



1Q12 Conference Call

May 15th. 2012

magazineluiza
vem ser feliz

▪ Highlights of 1Q12 and Expectations for the Next Quarters

- Financial Performance
- Operational Performance

Highlights of 1Q12

Initiatives and Achievements

- **Significant sales growth *versus* 1Q11**
 - Sales growth of 25.7%
 - Same store sales growth of 15.9%
 - E-commerce growth of 42.8%
- **Sustainable growth**
 - Gross margin in line with projected level
 - Financial discipline (sales with no interest)
 - Results were in line with the projection for 1Q12
- **Conclusion of Lojas do Baú integration**
 - System integration concluded
 - Stores' maturation process has just started
 - Capture of synergies initiated
- **Continuation of Lojas Maia integration process**
 - Corporate integration – April 30th
 - System integration scheduled for 2Q12
- **Rationalization of costs and expenses**
 - Rationalization of costs and expenses throughout the company – most initiatives were already implemented in January and February 2012, benefits for upcoming quarters

Impacts on Financial Results

- **Extraordinary expenses: R\$33.5 million**
 - Magazine Luiza and Baú' store: R\$20.3 million
 - Maia' stores: R\$13.2 million
- **Investments in infrastructure and expansion**
 - 7 new stores inaugurated
 - 5 Baú' store were closed
 - Total investments: R\$43.2 million
 - Logistics: R\$12.5 million (Louveira's DC expansion concluded)
- **Luizacred results**
 - Maintenance of conservative approach in the 1Q12
 - Reduction of credit approval rate
 - Participation in the rationalization of costs and expenses project
- **Magazine Luiza results**
 - The majority of non-recurring expenses planned for 2012 were incurred in January and February
 - March 2012: operational expenses were significantly lower and below projection, generating positive results for the Company

Expectations for the next quarters

1

Significant Sales Growth

- Sustainable growth:
 - Maturation of new stores
 - Internet
 - Positive outlook of the Brazilian market (noteworthy reduction in the basic interest rate to its lowest level ever)

2

Lojas Maia Integration Process

- System integration – expected to 3Q12
- Fully integrated management – 4Q12
 - Dilution of administrative and logistics expenses
 - Working capital and price management contributing to the increase of Lojas Maia's gross margin.

3

Results – Luizacred

- Stability of credit approval rate
- Increase in its profitability during the 2S12
 - Portfolio's maturation and expenses' dilution
 - Dilution of operating expenses and proportional reduction of provisions. thanks to the improved quality of the overdue loan portfolio

4

Results – Magazine Luiza

- Continuing with the rationalization of costs and expenses project
- Improvements of profitability – quarter *versus* quarter
- Better productivity indicators and significantly positive results in 2012.

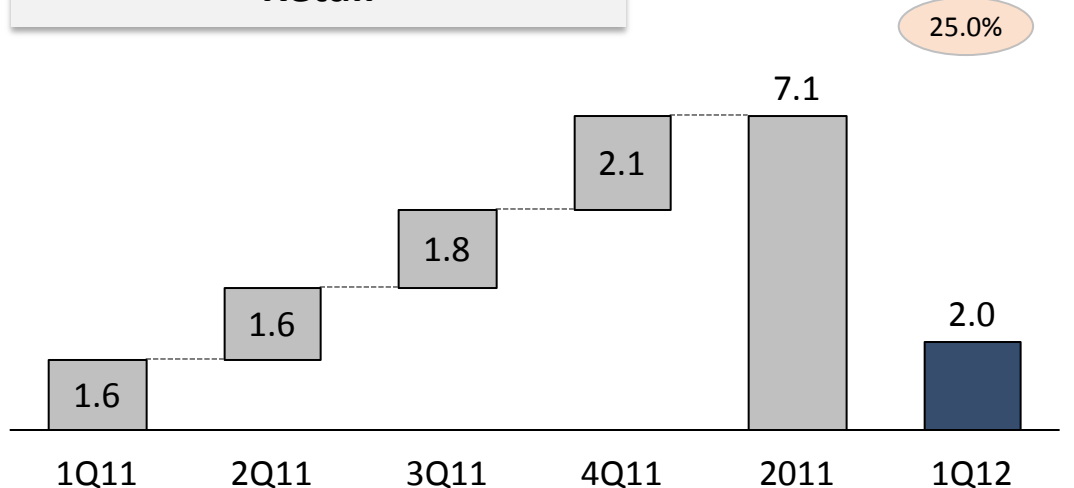
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- Highlights of 1Q12 and Expectations for the Next Quarters

- **Financial Performance**

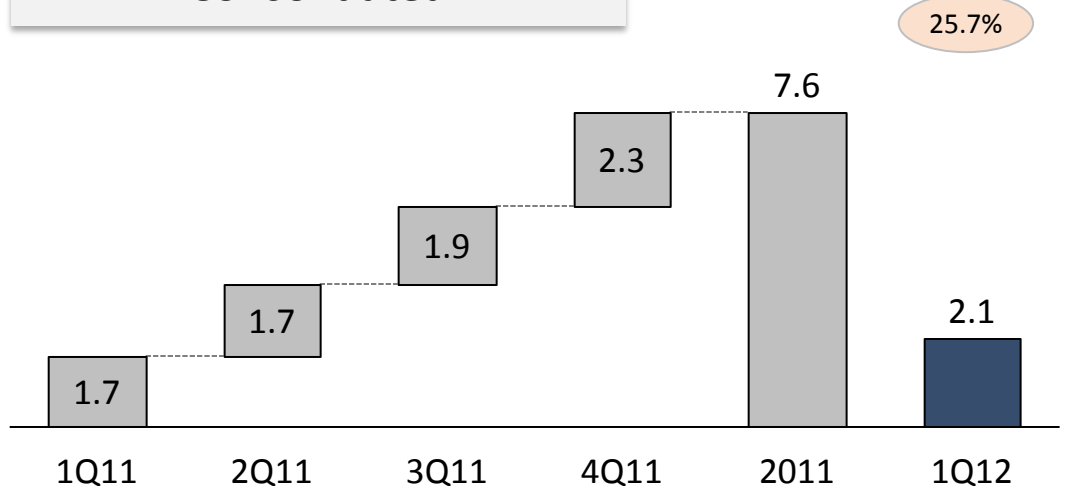
- Operational Performance

Gross Revenue (R\$ billion)

Retail



Consolidated

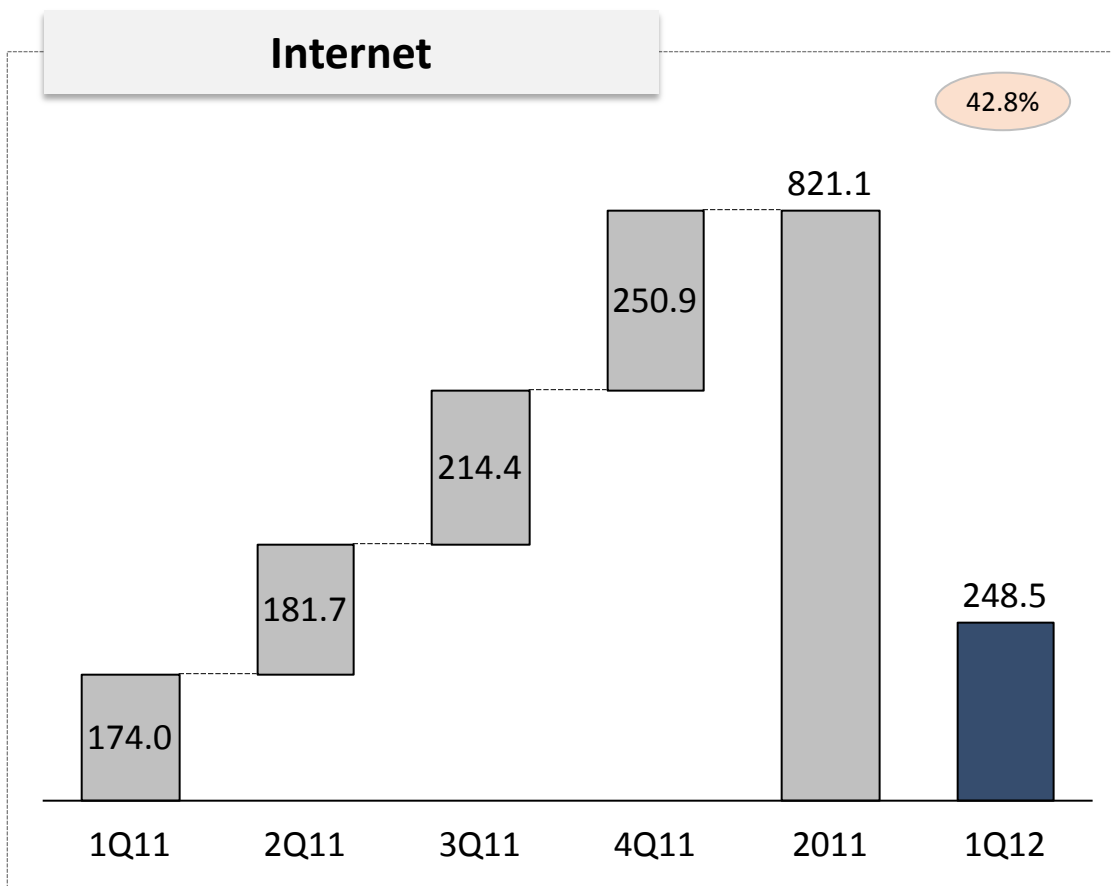


% of growth over the same quarter of 2011

Comments

- **Gross revenue of the Retail segment** increased **25.0%** versus 1Q11
- Same store sales growth of **15.9%** driven by:
 - Stores maturation
 - “Fantastic Sales”
- **Increase in the number of stores:** from 604 in the end of 1Q11 to 730 stores in the end of 1Q12
- **Consolidated gross revenue** increased **25.7%** versus o 1Q11:
 - Growth of the retail segment
 - Growth of the consumer financial service revenue of 34.7% (influenced by service’s revenues and personal loans – recorded under Luizacred)

Gross Revenue – Internet (R\$ million)



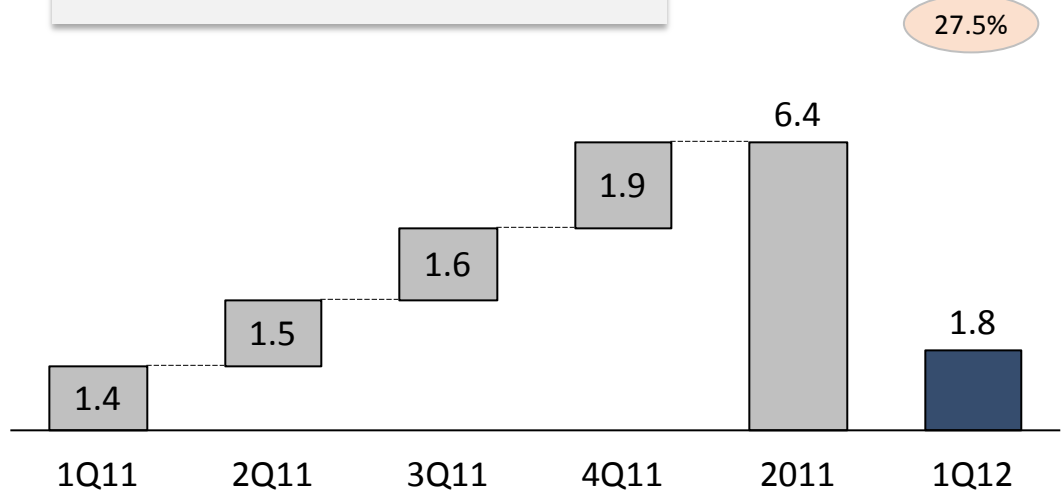
Comments

- 42.8% increase over 1Q11. boosted by:
 - **Multi-channel approach:** infrastructure shared with other channels
 - **Increase in the number of SKUs** (*long tail*) and improvements in product mix
 - **Innovation** in content
 - **Investments** in systems and logistics to guarantee the best customer service (Magazine Luiza is considered diamond by *e-bit*)

% of growth over the same quarter of 2011

Net Revenue and Gross Profit (R\$ billion)

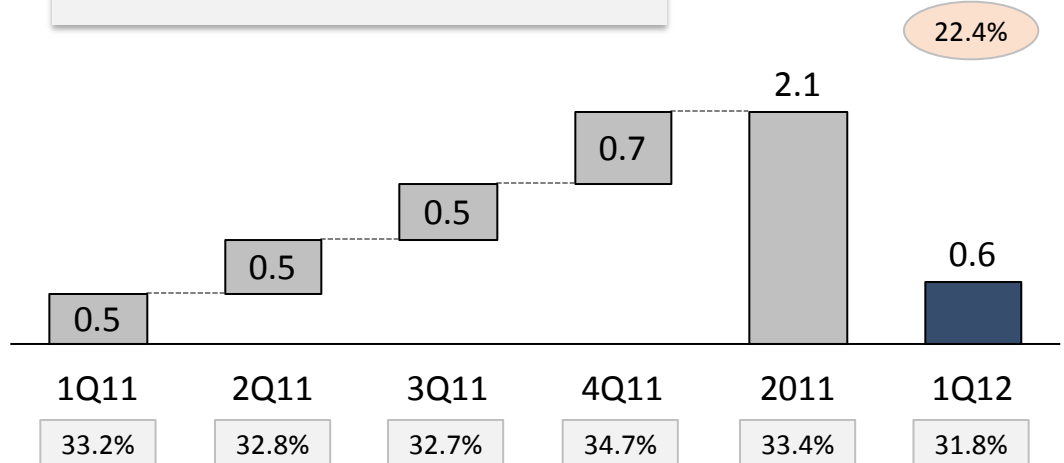
Net Revenue - Consolidated



Comments

- Strong growth due to the increase of **the gross revenues** (retail segment and consumer financial service)
- Net revenue growth outpaced gross revenue growth. basically due to the **higher volume of products subject to tax substitution**, which is booked under COGS

Gross Profit - Consolidated

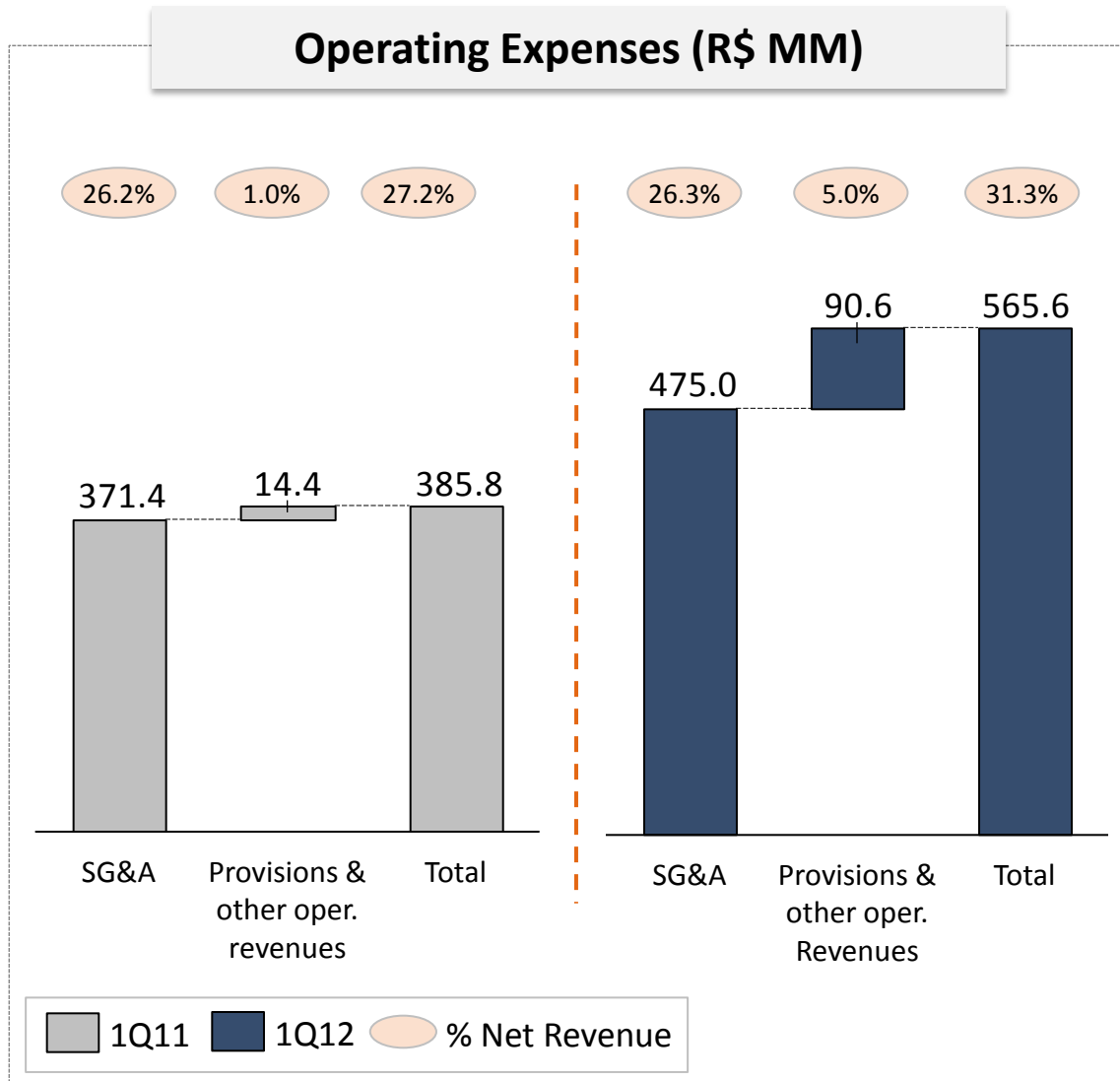


Comments

- Retail:
 - Strong grow due to **Fantastic Sales** in January
 - Increase in the Internet participation
 - **Integration** of Baú stores
 - Low gross margin at Lojas Maia:
 - **Clearance**
- Consumer Financing:
 - Reduction of **CDI** rate

○ % of growth over the same quarter of 2011 □ Gross Margin (%)

Operating Expenses – Consolidated (R\$ million)

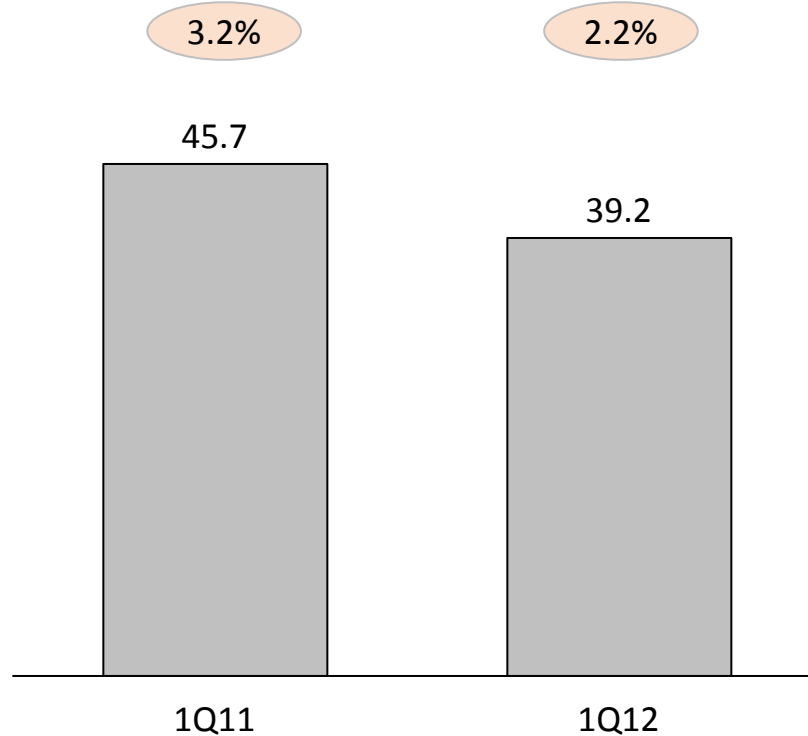


Comments

- **SG&A Expenses:**
 - Impact of the **extraordinary expenses** with new stores. integration of Baú. and review of people cost expenditures
 - **Captures of synergies** initiated as a result of office integration (Baú' stores and expenses rationalization)
- **Provisions:**
 - Robust provisions (Luizacred conservatism)
- **Other operational expenses:**
 - Impact of extraordinary expenses and personal loans
- **Extraordinary Expenses:**
 - R\$33.5 million. being R\$20.3 million at Magazine Luiza and Baú and R\$13.2 million at Maia

Financial Expenses – Consolidated (R\$ million)

Financial Expenses (R\$ MM)



Financial Expenses % Net Revenue

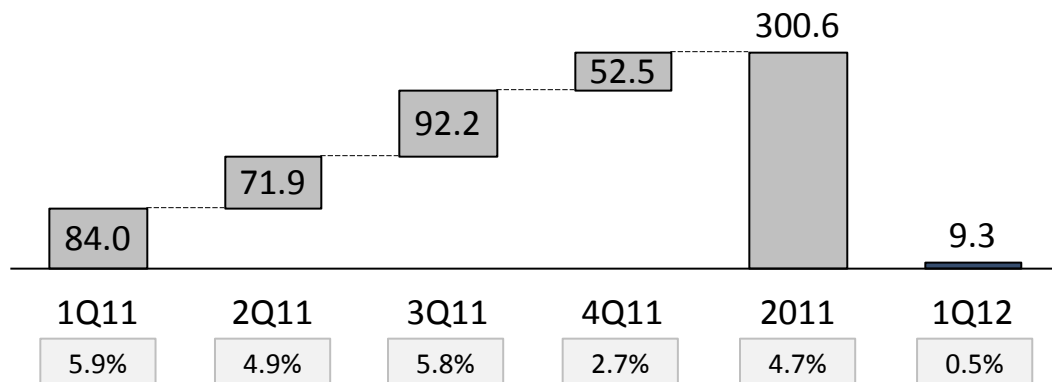
Comments

• Financial Results:

- Financial expenses declined from 3.2% of net revenue in 1Q11 to 2.2% in 1Q12. impacted by the **reduction in net debt** and loer **CDI rate** in the period
- Stable pre-paid Luiza card receivables: R\$6.2 million at 1Q11 and 1Q12. (0.3% consolidated net revenue)
- **Minimize interest-free sales** on Luiza card. as well as limit the share of third-party credit cards in total sales. **encouraging Luizacred sales**

EBITDA and Adjusted EBITDA (R\$ million)

EBITDA

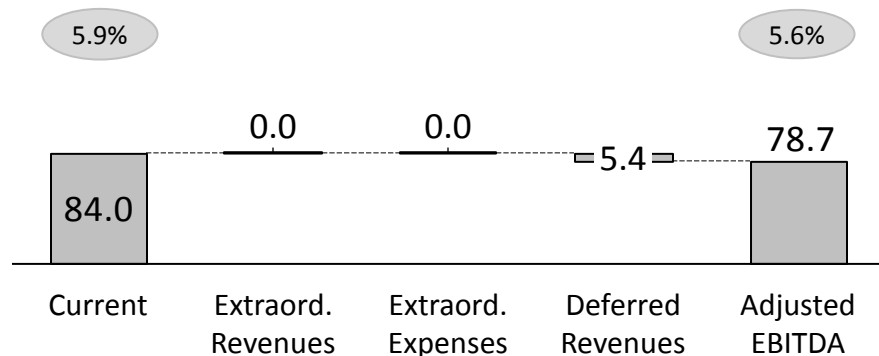


Comments

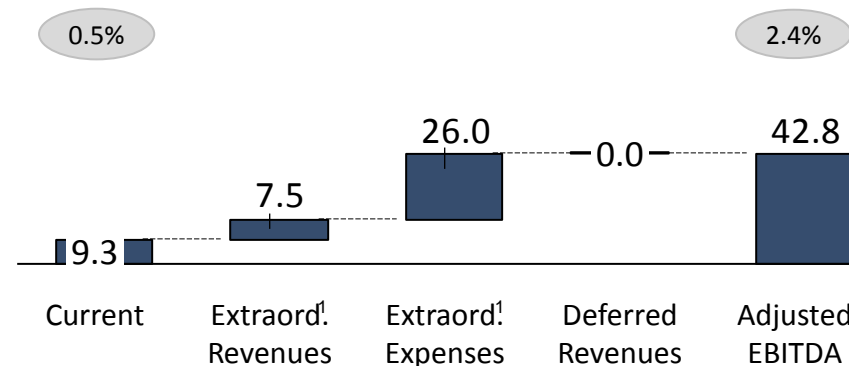
- EBITDA impacted by:
 - **Gross margin reduction at Lojas Maia**
 - **Extraordinary expenses** including pre operational expenses of new stores and integration process
 - **Increase in provisions** for loan losses

Adjusted EBITDA

1Q11



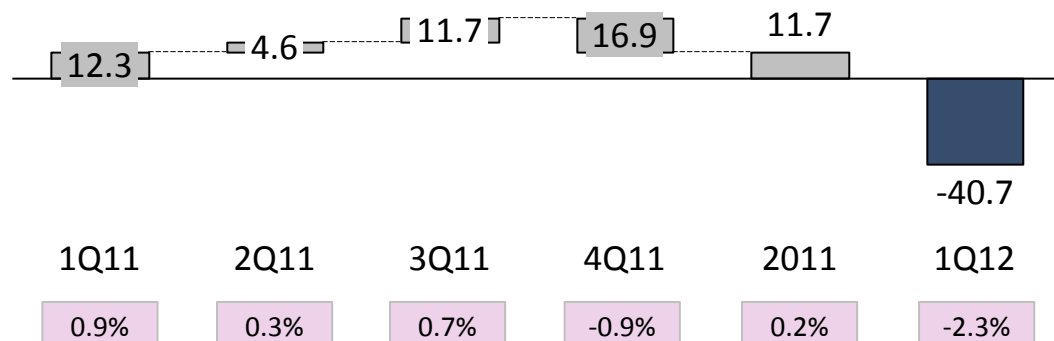
1Q12



Margin EBITDA (%)

Net Income and Adjusted Net Income (R\$ million)

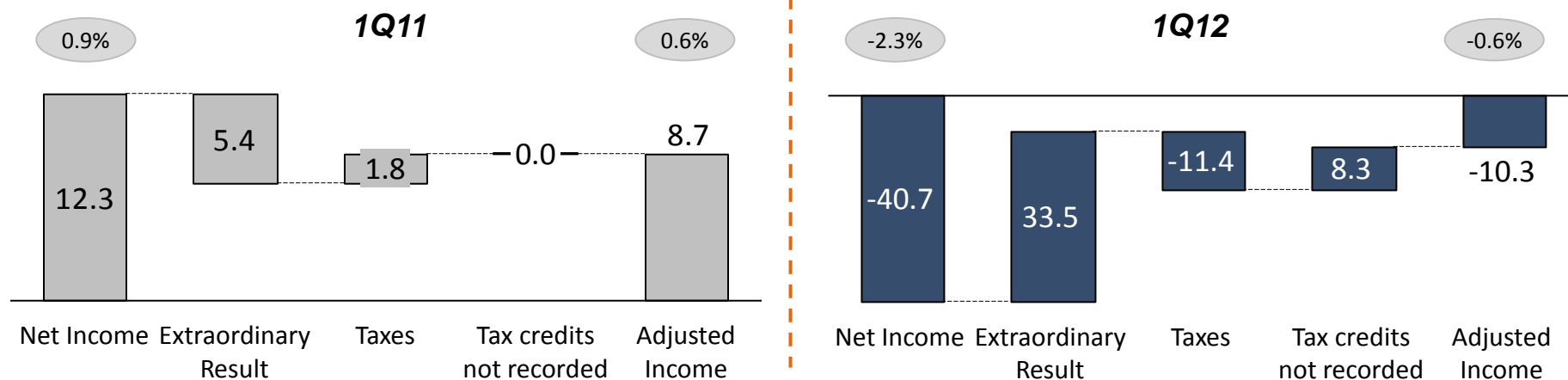
Net Income



Comments

- Net income impacted by:
 - **Gross margin reduction** at Lojas Maia
 - **Extraordinary expenses** including pre operational expenses of new stores and integration process
 - **Deferred taxes were not accountable** due to Lojas Maia losses (R\$8.3 million)

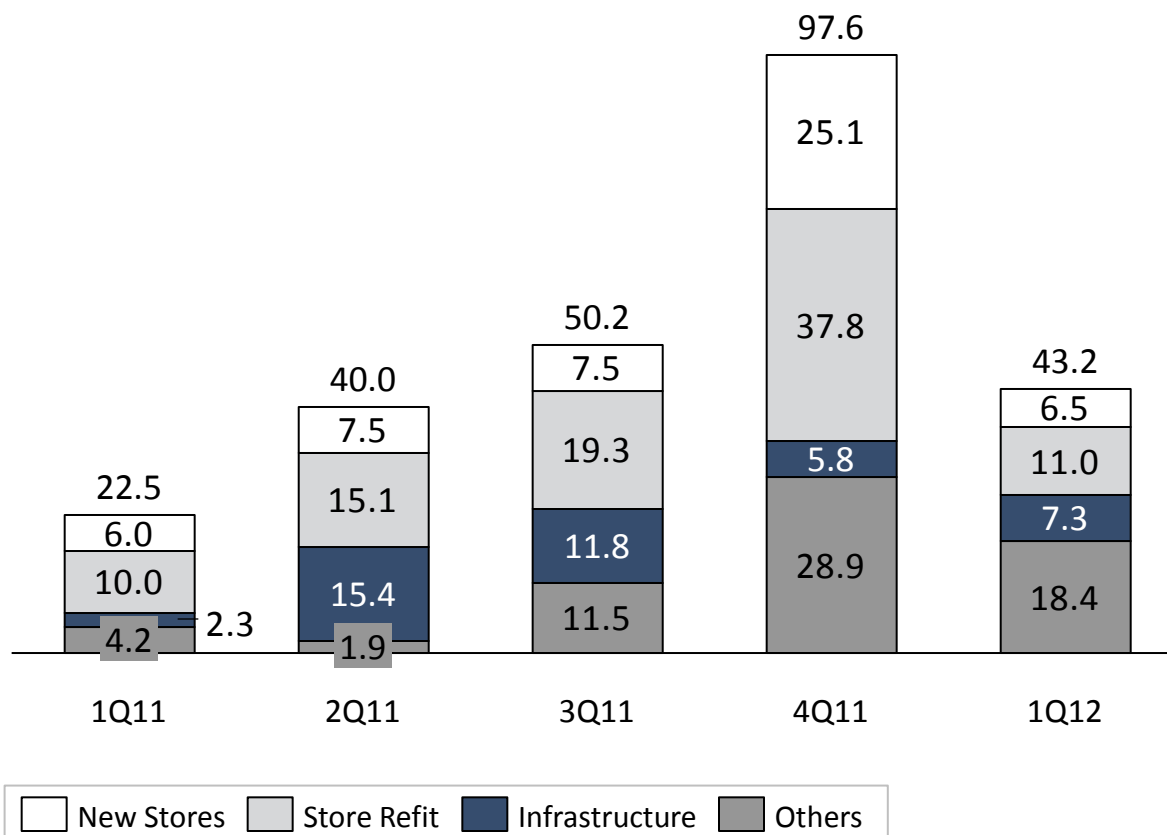
Adjusted Net Income



Net Margin (%)

Investments (R\$ million)

Investments



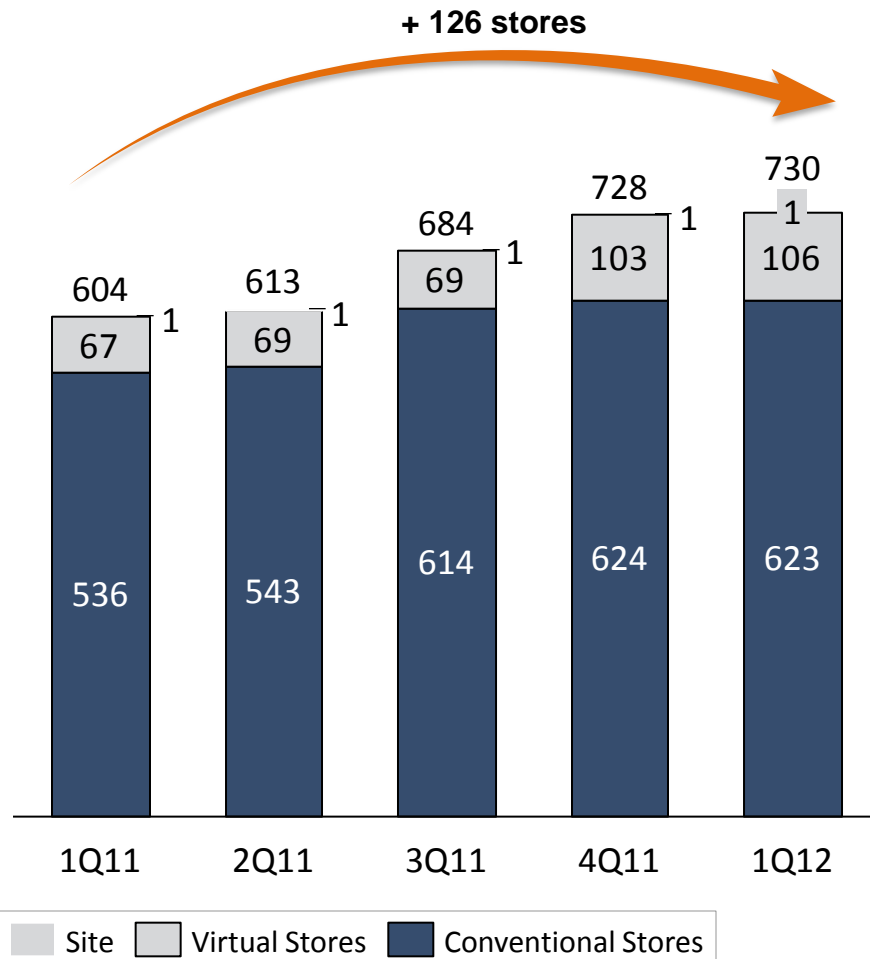
Comments

- 7 new stores inaugurated (4 conventional stores in the Northeast and 3 virtual stores in Paraná)
- Other investments include the conclusion of the **expansion of the Louveira distribution center** and other investments in logistics, which totaled R\$12.5 million in 1Q12.

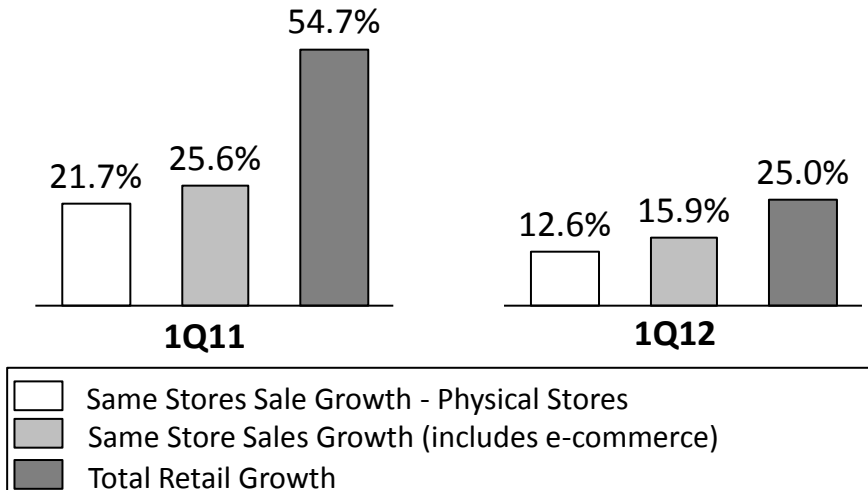
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 - **Operational Performance**

Operational Performance – Stores

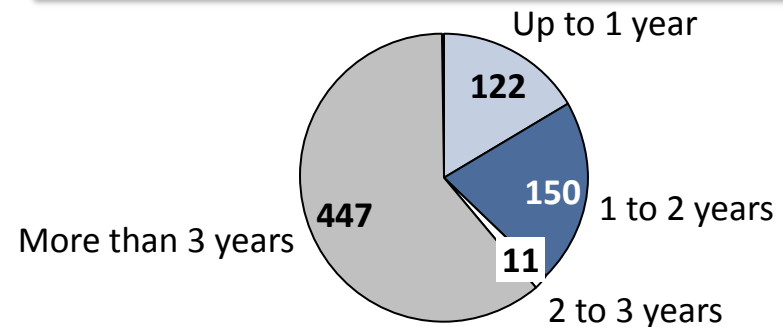
Number of Stores (unit)



Same Store Sales Growth (%)

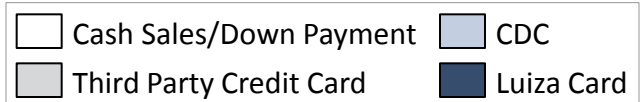
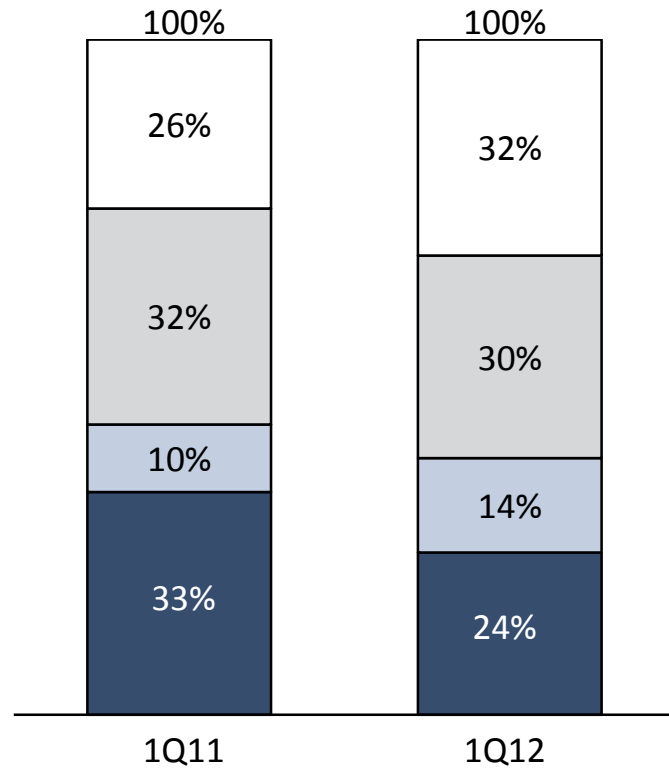


Average Age – Stores

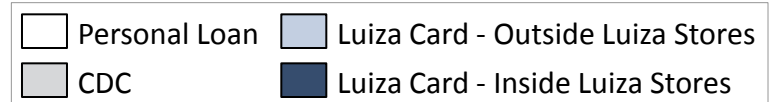
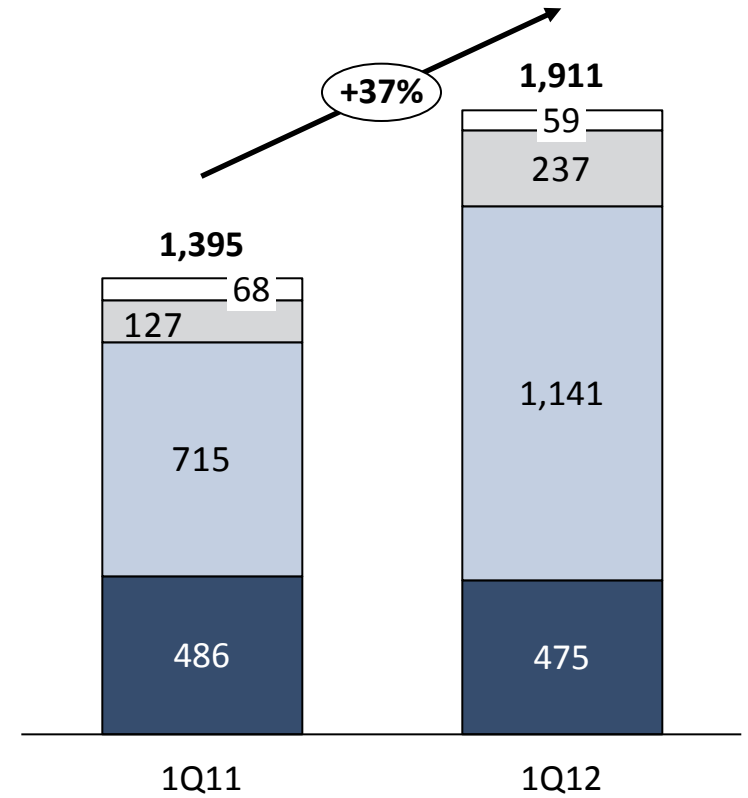


Operational Performance – Luizacred

Financed Mix Sales (%)

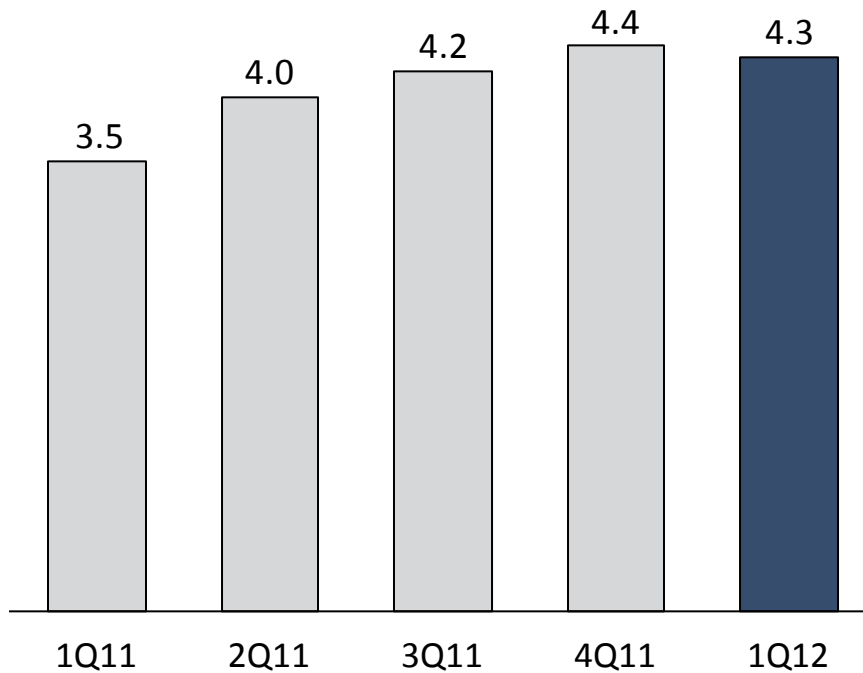


Luizacred's Revenue (R\$ MM)

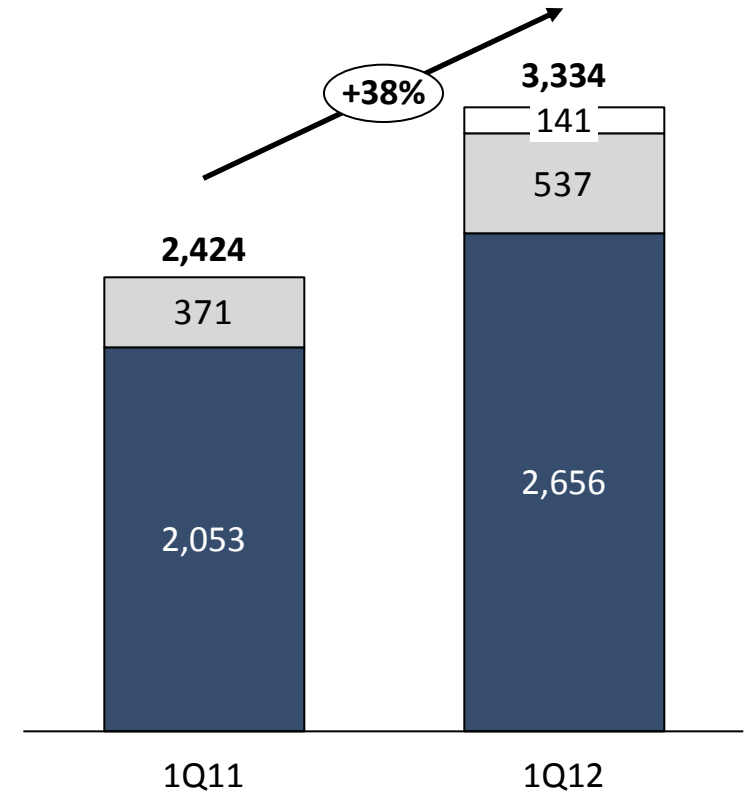


Operational Performance – Portfolio's composition

Luiza Card – Total Credit Card Base (MM)



Portfolio (R\$ MM)



Personal Loans CDC Credit card

Luizacred Portfolio (R\$ million)

Portfolio Overdue	Mar 2012		Dec 2011		Sep 2011		Jun 2011		Mar 2011	
Total Portfolio (R\$ MM)	3,334.1	100.0%	3,334.2	100.0%	3,011.7	100.0%	2,668.3	100.0%	2,424.2	100.0%
000 to 014 days	2,754.4	82.6%	2,773.8	83.2%	2,478.2	82.3%	2,155.4	80.8%	1,890.1	78.0%
015 a 030 days	52.9	1.6%	43.2	1.3%	34.2	1.1%	78.8	3.0%	96.6	4.0%
031 a 060 days	47.8	1.4%	39.5	1.2%	36.2	1.2%	51.9	1.9%	59.7	2.5%
061 a 090 days	56.8	1.7%	64.4	1.9%	52.7	1.8%	48.4	1.8%	63.7	2.6%
091 a 120 days	46.5	1.4%	53.2	1.6%	54.0	1.8%	45.3	1.7%	66.2	2.7%
121 a 150 days	44.3	1.3%	46.4	1.4%	48.8	1.6%	47.3	1.8%	51.6	2.1%
151 a 180 days	54.4	1.6%	41.9	1.3%	51.8	1.7%	51.2	1.9%	33.5	1.4%
180 a 360 days	277.1	8.3%	271.8	8.2%	255.7	8.5%	190.0	7.1%	162.8	6.7%
Overdue from 15-90 days	157.5	4.7%	147.0	4.4%	123.2	4.1%	179.1	6.7%	219.9	9.1%
Overdue above 90 days	422.2	12.7%	413.3	12.4%	410.3	13.6%	333.8	12.5%	314.2	13.0%
Total Overdue	579.7	17.4%	560.4	16.8%	533.5	17.7%	512.9	19.2%	534.1	22.0%
Allowance for doubtful accounts in IFRS	467.5	14.0%	469.5	14.1%	455.7	15.1%	372.9	14.0%	333.4	13.8%
Coverage (%)	111%		114%		111%		112%		106%	

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