Operator:

Good afternoon and thank you for waiting. Welcome to Magazine Luiza's Conference Call to discuss the results of the 4Q14.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company's presentation. Afterwards, we will have a question-and-answer session, when further instructions will be given. Should any of you need assistance during the call, please press *0 to reach the operator.

The replay of this event will be available soon after it ends, for a week. We would like to mention that forward-looking statements that might be made during this call relating to the business perspectives of Magazine Luiza, operating and financial projections and targets are based beliefs and assumptions from the part of the company's management as well as information currently available.

Forward-looking statements are not guarantees of performance; they involve risks, uncertainties and assumptions. As they refer to future events and therefore they depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may affect the future results of Magazine Luiza and may conduct to results that differ materially from those expressed in such forward-looking statements.

For the opening remarks, we would like to invite Mr. Marcelo Silva, CEO, to take the floor. Mr. Marcelo Silva?

Marcelo Silva:

Good afternoon everyone. Thank you for participating in our call. During which we will be referring to the results of the 4Q of 2014 as well as the full year of 2014. I would like to start with the highlights.

Starting with the sales and outstanding growth of net revenue of 20.9% and we would like to mention same-store sales increasing by 17.8%, and also e-commerce reaching 33.7% growth and 15.1% in brick-and-mortar stores, much higher than the average for the market. Our e-commerce with this 33.7% increase, it goes from 14.6% in share in our sales in 2013 to 16.4% in 2014.

I would like to mention also that we had a very good operating leverage; we were able to dilute our expenses by 130 b.p. in 2014, coming from this increase in sales of 20.9%, as well as the projects and the maturation of projects that increased productivity for the company, in stores and also the management as a whole.

As a consequence, our adjusted EBITDA increased by 47% year-on-year, reaching R$605 million now in 2014. With that, we were able to expand our EBITDA margin by 1.1 p.p., now it is 6.2 p.p. growing consistently in the last few years.

A big highlight also Luizacred. Luizacred more than doubled its equity income, R$90.4 million coming as equity income, equivalent to our 50% participation, and also Itaú 50%.

The ROE of Luizacred was 36.1%, therefore an outstanding performance. Considering the sales and dilution of expenses and performance of Luizacred altogether, we were able to increase our adjusted net income by 81%.

We are comparing this on a year-on-year basis and net of the partial sale that we did in 2013, so we are comparing a R$128 million of adjusted net income from the operation of the company vis-à-vis R$70 million in 2013. So, our net margin went up as well. This means return on equity of 17.9%, this was in 2014.

4Q, 12% growth in our net revenue, same-stores growing 9.4%, e-commerce 20%, and this also represents a higher than the market average growth. As we grew 20% this half year, and we kept our participation of 16.3% of total sales, once again, we were able to dilute our expenses because the growth in revenues was this and EBITDA growing by 33% year-on-year, and margin growing by 1%, growing to 6.3%.

Also, Luizacred was not different from the year as a whole. So, R$28 million in equity income and ROE 40%. Net income, therefore, increased to R$39 million in the 4Q, our net margin was 1.4% and ROE was 21%.

I would like to add that we were rather successful in our marketing last year, we participated very strongly in the World Cup, and also in Rede Globo we had an excellent performance as well in our promotions.

We were able to dilute and hold back our costs, and we are celebrating. I would like to mention that this weekend we will have 1300 leaders of the Company celebrating our results, because this is the best result of the last few years of Magazine Luiza in all its drivers, that is to say, sales and in merchant operation, Luizacred and all the pillars that sustain our results.

Now I would like to give the floor to Roberto Bellissimo, who will be giving you details about the performance that I have just referred to. He is our CFO.

Roberto Bellissimo:

Good afternoon, everyone. On page four, we show the evolution of all of our stores. In the last quarter, we opened 20 stores, 756 as a whole. For the whole year, we opened 24 new stores most of them in the Northeast — 14 in the Northeast, where we already have over 170 stores.

In the year as a whole, we invested R$152 million in new stores, refurbishing, remodeling, logistics and we still have about 40% of our stores still under maturation curve and with more accelerated growth as well.

On page number five, we show the evolution. First, gross revenue for the quarter, last year R$11.5 billion in gross revenue as a whole. In the 4Q, R$3.2 billion, growing by 10%. I would also like to mention that the growth in the last quarter was based on the highest ever comparison base that we had over the last few years.

So, it is difficult to grow 7.5% over 16%, and 20% over almost 40% in e-commerce by the end of 2013. So, you can see that it is a very significant and consistent growth coming from our planning and for the year, e-commerce grew almost 34%, much higher than the market average.

On the next page, on page six, this shows the evolution of the gross profit, and I would like to mention that gross profit grew by 19%, more than the gross revenue that we referred to. If we compare gross profit over gross revenue, you can see an evolution of our margin and net revenue a slight decrease, but it is important to see this growth in the gross profit of 19%, that is rather big and in expenses, we have already said that we have diluted expenses in a consistent fashion.

During all these quarters and in the 4Q, the situation was the same, mainly in administrative expenses. Equity income was a big highlight in our result as well, reaching R$100 million in the year, 1% of our net revenue and representing more or less 15% of our total EBITDA.

On the next page, on page number seven, we show you the evolution of our EBITDA for the quarter. In 4Q, 6.3%, a growth of 47%, because of the growth in sales and dilution of expenses and also the performance of Luizacred that was very marked.

On the next page, page eight, we give you details of our financial results. In the quarter, our financial expenses went up from 2.7% to 3.7%, mainly due to receivables discount and the other financial expenses. Net of the receivables were 1.2% of the net revenue, and the same for the year as a whole.

Of the total financial expenses of R$330 million, R$220 million were in credit card and R$ 11 million, 1.1% other net financial expenses, with an increase in the CDI in the year, which was the main factor.

If you look at the working capital since June, we have been improving our working capital situation. For the year as a whole, we had a variation in working capital and we are working this year in order to revert the situation, but in spite of that, we have relatively low need for working capital, there is a balance between our suppliers and we intend to further increase this relationship and also a better relationship with our suppliers, recovering taxes that we should achieve over the year.

Because of all that, our net debt has been dropping consistently from June to December, our leverage as well, maintaining 1.4x EBITDA, also associated to the situation of working capital that I have just mentioned. In terms of net income, we show you here the quarterly variation. We have already mentioned the return, 21%, 18% for the year as a whole ROE.

On the next stage, page 10, we show you the growth of Luizacred billings, also growing very much in line with Magazine Luiza, mainly in the card side of the operation. The provision for that debt has decreased consistently as well and personal loans have been decreasing. The cards are more important for us, and they have been increasing both inside and outside Magazine Luiza due to the greater activation of our card base.

With this more conservative credit policy, our credit portfolio has been improving and quality as we expected, a reduction in the past dues as almost 1 p.p. of the portfolio. And, at the same time, we increased our coverage ratio and we reduced our provisions in our results, therefore this allowed Luizacred also to get an increase in its earnings due to these lower provisions.

Now I would like to give the floor back to Marcelo.

Marcelo Silva:

I would like to conclude our presentation before the questions saying a few words about the 2015 outlook. I would like to tell everybody that we should continue to grow beyond the market. The Northeast consolidation of the existing stores plus the new stores is already underway. We have been investing more in the Northeast. We will be maintaining our commercial competitiveness.

And just to give you a brief history, in 2008, with the international crisis, and also the rippling of that in 2009, we started to grow more in the 2H09 and 2010. You remember that we took off then we had 2011, 2012, 2013 with lower GDP, and in 2014, close to zero and then in 2014, we invested in the World Cup in campaigns, and then in 2015 we are participating in the soccer championships at the global network with the strong media presence and very intense campaigns as well.

By doing this, we will be keeping our competitiveness that we have been keeping, rationalization of costs, and expense dilution better and better every year getting to the stores and to the DCs as well. We have been focusing on the profitability of our operations and we trust that this year, in spite of the more difficult scenarios that we are living, we will continue to be focused on the profitability of our operations.

Now we would like to place ourselves at your disposal. We have all the executives of the company besides myself and Beto, we have Fabricio, Frederico, Marcelo Ferreira, everybody is here at your disposal to answer any questions that you might have.

Fabio Monteiro, BTG Pactual:

Good morning, everyone. My focus is on Luizacred. This last year, the weight is lower with a drop of 11% and card going up, also personal loans going down. I would like to know if you see the same trend for 2015, and if you expect a reduction in the overall level of losses on your portfolio, credit portfolios.

Marcelo Ferreira:

In fact, what you see is the result of our strategy, in terms of a more conservative credit policy. When you look at the cards and the records on the credit, in spite of the direct consumer credit giving higher profitability in the short run, there is more risk involved.

Because of that, we became more rigorous regarding personal loans. This is the reason why you see a reduction in our personal loan portfolio. As far as the card is concern, we are very rigorous as well, however, our clients are using more and more their cards, as we assign credit. So, 10 p.p. increase in our activation services, this is why you see this increase in cards.

In personal loans, the personal loans are now linked to the cards. Because there is one, that is linked to the card and the one that you can you link to the card, it is under the portfolio. It grows very quickly. This is given to clients who have a good behavior and then you offer a personal credit facility and this grows a lot in the organization.

However, the separate card — we consistently decrease in this kind of loan. This is part of our strategy. So, we will continue to see this in the next two years. Regarding the loan loss provision and the risk, we have risks under control, following the same thing that we have already shown you during the last few years.

Fabio Monteiro:

A question about sales and competition. At the beginning of his presentation, Marcelo talked about growing this year and continuing to open new stores, and this will be a difficult year on the macro side, and I would like to know if you see the opportunity of acquiring any competitors that might go under water or if you see the impact on your suppliers of this difficult situation that exists on the macro level. Thank Fabio.

Marcelo Silva:

Thank you Fabio. As I said a while ago, we will continue to be very competitive commercially speaking and we will continue to invest very strongly in media, in our marketing actions, in our promotional actions, we wish to continue and this has been going on for many years already. It was not only 2014. We will continue to make our best endeavors to grow more than the average of the market.

We are present in the Northeast. That is growing very fast, more than the south and the Southeast because they are more mature market for us in the Northeast. We have e-commerce growing much more as well, and this is a natural process that is going on with the online operations of our Company, and certainly the market as a whole.

Regarding M&A, the acquisitions, no, we have no plans to make any acquisitions or mergers. That could happen. This is just a matter of identifying opportunities, but this is not our focus. We are focusing on organic growth. But if they are interesting situations more in the Northeast, I would say. And we are remodeling our stores, we are updating stores and investing quite a lot in logistics, in IT.

Our company has been in existence for 58 years. So, we have gone through all the good times and the bad times, and life goes on. Nobody knows exactly what will happen in 2015. It is a little bit too early.

And mainly, we only know what happened when we look back at the end of the year. We will continue our daily struggle, with very motivated team. We have a very good communication channel with our whole team, with our 24,000 employees. We have a lot of confidence in our future, in the medium and the long run, and in the short run as well.

I am not sure I have answered your question, but this is our driver for 2015 and on. I would like to mention that we are focusing a lot on online operations, our platform. And afterwards, of course, we can talk in more detail about that, but having more digital stores and IT in the stores, in our DCs. So, this is our program from now on. This is the path that we intend to follow.

Fabio Monteiro:

Thank you Marcelo.

Tiago Macruz, Itaú:

Good afternoon. I would like to ask a question about product mix. What kind of product will lead your growth? We have been seeing smartphones growing a lot in the last couple of years and I would like to understand if this trend will continue from now on.

Another question: you had a very strong performance in 2014, but it was very much front-loaded, that is to stay, very focused on the 1H of the year and the slowdown in the 2H — is there a category that had a worse performance or better performance? Thank you.

Fabricio Bittar Garcia:

Last year we had a 1H which was not typical because of the World Cup, and also a very good growth in the image area, that is to say, TV sets etc. As you mentioned yourself, the smartphone line grew a lot in the last couple of the years and we believe it will continue to grow at very high levels for 2015.

We have a very good market share that we gained last year and this year we will be working to grow more than the market, as well in the sale of smartphones. Other categories that drove our growth — the more representative ones are the white line and furniture that were slightly affected last year because of the sales of image products such as TV.

So, we should see a growth in these two lines this year, not the ideal year, but it should be going up — white line and furniture. The TV market this year is a challenge and we intend to keep the same size as we had last year. Last quarter it was the weakest in this line. So, we intend to grow in smartphones and also we will see growth in white line and furniture and the maintenance of the image market as well, TVs.

Tiago Macruz:

Another question regarding your focus more on white line than on TVs because of the World Cup in 2014, do you think this would further improve your profitability? Because TVs maybe are not the most profitable line.

Fabricio Bittar Garcia:

Well, white line is better in this sense. It could bring a better profitability over the year and more stable over the year.

Tiago Macruz:

Perfect. Thank you very much.

Alexandre Amson, Credit Suisse:

Good afternoon everybody. Regarding the potential impact of the change in the tax rate, and regarding the impact on your table from 1% to 2.5%, what could be the potential impact of that and how do you see the situation?

Roberto Bellissimo:

This is a very recent measure and we are still assessing it, but what we can tell you, so far is that when there was that relief of payroll taxes in 2013, we estimated that the impact would be about 30 b.p. in 2013, then the Company grew more and more revenues in 2014 and also, this is what we expect this year.

So, the higher the revenues vis-à-vis the growth in the payroll and we have been trying to decrease our payroll, the more the benefit is important, it would be reasonable to estimate that the effect of last year and this year would no longer the 30 p.b., it was lower than that in 2014, and this year it should be even lower than 2014, something between 20 and 30 p.p..

And if we consider that it will be in force in the 2H, it could be between 10 and 15 b.p.. This is just a preliminary analysis and it would make no sense for us to go from 1% to 2.5%, so no way and what we should do would be to go back to the previous situation, which is slightly higher than 1% of our overall revenue. This is what we can share with you so far about this measure.

Alexandre Amson:

Thank you.

Irma Sgarz, Goldman Sachs:

Good afternoon. Thank you for the question. I have a question about CAPEX. You are saying that you intend to open 50 stores in 2015, and you have already mentioned the CAPEX associated to this and it is very similar to the CAPEX this year and you only opened 24 stores. So, I believe you have more allocation of costs, maybe of expenditures, because of expenditures with remodeling and IT, maybe they will be lower this year, but could you talk about the size of these new stores?

Of course, the CAPEX expenditure will vary a lot depending on whether you have a brick-and-mortar store or if it is a virtual store and how much are you growing in selling area. And you had a slight worsening of your working capital. What is your expectation in this quarter year-on-year? And your expectation, was this just something a one-off situation or is there something you expect for 2015 for working capital like maybe new opportunities?

Marcelo Silva:

Irma, we expect to see an improvement in our working capital in 2015. We are not going to give you any figures or a specific guidance, but we are working to improve our working capital. Our net debt to EBITDA continues to be at a very comfortable level of 1.4x, as you saw.

Regarding CAPEX, we are maintaining basically the same volume as last year, R$150 million, but a little bit more focused on new stores. 40, 50 new stores, we already have 10 that came from Ponto Frio, and that we are starting to remodel already, and less remodeling of already existing Magazine Luiza stores, and IT logistics also having big investments so this level of R$155 million is what we have been doing in the last couple of years. This is quite comfortable for us. We feel comfortable with this level of CAPEX.

Irma Sgarz:

Thank you.

Operator:

As there are no more questions, I would like to give the floor back to Mr. Marcelo Silva for his closing remarks.

Marcelo Silva:

Thank you very much everybody for attending our conference call. I would like to reiterate that we have been in existence for 58 years and we have survived all the good times and the bad times, so we are very much used to that. We face the situation with a lot of strength, and we trust that when difficulties come our way, we just have to face them, overcome them and wait for better moments in the economy.

So, we do not know exactly what will happen in terms of the economy for 2015, but we are carrying out our work as usual, working with a lot of austerity, considering very carefully all our investments, our expenses and focusing on sales in order to keep our market share. And as you see, we have been growing substantially in the last few years.

This is our position. This weekend we will be celebrating the best year ever for the Company in all aspects, quantitatively and qualitatively this was the best year ever — satisfaction on the part of our clients, our employees, and improving consistently our results such as we have been showing you every single quarter, achieving better results than the previous one.

So thank you very much and see you next time. Thank you.

Operator:

Thank you. Magazine Luiza's 4Q14 earnings conference call is closed. You may disconnect your lines and have a very good afternoon.