

Q3 2013 Earnings Call

Company Participants

- Fabricio Bittar Garcia, Chief Commercial Officer
- Frederico Trajano Inacio, Chief Sales and Marketing Officer
- Luiza Helena Trajano, President
- Marcelo Jose Ferreira e Silva, Chief Executive Officer
- Roberto Bellissimo Rodrigues, Chief Financial Officer

Other Participants

- Alencar Costa, Analyst
- Hugo Queiroz, Analyst
- Marcelo Moraes, Analyst
- Tobias Stingelin, Analyst

Presentation

Operator

Good morning, and thank you for waiting. Welcome to Magazine Luiza's conference call to discuss the results relating to the third quarter of 2013. We would like to inform you that this call is being recorded and all participants will be in listen-only mode during the Company's presentation. After the presentation, we will begin the Q&A session, when further instructions will be provided. (Operator Instructions)

A replay of this event will be available at the end of the conference call, for a period of one week. We'd also like to stress that any statements made during this call, related to the business outlook of Magazine Luiza, projections, financial and operating goals, are based on beliefs and assumptions from the Company's management and information currently available. Forward-looking statements are no guarantee of performance.

They involve risks, uncertainties, and assumptions and therefore, 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 performance of Magazine Luiza and therefore, lead to results that differ materially from those expressed in such forward-looking statements.

To open the conference call, we would like to give the floor to Luiza Helena Trajano, President of Magazine Luiza. Please go ahead.

Luiza Helena Trajano {BIO 6842617 <GO>}

Good morning, everyone. Thank you for joining us. All our team is gathered. To talk to you, we will have Marcelo, Beto and you'd like to say that within our expectation, delivering our promise. We'll keep on growing and we're really happy this quarter, but we all know that we still have a long way to go. We are aware of that and day after day, we are pursuing our goals.

This quarter was better than the media stated. And particularly, our segment, mainly driven by the indebtedness that really went down in the population at large, indebtedness really went down.

And Minha Casa Melhor, despite the Caxia effect, we really kept on growing in our program and we had one of the best results. Usually we have a dark September. We always expect to have a gap in September, but it was the best September ever, and we'll keep on delivering.

So, I thank you very much for being with us and now we have to keep on threading our path, and you can be confident that we will be delivering all of our promises. Marcelo now will give you some explanations and we will be here and to say that we're really happy, we check our delinquency levels and now have the best results in our history, in our company.

So we're selling well, we are profitable, we deliver, and we have lower risks. Delinquency risks, I can assure it's fully under control, one of the best rates we ever had for the last year. Particularly in the short-term because when people pay the first and second payment, sometimes they stop paying. So, every Monday, we work on credit approval, we check delinquency rates, particularly to this audience. We are really focused. So, thank you very much for being with us. And I'll be here to take your questions over this call.

We've been involved with political parties of every nature, and I would like to say that we are fully positioned with the Government and we are moving forward considering the regulation, and we really worked deeply in that direction. So, we would really deliver our best with our customers and with us.

And now, I give the floor to Marcelo.

Marcelo Jose Ferreira e Silva {BIO 2096569 <GO>}

Good morning, everyone. I would like to start by addressing the main highlights of the third quarter of 2013. As an analyst mentioned yesterday in his report, this quarter was really sound. It is supported by improvements in every aspect of our business. Starting with gross revenue, our growth this quarter was 18.9% vis-a-vis the same quarter of last year, reaching R\$2.4 billion.

It's very important to consider same-store sales growth. We achieved 17% vis-a-vis the same period of the previous year, 14% brick and mortar, e-commerce 33%. And we understand the comparative base is very strong vis-a-vis the same period of the previous year. We opened eight stores, seven conventional, one virtual, including one in Heliópolis

community, in Sao Paulo. It is our first experience in big capital city communities, and we shut down a conventional store.

In September, another important information is that we have the brand conversion of Lojas Maia, in the Northeast, into Magazine Luiza. It is a gradual process. And Paraiba is the last state, because that is the state where Lojas Maia had their headquarters and that is why we really were extremely cautious and careful with the brand conversion in Paraiba. In addition to growth of sales -- sales growth, we maintained our gross margin even compared to the previous year.

We preserved the margin in the South, Southeast, and Midwest. Gross margin in the Northeast has been growing vis-a-vis the integration process that we decided to conclude last year. And this allowed us to have all processes and controls of the company, and gross margins are already beginning to be closer to other regions' numbers.

The effect of 0.8 of accounting reclassification, and later on we will get into details, it has to do with payroll tax deduction, and also the effect of SG&A expenses. It's important to say that our efforts to lower operating expenses at the company is beginning to deliver results, reducing by (Technical Difficulty) and now, once again, addressing the payroll deduction with 0.8.

It is also important to highlight profitability at LuizaCred. Results were just exceptional this year. We improved our gross margin, Luiza mentioned our delinquency rate is absolutely under control. We've been trying to lower operating expenses and, as a result, the EBITDA margin at LuizaCred moved from 4.2% to 9.6% and the net margin is 5.1% from the first of the second quarter which is very significant in our results.

The Company's profitability improved considerably as a result. Consolidated EBITDA recurrent, R\$122 million, reaching 6.1%, 1.7% better compared to the previous year due to sales growth in a very significant manner, streamlining our operating expenses and increasing equity income, particularly at LuizaCred.

Therefore, we had the best net result in recent years, particularly ever since the IPO, a level of R\$25 million, and consolidated is 60 [ph] million at nine months. If you follow the second quarter, you will see that we had -- part of our sales had an impact on the net results, but it is the best year-to-date ever since the IPO.

Now, I'd like to give the floor to our CFO, Roberto Bellissimo. He will give you more details on our financial and operating indexes.

Roberto Bellissimo Rodrigues {BIO 17269312 <GO>}

Good morning, everyone. On page five we show some operating numbers of the company, highlighting same-store sales growth at a level of 17%, the greatest growth in this concept for the last two years, growing very significantly.

On page six we show some indicators for LuizaCred. Billing at LuizaCred grew over 15% vis-a-vis the previous year. It keeps on growing together with Magazine Luiza.

On page seven, we show the performance of our client base for LuizaCred credit card base, growing 9.9%, almost 10%. And we highlight direct credit to consumer, it is a more profitable product, and we also highlight the profitability of LuizaCred as a whole, which is the fourth consecutive quarter in which LuizaCred has high consistent profit with return on equity of 19%, which is quite interesting.

On page eight, we show the performance of LuizaCred portfolio, highlighting short-term delinquency, which is at the lowest levels of recent years. Performance is therefore very potent. And it makes us assume that provisions that went down this quarter vis-a-vis the third quarter of last year, are expected to improve gradually and this has helped LuizaCred to perform better just as gross margin and dilution of operational expenses for LuizaCred.

Next, on page ten, we show our gross revenue performance. And here we also stress e-commerce, growing over 36%, therefore maintaining its profitability, maintaining its margins, very positive, and improving the company's result as a whole.

On page 11, we show the performance of our gross income. Once again, on an adjusted basis, INSS reclassification effect, our gross margin is still at high levels, around 29% of the net revenue. And also, because we maintained the level for all the year, we expect to have 52% expansion in gross margin, which has improved the company's result as a whole.

On page twelve, we show this big highlight, which is dilution of operating expenses at 11.5 [ph] percentage points. Going through all the lines, personnel expenses, logistics, rentals, all lines were diluted this quarter, and this shows our sales growth and also synergy after the integration of the networks or chains in the last two years.

On page thirteen, we show our equity performance improved basically due to LuizaCred results as we said before.

On page fourteen, we show our EBITDA growth, 1.7 percentage points, \$122 million of recurrent EBITDA and growing over 60% vis-a-vis the previous year.

On page fifteen, we show our financial expenses, which remained at the same level as they were last year despite the higher CDI due to a lower net debt this year, vis-a-vis the previous year.

On page sixteen, we show our net income performance. I would just like to highlight that this net income of 25 million, with a net margin of 1.3 percentage points represents a return on equity also amounting to 14% or 15% of Magazine Luiza's numbers.

On page seventeen, we show the performance of our working capital. Around 3.3% of gross revenue and this is also due to improved performance of our inventory turnover. And the net debt over EBITDA ratio went down from 2.1 last quarters to 1.9 over the third quarter and it is expected to have the strength with an increased EBITDA and a reduction in net debt. Now I give the floor back to Marcelo Silva.

Marcelo Jose Ferreira e Silva {BIO 2096569 <GO>}

I would like to conclude our presentation addressing our expectations for the fourth quarter of 2013. We expect sales growth within the same levels that we had. We closed October figures well. We are very bullish, extremely good expectations for November and December. As Luiza mentioned, Minha Casa Melhor will be stronger in 2014, and we expect to launch our participation in the World Cup as global network sponsors.

And we also have many initiatives focusing on the increased participation of our customers, customer loyalty and, consequently, improving our market share in the market where we already are. The growth margin is expected to be maintained in other regions, and we still foresee gradual growth in our gross margin in the Northeast stores. In our pricing project, we already had a rollout, we were in the pilot phase and now we are rolling it out in all the Company stores, and certainly it will improve intelligence in the check-in process in all aspects.

And we expect to have gains in streamline costs and expenses. Maia and Bau stores are still becoming mature, and we have a multi-channel project that is about to be concluded. We already have six VCs with a multi-channel e-commerce project. We had a zero-base budget in the first half of the year and in the second quarter as well. So, the full year 2014 will be most stringently controlled compared to what we had up to now.

In addition, LuizaCred maintained the operating efficiency project. LuizaCred is also expected to have streamlining gains for costs and expenses this quarter and in coming quarters. As Luiza Helena mentioned, this is the beginning of what we have been mentioning so far due to the first and second quarters, it is a long path to take in terms of improving results.

We want to have consistent and gradual results, very down to earth, being very much controlled. And we are confident that we will keep on delivering positive and consistently good results in the coming quarters.

Having said that, now I would like to move to the most important part of our call, which is the Q&A. We want to hear your questions so we can clarify them. So today, we have Luiza Helena, Frederico, our COO, Isabel, our Controller Director, Roberto, CFO, Marcelo Ferreira, LuizaCred Director, and our Commercial Director, Fabricio Garcia. So we are all here at your service to clarify any questions. Let's move on to the Q&A.

Questions And Answers

Operator

We'll begin now the Q&A session for investors and analysts only. Question coming from the web will be e-mailed back to you later on. (Operator Instructions) Marcelo Moraes from Deutsche Bank has a question.

Q - Marcelo Moraes {BIO 19827892 <GO>}

Good morning. My first question regards the sales. I understood very well. Marcelo said that the fourth quarter is expected to deliver same-store sales performance similar to the third quarter. Looking for the future, particularly 2014, how sustainable is this growth? And what was the trigger to speed up growth in the third quarter vis-a-vis the previous quarters? So what was the triggering factor to accelerate or move to 14% or the level around 14%?

A - Marcelo Jose Ferreira e Silva {BIO 2096569 <GO>}

Well, we've mentioned some aspects, actually. The market improved and, as you know, when we have signs of accelerated inflation rate, consumers out of -- well, they tend to go down a little bit and this happened in the previous quarters, and maybe we had a hangover effect in June, we had many problems during 15 days and, consequently, in July we had a good month sales-wise.

August, we had Fathers' Day and August was a very good month, and in September, we had several initiatives at Magazine Luiza, so that is our share. And on the other hand, the market has also had a stronger appetite compared to previous quarters. So now we started the fourth quarter and October was within our expectation, slightly above.

Well, I cannot mention any figures now, but in November, I would say we have the market effect and we also have our teams' impact. We have been heavily engaged on sales with our sales people, sales managers, store managers, e-commerce, also corresponding or meeting our expectations. So the market -- when the market goes down, it does have a direct impact. So this is good to the good market performance, but also what we do with our customers, both on and offline. That's what I have to tell you.

Q - Marcelo Moraes {BIO 19827892 <GO>}

Marcelo, was there any change in the commercial policy or any advertising campaign that was different from you did in the previous year in order to add to that?

A - Marcelo Jose Ferreira e Silva {BIO 2096569 <GO>}

Absolutely not. Our campaigns, -- well, it's the same thing that we've been doing for many months. Now, there is something I'd like to tell you. In the first quarter, when there is sign of inflation, there is a slowdown -- there is a slowdown in the second one. Higher interest rates, inflation, well, we have to consider Minha Casa Melhor in consumer strength. Minha Casa Melhor program is also becoming more prominent in the market for all the retailers, which includes us, obviously.

So, these are the factors that when added to one another contribute to us and I also believe our team has a huge part to play in this growth. We are very much engaged, very confident, being successful with the company's sales efforts. The store personnel, the online personnel, and also enhancing our processes and our logistics that is becoming increasingly better. So, it is a set of factors. We cannot say that it is something so specific. We have the market from the outside and inside the company.

A - Luiza Helena Trajano {BIO 6842617 <GO>}

Luiza speaking. Nothing was different. Now, about 2014, particularly the first half of the year will be great. Particularly in our segment, we have the World Cup being hosted in Brazil, and Magazine Luiza actually will be a sponsor of the World Cup, and that is a dream we've been having for quite a long time. So, we already have a positive effect because of the World Cup. So, just imagine January and February, not only TVs, people want to change many things like refrigerators.

They do many improvements to the house, so that's a big event in Sao Paulo. And it's really amazing the impact on Brazilians. And we also have elections, so nothing will be done to impair the economy. And considering reserve rates and inflation under control, I always said that a dollar would never be beyond R\$2.20. So, unless there is something global, a global effect that has an impact in Brazil, well, our team is fully engaged, so this engages people to do more and more. And the commercial area is always targeting the same results.

Q - Marcelo Moraes {BIO 19827892 <GO>}

Perfect. Thank you. One last question, related to improvement in the Company's consolidated margin. Is it possible to have a breakdown of how much of this improvement is associated to improvements in Magazine Luiza stores? And how much is associated to the integration of the Northeast stores like Maia and Bau? Can you identify what comes from each side?

A - Marcelo Jose Ferreira e Silva {BIO 2096569 <GO>}

After we integrated the company into a single one, we don't breakdown. We do it in house, but not externally. There is no doubt that once we have the integration systems, processes, Magazine Luiza inventory control and the commercial performance in a more uniform area, considering the Midwest, South and Southeast, Northeast margins are gradually going up.

And because we already have Magazine Luiza system, we managed to introduce, like Luiza said, sales people are compensated by margin and profit, so that does improve our margins. And we don't know exactly when, but probably gradually Northeast stores, leaving some peculiar or regional aspects aside, we will get closer and closer to the margin in other regions.

Q - Marcelo Moraes {BIO 19827892 <GO>}

Great. Thank you, and congratulations for the results.

Operator

Mr. Alencar Costa from Goldman Sachs has a question.

Q - Alencar Costa {BIO 17679406 <GO>}

Good morning. I had a couple of questions. One of them is about the inventory level. Even if you adjust by the reclassification or tax recoverable, there was good performance in the drop in level of inventories. Do you feel comfortable with the current inventory levels, considering it is close to Christmas season? And do you consider any Black Friday event this year? And also considering your sales expectations for the fourth quarter and 2014, what are your comments?

A - Marcelo Jose Ferreira e Silva {BIO 2096569 <GO>}

We are ready for Black Friday and for Christmas season, and are ready for the fantastic big sale. And Fabricio can even make comments on that.

A - Fabricio Bittar Garcia {BIO 17269261 <GO>}

Good morning, everyone. Here is the Commercial Director Fabricio speaking. We are very comfortable with our inventory levels. I believe the integration also helped us to have better performance in the Northeast. So, inventory levels went slightly down, but our possibilities, inventory-wise are much better, and this has a positive effect on our results.

We are ready for year end, for Black Friday, and as Marcelo said, we are very comfortable both with our inventory levels and expectations by year end.

Q - Alencar Costa {BIO 17679406 <GO>}

Perfect. Thank you. Second question has to do with the coverage ratio. The LuizaCred portfolio ratio, the ratio is going down dramatically and it is lower compared to the last four quarters, or from the levels that we see in Brazilian banks. Do you feel comfortable with the coverage ratios, considering the total delay level of the portfolio? The most recent ones, there is a slight increase, so do you feel comfortable with this coverage level or do you expect to maintain it in the future?

A - Roberto Bellissimo Rodrigues {BIO 17269312 <GO>}

Good morning, Alencar. Roberto speaking. We do feel comfortable. The coverage ratio is not a goal per se. We have our projections. Provisions are improving, they are going down vis-a-vis last year, because our portfolio is improving. And if the coverage ratio is going down, well, that's a reflex of the portfolio performance. It is not a goal per se. Expenses over portfolio are better, expenses over revenues are better. And today, if the coverage ratio is lower than last year, that is because we already had provisions, last year, and that does not necessarily mean that they were timely last year and overdue this year. If you consider the portfolio performance and the expectation to improve, our visions are maintained.

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And also improvement in internal processes, being conservative, and we improved our approval process since last year. So, since the beginning of last year, we have been focusing on this, so we feel very comfortable with LuizaCred result, the level of provision, even higher than the minimum required by the Central Bank. This quarter, for instance, we estimate our result and provisions were 172 million. We also report results according to the law and the delay in the portfolio. 2 million lower than IFRS, our GAAP was 21 [ph] million, even higher than what we reported, an IFRS of 19 million. So, we feel very comfortable, and the coverage ratio is not a goal per se. And it's a result based on the calculation of provisions and expected losses by Itau, which is very conservative.

A - Luiza Helena Trajano {BIO 6842617 <GO>}

Itau gives the final word. When we think about delinquency, Itau is really, really conservative. So, it is even more conservative considering collections. So, you can be confident that we are very confident in our area, really, really confident. Our average term is seven or eight months, so there won't be surprises. When the first payment is good, it's different when we had 20, 25 months for other products. But our average term is 7.5, 8 months max. So, it's highly predictable, really predictable.

Q - Alencar Costa {BIO 17679406 <GO>}

Thank you very much. Now if I may, just one last brief question, about Minha Casa Melhor program, you mentioned your expectations for the fourth quarter. You believe it will also help to maintain sales. However, when we talk to the Company, they would sell -- it would say that it only accounted for 2% or 3% of your sales. So do you expect to see a much higher difference over the fourth quarter and down the road? Could you elaborate on the level? Do you think, of your total sales, what percentage would it be?

A - Luiza Helena Trajano {BIO 6842617 <GO>}

We have -- Caixa is here to say, we have more than 1 billion people with a credit card at hand. We were confident that it would happen gradually. But the big moment will be next year, particularly in the Northeast. For every 100 new customers in the Northeast, due to fast approval that Beto and Marcelo mentioned, we have to consider only all those customers that can really be approved considering Serasa.

So sometimes we have contracts that cannot be closed with anyone. Not only Magazine Luiza, but other companies, too. So, they are customers that don't get in. In the Northeast, it's amazing when you check what happened last month, so there is a potential for growth. And now we had a performance with the President, and now we have to consider products like microwaves. So we added another three products within R\$5,000 [ph], and we also worked on some prices, adjusted some prices of furniture.

The problem was not exactly price, but we want to do things well, because we do believe in this program, under the same ethics adopted by ourselves and Caixa. So I am confident that next year, well, it will be a higher impact in 2014 and particularly in the northeast, because they have a lot of Minha Casa Minha Vida, not so much in Sao Paulo. Those who have -- Minha Casa Minha Vida will really focus on it. So, it will just be outstanding.

Not only myself, but several companies' CEOs have been involved for more than six months in this program. And now it is important that customers can buy anything for one year with a card. They don't have to spend 5,000 at once. They have one year to buy or to spend this 5,000, and 48 months to pay. So, that is a program that is absolutely great.

A - Fabricio Bittar Garcia {BIO 17269261 <GO>}

Thank you.

Operator

Mr. Hugo Queiroz from Caixa Economica has a question.

Q - Hugo Queiroz {BIO 21034423 <GO>}

Good morning, everyone. I would just like to have an idea about Internet competition. Compra Facil and margins. Retailers want to keep on improving results, what about you?

A - Luiza Helena Trajano {BIO 6842617 <GO>}

I would like to ask Frederico, our COO to answer your question. Thank you for your question.

A - Frederico Trajano Inacio {BIO 17269235 <GO>}

Good morning. I believe the Internet scenario; some companies have already published the figures in the third quarter. I cannot talk about Facil because it's a privately held company, the numbers are not disclosed to the market and it's a very specific participation. But if you check our robust figures, growth-wise, we will grow in at very sound rate in Brazil as a whole.

So the share is really growing, so when the market is growing, competition is not so relevant. You have more people on the web, more people getting to data through mobile phones. We can mention smartphones, for instance the impact brought by the reduction of taxes as of April, by the Government, a positive impact. Now the base is larger and we have more consumers with Internet access, and eventually it benefits everyone, actually in very robust results.

We don't breakdown Internet results from others because we have integrated channels. It's a small project, so it's included in the total result. Internet significantly contributes to an increase in EBITDA this quarter, for the company. It is a very favorable contribution margin, and these margins have been maintained, gross margin vis-a-vis the previous year, but that was also lower expenses, as if it had on the same-store sales due to the impact of marketing, back office, DC expenses, so Internet is highly productive in Magazine Luiza.

I don't see competition as a threat, the whole market is growing, almost all players are growing about 30%, which is very healthy and productive number, with no signs of a predatory market.

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Q - Hugo Queiroz {BIO 21034423 <GO>}

What about CapEx? Do you intend to focus more on operations, improving margins? Is that to see a continuous improvement or will you invest in acquisitions of one kind of chain or another?

A - Marcelo Jose Ferreira e Silva {BIO 2096569 <GO>}

We have no -- we don't expect to acquire chains, we will keep on growing organically, just as this year. We have 17 new stores, as we are even present in the Northeast, with special focus on the Northeast. In the next call, we will be addressing what will happen next year, but we keep on growing with all the stores and this time focusing more on the Northeast region. So, this is our CapEx plan for 2014.

Q - Hugo Queiroz {BIO 21034423 <GO>}

Okay, thank you. Good morning.

Operator

Tobias Stingelin from Credit Suisse has a question.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Good morning. Congratulations on the great results. My first question is the following, what about the margin expansion process? Considering that you have achieved so far, if you were to check from 0 to 100 and where are you targeting for, where exactly are you now and where can you get to? That's my first question. Second question, now that we have Luiza and Marcelo, I know you mentioned this a lot, but what about the market? The beer market, for instance, is not growing, it is an extremely inexpensive product, but with a very poor performance. Discretionary categories, on the other hand, are growing a lot. I know a lot was said about inflation rates, income, maybe credit, but could you give me qualitative numbers? Luiza, she has a very good perception of consumers, why is he free to choose and now is going for something more expensive, Luiza?

A - Marcelo Jose Ferreira e Silva {BIO 2096569 <GO>}

The fastest growing categories are smartphones and tablets, in all markets. As for white line and furniture, they are growing less. As to your first question, Tobias, could you repeat it, please?

Q - Tobias Stingelin {BIO 18290133 <GO>}

I want to know about your margin progress.

A - Marcelo Jose Ferreira e Silva {BIO 2096569 <GO>}

Okay got it, got it. Okay I remember your question now. Please go on.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Bloomberg Transcript

I just wanted to know what is your status in the process, 50%, 60%, 70%? Or do you still have 30% to complete?

A - Marcelo Jose Ferreira e Silva {BIO 2096569 <GO>}

We have a pricing system that we set early this year. We had pilot studies in several stores and regions, and now we are implementing in all company stores, including the Northeast. So, the full year of the pricing project is 2014. One of our assumptions is to have monitored freedom to the sales part. Now, the impact or the process for EBITDA, we cannot estimate yet.

A - Roberto Bellissimo Rodrigues {BIO 17269312 <GO>}

Tobias, this is Roberto speaking. Are you referring to EBITDA or gross margin?

Q - Tobias Stingelin {BIO 18290133 <GO>}

There are two things. You have the pricing effect in the gross margin, but we also have gains, expenses that you have achieved. Do you still have a lot to expect or maybe if you want to focus on EBITDA margin or growth in EBITDA margin broken down, it's great for me.

A - Roberto Bellissimo Rodrigues {BIO 17269312 <GO>}

We have several points for improvement to be tackled. Pricing is one of them. The gross margin in the Northeast, initiatives to lower expenses that we mentioned this year and will be further implemented next year. New stores are not mature yet. Almost 40% of our stores are not mature yet, but we still have a big potential to improve. We have improved, but it's hard to tell exactly if it's 50%, 60%, or 40%. But we did improve, we lowered expenses, and there is part to be captured next year and even 2015, particularly in the new stores.

On average, they take about three years to reach the EBITDA margin of more mature stores. They tend to put the margin down for now. 5% [ph] of average margin, recurring average margin.

In the fourth quarter, generally the numbers are higher, the average margin for the year could be above 5%, and more mature margins, more mature stores margins tend to be higher. So, we still have some potential for this quarter next year and even 2015, considering all these factors.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Okay. Perfect. Thank you.

A - Roberto Bellissimo Rodrigues {BIO 17269312 <GO>}

Just one last comment, Tobias, we completed integration less than one year ago, so there is still a learning curve, so we can capture more out of these stores, this year and next year.

Q - Tobias Stingelin {BIO 18290133 <GO>}

What about the new stores in the Northeast? Do they also have a faster maturity curve?

A - Roberto Bellissimo Rodrigues {BIO 17269312 <GO>}

The new stores, that's a region that we've been at for some time. It tends to be faster, because they are in the same region, but this is like organic growth, but it's more -- we have a new store in Ribeirao Preto.

A - Luiza Helena Trajano {BIO 6842617 <GO>}

And also Sorocaba mall, which is a famous region, it's easier just as when we open in Sorocaba -- a store in Sorocaba mall.

Q - Tobias Stingelin {BIO 18290133 <GO>}

Thank you.

Operator

(Operator Instructions) There are no further questions. I would like to give the floor back to the CEO of the company, Marcelo Silva, for the final remarks.

A - Marcelo Jose Ferreira e Silva {BIO 2096569 <GO>}

I would like to thank you all for joining us for this conference call. We are really confident, and as Luiza Helena mentioned well, this is the beginning of a new phase at the Company, after integration and consolidation, and now focusing on customer service and the Company's results. We are very confident for the fourth quarter and 2014, no doubt about it.

And today we would like to acknowledge our team for the intense effort for being increasingly motivated, engaged, these are -- they greatly support Magazine Luiza, so we can have more and more loyal customers. At the end of the day, better results will come naturally based on what we do at Magazine Luiza. So, thank you very much.

Luiza Helena, your final remarks, if you please.

A - Luiza Helena Trajano {BIO 6842617 <GO>}

I only have to thank you all, and I'll be here, you can e-mail with your questions. I have a lot of information about Brazil. As I said in September, and so I think technology has really helped people to go for changes. So in a higher income, as we can see wine, for instance, wine is really coming very strongly in Brazil in all stores, we have high numbers and high levels. And at the end of the year, we have Christmas season, then the World Cup, our area is very much affected by technology.

And some people from Japan came and visited us. 40% of companies, the Japanese company's sale is mobile phones. So with a lot of potential, novelties and as they say

smartphone, well, we sell 10 times more than what we did in the past and now we're starting with broadband, which well, the Minister, the President who will be tackling this next year with inexpensive broadband for every one with technology.

Thank you all and we will be happy to take further questions. And we are really, really responsible with our business. We are celebrating, but in a very conservative manner, because we know this is just the beginning of our cycle, for all of us, who have been working so hard. Thank you very much.

Operator

Magazine Luiza's third quarter of 2013 earnings result conference call is concluded now. You may disconnect your lines now. Have a great day.

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