

# 2Q19 Conference Call August 13, 2019



# Drives 2019

Magalu



# Clients

- 22 million active customers (+53% versus 2Q18)
- RA 1000 Seal at physical stores and e-commerce (including marketplace)
- Growth of 23% in first call resolution
- Reduction of 50% on average waiting time in attendance
- Satisfaction Index (CSAT) at marketplace grew 24%

# E-commerce

- Growth of 50% in active customer base
  
- 12 million MAU including Magalu Superapp, Netshoes, Zattini and Época Cosméticos
  
- Express Delivery: 40% of last mile deliveries
  
- Logbee: responsible for more than 24% of total orders
  
- *Shipping from store*: pilot in more than 60 stores

# Marketplace

- Growth of 289% YoY
  
- More than R\$583 million of GMV (24% of total e-commerce sales)
  
- 8,100 sellers and more than 7.5mm SKU's
  
- 100% of transactions have invoice issuance
  
- Magalu Entregas:
  - Magalu Entregas - basic model: 60% of sellers
  - Cross Docking Model: Pilot with 135 sellers (reduction in cost and delivery times)

# Physical Stores

- Growth of 19% in active customer base

- Marketshare gains of 1.5p.p.

- Sales growth of 9% (on top of 34% in 2Q18)

- “Smartphoniza Brasil” Campaign: smartphone category grew more than double of the market

- Without the World Cup effect, SSS would have been ~10%

# Luizacred

- The country's largest credit card company (revenue +50% in 2Q19)

- A portfolio of R\$9,5 billion (+44% YoY)

- Luiza Card cardholder base grew 24%, reaching 4.6 million in 2Q19

- Usage frequency: 7x/month

- Luiza Card sales outside Magalu: 75%

- A Netshoes:
  - Leading e-commerce retailer of clothing, footwear and sporting goods
  - Two brands: Netshoes and Zattini
  
- Netshoes in numbers (2018):
  - 24 million users
  - 6.8 million of active customers
  - 12 million orders
  - Average ticket: R\$204
  - +1,000 sellers at marketplace
  - Assortment: ~250k SKUs
  - GMV: R\$2,6 billion
  - Marketplace: 15% share
  
- With the Acquisition, in line with the strategy of exponential growth and creation of the superapp:
  - Adding new categories
  - Increase of the active customer base
  - Increase purchase frequency
  
- Conclusion of the acquisition:
  - Price: US\$3.7/share
  - Total Price: US\$115 million



# 2Q19 Highlights – Pro Forma

## Sales

- Total sales grew 24 %, reaching R\$5.7 billion
- Total Physical Store Sales grew 8.7% (0.3% in Same Store Sales)

## E-commerce

- E-commerce grew 56% (reaching 41% of total sales)
- Marketplace sales grew 289% (24% of share)

## Gross Profit

- Gross profit grew 12% (a reduction of 0.8 p.p. in gross margin)
- End of “Lei do Bem”, e-commerce, marketplace

## Operational Expenses

- Represent 22% of net revenue
- Investments in the acquisition of new clientes and higher service levels

## EBITDA Net Profit

- EBITDA of R\$304 million (7.2% margin)
- Net income of R\$108 million (2.6% margin)

## Operating Cash Generation

- Cash flow from operations reached R\$0.7 billion in LTM
- ROIC of 17%(2Q19) and 23% LTM

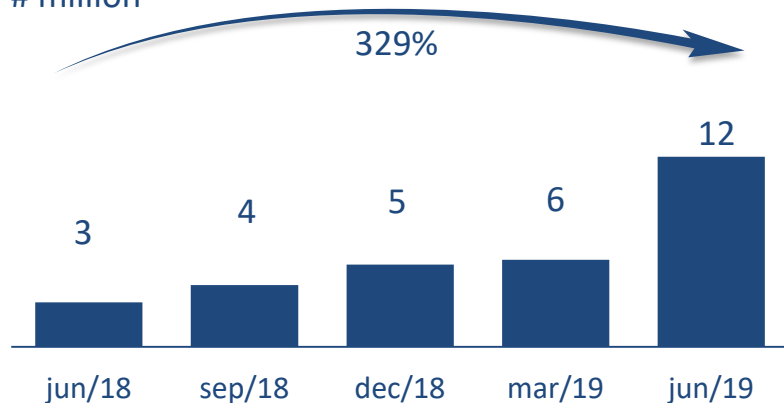
## Capital Structure

- Adjusted net cash of R\$0.8 billion in Jun/19
- Net cash position of R\$2.0 billion

# Evolution of Users

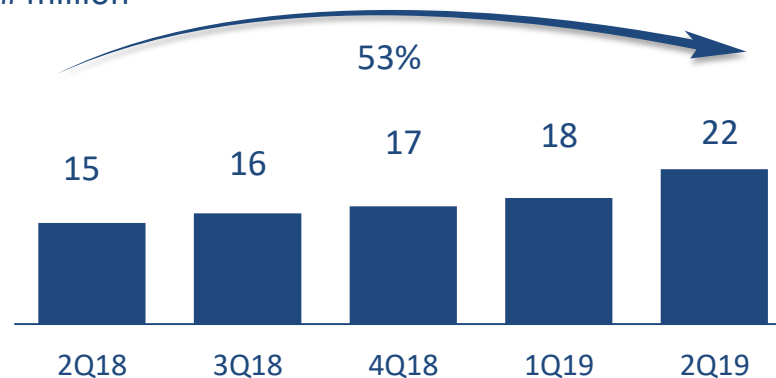
## MAU

# million



## Active Customer Base

# million



## Destaques

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

## Destaques

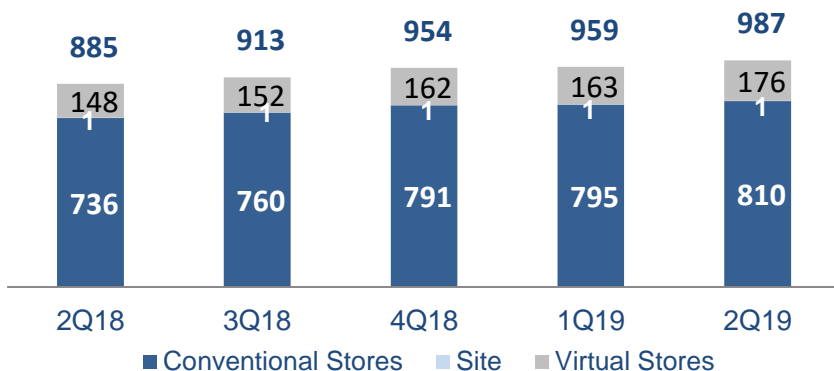
- Growth of 53% in active customer base
- Inclusion of new categories and investment in customer experience contributed to this growth
- Active customer base in e-commerce grew 128% considering Netshoes

# Operating Highlights

## Number of Stores

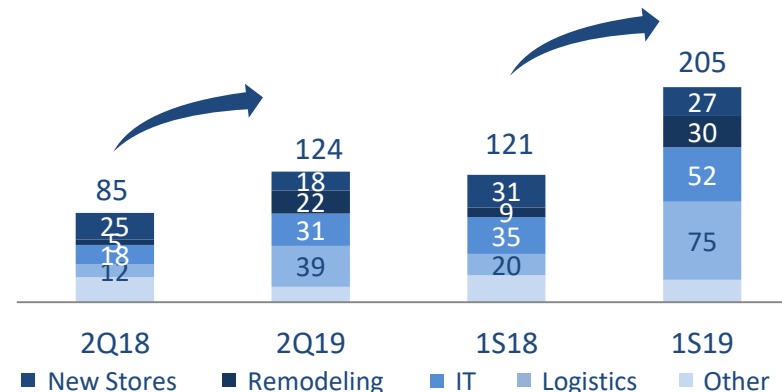
# stores

+102 stores

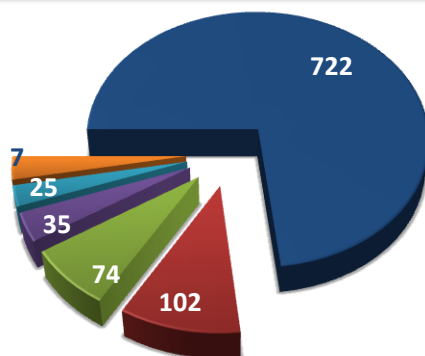


## Capex

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

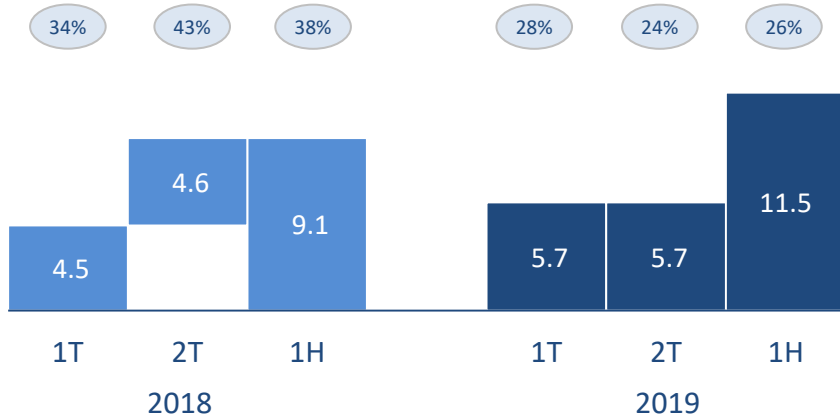
## Highlights

- Opened 27 stores in 2Q19 and incorporated another one from Netshoes (Shoestock)
- Around 27% of stores are still in the maturation process
- 2Q19 Capex was R\$124 million, in projects to support growth

# Sales Performance

## Total Sales

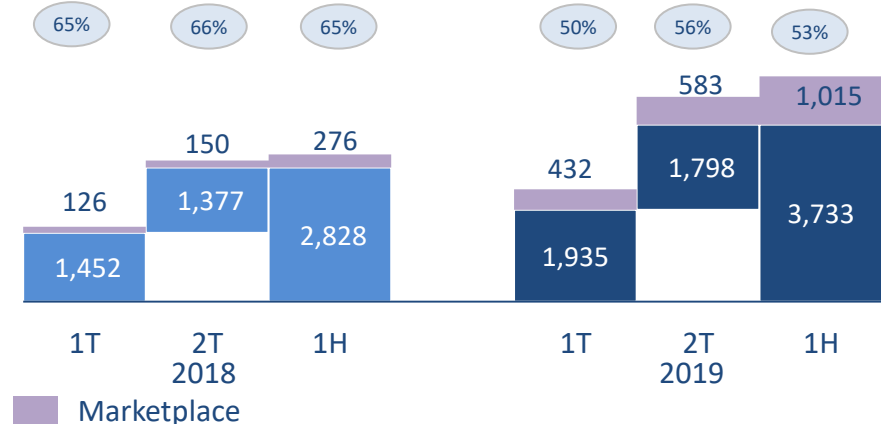
R\$ billion



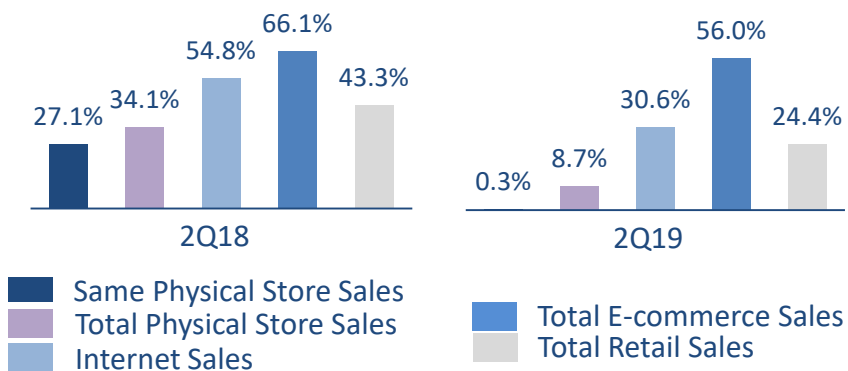
## Sales – Total E-commerce\*

R\$ million

\* Website, App and Marketplace



## Sales Growth



## Highlights

- Same physical store sales of 0.3% (2Q19) with a tough comparison basis (27.1% in 2Q18)
- E-commerce share rose from 33.0% to 41.5% in 2Q19
- By contrast, sales of furniture and domestic appliances in Brazil grew only 3.1% in the first six months (PMC/IBGE)
- Brazilian e-commerce market grew 10.8% (E-bit)

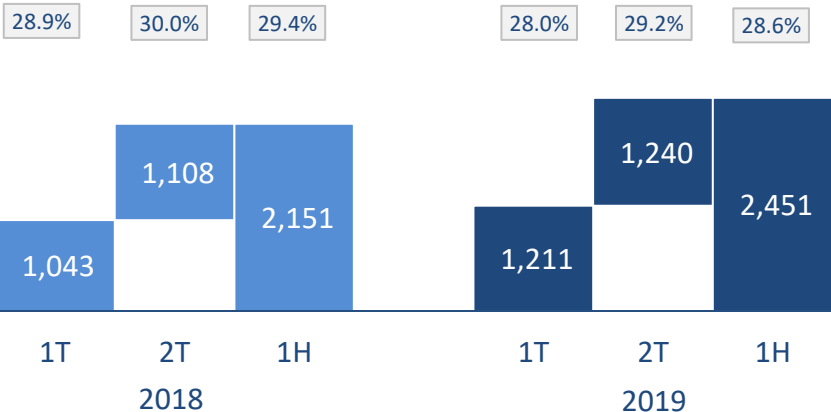
YoY growth comparison

# Gross Profit, Operating Expenses and Equity Income

## Gross Profit

R\$ million

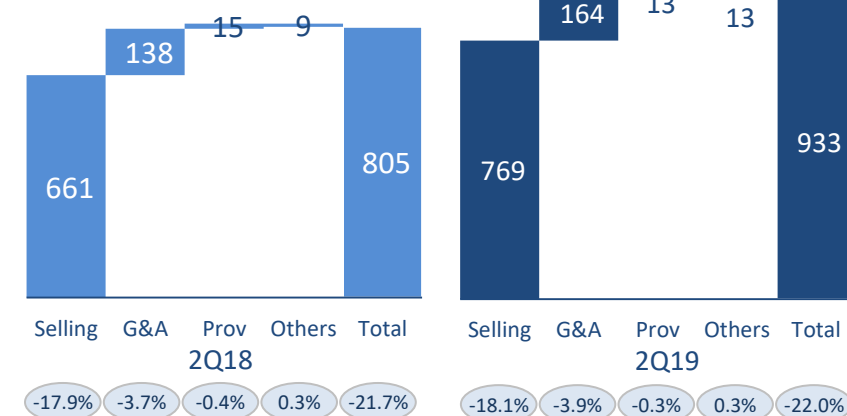
Gross margin (%)



## Operating Expenses

R\$ million

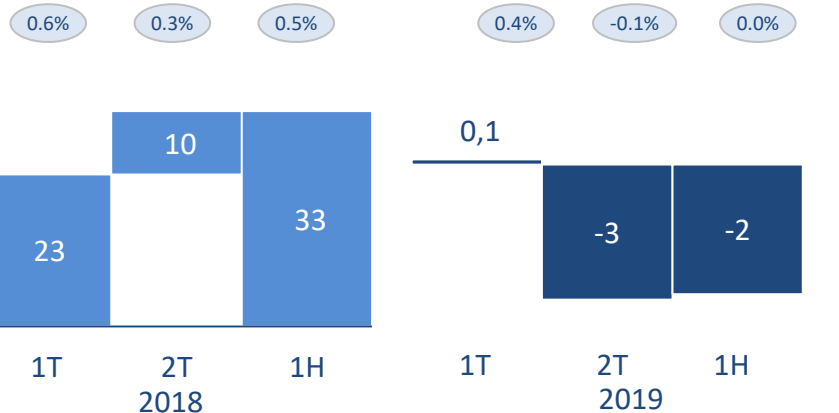
% Net Revenue



## Equity Income

R\$ million

% Net Revenue



## Highlights

### Operating Expenses

Reduction of 0.1p.p. to 21.7% of net revenue in 2Q19

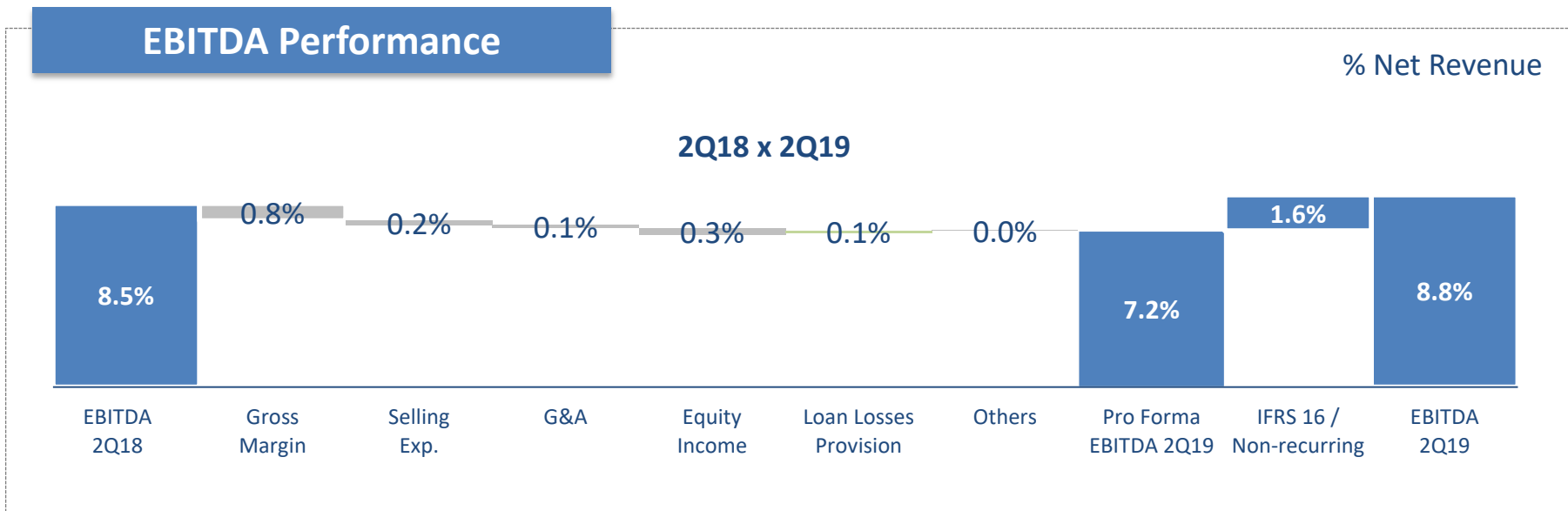
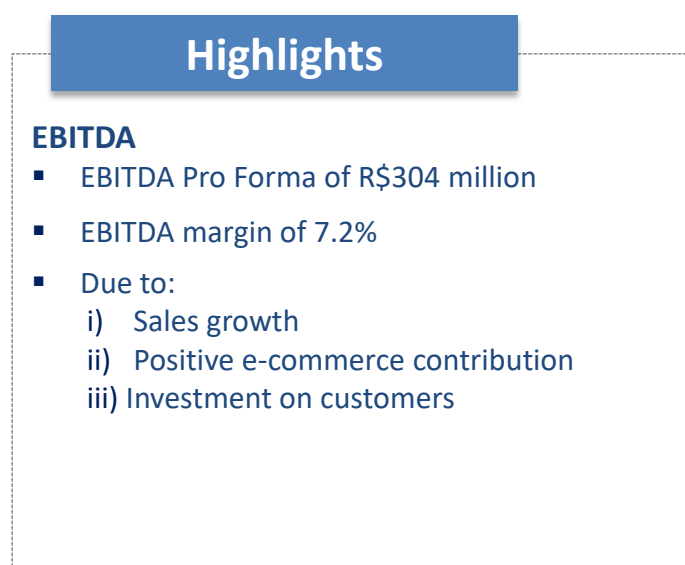
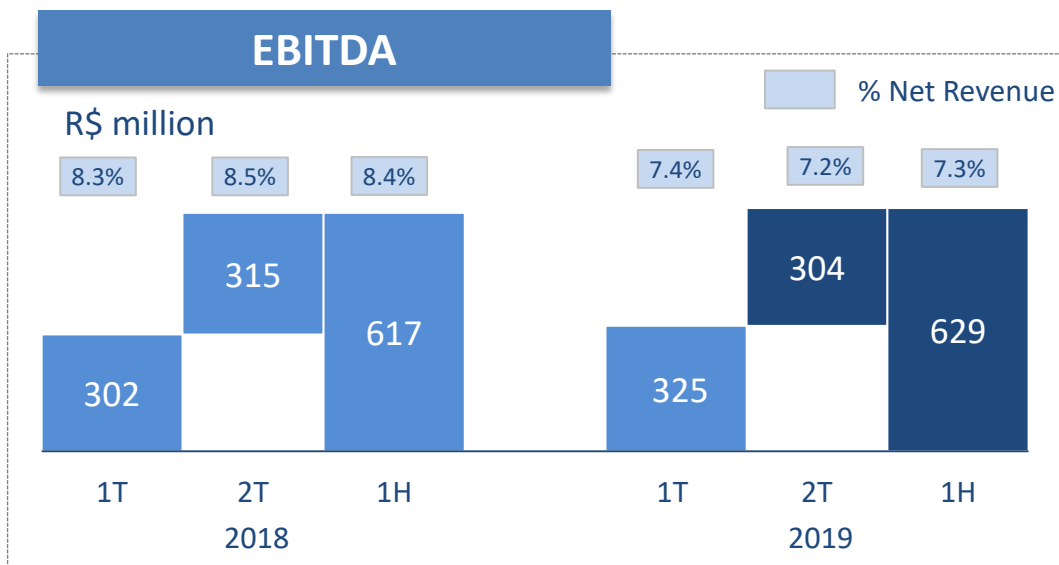
### Equity Income

Luizacred: -R\$4 million

Luizaseg: R\$1.5 million

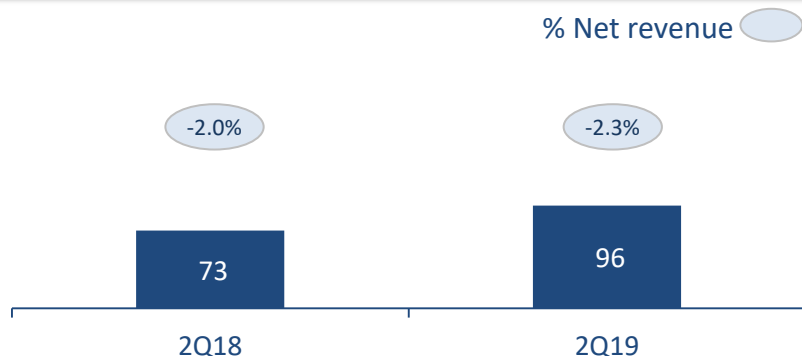
Luizacred results were impacted by IFRS 9 due to credit portfolio growth (+44%) and cardholders base expansion (+24%)

# EBITDA

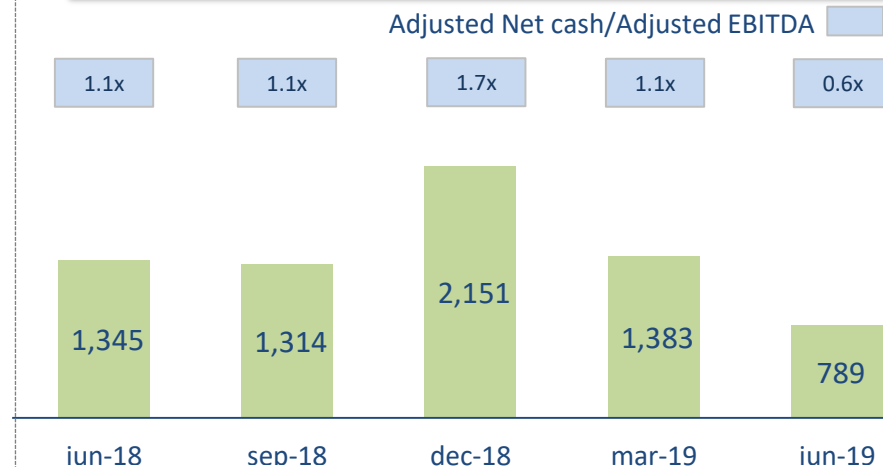


# Financial Results and Working Capital

## Pro Forma Financial Expenses

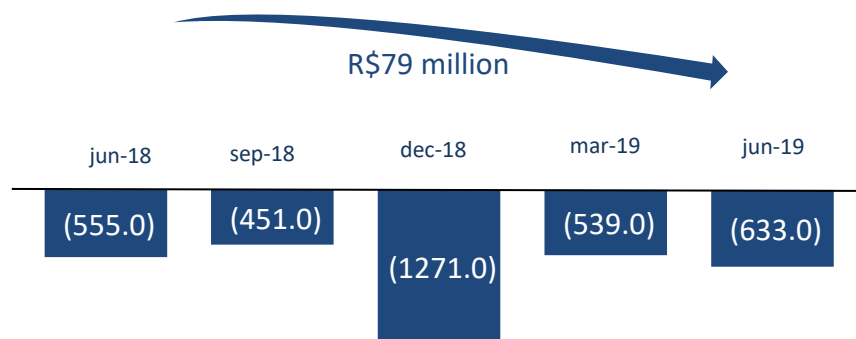


## Adjusted Net Cash\*\*



## Adjusted Working Capital

% Gross revenue



## Highlights

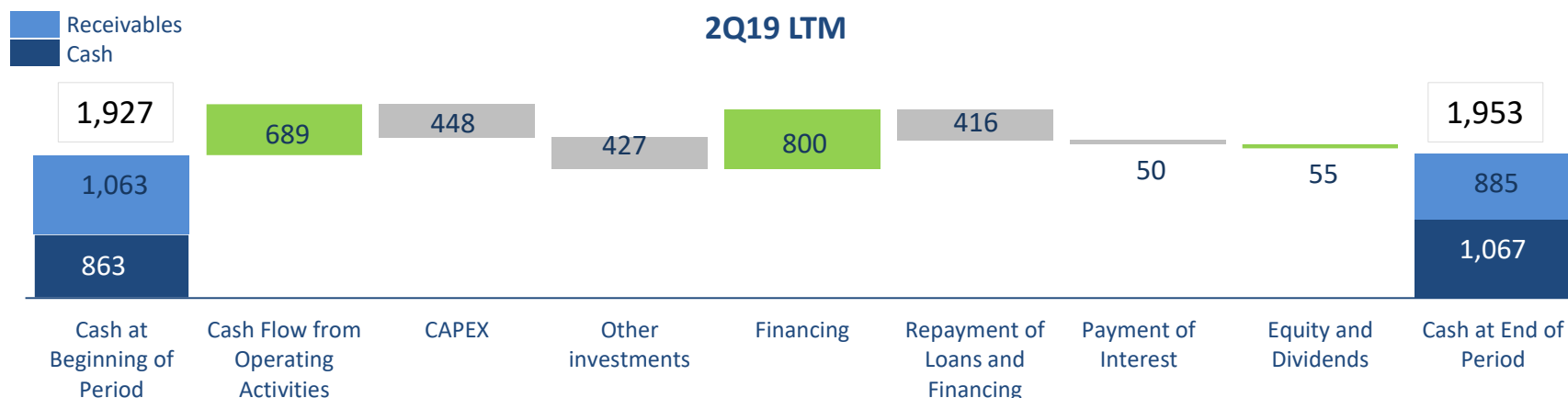
- Financial results**  
 Pro forma Net Financial Results R\$95.9 million in 2Q19
- Working Capital**  
 Disciplined working capital management
- Capital Structure**  
 Net cash variation it totally related to Netshoes acquisition ( jun/19)

\*\* Including credit card receivables

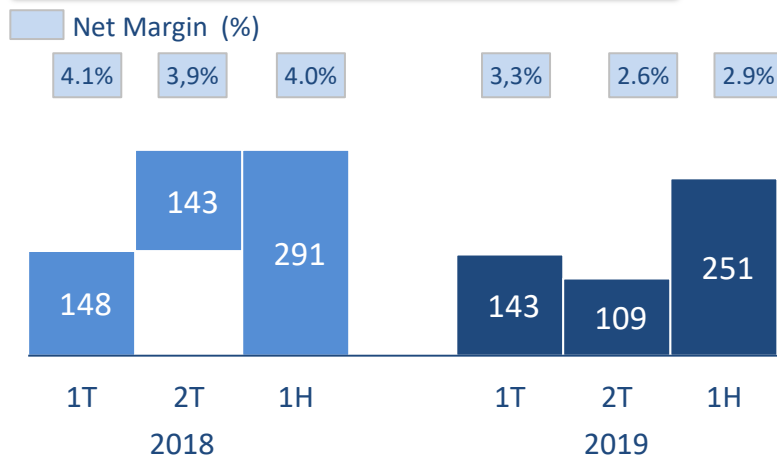
# Adjusted Cash Flow and Net Income

## Adjusted Cash Flow

2Q19 LTM



## Net Income Pro Forma



## Destques

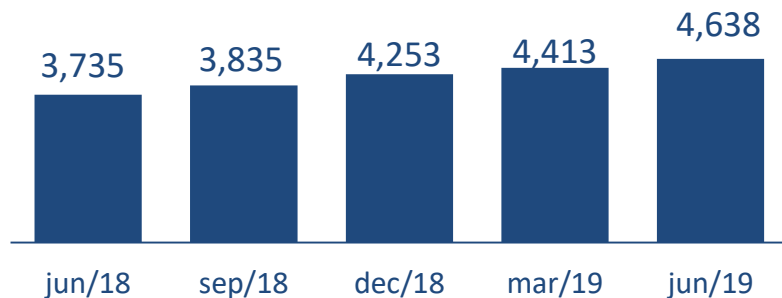
- Net Cash**  
 Total cash position of R\$2.0 billion (R\$1.1 billion in cash and R\$0.9 billion in credit card receivables)
- Net Income**  
 Net Income Pro Forma of R\$108 million in 2Q19



# Luizacred

## Card Base

Thousand



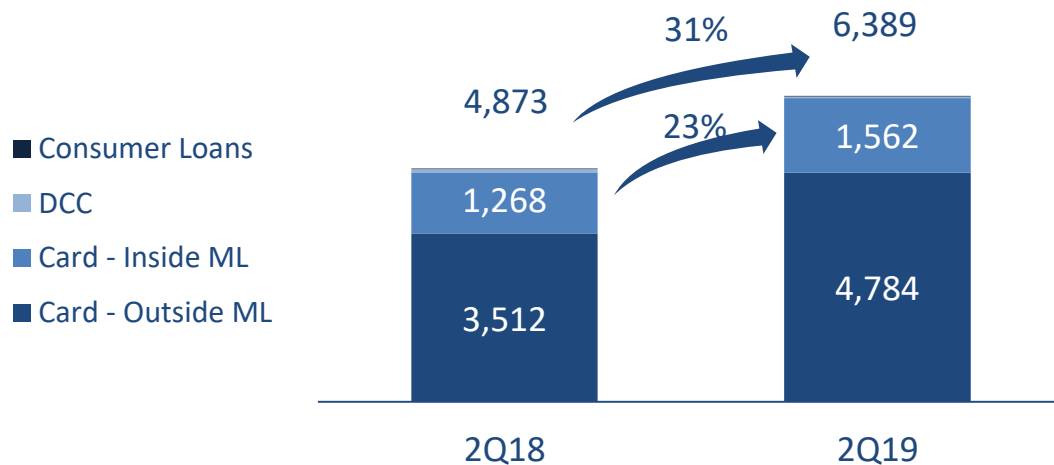
Cartão Luiza App  
+565k  
downloads

## Highlights

- Luiza Card: higher loyalty, purchase frequency and average purchase price
- Luiza Card cardholder base grew 24% in the last 12 months
- Net addition of 225,000 new cards issued in 2Q19

## Revenue

R\$ million



## Highlights

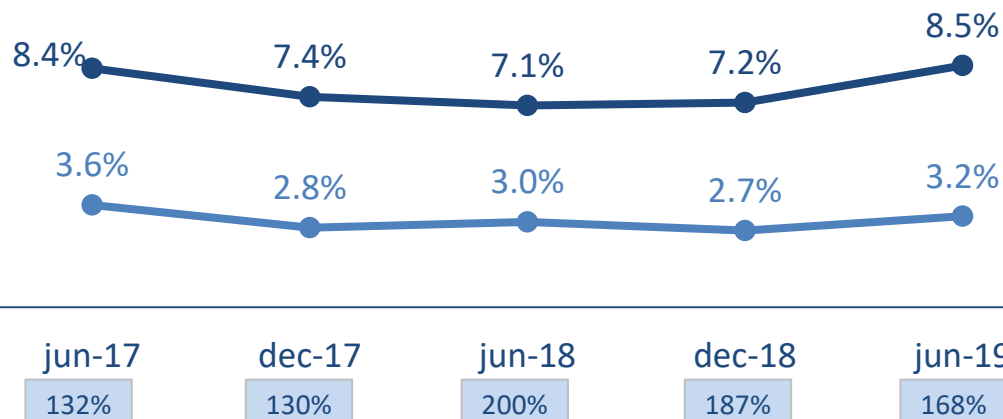
- Revenue grew 31%
- Increase in revenues from Luiza Card inside ML stores (23%) and outside ML stores (36%)
- Credit portfolio reached R\$9.5 billion (+44% in LTM)

# Luizacred - Net Income

## Overdue Payments

% portfolio

— Overdue beyond 90 days  
— Overdue 15-90 days  
■ Coverage Ratio (%)

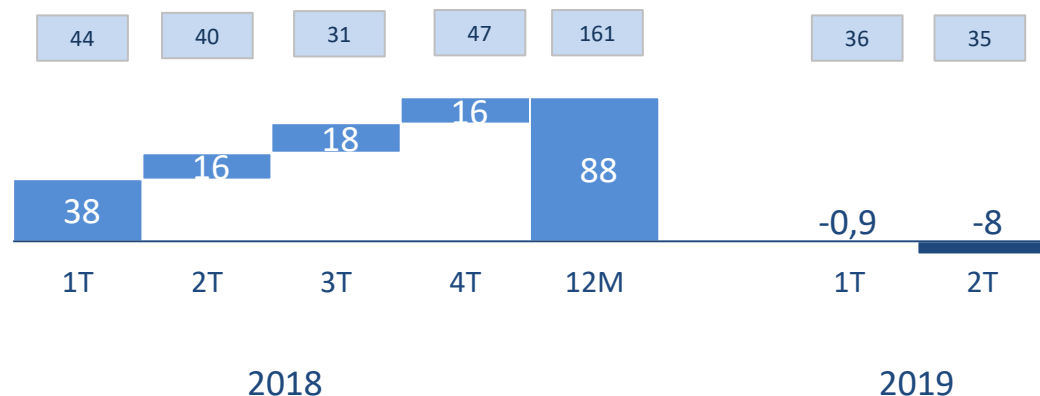


## Highlights

- NPL 90 reached 8.5% of total portfolio
- Portfolio coverage ratio was 168%
- NPL 90 improved in 2Q19 to 3.2%

## Net Income

R\$ million



## Highlights

- Rise in provisions due to IFRS 9 and credit portfolio growth (including credit limit provisions)
- Net loss of R\$8 million in 2Q19
- Net profit in BRGAAP of R\$ 35 million with ROE of 16%

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Magalu



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