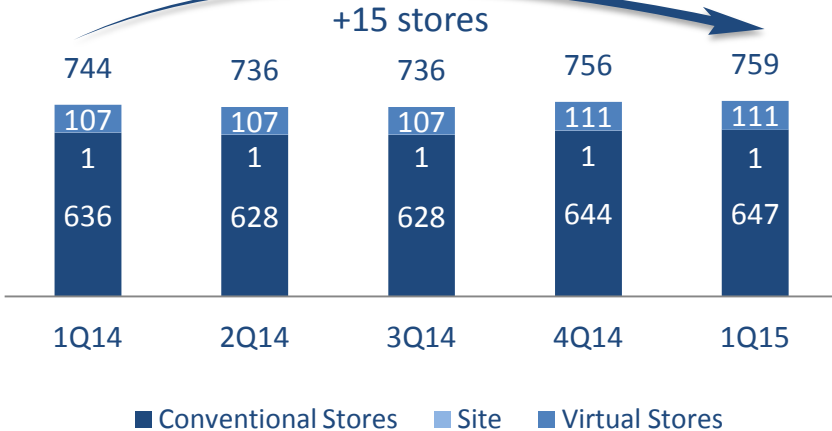
## Net Income

- Net income of R\$2.9 million in 1Q15, for net margin of 0.1%.

# Operating Highlights

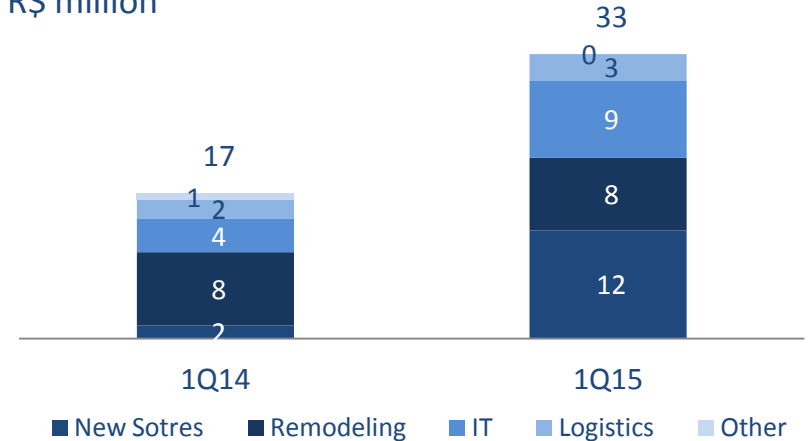
## Number of Stores

# stores

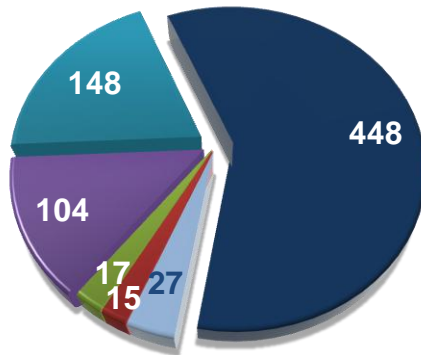


## Capex

R\$ million



## Average Age - Stores



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

## Comments

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

# Sales Performance

## Gross Revenue - Consolidated

R\$ billion

26.6% 25.7% 15.7% 10.1% 18.7% -1.6%

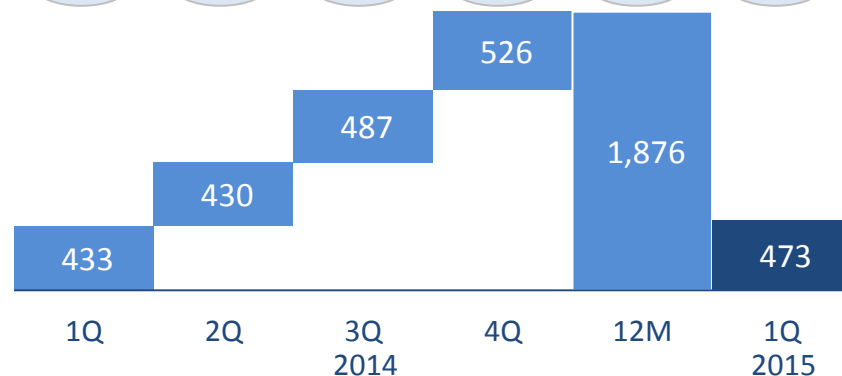
2014

2015

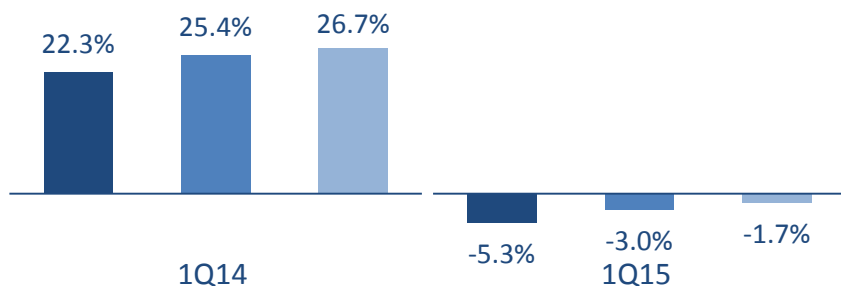
## Gross Revenue - Internet

R\$ million

44.0% 44.1% 32.6% 20.5% 33.7% 9.2%



## Same-Store Sales Growth



- Same-Store Sales Growth (Brick and mortar stores)
- Same-Store Sales Growth (including e-commerce)
- Total Retail Growth

## Comments

- Consolidated net revenues basically flat yoy in 1Q15
  - Excluding TV sales, gross sales growth of all other categories would have been +4.8% in 1Q15.
  - 3.0% SSS (SSS of -5.3% in stores and +9.2% in e-commerce)
- Extremely high comparison basis in 1Q14 (+44.0% e-commerce) as well as in the stores (+22.3% SSS)

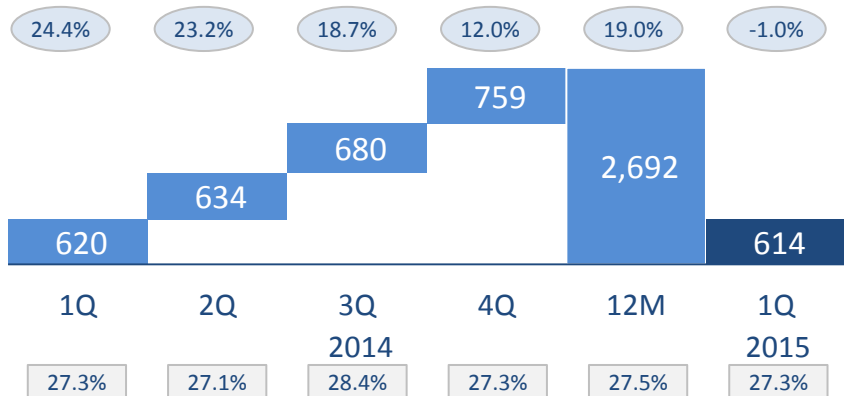
Growth over the same period of last year

# Gross Profit, Operating Expenses and Equity Income

## Gross Profit

R\$ billion

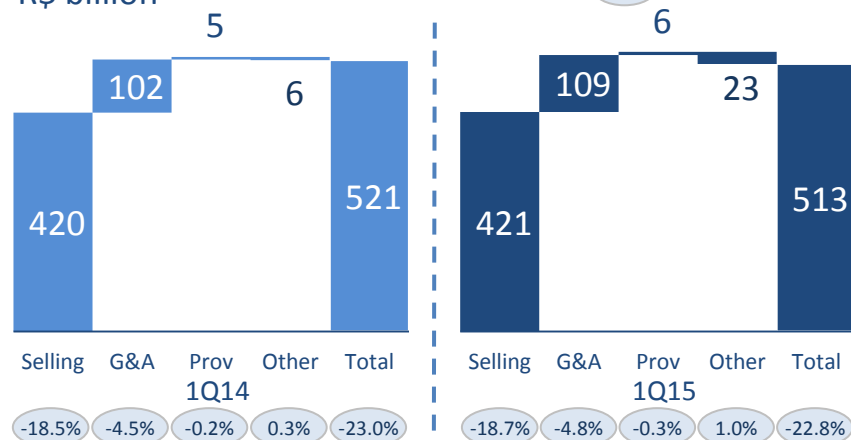
○ Growth  
□ Gross margin (%)



## Operating Expenses

R\$ billion

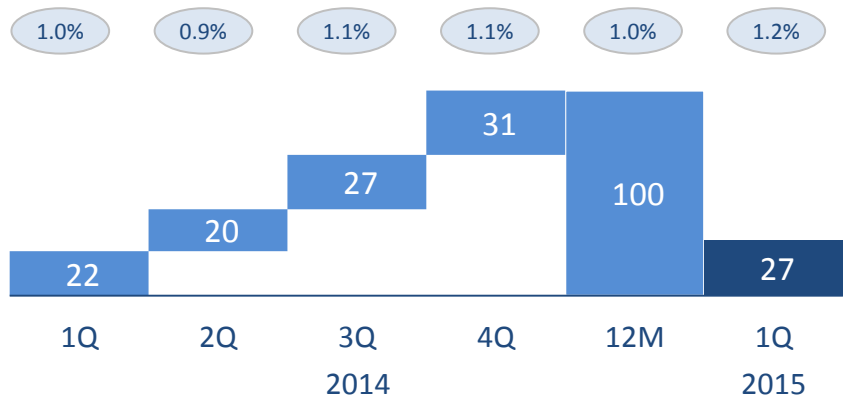
○ % Net Revenue



## Equity Income

R\$ million

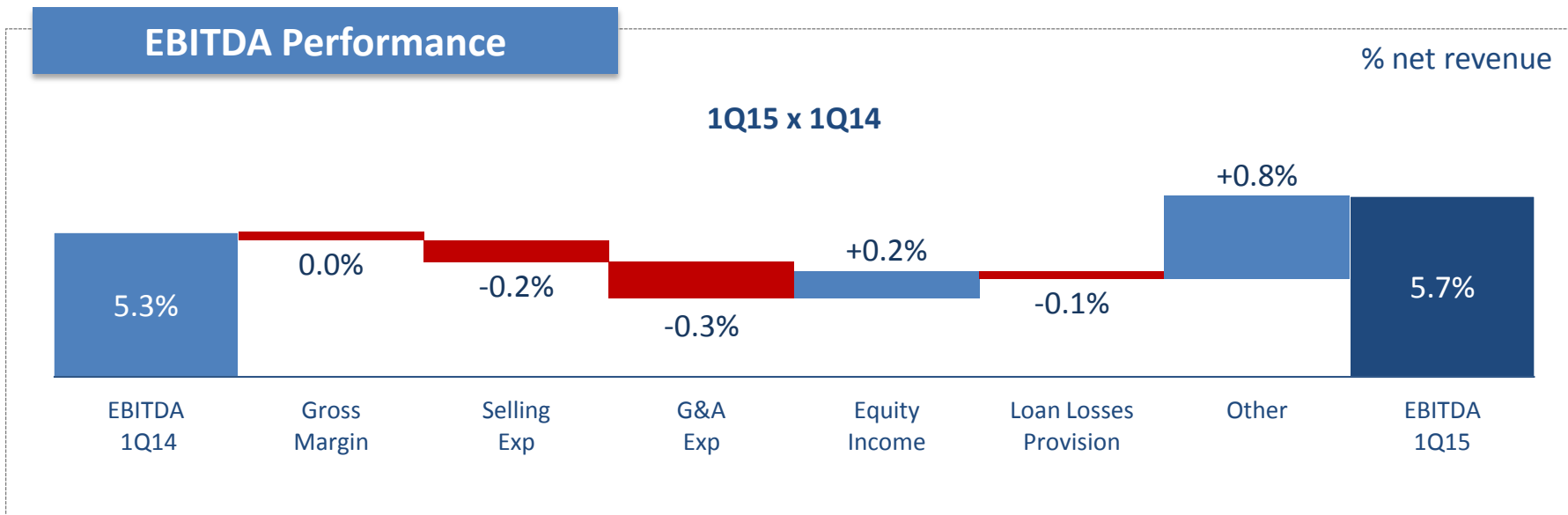
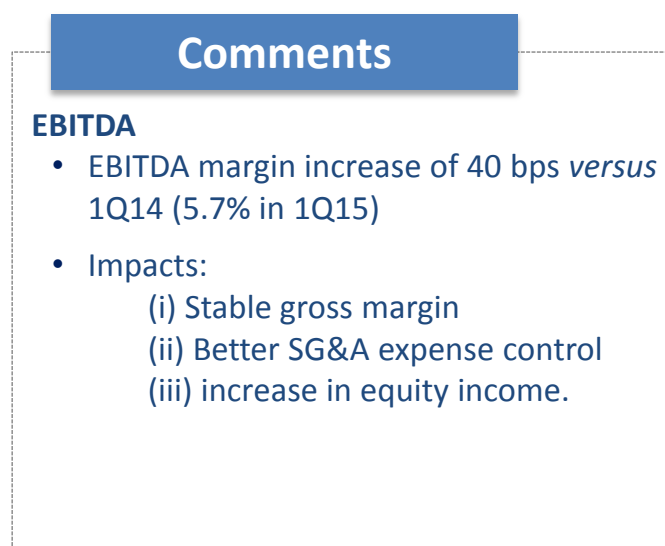
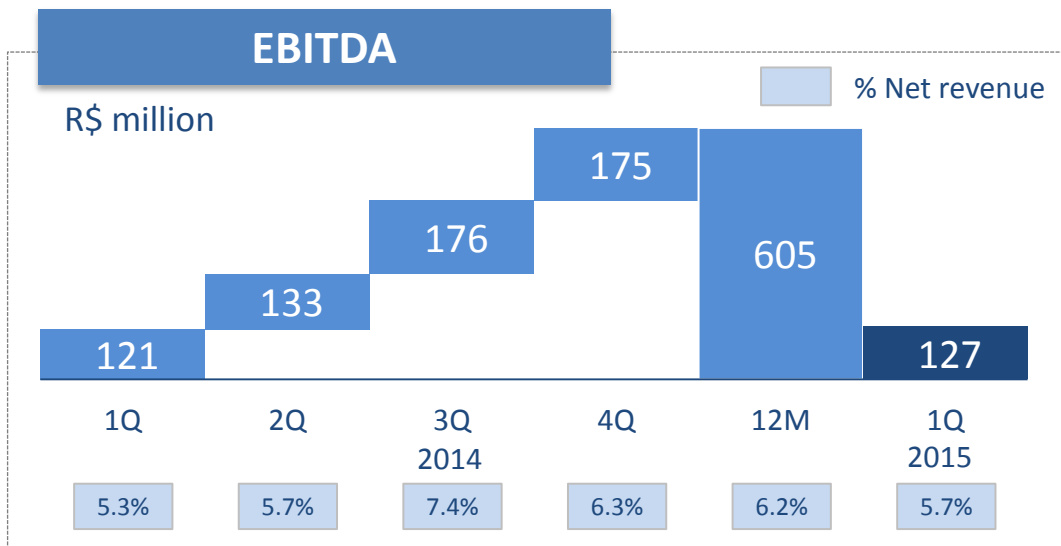
○ % Net Revenue



## Comments

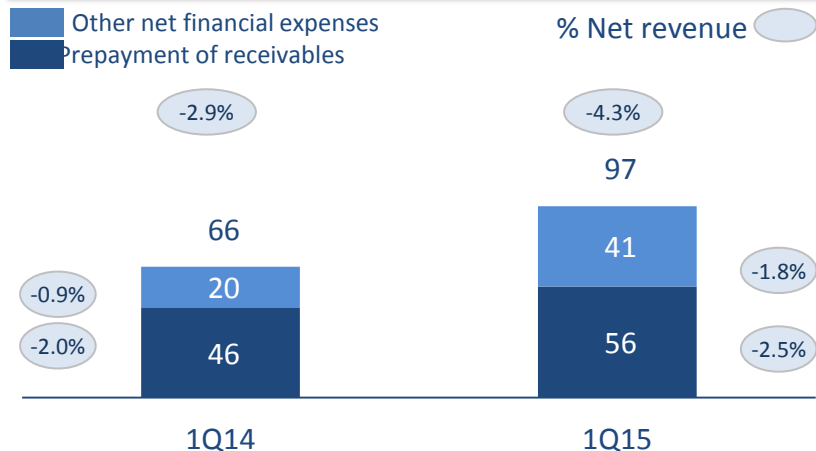
- **Gross Profit**
  - Basically unchanged at 27.3%, despite the e-com participation increase in the total sales and challenging consumer environment in 1Q15
- **SG&A expenses**
  - Increase of 1.6% yoy, much lower than inflation
- **Equity Income**
  - Better profitability in Luizacred:
    - EBITDA margin to 19.3% in 1Q15 (17.8% in 1Q14)
    - Net margin of 11.1% in 1Q15 (10.2% in 1Q14)

# EBITDA

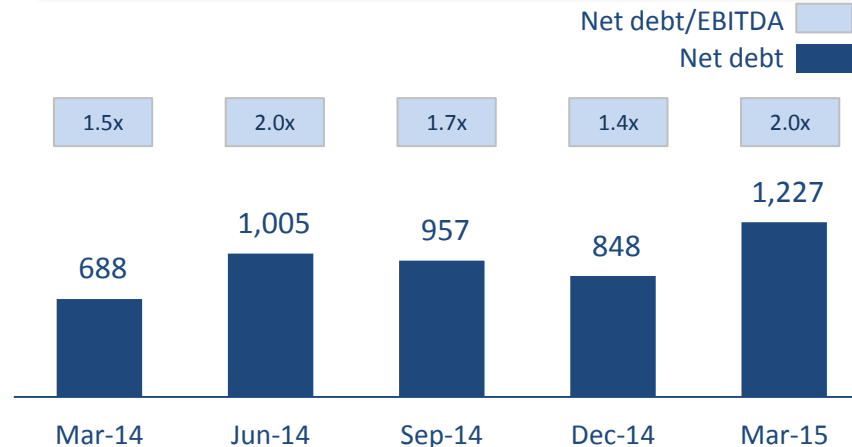


# Financial Results and Working Capital

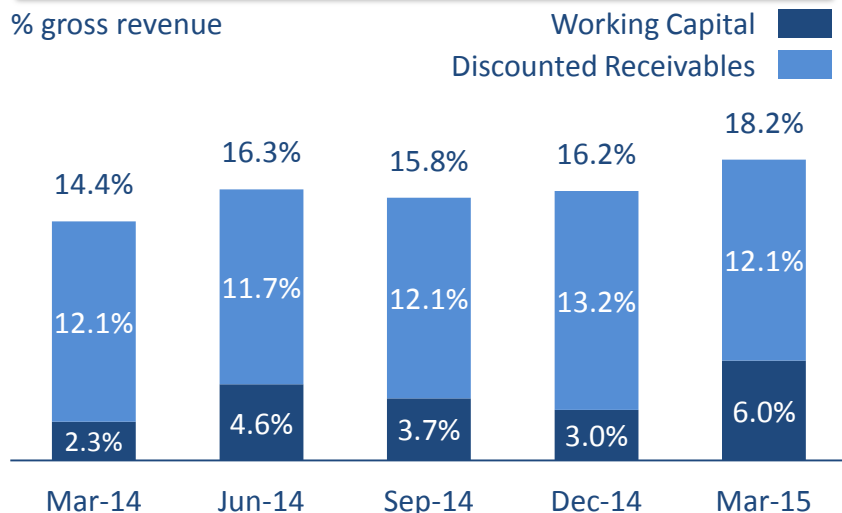
## Financial Results\*



## Net Debt



## Working Capital



## Comments

### Financial results

- Increase of 46.2% in net financial expenses to 4.3% of net sales in 1Q15 (versus 2.9% in 1Q14) due to higher interest rates in the period and change in working capital needs

### Working Capital

- Working capital rose to 6.0% of LTM sales in 1Q15 due to seasonality, lower sales and strategic purchases, all of which should be reverted over the next quarters

### Net Debt

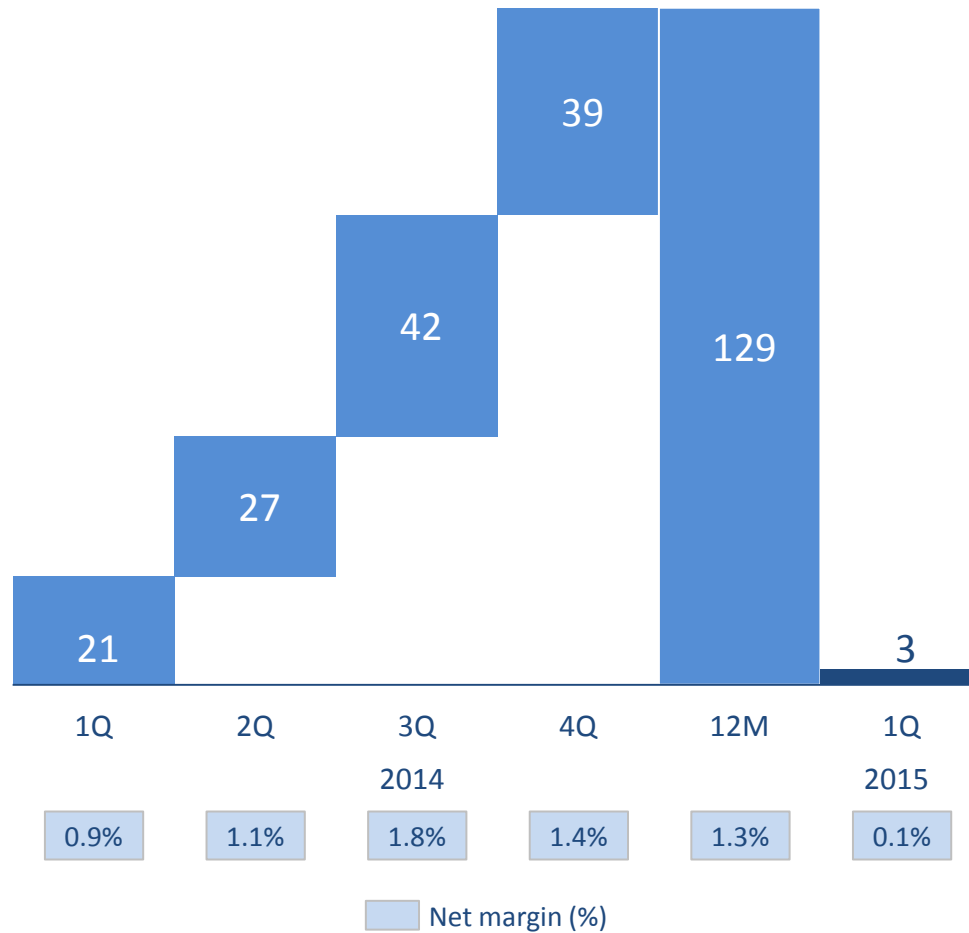
- Increase in leverage to 2.0x EBITDA in Mar-15 from 1.4x in Dec-14

\* Adjusted for Income from security fund

# Net Income

## Net Income

R\$ million



## Comments

### Adjusted net income in 1Q15

- Net income reduction of R\$2.9 million in 1Q15, for a net margin of 0.1%
- Earnings negatively impacted by higher financial expenses in the period and sales performance.

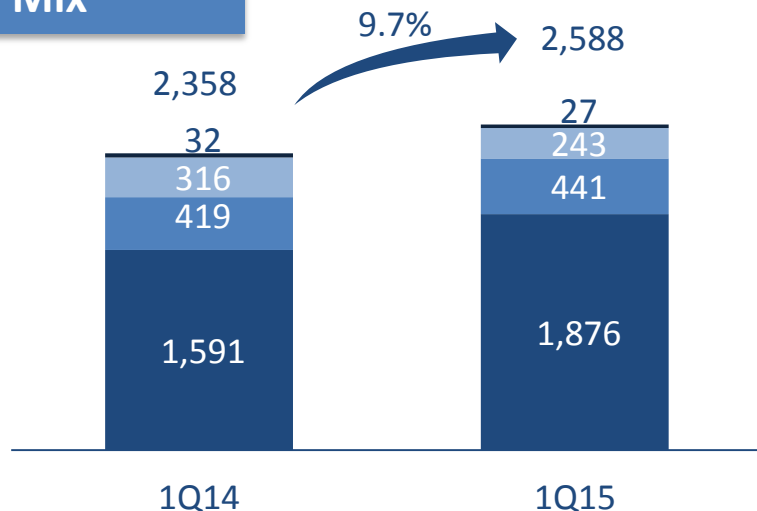


# Luizacred

## Revenue Mix

R\$ million

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



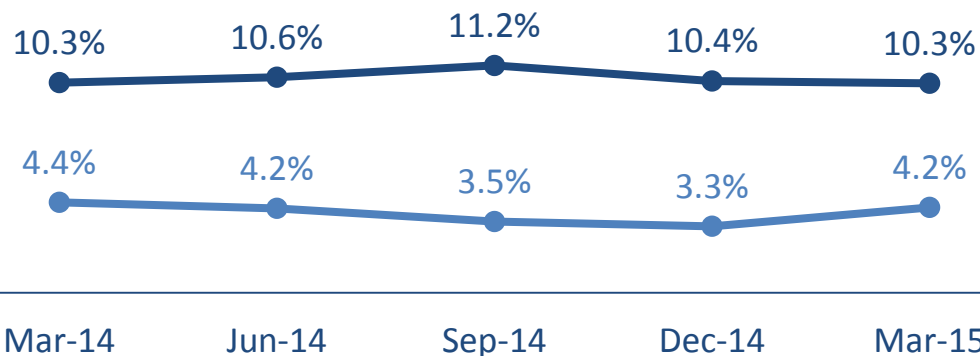
## Comments

- Gross billings of 9.7% in 1Q15
- Increase of 5.3% of Luiza Card revenue inside Magazine Luiza stores and 17.9% outside
  - Luiza Card accounted for 63.8% of Luizacred's revenue in 1Q15, compared to 55.2% in 1Q14
- 23.1% drop in DCC revenues on more conservative credit policy

## Overdue Payments

% portfolio

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



## Comments

- Reduction in the Provision for loan losses over total sales to 40.0% in 1Q15 from 44.9% in 1Q14
- Provision for bad debts decreased from 3.4% in 1Q14 to 3.0% in 1Q15
- Maintain the conservative credit approach: low approval rates and close monitoring of overdue payments

# 2015 Outlook

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- 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



# Investor Relations

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