MERCADOLIBRE 2Q'21 EARNINGS CONFERENCE CALL SCRIPT

August 4th, 2021

PART I: INTRODUCTION AND DISCLAIMER – INVESTOR RELATIONS

Hello everyone, and welcome to the MercadoLibre earnings conference call for the quarter ended June 30th, 2021. I am Lissa Schreurs, Investor Relations Officer for Mercado Libre. Our Chief Financial Officer, Pedro Arnt, will be leading today's prepared remarks. Joining him on the line is Chief Executive Officer of MercadoPago, Osvaldo Giménez, who will be available during today's Q&A session.

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 included in this conference call, for a variety of reasons, including those described in the forward-looking statements and risk factor sections of our Form 10-K for the year ended December 31st, 2020, "Item 1A-Risk Factors" in Part II of our Form 10-Q for the quarter ended March 31st, 2021, and any of MercadoLibre, Inc.'s other applicable filings with the Securities and Exchange Commission, which are available on our investor relations website.

I will now turn the call over to Pedro…

PART II - OVERVIEW & FINANCIAL RESULTS – PEDRO ARNT

Welcome everyone, and thanks for joining our second quarter 2021 earnings call.

I am pleased to announce that the team here at MercadoLibre delivered another quarter of strong growth in our commerce and fintech businesses in Q2 2021, achieving record levels in both volume and revenues. This strong performance builds on the solid first quarter we had this year. We believe that our business is showing tremendous momentum despite immense volatility in our key markets due to the frequent closing of physical retail across Latin America. I am proud to see the consistent execution of our plans while prioritizing innovation, speed of execution and user experience, all elements that are at the core of our corporate DNA.

As hopefully the region, and the world, prepare for a return to a post pandemic reality, we see Latin America with enormous potential for continued growth in digital services. The last 18 months have generated a step function increase in digitalization of commerce and finance, setting the stage for sustained long term growth throughout the region. In its latest 2021 report, eMarketer has pointed to Latin America as the leading region in the world for ecommerce sales growth, with almost 10 percentage points higher projections than the worldwide average. Additionally, three of our top markets, Brazil, Argentina and Mexico, were listed among the top 5 growth markets globally. To deliver on that opportunity, we maintain our focus on executing our strategic plan, as we have until now.

Taking a more short term look, as the region re-opens, our businesses are scheduled to face tougher comparable growth rates as we fully lap 2020's surge. The data so far is encouraging, as it seems to point to consumer behaviour shifts towards online purchasing having staying power. This preliminary optimism can be quantified in the two year growth stacks for Total Payments Volume on a consolidated, FX-neutral basis, which have accelerated from around mid 140% in Q1'21 pre-pandemic, to nearly 200% this past quarter as economies re-open. We will continue to observe these trends for the second half of the year, as more reopenings occur across Latin America.

With those opening remarks, let me now begin our quarterly review with an update of our Commerce business during the second quarter. For the quarter, the first that compares against a prior year fully affected by a surge in demand for e-commerce driven by lockdowns, consolidated gross merchandise volume grew 46% year-over-year on an FX neutral basis, reaching over $7 billion dollars. This represents an increase of almost $1 billion dollars sequentially. We sold almost 245 million items in Q2, a growth of 37% year-over-year. We also saw improvements in the level of transactions per buyer compared to historic marks, a sign that we are sequentially driving increased engagement by our users. This quarter we reached a record of 37,8 million unique buyers on our commerce platform alone.

At the segment level, we experienced strong growth in our key geographies. Brazil grew over 40% on an FX neutral basis versus the prior year in GMV, with over 125 million items sold this quarter. Argentina continues to post strong GMV growth, reaching over 60% year-over-year, on an FX neutral basis, and with an all time high number of unique buyers. We are also pleased to see that Mexico, who has eased out of lockdown restrictions in Q2, having maintained the number of buyers that we attracted in Q1. This led to increasing the items sold year over year by 30% and growing 29% in GMV on an FX neutral basis during Q2. Finally, in Chile, where we have called out accelerated growth rates over the last two quarters, we are proud to have reached a growth of over 230% year over year on an FX neutral basis.

We continue to invest in product breadth and shopping convenience as drivers to attract and retain buyers. As a result of our commercial efforts to increase assortment with our current and newer sellers across key categories, we once again grew total live listings this quarter posting another record in selection availability. Beyond strengthening categories where we historically have a strong GMV, such as auto parts, home and industries, and consumer electronics, part of the surge in product depth comes from our continued expansion into consumer packaged goods and our supermarket experience. As an example, our recent partnerships with local physical food retailers, such as Grupo Pão de Açucar in Brazil, are off to a strong start. Buyer demand has surpassed our expectations and we began accelerating fulfillment operations to strengthen our category experience as we look forward to adding more partners for the category. These warehouses will also help our first-party inventory, which also plays an important role in complementing the product assortment from partners in this category.

We are also enthused about initiatives that will expand our assortment in Fashion and Apparel. We have dedicated product development teams working on recently implemented improvements to the search and navigation aspects of our site to facilitate discovery of items in these categories. Along those lines, apparel is a key category to be featured in our upcoming live streaming platform which we have already begun testing over the last few months. With the additions of loved fashion brands and retailers such as Grupo Restoque, Asics, Nike and the most recent announcement of our partnership with Grupo Arezzo, we believe we continue making important strides in this category.

As markets gradually continue to reopen, we are directing our investments towards initiatives that will spur continued growth as well as user engagement and retention. So far this year, marketing investments have been geared towards stronger promotional events and increasing our coverage of orders with free shipping. We have also been driving branding campaigns to reinforce our brand's connection with our users and merchants. We believe these investments solidify our brand's trust as a marketplace for frequent purchases, and expect to continue ramping up investment levels during the second half of the year.

On the retention front, we are encouraged by the positive trends we have observed so far in terms of engagement through our loyalty program. The users on our loyalty programs premium levels continue to grow as our user base engages in a growing number of additional MELI services. For example, we see a consistent increase in users in video and audio content subscriptions that are offered at a discount for loyal users.

Along with these efforts in category development, we believe that these marketing and loyalty initiatives are crystalizing the online shopping habit formation within our marketplace.

Let me now turn over to Mercado Envios, where we have consistently been delivering transformative change. This is another key area of investment that we believe to be driving a distinctive experience for buyers and sellers and underlying our sustained growth.

This quarter we shipped over 230 million items, reaching increasingly faster speeds and reduced unit shipping costs on a consolidated basis. We took another step towards boosting our managed network in Q2, reaching a penetration of 83% on a consolidated basis, advancing in all geographies where we operate with our logistics solutions. Fast delivery at an efficient cost is a key priority for us. To keep pushing our boundaries on this front during the second quarter we launched Same Day shipping deliveries from our Fulfillment centers in Brazil, Mexico, Argentina and Chile. In Brazil, with our current footprint, the same-day solution can reach almost 20% of national postal codes.

Beyond our fulfillment operation, fast delivery is also made possible through our expanding cross docking network and our flex solution. Cross docking represented over 40% of shipments in Q2, leveraging our extensive network of pick-up and drop-off points throughout the region. Our Flex service, where we leverage the logistics capabilities of our existing merchants for same-day deliveries, is currently available in five major cities in Latin America and has a penetration of over 9% on our managed network. With all these adaptive logistics solutions, we saw sequential improvements in delivery times in Brazil, Argentina and Mexico this quarter, and on an aggregate level considering all shipping modalities and geographies our average delivery time is less than a day and a half.

All these Envios initiatives led to the first quarter ever where over half of all purchases on MELI were delivered the same or next day, we believe this to be a remarkable achievement. We are excited about the great advances in Shipping we achieved over the last year, and there is still more to come as we take our logistics expertise to more geographies and cast a wider net in terms of free and same-day deliveries.

Let's now review our performance for FinTech.

During Q2, MercadoPago surpassed $17.5 billion dollars in total payment volume on a consolidated basis, growing 72% on an FX-neutral basis year-over-year. This represented a total of almost 730 million transactions for the quarter, almost 100 million more compared to the first quarter of 2021 and growing 80% year-over-year.

Off platform, TPV grew by 94% compared to Q2'20, reaching $10.3 billion dollars. We were very pleased to see TPV rising both in B2B and B2C payment solutions.

Starting with the merchant solutions, we are particularly glad to see strong levels of TPV for Online Payments for the quarter. TPV for Online Payments grew 67% year-on-year on an FX-neutral basis, with strong advances in Brazil, Argentina and Chile. We are expanding structurally into SME and longtail sellers through partnerships with other ecommerce platforms, for which we are the standard checkout option. In addition, the cross selling of online payment services into our mobile point of sale seller base has also been an important channel for adding merchants.

For Point, our point-of-sale offering, we accelerated TPV growth in the second quarter, delivering 94% growth year over year on a consolidated, FX-neutral basis. This is the highest TPV growth rate booked for Point since the onset of the pandemic in 2020, even in the context of continued lockdowns throughout part of the region. Device sales are still booming, having reached a total of 1.1 million devices sold this quarter, and with a more premium device mix compared to prior periods. While Brazil continues to drive most of the growth for Point, we also see consistent traction in Argentina and a rapidly scaling business in Mexico.

Turning now to B2C solutions, our Wallet business booked a total payment volume growth rate of 107% on a consolidated, FX neutral basis. Our Wallet, as one of the features within our digital account, is showing multiple signs of improved engagement levels from users, growing 43% in amount of payments per user, as well as showing sustained growth in average transaction value. In addition, more Wallet users are keen on investing their savings in the MercadoPago digital account. For the second quarter we reached almost 19.3 million investment accounts, up from 11.4 million in Q2’2020 and 15.7 million in Q1’2021.

Overall, our payments ecosystem has added and engaged more users in Q2, both payers and collectors, compared to the previous quarter. We reached over 39 million payers off-platform, with over 15 million payers just from the Wallet this quarter. On the collectors side, in Q2 we reached 13.6 million total off-platform sellers, a record for us, and up from 6.9 million during the same period last year.

Over this wide and growing base of users, we are confident that we can continue to overlay financial services through the digital wallet such as insurance, debit cards, and, more immediately, access to credit loans, which I will now review in more detail.

Our Credit business grew significantly in Q2. We originated another record - over 700 million dollars in credit this quarter. This compares to 133 million in the same period last year. As such, we closed Q2 with our largest portfolio so far, reaching over 800 million dollars. We see strong and consistent growth from all three of our credit books: consumers, merchants online and merchants offline.

Credits to consumers, in particular, are driving the most accelerated growth rates and now represents over 50% of our current total portfolio. As an important channel for consumer credit, the ‘Buy Now, Pay Later’ feature for payments within our Wallet has already reached double digit penetration rates in Brazil and Mexico. On the country level, we had the most significant uptick in originations coming from Mexico this quarter, and Brazil and Argentina continue to expand at impressive triple-digit growth rates. We have reached approximately 27 million consumers with approved credit lines in the region by this point, almost 9 times more than Q2 of last year.

After the temporary increase in NPLs we had experienced at the beginning of Q1 stemming primarily from government financial aid user cohorts, we have returned to overall healthy NPL profiles for our credit book in Q2 and feel confident to keep expanding our credit offering while managing healthy margins after loss provisions.

We also expanded the roll out of the MercadoPago proprietary hybrid, NFC enabled, card in Q2, issuing an additional 4.2 million cards, almost 3 million of which are in Brazil. Particularly in the month of June, we began to accelerate the credit card distribution and activation for some user cohorts, with many more yet to activate in the coming quarters. The early responses of our new credit card users are encouraging as they tend to have higher customer satisfaction with MercadoPago services overall and have been consistently increasing their credit card use frequency over these initial trial periods.

We believe that the Credit business is foundational in our efforts to democratize access to money in Latin America. In a region with high indexes of unbanked and underbanked populations, demand for loans of all sizes and circumstances is rampant. Our extended marketplace from the commerce and the payments verticals gives us the infrastructure, expertise, and data to properly score, distribute and manage loans to a variety of profiles.

With that, let’s now turn to our review of financial results for the second quarter.

I’ll start with the P&L. Following a strong first quarter in terms of revenues, we maintained strong traction in revenue growth and in Q2 we reached $1.7 billion dollars in net revenues on a consolidated basis, growing

94% in US Dollars and 103% on an FX neutral basis.

At the country level, on an FX neutral basis, Argentina grew 112% and Mexico 76%. In Brazil, on an FX-neutral basis, we surpassed 100% growth in net revenues this quarter. In all key geographies there was a significant contribution to revenue growth from both commerce and fintech.

For the quarter, Gross Profit was $754 million dollars at a margin of 44.3%, decreased from 48.6% in Q2 of 2020, but improving compared to the three prior quarters. Margin dilution year over year is largely a consequence of our expansion of the first party commerce sales, and roll out of logistics fulfillment center operations. Sequentially, over the last year, we have been leveraging margin expansion in our payment collection fees and, since Q4’2020, have captured efficiencies in our shipping unit costs. As we do every quarter, we’ve included a detailed breakdown of these margin effects in the slides accompanying this presentation, as well as the OPEX margin evolution.

Following the trend from the first quarter, during the second quarter we continue to see scale and efficiency effects in our operating expenses year over year. Operating expenses were $588 million dollars, which represents 34.5% of net revenues, sustaining and slightly improving the operating leverage from prior quarters while maintaining consistent investment levels in product development and sales and marketing spend.

During the second quarter, we reached strong, triple-digit top-line growth on an FX-neutral basis while delivering an improvement in EBIT profitability levels. We believe that we are investing towards sustainable growth and starting to reap some of the scale advantages that flow through our P&L.

Wrapping up our performance highlights for today, a final reflection. For many countries in Latin America, physical retail is only beginning to reopen, and there is still much uncertainty in the region surrounding the pandemic. Given this backdrop, our role is to keep expanding our ecosystem by staying committed to improving our service levels and our reach with our merchant and user bases. In addition, we will continue committed to investing in both user acquisition as well as improving and investing behind more features and user experience that improve customer retention and engagement, key factors of sustaining preference for the digital commerce and financial services that we can offer.

Finally, I would like to thank our now 20 thousand employees and our extended community of partners for another quarter of outstanding execution.

We are grateful to everyone who has joined our quarterly conference call, and I look forward to sharing our progress next quarter with you. We are now happy to take your questions.

THANK YOU

