MERCADOLIBRE 4Q16 EARNINGS CONFERENCE CALL SCRIPT

Date: February 23rd, 2017

Part I: Introduction and Disclaimer – Investor Relations

Hello everyone, and welcome to the MercadoLibre earnings conference call for the quarter ended December 31st, 2016. I am Federico Sandler, Head of Investor Relations for MercadoLibre. Our senior manager presenting today is Pedro Arnt, Chief Financial Officer. Additionally, Marcos Galperin, Chief Executive Officer, and Osvaldo Giménez, Executive VP of Payments will be available during today's Q&A session. This conference call is also being broadcasted over the Internet and is available through the investor relations section of our website.

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I remind you that management may make forward-looking statements relating to such matters as continued growth prospects for the company, industry trends and product and technology initiatives. These statements are based on currently available information and our current assumptions, expectations and projections about future events. While we believe that our assumptions, expectations and projections are reasonable in view of the currently available information, you are cautioned not to place undue reliance on these forward-looking statements. Our actual results may differ materially from those discussed in this call, for a variety of reasons, including those described in the forward-looking statements and risk factors sections of our 10-K and other filings with the Securities and Exchange Commission, which are available on our investor relations website. Finally, I would like to remind you that during the course of this conference call we may discuss some non-GAAP measures. A reconciliation of those measures to the nearest comparable GAAP measures can be found in our fourth quarter 2016 earnings press release available on our investor relations website.

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Now let me turn the call over to Pedro.

Part II: Overview & Financial Results – Pedro Arnt

Thanks Federico, hello to everyone and welcome to our fourth quarter conference call for 2016.

Let me start with a few comments on the exceptional full year 2016 that ended recently.

As a pioneer and leader in Latin America when it comes to ecommerce and digital payments, we have been around for 17 years now, and last year was one of the most significant in terms of the quality and tangible outcomes of the work and level of execution that the entire team at MercadoLibre delivered, and as a consequence, our ecosystem of complementary services is as vibrant as it has ever been, and our businesses, both in marketplaces and payments wrapped up the year with revenues at multi-year highs in terms of: volume, growth rates and market share gains:

- Successful items accelerated to 41% year over year growth, reaching 181.2 million units sold for the year.
- Gross Merchandise Volume rose 65% on an FX neutral basis, reaching $8 billion dollars approximately.
- Total payment volume grew 93% on an FX neutral basis, reaching $7.8 billion dollars, and representing almost 96% of our Gross Merchandise Volume for the year.
- While total payment volume in transactions reached 73% growth year over year to 138.7 million payments processed.
- Finally, registered users were up 20% year on year reaching 174.2 million, after adding 29.5 million incremental users during the year.

Looking back at the changes that we've made over the past 4 quarters that drove these results, the level of control over the customer experience that we are now able to exert with the advances that have been made in payments through MercadoPago, and logistics through MercadoEnvios, is something that would have been hard for us to anticipate five years ago. The end to end e-commerce transactions that we can now offer leaves us in an excellent position to deliver on our promise of a best in class user experience for buyers and sellers. The vision we had set out, of an enhanced marketplace with all the traditional marketplace benefits of value and liquidity, and combined with a great customer experience through a closed loop of payments, credit and logistics, is certainly coming to fruition.

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A case in point of this has been the evolution of our Brazil marketplace during this past year, leading into the very strong 4th quarter that just ended. In each of the past four quarters, GMV growth on an FX neutral basis has grown north of 50% year on year, while units sold grew over 45% year on year over the same timeframe. All this in a market that, according to eBit WebShoppers research grew 7% in volume and 0% in orders. Top line revenue has been growing nicely as well in Brazil, as revenues on an FX neutral basis accelerated for the third consecutive quarter above 60% year on year. And additionally, unique buyer growth and units sold per unique buyer have also hit multi-year highs in our Brazilian market.
This strength was not limited to our marketplace business, as MercadoPago also had a record year as adoption of payments on our marketplaces continues reaching the stated goal of full addressable penetration in countries beyond Brazil. And additionally, our off platform

merchant service business keeps delivering very strong results as well, with total payment volume and revenues growing for the second consecutive year at nearly 100% year on year, on an FX neutral basis.

On the logistics front, we also made significant progress over the course of 2016. Throughout the year we continued to carry out critical technical and operational capabilities in the development and management of warehousing and transportation systems, added additional carriers across multiple geographies, and began to successfully promote free shipping alternatives, all of these significantly contributing to positive results I just outlined.
It is also worth noting the strides we have made in customer experience during 2016, as we continue to improve not only response times, but also effectiveness across multiple channels with which we interact with users. As a result, we continue to witness improvements in Net Promoter Scores from one year to the next.

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So as we advance into 2017, we are confident in continuing, and even accelerating, our investments behind the key initiatives that drove the success we had last year: payment solutions both on and off line as well; logistics for fulfillment and free or subsidized shipping, expanding our credit offerings, and a sustained focus on customer service and experience as measured by Net Promoter Scores, as these seem to be the current key levers for sustained value creation for our users and consequently our shareholders.
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With that, let me now address the quarter that just ended specifically.
During Q4'2016:

- Successful items grew 40%, reaching 51.6 million.
- Gross Merchandise Volume rose 48% on an FX neutral basis, reaching $2.2 billion dollars.
- Total payment volume grew 84% in on an FX neutral basis, reaching $2.4 billion dollars.
- While total payment transactions grew 67% to 42.5 million.
- And registered users were up 26% year on year after adding 7.9 million new users during the fourth quarter of 2016.

This strong growth has led to solid top line results during the fourth quarter, with revenues increasing 68% on an FX neutral basis year on year. And in USD accelerating for the fourth consecutive quarter to a multi-year high of 42% year over year growth.

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Now, let's take a closer look at some of the key initiatives and quarterly results by business unit starting with our marketplace.
Execution there remains robust across most markets, with Brazil and Mexico being highlights for a second consecutive quarter.

Brazilian units sold accelerated for the fifth consecutive Q to a multi-year high of 62% year on year, up from 22% growth during the fourth quarter of 2015. Let me remind you that this is the fastest pace of growth in over four years for that metric. Revenue growth accelerated for the fourth consecutive quarter on an FX neutral basis to 64%, 45 percentage points above its four year compounded annual growth rate. On an FX neutral basis, GMV grew 51% the fourth consecutive quarter of growth above 50% for that metric, and almost 20 percentage points higher than during the same period in 2015.

As a result of execution and free shipping offerings, combined with growth in MercadoPago penetration we continue to deliver strong performance in our Mexican marketplace. Mexican units sold accelerated for the fifth consecutive quarter to a multi-year high of 47% year on year, up from 15% a year ago, and almost 32 percentage points above its four year compounded annual growth rate. On an FX neutral basis GMV growth continues to grow very well, accelerating for the fifth consecutive quarter to 25% year on year, a 20% improvement versus last year, and the fastest pace of growth in the last three years.

Although we remain confident that the long term benefits of our decision to make the adoption of MercadoPago mandatory on all listings in Argentina is the right one, conversion rates in that market have continued to be negatively affected during the last quarter of 2016 by the decision, partially explaining the slowdown that we have seen in growth rates for that market.

I am also pleased to report of the ongoing development and expansion our vertical experiences across different product categories. Categories like home & outdoor, fashion & apparel and auto parts continued to steadily grow their contribution to total GMV, at the expense of our historically over indexed category: consumer electronics, that now accounts for 42% of GMV and only 18% of listings.

Unique buyers as well as repeat buyers keep displaying robust growth rates across most markets, with the first group growing over 20% for the fourth consecutive quarter, and 10 percentage points higher than a year ago. Brazil was a highlight here, as unique buyers grew at a multiyear high of 43% year over year, the highest growth rate in over three years, and a 32 point improvement versus the fourth quarter of 2015.

As a result, during the fourth quarter of 2016, units sold per buyer in Brazil (one of the metrics we use to measure user engagement) has grown almost 40% over the past four years. This is not only a testament to the success we are having in driving customer loyalty from our buyers, but also the result of the improved user experience we are delivering.

Our mobile platform, another key initiative and area of focus for us continued to make strides over the course of 2016. Downloads of our native app reached slightly above 52 million, representing 16% of total internet users in Latin America. Additionally, mobile is the largest contributor of new users to our platform, as new registrations from either mobile web or native apps represent close to 2/3 of new users registering on MercadoLibre today. During the quarter, mobile GMV grew 99% year on year on an FX neutral basis, representing 39% of total GMV, a gain of 10 percentage points versus last year.

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We continue to drive penetration of MercadoPago in countries beyond Brazil, as we remain focused on paving the way to improve transaction quality and frequency across all our markets. During the fourth quarter, penetration of Pago on our marketplace rose to 78%, up by 23 percentage points when compared to the fourth quarter of 2015. On a country by country basis, Argentina led, ascending to 92% and up 32 points from the previous year, while Mexican penetration of our payments solution grew almost 36 percentage points to 86%. Colombia is picking up nicely as well, as MercadoPago already accounts for 60% of all GMV in that country.

Our merchant service business continues to deliver great results as well. During the fourth quarter, Total Payment Volume grew 84% year on year on an FX neutral basis. Revenue growth from Merchant Services came in at an equally strong 91% year on year on an FX neutral basis.

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Shipping usage metrics continue on firm footing as well, as we aspire to drive adoption of MercadoEnvios to levels analogous to that of MercadoPago over time and across all our markets. In Mexico, adoption of MercadoEnvios has reached 50% of units sold as a result of the success we have had with the launch of our free shipping and fulfillment initiatives during the second half of 2016. Consequently, within only three months of launch, free shipping accounts for 60% of items shipped in Mexico. Additionally, we have successfully added FedEx as an additional carrier as we continue strengthening our already compelling shipping value proposition in that market.

Colombia was a highlight as well during the quarter. Within only 18 months of launch, penetration of MercadoEnvios is at almost 40% in that country, increasing 29 percentage points when compared to the same period in 2015, and the fastest pace of adoption of all markets where the service has been made available.
Argentina in turn, is the country where we have made the most inroads in cross docking inventory and having it delivered from our network's warehouse with nearly 1/3 of MercadoEnvios deliveries going through our sortation center. In line with that, we have been able to regain incremental penetration of our shipping solution in that country, gaining six percentage points on a sequential basis to 32% of all units sold.

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With that, I've covered the quarterly highlights. All in all, we are moving forward at a steady pace with our initiatives to offer a marketplace where we have more control over transaction flows and can thus deliver a better user experience to our buyers and sellers across all devices, while also delivering solid scale gains in our off platform Fin Tech services.
Now, let's take a look at how these operational highlights I have walked you through flow through to our financials for the quarter.

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Net revenue accelerated for the third consecutive quarter to $256 million dollars, a growth rate of 68% year on year on an FX neutral basis, and one of our strongest quarters from a top line perspective. In USD revenues grew 42%, the highest rate of growth in five years. On a country by country basis, revenue growth for the quarter, on an FX neutral basis was as follows: Brazil 64%, Argentina 60%, Mexico 29% affected by classifieds and shipping as I will describe shortly, Colombia 58%, and Chile 31%.

Specifically on marketplace revenues, the acceleration of unit volumes in Brazil and Mexico were again significant contributors to the strong segment revenue growth during the fourth quarter of 2016. Consequently, considering strong marketplace growth in those two markets plus Chile, and Colombia, consolidated marketplace revenues grew 74% year on year on an FX neutral basis. In USD marketplace revenue growth also accelerated at the fastest pace of growth in over two years, coming in at an equally strong 41% year on year.

Brazil's performance is worth noting here as well, as marketplace revenues on an FX neutral basis accelerated to 79% year on year. This is a 56 point increase versus the same period last year, and the fastest pace of growth in over five years. USD revenues accelerated for the fourth consecutive quarter to 108% year on year, also a multiyear high.
Non-marketplace revenues also experienced solid growth rates during the quarter. In local currencies non-marketplace revenues grew 59% and in USD revenues accelerated to 43% year on year. The main contributors to this growth story came from the following items:

- MercadoPago processing revenues accelerated to 91% year on year on an FX neutral basis, driven by the solid growth of payment volume outside the marketplace as we onboard more clients and increase the usage of existing ones. Brazil and Mexico lead the way when it comes to off platform payments growth, as each business continued to grow revenues above 100% on an FX neutral basis. Brazil has grown over 100% in an FX neutral basis for six consecutive quarters now, while Mexico has grown for seven.
- Financing revenues accelerated to 43% growth on a FX neutral basis, driven for the most part by the adoption of our credit offerings in Brazil and Argentina.
- Lastly, shipping revenues grew 65% year on year on an FX neutral basis as the pace of adoption of our shipping solution in Brazil, Mexico, Argentina, Colombia, and Chile continue to penetrate units sold and gross merchandise volume. Shipping revenues in Brazil grew by 118%, in Argentina by 10%, while in Mexico shipping generated contra-revenues as a consequence of our free shipping offering of $1.2 million dollars, resulting in revenue contraction for shipping in that country. Shipping revenues in Colombia and Chile are growing at a very fast clip, albeit from a very low base since implementation remains fairly recent in both geographies.
- And finally, classifieds revenues grew 23% on an FX neutral basis, with strong performance in Argentina, which grew 72% offset by a contraction of 29% in Mexico as a consequence of combining the platforms of recently acquired M3 and GDI under one single technology in order to gain cost and development efficiencies for the long run.

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Moving down our P&L, gross profit grew 38% to $162.7 million dollars. That lead to a gross profit margin of 64% of revenues, versus 65% a year ago, and 63% in the third quarter of 2016. The year on year margin contraction is attributable to investments in hosting, representing 30 bps of contraction; and 114 bps of contraction from higher sales due to taxes in the incremental adoption of payments, financing and shipping services, as well as COGS related to the sales of our Mobile POS payment devices.

Operating Expenses totaled $98.1 million dollars, up 17% from last year's fourth quarter, on an as reported basis.

The break down of OPEX lines is as follows:

- Sales & Marketing grew 15% year on year to $49 million dollars, growing 27 percentage points less than revenues and representing 19% of net revenues, as we invested less in brand marketing this year than last.
- Product Development Expenses, also grew less than revenues at 17% year on year to $26.3 million dollars, representing 10% of revenues, despite having grown the engineering count by 43% headcount versus 2015.
- General & Administrative expenses grew 21% year on year to $23.2 million dollars, growing 21 points less than revenues, and representing 9% of sales.

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Consequently, on an as reported basis, operating income for the quarter was $64.7 million dollars, up 92% versus last year.

Below operating income we saw $6.8 million dollars in financial expenses mostly corresponding to the interest accrual on the convertible bond we issued in mid-2014.

Interest income was $10.3 million dollars, up 77% year on year explained by higher interest rates on a larger invested base, as our MercadoPago stored balances have increased versus the fourth quarter of last year.

Our forex line was negative $500 thousand dollars, down 103% year on year as we compare against the forex gains made on USD balances held by our subsidiaries, due for the most part to the currency devaluation that occurred in the fourth quarter of last year in Argentina.

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Income tax expenses ascended to $16.3 million dollars during the quarter yielding a blended tax rate for the period of 24%, mainly due to higher share of pre-tax profits in Argentina and to tax credits in Brazil.

Consequently, as reported Net Income came in at $51.3 million dollars or 20% of revenues during the fourth quarter, resulting in a basic net income per common share of 1.16 cents.

Purchases of property, equipment, intangible assets and advances for property and equipment, totaled $13.0 million dollars. For the period ended December 2016, free cash flow was $26.9 million dollars. Cash, short-term investments and long-term investments at the end of the quarter totaled $641.2 million dollars.

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And with that, I'd like to end today's call by saying that Mercado Libre's excellent 2016 results across key operational, financial, and performance metrics reflect the benefits of adding layers of services to our core as we continue to invest in maintaining a leading technology platform that adds value to the transactions it hosts. We will continue to make sure that during this year we continue to invest behind our business through product driven

innovation with a customer centric culture across our BU’s, while also making sure we strike the right balance between profitability and our long-term focus.
I look forward to keeping you updated over the course of the year in our progress against the this strategic vision and our business updates.

With that, we can take your questions...