



4Q13 Conference Call
February, 24th 2014

magazine luiza
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▪ 4Q13 and 2013 Highlights

- Operational Performance
- Financial Performance
- 2014 Expectations

4Q13 and 2013 Highlights

Operational Performance

- **20% YoY increase in gross sales in 4Q13 to R\$2.9 billion**
 - Same-store-sales: 19.0% increase *versus* 4Q12 (**SSS of 16.0% at bricks and mortars stores and of 39.3% in e-commerce in 4Q13**)
 - Tough basis of comparison (SSS of 10.2% at bricks and mortars stores and 25,0% in e-commerce)
 - 4 new store openings (1 in São Paulo, 1 in Paraíba, 1 in Ceará e 1 in Alagoas)
 - In 2013, Magazine Luiza opened 17 stores and closed 16 stores, ending the year with 744 stores
- **On a comparable basis, gross margin of 28.2% in 4Q13 (+0,2 bp *versus* 4Q12), improvement due to:**
 - Increase in gross margin in Northeastern stores
 - Stable gross margin in the rest of the company
 - INSS accounting effect had a negative impact of 0.6 bps on gross margin in 4Q13
- **Significant reduction in SG&A expenses (on comparable basis)**
 - **Reduction of 3.0 bps from 24.9% in 4Q12 to 21.9% in 4Q13**
 - INSS accounting effect of 0.9 bps – SG&A expenses to 22.8% in 4Q13
- **Equity income: record results and profitability at Luizacred**
 - Higher gross margin, default rates and reduction in operating expenses
 - Increase in **EBITDA margin to 15.4% in 4Q13** (12.0% in 4Q12)
 - Increase in net margin to **9.1% in 4Q13 *versus* 6.2% in 4Q12** (ROE of 32.4% in 4Q13 and 22.0% in 2013)

Profitability

- **Consolidated recurring EBITDA of R\$131.8 million in 4Q13, with EBITDA margin of 5.3% (6.2% without PSP)**
 - Increase in consolidated recurring EBITDA in 37.8% in 2013 to R\$411.6 million, margem of 5.1% (5.4% without PSP)
 - Gross sales rose by 14.6% compared with operating expenses increase of 6.7% (without PSP) in 2013
- **Consolidated recurring net income of R\$33.0 million in 4Q13, with net margin of 1.3% (or 1.9% without PSP)**
 - Record consolidated net income of R\$113.8 milhões in 2013, or R\$70.7 million adjusted for extraordinary itens

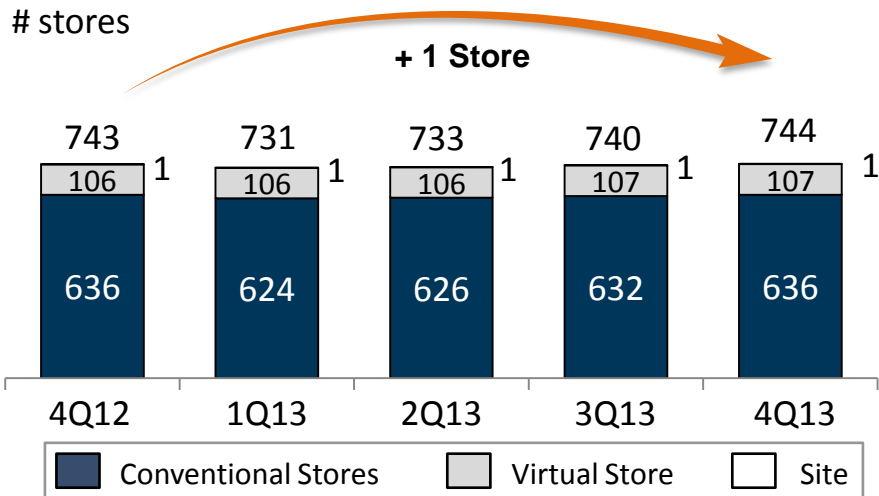
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- 4Q13 and 2013 Highlights

- **Operational Performance**

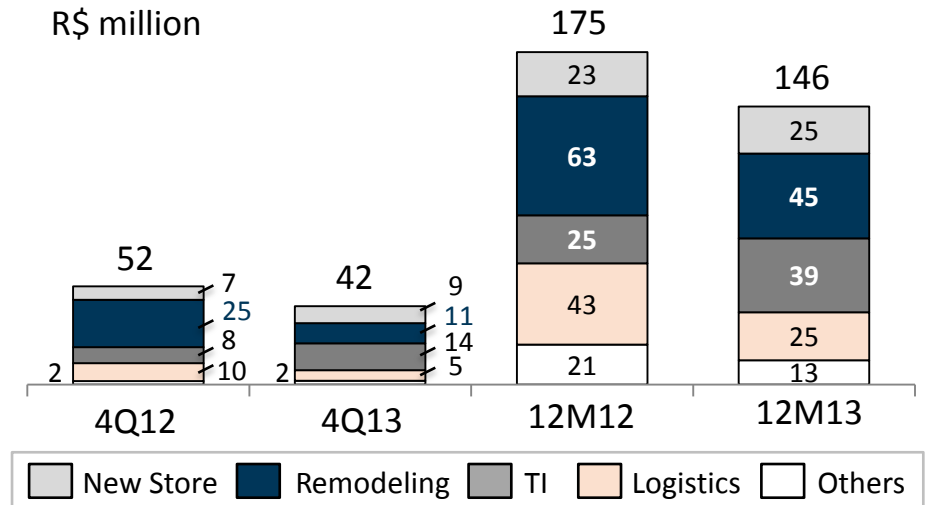
- Financial Performance
- 2014 Expectations

Operational Performance – Stores

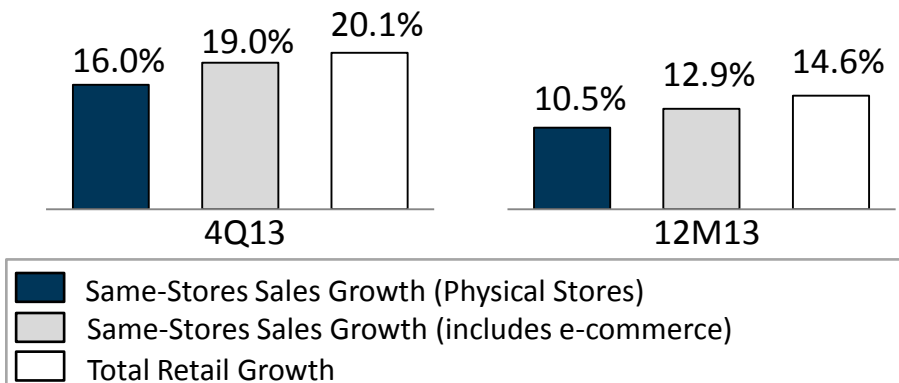
Number of Stores



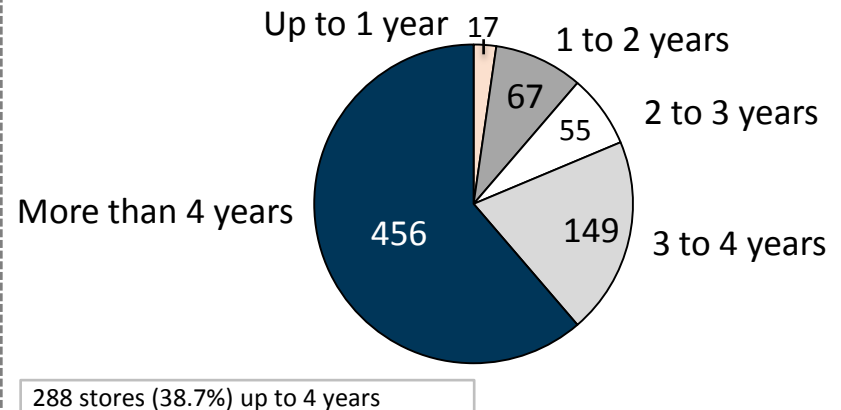
Investments



Same-Store Sales Growth



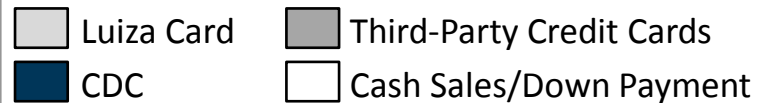
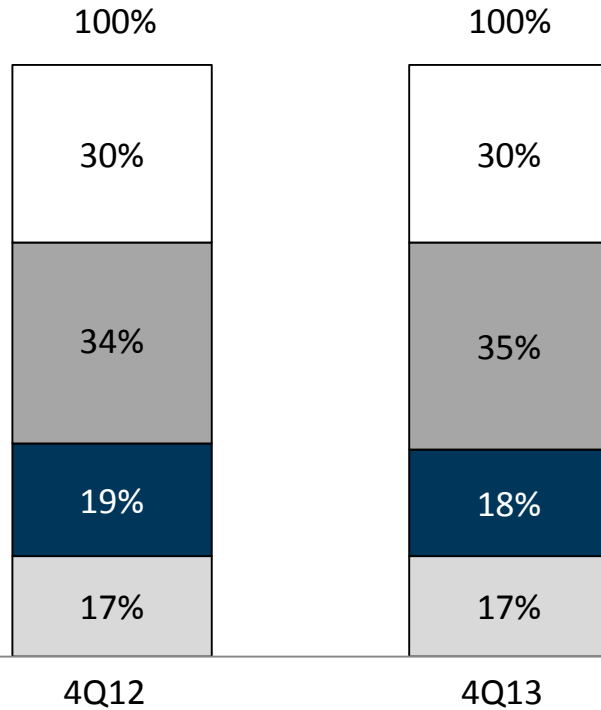
Average Age - Stores



Operational Performance — Luizacred

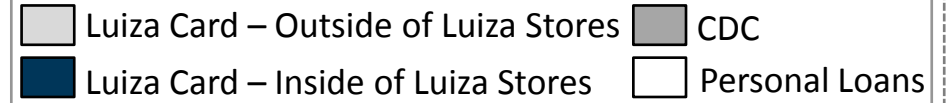
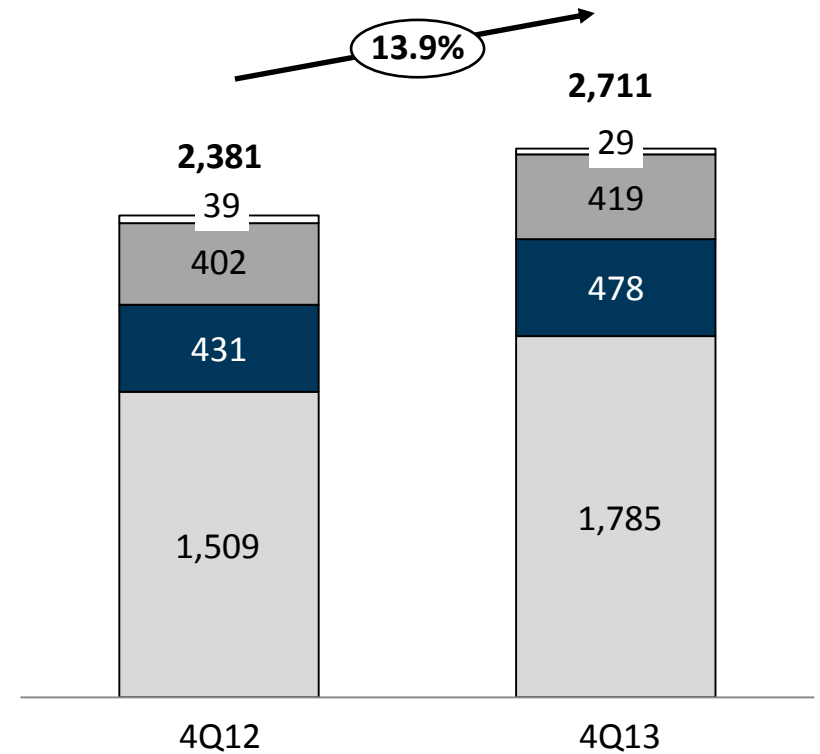
Financed Mix Sales

% of total sales



Luizacred Revenue

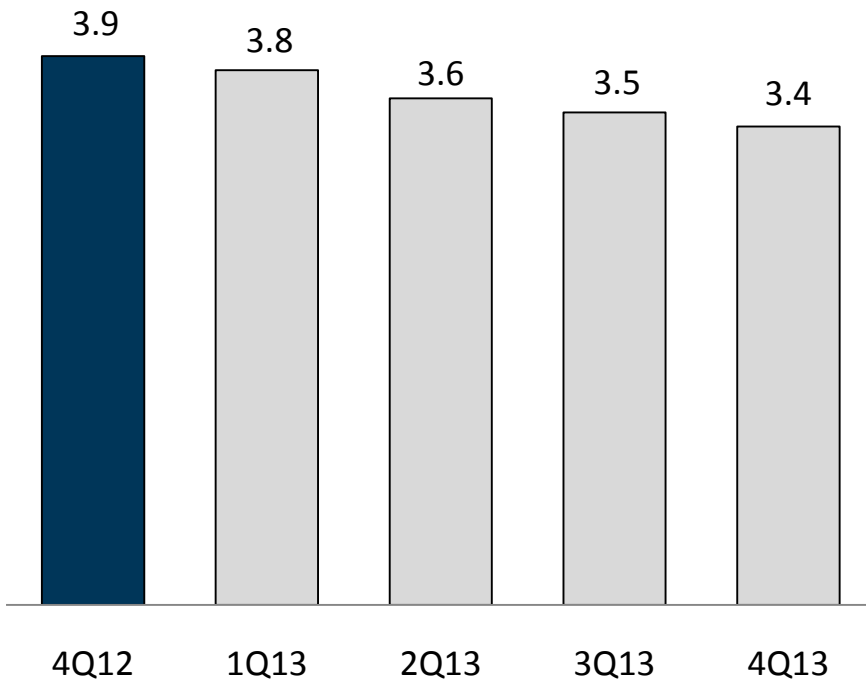
R\$ million



Operational Performance – Portfolio Composition

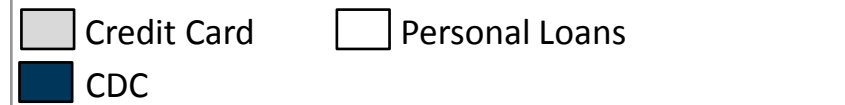
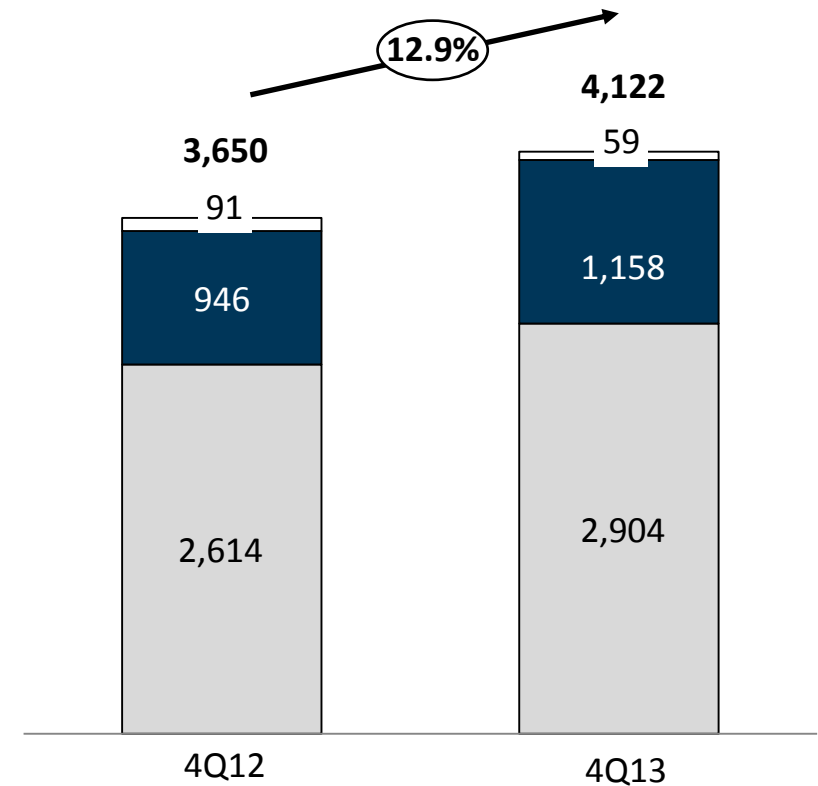
Luiza Card – Total Credit Card Base

million



Portfolio

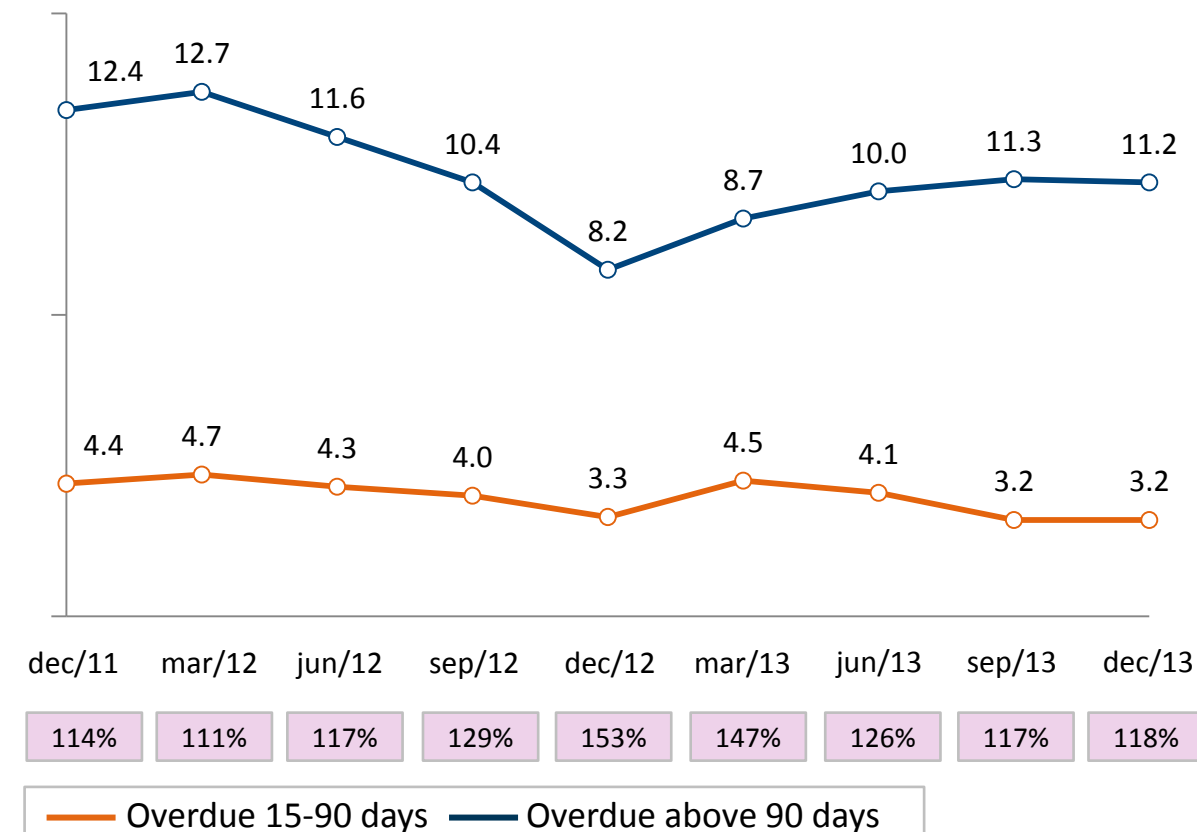
R\$ million



Luizacred Portfolio

Overdue Payments

% of portfolio



 Coverage Ratio (%)

Comments

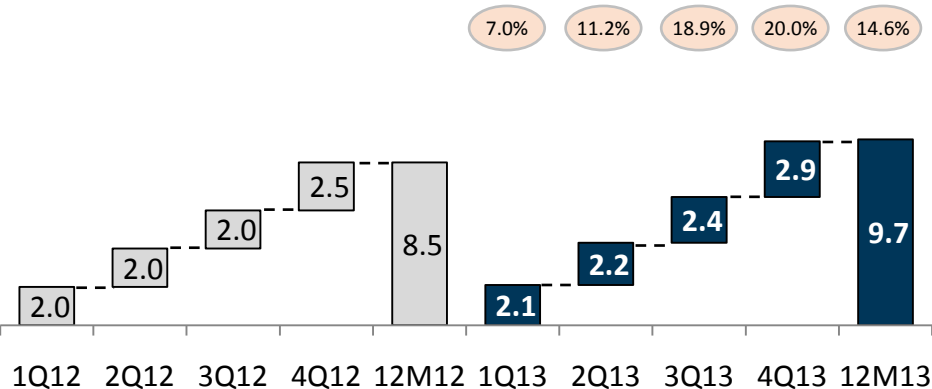
- Provision for Loan Losses (PLL) over total sales: reduction from 51.8% in 4Q12 to 46.6% in 4Q13
- PLL over total portfolio: decrease from 4.0% in 4Q12 to 3.4% in 4Q13
- **Short-term NPL: improvement of 0.1 bp versus 4Q12**
- Short-term delay in minor historical levels, reflecting the trend of improvement in indicators of default
- **Maintained overall conservative approach to credit analysis and approval**

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Gross Revenue and Net Revenue

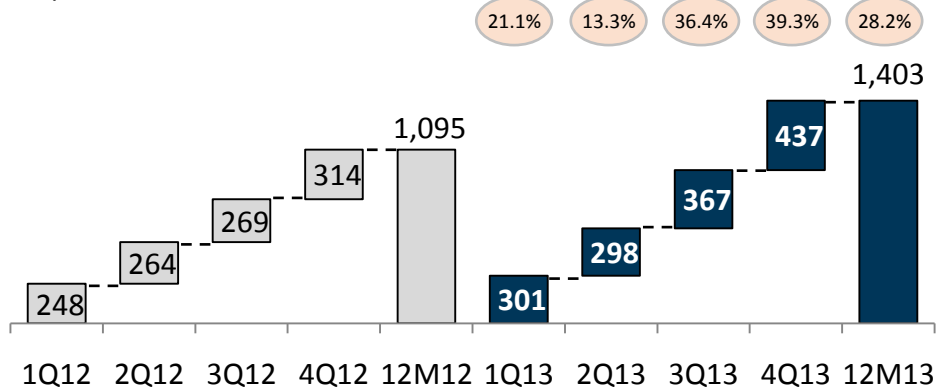
Gross Revenue - Consolidated

R\$ billion



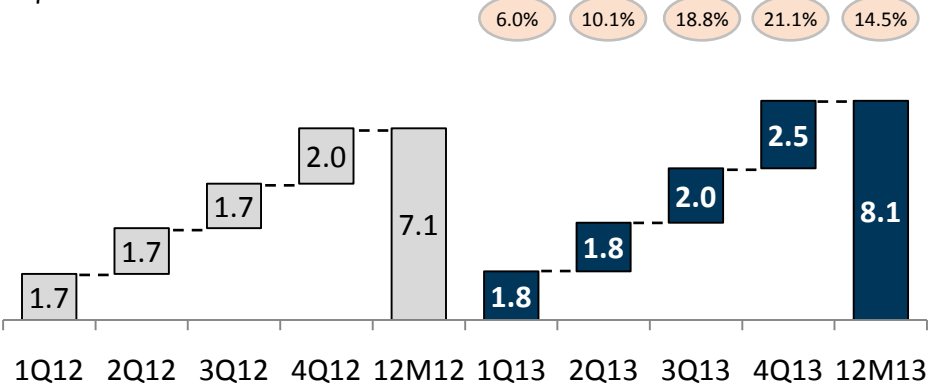
Gross Revenue - Internet

R\$ million




Net Revenue - Consolidated

R\$ billion



Comments

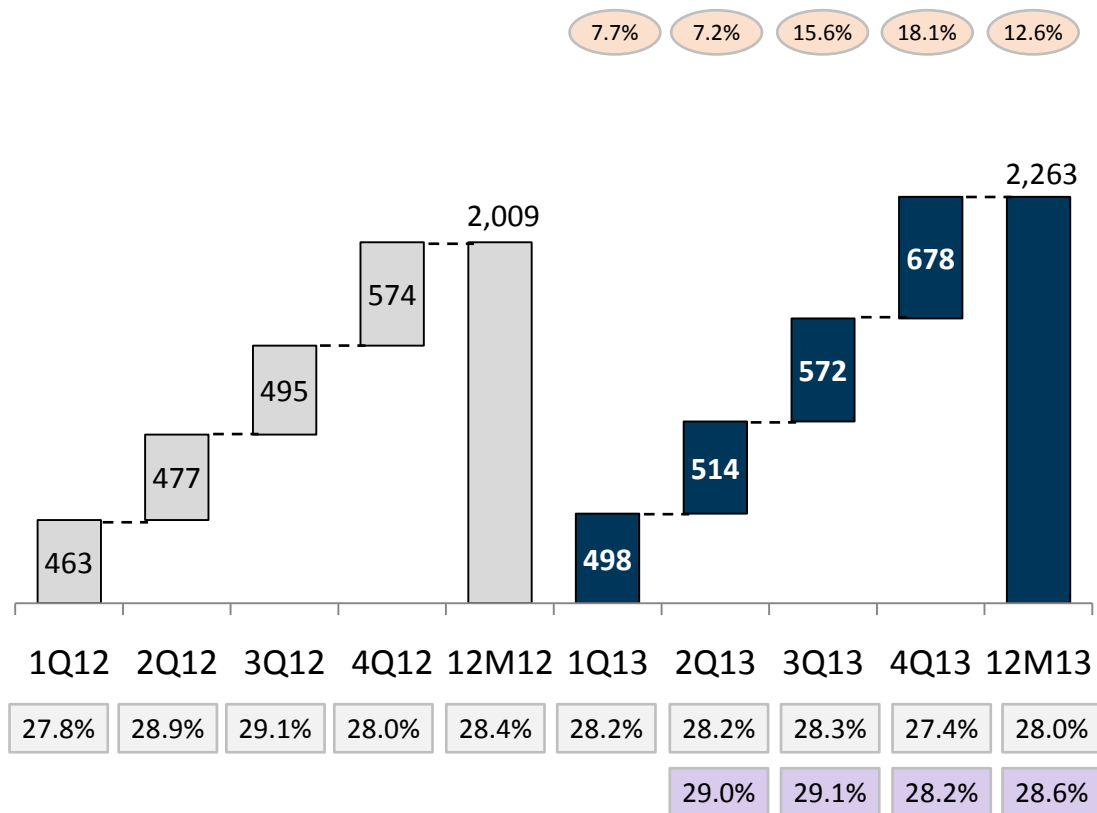
- Consolidated gross sales: rise of 20.0% YoY in 4Q13**
 - 19.0% increase in SSS, highest growth rate of the last two years (SSS of 16.0% in bricks and mortars and of 39.3% in e-commerce in 4Q13)
 - Tough basis of comparison (SSS of 10.2% in bricks and mortars and of 25.0% in e-commerce)
- Increase of 14.6% in consolidated gross sales in 2013**

 Growth over the same period of 2012

Gross Profit

Consolidated Gross Profit

R\$ million



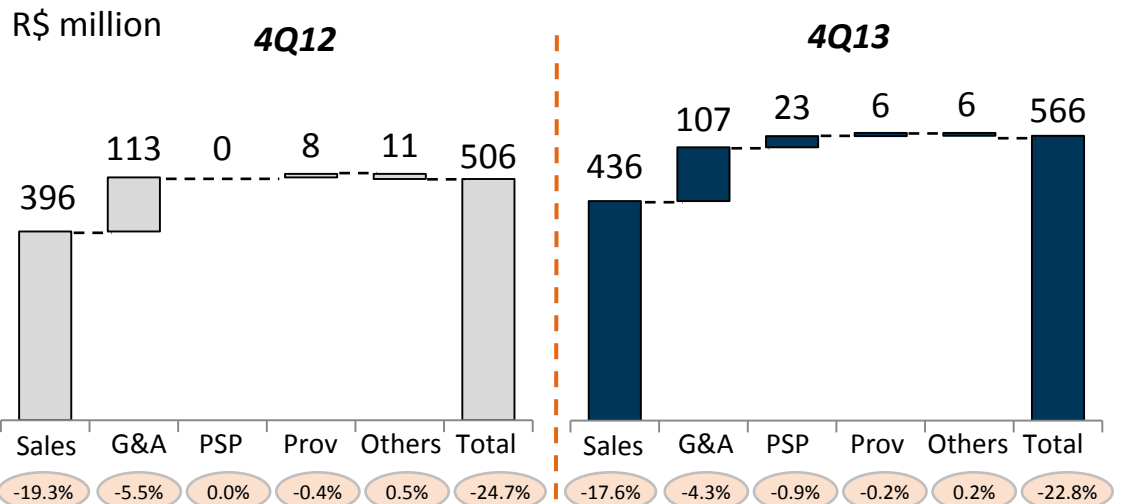
Comments

- On a comparable basis, gross margin of 28.2% in 4Q13 (+0,2 bp versus 4Q12)**
 - Higher gross margin from Northeastern stores (integration completed)
 - Kept gross margin stable elsewhere**
 - Improved product mix
 - With the INSS tax accounting effect, gross margin would have been contábil 0.6 bp lower versus 4Q12**
- On comparable basis, gross margin of 28.6% in 2013 (0.2 bps higher versus 2012)**
 - Including INSS tax accounting effect, gross margin would have decreased by 0.4 bp versus 2012**

Growth over the same period of 2012
 Gross Margin (%)
 Gross Margin excluding INSS tax (%)

Operating Expenses and Others Expenses (Revenues)

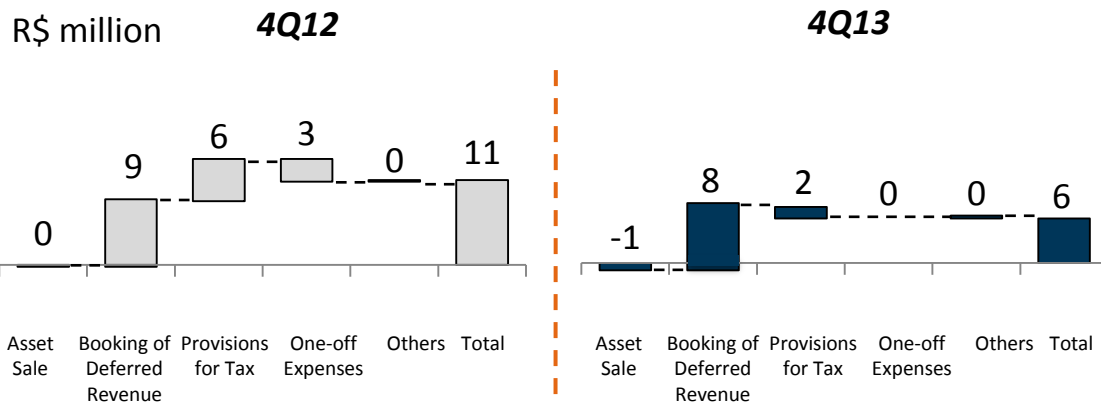
Operating Expenses



Comments

- 3.0 bps reduction versus 4Q12**
 - Selling expenses – 1.8 bps lower *versus* 4Q12 (INSS accounting effect of 0.6bp)
 - G&A expenses - 1.2bp lower *versus* 4Q12 (INSS tax accounting effect of 0.3bps)
- Other operating expenses (revenues)**
 - Deferred revenues: recurring effect R\$7.8 million in 4Q13
 - Provision for tax losses of R\$1.5 million in 4Q13
 - There were no extraordinary expenses in 4Q13

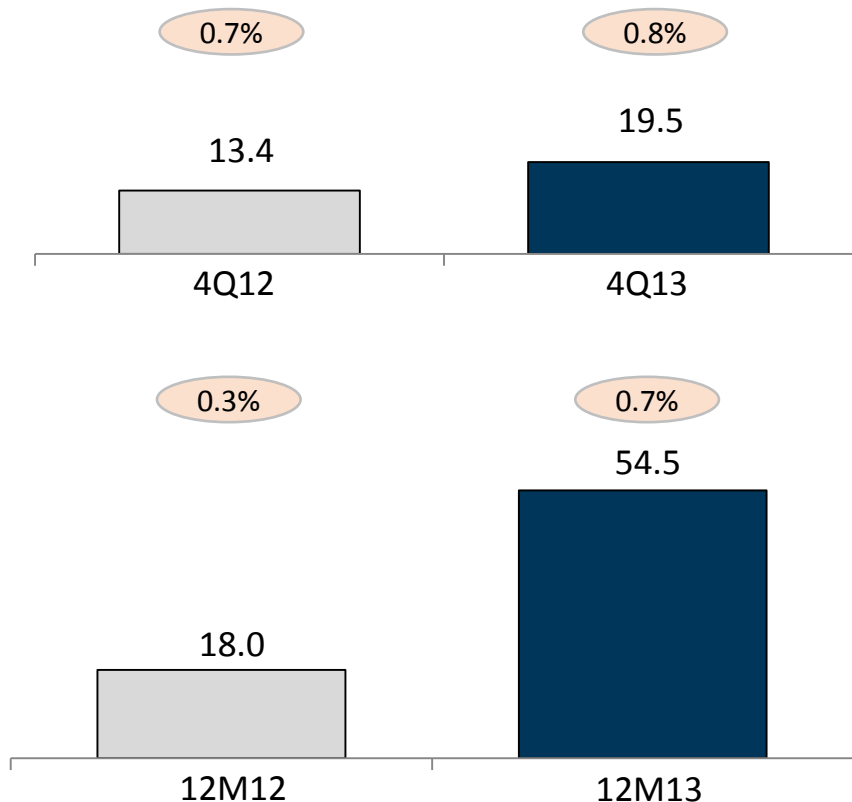
Others Operating Expenses (Revenues)



Equity Income

Equity Income

R\$ million



 % Net Revenue

Comments

Equity income

- Positively impacted by strong performance at Luizacred
 - Lower operating expenses and provisions for loan losses
 - Increase in EBITDA margin to 15.4% in 4Q13 (12.0% in 4Q12)
 - Increase in net margin to 9.1% in 4Q13 (6.2% in 4Q12)

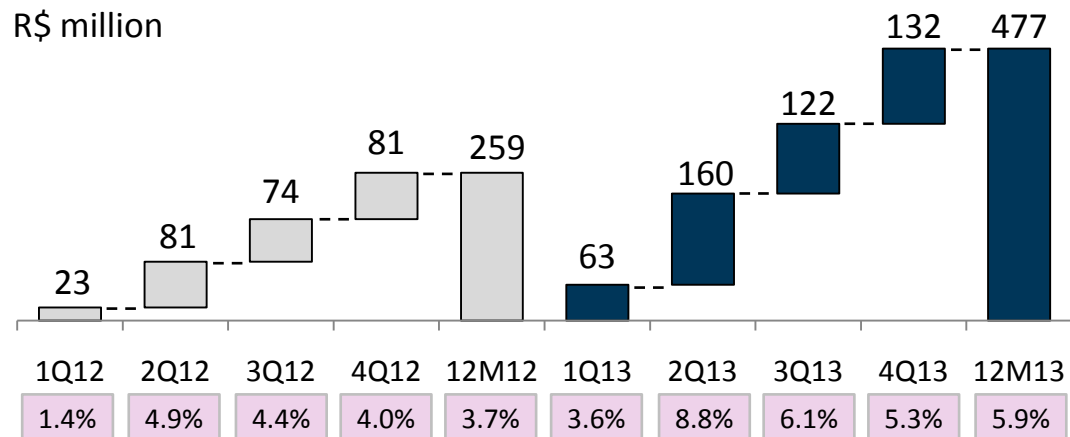
In 2013, Luizacred reported record EBITDA and earnings

- Net income of R\$89.2 million, ROE of 22.0%.

EBITDA and Adjusted EBITDA

EBITDA

R\$ million

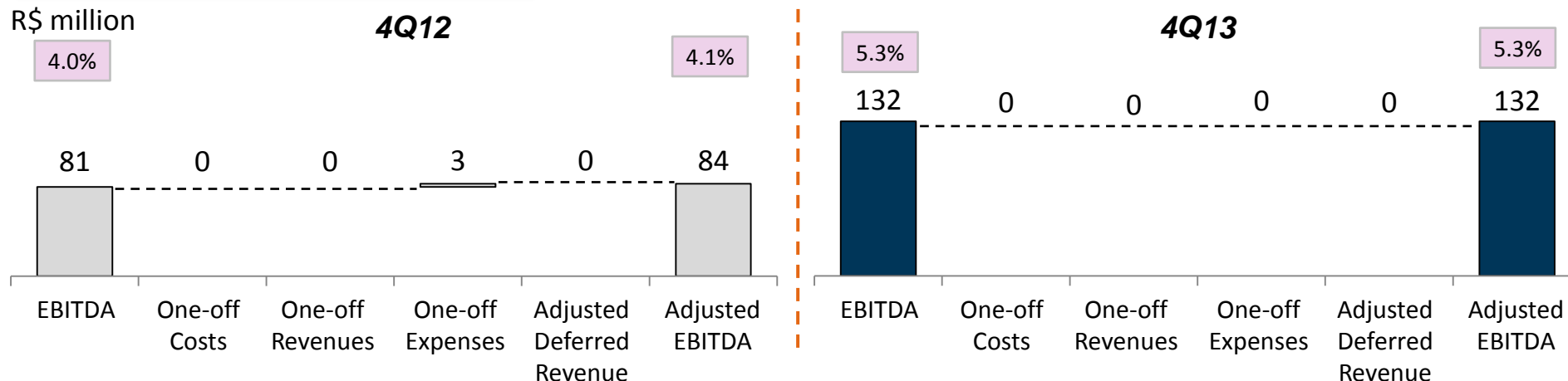


Comments

- **Increase in EBITDA margin of 1.3 bps versus 4Q12 (5.3% in 4Q13).**
 - Without PSP, margin would have reached 6.2% in 4Q13 versus 4.0% in 4Q12
- Positive impact from: i) double-digit-top-line-growth; ii) expense dilution and iii) strong equity income
- **Recurring EBITDA margin of 5.1% in 2013 (5.4% without PSP)**

Adjusted EBITDA

R\$ million

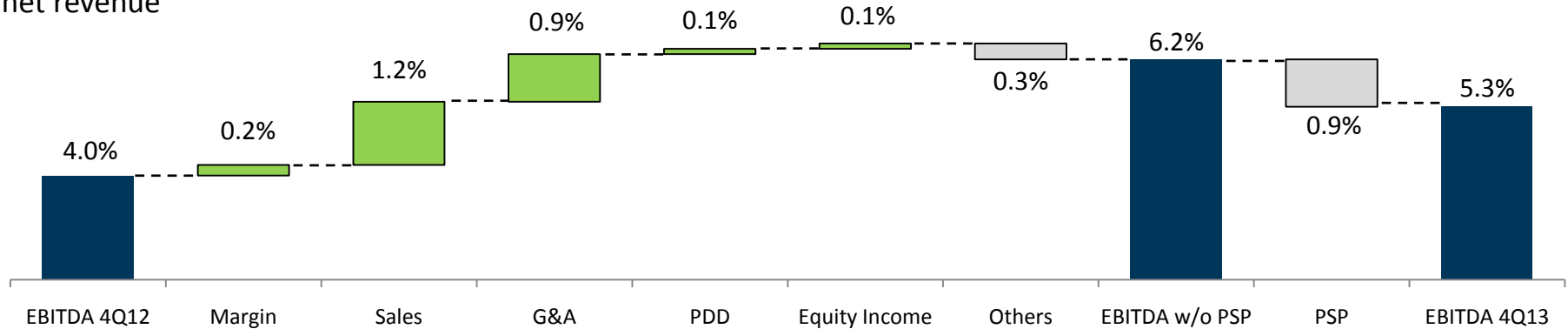


Margin EBITDA (%)

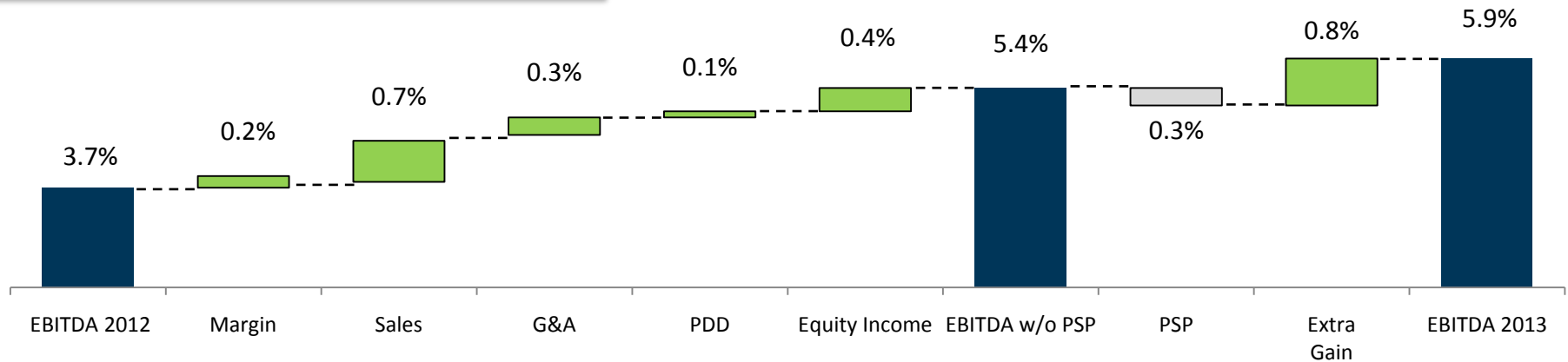
EBITDA (on comparable basis)

4Q12 x 4Q13

% net revenue



2012 x 2013

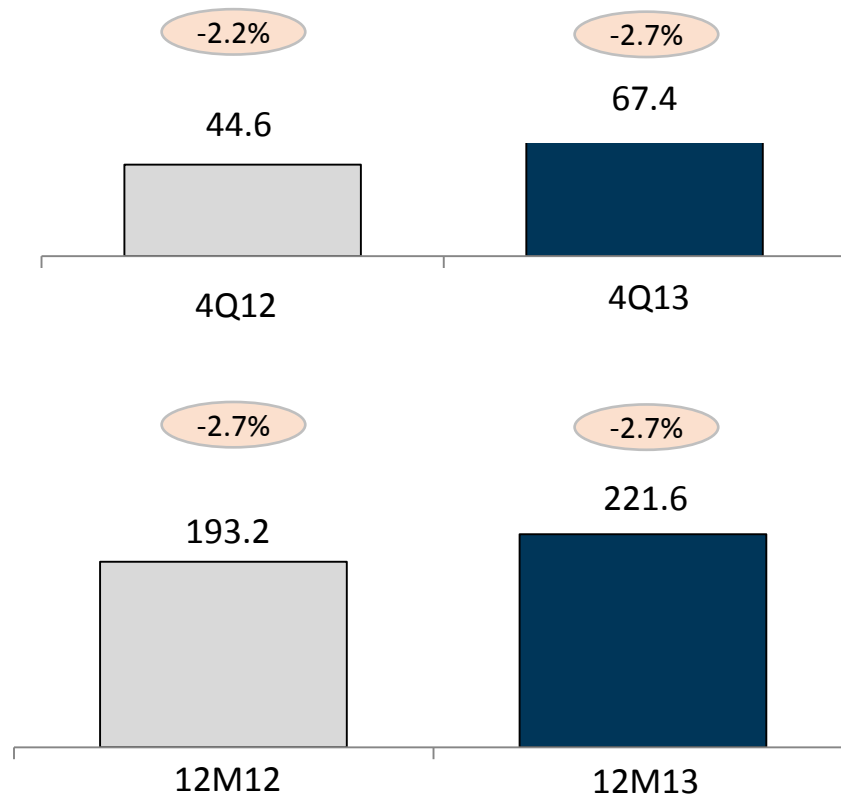


Note.: excluding the impact of the social security tax reclassification

Consolidated Financial Expenses

Adjusted Financial Expenses

R\$ million



 % Net Revenue

Comments

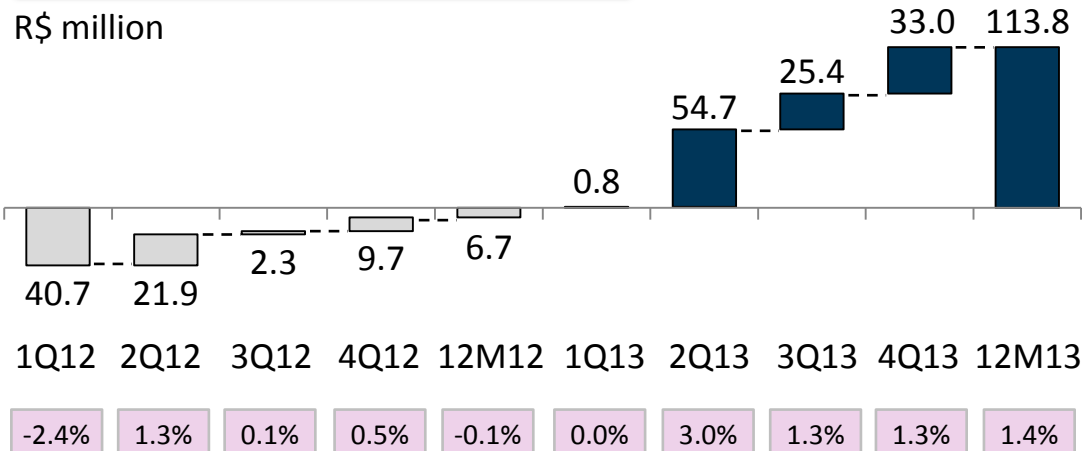
Adjusted financial income

- Increase of 0.5 bp *versus* 4Q12
 - ✓ Lower working capital needs
 - ✓ Better debt profile compensated higher interest rates in the period
- In 2013, adjusted financial results were stable at 2.7% of net sales

Net Income and Adjusted Net Income

Net Income

R\$ million



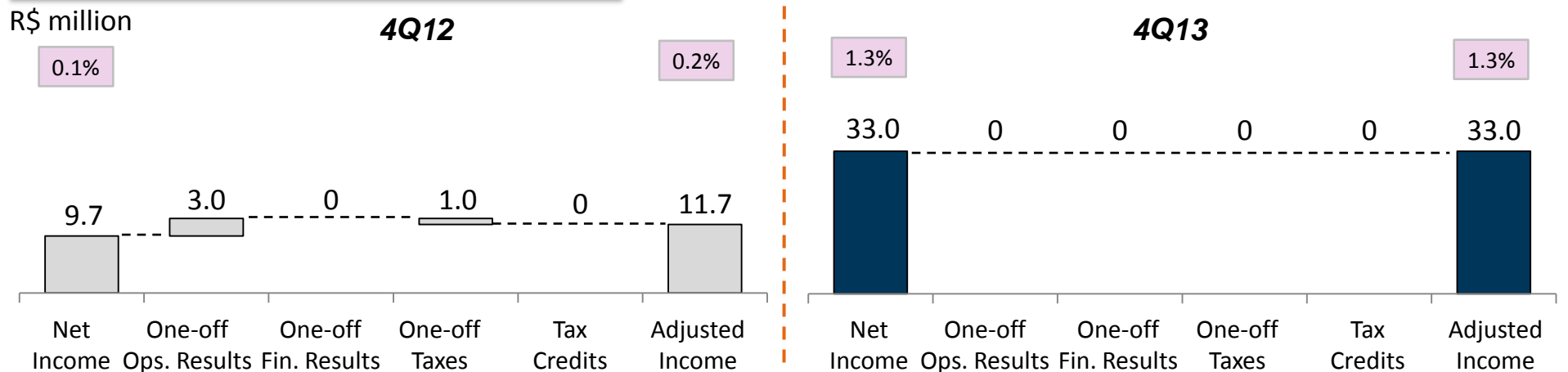
Comments

Record net income

- R\$48.0 million with net margin of 1.9% in 4Q13 (without PSP), 4x higher YoY
- Recurring net income of R\$33.0 million, about 2x higher than 4Q12
- In 2013, earnings of R\$113.8 million with margin of 1.4%, reversing losses of R\$6,7 million in 2012

Adjusted Net Income

R\$ million

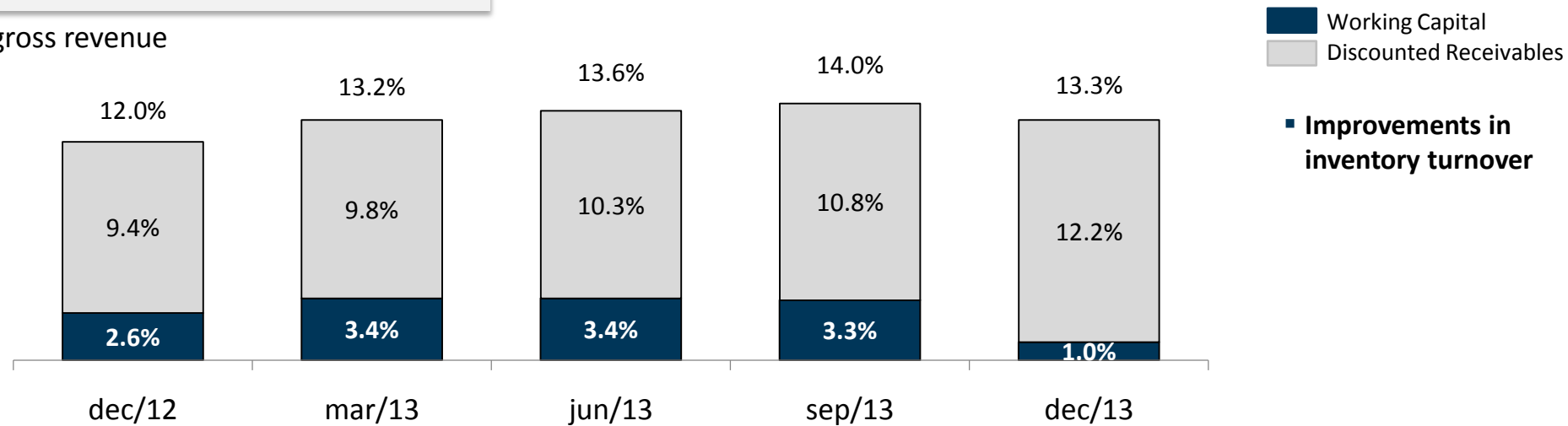


Net Margin (%)

Working Capital and Net Debt

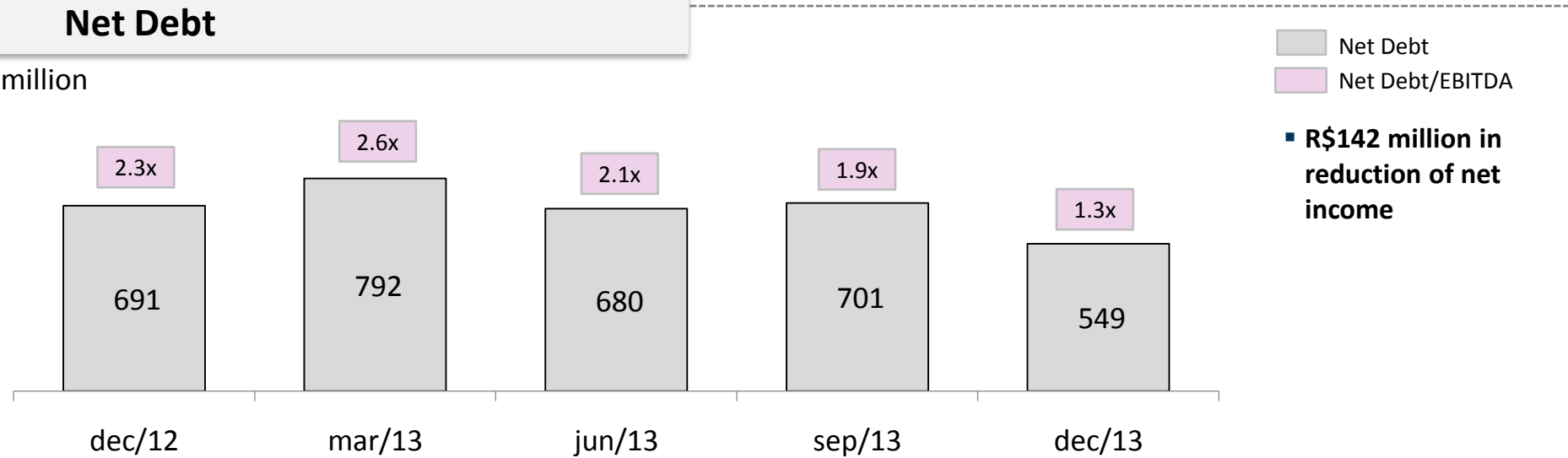
Working Capital

% gross revenue



Net Debt

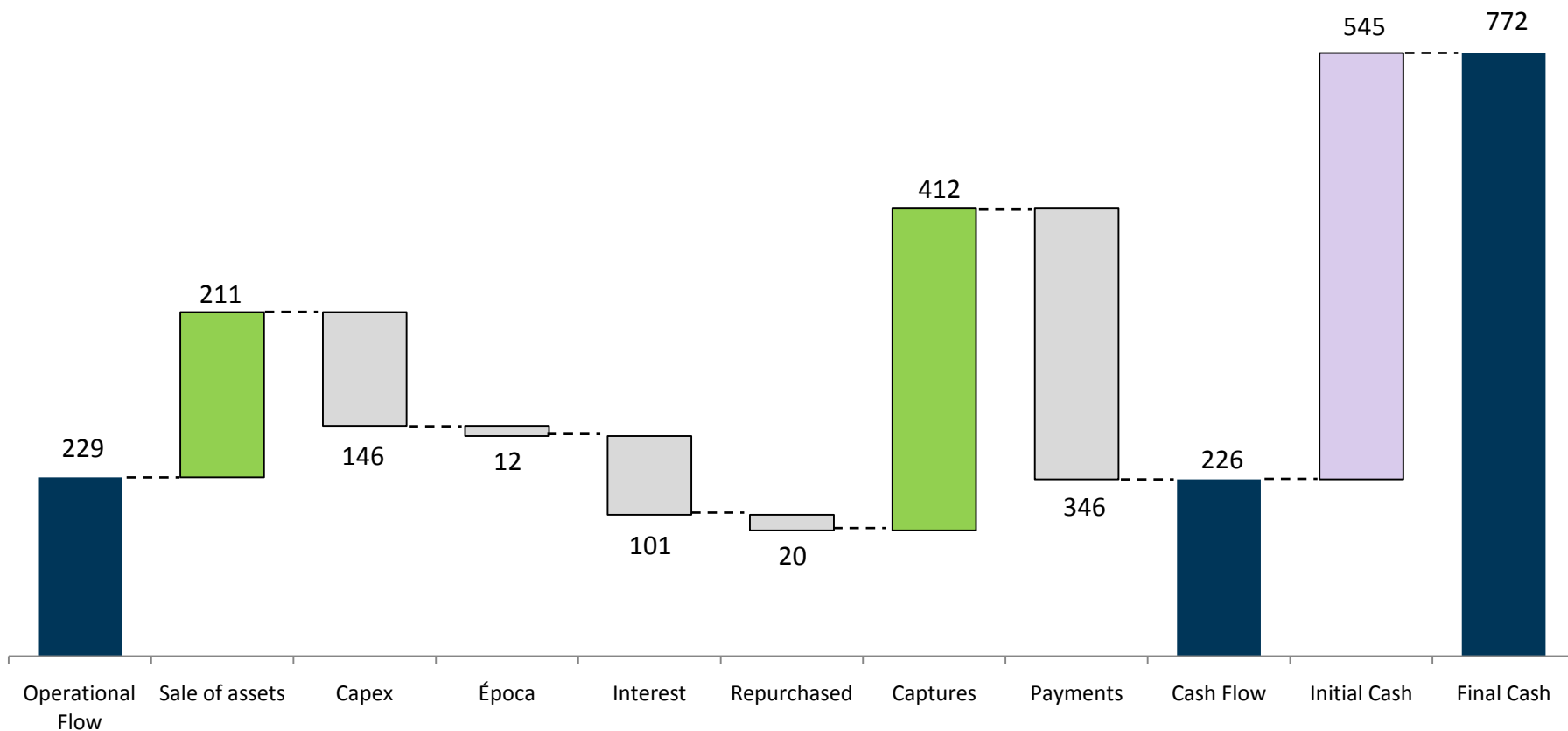
R\$ million



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.

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2014 Expectations

Sales performance

- To continue to grow e-commerce sales above industry average and to grow double-digit bricks and mortars SSS
 - World Soccer Cup should boost sales of TVs
 - Federal Government housing program – Minha Casa Minha Vida – should also contribute to sales performance

Stable gross margin

- Continue to improve gross margin in our Northeastern stores
- Maintain gross margin stable elsewhere
- Pricing Project – to be more effective in our pricing per channel, category and region
- Continue to improve sales mixc so to make up for greater contribution from e-commerce and TV sales in our 1H14 performance

EBITDA margin expansion

- Adittional gains are expected owing to consolidation of projects that have been mapped out in 2012 and 2013 and are going to be fully executed in 2014
 - Store maturation process
 - Reduction in delivery and logistics costs (Multi-channel delivery project underway)
 - To improve operational efficiency at Luizacred

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