



## MercadoLibre's Q3'23 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 September 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 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 third 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 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.

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 Martin de los Santos, MercadoLibre's CFO. For those of you who haven't met me, I have been at MELI since 2007, first as a board member and since 2012 as part of the management team. For the past 7 years, I have led the Credits business until last August when I took the position of CFO. I look forward to meeting as many of you as possible in due course.

I'm pleased to report a strong set of results in my first quarter as CFO. With a successful third quarter across geographies, 2023 continues to show an attractive combination of growth and profitability, with a new record in income from operations.

With strong momentum across geographies in both Commerce and Fintech, MELI's revenue growth accelerated. Mexico was particularly strong, with revenue growing above 60% year-on-year, whilst Brazil also posted a great performance with around 40% growth. These two countries have again increased their contribution to our total revenues.

This strong business growth, combined with cost discipline, led to opex and SG&A dilution as the business continues to scale. Income from operations more than doubled year on year for the fourth consecutive quarter, with margins expanding once again. Brazil was the largest contributor to our profit growth, representing a significant portion of it.

During Q3, in the commerce business, we saw acceleration in GMV and items sold growth in the three main geographies, with higher items per buyer. This higher user engagement comes from continued experience improvements, especially on the logistics front, where we reached 48% of fulfillment penetration and offered better delivery promises, improving conversions, and the further development of categories through technology. As a result, we had a record of 50 million users and market share gains, especially in Brazil and Mexico.



At Mercado Pago, off-platform TPV accelerated in all main countries. We saw an increased number of users and higher engagement metrics, as we position Mercado Pago as a comprehensive financial services provider. On the digital account, we are particularly excited about engagement, with more people using the remunerated account and other asset management solutions in Brazil and Argentina, and better NPS in Mexico from UX improvements. In Payments, the highlight for Q3 has been online payment solutions that presented strong growth across the region.

The credit business continues to perform within our expectations with very healthy spread levels. As we saw NPLs improving, in particular in Brazil, we have accelerated originations of all our products. During Q3 we issued over 1 million credit cards and surpassed 1 billion dollars in TPV for the first time. As our underwriting models continue to improve, we can tap into new opportunities such as offering larger credit lines with longer durations to the best cohorts of consumers.

Overall, in Q3 we achieved a combination of rapid growth, scale gains and margin improvements, showing the strength of our economic model. To deliver these results, we have invested in technology that provides a world class user experience and enables us to be more efficient in terms of our cost structure. These results give us confidence to continue investing in future growth opportunities.

And now, back to Richard with business news.

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

During Q3, Mercado Libre re-launched our loyalty program as MELI+, an important step to enhance our loyalty value proposition, with a simpler structure, more compelling shipping benefits and premium video and audio content. With MELI+, we now have a brand in which we can invest to raise awareness and increase engagement with MELI's ecosystem.

MELI+ gives users access to a world class content bundle, free shipping above 29 reais and 12 months with free music from Deezer, among other perks.

Our content bundle for MELI+ users includes Disney+ and Star+ and special discounts to subscribe to HBO Max, Paramount+ and Lionsgate+.

Through Deezer users are able to access a complete library of audio content and music, a service that we think users will be able to enjoy on a day-to-day basis.

Users see the MELI+ offering throughout our apps and website, where the value proposition becomes clear as they shop with us, with the MELI+ logo clearly highlighted, building the brand of the loyalty program.

The shipping benefits are key to the program. MELI+ users get free shipping on millions of items above \$29 reais, versus the standard free shipping threshold of R\$79, if the product is in one of our fulfillment centers and chosen for delivery on the user's MELI Delivery Day.

As consumers look for products on MercadoLibre, they will see the MELI+ logo on the products that are eligible and they can filter their search for MELI+ items.

As a new delivery option, loyalty users can choose a specific day of the week to receive all their packages. This solution enables us to sell and deliver lower value items with the great experience that MELI is known for whilst maintaining cost discipline in our P&L.

Users still have the option for same and next day delivery if they want their items delivered quickly, if they are willing to pay for shipping on items below the free shipping threshold, or for free for items above the threshold.



To access all of these benefits, users can subscribe or earn their way in organically by engaging with MELI's ecosystem. Subscribing is quick and easy, and users choose between a credit card, automatic charge from their Mercado Pago account or a monthly invoice, so the subscription is accessible for different types of users. We are able to offer buyers the full benefits bundle for just the equivalent to 2-3 paid shipping charges.

For users who earn points by shopping with MercadoLibre to get the MELI+ membership, our credit card offers the double of points, enabling users to reach the loyalty status more quickly.

In August we launched a big marketing campaign to raise awareness of the program, and initial results give us confidence that MELI+ complements our value proposition, bringing extensive benefits to even more MercadoLibre users.

We're confident in the program's long-term potential because, as always at Mercado Libre, **the best is yet to come.**

**Thank you**

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