



> August 2<sup>nd</sup>, 2023

Q2'23 Results

## MercadoLibre's Q2'23 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 June 30th, 2023. Thank you for joining us. I am Richard Cathcart, Investor Relations Officer at Mercado Libre. Today we will share our quarterly highlights on video, after which we will begin our live Q&A session with our Chief Financial Officer, Pedro Arnt and Fintech President, Osvaldo Gimenez, and Commerce EVP, Ariel Szarfztejn.

Before we go on to discuss our results of the second quarter of 2023, I remind you that management may make, and this presentation may contain, forward-looking statements, so please refer to the disclaimer on screen, which will also be available in our earnings materials on our investor relations website.

Before turning to our quarterly results, we would like to highlight that our new Investor Relations website is live and has new resources, such as videos, podcasts and frequently asked questions to help investors better understand our business. We have also improved navigation around the site, making it easier to find our earnings and SEC documents.

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

### **PART II: Overview and Financial Results - Pedro Arnt, Chief Financial Officer**

Hello everyone. I'm pleased to share with you that Mercado Libre continues to sustain its strong momentum over the last few quarters. Q2'23 was once again a very, very solid quarter. Rapid top line growth and strong margin expansion were broad-based across geographies and business units, showing the strengths of our business and the potential of our financial model as we continue to scale.

Let me begin with the financial highlights. Our revenue growth remains high despite our size, and this, combined with operational efficiency and scale, led to a big step-up in our income from operations margin. Income from operations more than doubled year-on-year, reaching a new quarterly record.

This quarterly result is a testament to the potential for solid margin expansion combined with above market rates of growth inherent in our performance. In the short run, not every quarter will look like this, there are still multiple growth vectors for us to invest behind, but it certainly points to the long term margin and cash upside we believe we can deliver.

Turning to the KPIs of our commerce business: in Q2, Mercado Libre's GMV surpassed the 10 billion mark for the first time. This growth was driven mainly by Brazil and México, which overtook Argentina to become our second largest commerce geography for the first time. Brazil and Mexico both delivered an acceleration of successful items growth compared to the previous quarter. As we continue to bolster MercadoLibre's value proposition, our leadership position in the region has been going from strength to strength.

Other highlights in Commerce include fulfillment penetration in Brazil, which is accelerating, reaching a new high and also a further pickup in growth of our first party business, which grew well ahead of overall GMV during Q2.

On top of that momentum, in our Advertising business remained strong, with revenue reaching the equivalent of 1.6% of GMV, driven by higher engagement with Product Ads.



Mercado Pago's TPV growth remained strong as well. The acquiring business delivered higher TPV per device, as our move upmarket to larger SMBs continues to deliver successful results in both Brazil and México.

On the digital account front, TPV and engagement with our more complete product stack also improved, as the KPIs indicated. Insurtech and asset management, newer and smaller businesses, are also gaining traction as these products scale and we improve the experience and product offering to our consumers.

Turning to credit, NIMAL continues to expand on the back of healthy spreads in México, a good performance from the credit card in Brazil and overall broadly stable delinquency.

We are, once again, pleased to share MercadoLibre's strong results with our shareholders. We will continue to develop our value proposition, investing aggressively, yet with discipline and always focusing on long-term value creation.

Just before we go into the Q&A, Richard will share some more detailed business news with you. Thank you, and I look forward to reporting back to you in a quarter.

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

Today we want to share a more detailed view of our fintech operations in México. For Mercado Pago, México represents an exciting opportunity. It is a growing country, with a large population that currently has lower adoption of financial services than other markets in Latin America, such as Brazil.

Over the last few quarters, we have been rolling out our fintech product stack in Mexico, positioning MercadoPago as one of the leaders in the development of the market for digital payments and other financial services. Our strategy is to serve both payers and merchants, focusing on users that are already within our ecosystem. As we do this, we build on the trust of Mercado Libre's brand, and build on the user relationships and knowledge from the commerce business to better serve our fintech users.

Mercado Pago users in México can open their digital account within minutes, for free. The money stored in the account generates interest at the benchmark rate through a partner and can be used at any time with our free debit card, money transfers and online payments. To get money into the account, users can transfer from other banks or use our money-in solution at physical stores, an important feature in an economy where cash is still dominant.

Another important characteristic of the Mexican market is remittances, a service used by millions of Mexicans every month. For Mercado Pago, this represents an opportunity to encourage the digitalization of cash, with transfer directly into the digital account. Mercado Pago offers these transfers through partnerships with two established and renowned players, and recently launched a third partnership with an exciting startup, Felix Pago.

Our consumer credit solutions are popular in México and continue to perform well with our buy now, pay later product having higher penetration on the marketplace than our other geographies. This highlights the synergies of our ecosystem, with marketplace knowledge helping the underwriting of credit. We also offer consumer loans, with money deposited into the users account to fulfill day to day financial needs. The consumer credit book has increased in size significantly in the last 12 months and continues to perform well, with strong profitability and stable NPLs.

In the first half of 2023, we launched our credit card in México to complement our consumer credit offer. This is an important product for the development of the market in Mexico as it drives engagement, principality and digitalization of cash. This product is still at small scale, but we expect it to be a key piece of the Pago value proposition in Mexico in the long-term.



On top of that, this year we have expanded our insurance solutions, another important product with low penetration in Mexico. Like in other geographies, we began by offering extended warranties for items bought on Mercado Libre, followed by insurance for life, cellphones, personal accidents and digital account cover, building a complete product stack for consumers' core needs. In Q2, we expanded the extended warranty product to cross-border purchases for the first time.

In an underbanked country like México, our strategy has been to serve and develop both sides of the market - payers and merchants - to drive market development. By bringing more consumers to digital finance, we also drive adoption among merchants in the country.

That is why Mercado Pago offers complete payment solution to these merchants, combined with the fastest payment settlement in the market and competitive receivables discount rates. During 2023, we increased our focus on our smart POS in Mexico, aimed at larger merchants that generate higher TPV. Merchants also have access to online payment tools and are able to offer payments in installments to their buyers.

On top of these products, Merchants can access credit lines through Mercado Pago, many for the first time ever, to grow and develop their businesses.

México is a market that is still at an early stage of development, but presents sizable opportunities for Mercado Pago and Mercado Libre. With a robust product offer, we firmly believe in the potential of our value proposition to Mexican individuals and merchants, and will continue to work to tailor our services to their needs.

As always, *the best is yet to come!*

**Thank you**



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