



# INVESTOR PRESENTATION

Third Quarter 2018 Results |  mercado  
libre

November 01, 2018

# Safe Harbor

This presentation 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 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 presentation, for a variety of reasons, including those described in the forward-looking statements and risk factor sections of our 10-Q and other filings with the Securities and Exchange Commission, which are available on our investor relations website. (<http://investor.mercadolibre.com>)

A reconciliation of Non-GAAP measures to the nearest comparable GAAP measures can be found in our third quarter 2018 earnings press release available on our investor relations website.

All of the information included in this presentation is updated as of September 30th, 2018. Except as may be required by applicable law, we assume no obligation to publicly update or revise our statements.

Percentages have been calculated using whole amounts rather than rounded amounts. This may cause some figures not to total due to rounding.

# Third Quarter 2018 Operational & Financial Highlights

**us\$3.0BN**

+28%LC YoY

**Total GMV**

**us\$4.6BN**

+70%LC YoY

**Total TPV**

**us\$2.9BN**

+40%LC YoY

**Total TPV ON**

**us\$1.6BN**

+163%LC YoY

**Total TPV OFF**

**83.5MM**

+13% YoY

**Items Sold**

**65.6%**

+48%LC YoY

**GMV Shipped**

**103.9MM**

+67% YOY

**Total TPN**

**us\$355.3MM**

+58%LC YoY

**Net Revenues**

A modern living room interior featuring a large, colorful abstract painting on the wall. The painting has various geometric shapes, circles, and patterns in shades of yellow, blue, red, and white. In the foreground, there is a low, dark brown sectional sofa with a yellow cushion. A round, white coffee table sits on a light-colored rug, holding several magazines. The room has a contemporary feel with a mix of textures and colors.

# Third Quarter 2018 Overview

1. Quarterly Highlights

2. KPIs

3. Financial Metrics

4. Margin Structures



A modern living room interior featuring a large, colorful abstract painting on the wall. The painting has various geometric shapes, circles, and patterns in shades of yellow, blue, red, and white. In the foreground, there is a low, dark brown sectional sofa with a yellow cushion. A round, light-colored coffee table sits in front of the sofa, holding several magazines. The floor is covered with a light-colored, textured rug.

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# Third Quarter 2018 Quarterly Highlights

## Financial Results

- Gross Billings came in at \$462.8 million dollars, growing 24.9% YoY in USD and 48.1% YoY on an FX Neutral basis, marking 18th consecutive quarter of FX Neutral gross billings growth above 45% YoY.
- Gross billings was solid across main countries on an FX Neutral basis YoY: Brazil 68.6%, Argentina 82.6%, Mexico 83.7%
- In addition to the solid growth in Gross Billings, increased efficiencies in shipping subsidies also drove strong net revenue growth on an FX Neutral basis. Consolidated net revenues came in at \$355.3 million dollars, accelerating on an FX Neutral basis 14pp to 58.3% YoY.
- On a by country basis, net revenue growth was also strong in main countries YoY: Brazil 56.4%, Argentina 67.8%, Mexico 168.2%
- Gross Profit ascended to \$169.7 million dollars, representing 47.8% of revenues vs. 57.7% LY. Most of the year on year margin compression is explained by hosting fees, mPos write-offs, & warehousing costs.
- As reported operating expenses totaled \$180.7 million dollars, or 50.9% of revenues vs. 48.6% LY. The YoY contraction is attributed to buyer protection payouts, increased loan loss provisions on our credit portfolio, and incremental marketing costs.
- From a bottom line perspective operating losses showed a 61.0% reduction versus last quarter to \$11.0 million dollars or negative 3.1% of revenues against negative \$28.2 million in 2Q. Additionally we have delivered positive EBITDA as we continue to optimize our financial model.
- Consequently, net loss as reported for the third quarter was also lower versus last quarter, ascending to \$10.1 million, resulting in basic net loss per share of \$0.23 cents.

# Third Quarter 2018 Quarterly Highlights

## Payments – MercadoPago



- MercadoPago had a stellar quarter once again accelerating growth and scale. During the month of September, for the first time ever not only MP processed more total payment transactions off platform than on MELI's marketplaces, but total payment transactions surpassed the one hundred million mark in a single quarter.
- TPV off Mercado Libre represented over 1/3 of total payment volume during the quarter vs. less than 1/4 a year ago, and explained 80.0% of the total incremental TPV growth as we focus on growing our O2O initiatives.
- On a consolidated basis, mPos TPV is growing at 636.0% YoY and quickly gaining share in off platform.
- During Q3, Wallet reached 1 million active payers in a single month. Active payers grew triple digits YoY in Argentina, Brazil, and Mexico.
- LC TPV from wallet growing at a fast clip in Argentina (+475.0% YoY) and also in Brazil (+126.0% YoY).
- Launched QR in store payments network in Brazil during the quarter as we continue to expand our efforts in building ubiquity and adding more usage cases to our two-sided network.
- Rolled out Asset Management product in Argentina for individuals with encouraging results. Since its launch, asset management users have invested almost 20.0% of MercadoPago stored balances in Argentina.

# Third Quarter 2018 Quarterly Highlights

## Marketplace

- Marketplace business continues to show great resiliency in spite of increasingly difficult comps. On a consolidated basis FX Neutral GMV grew 27.9% YoY, while if we exclude Venezuela from last year FX Neutral GMV grew at a solid 37.7% YoY.
- Mexico is consolidating as an engine of growth for the business, delivering 7 and 5 consecutive quarters of items growth and FX Neutral GMV above 65.0% YoY respectively. Additionally, since early 2017 the size of the business has grown by a factor of 2.5x as we leverage our depth and breath of selection, fast and free shipping value proposition and aggressive customer acquisition investments.
- Brazil sustained 12 consecutive quarters of GMV growth above 30.0% YoY in Brazil on an FX Neutral basis despite tougher two-year stack comparisons, shipping subsidy reductions and the launch of R\$ 5 flat fee in July for items below R\$ 120 free shipping threshold.
- As a result of launching R\$ 5 flat fee rollout in July for items below R\$ 120 and removal of all listings under R\$ 6, successful items growth in Brazil decelerated to 1.5% YoY. However, ASP in Brazil growing sequentially & YoY as we shift incentives and subsidies to purchase higher ticket items, and improve monetization and overall unit economics.
- Despite challenging macro and currency trends during the quarter, Argentina maintained momentum both in successful items and FX Neutral GMV growing 49.4% YoY and 48.9% respectively as our free shipping program continues to gain traction and reached almost 50.0% of sales.



# Third Quarter 2018 Quarterly Highlights

## Logistics - MercadoEnvíos

- The adoption of our proprietary logistics network is making strides with over 15% of the shipments through MercadoEnvíos was sent through it during the quarter.
- Shortened lead times by almost 20% on a consolidated basis over the last year. Brazil is the geography where we observed the greatest improvement as we shortened lead times by 1.9 days versus last year.
- Improving lead times in Mexico and Argentina as well, by approximately 0.5 days in both countries.
- On our dropship network we have seen important advances during the quarter as we launched our MELI Flex solution in Argentina. This application will allow our sellers to leverage our technology and use their existing logistics relationships to deliver goods within hours in large metropolitan areas through our MercadoEnvíos proprietary logistics network.
- During the quarter, on a consolidated basis ~40.0% of items sold were being delivered in 48 hours or less. Mexico leads the way with almost 80.0% of the volume being delivered in two days or less, while Argentina and Brazil continued to improve their share of shipments in that time window.

A modern living room with a large, colorful abstract painting on the wall. The painting features bold geometric shapes and patterns in shades of yellow, blue, red, and white. In the foreground, there is a low, dark brown sectional sofa with a yellow cushion. A round, white coffee table sits on a light-colored rug, holding several magazines. The room has a clean, minimalist aesthetic with a wooden ceiling and recessed lighting.

# Third Quarter 2018 Overview

1. Quarterly Highlights

2. KPIs

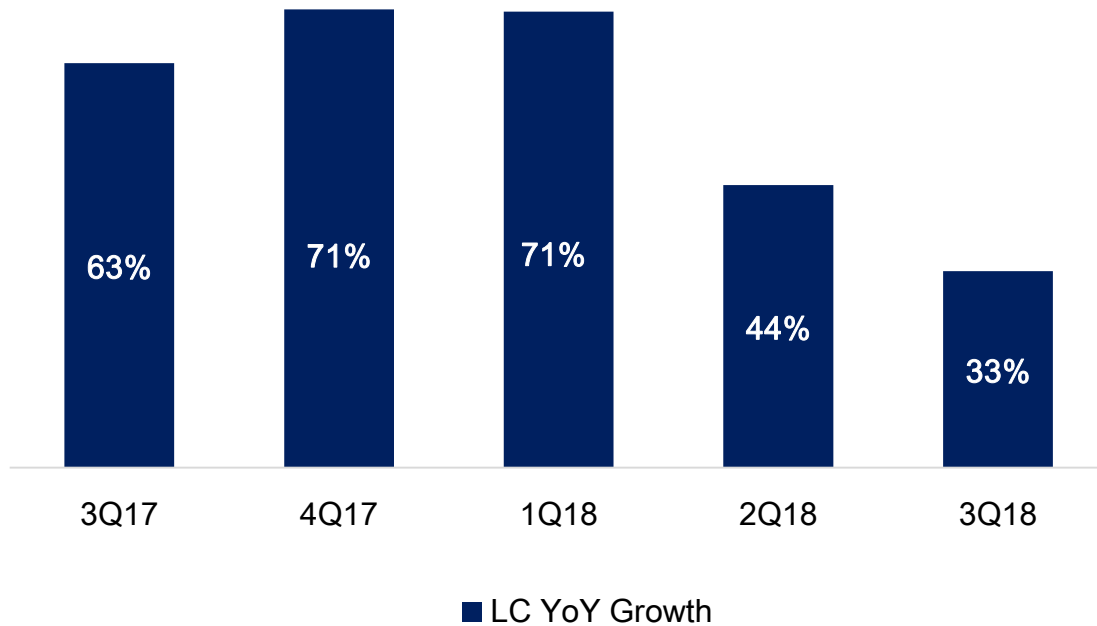
3. Financial Metrics

4. Margin Structures

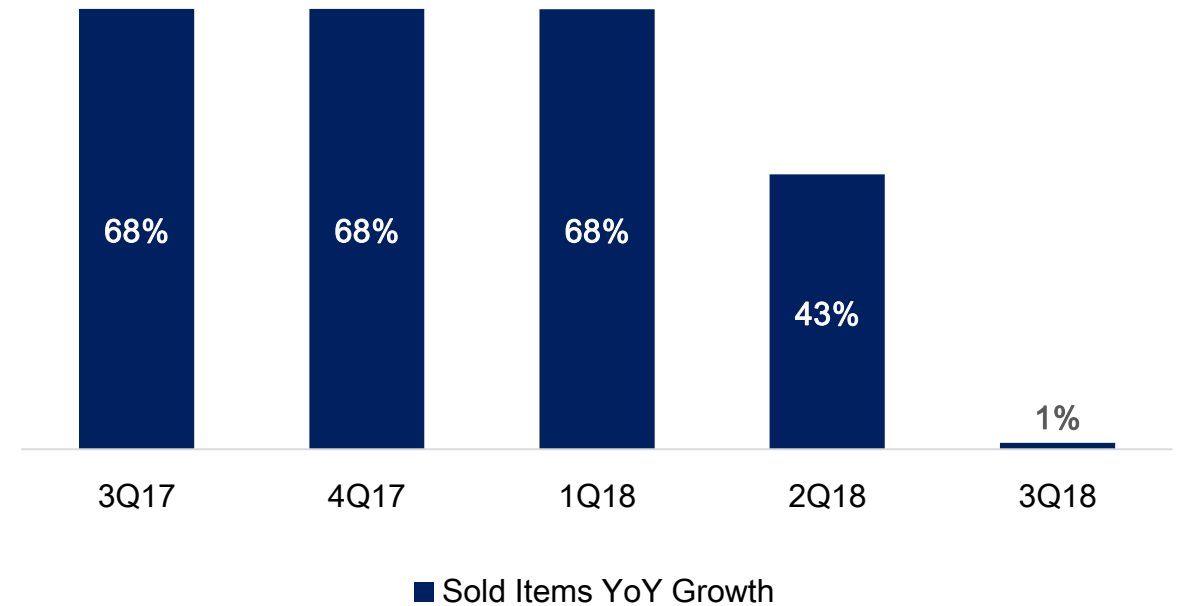
# Brazil Gross Merchandise Volume & Items Sold

Tougher comps, R\$ 5 flat fee launched in July for items below R\$ 120 and the removal of listings below R\$ 6 affected Items growth. However, LC GMV maintained momentum as we incentivize higher ticket purchases

LC GMV Evolution per Quarter



Items Evolution per Quarter (M)



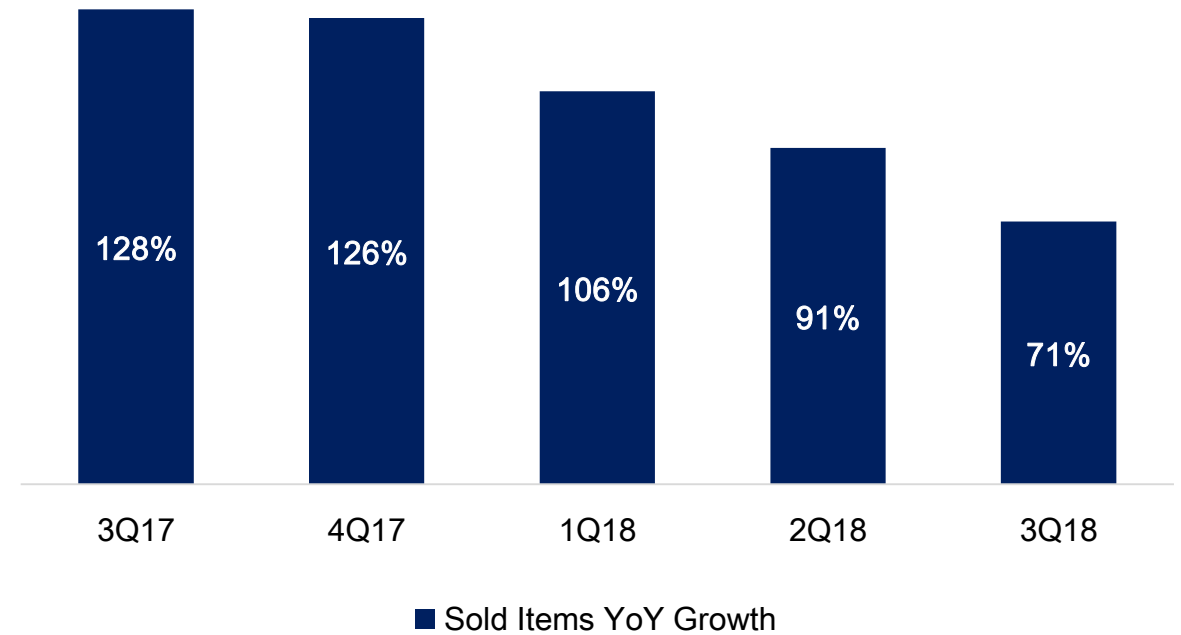
# Mexico Gross Merchandise Volume & Items Sold

Seven consecutive quarters of items and LC GMV growth above 65.0% YoY as we continue to improve assortment, and leverage our fast and free shipping value proposition to our Mexican buyers

LC GMV Evolution per Quarter



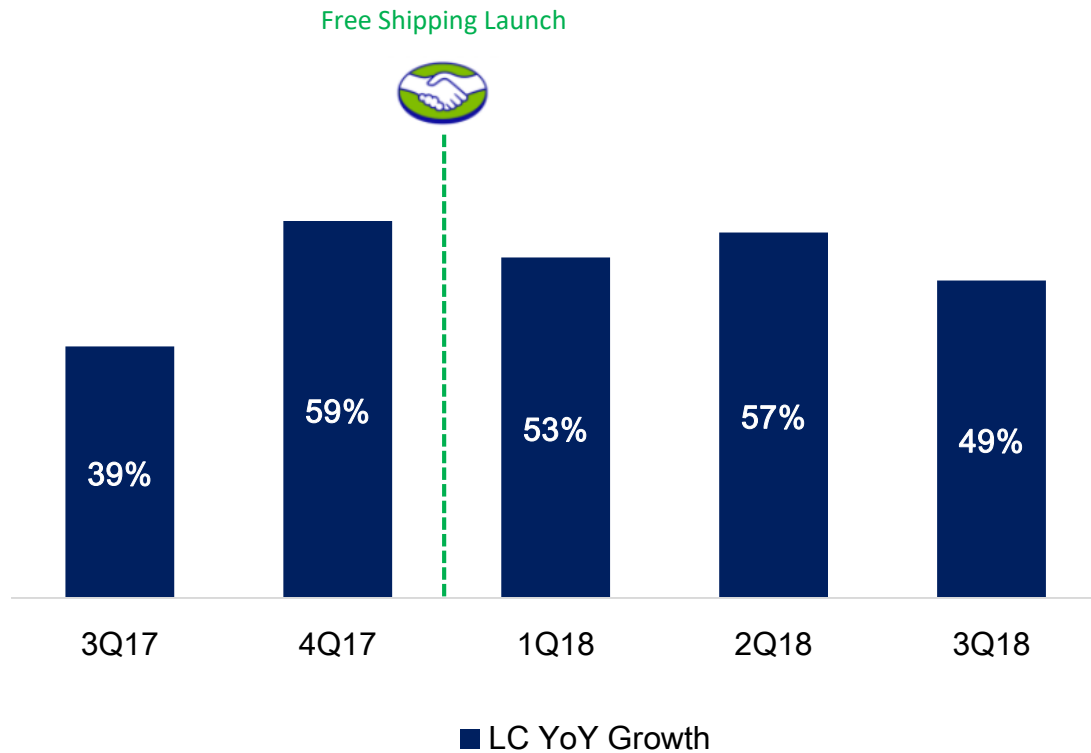
Items Evolution per Quarter (M)



# Argentina Gross Merchandise Volume & Items Sold

**Maintaining High Growth Rates as free shipping and loyalty programs continue to gain traction reaching almost 50.0% of marketplace sales**

LC GMV Evolution per Quarter



Items Evolution per Quarter (M)

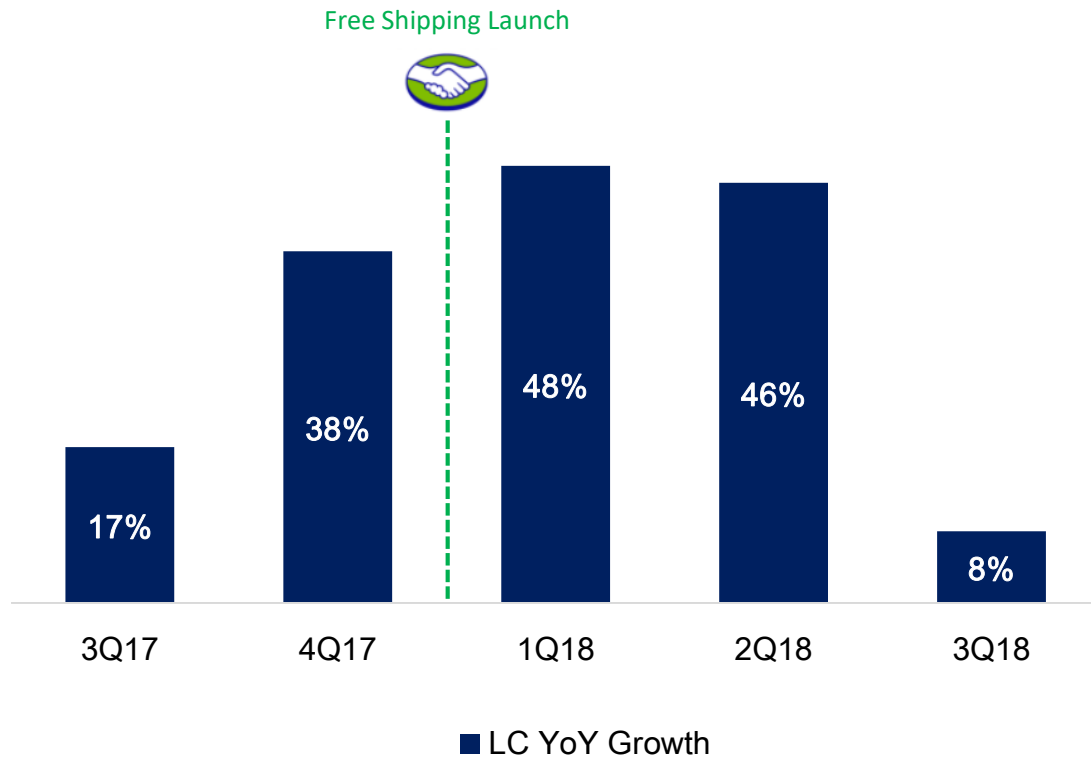




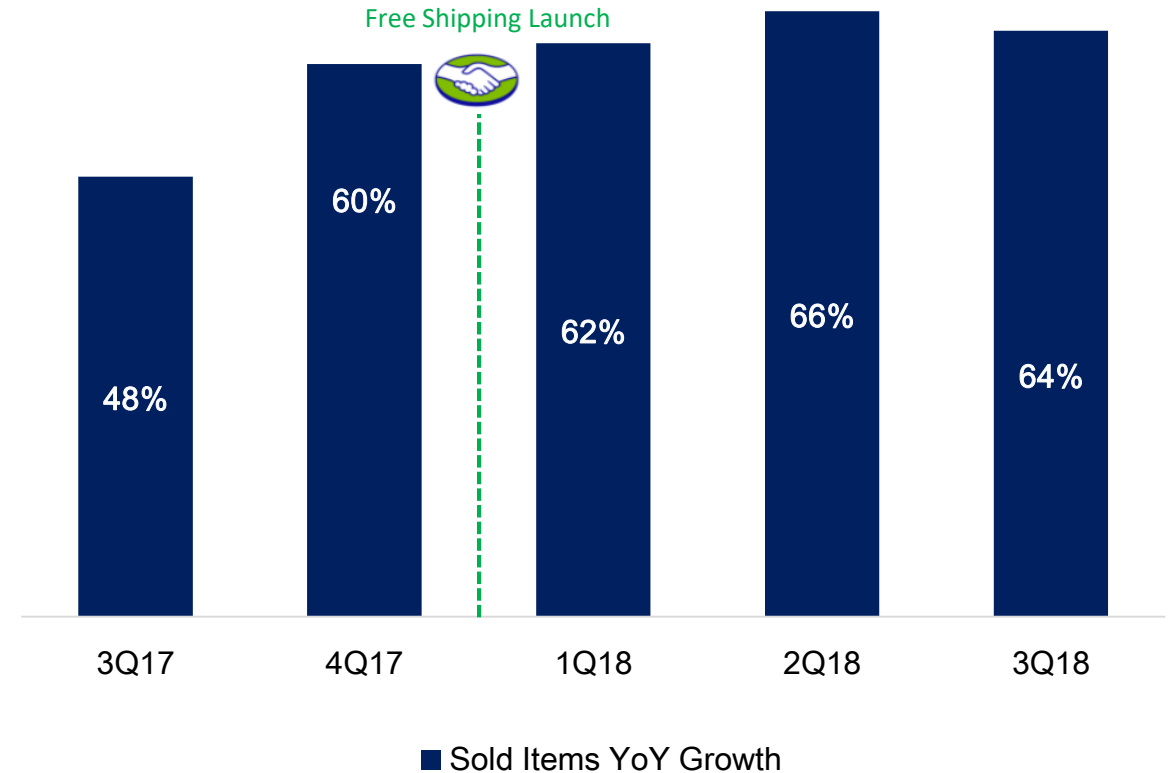
# Other Geos Gross Merchandise Volume & Items Sold

Shift to lower ticket purchases affected LC GMV, although continuing to drive high items growth

LC GMV Evolution per Quarter



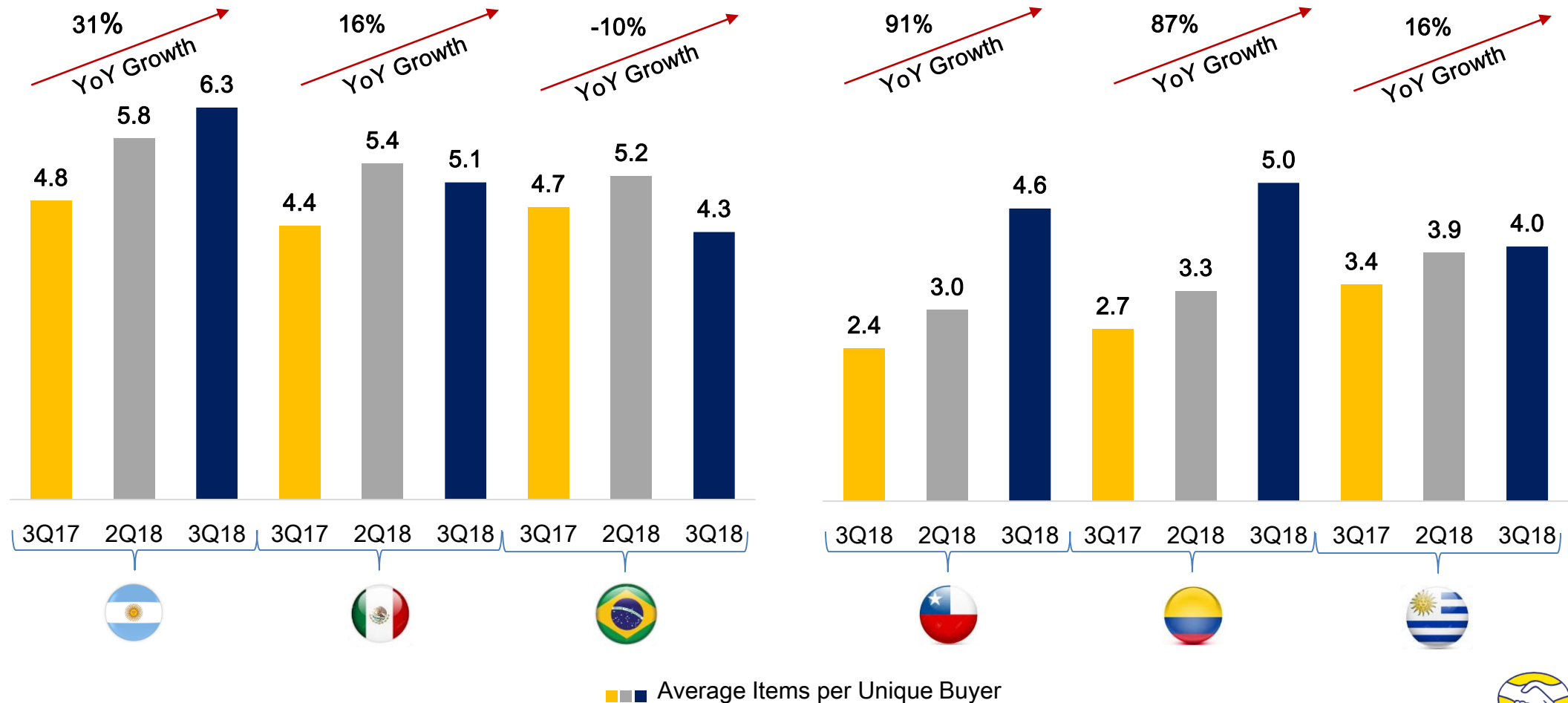
Items Evolution per Quarter (M)



• Others includes: Chile; Colombia; Bolivia; Costa Rica; Ecuador; El Salvador; Guatemala; Honduras; Paraguay; Nicaragua; Panama; Paraguay; Peru; Republica Dominicana; Uruguay

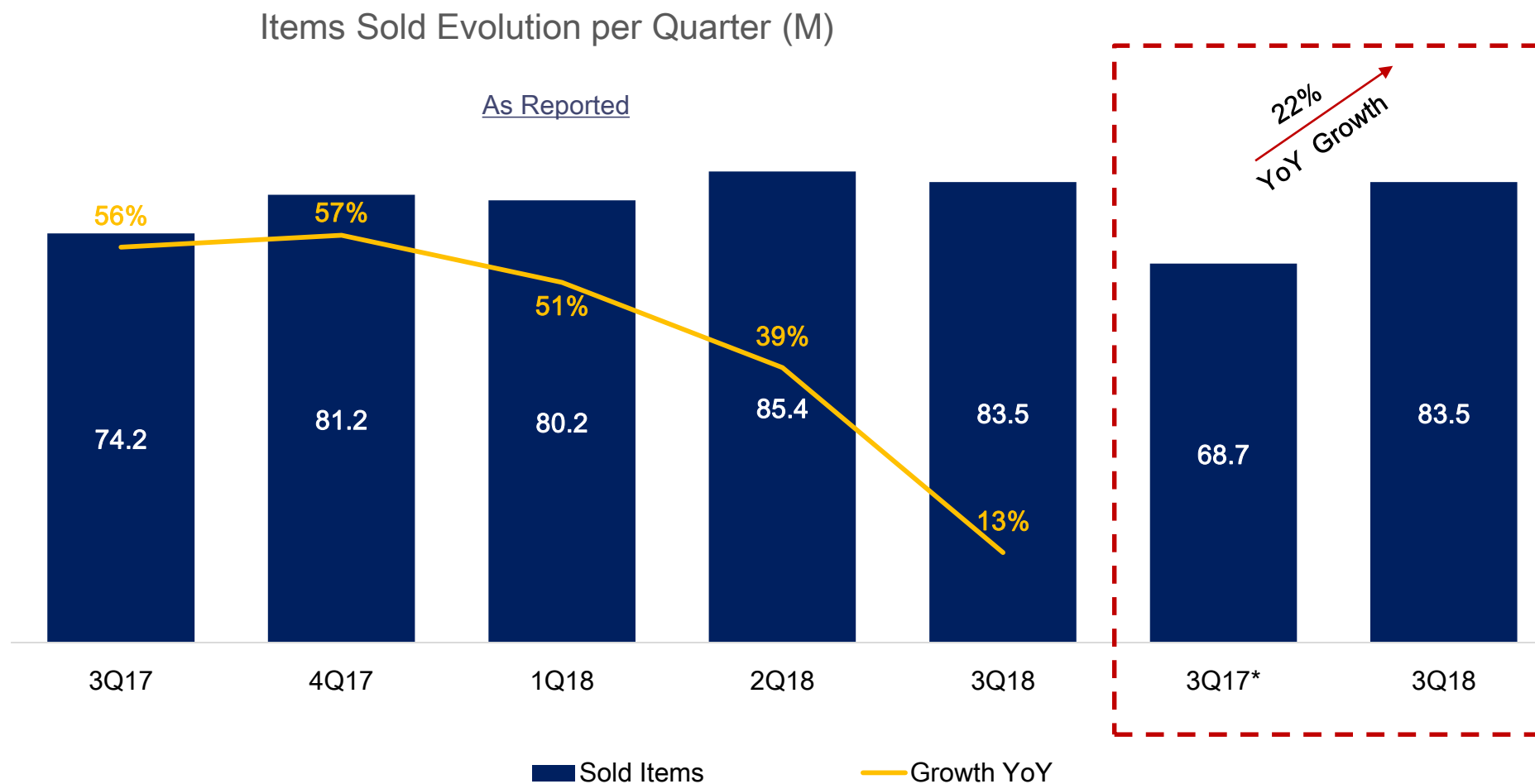
# Successful Items per Unique Buyer

Accelerating Engagement Across the Region beyond Brazil due to tougher comps, flat fee impact and the removal of listings below R\$ 6



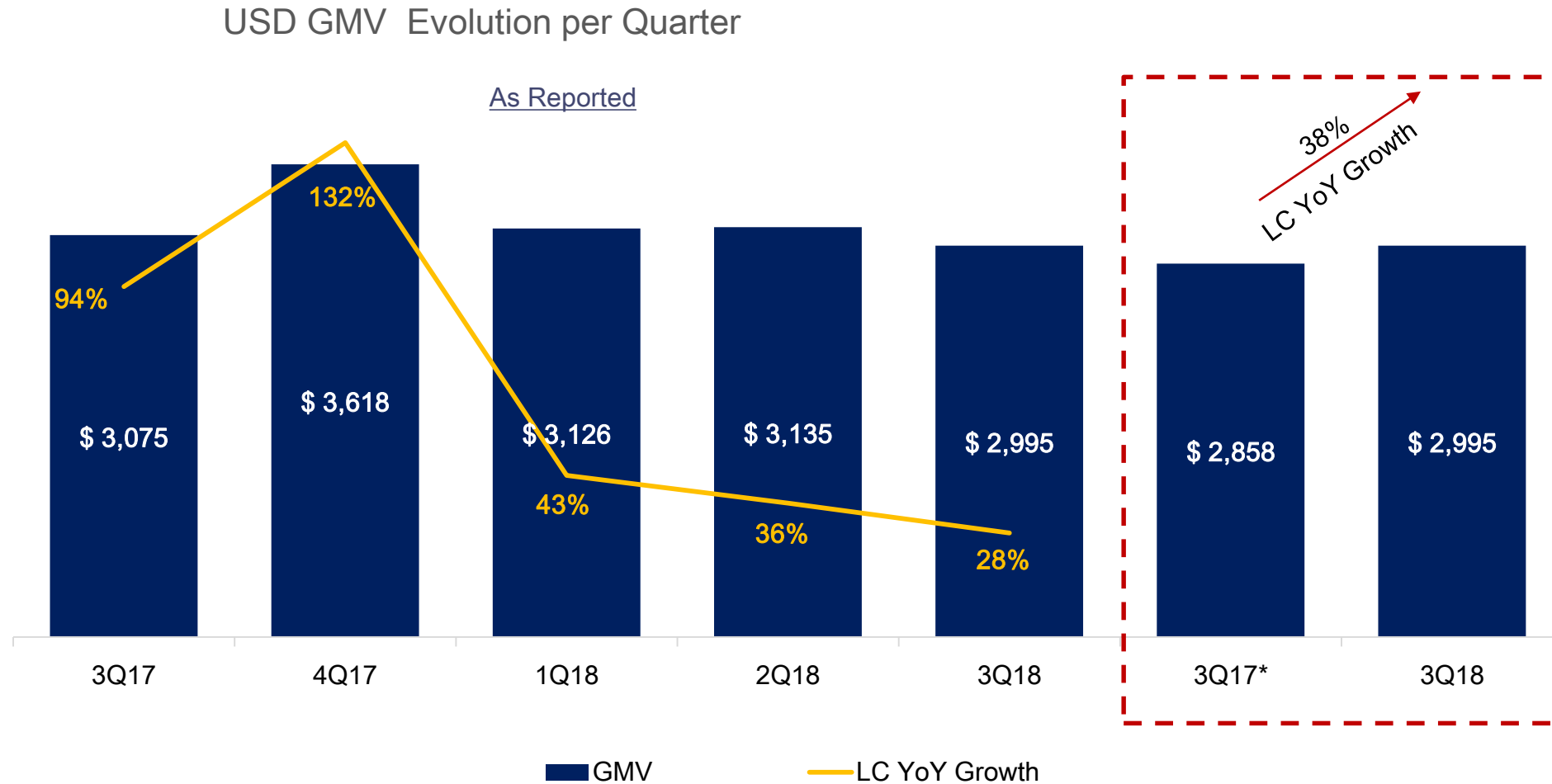
# Consolidated Items Sold

## Solid Growth in Items Sold



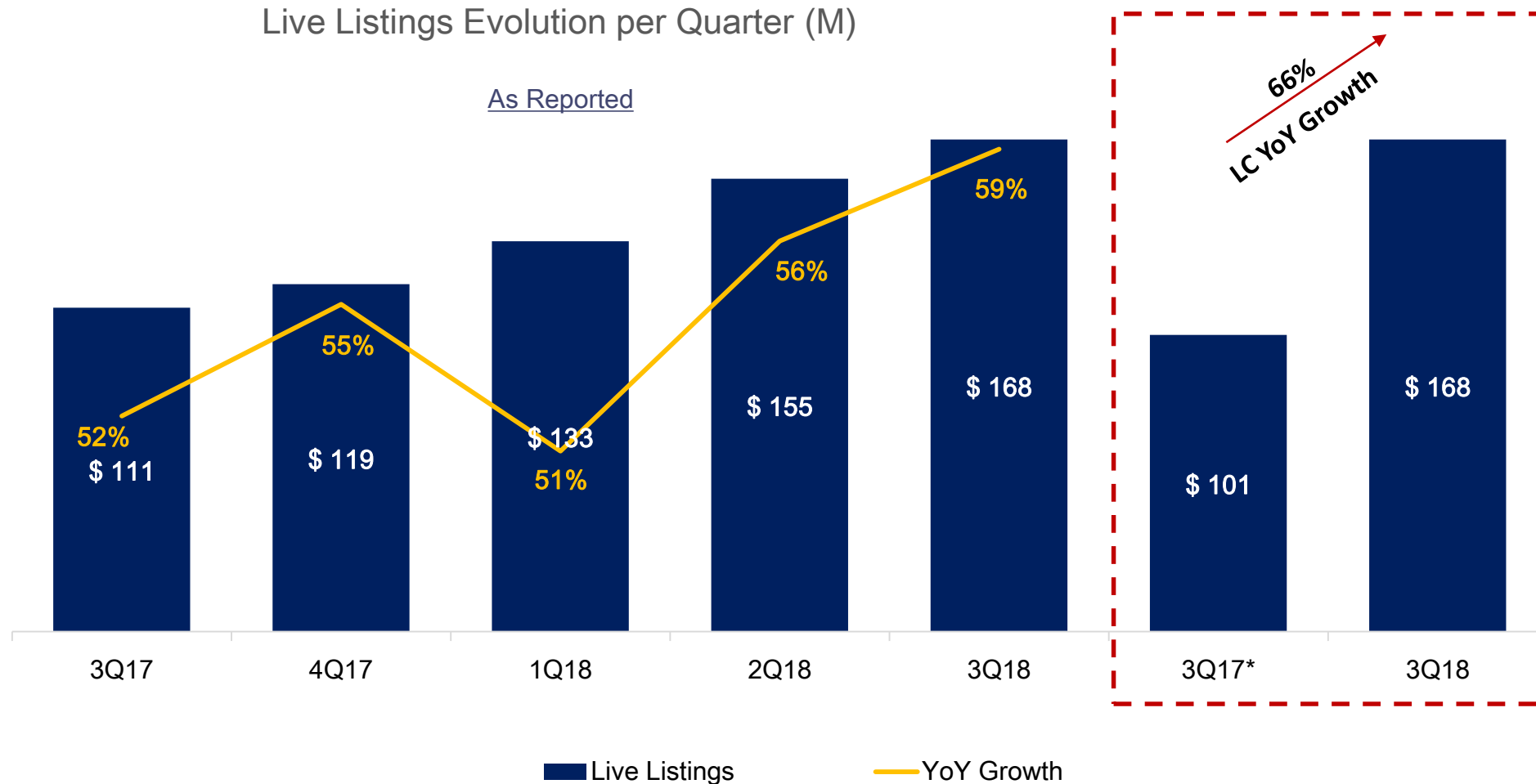
# Consolidated GMV

## FX Neutral GMV Maintaining Momentum



# Consolidated Live Listings

## Live Listings Evolution Driving Consistent Growth in Supply & Assortment

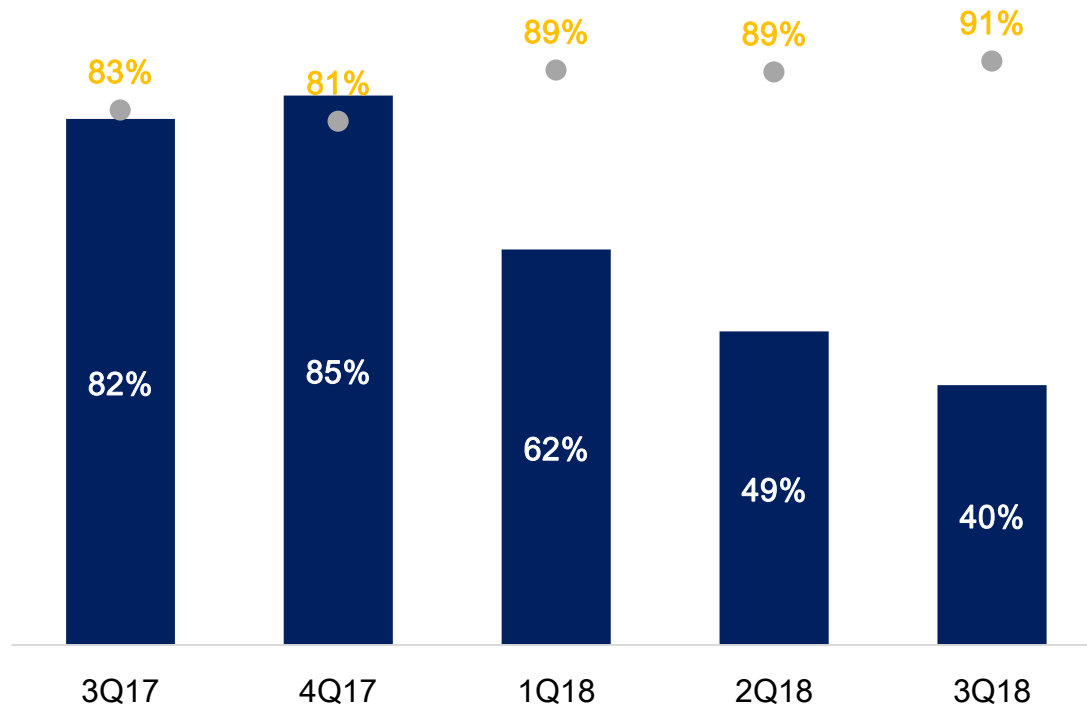




# MercadoPago

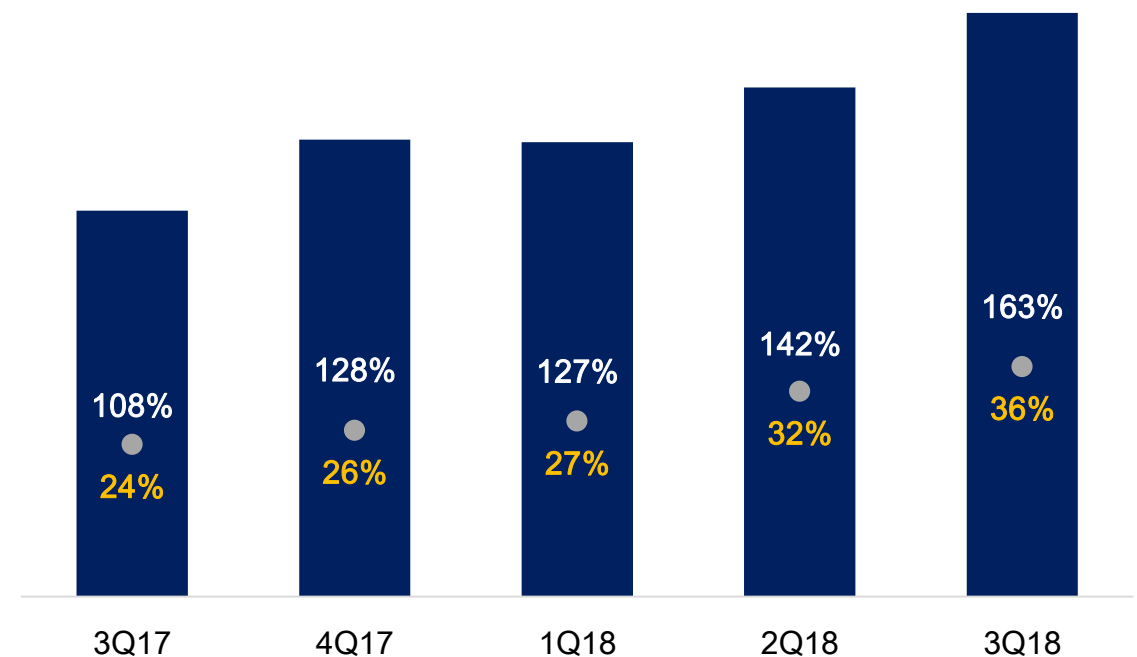
On Marketplace Payments growth affected by tougher comps, OFF Platform Payments TPV growing at triple digits reaching a multi-year high of 160% YoY growth

Consolidated TPV ON



■ LC YoY Growth    ● MP ON Marketplace Penetration

Consolidated TPV OFF



■ LC YoY Growth    ● TPV OFF Penetration\*

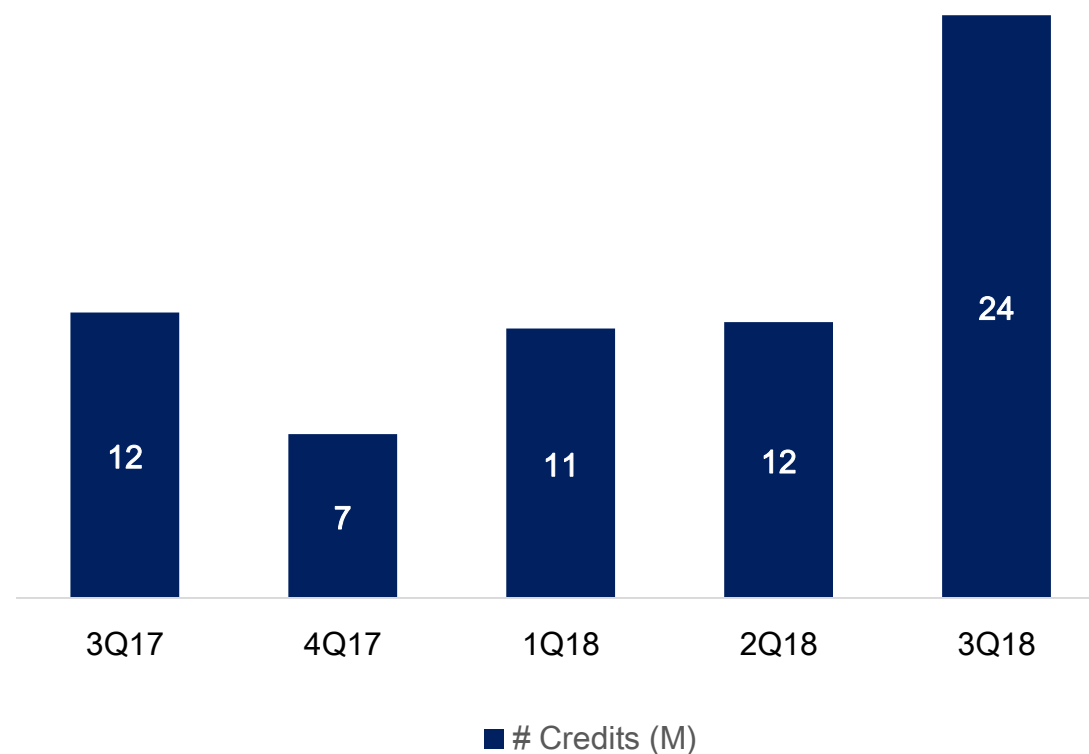
# MercadoCredito

Record credits originations, credit portfolio in USD affected by Argentina FX headwinds

Merchant & Consumer Credits Portfolio



Merchant Credits Originations



\*TPV OFF as a % of Total TPV

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# FASB ASC 606 Pro Forma

In Millions				
Gross Billings	YTD 2017*	YTD 2018**	Q3 2017*	Q3 2018**
	\$ 961.1	\$ 1,328.3	\$ 370.7	\$ 462.8

In Millions				
Adjustments (Decrease)	YTD 2017*	YTD 2018**	Q3 2017*	Q3 2018**
	\$ 102.6	\$ 316.7	\$ 65.7	\$ 107.6

In Millions				
Net Revenues	YTD 2017*	YTD 2018**	Q3 2017*	Q3 2018**
	\$ 858.5	\$ 1,011.6	\$ 304.9	\$ 355.3

In Millions					
Gross Billings		YTD 2017	YTD 2018	Q3 2017	Q3 2018
	Brazil	\$ 569.3	\$ 855.8	\$ 229.5	\$ 309.0
	Argentina	\$ 250.7	\$ 303.1	\$ 91.3	\$ 91.2
	Mexico	\$ 58.3	\$ 99.8	\$ 22.6	\$ 39.1
	Venezuela	\$ 38.3	\$ -	\$ 9.8	\$ -
	Others	\$ 44.5	\$ 69.7	\$ 17.5	\$ 23.6

In Millions					
Adjustments (Decrease)		YTD 2017	YTD 2018	Q3 2017	Q3 2018
	Brazil	\$ 75.8	\$ 254.9	\$ 52.9	\$ 88.2
	Argentina	\$ -	\$ 17.3	\$ -	\$ 7.5
	Mexico	\$ 24.7	\$ 36.3	\$ 11.1	\$ 10.1
	Venezuela	\$ -	\$ -	\$ -	\$ -
	Others	\$ 2.1	\$ 8.2	\$ 1.7	\$ 1.8

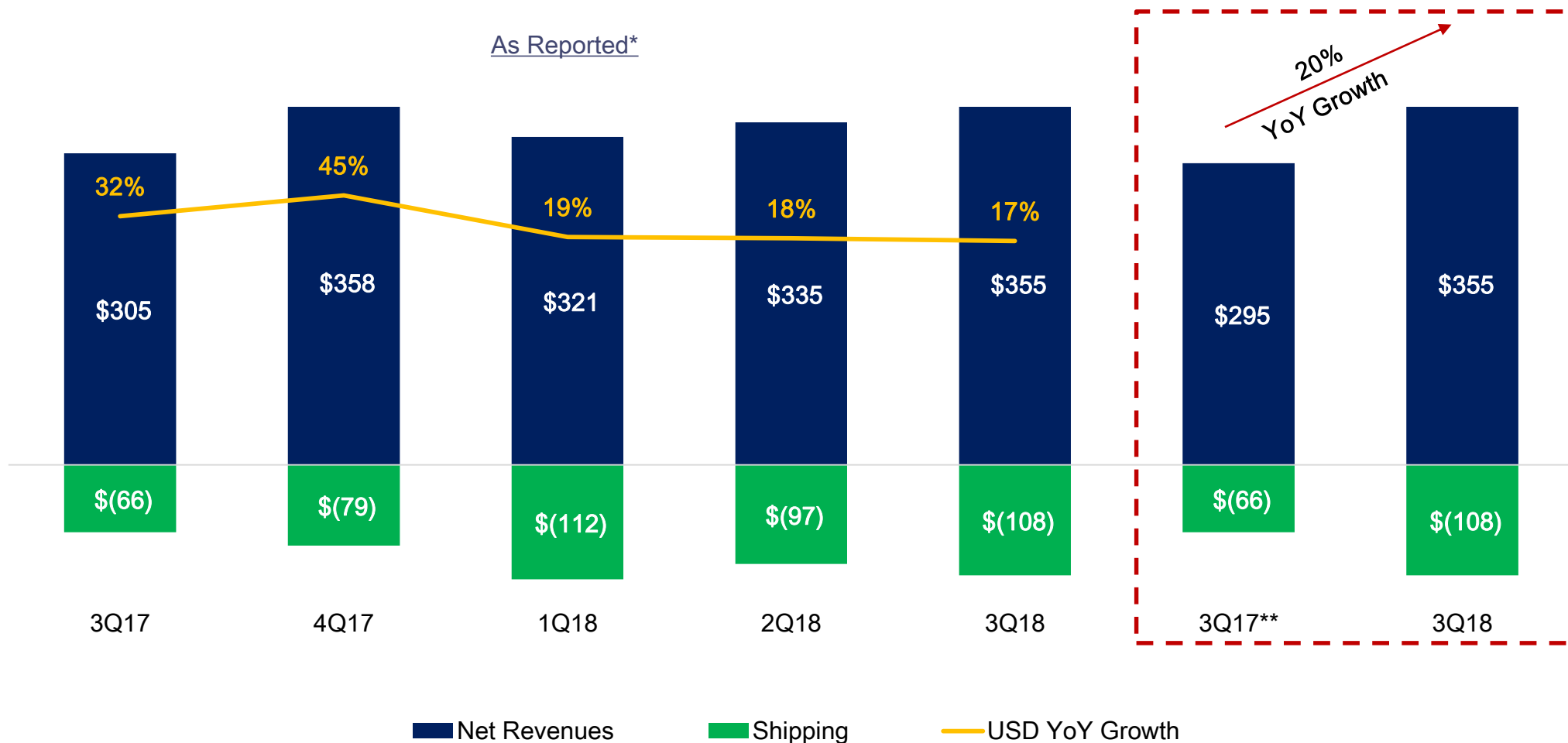
  

In Millions					
Net Revenues		YTD 2017*	YTD 2018**	Q3 2017*	Q3 2018**
	Brazil	\$ 493.5	\$ 600.8	\$ 176.6	\$ 220.8
	Argentina	\$ 250.7	\$ 285.8	\$ 91.3	\$ 83.7
	Mexico	\$ 33.6	\$ 63.6	\$ 11.5	\$ 29.0
	Venezuela	\$ 38.3	\$ -	\$ 9.8	\$ -
	Others	\$ 42.3	\$ 61.5	\$ 15.8	\$ 21.8

\*As Recast \*\*As Reported

# Consolidated Net Revenues

## Revenues per Quarter (M)

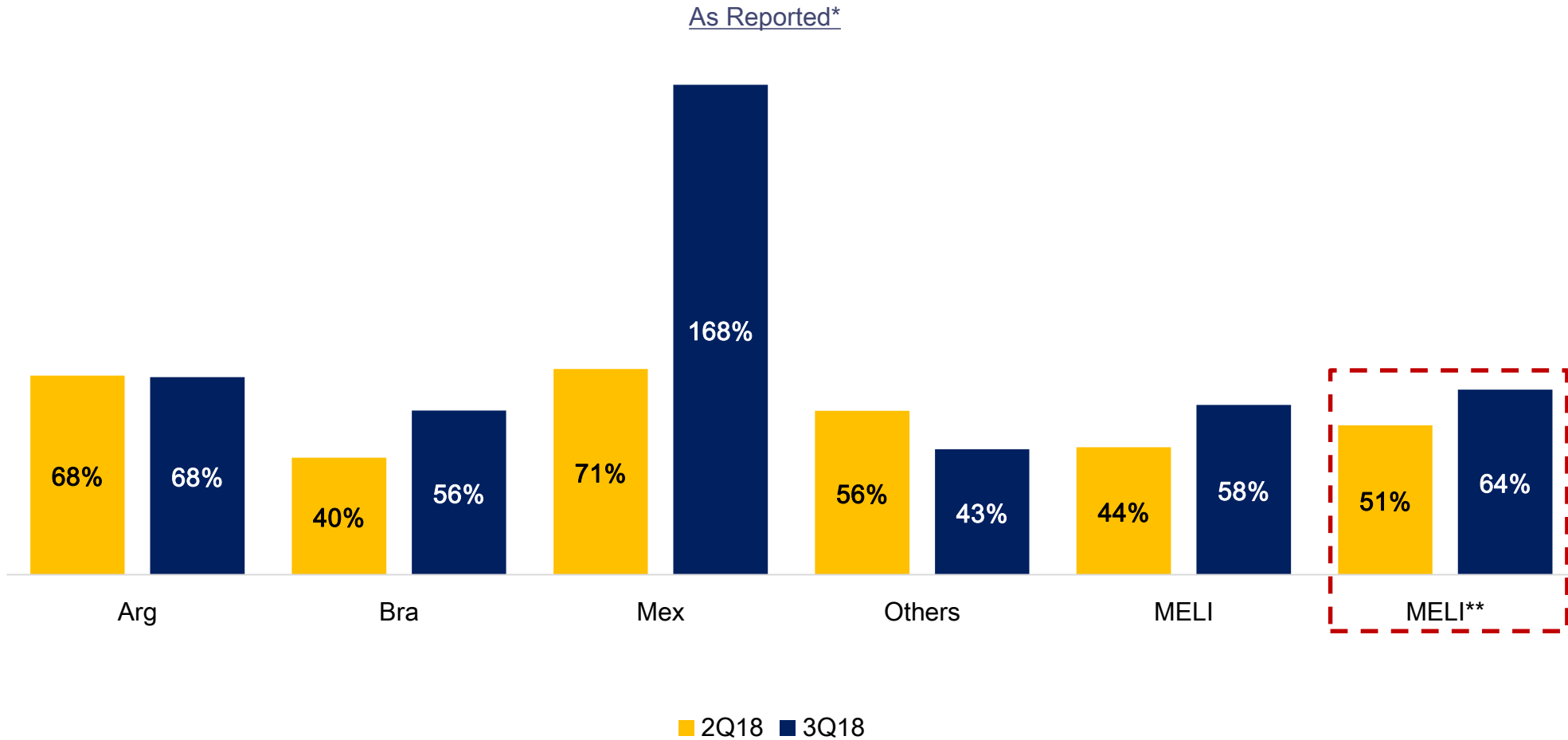


\* Balances are adjusted to the adoption of ASC 606 \*\* Excluding Venezuela



# Net Revenues by Country

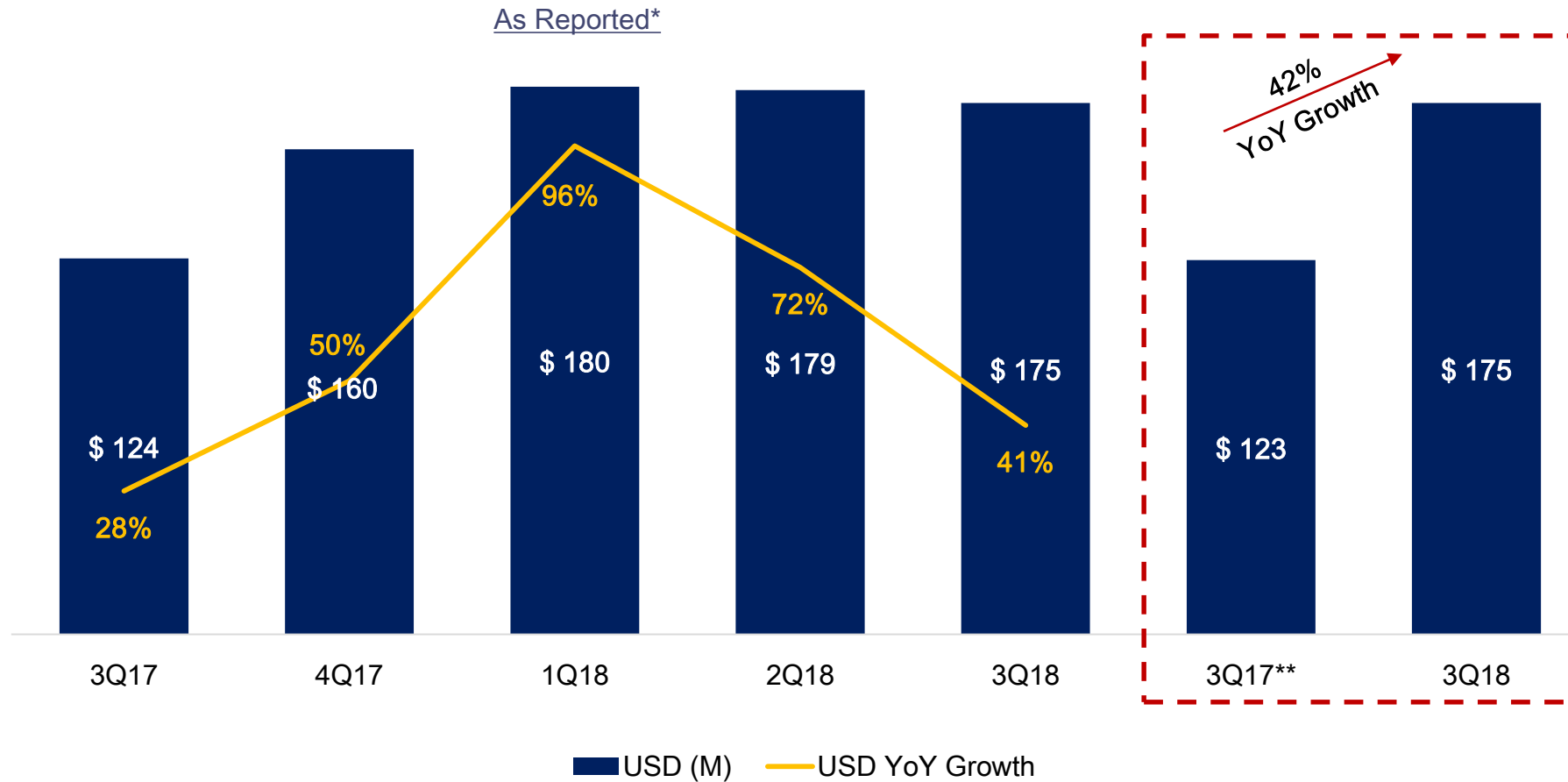
## LC Revenue Growth



\* Balances are adjusted to the adoption of ASC 606 \*\* Excluding Venezuela

# Consolidated Non-Marketplace Net Revenues

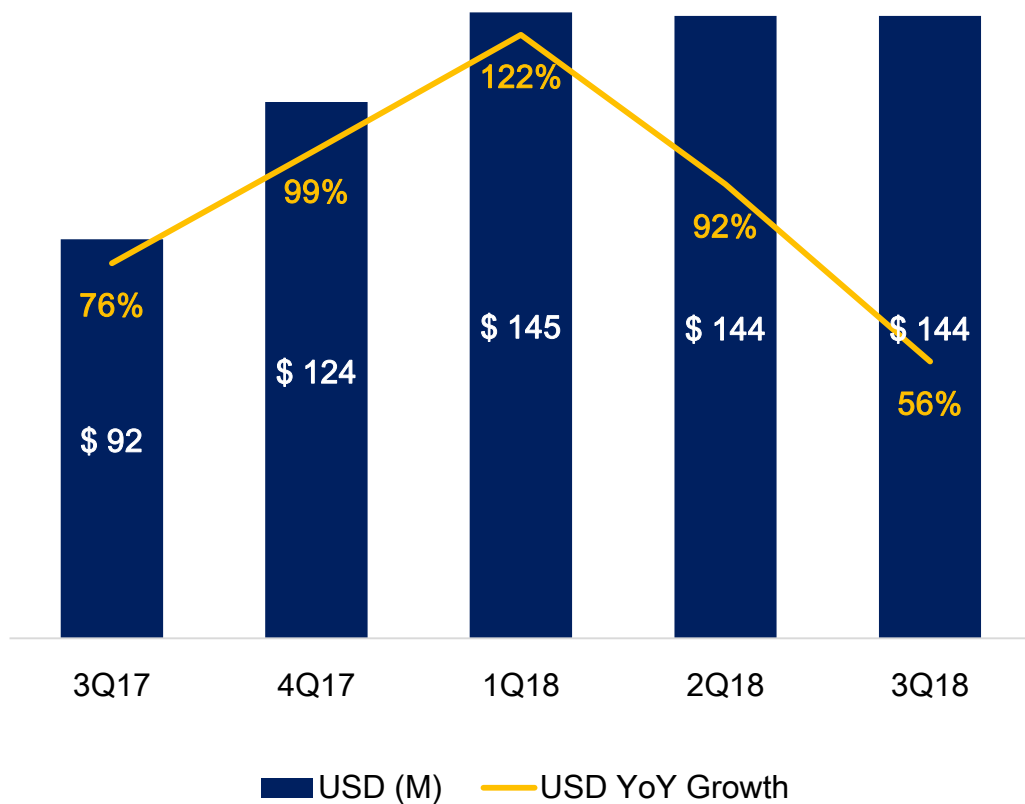
## Revenues per Quarter (M)



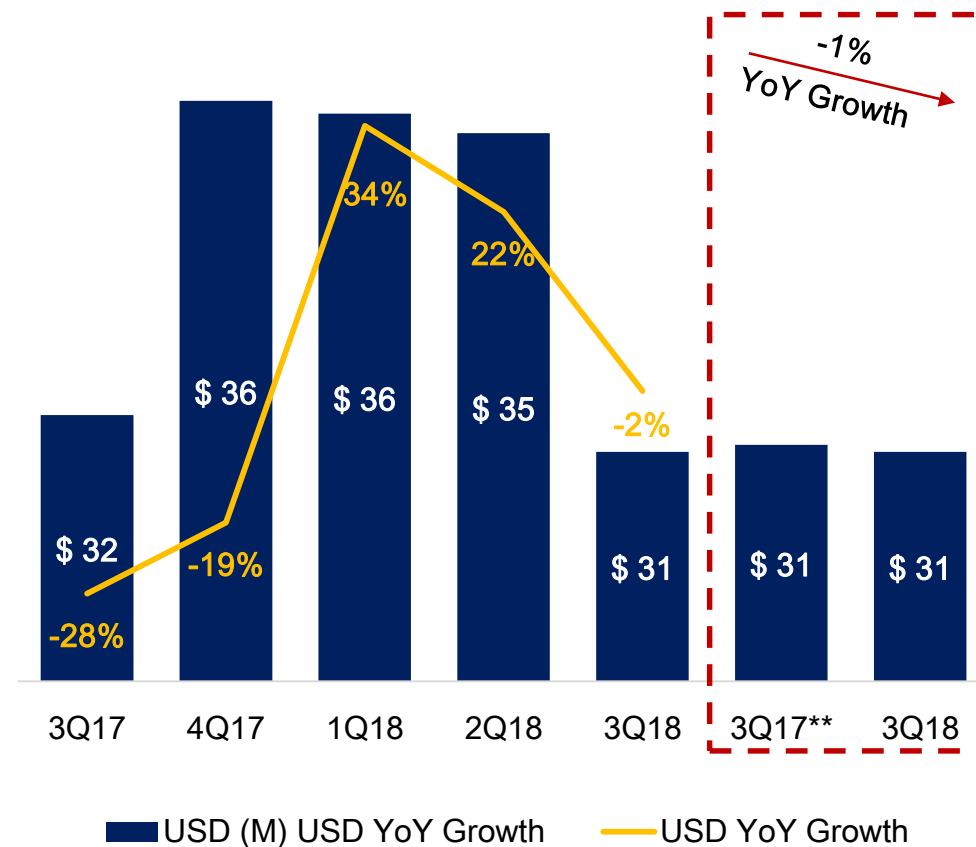
\* Balances are adjusted to the adoption of ASC 606 \*\* Excluding Venezuela

# Consolidated Non-Marketplace Revenues Breakdown

## Payments Revenues (M)



## Other Non-Marketplace Revenues (M)





# Third Quarter 2018 Overview

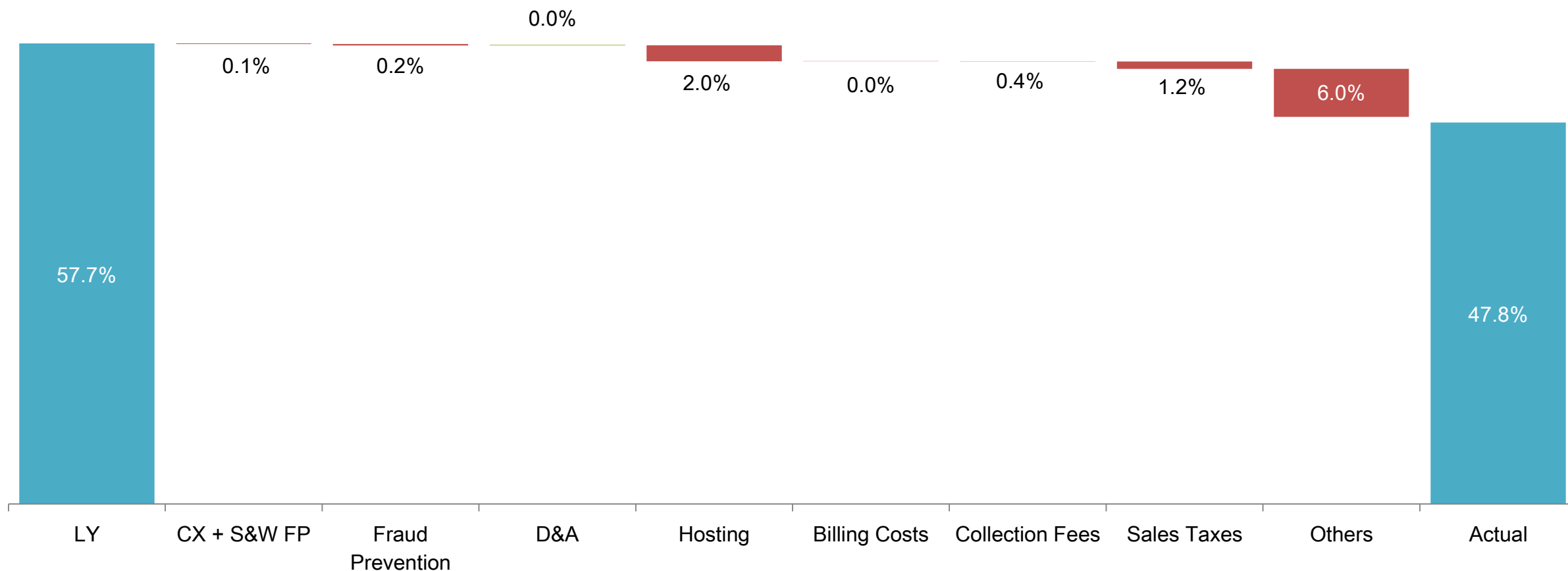
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# Q3 2018 Gross Margin vs. Last Year

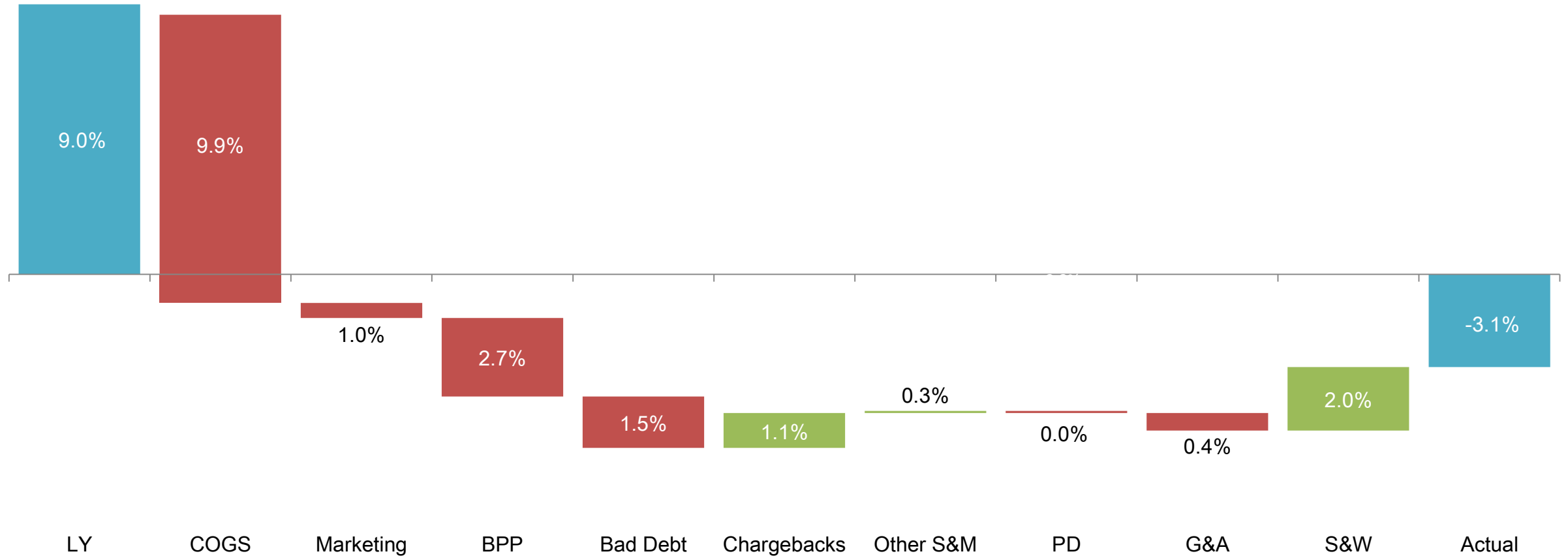


For comparative purposes, OPEX as a percentage of Gross Billings representen 39.0% this quarter vs 40.0% LY

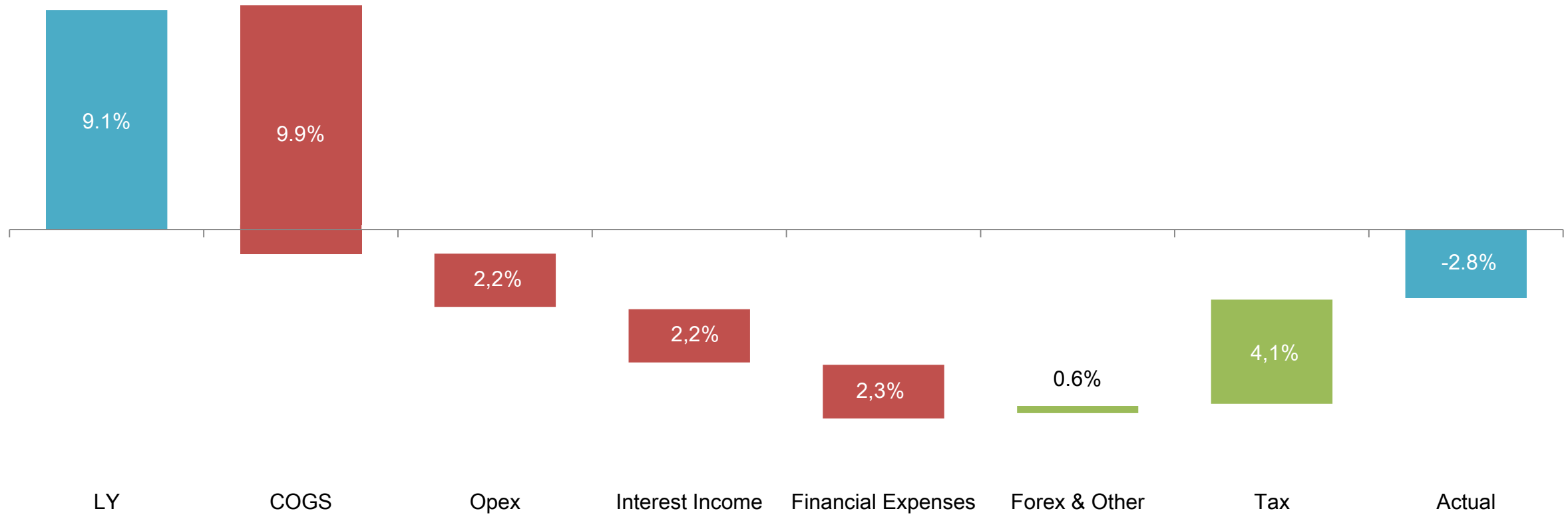
\*Others includes: Cost of mPos sales (72 bps), Debit and Credit Taxes (45 bps), net realizable value discounts on mPos devices (-674 bps) and other COGS (154 bps)



# Q3 2018 EBIT Margin vs. Last Year



# Q3 2018 Net Income Margin vs. Last Year





Thank You

## INVESTOR PRESENTATION

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