

# MAGALU



## Conference Call 4Q22

March 10, 2023

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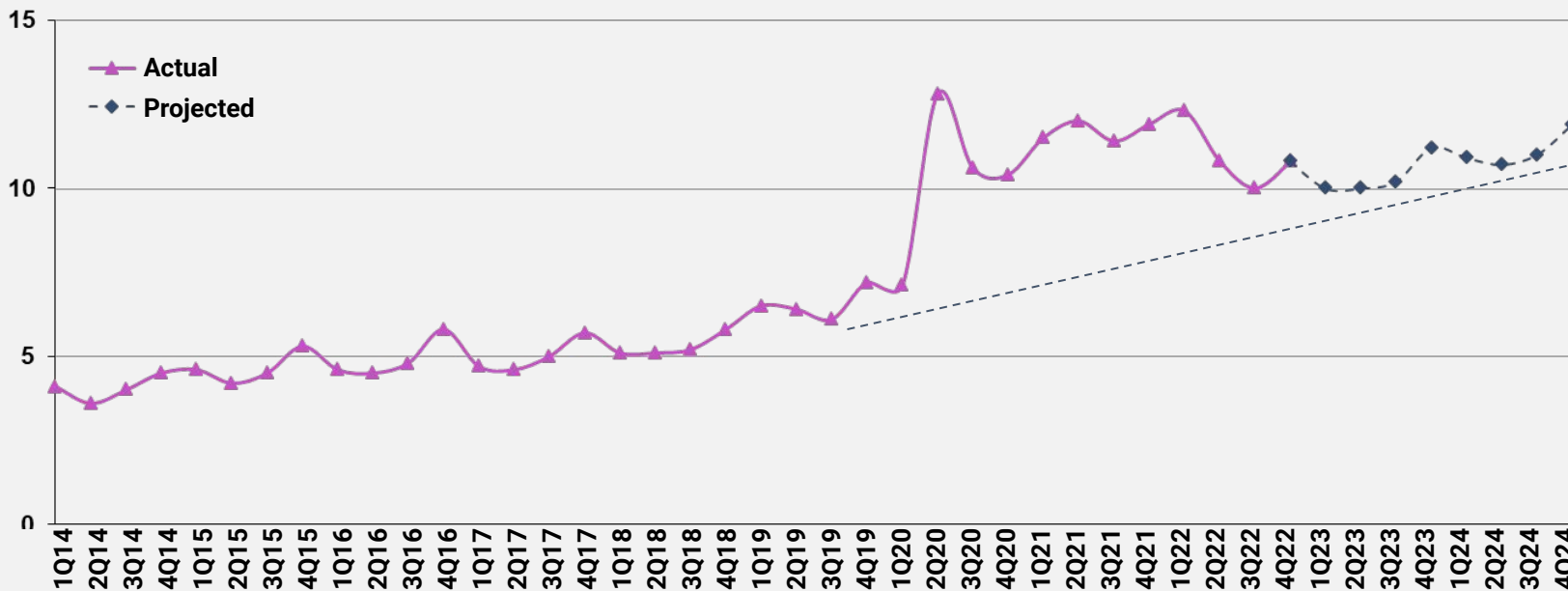
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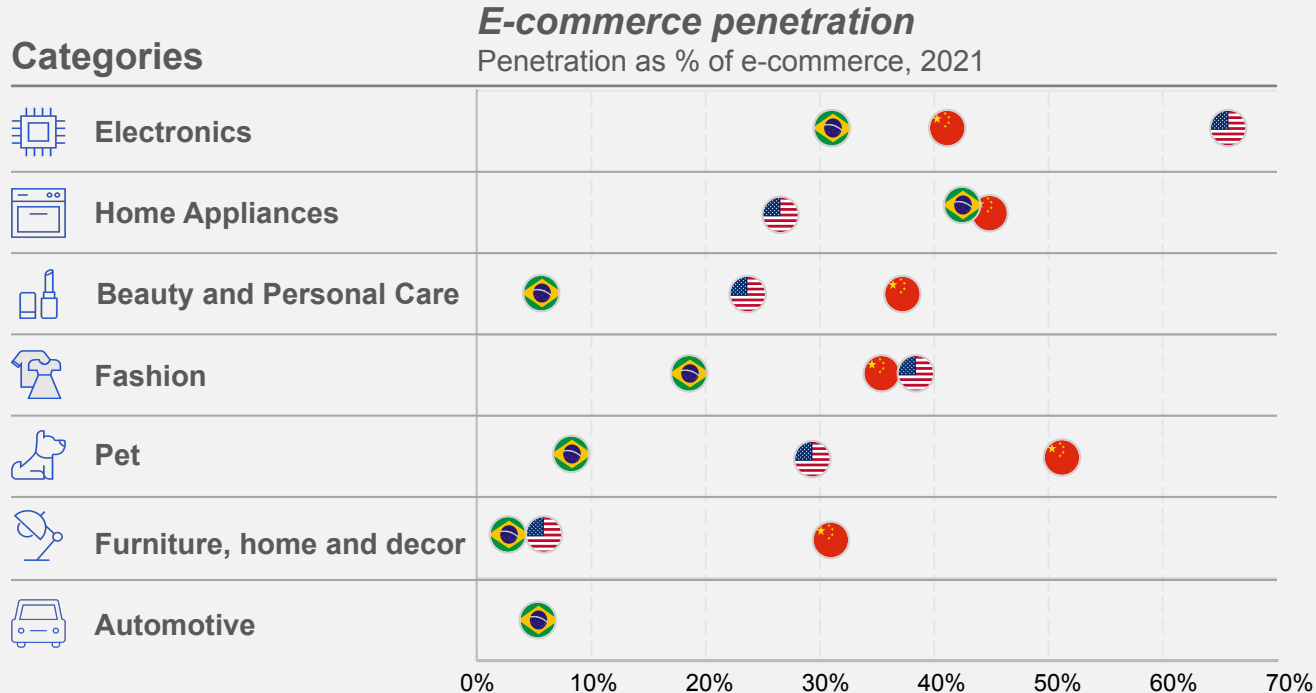
# Despite the recent decrease in overall e-commerce penetration, **online penetration remains above pre-pandemic levels**, with **normalized growth likely in the coming years**

**Evolution of Brazilian e-commerce penetration**  
[% online\*/ total Brazilian retail; 2014-2024]



Source: Neotrust; Euromonitor; IBGE; Magalu

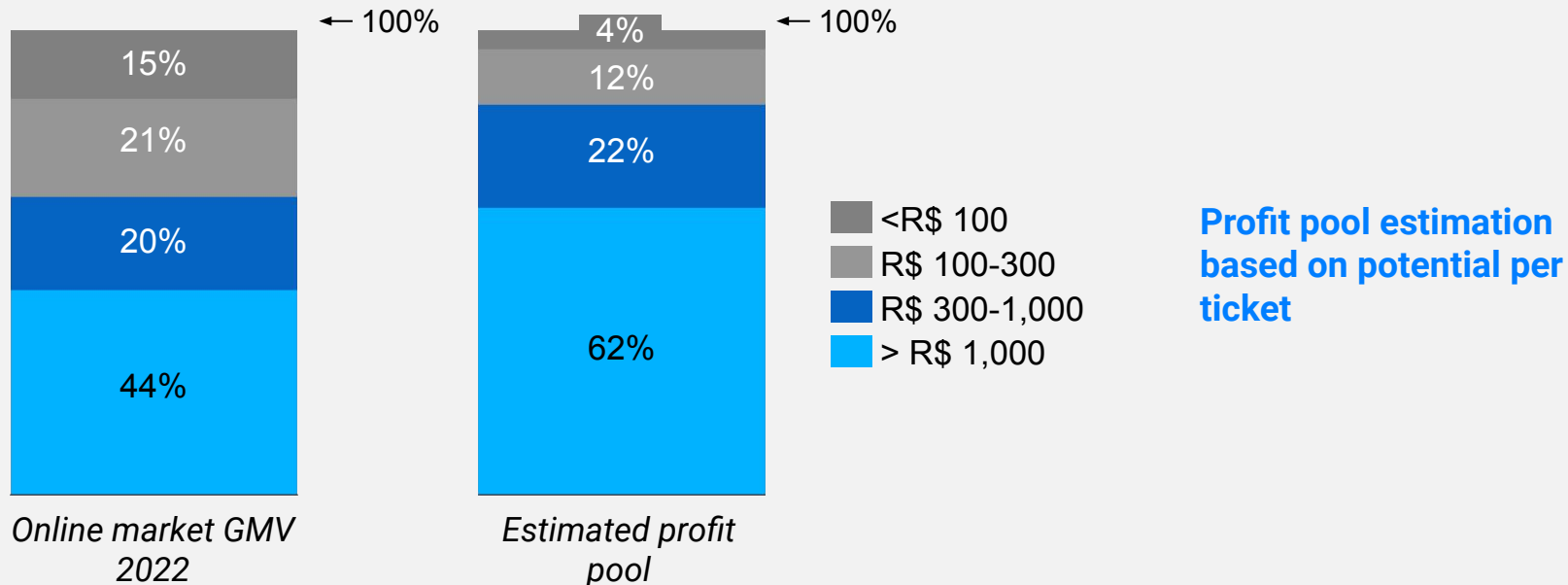
# There is still a lot of room to **increase e-commerce penetration in Brazil**



While China's population is **7x** larger than Brazil's, Chinese e-commerce GMV is **22x** larger

Ticket ranges above R\$300, where Magalu has an overshare, represent 64% of GMV and 84% of the market's profit pool

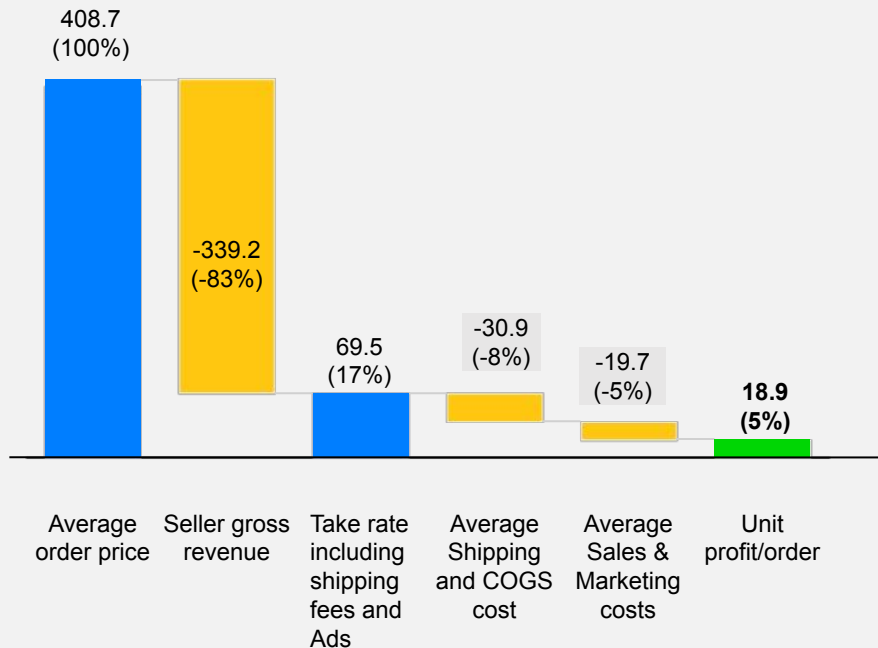
**Estimated Online Market GMV and Profit Pool by Price Range in 2022 [R\$ Billion; 2022]**



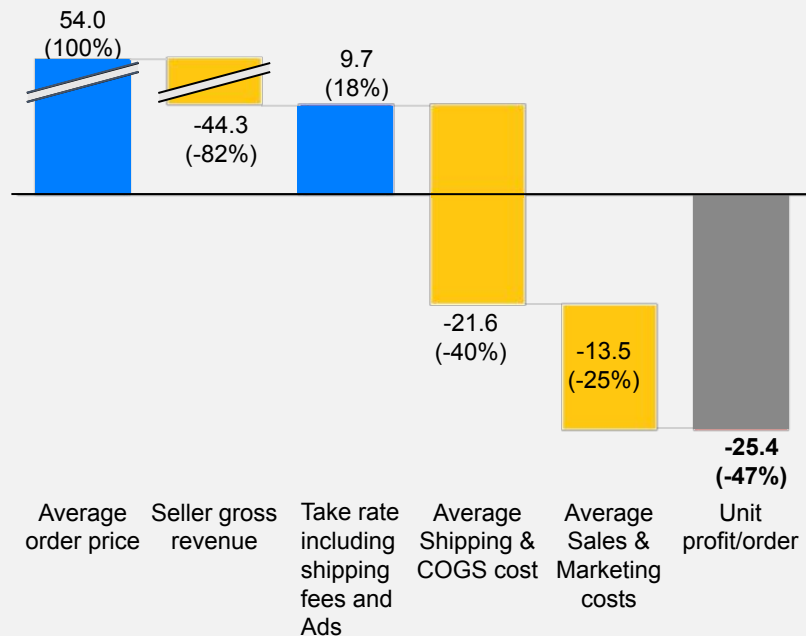
# In e-commerce, larger ticket categories contribute to **more positive unit economics and profitability**

## Unit economics [R\$ / order]

### High ticket, multichannel platform



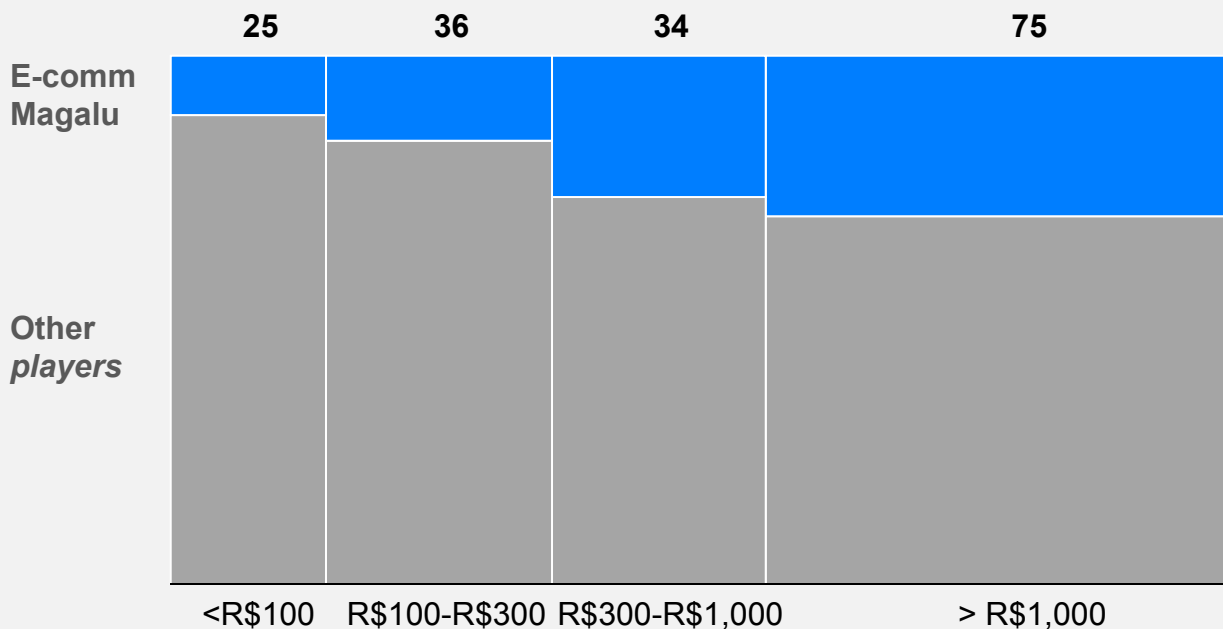
### Low ticket, online-only platform



There is still a great deal of **market share to conquer**, including large ticket items (above R\$300)

## Estimated Online Market GMV by Price Range

[R\$ Bi; 2021]



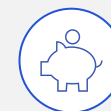
Origin and quality



Physical store support for multichannel



Highest ticket destination



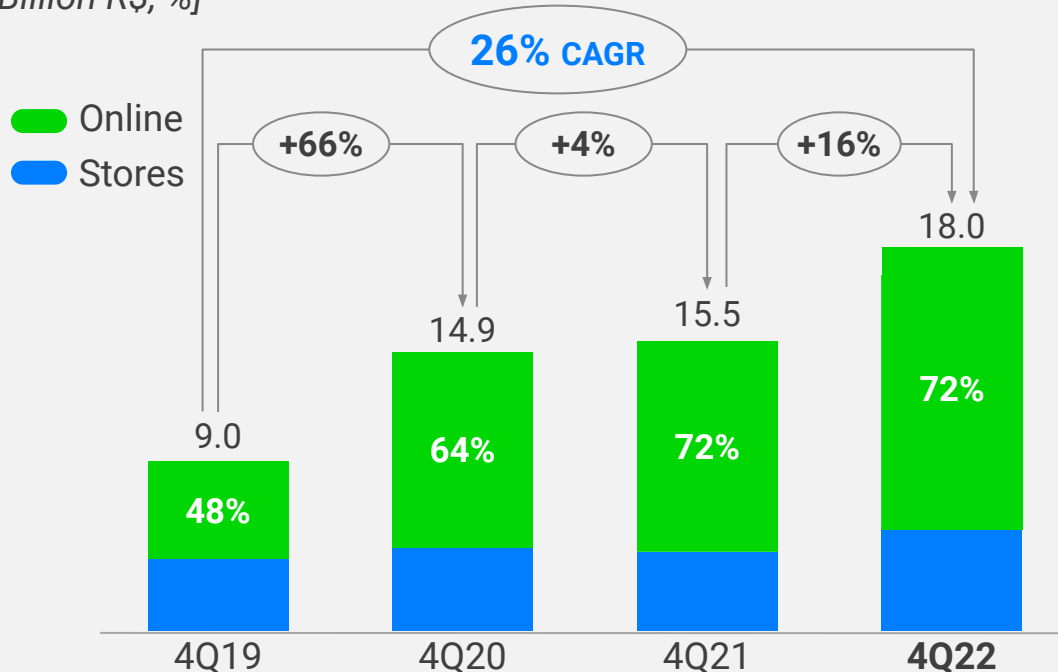
Credit on Luiza and Magalu cards



Delivery of high volume products

Over the last 3 years, **total sales grew an average of 26% per year**, reaching **R\$ 18.0 billion** in 4Q22 and **operating margins increased**

**Growth of total sales**  
[Billion R\$; %]



**Sales grew across all channels in 2022 and during 4Q22**

**R\$ 60.2 billion**

**Total Sales in 2022**  
[Growth of 8% vs 2021]

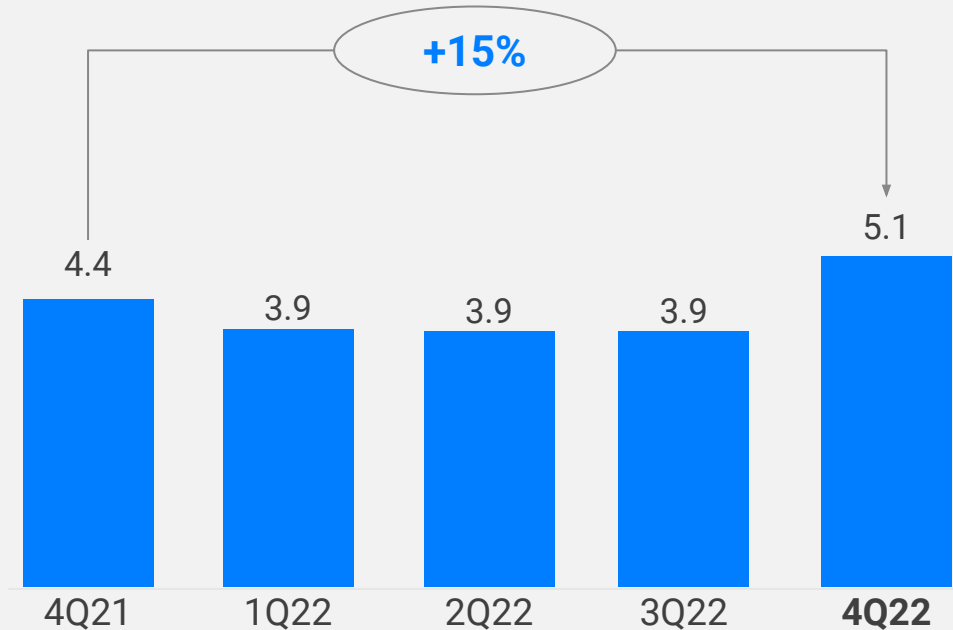
**R\$ 2.1 billion**

**Adjusted EBITDA in 2022**  
+44% Adjusted EBITDA growth vs 2021  
[Adjusted EBITDA margin of 5.7%]



In 4Q22, Physical Store Sales reached **R\$ 5.1 billion**,  
with 1.3 p.p. of **market share gains**

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



**R\$ 16.8 billion**

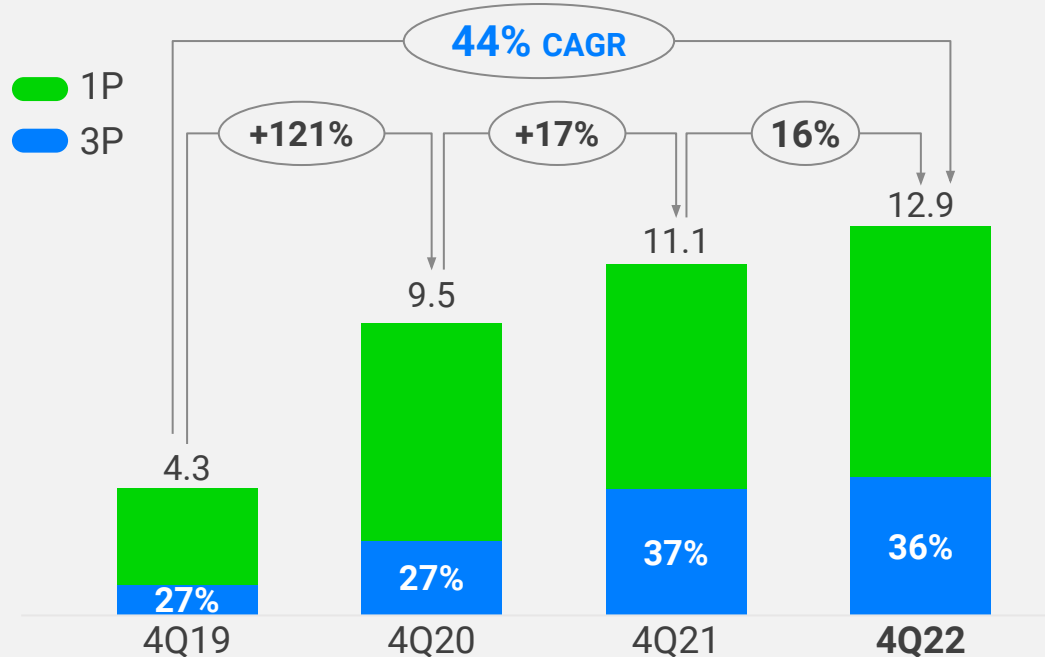
**Physical Store Sales in 2022**  
[Growth of 6% vs 2021]

**1.3 p.p.**

**Market share gain**  
[4Q22 vs 4Q21; GFK]

Over the last 3 years, our **e-commerce business** grew an average of **44% per year**, reaching **R\$13 billion** in sales in 4Q22

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



**R\$ 43.4 billion**

**Online Sales in 2022**  
[Growth of 9% vs 2021]

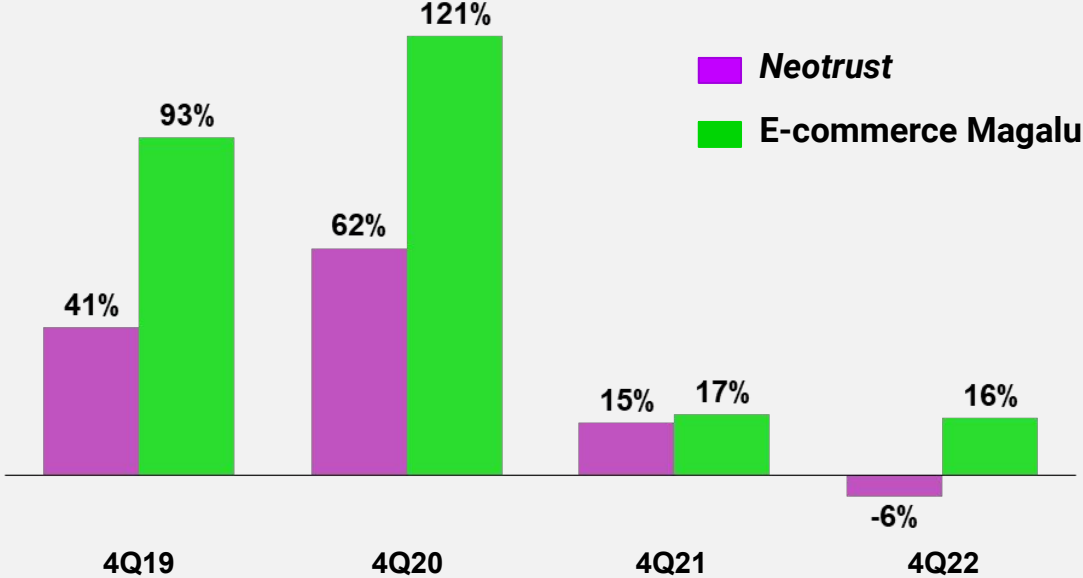
**5.1 p.p. market share gain**

**Versus a decrease of 5.8% for the overall online market in Brazil**  
[4Q22 vs 4Q21; Neotrust]

# Despite the turbulent environment, characterized by widespread sales declines, **Magalu managed to grow 22 p.p. more than the market**

## Growth

[% online\* vs E-commerce Magalu; 2019-2022]

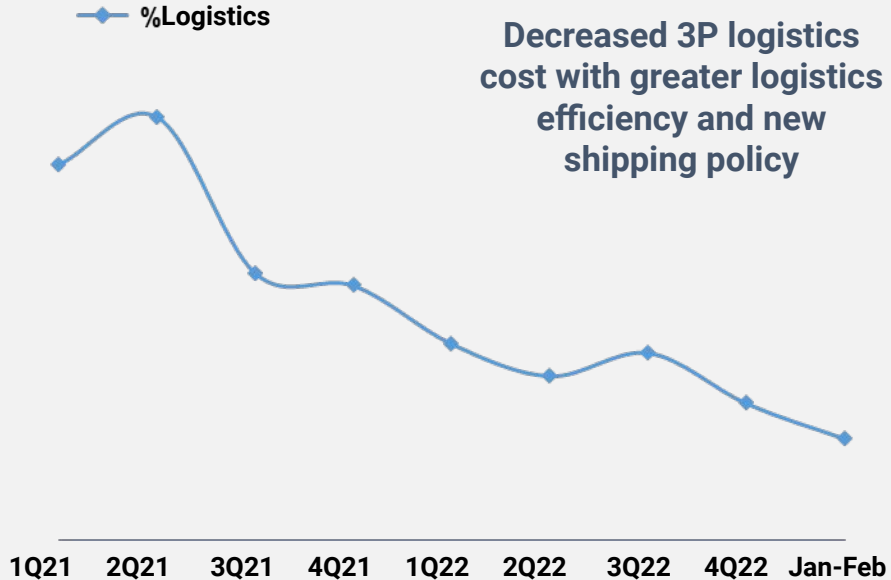


**Magalu's e-commerce business has consistently outperformed the overall e-commerce market, growing at a higher rate**

Source: Neotrust; Magalu

In 2022, in addition to increasing sales, **we significantly increased the profitability of our marketplace**

**Evolution of 3P logistics costs**  
[% GMV; 2021-Feb/2023]

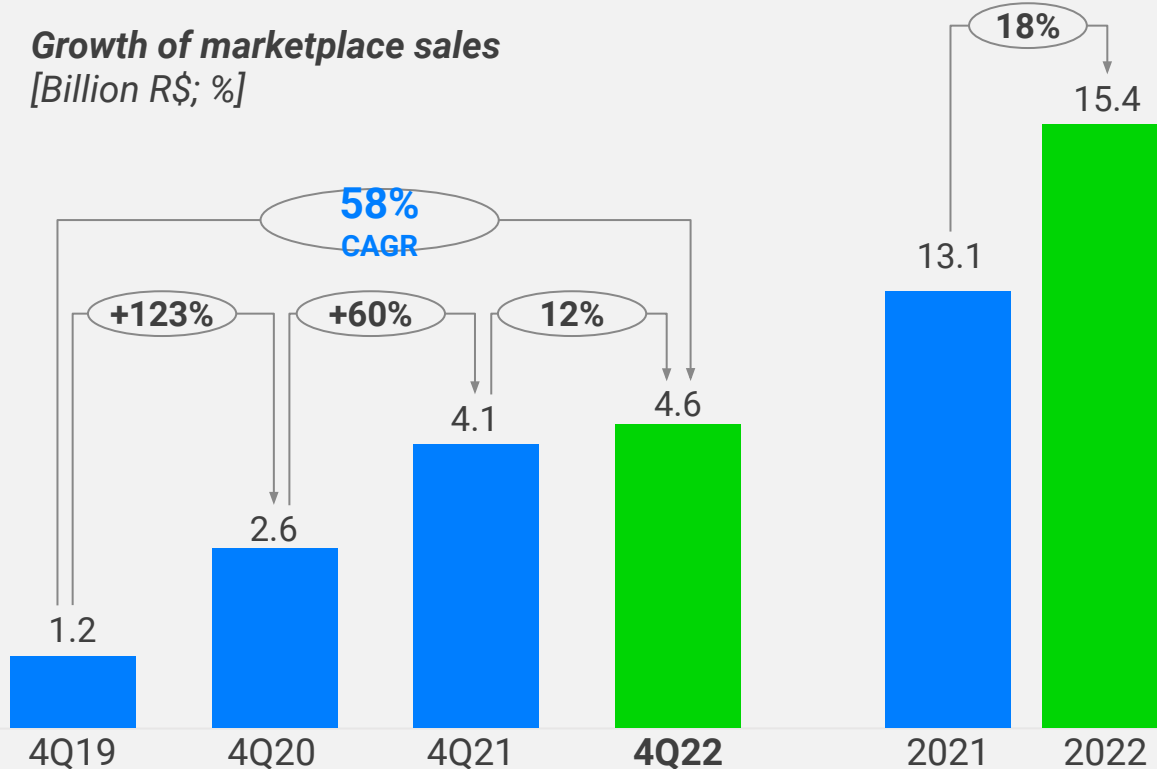


**Evolution of 3P contribution margin**  
[% GMV; 2021-Feb/2023]



Over the last 3 years, our marketplace business grew an average of **58% per year**, reaching **R\$4.6 billion** in sales in 4Q22

**Growth of marketplace sales**  
[Billion R\$; %]



**R\$ 15.4 billion**

**3P Sales in 2022**

[Growth of 18% vs 2021]

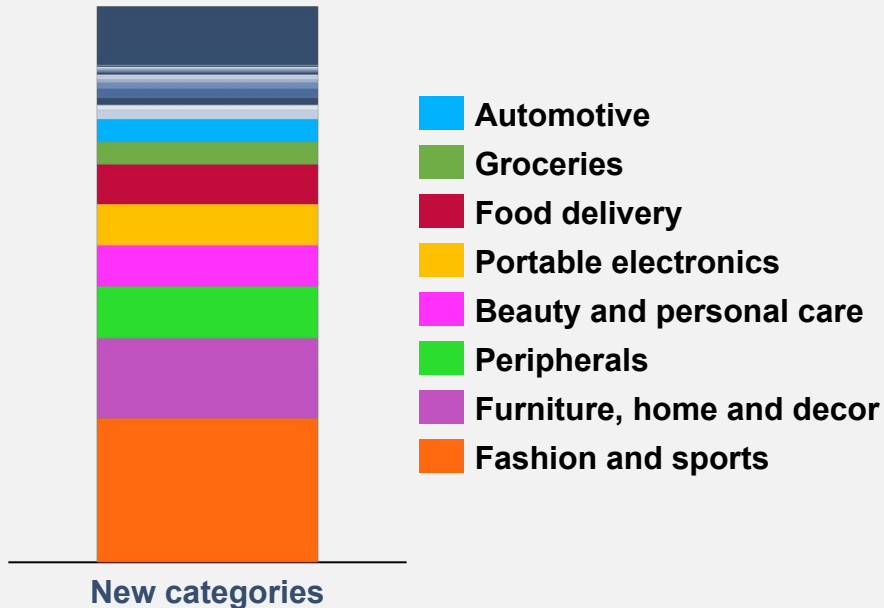
**33%**

**Marketplace growth**

[December 2022]

# New categories represent 51% of total 4Q22 e-commerce sales

*Participation of new categories in e-commerce*  
[% GMV; 4Q22]



**51% of  
e-commerce  
GMV  
comes from new  
categories**

**Multichannel Marketplace:** serving the full spectrum of marketplace sellers with high service levels and low costs

**Large Sellers**

Benefit from Magalu's significant, high quality traffic and leadership in the durables category

**Medium Sellers**

Generally, digitalized and with better infrastructure

Benefit from Magalu's multichannel model, faster delivery speeds and lower costs

*Fulfillment, In-Store Pick Up, Integration of 1P and 3P operations, opportunity to increase conversion rates, etc.*

**Small, hyper-local Sellers**

Greater need for Magalu's technology and growing portfolio of value-added services



Benefit from the Partner Magalu initiative, empowered by the local physical stores

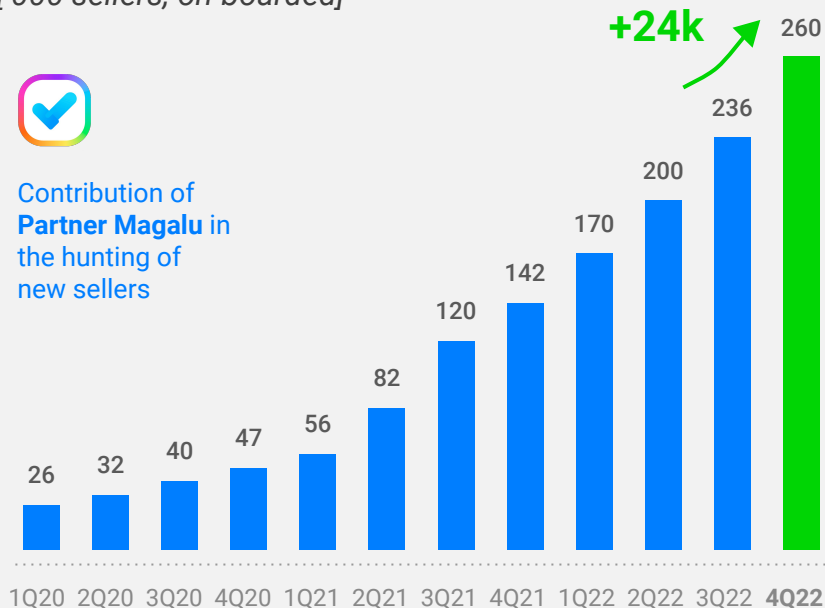
## We continue to attract new marketplace sellers

**24,000 new sellers** joined the platform in 4T22, reaching the mark of **260,000 sellers** on the marketplace platform

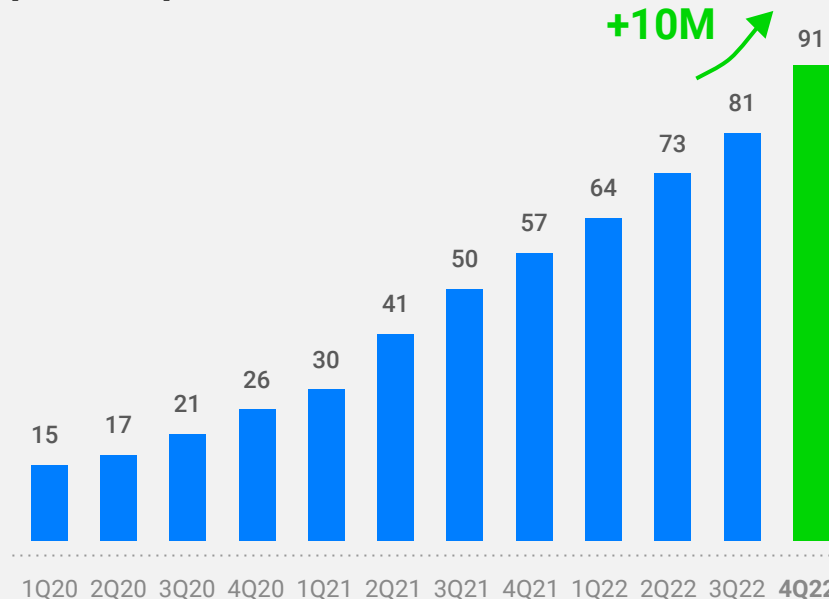
**Growth in the number of sellers**  
[‘000 sellers; on-boarded]



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



**Total number of offers 1P + 3P**  
[MM offers]

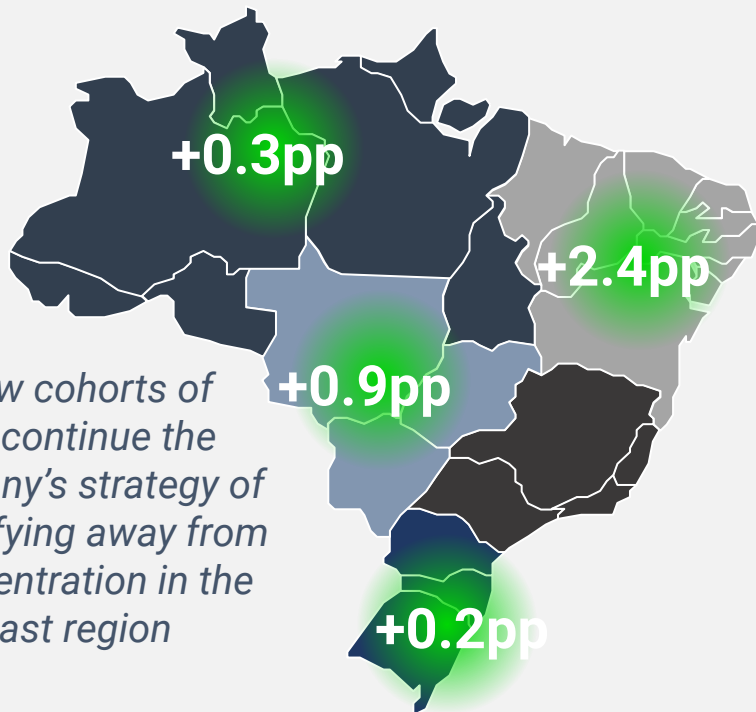




# New seller cohorts continue to diversify the geographic and category coverage of Magalu's marketplace platform

## Growth of participating sellers per region

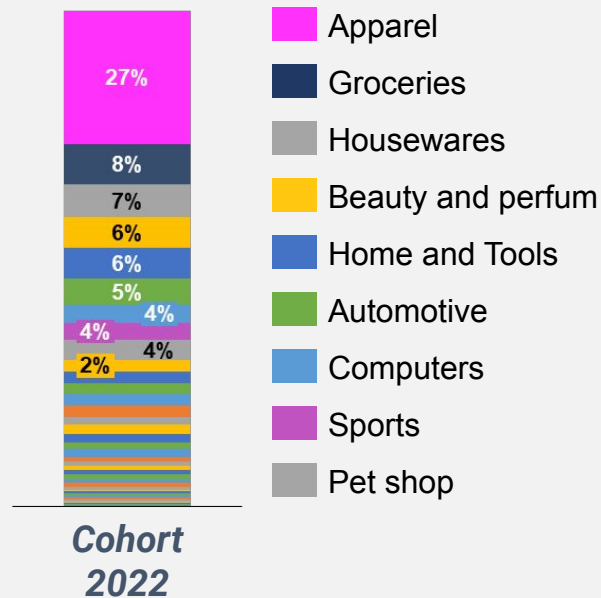
[Difference between % total sellers; Dec/22 vs Dec/21]



The new cohorts of sellers continue the Company's strategy of diversifying away from a concentration in the Southeast region

## Published Partner Magalu sellers by category

[Cohort 2022; % Published Sellers]



Partner Magalu sellers strengthen the marketplace's new category offerings

## Drop-off

**+517**

Agency Magalu stores enabled for drop-off

**61k**

Sellers using the stores as postal agencies

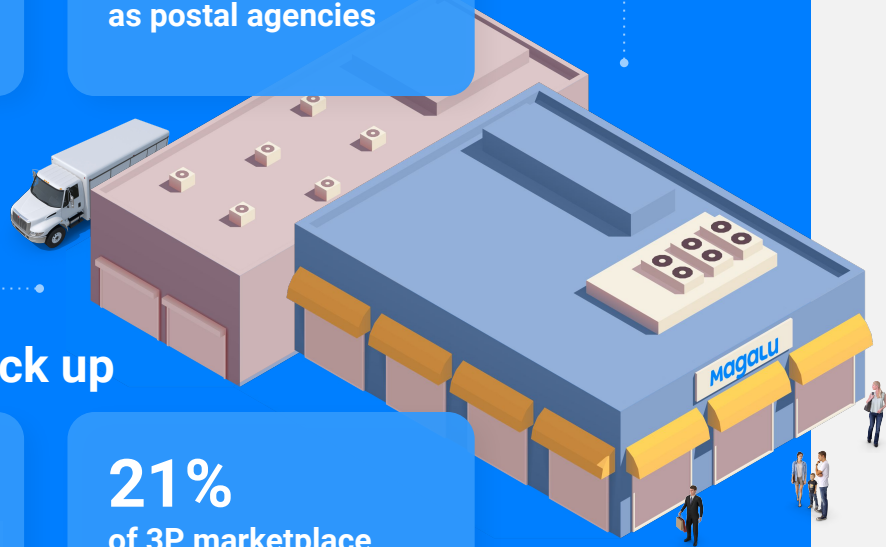
## 3P in-store pick up

**~1k**


stores enabled for in-store pick up of 3P items

**21%**

of 3P marketplace orders use in-store pick up



The future of e-commerce in Brazil is **digital, multichannel and hyperlocal**



**Fulfillment Magalu, which is totally integrated with Magalu's first-party (1P) logistics operation, increases the portfolio of logistics services available for marketplace sellers**

**~1,000**

Number of sellers utilizing Fulfillment Magalu

21% of orders invoiced as fulfillment are reaching customers within 24hs

**5 DCs** currently offering fulfillment

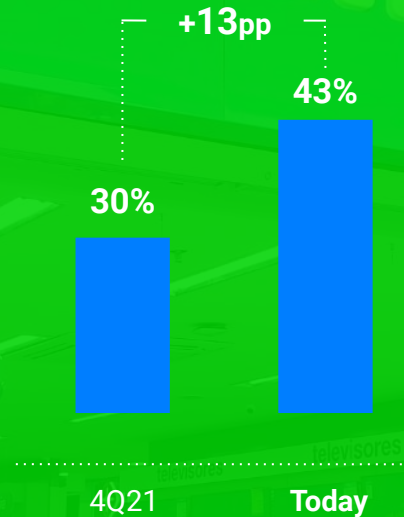
•Louveira (SP) •Guarulhos (SP) •Extrema (MG) •Contagem (MG)

**Alhandra (PB) DC** beginning operations

The fastest delivery for the lowest costs, now also available in the Northeast!

By providing logistics services to 3P marketplace sellers we are able to: **raise service levels; increase delivery speeds; cut costs and increase 3P conversion rates**

3P orders delivered by Magalu Entregas in up to 48h



 Rapid 3P delivery

**80%**

of 3P orders pass through **Magalu Entregas**

**84%**

of 1P orders delivered in up to **48hrs**

## Ultra-fast delivery of 3P

**+10K**

Sellers participating in **Ship-from-Seller's Store** with **delivery within 24hrs**

**87**

Cities covered by **Ship-from-Seller's Store**



Magalu ecosystem companies have produced  
**excellent results, with profit generation and sales growth**



## NETSHOES

**R\$4.2 BI**

Total GMV in  
2022  
(growth of +7%)

**R\$56 MI**

Profit in 2022



## FASHION

**+25%**

Category  
growth in the  
Magalu  
marketplace  
4Q22

**+65%**

Of total  
fashion sales  
came from  
the  
marketplace in  
4Q22



## BEAUTY

**R\$900 MI**

Total GMV in  
2022  
(growth of +15%)

**R\$76 MI**

Profit in 2022

## KaBuM! and AiQfome: continue to contribute

+ R\$4.0 BI  
GMV in  
2022

R\$179 MI  
Profit in 2022

Pick-up available  
at +600 Magalu  
stores



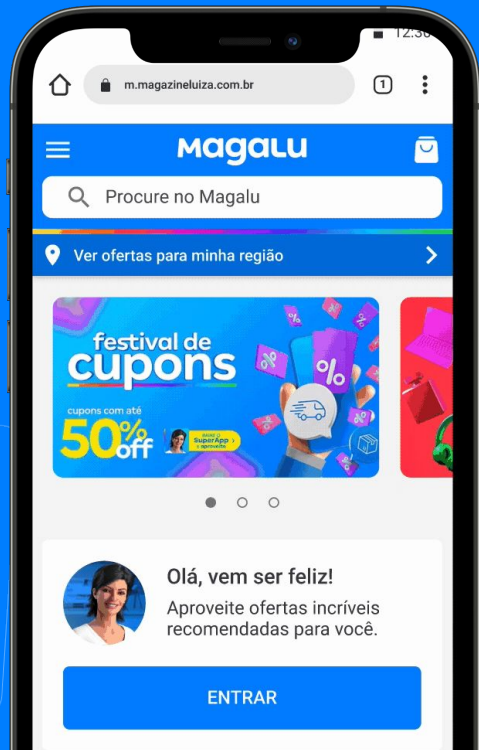
+R\$1.4 BI  
GMV in  
2022

~30 MI  
orders in 2022

~1/3 of all payments  
to restaurants were  
processed by  
AiQFome



MagaluAds increases the monetization and profitability of our platform, in addition to providing sellers with more visibility for their assortment



**+500 Million**

monthly hits, distributed across different brands and content channels, such as **Jovem Nerd**, **Canaltech** and **Steal the Look**

**100%**

of Magalu's assortment has been enabled for **sponsored search ads**

**6,000**

Campaigns created in 4Q22

**2,500**

sellers used MagaluAds to promote their products

# Financial Highlights



- Recepção / Boulevard
- Estacionamento superior
- Área de Lazer / Container
- Banheiros com ducha
- Suprimentos
- Processo Seletivo
- Ambulatório
- Malote/Correios

Magalu

Magalu



# 4Q22 Financial Highlights

**16%** E-commerce Growth

**R\$18.0** Billion in Total Sales  
(Growth of 16%)

**15%** Physical Store Sales Growth

**27.8%** Gross Margin  
(vs 25.3% of margin in 4Q21)

**18%** 1P Growth

**R\$674** Million in Adjusted EBITDA  
(Margin of 6.0%)

**12%** 3P Growth

**-R\$15** Million in Adjusted Net Income  
(Margin of -0,1%)

# Financial Highlights - 2022

**9%** E-commerce Growth

**R\$60.2** Billion in Total Sales  
(Growth of 8%)

**6%** Physical Store Sales Growth

**28.0%** Gross Margin  
(vs 25.2% of margin in 2021)

**5%** 1P Growth

**R\$2.1** Billion in Adjusted EBITDA  
(Margin of 5.7%)

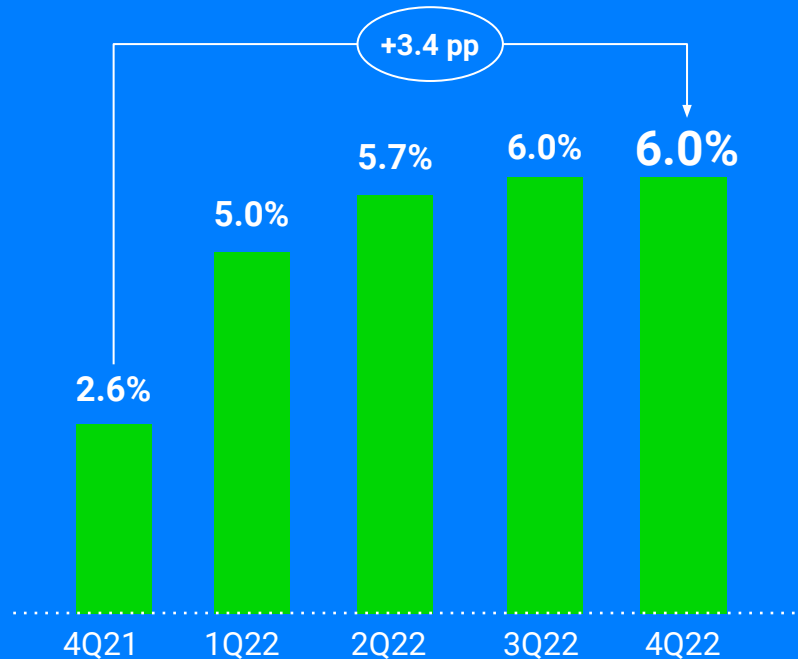
**18%** 3P Growth

**-R\$372** Million in Adjusted Net Income  
(Margin of -1.0%)

## Strong expansion of operating margins

Adjusted EBITDA margin reached 6.0% in 4Q22, growing 3.4 p.p. YoY in 2022

Adjusted EBITDA margin [as % of Net Revenue]



Adjusted EBITDA margin of 5.7% in 2022  
(growth of 1.5 p.p. compared to 2021)

### We improved our margins by:

- Increasing service revenues, especially in the marketplace (44.4% growth in 4Q22)
- Passing suppliers' price increases along to consumers
- Charging interest on installments

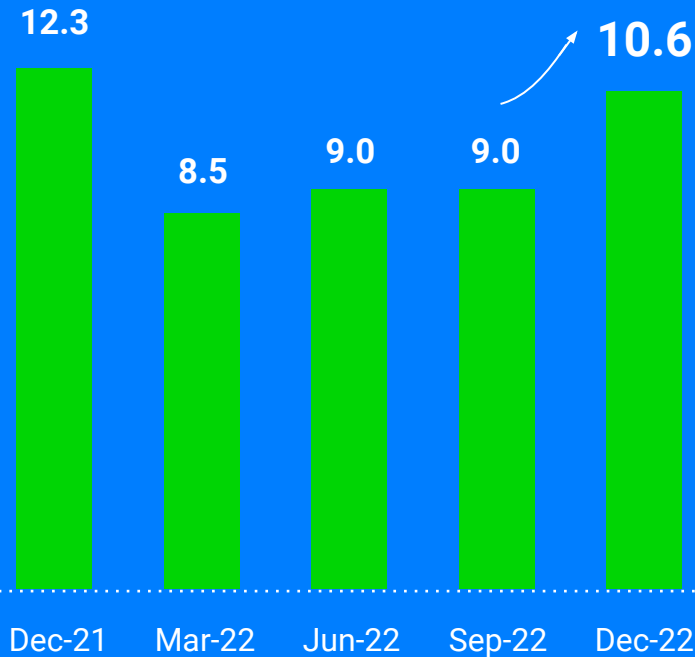
### We controlled our expenses by:

- Re-negotiating contracts
- Optimizing investments in marketing and logistics
- Making adjustments to operating capacity

## We ended the year with R\$ 10.6 billion in total cash

Generation of operating cash of **R\$ 2.2 billion** during the quarter

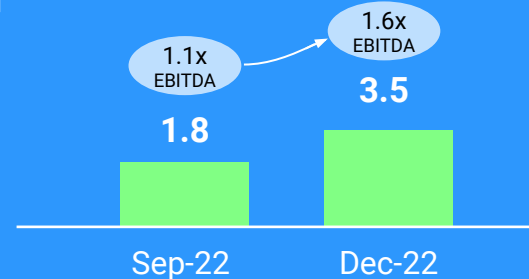
**Adjusted cash position**  
[R\$ Billion]



Generation of **R\$ 2.2 billion** in operating cash in 4Q22 and **R\$ 827 million** in 2022

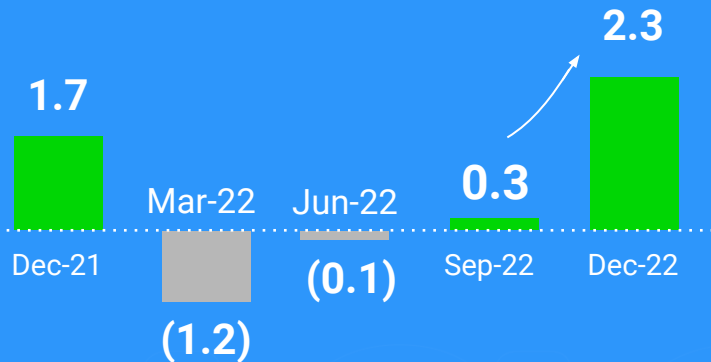
**98% of debt is long-term,**  
distributed between 2024 and 2026

**Adjusted net cash position**  
[R\$ Billion]

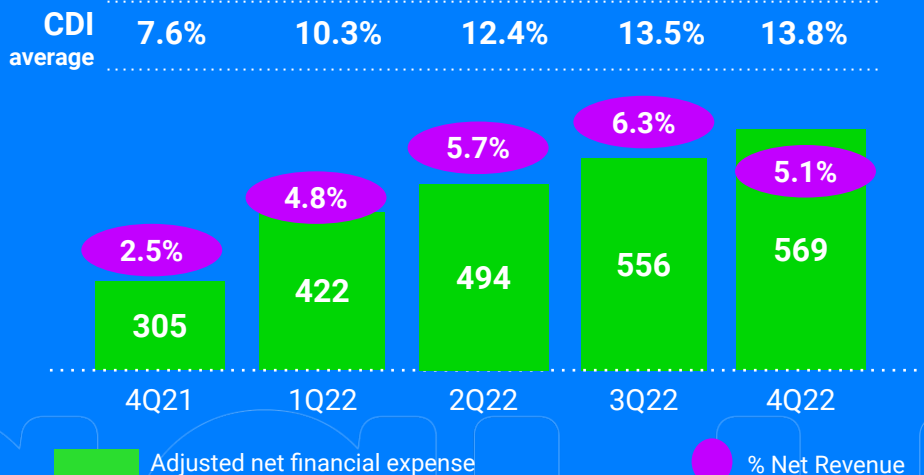


# Improvement in quarterly Working Capital, with reduction in inventories

## Adjusted working capital (R\$ Billion)



## Adjusted net financial expense (R\$ Million)



CDI average	7.6%	10.3%	12.4%	13.5%	13.8%
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### Working capital improvement

Reduction of R\$1.3 billion in inventories with a turnover improvement of more than 30 days

PIX and cash sales reached 34% of total sales (+11 p.p.)

Reduction in the average term of sales on credit cards

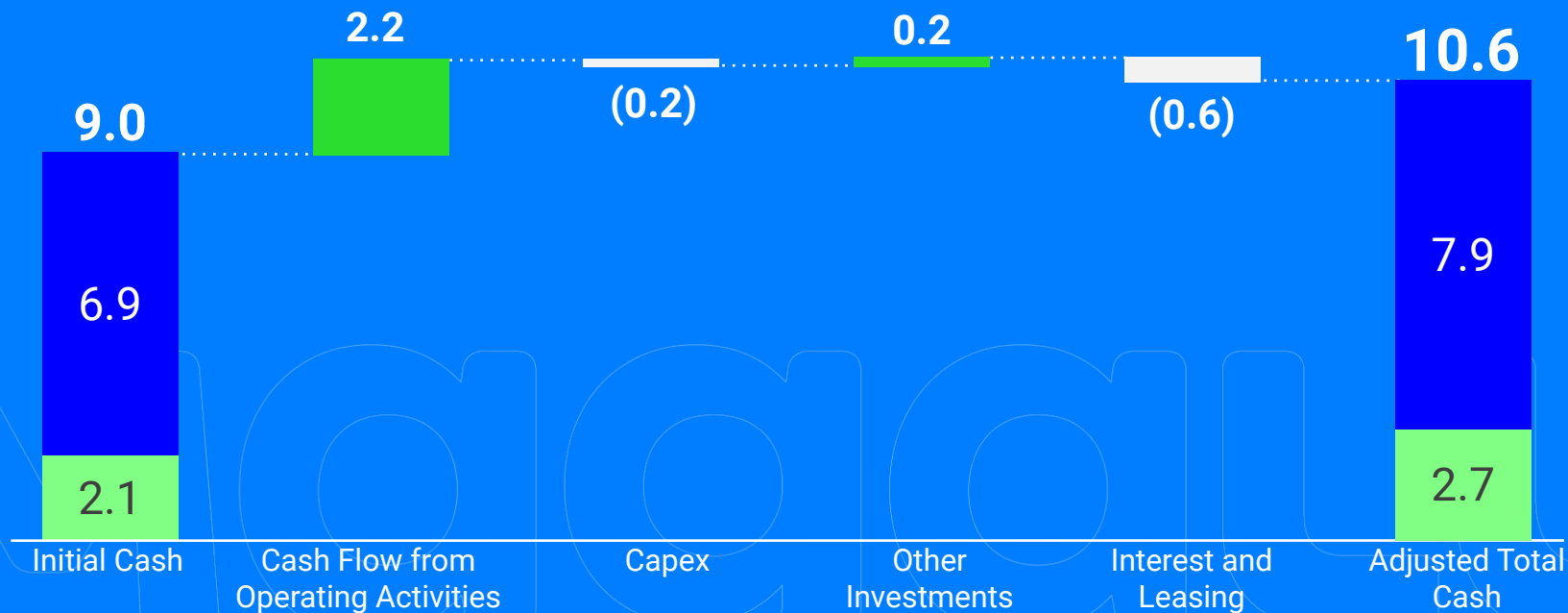
Increase in sales with interest on the Luiza Card and on Third-Party Cards

# Quarterly Cash Flow

Operating Cash generation of **R\$2.1 billion** in 4Q22

4Q22 Cash Flow (R\$ Billion)

Receivables Cash



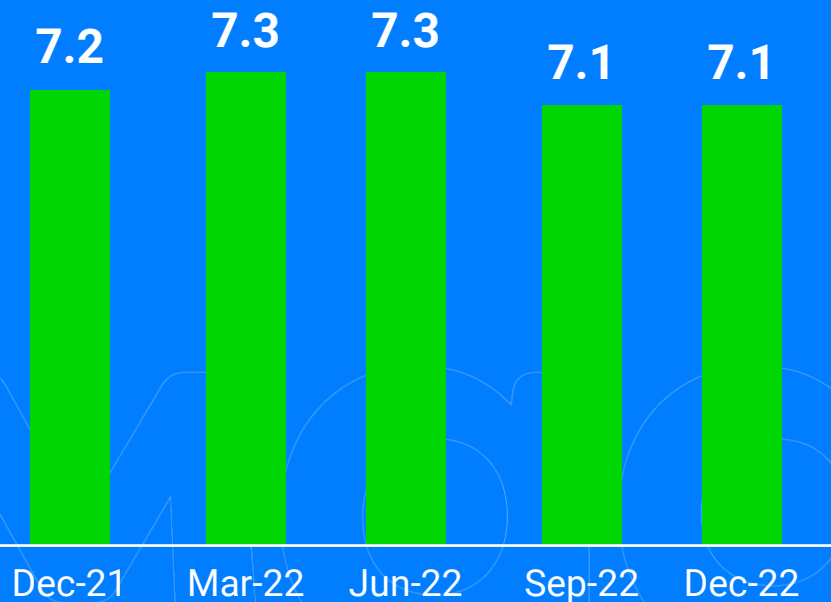
# Luizacred

14% growth in credit card TPV, reaching **R\$14.5 billion**.

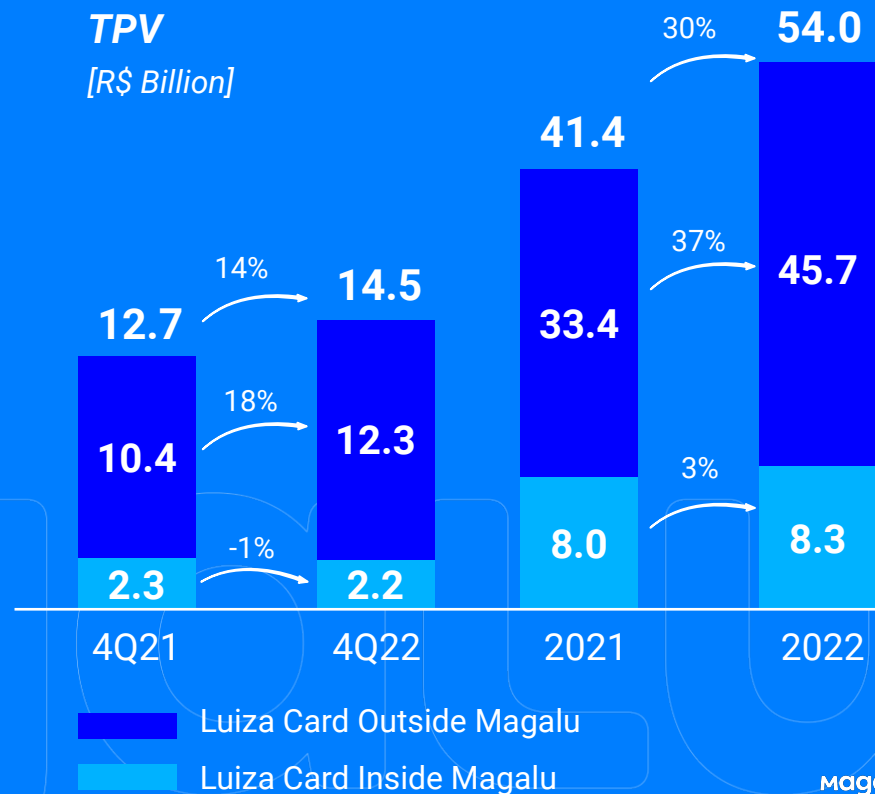
The credit portfolio is now **R\$20.6 billion**.



### Growth of the Luiza Card Base



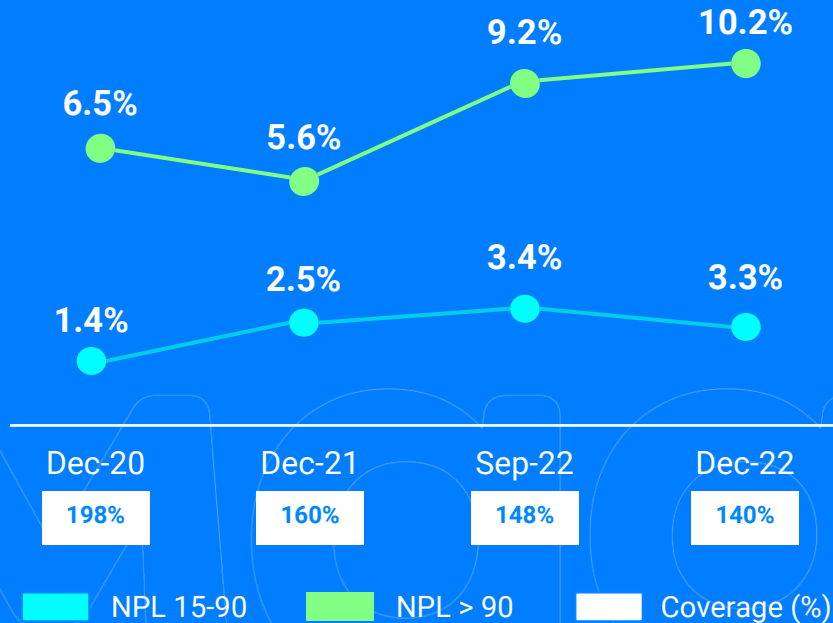
### TPV [R\$ Billion]



# Luizacred

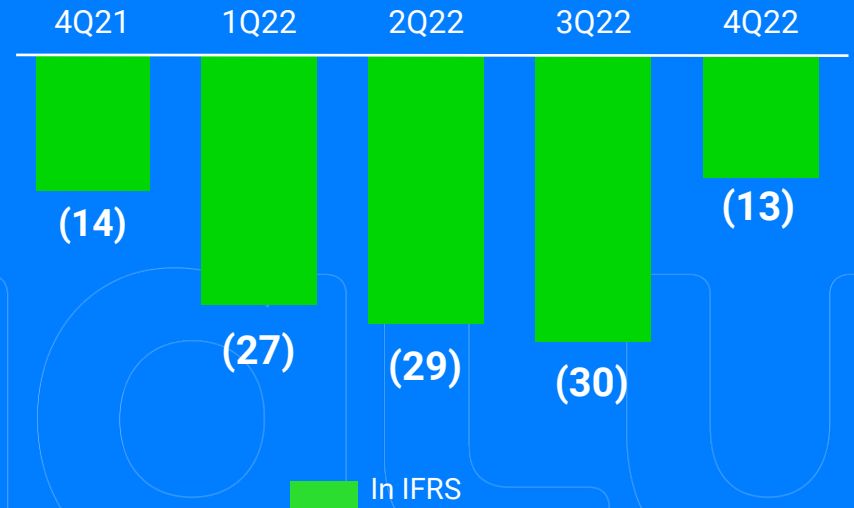
Normalization of the overdue portfolio, with a reduction in short-term non-performing loans (NPL)

### Percent of the Portfolio Overdue (%)



### Net Income

[R\$ million]

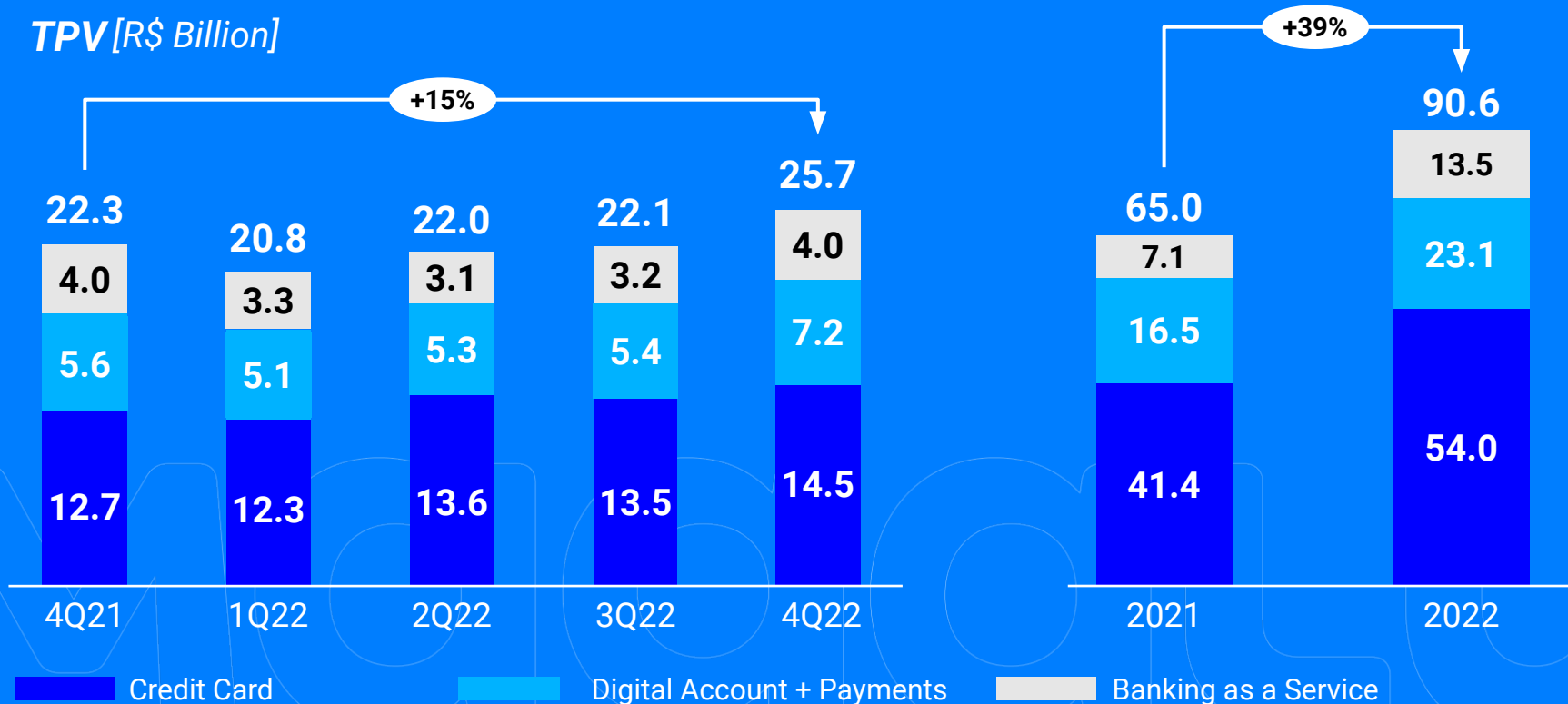




# TPV - Total Payment Volume

TPV reached **R\$25.8 billion** in 4Q22, growing 15%

TPV [R\$ Billion]



We also offer financial services for **marketplace sellers**



**+R\$91 Bi**  
TPV in 2022




**magalupay**  
**Mobile POS**



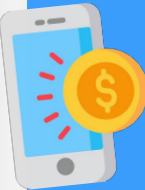
**+R\$67 Mi**  
Magalu Pagamentos net profit  
in 2022

**Highlights**

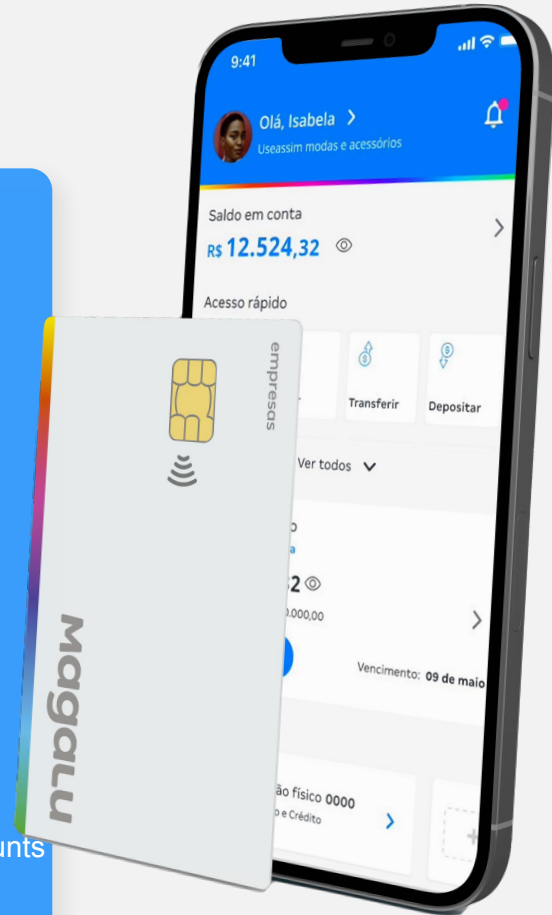
**magalupay**  
empresas



**+15k**  
sellers used Fintech Magalu's  
digital account since launch



**+R\$700 Mi**  
transacted in Magalu digital accounts  
in 4Q22



# Magalu Ecosystem



# MAGALU



## INVESTOR RELATIONS

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MAGAZINELUIZA.COM.BR/RI

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