



MercadoLibre, Inc. Reports Financial Results for Second Quarter 2008

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Q2'08 Revenue Increases 81.7% to \$34.5 Million

Q2'08 Operating Income of \$8.1 Million; Q2'08 and Operating Income of \$9.7 Million Excluding Non-Recurring Compensation Expense

Q2'08 EPS of \$0.07; Q2'08 EPS of \$0.10 Excluding Non-Recurring Compensation Expenses

BUENOS AIRES, Argentina, Aug. 12, 2008 (PRIME NEWSWIRE) -- MercadoLibre, Inc. (Nasdaq:MELI) (<http://www.mercadolibre.com>), host of the largest online trading and payments platform in Latin America, today reported financial results for its second fiscal quarter ended June 30, 2008.

"The second quarter was a very good one for MercadoLibre, as our businesses continued to deliver value to our increasing community of users," said Marcos Galperin, President and CEO of MercadoLibre. "Focusing on meeting the constantly evolving needs of our buyers and sellers is a central tenet of our Company's strategy for sustaining growth in our e-commerce and payments platforms and the best way to generate long term value for our stockholders."

Financial Results

Second Quarter Results

MercadoLibre reported consolidated net revenue for the three months ended June 30, 2008 of \$34.5 million, an accelerating quarterly year over year revenue growth rate of 81.7%. Second quarter marketplace revenue grew 76.0% to \$28.3 million from \$16.1 million for the prior year period. Payments revenues grew to \$6.2 million for the second quarter, up 113.4% from \$2.9 million for the same period during 2007. Revenue growth was primarily driven by accelerating growth in both gross merchandise and total payment volume, and by the strong results from classifieds and ad sales, as the Company continues to ramp-up its efforts in these newer offerings.

Gross profit grew 84.1% to \$27.6 million from \$15.0 million in the prior year second quarter. Gross margin improved to 80.0% from 78.9% in the second quarter of 2007.

Income from operations grew 69.6% to \$8.1 million from \$4.8 million for the same period during 2007. As expected, income from operations included \$1.5 million in anticipated compensation costs related to the Classified Media Group (CMG) acquisition. Excluding the compensation expenses, second quarter income from operation grew 101.8% to \$9.7 million. Operating income margin, including the compensation costs was 23.6%. Excluding the compensation costs, operating income margin was 28.1%.

Income tax expenses were \$2.5 million for the second quarter of 2008, an increase of 35.2% over tax expenses of \$1.8 million for the same period one year earlier. Net income for the three-month period ended June 30, 2008 was \$2.9 million, compared to \$0.6 million during the same period of 2007, an increase of 398.8%. Net income excluding compensation expense would have been \$4.5 million for the second quarter of 2008.

Earnings per share for the second quarter of 2008, both basic and diluted, were \$0.07 per share. Earnings per share, excluding compensation expenses would have been \$0.10 per share, both basic and diluted, for the quarter.

Six Month Results

Revenue for the six months ended June 30, 2008 increased 78.7% to \$63.3 million compared with \$35.4 million for the prior year period. Gross profit increased 80.3% to \$50.4 million from \$27.9 million from the prior year period, representing a gross profit margin of 79.6% for first half of fiscal 2008.

Income from operations increased 88.1% to \$14.7 million from \$7.8 million for the six months ended June 30, 2008.

Net income for the six months ended June 30, 2008 was \$5.0 million, compared to \$1.6 million for the prior year period, an increase of 216.4%.

Key Performance Metrics

Following are highlights on certain key performance metrics for the second quarter ended June 30, 2008.

Registered Users -- New confirmed registered users for the three month period ended June 30, 2008 were 1.6 million, generating a cumulative confirmed registered user base of 28.1 million users as of June 30, 2008, an increase of 30.5% over the 21.6 million users registered as of June 30, 2007.

Transaction volume -- Gross merchandise volume was \$515.5 million for the second quarter of 2008, a 50.3% growth from gross merchandise volume of \$343.0 for the same period during 2007. MercadoLibre totaled 5.1 million successful items during the second quarter of 2008, 21.1% more than the 4.2 million successful items sold during the same quarter of 2007. Total payment volume was \$66.8 million during the three-month period ending June 30, 2008, a growth of 115.6% over total payment volume of \$31.0 million for the same period of 2007.

"We are proud of the work our teams have carried out so far this year, and look forward to the second half of 2008 as we continue to focus on delivering a world class trading experience for our community of users," said Mr. Galperin.

Conference Call and Webcast

MercadoLibre will host a conference call to discuss results for the quarter ending June 30, 2008 today at 4:30 p.m. Eastern Time. The conference call may be accessed by dialing 719-234-0008. A live webcast of the conference call can be accessed at the company's investor relations website at <http://investor.mercadolibre.com/>. An archive will be available for one week following the conclusion of the conference call.

Definition of Selected Operational Metrics

New confirmed registered users -- Measure of the number of new users who have registered on the MercadoLibre marketplace and confirmed their registration.

Total confirmed registered users -- Measure of the cumulative number of users who have registered on the MercadoLibre marketplace and confirmed their registration.

Gross merchandise volume -- Measure of the total U.S. dollar sum of all transactions completed through the MercadoLibre marketplace, excluding motor vehicles, vessels, aircraft, real estate, and services.

Successful items -- Measure of the number of items that were sold/purchased through the MercadoLibre marketplace.

Total payment volume -- Measure of total U.S. dollar sum of all transactions paid for using MercadoPago.

Operating income margin -- Income from operations as a percentage of net revenues.

About MercadoLibre

MercadoLibre is the largest online trading platform in Latin America. We are market leaders in e-commerce in each of Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela, based on unique visitors and page views during 2006. Additionally, we have recently launched online trading platforms in Costa Rica, the Dominican Republic and Panama. With a market of over 550 million people and a region with one of the world's fastest-growing Internet penetration rates, we provide buyers and sellers a robust online trading environment that fosters the development of a large and growing e-commerce community. We offer a technological and commercial solution that addresses the distinctive cultural and geographic challenges of operating an online trading platform in Latin America.

Non-GAAP Financial Measures

This press release includes the following financial measures defined as "non-GAAP financial measures" by the Securities and Exchange Commission (SEC). See "Non GAAP Measures of Financial Performance" for more information about these measures.

Forward-Looking Statements

Any statements contained in this press release that are not statements of historical fact, including statements about the company's beliefs and expectations, are forward-looking statements and should be evaluated as such. Such forward-looking statements reflect, among other things, the company's current expectations, plans, projections and strategies, anticipated financial results, future events and financial trends affecting the company's business, all of which are subject to known or unknown risk and uncertainties that may cause the company's actual results to differ materially from those expressed or implied by these forward-looking statements, including general market conditions, the failure of customary closing conditions, adverse changes in the company's markets and other risks disclosed in the company's filings with the Securities and Exchange Commission. Because of the risks, uncertainties and assumptions, investors should not place undue reliance on any forward-looking statements.

	June 30 2008	December 31 2007
Assets	(Unaudited)	(Audited)
Current assets:		
Cash and cash equivalents	\$ 17,674,256	\$ 15,677,407
Short-term investments	31,743,124	52,300,007
Accounts receivable	3,507,800	3,211,252
Funds receivable from customers	36,094,640	29,162,763
Prepaid expenses	841,083	283,477
Deferred tax assets	3,775,170	3,445,101
Other assets	1,557,460	894,163
	-----	-----
Total current assets	95,193,533	104,974,170
Non-current assets:		
Long-term investments	2,244,276	1,323,789
Property and equipment, net	5,676,382	4,143,204
Goodwill and intangible assets, net	43,893,181	23,428,646
Deferred tax assets	33,406	269,596
Other assets	375,434	353,395
	-----	-----
Total non-current assets	52,222,679	29,518,630
	-----	-----
Total assets	\$ 147,416,212	\$ 134,492,800
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 12,903,962	\$ 9,278,138
Funds payable to customers	19,333,050	16,418,177
Social security payable	4,241,352	3,778,236
Taxes payable	4,025,173	2,493,749
Loans payable	2,667,192	9,713,227
Provisions	93,623	69,979
	-----	-----
Total current liabilities	43,264,352	41,751,506
Non-current liabilities:		
Loans payable	5,959	--
Deferred tax liabilities	1,967,766	--
Other liabilities	1,204,958	1,068,155
	-----	-----
Total non-current liabilities	3,178,683	1,068,155
Total liabilities	46,443,035	42,819,661
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Commitments and contingencies

Shareholders' equity:

Common stock, \$0,001 par value, 110,000,000 shares authorized, 44,292,273 and 44,226,563 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	44,292	44,227
Additional paid-in capital	122,001,703	121,890,138
Accumulated deficit	(29,349,145)	(34,363,917)
Accumulated other comprehensive income	8,276,327	4,102,691
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Total shareholders' equity	100,973,177	91,673,139
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Total liabilities and shareholders' equity	\$ 147,416,212	\$ 134,492,800
	=====	=====

	Six Months Ended June 30		Three Months Ended June 30	
	2008	2007	2008	2007
	-----		-----	
	(Unaudited)		(Unaudited)	
Net revenues	\$ 63,312,238	\$ 35,432,625	\$ 34,471,508	\$ 18,973,288
Cost of net revenues	(12,921,182)	(7,487,262)	(6,901,503)	(3,999,922)
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Gross profit	50,391,056	27,945,363	27,570,005	14,973,366
Operating expenses:				
Product and technology development	(3,473,893)	(2,002,716)	(1,730,780)	(1,029,096)
Sales and marketing	(19,480,049)	(12,646,525)	(10,265,389)	(6,330,128)
General and administra- tive	(10,827,171)	(5,486,314)	(5,879,569)	(2,811,198)
Compensation Cost related to acquisi- tions	(1,919,870)	--	(1,546,397)	--
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Total operating expenses	(35,700,983)	(20,135,555)	(19,422,135)	(10,170,422)
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Income from operations	14,690,073	7,809,808	8,147,870	4,802,944
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Other income (expenses):				

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization	1,520,702	1,101,050
Interest expense	--	316,750
Realized gains on investments	(813,757)	(306,854)
Unrealized gains on investments	(56,649)	(83,118)
Stock-based compensation expense		
- stock options	2,447	13,548
Stock-based compensation expense		
- restricted shares	46,329	--
Change in fair value of warrants	--	2,087,960
Deferred income taxes	193,619	705,619
Changes in assets and liabilities, excluding the effect of CMG acquisition:		
Accounts receivable	324,660	97,797
Funds receivable from customers	(3,463,772)	87,624
Prepaid expenses	(546,196)	(875,371)
Other assets	295,528	(255,788)
Accounts payable and accrued expenses	3,241,464	784,903
Funds payable to customers	1,175,341	95,341
Provisions	(390,673)	(305,552)
Other liabilities	23,779	481,273
	-----	-----
Net cash provided by operating activities	6,567,594	5,530,255
	-----	-----
Cash flows from investing activities:		
Purchase of investments	(39,085,208)	(7,378,220)
Proceeds from sale and maturity of investments	60,732,449	5,622,548
Payment for purchase of CMG, net of cash acquired	(16,824,065)	--
Purchase of intangible assets	(59,098)	(20,179)
Purchases of property and equipment	(2,675,365)	(1,942,189)
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Net cash provided by (used in) investing activities	2,088,713	(3,718,040)
	-----	-----
Cash flows from financing activities:		
Increase in short term debt	--	1,370
Decrease in short term debt	(7,630,307)	--
Loans received	5,958	--
Stock options exercised	62,854	22,888
	-----	-----
Net cash provided by (used in) financing activities	(7,561,495)	24,258
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	902,037	115,430
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Net decrease in cash and cash equivalents	1,996,849	1,951,903
Cash and cash equivalents, beginning of the period	15,677,407	7,143,027
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Cash and cash equivalents, end of the period	\$ 17,674,256	\$ 9,094,930
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Six Months Ended June 30,

	2008	2007
(Unaudited)		
Supplemental cash flow information:		
Cash paid for interest	\$ 187,774	\$ 160,105
Cash paid for income taxes	\$ 4,145,532	\$1,864,120
Non-cash financing activities:		
Accretion of preferred stock	\$ --	\$ 247,439
Acquisition of Classified Media Group:		
Cash and cash equivalents	\$ 554,739	\$ --
Accounts receivable	56,613	--
Other current assets	904,791	--
Non current assets	365,190	--
Total assets acquired	1,881,333	--
Accounts payable and accrued expenses	69,516	--
Taxes payable	459,462	--
Social security payable	243,141	--
Non current liabilities	14,000	--
Provisions	408,336	--
Total liabilities assumed	1,194,455	--
Net assets acquired	686,878	--
Goodwill	13,037,504	--
Trademarks	5,622,188	--
Deferred Income Tax on Trademarks	(1,967,766)	--
Total purchase price	17,378,804	--
Cash and cash equivalents acquired	(554,739)	--
Payment for purchase of Classified Media, net of cash acquired	\$16,824,065	\$ --

Three Months Ended June 30, 2008

Marketplaces

	Brazil	Argentina	Mexico
Net revenues	\$ 13,649,406	\$ 4,252,040	\$ 3,108,820
Direct costs	(8,397,321)	(2,020,438)	(2,158,256)
Direct contribution	5,252,085	2,231,602	950,564

Marketplaces

Other Countries	Total	Payments	Consolidated

Net revenues	\$ 7,300,156	\$28,310,422	\$ 6,161,086	\$ 34,471,508
Direct costs	(3,622,649)	(16,198,664)	(4,110,109)	(20,308,773)
	-----	-----	-----	-----
Direct contribution	3,677,507	12,111,758	2,050,977	14,162,735
Operating expenses and indirect costs of net revenues				(6,014,865)

Income from operations				8,147,870

Other income (expenses):				
Interest income				270,576
Interest expense and other financial results				(958,348)
Foreign exchange				(2,052,638)
Other expenses, net				2,285

Net income before income / asset tax expense				\$ 5,409,745
				=====

Three Months Ended June 30, 2007

	Marketplaces			

	Brazil	Argentina	Mexico	

Net revenues	\$ 8,872,163	\$ 2,534,266	\$ 2,255,789	
Direct costs	(5,755,064)	(1,273,008)	(1,430,436)	

Direct contribution	3,117,099	1,261,258	825,353	

	Marketplaces			

	Other Countries	Total	Payments	Consolidated

Net revenues	\$ 2,424,392	\$16,086,610	\$ 2,886,678	\$ 18,973,288
Direct costs	(1,534,890)	(9,993,398)	(2,188,887)	(12,182,285)

Direct contribution	889,502	6,093,212	697,791	6,791,003
Operating expenses and indirect costs of net revenues				(1,988,059)
Income from operations				4,802,944

Other income (expenses):				
Interest income				421,522

Interest expense and other financial results	(451,783)
Foreign exchange	(599,398)
Other expenses, net	(1,761,421)

Net income before income / asset tax expense	\$ 2,411,864
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Six Months Ended June 30, 2008

	Marketplaces		
	Brazil	Argentina	Mexico
Net revenues	\$ 25,524,974	\$ 7,778,392	\$ 6,048,665
Direct costs	(15,923,765)	(3,872,243)	(4,207,424)
Direct contribution	9,601,209	3,906,149	1,841,241

	Marketplaces			
	Other Countries	Total	Payments	Consolidated
Net revenues	\$12,439,049	\$51,791,080	\$11,521,158	\$ 63,312,238
Direct costs	(6,754,998)	(30,758,430)	(7,793,776)	(38,552,206)
Direct contribution	5,684,051	21,032,650	3,727,382	24,760,032

Operating expenses and indirect costs of net revenues	(10,069,959)
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Income from operations	14,690,073
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Other income (expenses):	
Interest income	1,019,929
Interest expense and other financial results	(2,321,147)
Foreign exchange	(3,041,354)
Other expenses, net	2,285

Net income before income / asset tax expense	\$ 10,349,786
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Six Months Ended June 30, 2007

	Marketplaces		
	Brazil	Argentina	Mexico

Compensation Costs Related to Acquisitions: This amount relates to the purchase price of the shares of CMG and its subsidiaries. Under EITF 95-8 "Accounting for Contingent Consideration Paid to the Shareholders of an Acquired Enterprise in a Purchase Business Combination", we have recognized a contingent consideration paid to former shareholders as compensation for services. Total compensation paid in cash amounts to \$ 1,546,397 and \$1,919,870, for the three and six month period ended June 30, 2008 respectively. The following tables show a reconciliation of this exclusion back to the GAAP measures.

Reconciliation to Income from Operations and Operating Margin

	Three months ended June 30	
	2008	2007
Income from operations	\$ 8,147,870	\$ 4,802,944
Compensation costs related to acquisitions	1,546,397	--
Income from operations before compensation cost	\$ 9,694,267	\$ 4,802,944
Income from operations margin before compensation cost	28.1%	25.3%

Reconciliation of Net Income to Net Income before compensation cost

Net income	\$ 2,947,095	\$ 590,886
Compensation costs related to acquisitions	1,546,397	--
Net income before compensation cost	\$ 4,493,492	\$ 590,886
Basic net income per common share:	\$ 0.07	\$ 0.01
Basic net income per common share before compensation cost:	\$ 0.10	
Shares used in basic net income per share calculation:	44,238,166	13,575,158
Diluted net income per common share	\$ 0.07	\$ 0.01
Diluted net income per common share before compensation cost:	\$ 0.10	
Shares used in diluted net income per share calculation:	44,369,317	13,987,128

Reconciliation of Blended and Effective tax Rate including and excluding compensation cost

	Three months ended June 30	
	2008	2007
Income and asset tax expense	\$2,462,650	\$1,820,978

Income before income taxes	\$5,409,745	\$2,411,864
Compensation costs related to acquisitions	1,546,397	--
Income before income taxes and compensation cost	\$6,956,142	\$2,411,864
Blended tax rate(1)	45.5%	75.5%
Blended tax rate excluding compensation cost(1)	35.4%	75.5%
Effective tax rate(2)(3)	34.8%	45.8%
Effective tax rate excluding compensation cost(2)(3)	27.1%	--

- 1 - Blended tax rate defined as income and asset tax expense as a percentage of income before income and asset tax
- 2 - Effective income tax rate defined as the provision for income taxes as a percentage of Income before Income tax
- 3 - The effective tax rate does not include the effect of the Mexican Tax call Impuesto Empresarial a Tasa Unica (IETU)

Reconciliation of Net cash provided by operating activities and provided by (used in) investing activities after excluding effect of compensation cost

	Six month ended June 30	
	2008	2007
Net cash provided by operating activities	\$ 6,567,594	\$ 5,530,255
Compensation costs related to acquisitions	1,919,870	--
Net cash provided by operating activities before compensation cost	\$ 8,487,464	\$ 5,530,255
Net cash provided by (used in) investing activities	\$ 2,088,713	\$(3,718,040)
Payment for purchase of CMG, net of cash acquired	(1,919,870)	--
Net cash provided by (used in) investing activities	\$ 168,843	\$(3,718,040)

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