Y 2013 Earnings Call

Company Participants

- Fabricio Bittar Garcia, Chief Commercial Officer
- Luiza Helena Trajano Inacio Rodrigues, President, Vice Chairman of the Board, Member of the Executive Board
- Marcelo Jose Ferreira e Silva, Chief Executive Officer
- Roberto Bellissimo Rodrigues, Chief Financial Officer
- Unidentified Speaker

Other Participants

- Alencar Costa, Analyst
- Unidentified Participant

Presentation

Operator

Good afternoon and thank you for waiting. Welcome to Magazine Luiza's conference call to discuss the results of the fourth quarter of 2013. We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company's presentation. Afterwards, we will have a question-and-answer session when further instructions will be given for you to participate. (Operator Instructions)

The replay of this event will be available soon after it ends, for a week. We would like to remind you that forward-looking statements that might be made during this call related to the business perspectives of Magazine Luiza operating and financial projections and targets are beliefs and assumptions of the company's management as well as information currently available to the company. Forward-looking statements are not guarantees of performance.

They involve risks, uncertainties and assumptions as they refer to future events, and therefore, they 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 results of Magazine Luiza and may lead to results that differ materially from those expressed in such forward-looking statements.

For the company's opening remarks, we would like to give the floor to (inaudible), Investor Relations Officer, who will start the presentation. (inaudible), you may start.

Unidentified Speaker

Good afternoon, everyone, and thank you for our fourth quarter of 2013 results and for the year of 2013. Here, we are with Luiza Helena Trajano, our President; our CEO, Marcelo Ferreira e Silva; our CFO, Roberto Bellissimo and other members of the Executive Board. I would like to give the floor to Marcelo Silva, and he will make the initial remarks.

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

Good afternoon everyone and thank you for your presence in our call. There are four highlights that I would like to mention and that have to do with our consolidated net income for 2013. First of all, the increase in our gross revenues. In Q4, we had a 20% increase on a year-on-year basis, R$2.9 billion; and same-store sales 19% increase vis-a-vis that same quarter; 16% in brick-and-mortar stores; and 39.3% in e-commerce in Q4 '13. Undoubtedly, this is a very positive result, higher than the average for the market and one of the major drivers of our profitability.

Even more so when we compare with the fourth quarter of 2012, because it's a very tough basis for comparison because we had same-store sales that was very high as well. We opened four new conventional stores, brick-and-mortar stores. We increased our Northeastern one in Sao Paulo, and for the whole year, we opened 17 new stores and we closed 16 stores. So, we closed the year with 744 stores.

I would like to remind you that in 2013, the company grew 14% and 13% in same-stores sales. According to our -- due to EBIT [ph] year of 2013, in our category, we have 9.3% in furniture and appliances, and another important factor was the maintenance of our gross margin, 28.2%, 0.2 percentage points higher than the fourth quarter of 2012 and we improved considerably our gross margin in the Northeast.

In 2011 and 2012, because of integration of the two chains that we acquired in the Northeast, the old Maia stores and Bau, and today the Northeast already represent 15% of the overall sales of the company and we have been able to maintain our gross margin in the other regions as well, thereby preserving our gross margin end-to-end in Q4 2013. It's also important to highlight the significant reduction in SG&A on a comparable basis. We were able to dilute or to reduce three percentage points going from 24.9% in Q4 2012 to 21.9% in Q4 2013, and it's undoubtedly is one of the highlights. When we start seeing the results of 2012 and 2013, you can see the significant reduction that we have delivered in our SG&A. And another significant factor in the improvement of our profitability is our equity income, mainly because of the results of Luizacred, a record result, the highest ever and all-time high. We increased our gross margin; delinquencies shows that it is totally under control.

And we saw also a major reduction in SG&A such as we had in Magazine and because of that EBITDA margin went from 12% in Q4 2012 to 15.4% in Q4 2013. And of course, the net margin had the same increase, 6.2% going to 9.1%. And so, you can see that it's a very major improvement for our profitability. So, our consolidated EBITDA has 5.3% margin and the gross sales grew 14% as I said before, and our operating expenses grew by 6.7%. You can see a significant improvement there as well, a relevant improvement in our profitability. And because of that, our consolidated recurring net income was 33 million with 1.9% margin and with a consolidated net income of R$113.8 million in 2013.

And when we talked about the profit-sharing plan, this is a longstanding practice of Magazine Luiza and that we were not able to recognize in 2011 and 2012 due to our results, but with the results of 2013, then we were able to build this provision, this last quarter. And by doing that, we are recognizing 5,000 of the 24,000 employees of the company and this includes our distribution-centered people, our stores' people or store employees that went beyond their targets, and therefore they of course will be receiving this profit-sharing and also the management as a whole. And we're talking about the participation of 5,000 employees in our profit-sharing plan.

Now, I would like to ask Roberto Bellissimo, our CFO to give us more details about the operating and financial indicators of the company.

Roberto Bellissimo Rodrigues {BIO 17269312 <GO>}

Good afternoon, everyone. Let's go to page number 5, where we show our store operational performance; the number of stores; our same-store sales growth; our investment, R$146 million last year, in new stores and mainly in remodeling of stores; and the average age of our stores, almost 40% still in the maturation curve, the pay-off curve.

On the next page, we show you our product mix, practically stable with a slight increase of third-party credit cards and a growth in revenues of Luizacred in Q4 growing by almost 14%. And for the year as a whole Luizacred also almost R$10 billion being billed, including the expenses made outside of Luiza stores with our cards.

On the next page, we show you our portfolio composition, practically stable 3.4 million cards, more and more active, gradually more active and spending more. And because of that, we were able to increase our loan portfolio on a year-on-year basis at 12.9%, a portfolio that reached R$4.1 billion in December '13.

On the next slide, we show you the delinquency indicators; Luizacred is a highlight with an increase in gross margin, a reduction in provisions. They were nominally lower than last year, in fact, on a year-on-year basis and as a percentage of the portfolio going from 4% to 3.4% of the overall portfolio. This shows the quality of the portfolio and a very good trend because of the conservative stand that our company takes and the new consistent data and the short-term NPL improvement.

Then we have the financial performance on the next page, on slide 10, we show you the evolution of our gross revenue. The highlight -- so, our growth was accelerating at every quarter both for the company and the Internet.

On slide 11, we show you the evolution of our gross margin. We were able to increase our gross margin again by 0.2 percentage points on a year-on-year basis. On slide 12, we show you the dilution of our operating expenses, higher than the one that we had already achieved in Q3, 3 percentage points; without the effect of the INSS, 2 percentage points of expense reduction practically. On slide -- we show you the equity income also going up for the quarter and for the year, mainly from the Luizacred. We had a record EBITDA margin 15% and the return on equity was 22% for the year. In Q4, it was more than 30% return of Luizacred or the ROE of Luizacred.

On the next page, we have the EBITDA, and I think on page 15, it's more clear that is to say how we went from 4% margin in Q4 2012 to 5.3% margin in Q4 2013. You can see we had an increase of margin dilution of SG&A, equity income before the profit-sharing program 6.2% and after the profit-sharing program 5.3%. For the whole year, we went from 3.7% to 5.9%. And you can see the same indicators here, margin, sales, equity income et cetera.

On the next slide, we show you our adjusted financial expenses for the year. Stable in Q4, slightly higher than Q4 2012 because of the increase in the CDI rate, however, with a net debt lower than the previous year.

On page 17, we show you our net income since the beginning of 2012. You can see that we have been achieving improvements, gradually improvements and over this year, we reached 114 million in net income.

On page 18, we show you our working capital. In Q4, we are able to improve our inventory turnover and the relation between inventory and suppliers decreasing our need for working capital, just 1% of the gross revenue. And we also reduced the net debt of the company in the year, 142 million in reduction. And with the growth in our EBITDA, we reduced from 2.3 times to 1.3 times our leverage.

On page 19, a summary of our cash flow; 220 million from the operation, the operating cash flow, plus the sale of assets, minus investments in assets and the acquisition of Epoca, interest payment, repurchase or share buyback, and we were able to reduce our debt to that level of 140 million, and then 346 million were paid, and we raised 412 million and total cash flow 226 million and our initial cash was 545 million and we ended with a final cash of 772 million.

Now, I would like to give the floor back to Marcelo Silva who will talk about our expectations for 2014.

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

We are very bullish of our 2014. We expect to continue growing our sales over 20% of year-on-year [ph] growth for the last 20 years. In 2014, the first half will be higher than the average for the market. Again, our participation in the World Cup is going very well and the initiatives that we had in terms of participating with the global or the global network in the World Soccer Cup is already giving very positive results.

And the Northeast also growing slowly, but surely and with a very good expectation, this has to do with sales. And once again, we will be working with two digits of growth in our brick-and-mortar stores and also e-commerce such as we had in the last two [ph] years.

Now, let's talk about our gross margin. Some loss that we'd have in terms of loss of margin in this half will be offset mainly from the Northeast stores and we must keep in mind that 2012 and 2011 were two years of lot of work in integration, and we were able to carry out a very good integration for 2013. So, we already started to reap the results of this integration. We will continue to keep our margin.

Our price management project aims to increase intelligence in pricing and (inaudible) products and this all will be getting us the preservation of our gross margin in general and we will be offsetting with higher margin product and higher participation in e-commerce and also the TV sales for the World Cup and we -- our projection is to keep the gross margin that we achieved in 2012 and 2013. And of course our EBITDA will be going up, the margin will be going up because what we saw in the second half of 2013 was this and we should have additional gains and the project that are implemented will be consolidated and will start to consolidate other opportunities for cost reductions, and as Roberto said, we almost have -- almost 40% of our stores in the pay-off [ph] curve, that is to say, still maturing.

We have been seeing this in the Northeast, in the Bau stores, and we have the opportunity to further reduce our logistics cost and we have a multi-channel project. CDCs are already delivering directly the product for our e-commerce and now we are going to complete the two last ones into Northeast, and we continue to have our efficiency, operating efficiency (Technical Difficulty) and that has given us very good efficiency, very good profitability. So, you can see this in our results that we have just referred to in our equity income. We are very bullish about 2014 and our expectation is to exceed the results achieved in 2013.

We are strongly working in this direction. January was very special with excellent performance in our fantastic sales, as we call it, and the same in February, and our glass is really half full. We are very positive about it regardless of the market conditions, whether we have more challenges or not, we have to do our homework. 2010 was very good, and then, we had two years of integration, then 2013 and as Roberto said, over the quarters we have been achieving better and better results, and this is what we expect to achieve in the foreseeable future.

We are living a very special moment right now. We are very motivated in Magazine Luiza and we will certainly be offering and delivering better results to our shareholders. Thank you very much.

And now, I would like to open for questions from you, and we will be very pleased to answer any doubts that you might have. Thank you.

Questions And Answers

Operator

Now, we will start the Q&A session for investors and analysts. (Operator Instructions) Questions asked on the Internet will be answered afterwards by email and we will be available to you to answer any questions that you might have later on or solve any doubts. (inaudible)

Q - Unidentified Participant

I have two questions. Good afternoon. The first one has to do with the payments of IRR. What were the criteria that you used in order to reach this amount and what can we expect because for some years you were not provisioning and from now on I understand that you believe you will be having more and more positive results. So, how can we project this? And what about the background for sales. You showed that smartphone sales are going up by 50%. Could you give us more color about furniture and other products so that we could project the margin in a better fashion?

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

Well, the first one has to do with the -- in 2010, we had profit participation distribution and the profit-sharing program is something that the company has been doing [ph] for many, many years based on merit, that is to say it's not only for Executive Board or Executive Committee or Management, it's in general. So, it's like an award that we give to the stores and the distribution centers that hit the target.

As our results in 2011 and 2012 did not allow us to distribute this, we now intend to do this as we have been doing this for many years, for 10 years, in fact. So, every time we hit the target, we exceed our targets. We receive this as like a prize, which is the profit-sharing program that we have. I would like to make it very clear that this is not a bonus that is received by the Executive Committee or the Management. No, this is something that is consolidated with the labor's union as well and it includes 5,000 people in 2013.

We will have 5,000 people, many people in our distribution centers, many people who work in stores and office managers and also executives and officers that have hit their targets and got the other targets as well. So, exactly as our agreement was signed with the labor union. And the fact that we highlighted this maybe sounds a little bit strange for you, but in 2014 on a quarterly basis, we will be doing this and this will be included normally in our SG&A and it will not cause any kind of reaction. We are going to provision on a quarterly basis for that, and the fact is that, in the first quarter, we didn't have the best profitability ever, but as of the third quarter, then we started see our results increasing and this led us to provision for that in Q4.

But if you look over the year as a whole, it is nothing very significant and there is nothing different from what other companies do in this regard, the companies that have a profit-sharing program.

In 2014, we will be positioning this normally. This will be under our SG&A and this part of the company's compensation as a whole on [ph] Luiza and I would like to explain that since 1996, 1997, we have been working on this win-win situation. Our salespeople, they are compensated because of their sales and their margins and after the two acquisitions, we were not able to distribute this profit for two years, but this has been part of the company ever since our inception.

So, our salespeople when they were compensated only normally, they just put the money in their pockets and that was it, but now we have 360 degree participation in the sense that they have to be very good in sales, in (inaudible) in insurance and they have to be very good with clients as well.

We work on a win-win situation. So, it has to be in your mind, in your heart, and in your pocket. So, in the last quarter, we faced a challenge that, this is not just for the executives of the company. It's 5,000 people in the company and this is part of our culture ever since we were able to change this with the labor union, that is to say, the salesperson is compensated as the company becomes more and more profitable. So, this is very consistent with our culture. So, this will always happen when the company is profitable. And our percentage is much higher because we give this to 5,000 people. Some companies only distribute profit for 100 people or 200 people. Our managers are invited to meet with us all the time. We have this culture that we call 360 degree. So, they have to be good at everything and not only one thing and I was very happy to see this when we acquired by Bau because we thought it was very good business and many people from Bau and from Maia, they are present here and they are participating in this. So, this is part of the culture of our company and I find it very strange when people are asking questions about that.

Q - Unidentified Participant

Okay, I do expect that but (Technical Difficulty) that this is part of the company's culture. So, thank you very much.

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

This is Fabricio, I'm the Commercial Officer. Regarding the product mix, the trend in Q1 is growth in TVs because of the World Cup and smartphones as well. The law regarding smartphones was enacted last year. So, in order to keep our gross margin, we count on the growth of smartphones of course, but also the more profitable categories such as furniture and portable electronic equipments, IT.

So, the change in the environment helped the portables category, air-conditioning and fans. Brazil for 30 years or 40 years hadn't had such a warm season as we had now. But we are a company that sells fans and toys and we intend to grow in all categories by reading the news. We have the impression that the sales in the market are lower than the initial expectations. Of course, you have this maturation curve and the new stores, but the expectations seem to be higher.

Q - Unidentified Participant

And what about furniture? Could you tell us how much furniture has grown as a category in your company and in the market?

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

I went to 18 stores in the Northeast recently and it's the strength of the Minha Casa Melhor is incredible because this new middle class, they have no access to credit. So, cities such as Sao Paulo, they do not have Minha Casa Minha Vida, the program by the government, the housing program, but the (inaudible) of Brazil mainly in the Northeast, it's impressive because the program will continue to grow and some of our stores already represent 6%, 7% of the overall sales, and where Minha Casa Minha Vida is strong, we will continue to be strong. And the same, if it were not for that, these new middle class consumers would not able to have access to credit.

This is the program that grows gradually and the expectation is very good, but the growth is gradual. In the interior of Minha Casa Minha Vida, it is strong already as well as in the Northeast in (inaudible), it's incredible, it's another reality, it's another world, and furniture are the second thing that they buy. First they buy a refrigerator and (Technical Difficulty) start to buy beds and tables, and I believe in furniture because this is something that everybody needs. But first of all, they buy refrigerators and the buy stoves, not washing machines so much, only 54%.

15% growth in furniture in 2013 and two digits, higher than two digits also in 2014, is our estimate. Thank you.

Operator

Alencar Costa from Goldman Sachs would like to ask a question.

Q - Alencar Costa {BIO 17679406 <GO>}

This is Bernard. I have two questions. Are you going to give a guidance about CapEx regarding opening of new stores in 2014 or growth in areas? About Luizacred now, why did we see a mismatch between the growth in your installment sales and the receivables portfolio 22%? I see a mismatch there, are you extending the terms or renegotiating your installment sales or what?

And the second part is, why your personal loans portfolio dropped so steeply, was it because your stopped assigning credits or what?

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

Well, the first question; our expectation is to open from 30 to 40 new stores this year with emphasis on the Northeast. So, this is the guidance that we can give you about CapEx and we will continue to invest in logistics, technology, remodeling of stores. We invested 114 million last year and we should keep more or less the same amount in investment for 2014; this is the first point.

Regarding Luizacred, I would like to ask Roberto and Marcelo Jose Ferreira to answer your other question.

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

Bernard, good afternoon. The first point, this is --

Okay, you asked about consumer credit vis-a-vis growth in our portfolio. Was that your question?

Q - Alencar Costa {BIO 17679406 <GO>}

Yes, there was mismatch here, so I would like to know the reason for that. How can you explain the difference?

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

This is not so different. The growth in consumer direct credit was about 18% and the portfolio 22%. And the average terms are the same 11,12 months. What happens is that the portfolio was very new and when it starts growing, you start to include more clients and some of these clients delay their payments and after a certain period, the portfolio grows slightly more than the sales, but this is just a matter of time. We didn't do anything regarding (Technical Difficulty) the 18% growth in direct consumer loans, it's higher than the growth of Magazine as a whole because we focused on that since 2012.

Not only us, but the whole market, mainly the new clients. So, we stopped focusing only on credit cards and we started to focus more on these direct loans. So, this grew more, and because of that we had a growth in this portfolio, but it was almost in line 18% vis-a-vis 22% in the portfolio.

No, we didn't do anything regarding payment terms and the approval rate in our direct consumer loans is more conservative and it has always been more conservative since the beginning of 2012. There has been no change there and this has some impact on our provisions, on our portfolios, revenues and the results (inaudible) that evolved on a quarterly basis going upward and provisions were a big highlight this year, practically equal to the previous year with a portfolio that was 12% bigger. So, the provisions over the portfolio dropped quite a lot due to the very conservative stand that we have been taking for the last couple of years.

And regarding the personal loans, it's exactly the same reason. This is a product that is very profitable. However, it's likely more volatile and according to our risk policy and volatility limitation as well, we reduced the approval rate of our personal loans and this is the reason why this portfolio has been dwindling slightly from 2012 up to now.

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

This is Marcelo Ferreira. In the card portfolio, you have something called personal credit. If you put the two together, the personal loan of Luizacred increased quite a lot with a lower risk because our credit card policy is much more stringent.

Q - Alencar Costa {BIO 17679406 <GO>}

Okay. Thank you.

Operator

(Operator Instructions) (inaudible) would like to ask a question.

Q - Unidentified Participant

The evolution of the EBITDA margin, I understood the reasons that explain the drivers for 2014, the EBITDA margin, but with a challenging macroenvironment, it seems to me that it will be very difficult for the company to deliver a significant improvement if you compared 2014 to 2013. So, do you agree with that?

And the second question is, what about income tax for 2014? Could you give us some guidance?

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

Regarding guidance, we said that our expectation is to maintain our gross margin because the sale of TV sets in the Q1 would be offset by other categories in the first half and also the increase in the margins coming from the Northeast and because of all of that, our expectation is to have or our target is to maintain the same gross margin and we expect to increase our sales, this is what I said.

Q - Unidentified Participant

Yes, I'm talking about EBITDA margin.

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

Sales growth, the maintenance (Technical Difficulty) and operating expenses dilution, the ones that are still underway, because of these three drivers we believe that we will be able to deliver EBITDA margin better in 2014 than 2013.

The second half last year was much better than the first half and we believe that the same thing will happen with the first and the second half of 2014. So then, we will have an opportunity to dilute our cost and reduce expenses and we have a logistics program that is already underway and we will be able to have gained from that, an efficiency project of Luizacred that is also underway and we will be able to have very good results and as stores mature, the operating income becomes better and better during this pay-off curve.

Q - Unidentified Participant

And what (Technical Difficulty) income tax rate for this year?

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

Good afternoon, (inaudible), in retail, we have a 34% tax rate on our operating income, and then, the equity income is already net of income tax, but they are subject to the 40%, and in the case of retail 34% and Luizacred 14% [ph], and we had a tax benefit this year because of interest on our capital that brings down -- we declared 12 million of interest on equity and we had a reduction of 4 million in 2013 of income tax. This is something very healthy and it is just a normal practice as these 12 million of interest on capital that will be paid to investors.

They are subject to 15% for individual investors. So, these are the tax rates that we have. I don't know whether you have any specific doubts about income tax or whether this is the answer that you were expecting. Have I answered your question?

Q - Unidentified Participant

Yes, thank you.

Operator

(inaudible) from GTI would like to ask a question.

Q - Unidentified Participant

Good afternoon. About (inaudible) question, what can we expect in your profit-sharing program?

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

Well, the same as we had in 2013, Pedro. I don't know whether you're thinking about this as a bonus, this has nothing to do with the bonus. Everybody inside the company DC, stores, offices, 5,000 people, they are all entitled provided they go beyond their targets, they achieve their targets and go beyond. So, we had 22 minus 7 of effect on the income tax. So, net for the company 15 million, and I cannot talk about future figures, but it will not be very much different from that.

Every year as our net income goes up, we will proportionately increase our profit-sharing program, but we do not have a model of very big scale or anything. This is very well-distributed and all the employees of the company are entitled. They can have access, we're talking about the office people, store people, DC people. If you think about this is a bonus for the Executive Committee, I'm so sorry, it has nothing to do with the Executive Committee. We're talking about all the employees that are entitled. So, we do the calculation exactly according to the agreement that we have signed with the labor unions and we signed every single year an agreement with our labor unions in Sao Paulo and other states. So, it has to do with profit sharing. This is a profit-sharing program, PSP, such as is normal in all companies that comply with good practices. So, are you talking about 20% on the net income?

Q - Unidentified Participant

No.

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

0.3 over the net revenue, it's another way, you can calculate that. In Q4, we did this for 2013.

Q - Unidentified Participant

I would like to understand the math. It was 70 million, so we're talking about a profit-sharing of 15 million. This means 20% of your net income?

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

If the net income goes up, the profit sharing program will not grow proportionately because you will have one salary for certain function, you have two salaries for other functions in the company. It's not proportionate to the net income. We face a challenge to everybody, but this has nothing to do with percentages. This is a challenge. As I said before, our policy is (inaudible) that is a CN award winning policy.

So, we place this challenge for people and we say, well, 60% or 70% or 80% growth because in the past we still have the right to do choose our mergers [ph], so to say. You can hear so often and I have already shown this to you and I can show you and everybody how we have done that, it is a way we have to reward our people. It doesn't mean that if I have 100 million today, it's going to be -- our target is higher than 70. Last year, we fought for 60.

It's not a percentage of the net income. (inaudible) and I, and everybody, we would like to show you our model and based on what I know about the market, I can tell you that it's a very austere model. It's not going to be 70, it's going to be on the results that we are estimating. It's not on 100, so higher than our net income, then our target, then we start to distribute. It's not 15% or X percent, I do understand your rationale and we could have explained better, but this is so normal for us that we thought it was enough. So, if we have 70 million in this time frame, then it's going to be so much, but our target this year will be much higher to give the same that was given in 2013. It's based on our targets and not a percentage. It's not based on a percentage. You came here quite a few times already and I would like to invite you to come as often as you want, and then we can show you our model.

Operator

(Operator Instructions) As there are no more questions (Technical Difficulty) floor over to Mr. Marcelo e Silva for his closing remarks.

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

I would like to ask Luiza Helena to do this.

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

Well, I wrote our message from the administration with great pleasure. The company always consolidates and when we bought Maia and Bau, people raised quite a lot of the questions. But I'm 100% sure that we made these acquisitions at the right time, at the time that the company needed to do this, and travelling throughout the Northeast, I would like to invite you also go to the Northeast. We would never have 140 stores even if we had a lot of money, if we didn't believe 100% in our presence in the Northeast and now we are very strong there and competitors too want to go there now. They will need a lot of time and a lot of money.

And Bau consolidated the capital in which we really needed more stores to consolidating and growing. It has always been part of our DNA such as happened in Rio Grande do Sul, in Santa Catarina with other acquisitions and consolidations.

It took more time for us to do this into Northeast, however we are very pleased with the results. And it's like going back on track and now we can deliver everything that we promised. We have always been very transparent to you, both to small investors and big investors. Marcelo, (inaudible) and myself have always been at the disposal of all our investors regardless of the size, we are celebrating the results of December, also January and of course we have a very big competition and we are celebrating the results achieved in December and January this year. The market is very good for some retail areas such as TVs and some segments of retail will benefit from that.

And people prepare even their homes to receive people and friends to watch the World Cup and the first quarter was very difficult last year, however, this year we are sure that we are on the right track and we're doing our homework and we thank you all very much for participating, and we are here we can answer any questions that you might have, we can disclose any figure that you wish to see.

So, please come here anytime. We want to listen to you, we want to give you access to everything and we want you to come here all the time, every time that you want and we are open to any suggestions or to show or to disclose any figure that you wish. So, thank you very much, and you may be sure that 2014 will be great for Magazine Luiza. I am absolutely sure of what I'm telling you here. Thank you very much.

Operator

Thank you very much. Magazine Luiza's fourth quarter of 2013 results is closed and you may disconnect your lines and we wish you all a very good afternoon.