

Magazine Luiza

Brazil | Market Perform

November 8, 2024 | 3Q24 Review



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Solid Margin Trends; Eyes on Future Online Rebound

Release Date: Thu, Nov 7 (After Market)

Neutral. Magazine Luiza's 3Q24 results were broadly in line with our estimates. Once again, the B&M performance stood out, with SSS reaching 15.2%, which was 240 bps above our estimates. On the other hand, online GMV growth remained modest, increasing by only 1% y/y. On the profitability side, consistent gross margin gains, SG&A dilution, and strong results in the LuizaCred division, led to an EBITDA margin (ex-IFRS) expansion of 230 bps y/y to 5.6%, which was 20 bps above our forecast. As a result, the bottom line showed a decent y/y improvement, reaching R\$ 39mn after adjustments for ICMS subvention.

- Net revenue came in at R\$ 9.0bn, marking a 5% y/y increase and bang in line with our call, driven by the strong performance of B&M.
- The gross margin and EBITDA margin saw improvements of 100 bps and 220 bps y/y, respectively, primarily due to the pass-through of the DIFAL tax and the benefits of operating leverage.
- The net financial results were down 26% YoY due to a more favorable capital structure and a lower average Selic rate.

The results. Net revenue rose by 5% y/y (bang in line with our estimates), to R\$ 9.0bn, led by strong 13% y/y growth in B&M (with SSS of 15%), which has not yet accelerated its credit concessions. Online GMV showed softer trends (up 1%), with both 1P and 3P showing similar growth. Moving down the line, the full pass-through of the DIFAL tax drove the gross margin up 100 bps to 31.4% (20 bps north of our call). This coupled with operating leverage tailwinds and slightly better-than-anticipated profitability at LuizaCred yielded an adjusted EBITDA margin of 5.6% (up 220 bps and 20 bps above our forecast). The bottom line came in at positive R\$ 39mn (excluding the ICMS subvention), vs. our expectation of R\$ 26mn.

Improving trends sustained, but online growth has yet to materialize. Benefiting from more competitive prices following the DIFAL pass-through and a gradual rebound in consumption, B&M has maintained its positive momentum. However, investors remain focused on the timeline for the company to resume growth in online sales. On this front, MGLU has made efforts to strengthen its value proposition, such as the investments in fulfillment centers, the partnership with Aliexpress, and the launch of CDC Digital. Despite these efforts, growth has yet to materialize. With the company trading at 12x PE 2025, which aligns with the sector's average, we choose to stay in the sidelines for now.

Magazine Luiza – 3Q24 Results

BRL m	3Q24a Reported	3Q24a	3Q24e	A/E (%)	3Q23a	YoY (%)
SSS	15.2%	15.2%	12.8%	2.4 pp	2.9%	12.3 pp
Online GMV	10,994	10,994	11,129	-1.2%	10,857	1.3%
Net revenue	9,002	8,991	9,037	-0.5%	8,579	4.8%
Gross Margin %	31.5%	31.4%	31.2%	0.3 pp	30.4%	1.0 pp
Adj. EBITDA (Ex IFRS)	512	501	487	2.8%	281	78.4%
Adj. EBITDA Margin %	5.7%	5.6%	5.4%	0.2 pp	3.3%	2.3 pp
Adj. Net Income (Ex IFRS)	83	39	27	45.4%	-106	-136.5%

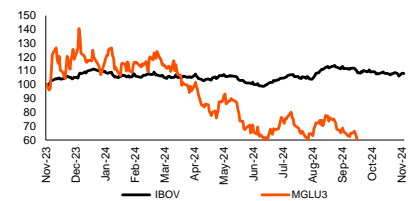
Source: Itaú BBA. Note: (1) Our adjusted net income adjusts for the ICMS subvention. (2) Figures are ex-IFRS 16.

Ticker (local) MGLU3
Target Price - BRL(YE24) 15.00

Stock Data

Current price	BRL	9.38
Upside (YE24)	%	59.9
52 Week high/low	BRL	26.34/8.78
Shares outstanding	th	738,995
Market capitalization	BRL m	6,932
3-mth avg daily vol.	BRL m	237
Performance (%)	1m	12m
Absolute	0.6	-31.5
Vs. Ibovespa	1.7	-37.8

Company x Ibovespa



Source: Itaú BBA

Conference Call Details:

Friday, November 8
9:00 am (BRT) | 7:00 am (EST)
[Webcast Link](#)

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Trading Multiples

Years	2024e	2025e	2026e
EV/EBITDA	6.1	5.1	4.6
P/E	25.7	11.5	7.1

Source: Itaú BBA

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Companies Mentioned	Ticker	Recent Price	Rec	Disclosure Items						
				1	2	3	4	5	6	7
Magazine Luiza Sa	MGLU3	9.38	MP		X		X	X		

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