

# MERCADOLIBRE 4Q'22 EARNINGS CONFERENCE CALL SCRIPT



February 23<sup>rd</sup>, 2023.

## 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 December 31st, 2022. 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 Chief Executive Officer of MercadoPago, Osvaldo Gimenez. Before we go on to discuss our results of the fourth quarter of 2022, 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 on our earnings materials in our investor relations website and our Form 10-K for the year ended 2022.

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

## PART II - OVERVIEW & FINANCIAL RESULTS - PEDRO ARNT, CHIEF FINANCIAL OFFICER

Hello everyone.

I'm happy to share the key messages about Mercado Libre's performance during the fourth quarter of 2022, and the year as a whole.

We are particularly pleased to have been able to deliver an attractive combination of growth and profitability throughout the year, alongside strong operational KPIs and market share gains, all whilst sustaining a high level of investment in new products and technologies. We have successfully navigated a challenging environment and we have reached new records across the business despite uncertainty around consumer spending, interest rates and inflation.

With a strong fourth quarter, we end 2022 with record results in GMV, TPV, items shipped, net revenue as well as EBIT. Revenues, for example, for the first time ever, surpassed the 10 billion mark for the year, quite a milestone for the company. EBIT also came in at a new landmark level, surpassing 1 billion dollars, while delivering margin expansion. And perhaps even more unique, is the combination of record EBIT and margin expansion while still growing revenues at roughly 50% year on year.

During 2022, Mercado Libre strengthened its leadership of the ecommerce market in Latin America as we achieved market share gains across the region, with Brazil and Mexico standing out.

Our market share gains are grounded in consistent investment and execution around all aspects of our Commerce value proposition over an extended period. Our ability to offer a very broad product assortment from sellers of all sizes at competitive prices and with rapid delivery continues to be a key differentiator for Mercado Libre.

The profitability of our Commerce business improved substantially year-on-year in the fourth quarter, helped by better management of promotional budgets, a healthier margin on 1P merchandise and the continued expansion of Mercado Ads revenues.

Development of technology for Mercado Ads has been a major focus during 2022. In our Search product we created a new placement logic and enhanced our bidding process, whilst in our Display product we launched our own Ad Server, which automates the insertion of banners, and we also developed an attribution model and made Display real time metrics available for advertisers to track their investment.

These efforts increased the presence of ads, thus improving monetization of the marketplace and playing an important role in revenue growth and margin expansion. We still see plenty of upside to be captured.

2022 was a fantastic year for Mercado Pago, with TPV growth exceeding our expectations, while delivering take rate expansion on a year over year basis. Our acquiring business maintained strong performance, driven by QR payments and MPOS in Brazil, México and Chile. On the Digital Account, both payments and cards TPV grew triple digits in 2022.



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Mercado Credito performed well in the fourth quarter and the year as a whole, positively contributing to our profit growth, despite a tougher economic scenario. Through the year, we monitored the performance of our book closely and we adjusted to new realities, with effective risk controls, which resulted in robust profitability. We remain optimistic about the positive ecosystemic effects of Mercado Credito.

2022 has been a learning curve for our credit card product, and after having slowed new issuance in Q1 to make adjustments to the underwriting models, we have seen a much-improved performance from the most recent cohorts. We are encouraged by the performance of our credit card, which remains a key element of our wider MercadoPago value proposition to Individuals.

Our credit products complement our wider Mercado Pago offer, and 2022 has been an important year in broadening that offer. We think we now have a product stack in place that is sufficient to meet our users' core day-to-day needs, which enables us to accelerate our efforts to achieve principality.

Our strong results have been made possible by the top-notch execution of our team, and our discipline in leveraging our scale to deliver cost dilution.

A more detailed review of the fourth 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 business updates.

## **PART III - OPERATIONAL HIGHLIGHTS - RICHARD CATHCART, INVESTOR RELATIONS OFFICER**

2022 was another important year for investment in technology at Mercado Libre, and today we want to share some of the key impacts that these investments have delivered to our ecosystem, as we continue on our mission to democratize commerce and financial services in Latin America.

We are now able to offer a full stack of day-to-day financial services and products to our millions of Mercado Pago users after 18 months of intense technology deployment. We are leveraging our data in order to cross-sell new products and services to our users.

Users of our digital account have access to debit and credit cards, along with QR code payments and online transfers, making Mercado Pago more useful for their day-to-day needs. This is an important step in building towards achieving principality.

Mercado Pago also offers savings buckets dedicated to our users' specific objectives, and they are able to choose from different risk profiles, with a minimum investment of just 1 real.

Users can now also make investments in a quick and simple process via the Mercado Pago app. This includes banking deposit certificates from our financial institution, with a fixed rate, and more recently, users in Brazil have access to three simple investment funds.

Mercado Pago also offers different insurance options to suit our users' needs, with life, personal accident and online transactions insurance. This offers protection against uncertainties that many of our customers may face in their daily lives.

Now, with a complete product stack, Mercado Pago is well positioned to become a leading financial services provider in the region, enabling us to foster financial inclusion across the region.

Our commerce platform currently serves millions of users and sellers and by offering a world-class experience, we have surpassed the mark of 1.1 billion items sold in 2022.

We are investing in technology to continue to improve the online shopping experience of our users, as we believe this will drive more retail spend online, particularly in categories where ecommerce penetration is low.

We deployed improvements to several categories in 2022, including home & decor, fashion & beauty and autoparts. For example, in the autoparts category, we have simplified the search and filters in order to create a more specialist experience and in the home & decor category, we have further developed our discovery-led navigation experience.

New features have enabled sellers to promote their products in different formats. Short videos recorded by sellers to

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promote their products have reached millions of monthly views, and improvements in our advertising platform have increased the presence of ads in product pages.

Mercado Libre continues to have the fastest delivery times in all of our key geographies. We are also investing in technology to improve the efficiency of our logistics network, and in 2022 we were able to deliver significant improvements in the productivity of our fulfillment centers, which means that even with a higher penetration of fulfillment, our overall net shipping costs as a percentage of GMV remained broadly flat year on year.

Our Meli Places network grew to over 7 thousand locations, with over half of the returns already done through Places. These returns have a higher NPS than other options, such as the local postal service. For buyers that chose to pick their items up from the Meli Places network, the NPS is the same as for deliveries made to the buyer's home.

We also delivered improvements in lead time with the Meli Air operations, reducing over one day in lead time and optimizing costs.

We ended 2022 with a stronger ecosystem and great opportunities ahead of us; we are as confident as ever that the best is yet to come.

THANK YOU

