



magalu

# Conference Call 3Q23

November 14, 2023

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O Release de Resultados e a Apresentação, versões português e inglês, estão disponíveis para download no site de RI: [ri.magazineluiza.com.br](http://ri.magazineluiza.com.br)

A apresentação em inglês também está disponível no link enviado no chat.

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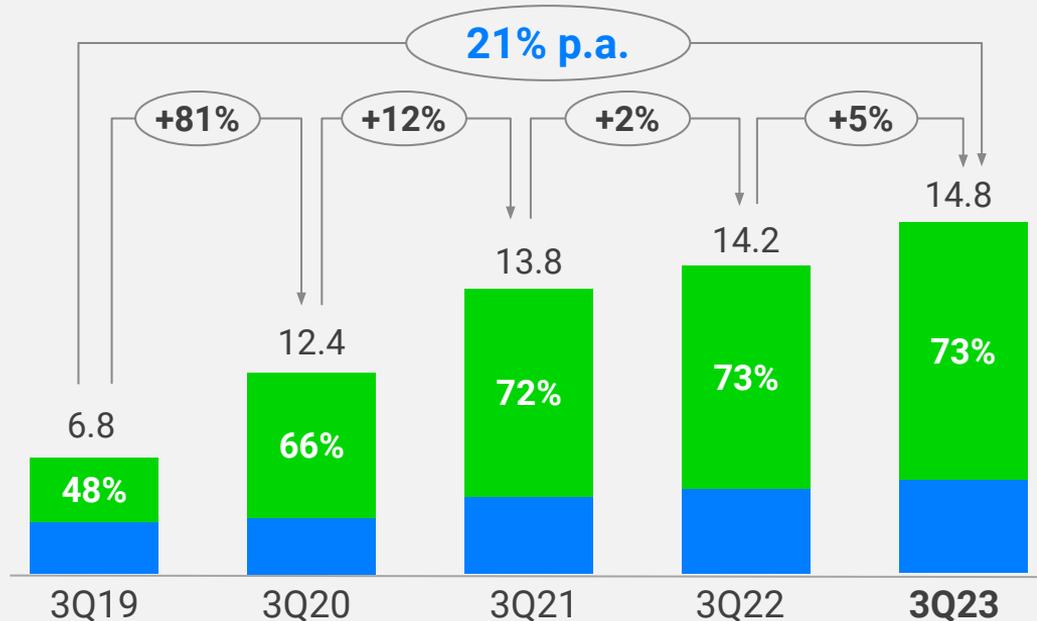
The Earnings Release and the Presentation, Portuguese and English versions, are available for download on the Investor Relations website: [ri.magazineluiza.com.br](http://ri.magazineluiza.com.br)

The presentation in English is also available on the link sent in the chat.

Over the last 4 years, total sales **grew an average of 21% per year**, reaching **R\$ 14.8 billion** in 3Q23

**Total sales growth**  
[Billion R\$; %]

Online Physical stores



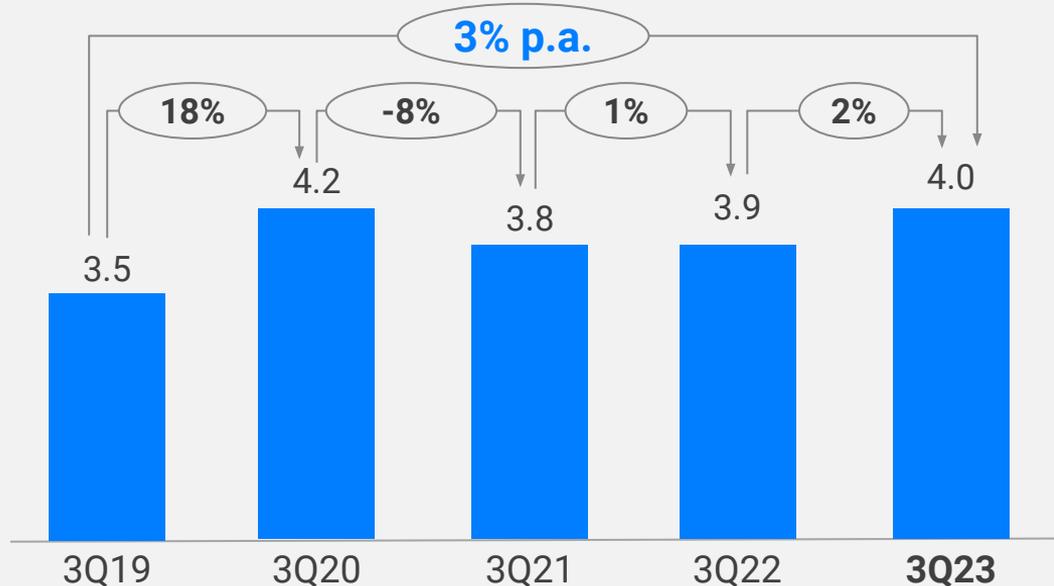
**Growth of sales with increased profitability**

**30.4% Gross Margin**  
[+2.9 p.p. vs 3Q22]

**Highest gross margin in the last 6 years**

Total Physical Store Sales were **R\$ 4.0 billion** in 3Q23, **growing 2%**

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



**2%**

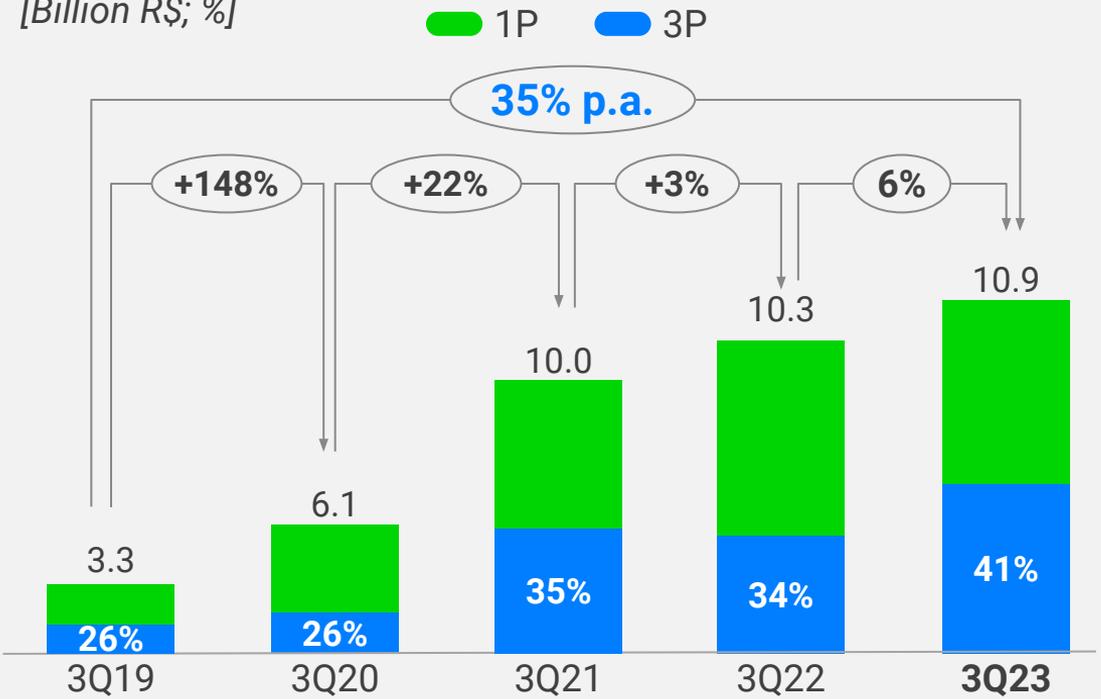
**Growth of physical stores sales**  
[3Q23 vs 3Q22]

**+0,7 p.p.**

**Market share gain**  
[3Q23 vs 3Q22; GFK]

Over the last 4 years, our e-commerce business grew an average of **35% per year**, reaching **R\$10.9 billion** in sales in 3Q23

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

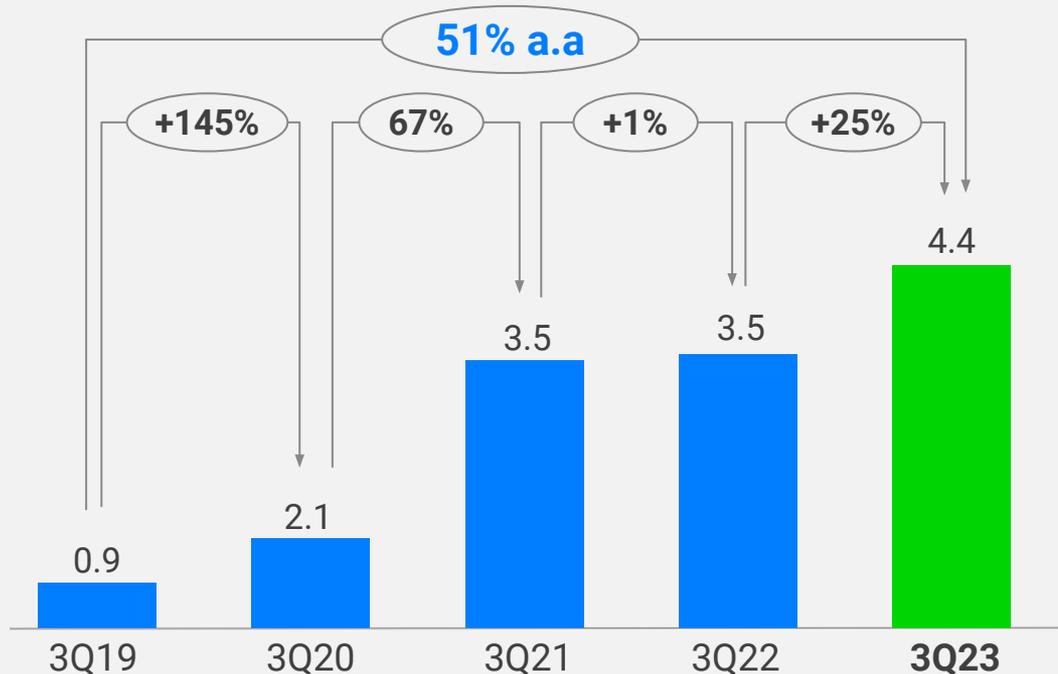


**6%**  
Growth of e-commerce sales  
[3Q23 vs 3Q22]

**3 p.p. market share gain**  
Versus a decrease of 7% for  
the overall e-commerce market in  
Brazil  
[3Q23 vs 3Q22; Neotrust]

Over the last 4 years, our marketplace business grew an average of **51% per year**, reaching **R\$4.4 billion** in sales in 3Q23

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



**51%**

4-year average annual marketplace growth  
[3Q23 vs 3Q19]

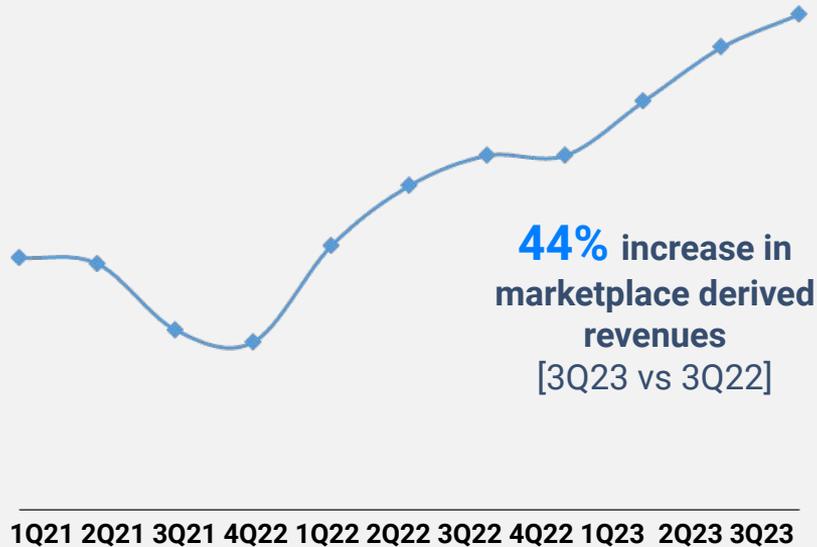
**25%**

Growth of marketplace sales  
[3Q23 vs 3Q22]

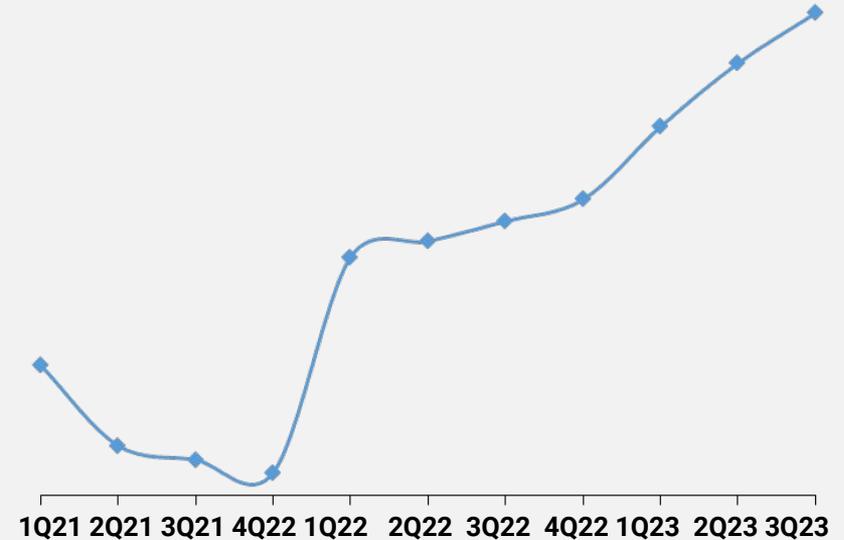
Increasing the marketplace take-rate  
boosted profitability without  
impacting sales

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

**Growth of the 3P take-rate**  
[% GMV; 1Q21-3Q23]

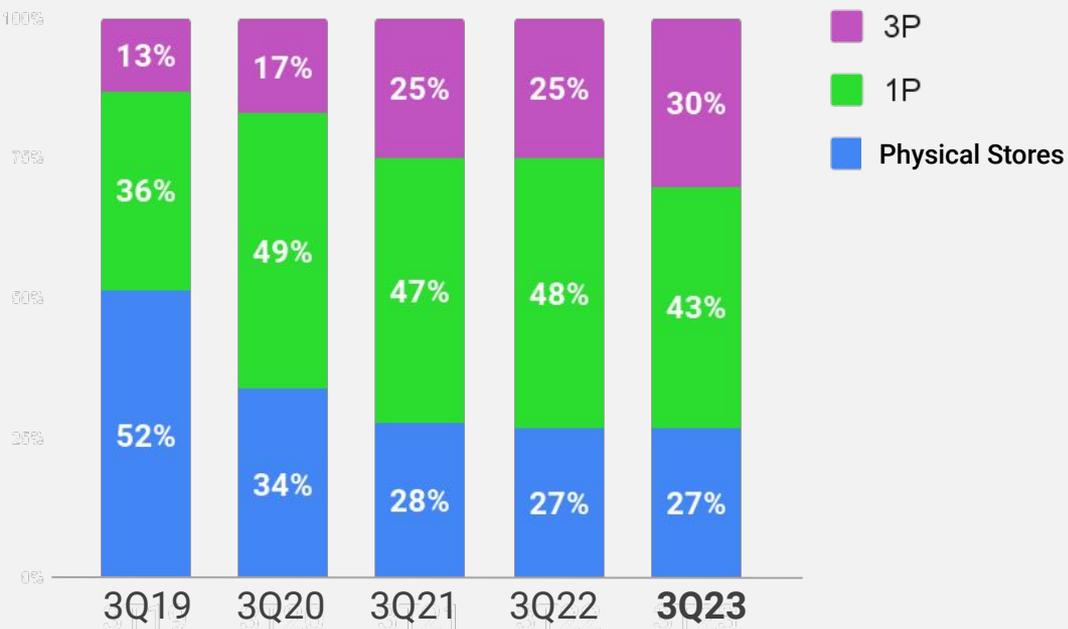


**Growth of the 3P contribution margin**  
[% GMV; 1Q21-3Q23]



# Magalu's marketplace sales once again surpassed physical store sales, and the marketplace has the potential to become our largest sales channel

**Share of sales per channel**  
[% GMV; 3Q19-3Q23]



**30%**

Share of 3P sales as a percentage of total sales [%; 3Q23]

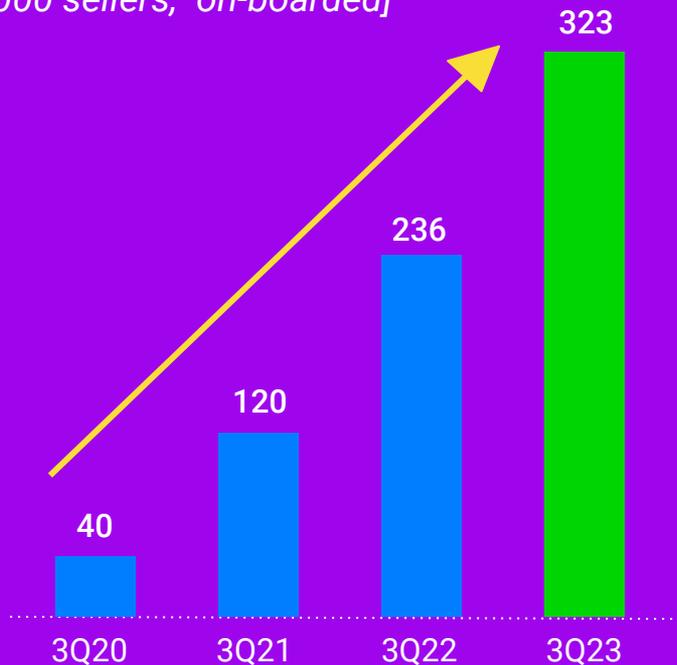
**41%**

Share of 3P sales as a percentage of online sales [%; 3Q23]

## Accelerated hunting of new sellers

**283,000 new sellers** joined the platform since 3Q20, reaching the mark of **323,000 sellers** on the marketplace platform in 3Q23

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



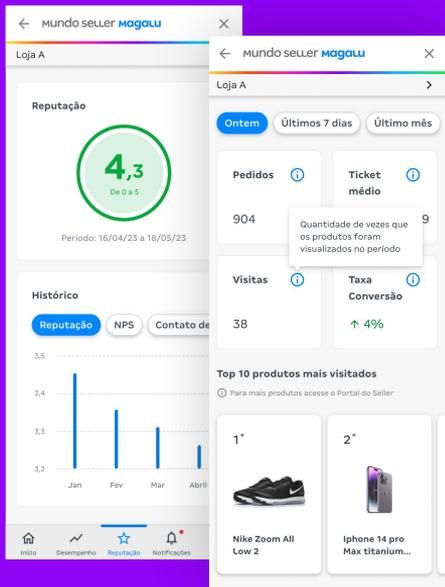
*Total number of offers 1P + 3P*  
[MM offers]



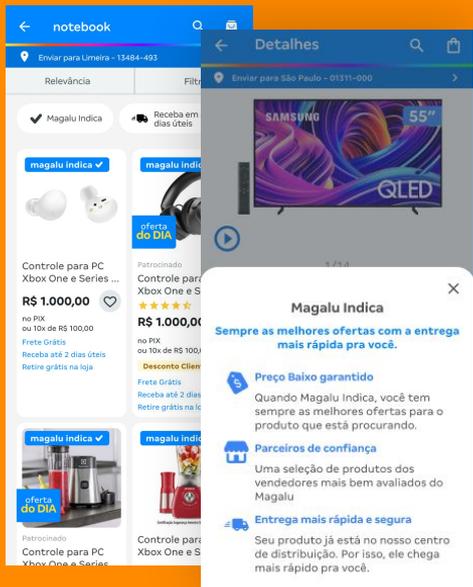
# IMPROVEMENTS TO THE SELLER PLATFORM



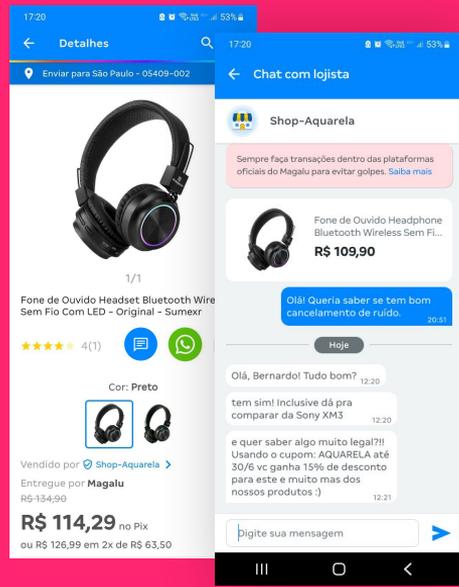
**Seller App within the SuperApp:**  
Sellers can now access information from the palm of their hand, through the SuperApp



**Magalu Indica:**  
Exclusive offers generating value for sellers and customers

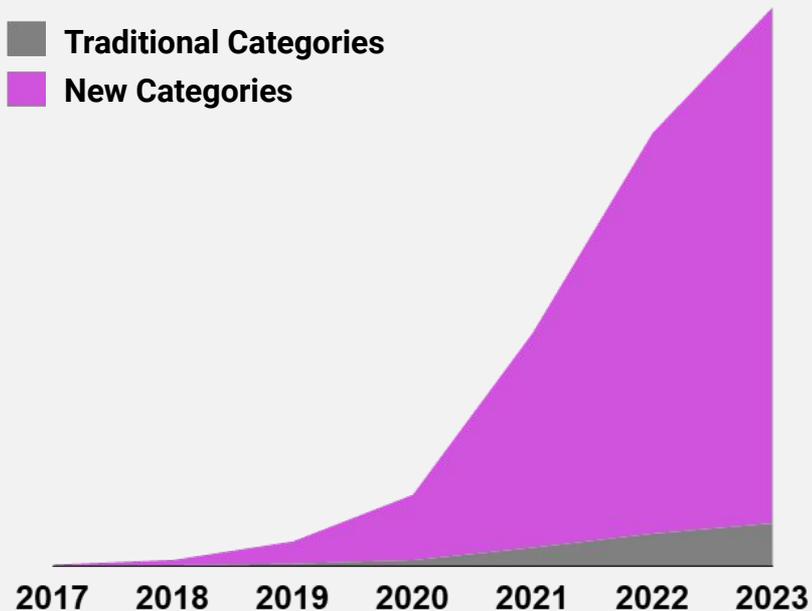


**Seller chat / Customer coupon**  
Chat enabling sellers to answer customers questions and send coupons

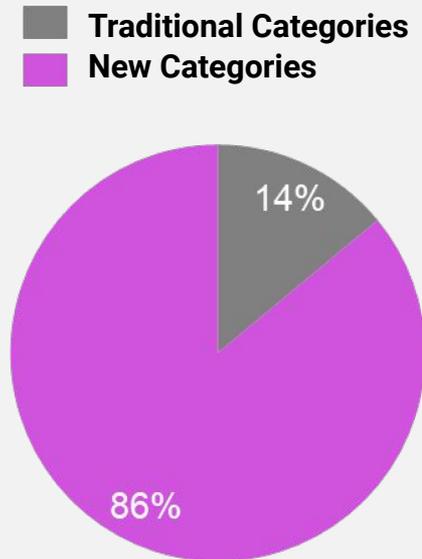


New categories already represent 86% of items sold in 3P, as a direct result of building a diversified base of sellers and offers

**Growth of # of sellers per type of sales category** [# sellers 3P; 2017-2023]



**New categories as a percentage of Magalu's online sales** [% 3P Items Sold; 3T23]



# Investments in marketing and user experience in the SuperApp have driven the growth of new product families

## Growth highlights per product family [YoY GMV; 3Q23 vs 3Q22]

**69%**  
YoY GMV 3P



Running shoes

**63%**  
YoY GMV 3P



Vacuum cleaners

**84%**  
YoY GMV 3P



Fitness bicycles

**85%**  
YoY GMV 3P



Lawn mowers

**84%**  
YoY GMV 3P



Tires, auto parts

**132%**  
YoY GMV 3P



Amplifiers

### Top of the funnel Investments in marketing



### Improvements in experience navigating the categories

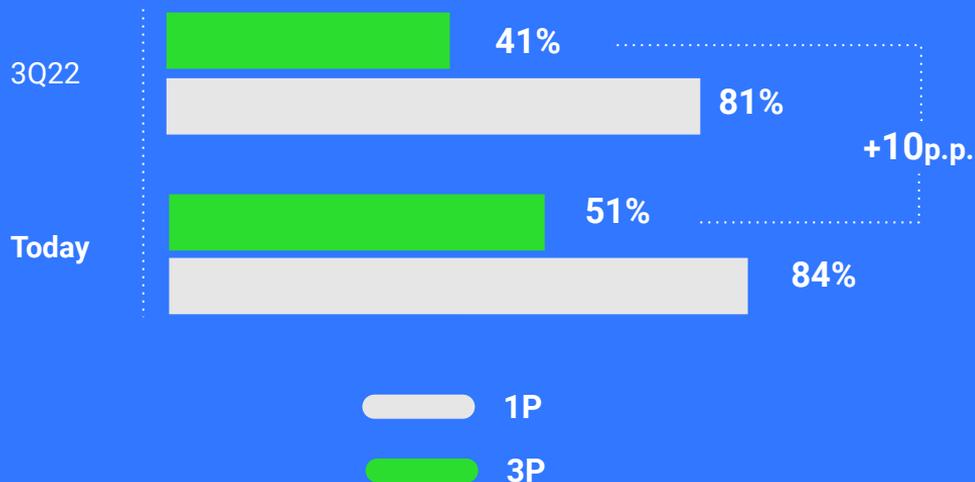


**Increase marketplace conversion rates** by expanding our logistics offerings, raising service levels and shortening delivery times

**80%**

of marketplace offers pass through **Magalu Entregas**

*Percentage of marketplace orders delivered by Magalu Entregas in up to 48 hours*



# Truly multichannel fulfillment with faster delivery speed and lower costs



**~14%**  
of 3P orders



**+2.400**  
SELLERS



**8**  
Distribution  
centers



**+70%**  
of light products  
shipped from the  
Louveira DC



**25%**  
Reduction of  
costs



**25%**  
Increase in  
conversion rates

A ENTREGA  
**MAIS RÁPIDA**  
DO BRASIL  
Magalu

# Physical stores play a fundamental role in the multichannel marketplace

In the past...



**Traditional physical stores**  
100% of sales originated  
in-store

Today

## Multichannel Ecosystem

**70%** of orders that pass through the physical stores originated online (1P e 3P)

**630** Agencies enabled  
for drop-off

**81K** Sellers using the  
stores as a postal agency



**23%** of 3P marketplace  
orders delivered via in-store  
pick up

**1.1K** Stores enabled  
for 3P In-Store Pick Up

Canaltech

JOVENHEI

STEAL THE LOOK

Sponsored search ads

# TRIPLED

vs 3Q22

The service is now also offered on the Netshoes platform, taking the first step towards the **expansion of Magalu Ads to the wider Magalu Ecosystem**



# Financial services for sellers



**R\$10 Bi**

total TPV no 3Q23  
+21% vs 3Q22



**7.9 Million**

PIX transactions  
vs 4.9 million in 3Q22

fintech.magalu

- We established a partnership with Mercado Bitcoin, one of the leading crypto exchanges in Latin America, giving users the ability to trade Ethereum, Bitcoin and USD Coin directly through the MagaluPay digital account



**Highlight**

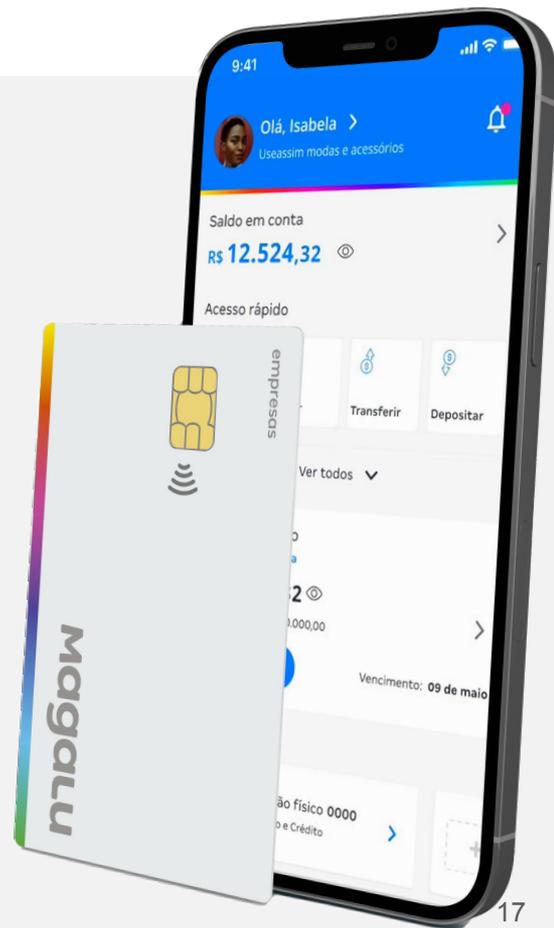
**magalupay**  
empresas

**+58k**

Sellers already have our  
**Digital Accounts**

**+R\$551 Mi**

Digital Account TPV of Sellers  
in 3Q23



# Magalu Ecosystem companies have produced **excellent results**, with **profits and sales growth**

## NETSHOES

**25%** Marketplace growth  
YoY

**R\$21mm**  
of Net  
Profit

**LEADER**  
in the Sports  
category  
**TOP OF  
MIND**  
survey

## ÉPOCA

COSMÉTICOS · PERFUMARIA

**Focus on operations with  
migration to a new ERP**



**Even with the  
focus on  
operations, the  
company still  
generated Net  
Profit during  
the Quarter**

## KaBUM!>>

**R\$1 Bi** of sales in  
3Q23

**R\$30mm** of Net  
Profit 3Q23



**RA1000**  
rating in  
Reclame Aqui



# Financial Highlights

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Magalu

Magalu

# Conclusion of the investigation of the anonymous complaint

An investigation, conducted by the Audit, Risk and Compliance Committee (CARC), Tozzini Freire Advogados and PwC, concluded that **the anonymous complaint was unfounded**

At the end of work, inaccuracies were identified in accounting entries for bonuses in relation to the accrual period, and arising from the fact that certain debit notes were issued by the Company and signed by suppliers, without accurately observing the performance obligations, in accordance with CPC 47 - Revenue from Customer Contract

Restatement of accounting entries resulted in an accumulated adjustment, net of taxes, of R\$830 million in shareholders' equity on June 30, 2023

**No change in operating cash flow, cash or debt balances for any of the periods**

**Additionally, the board of directors determined that the following measures should be immediately implemented in order to improve internal control mechanisms**

### **Adopted Measures:**

**Improvement of the automated supplier budget management system and mechanisms that allow monitoring compliance with the performance obligations of each negotiation**

**Improvement of governance mechanisms that guarantee the segregation of functions related to the execution of the stages of the negotiation process and appropriation of bonuses**

**Review of risk matrices and internal controls for the commercial negotiation process**

**Review and improvement of the internal audit routine on commercial negotiation processes**

# Recognition of Tax Credits

The Company also informs the market that it recognized, this quarter, extemporaneous PIS/COFINS tax credits on bonuses received from its suppliers

Such credits were based on a recent decision by the Superior Court of Justice (STJ) and the opinion of its legal advisors

**Total value of R\$507 million net of taxes**

# Summary of adjustments and release of tax credits

**The total net adjustment represents 1% of Assets and 3% of current Shareholders' Equity**

<b>(In R\$ millions)</b>	<b>Before 2022</b>	<b>2022</b>	<b>1H23</b>	<b>Total</b>
<b>Net Adjustments in Recognition of Bonus Revenue<sup>1</sup></b>	<b>(696)</b>	<b>(226)</b>	<b>93</b>	<b>(830)</b>
<b>Tax Credits on Net Bonuses<sup>2</sup></b>	<b>507</b>	<b>-</b>	<b>-</b>	<b>507</b>
<b>Impact on Shareholders' Equity by Period</b>	<b>(189)</b>	<b>(226)</b>	<b>93</b>	<b>(322)</b>

<sup>1</sup> Unaudited data, recognized in the restated results of 2022 and 1H23, as per Explanatory Note 2.2

<sup>2</sup> Net tax amount recognized in 3Q23 (gross value of R\$689 million, according to Explanatory Note 10)

# Financial Highlights - 3Q23

**R\$14.8** Billion in Total Sales  
(5% of growth)

**30.4%** Gross Margin  
(vs 27.5% of margin in 3Q23)

**25%** 3P Growth

**R\$487** Million in Adjusted EBITDA\*  
(5.7% of margin)

**6%** E-commerce Growth

**-R\$143** Million in Adjusted Net Income\*  
(-1.7% of margin)

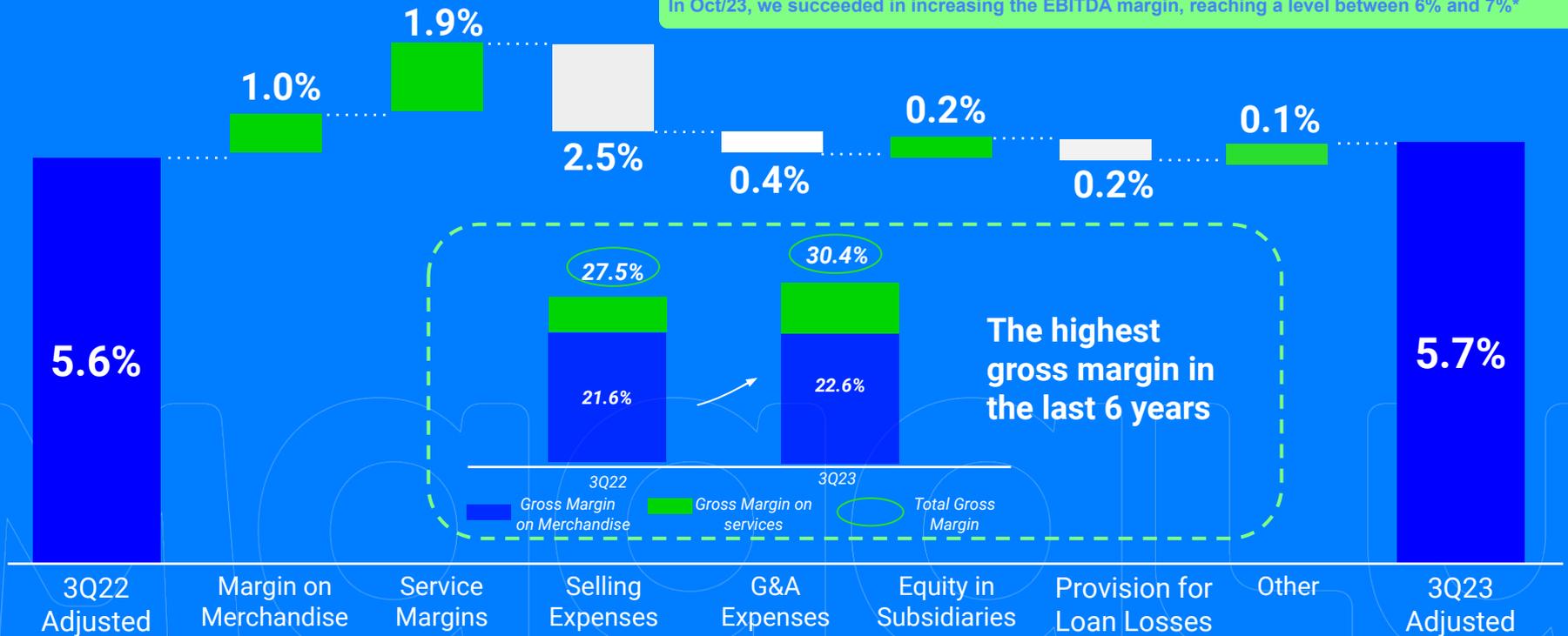
**2%** Physical Store Sales Growth

**+R\$331** Million in Net Income  
(3.9% of margin)

# Adjusted EBITDA Margin Growth

2.9 p.p. increase in gross margin, with 1.0 p.p. in merchandise margin (completing the pass-through of DIFAL), and 1.9 p.p. in service margins

In Oct/23, we succeeded in increasing the EBITDA margin, reaching a level between 6% and 7%\*



\* Preliminary and unaudited numbers

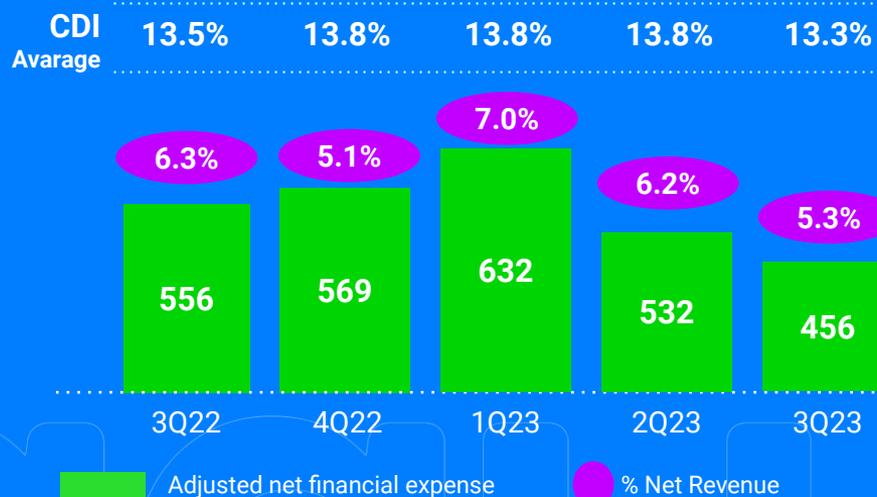
# Improvement of R\$634 million in Working Capital in the last 12 months

Financial expense R\$100 million lower compared to 3Q22

### Adjusted working capital (R\$ Billion)



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



**Improvement in Working Capital**, with a reduction of more than R\$500 million in inventories

**PIX** and non-installment sales in e-commerce **grew +7 p.p**

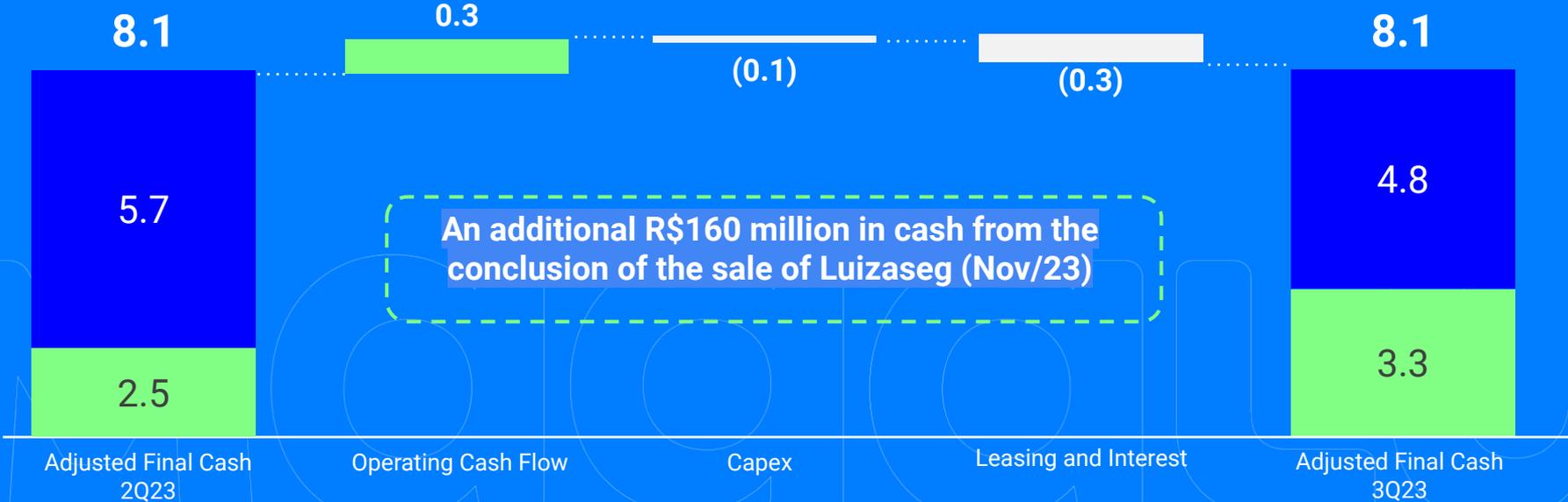
**Reduction in interest rates and expenses with prepayment of receivables**

# Total Cash stable at R\$8.1 billion

Operating Cash Generation of R\$327 million during 3Q23

Cash Flow 3Q23 (R\$ billion)

Receivables Cash

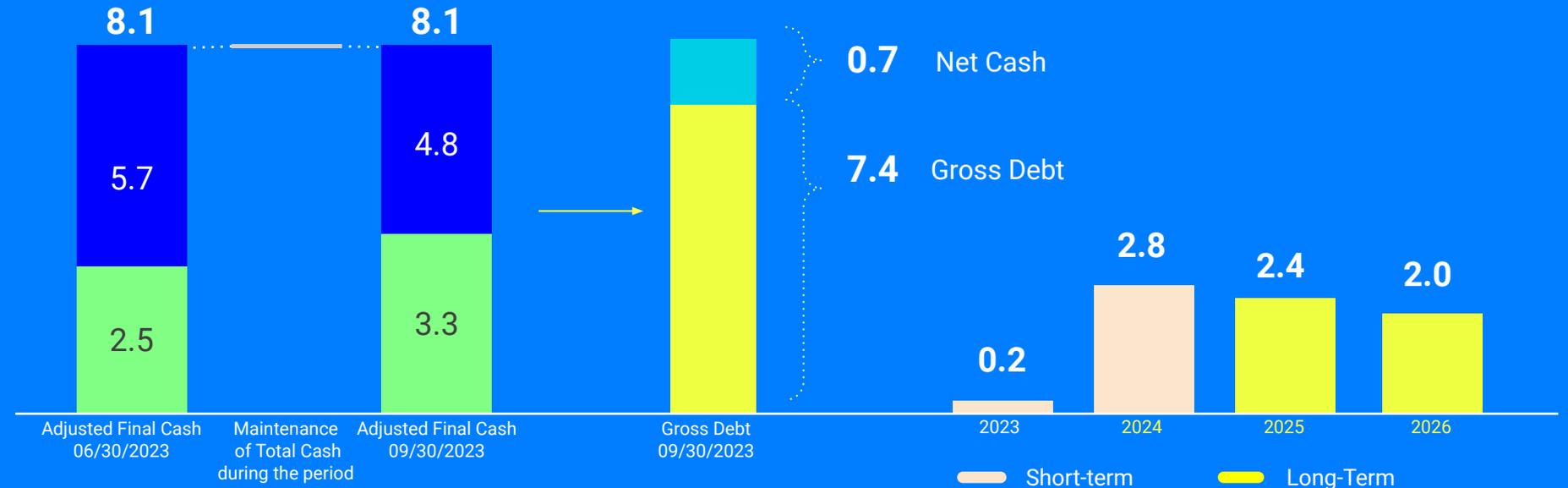


# We ended 3Q23 with a Net Cash position of R\$0.7 billion

## Total Cash position ~3 times short-term debt

### Cash and Debt

Receivables Cash



# Luizacred

6% growth in credit card TPV, reaching **R\$14.3 billion**

The credit portfolio is now **R\$19.5 billion**

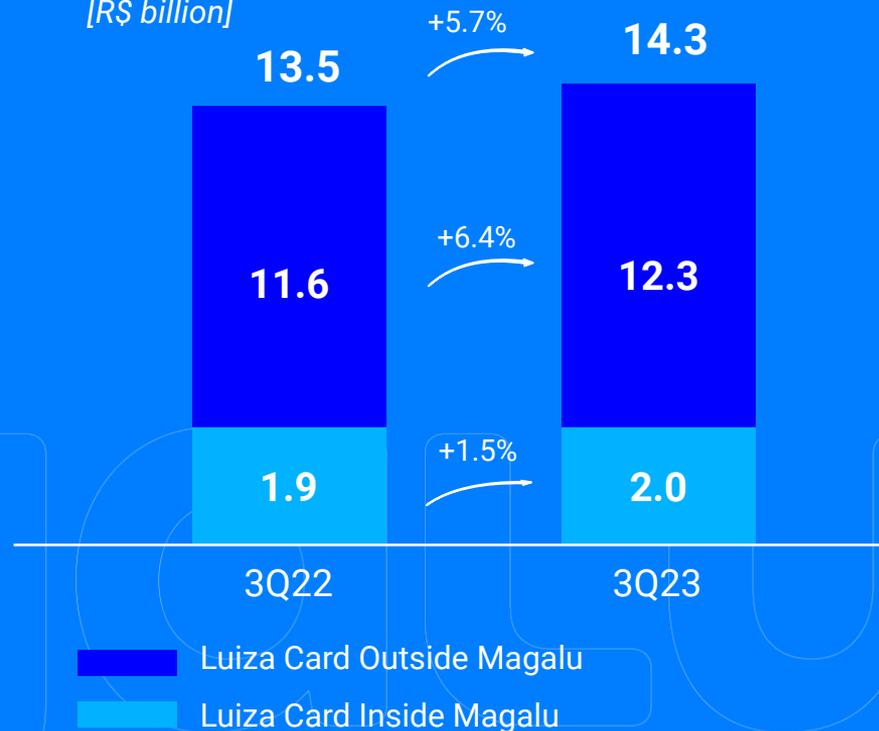


**6.8 million**  
**credit cards**



TPV

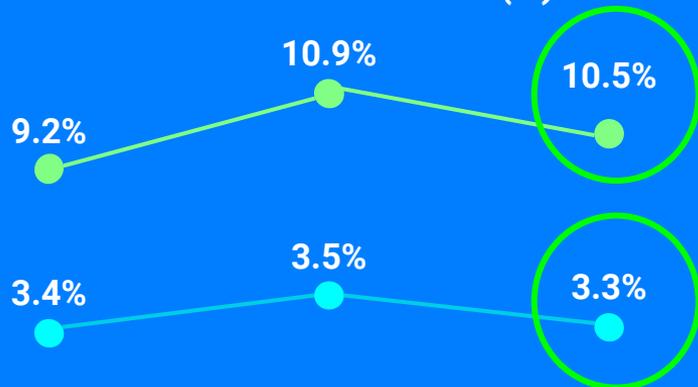
[R\$ billion]



# Luizacred

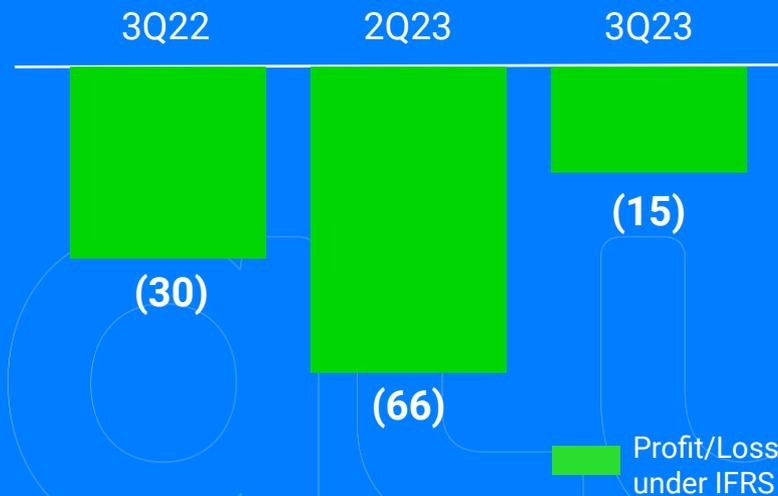
## Improving short and long-term default indicators

### Percent of the Portfolio Overdue (%)



### Net Income

[R\$ Million]



Sep-22

148%

Jun-23

138%

Sep-23

140%

NPL 15-90

NPL > 90

Coverage (%)

Profit/Loss under IFRS

# Default rates: CDC and Luizacred

Normalization of the overdue loan portfolio with the lowest short-term default rate indicators in the past few years

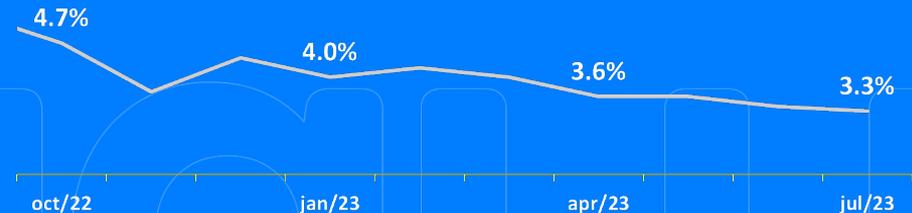
## Default rate CDC

[% Over30 MOB3]



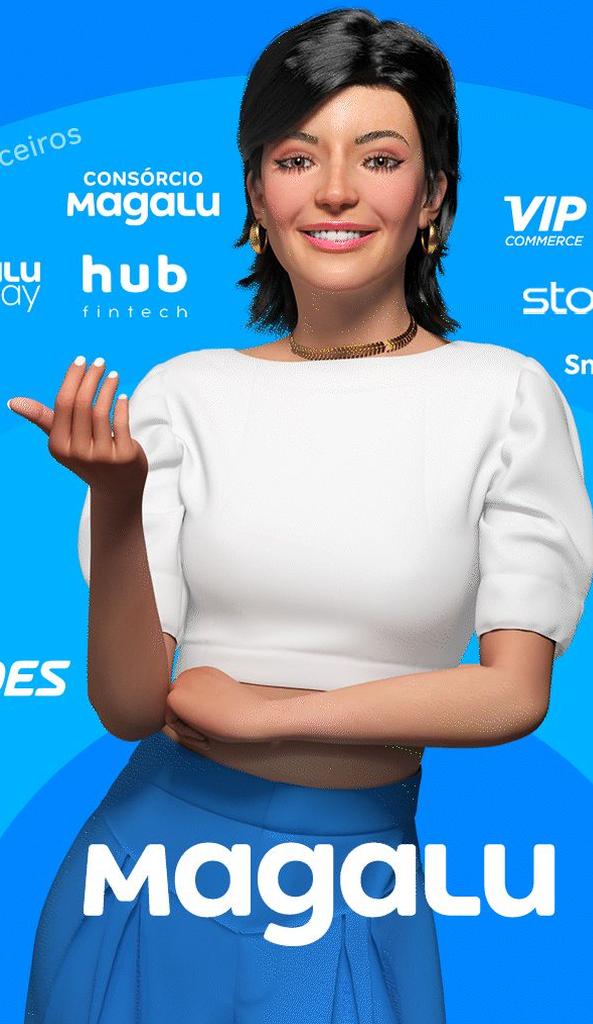
## Default rate Luizacred

[% Over30 MOB3]



**The 3Q23 cohorts have the lowest default rates of any cohort in the past few years**

# Magalu ecosystem



serviços financeiros

magalu pagamentos  
magalu pay  
luizacred  
luizaseg

CONSÓRCIO  
Magalu

hub  
fintech

VIP  
COMMERCE

maas

stoa com school

SmartHint HUBSALES

grand chef bit55

logística

Magalu  
Entregas

SODE  
SOLUÇÕES DE ENTREGA

NETSHOES

logbee

ZATTINI

KaBum! >>

Canaltech

conteúdo

STEAL  
THE  
LOOK

GFL

aiqfome

Sinclog

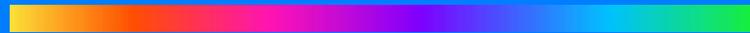
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# MAGALU



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