

# MERCADOLIBRE 3Q'22 EARNINGS CONFERENCE CALL SCRIPT



November 3<sup>rd</sup>, 2022.

## PART I: INTRODUCTION AND DISCLAIMER - INVESTOR RELATIONS

Hello everyone, and welcome to the Mercado Libre earnings conference call for the quarter ended September 30, 2022. Thank you for joining us. I am Richard Cathcart, Investor Relations Officer for 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 Chief Executive Officer of MercadoPago, Osvaldo Gimenez.

Before we go on to discuss our results of the third quarter of 2022, 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, 2021, and any of MercadoLibre Inc.'s other applicable filings with the Securities and Exchange Commission, which are available on our investor relations website.

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

## PART II - OVERVIEW & FINANCIAL RESULTS - PEDRO ARNT

Hello everyone.

I'm pleased to have the opportunity to share some of the achievements and key messages from our third quarter of 2022 results.

During Q3 we were able to deliver a strong combination of growth in Commerce and Fintech, with continued progress towards our annual targets for profit expansion. Our operating margin expanded more than 500bps to 11%, contributing to quarterly profit of 296 million dollars, while operating cash generation was solid once again. This reflects the strong performance of our business, our ability to dilute costs as we scale, and our long-term commitment to delivering sustainable and profitable growth.

Our commerce business continues to show resilience amidst macro-economic challenges and as physical retail fully reopens, with GMV growing 32% on an FX-neutral basis. Our investments across the business over the last few years in technology have enabled us to improve our service levels significantly, and this is translating into market share gains across geographies both on a consolidated level and also across multiple product categories.

Logistics investments have been the other major contributors to the improvements in service levels, as our Mercado Envios managed network penetration hit 92% in the third quarter, up 5 percentage points over the last 12 months.

We are progressing our strategy to increase monetization, with our Ads business reaching 1.3% penetration of GMV, a small but steady increase on previous quarters. We delivered a series of improvements in our Ads tools, and we have a roadmap of technology improvements that is accelerating.

Mercado Pago had another exceptional quarter, with unique active Fintech users surpassing the 40 million mark for the first time. Off-platform TPV achieved its fourth consecutive quarter of triple-digit growth, reaching 23 billion dollars, with growth of 122%. Our MPOS business in Mexico and Chile made a strong contribution to this growth, as did QR in Brazil and our Digital Banking Account solutions in Argentina.

Mercado Credito's portfolio reached \$2.8 billion, growing at a slower rate than in past quarters as we slowed originations. This is a reflection of our prioritization of risk management and margin over growth. Our Credits business delivered a resilient financial performance, with annualized IMAL spreads rising quarter-on-quarter to almost 37%. Our early NPLs are stable versus the prior quarter, which is a reflection of the steps we took to mitigate risks in a weaker lending environment, particularly in Brazil.



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With significant gross profit and operating margin expansion, we closed out another quarter of strong financial results that reflect the growth of higher margin business, our disciplined approach to short-term growth investments, as well as our focus on leveraging our scale to deliver cost dilution on COGS, Sales & Marketing and G&A expense lines. This has enabled us to continue to invest in engineer headcount, which is reflected in higher Product & Development expenses as a percentage of sales, as we anticipated.

A more detailed review of the third quarter operational and financial results is available in a shareholder letter, which is published on our Investor Relations website.

Before turning to the live Q&A section of today's earnings, I'll hand it back to Richard to go through some of the latest updates to the MELI user experience.

## PART III - OPERATIONAL HIGHLIGHTS

In our mission to democratize access to commerce and financial services, we continued to deliver improvements in the shopping experience of our marketplace.

One example of this is the short videos that can be found on the homepage of our e-commerce app, where our consumers can discover products and learn more details and features about the products they are looking to purchase. This introduces enjoyable content, a discovery element to the search experience, helps to promote user engagement, and for our sellers is a new channel for marketing and sales.

When shopping for apparel and fashion products offered by thousands of sellers, brands and official stores, the search experience matters. We improved the user experience of our fashion segment, and you can now browse through different product segments, lifestyles and brands. This enhances the discovery experience that is key for this category.

As buyers search for something they need, they have better filters to facilitate their search. This is another example of improvements that have been enabled by our continued investment in technology this year, but you can find much more on our app. And, as always, we will deliver it quickly to your house so you can start using your new item as soon as possible. On the path to improving delivery times and bringing down logistics costs, we have introduced our crowdsourcing solution for the last mile in Brazil and México, leveraging on our service centers network.

With this innovation, our vans will take products destined for a high density delivery neighborhood to a service center that serves as a last mile facility, instead of delivering from door to door. From there, the drivers from our crowdsourcing platforms make the deliveries to our final consumers.

All of this is underpinned by technology developed by over 1,500 engineers that are dedicated to logistics. These developers continue to work on logistics projects like this that will make our network more effective and cost efficient, from inbound to delivery and returns. The Meli Places network has grown to almost 7 thousand locations, with over 99% enabled for pickup and returns.

On our path to democratize financial services across the LatAm region, we launched many products over the last 18 months. This includes debit and credit cards, savings and investments, crypto wallets, insurance, personal loans and many other products.

We now have a complete offering tailored to the needs of our users, allowing 36 million people to manage all of their financial services within our ecosystem, whether they are individuals or small, medium and large entrepreneurs. That enables us to position Mercado Pago as a digital bank, as we are now communicating in our more recent campaigns in Brazil. This is not just happening in Brazil, as the approval of our IFPE license in Mexico allows us to begin to market Mercado Pago and actively offers its tools to the country's large unbanked and underbanked population.

Mercado Libre will continue to deliver better products and services, focusing on the experience of our millions of users, with solutions tailored to their needs. To underline that commitment, we will have hired an additional 4,000 engineers by year-end, all of whom will work to develop and extend the competitive advantages of our ecosystem.

As always, the best is yet to come.

THANK YOU

