



MercadoLibre, Inc. Reports Financial Results for Third Quarter and First Nine Months 2007

Nov 13, 2007 (PrimeNewswire via COMTEX News Network) --

- * Third Quarter Revenue Increases 72.4% to \$22.8 Million
- * Third Quarter Operating Income Increases by 422.4% to \$6.0 Million
- * Third Quarter Net Income, Excluding Non-Cash Charge of \$1.0 Million Related to the Increase in Fair Value of Warrants Increased to \$3.7 Million

BUENOS AIRES, Argentina, Nov. 13, 2007 (PRIME NEWSWIRE) -- MercadoLibre, Inc. (Nasdaq:MELI) (<http://www.mercadolibre.com>), host of the largest online trading and payments platform in Latin America, today reported financial results for its third fiscal quarter and nine months ended September 30, 2007.

"We continue to achieve solid growth in all of our key metrics through unwavering focus on our stated strategy of providing our users with a superior and highly-innovative e-commerce experience," commented Marcos Galperin, President and Chief Executive Officer of MercadoLibre, Inc. "We are particularly pleased that this focus has led to accelerated top line growth rates in both our marketplace and payments business segments. Another important factor in our growth is the continued expansion of e-commerce in Latin America as evidenced by significant increases in the number of Internet users and broadband connections."

Financial Results

Third Quarter Results

MercadoLibre reported consolidated net revenues for the three months ended September 30, 2007 of \$22.8 million, representing a quarterly year over year growth rate of 72.4%. Revenue growth was driven by improvements in the monetization of transactions on the Company's platforms, as well as by continued growth in confirmed registered users, gross merchandise volume, successful items, and total payment volume. Third quarter marketplace revenues grew 60.6% to \$18.1 million from \$11.3 million for the prior year period. Payments revenues grew to \$4.7 million for the third quarter, up 141.8% from \$1.9 million for the same period during 2006. MercadoLibre's take rate, as measured by revenues as a percentage of gross merchandise volume, improved to 5.8% during the third quarter of 2007, as compared to 4.7% in the third quarter of 2006.

Gross profit grew 75.1% to \$17.6 million from \$10.1 million in the third quarter 2006, representing a gross profit margin of 77.2%.

Income from operations grew 422.4% to \$6.0 million, representing a 26.3% operating margin, as the business continues to show significant economies of scale.

Net income for the three-month period was \$2.8 million, compared to \$38 thousand during the same period of 2006. Net income for the nine-month period includes \$1.0 million in non-cash expenses related to an increase in the fair value of warrants outstanding during the quarter. These warrants have been exercised in full, rendering this expense a non-recurrent charge going forward.

First Nine Months Results

Revenue for the first nine months ended September 30, 2007 increased 59.1% to \$58.2 million compared with \$36.6 million for the first nine-months ended September 30, 2006. Gross profit increased 61.2% to \$45.4 million from \$28.2 million from the prior year period. Income from operations increased 304.6% to \$13.6 million from \$3.4 million for the year-ago period.

Net income for the nine-month period was \$4.4 million, compared to \$0.8 million during the same period of 2006. Net income for the nine-month period includes \$3.0 million in non-cash expenses related to an increase in the fair value of warrants outstanding during the nine-month period.

Key Performance Metrics

The following are highlights on certain key performance metrics for the third quarter ended September 30, 2007.

Registered Users -- New confirmed registered users for the three month period ended September 30, 2007 were 1.7 million, 6.4% higher than the number of new confirmed registered users for the third quarter of 2006. Total confirmed registered users increased to 23.3 million as of September 30, 2007, an increase of 40.6% over the 16.5 million users registered as of September 30, 2006.

Transaction volume -- Gross merchandise volume was \$394.9 million for the third quarter of 2007, a 39.2% growth from gross merchandise volume of \$283.7 for the same period during 2006. MercadoLibre totaled 4.6 million successful items during the third quarter of 2007, 22.7% more than the 3.7 million successful items sold during the same quarter of 2006. Total payment volume was \$43.6 million during the three-month period ending September 30, 2007, a growth of 89.0% over total payment volume of \$23.1 million for the same period of 2006.

Conference Call and Webcast

MercadoLibre will host a conference call to discuss results for the quarter and nine-months ending September 30, 2007 today at 4:30 p.m. Eastern Time. The conference call may be accessed by dialing (913) 312-1491. A live webcast of the conference call can be accessed at the company's investor relations website at <http://investor.mercadolibre.com/>. An archive will be available for one week following the conclusion of the conference call.

Definition of Selected Operational Metrics

New confirmed registered users -- Measure of the number of new users who have registered on the MercadoLibre marketplace and confirmed their registration.

Total confirmed registered users -- Measure of the cumulative number of users who have registered on the MercadoLibre marketplace and confirmed their registration.

Gross merchandise volume -- Measure of the total U.S. dollar sum of all transactions completed through the MercadoLibre marketplace, excluding motor vehicles, vessels, aircraft, real estate, and services.

Successful items - Measure of the number of items that were sold/purchased through the MercadoLibre marketplace.

Total payment volume -- Measure of total U.S. dollar sum of all transactions paid for using MercadoPago.

Take rate -- Total net revenues as a percentage of gross merchandise volume.

About MercadoLibre

MercadoLibre is the largest online trading platform in Latin America. We are market leaders in e-commerce in each of Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela, based on unique visitors and page views during 2006. Additionally, we have recently launched online trading platforms in Costa Rica, the Dominican Republic and Panama. With a market of over 550 million people and a region with one of the world's fastest-growing Internet penetration rates, we provide buyers and sellers a robust online trading environment that fosters the development of a large and growing e-commerce community. We offer a technological and commercial solution that addresses the distinctive cultural and geographic challenges of operating an online trading platform in Latin America.

Forward-Looking Statements

Any statements contained in this press release that are not statements of historical fact, including statements about the company's beliefs and expectations, are forward-looking statements and should be evaluated as such. Such forward-looking statements reflect, among other things, the company's current expectations, plans, projections and strategies, anticipated financial results, future events and financial trends affecting the company's business, all of which are subject to known or unknown risk and uncertainties that may cause the company's actual results to differ materially from those expressed or implied by these forward-looking statements, including general market conditions, the failure of customary closing conditions, adverse changes in the company's markets and other risks disclosed in the prospectus. Because of the risks, uncertainties and assumptions, investors should not place undue reliance on any forward-looking statements.

Nine Months Ended Three Months Ended September 30, September 30, ----- 2007 2006
2007 2006 ----- (Unaudited)

Net revenues \$ 58,232,755 \$ 36,596,493 \$ 22,800,130 \$ 13,224,610 Cost of net revenues (12,840,016) (8,432,483) (5,192,650) (3,166,559) ----- Gross profit 45,392,739 28,164,010 17,607,480 10,058,051

Operating expenses: Product and technology development (3,157,033) (2,251,767) (1,154,317) (782,097) Sales and marketing (19,629,001) (16,647,142) (6,982,476) (6,057,976) General and administrative (8,970,232) (5,894,455) (3,483,918) (2,071,974) ----- Total operating expenses (31,756,266) (24,793,364) (11,620,711) (8,912,047) ----- Income from operations 13,636,473 3,370,646 5,986,769 1,146,004 -----

Other income (expenses): Interest income 872,207 177,819 352,968 82,530 Interest expense and other financial charges (1,217,569) (1,277,329) (390,029) (469,535) Foreign currency loss (1,806,520) (118,481) (802,348) (54,793) Other expenses, net (3,006,416) (1,342,048) (960,358) (237,682) ----- Net income before income / asset tax expense 8,478,175 810,607 4,187,002 466,524 -----

Income / asset tax expense (4,107,628) (1,583,610) (1,401,528) (428,983) ----- Net income (loss) \$ 4,370,547 \$ (773,003) \$ 2,785,474 \$ 37,541 =====

Accretion of preferred stock (309,299) (371,158) (61,860) (123,719) ----- Net income / (loss) available to common shareholders \$ 4,061,248 \$ (1,144,161) \$ 2,723,614 \$ (86,178) =====

Nine Months Ended Three Months Ended September 30, September 30, ----- 2007 2006
 2007 2006 ----- Basic EPS Basic net income / (loss) available to common shareholders per common share \$ 0.10 \$ (0.09) \$ 0.07 \$ (0.01) =====
 shares 18,214,978 13,132,216 27,538,652 13,141,676 =====

Diluted EPS

Diluted net income per common share \$ 0.10 \$ 0.07 ===== Weighted average shares 18,608,181 27,685,028 =====

September 30, December 31, 2007 2006 ----- Assets (Unaudited) (Audited) Current assets: Cash and cash equivalents \$ 14,535,980 \$ 7,143,027 Short-term investments 48,373,617 6,320,656 Accounts receivable 2,499,780 1,983,003 Funds receivable from customers 17,216,572 10,188,712 Prepaid expenses 590,898 333,570 Deferred tax assets 2,185,423 2,904,558 Other current assets 678,950 246,352 ----- Total current assets 86,081,220 29,119,878
 Non-current assets: Long-term investments 1,459,271 -- Property and equipment, net 4,171,087 2,931,470 Goodwill and intangible assets, net 23,018,001 21,342,315 Deferred tax assets 561,085 390,820 Other assets 167,877 28,089 -----
 ----- Total non-current assets 29,377,321 24,692,694

Total assets \$ 115,458,541 \$ 53,812,572 -----

Liabilities and Shareholders' Equity (Deficit) Current liabilities: Accounts payable and accrued expenses \$ 7,818,585 \$ 5,708,682 Funds payable to customers 12,498,257 9,085,013 Social security payable 3,622,343 2,722,874 Taxes payable 2,001,754 1,735,975 Loans payable 3,050,580 97,527 Provisions 36,100 310,848 ----- Total current liabilities 29,027,619 19,660,919 Non-current liabilities: Loans payable -- 9,000,000 Other liabilities 948,406 1,803,315 -----
 --- ----- Total non-current liabilities 948,406 10,803,315 Total liabilities 29,976,025 30,464,234 -----

Commitments and contingencies

Mandatorily redeemable convertible preferred stock, \$0.01 par value, 45,600,000 shares authorized, 27,187,838 shares issued and outstanding at December 31, 2006; liquidation amount: \$78,334,161 at December 31, 2006 -- 64,076,545 -----
 -- ----- Shareholders' equity (deficit): Common stock, \$0.001 and \$0.01 par value, 108,800,000 shares authorized, 44,226,563 and 13,166,982 shares issued and outstanding at September 30, 2007 and December 31, 2006 44,227 131,670 Additional paid-in capital 121,881,108 2,694,404 Accumulated deficit (39,686,310) (44,054,817) Accumulated other comprehensive income 3,243,491 500,536 ----- Total shareholders' equity (deficit) 85,482,516 (40,728,207) -

Total liabilities, mandatorily redeemable convertible preferred stock and shareholders' equity (deficit) \$ 115,458,541 \$ 53,812,572 -----

Cash Flow Nine Months Ended September 30, ----- 2007 2006 ----- (Unaudited)

Cash flows from operations:

Net income (loss) \$ 4,370,547 \$ (773,003) Adjustments to reconcile net income (loss) to net cash provided by operating activities: Depreciation and amortization 1,667,918 1,481,106 Interest expense -- 637,000 Realized gains on investments (362,891) -- Unrealized gains on investments (244,676) (17,749) Stock-based compensation expense - stock options 20,434 23,367 Stock-based compensation expense - restricted shares 1,977 -- Change in fair value of warrants 3,045,992 1,143,678 Deferred income taxes 511,589 56,082 Changes in assets and liabilities: Accounts receivable (516,777) 240,834 Funds receivable from customers (7,027,860) (3,132,463) Prepaid expenses (257,328) (263,290) Other assets (572,386) (625,929) Accounts payable 3,275,151 3,232,579 Funds payable to customers 3,413,244 2,219,247 Provisions (274,748) (707,953) Other liabilities 638,721 147,217 ----- Net cash provided by operating activities 7,688,907 3,660,723 -----

----- Cash flows from investing activities: Purchase of investments (49,916,141) (2,875,665) Proceeds from sale of investments 6,892,718 -- Purchase of intangible assets (47,461) (258,790) Purchases of property and equipment (2,061,477) (1,423,942) ----- Net cash used in investing activities (45,132,361) (4,558,397) -----

----- Cash flows from financing activities: Increase in short term debt 3,049,886 1,911 Loans paid (9,000,000) -- Stock options exercised 38,579 6,398 Exercise of Warrants 749,991 -- Issuance of common stock 49,573,239 -- ----- Net cash provided by financing activities 44,411,695 8,309 -----

----- Effect of exchange rate changes on cash and cash equivalents 424,712 140,908 ----- Net increase (decrease) in cash and cash equivalents 7,392,953 (748,457) Cash and cash equivalents, beginning of year 7,143,027 8,979,838 -----

Cash and cash equivalents, end of period \$ 14,535,980 \$ 8,231,381 ----- Nine Months Ended September 30, --
----- 2007 2006 ----- (Unaudited) Supplemental cash flow information: Cash paid for interest \$ 495,833 \$ -- Cash paid for income taxes \$ 3,463,724 \$ 1,336,001

Non-cash financing activities: Accretion of preferred stock \$ 309,299 \$ 371,158 Conversion of mandatorily redeemable convertible preferred stock into common stock \$ 64,385,844 \$ -- Reclassifications of warrants \$ 4,636,456 \$ -- -----

Three Months Ended September 30, 2007 ----- Marketplaces -----
----- Other Brazil Argentina Mexico Countries Total -----

Net revenues \$ 9,735,433 \$ 3,117,546 \$ 2,480,155 \$ 2,809,492 \$18,142,626 Direct costs (6,275,225) (1,488,304) (1,699,950) (1,438,725)(10,902,204) ----- Direct contribution 3,460,208 1,629,242 780,205 1,370,767 7,240,422

Payments Consolidated -----

Net revenues \$ 4,657,504 \$22,800,130 Direct costs (3,196,955) (14,099,159) ----- Direct contribution 1,460,549 8,700,971

Operating expenses and indirect costs of net revenues (2,714,202) ----- Income from operations 5,986,769 -----

Other income (expenses): Interest income 352,968 Interest expense and other financial results (390,029) Foreign exchange (802,348) Other expenses, net (960,358) ----- Net income before income / asset tax expense \$ 4,187,002 =====

Three Months Ended September 30, 2006 ----- Marketplaces -----
----- Other Brazil Argentina Mexico Countries Total ----- Net revenues \$ 6,254,917 \$ 1,966,340 \$ 1,577,906 \$ 1,499,079 \$11,298,242 Direct costs (4,684,170) (1,249,097) (1,339,453) (1,188,705) (8,461,425) ----- Direct contribution 1,570,747 717,243 238,453 310,374 2,836,817

Payments Consolidated -----

Net revenues \$ 1,926,368 \$13,224,610 Direct costs (1,731,912) (10,193,337) ----- Direct contribution 194,456 3,031,273

Operating expenses and indirect costs of net revenues (1,885,269) ----- Income from operations 1,146,004 -----

Other income (expenses): Interest income 82,530 Interest expense and other financial results (469,535) Foreign exchange (54,793) Other expenses, net (237,682) ----- Net income before income / asset tax expense \$ 466,524 =====

Nine Months Ended September 30, 2007 ----- Marketplaces -----
----- Other Brazil Argentina Mexico Countries ----- Net revenues \$26,306,517 \$7,859,816 \$6,917,780 \$7,339,954 Direct costs (17,108,926) (3,987,398) (4,498,440) (4,341,008) ----- Direct contribution 9,197,591 3,872,418 2,419,340 2,998,946

Total Payments Consolidated ----- Net revenues \$ 48,424,067 \$ 9,808,688 \$ 58,232,755 Direct costs

(29,935,772) (7,502,044) (37,437,816) ----- Direct contribution 18,488,295 2,306,644 20,794,939
 Operating expenses and indirect costs of net revenues (7,158,466) ----- Income from operations 13,636,473 -----
 Other income (expenses): Interest income 872,207 Interest expense and other financial results (1,217,569) Foreign exchange
 (1,806,520) Other expenses, net (3,006,416) ----- Net income before income/asset tax expense \$8,478,175
 =====

Nine Months Ended September 30, 2006 ----- Marketplaces -----
 ----- Other Brazil Argentina Mexico Countries ----- Net revenues \$18,571,053
 \$4,888,526 \$4,336,164 \$3,876,396 Direct costs (13,197,634) (3,336,969) (3,666,491) (3,133,676) -----
 ----- Direct contribution 5,373,419 1,551,557 669,673 742,720

Total Payments Consolidated -----

Net revenues \$ 31,672,139 \$ 4,924,354 \$ 36,596,493 Direct costs (23,334,770) (4,528,070) (27,862,840) -----
 ----- Direct contribution 8,337,369 396,284 8,733,653

Operating expenses and indirect costs of net revenues (5,363,007) ----- Income from operations 3,370,646 -----
 Other income (expenses): Interest income 177,819 Interest expense and other financial results (1,277,329) Foreign exchange
 (118,481) Other expenses, net (1,342,048) ----- Net income before income/asset tax expense \$ 810,607 =====

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