



MercadoLibre's Q4'23 Earnings Video Transcript

PART I: Introduction and Disclaimer - Richard Cathcart, Investor Relations Officer

Hello everyone, and welcome to the Mercado Libre earnings conference call for the quarter ended December 31st, 2023. Thank you for joining us. I am Richard Cathcart, Mercado Libre's Investor Relations Officer.

Today we will share our quarterly highlights on video, after which we will begin our live Q&A session with our CEO, Marcos Galperin, Chief Financial Officer, Martin de los Santos, Fintech President, Osvaldo Gimenez, and Commerce EVP, Ariel Szarfsztejn. Before we go on to discuss our results of the fourth quarter of 2023, I remind you that management may make or refer to, and this presentation may contain, forward-looking statements and non-GAAP measures, so please refer to the disclaimer on screen, which will also be available in our earnings materials on our investor relations website.

With that, let's begin with a summary of our results.

PART II: Overview and Financial Results - Martin de los Santos, Chief Financial Officer

Hello everyone,

I'm delighted to share that Mercado Libre delivered solid results in Q4, marking a strong conclusion to an outstanding year. Overall, 2023 highlighted the strength of our financial model and its future potential, as well as the powerful impact of the compounding of several years of investment in technology.

For our Commerce business, it was a year of accelerated growth and market share gains in most countries. We achieved this by continuing to make improvements in the value proposition for buyers and sellers in our marketplace.

I would like to highlight three important initiatives that contributed to our success in commerce:

1) We continue to invest in having the widest product assortment in order to offer the best buying experience to consumers. A key contributor to this was the acceleration of our first-party business, particularly in Brazil where it grew by 81% in 2023.

2) We continued expanding our logistics network, with record fulfillment penetration of almost 50%, which provided an improved user experience to our buyers. This resulted in faster shipping and fewer late deliveries, particularly around the Christmas season

3) Our Ads business continues to deliver impressive results, growing revenues at an accelerated pace. During 2023 we onboarded almost 50,000 new advertisers who appreciate the value of promoting their products on our pan regional platform

On the Fintech Front, Mercado Pago maintained its strong momentum as users and merchants continue to adopt our services.

In Acquiring we delivered solid TPV growth and gained market share in most countries where we operate, both in online and instore payment. We made improvements in approval rates and deployed new features that enabled us to move up market, enhancing our value proposition to SMBs.

In Fintech Services, we have expanded our product offerings and made improvements to user experience. The increased engagement with our products resulted in Mercado Pago achieving the milestone of surpassing 50 million active users in a single quarter.

The Credit business continues to be an important piece of our Fintech strategy and it delivered another quarter of strong results, with accelerated growth and solid spreads as we continue to cautiously manage risk.

During Q4 MELI delivered strong financial results. Revenues grew by 42% YoY, accelerating both Fintech as well as commerce due to the strong execution during the peak season and investments we made throughout the year.



For the quarter, we delivered a 13.4% EBIT margin, excluding one off expenses from previous years as explained in the Letter to Shareholders.

This represents margin improvement from Q4 2022, while we continue to invest in building our logistics infrastructure, supporting our MELI+ loyalty program and expanding our credit card offering.

Following our strong financial performance in 2023, it is a good time to reflect on the journey over the past six years. During that time frame, we multiplied our revenues by 10x, while achieving significant improvements in profitability, culminating in nearly \$2bn of Income from Operations in 2023.

In recent years, we have increased our investment in technology which enabled us to launch multiple products and services and make significant improvements in user experience. We have grown our development team by more than 10,000 in the last three years alone and currently have almost 16,000 engineers that are constantly working to create the best experience for all of our users. We remain committed to our technology-led strategy in order to continue delivering sustainable results for MELI.

We enter 2024 with optimism about our growth opportunities and confidence in our capacity to continue to execute on our strategy.

Now, back to Richard to share some product initiatives for 2023.

PART III: Business Highlights - Richard Cathcart, Investor Relations Officer

As a technology company with more than 15 thousand developers, launching new products and features is at the heart of our business, as we continue to innovate. Innovation is about new products and businesses, but it is also about being attentive to and passionate about detail, and solving multiple small customer pain points that compound into a great customer experience.

2023 was no different, we've launched several new products and services, such as the MELI+ loyalty program, MELI Delivery Day, credit card for consumers in Mexico and for businesses in Brazil, amongst many other things. We've also vastly improved our core products with several new experiences that build onto our value proposition, as we continue to strive to offer our users the best experience. Today, we want to share some of this years highlights.

In commerce, we continue to look at the specific needs of each vertical to improve the user experience, as we believe this will drive offline consumption online. In 2023, we considerably improved the navigation in fashion, apparel and sports, with standardized filters across brands and sellers, enabling consumers to find what they need more quickly. On the product page, users can also see the "More like this" section to find similar items to a product that the user has clicked on, rather than simply going back to the search results. This feature is powered by Artificial Intelligence.

AI based features are already an integral part of the MELI experience, with many innovations launched in 2023, including:

- A summary of customer reviews on the product pages that concentrates the main feedback from buyers of that product.
- On beauty product pages a summary of product functions and characteristics is automatically created to facilitate buyers choices.
- Push notifications about items left unpurchased in shopping carts are now highly personalized and remind users why they may have chosen to buy a particular product.
- We have also added an AI feature that helps sellers to respond to questions by preparing answers that sellers can send immediately, or edit quickly.

To deliver a better experience for our sellers, we launched a new version of the seller hub, where they can see all of the promotional campaigns available for them to participate in. A new pricing tool also enables sellers to easily compare prices with competitors and / or similar products, and receive insights and recommendations on how to boost sales.

In 2023, we also relaunched our Ads tech stack. An automated buying platform was launched for Display Ads, accompanied by live reports and unique insight analysis. We enhanced our bidding algorithm for Product Ads and introduced new placements on search and product pages that give more visibility to sponsored products. Our Brand Ads solution was also launched as a mid funnel campaign option to enhance consideration for brands.



Our stack also now includes a feature for agencies to be able to manage different brands through the platform. Brands, sellers and official stores can delegate certain products, or even the whole assortment, to a specific agency. The agencies are now able to manage all accounts delegated to them in one place.

And to expand the possibilities given to advertisers, a new tool of custom audiences was launched, and later expanded, enabling advertisers to use filters to create an infinite combination of audiences for their campaigns.

Finally in Advertising, MELI Play was launched as an ads based streaming platform. Through a revenue share model with studios, we are able to offer free content to our users across the region, enabling us to explore a new revenue stream for Ads.

In logistics, most of the technological improvements were “behind the scenes” and were crucial in helping us to maintain costs broadly stable as a % of GMV whilst expanding fulfillment penetration. We optimized routes from first to last mile, fulfillment center processes and demand prediction. One more tangible example in fulfillment is the recent implementation of a robotics pilot to automate the picking process and gain efficiency.

On the UX front, buyers are now notified that their package is being delivered, and can follow it through their app.

For sellers that adopt fulfillment, an enhanced tool to manage inventory brings intelligence to the process, flagging products that need to be replenished, how many units should be sent to us, among other insights.

At Mercado Pago, we continue to innovate as we consolidate our position as one of the region’s leading Fintechs. In the Acquiring business, the launch of the Mercado Pago Tap brings a free POS option to merchants by turning their cellphones into a tool to receive payments via NFC technology.

We have also improved the pairing process of mobile POS devices with merchants’ cellphones’ and worked behind the scenes to reduce processing times, which had a positive impact in NPS and helped improve the experience for merchants and buyers.

And in Fintech Services, MELI continued to search for ways to facilitate financial inclusion. During the second quarter we launched our micro credit cards, with smaller limits, which enable consumers to start building a credit score and take advantage of the possibilities a credit card brings - for many, the first one ever.

Innovations in credit enabled us to achieve new users. For offline merchants, we now offer a business credit card, using open finance to contribute to scoring. For consumers in our lower risk cohorts, a new product enables them to opt for larger, longer duration loans in our app, personalizing it to their needs and expanding the use cases of our credit product.

As our product stack expands, we have focused on facilitating and simplifying navigation around all the different products available on MercadoPago. Our digital account home page combines the most used features, such as transfers, credit limits, utility payments, investment positions and insurance, adapting to the user’s profile. We have seen increased traffic to all of our key digital account products as a result.

With more personalization, we now have a seller home page that prioritizes the features most needed on the day to day of merchants that use Mercado Pago.

Digital account users in Brazil can now see a summary of their monthly activity on a personalized report, an enhancement that brings more information about their financial status to the user. On this touchpoint, new offerings that can begin to be used are also shown.

All of the innovations offered by Mercado Libre and Mercado Pago continue to have a deep intrinsic impact in Latin America by generating economic and financial inclusion for entrepreneurs and individuals. A recent report in partnership with Euromonitor shows that Mercado Libre is the main source of income for 1.8 million families in the region and that for 54.4% of users in the region, Mercado Pago was the first digital payment method available to them.

This was just a snapshot of the innovations delivered by our teams during 2023; in 2024 our users can expect even more because at MELI, the best is yet to come.

Thank you



> **CONTACT:**

MercadoLibre, Inc.

Investor Relations

investor@mercadolibre.com

<http://investor.mercadolibre.com>
