Equity Research Report – MercadoLibre Inc.

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MercadoLibre Inc. (NASDAQ:MELI)

Sector: Consumer Cyclical
Industry: E-commerce & Fintech

Current Price: $1,635.15	*As of 25th June 2026*
Target Price: $2,284.76	**Recommendation: BUY**
Upside: 39.7%	

EXECUTIVE SUMMARY

Figure 1: Summary

Source: Team Analysis, Capital IQ

RECOMMENDATION		**BUY**
Valuation Date		25.06.2026
Target Price	*$*	2284.8
Current Price*	*$*	1635.2
Upside	*%*	39.7%
Market Capitalization	*bn $*	82.9
Shares Outstanding	*mn*	50.7
52 Week High	*$*	2,645.2
52 Week Low	*$*	1,495.0

** As of June 25th, 2026*

Figure 2: MELI Stock Price Vs Nasdaq 100, Rebased to 100 [2021-26]

Source: Team Analysis, Capital IQ

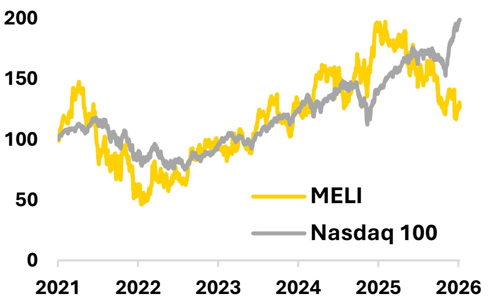


Figure 3: Scenario Summary

Source: Team Analysis

	Bear	**Base**	**Bull**
Revenue CAGR (FY25-30)	23.1%	29.6%	34.6%
Operating Margin (FY30)	9.9%	14.2%	19.4%
Net Margin (FY30)	6.5%	9.6%	13.4%
Implied Value /Share	$1,457	$2,285	$2,763
Implied Return	-10.9%	39.7%	69.0%

Figure 4: MELI's Key Value Drivers

Source: Team Analysis

Dual-Engine Growth -
48.6% 5YR Revenue CAGR

A Digital Bank at Scale -
$12.5B Credit Portfolio, 89% Rev CAGR

Proprietary Logistics Network -
2B+ Items Shipped, 95% Managed

Integrated Ecosystem Moat -
121mn Unique Active Buyers

We initiate coverage on MercadoLibre Inc. **(NASDAQ:MELI)** with a **BUY** recommendation and a **12-month target price of $2,284.76**, a 39.7% upside to the close of $1,635.15 on June 25th, 2026. We weight our sum-of-the-parts at 100%, the only framework that fairly prices a bifurcated business whose two segments carry distinct margins, growth rates, and cost of capital, and we triangulate it against a residual income valuation and a segment-level relative analysis.

MELI is a business like no other. It has compounded revenue at a 48.6% CAGR since FY2020 while standing up four reinforcing franchises at once, the region's largest marketplace, a proprietary logistics network, a near-pure-margin advertising unit, and a full-stack digital bank, across 18 markets most operators treat as too fragmented to scale. Growth at that rate alongside advantage of that kind is rare, and in a region where physical retail and formal banking are both underbuilt, the runway is long. Our BUY rests on that combination, priced segment by segment.

THESIS I | A MISPRICED DIGITAL BANK

Mercado Pago is one of Brazil's largest financial institutions by customer count, priced nowhere near its fintech peers. The fundamentals compound like a bank: Q1'26 AUM reached nearly $20bn (+77% YoY), the credit portfolio scaled to $14.6bn (+87% YoY, roughly 5x in three years), and fintech MAUs hit 83mn on 29% growth sustained for eleven consecutive quarters. Asset quality is tightening as the book scales: Brazil credit card 15–90 day NPLs fell 80bps YoY while consolidated NPLs held at 8.0% through 87% portfolio growth, direct evidence the underwriting models improve with data. The moat is proprietary: MELI observes the full economic cycle for the more than 50% of LatAm adults outside formal banking, and credit revenue has compounded at an 89% CAGR since FY2020. The inflection is here: the Pago card more than 2x-ed to $6.6bn and is now 46% of the book, with 50%+ of Brazil card volume transacting off-platform. We size credit conservatively for NIMAL compression to 17.8% from 22.7%, and even on that basis Fintech mix keeps outpacing Commerce. A fintech rerating to Nu parity is the central catalyst, with the integrated-ecosystem premium above it left unpriced.

THESIS II | THE INVESTMENT CYCLE IS THE STORY, NOT THE RISK

The market is pricing 2025-26 as margin destruction; we read a time-limited build whose recovery is structural but slow. FY2025 operating margin compressed only 160bps to 11.1% while absorbing the largest reinvestment program in company history, and gross margin held at 44.5%, confirming the underlying take rate is intact. Q1'26 operating margin of 6.9% is the trough of a multi-year build, not deterioration: revenue grew 49% YoY, the fastest in four years, with Brazil GMV +38% FX-neutral, items sold +56%, and Ads +63%. Spend on that trajectory is buying share. We diverge from management on pace. Because the 1P gross-margin drag is structural and growing, and provisions stay elevated while the book compounds, we cap the gross-margin recovery at 44.5% and taper provisions only to 10.5% of revenue, well short of a snap-back. On that conservative path operating margin recovers to 14.2% by FY2030 on a 29.6% revenue CAGR, roughly 3x the 10.5% growth embedded in today's price. That gap is not a heroic assumption, but rather the thesis.

KEY RISKS

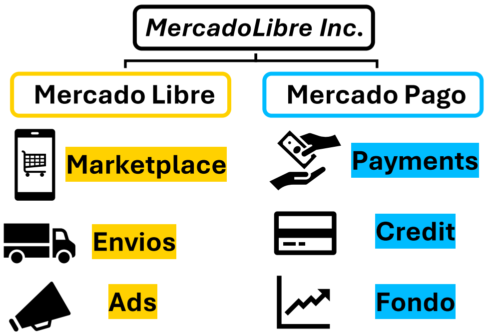
A permanently lower Brazil free-shipping threshold and structurally dilutive 1P mix that hold Commerce terminal margin near 14% against our 19% (MR1); a fintech de-rating that drags the Mercado Pago multiple toward 2.5x on a segment carrying 47% of enterprise value (MR2); credit quality cracking as Brazil loan duration extends to eight months and card mix reaches 46% (FR1); BRL, ARS, and MXN depreciation distorting reported margins under IAS 29 (RR1); and Brazil's 20% import levy and Mexico's 16% platform VAT compressing cross-border economics (RR2). Even the bear case clears the 10.5% growth the market is pricing and sums to $1,457, a 10.9% downside against 39.7% base-case upside.

BUSINESS OVERVIEW

Founded in 1999, **MercadoLibre (NASDAQ:MELI)** is Latin America's largest e-commerce and fintech ecosystem, running marketplace, payments, credit, logistics, and advertising as one integrated stack. It connects millions of buyers and sellers across 18 markets while extending credit and banking to a population traditional finance has left behind. Today, the company is a constituent of the **NASDAQ-100.**

Figure 5: Business Model

Source: Team Analysis

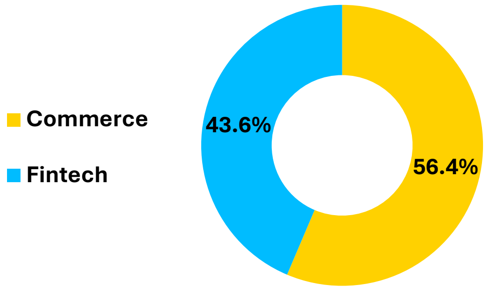


BUSINESS MIX

MercadoLibre operates through **two reportable segments (Figure 5)** that have each delivered revenue growth exceeding 25% year-over-year since FY2020 **(Figure 7)**, reflecting the company's dual positioning as both Latin America's dominant e-commerce platform and a rapidly scaling fintech ecosystem.

Figure 6: FY2025 Segment Revenue Split

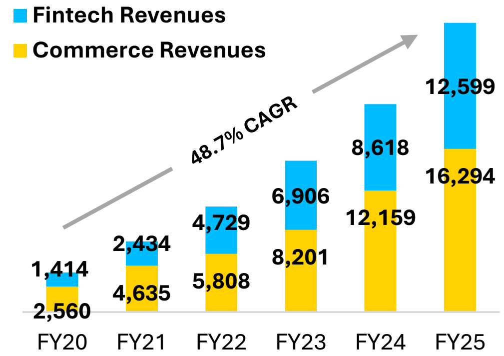
Source: Company Reports



1. **Commerce (Mercado Libre)** is the company's core marketplace segment, contributing 56.4% of total revenue in FY2025 **(Figure 6)**. ***The Mercado Libre Marketplace*** connects third-party sellers with buyers across multiple product categories, with 3P transactions representing over 90% of gross merchandise volume. The company also operates a first-party retail business in select categories to enhance price competitiveness and assortment, which turned profitable in Q1'26. ***Mercado Envios*** operates a proprietary logistics network across seven countries, anchored by MELI Air, a dedicated cargo air fleet operated through partnerships with airlines including Gol, Sideral, and Azul. The network includes MELI Places, independent neighborhood stores serving as package pickup, drop-off, and return locations. ***Mercado Ads*** leverages first-party transaction data to deliver targeted advertising to sellers. The ***MELI+ loyalty program*** offers a tiered subscription structure *(Essential, Total, and Mega)* providing reduced shipping thresholds, cashback, installment options, and streaming service access. The segment also includes Mercado Classifieds for real estate, automotive, and other category listings. ***Mercado Shops***, a storefront builder feature, was fully integrated into the marketplace on December 31, 2025.

Figure 7: Historic Segment Revenue Mix

Source: Company Reports



**in Mn USD*

2. **Fintech (Mercado Pago)** operates as a full stack digital financial services platform, contributing 43.6% of revenue in FY2025 **(Figure 6).** Originally built to facilitate marketplace payments, Mercado Pago has evolved into a standalone ecosystem serving merchant and consumer needs across Latin America. Core services include point-of-sale acquiring for online and offline merchants, digital accounts with competitive deposit yields, QR code and contactless payments, and integration with regional payment methods including Pix, Brazil's instant payment system. The platform supports peer-to-peer transfers, mobile top-ups, and utility payments. ***Mercado Fondo*** offers money market funds allowing users to earn yield on idle balances, competing directly with traditional banks. ***Mercado Credito***, the fastest growing revenue stream with an 89% CAGR since FY2020 **(Figure 8)**, provides consumer credit cards, merchant financing, and buy-now-pay-later installments, expanding financial inclusion while generating net interest income. The credit card has become the most-used card on the platform in Brazil, with over half of total credit card volume now occurring outside the marketplace, demonstrating Mercado Pago's evolution beyond the core e-commerce ecosystem. Additional offerings include insurance products (extended warranties, accident coverage, theft and damage policies) and crypto services in Brazil, Mexico, and Chile for buying, holding, and selling cryptocurrencies, stablecoins, and Meli Dólar.

Figure 8: Revenue Stream CAGRs

Source: Team Analysis, Company Reports

	FY2020	*FY2025*	*CAGR*
Com. Services	$ 2,305	$ 12,750	*41%*
Com. Product Sales	$ 255	$ 3,544	*69%*
Fin. Services & Inc.	$ 1,139	$ 6,678	*42%*
Credit Revenue	$ 246	$ 5,858	*89%*
Fin. Product Sales	$ 29	$ 63	*17%*

**in Mn USD*

REVENUE CLASSIFICATION

Commerce revenue comprises two streams **(Figure 8)**: (1) **Services**: marketplace fees (final value fees including payment solution usage, flat fees for low-value transactions), shipping fees net of third-party costs, storage fees, classifieds fees, advertising sales, membership subscriptions, and ancillary services; and (2) **Product Sales**: first-party merchandise sales from owned inventory and related shipping.

Fintech revenue comprises three streams **(Figure 8)**: (1) **Financial Services:** off-platform payment commissions, asset management fees, installment financing revenues, interest on cash and investments net of pass-through gains to Brazilian users, debit card commissions, and Insurtech fees; (2) **Credit:** interest and commissions on merchant and consumer loans, and credit card transactions; and (3) **Product Sales:** mobile point-of-sale device sales.

Figure 9: Company History

Source: Team Analysis

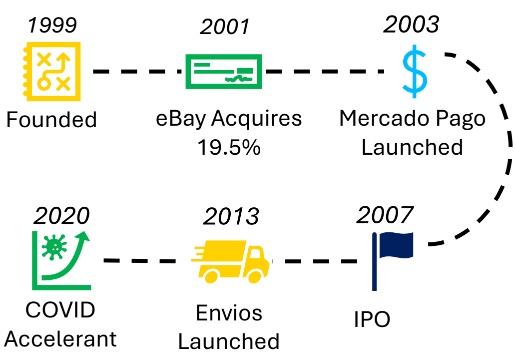
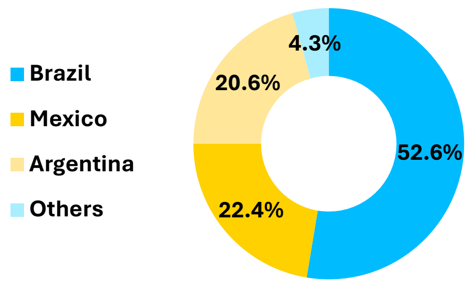


Figure 10: Geographic Revenue Mix



Source: Company Reports

GEOGRAPHIC MIX

MercadoLibre generates revenue across **18 Latin American countries**, with operations concentrated in three core markets. In FY2025, Brazil remained the dominant market at $15.2bn, representing 52.6% of total revenue. Mexico was the second largest contributor at 22.4%, followed by Argentina at 20.6%, with other countries accounting for the remaining 4.3% **(Figure 10)**. The regional revenue mix has remained relatively stable since the pandemic despite total revenue increasing from $3.9bn in FY2020 to $28.9bn in FY2025, representing a 48.6% CAGR **(Figure 7)** and implying that growth has been broad-based across the company's core markets.

COMPETITIVE POSITIONING

Figure 11: Key Metrics

Source: Team Analysis, Company Reports

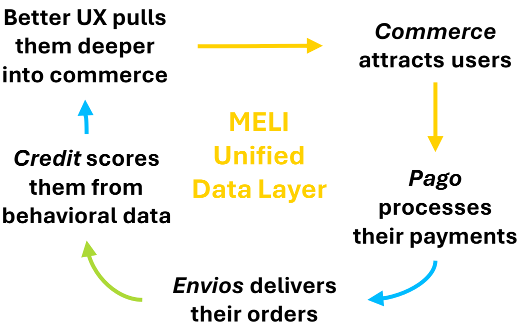
Metric	FY2025	YoY Growth
GMV	$ 65,037	26.4%
UAB	121	21%
TPV	$ 277,823	41%

**in Mn*

Four resources sustain MercadoLibre's edge: its integrated ecosystem, a proprietary logistics network, first-party data, and network effects. Together they win the company a disproportionate share of the region's fastest-growing spend. FY2025 results validate this positioning **(Figure 11)**: revenue rose 39% YoY to $28.9 bn, unique active buyers (UABs) increased 21%, total payment volume (TPV) increased by 41%, and gross merchandise volume (GMV) grew by 26.4%. The VRIO framework analysis **(Annex 5)** confirms four of five strategic resources generate durable competitive advantages.

Figure 12: The MELI Flywheel

Source: Team Analysis, Company Reports



INTEGRATED ECOSYSTEM DOMINANCE

MercadoLibre's full-stack integration across commerce, fintech, and logistics creates a structural moat unmatched in Latin America. The platform serves 121mn unique active buyers **(Figure 11)** and 83mn fintech monthly active users with brand preference metrics reaching all-time highs in Brazil, Mexico, and Argentina. Unlike Amazon's separated organizational structures or regional competitors excelling in single verticals, MercadoLibre's unified data architecture enables superior credit scoring and cross-selling economics. The ecosystem was built sequentially over two decades. The resulting path dependencies and learning curves cannot be compressed with capital alone. Founder Marcos Galperin's "build versus buy" culture favored vertical integration over acquisitions, compounding barriers to replication.

Figure 13: MELI Logistics Network

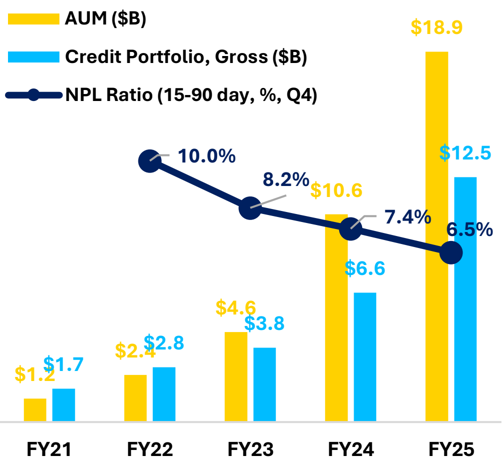
Source: Team Analysis, Company Reports

PROPRIETARY LOGISTICS INFRASTRUCTURE

Mercado Envíos shipped over 2B items in 2025, handling 95% of packages through managed infrastructure. This end-to-end control delivers superior economics and customer experience in a region where unreliable third-party logistics historically constrained e-commerce adoption. Faster delivery promises lift conversion, and the cycle feeds itself: scale justifies the logistics spend, which funds cheaper and faster shipping, which brings in more sellers and buyers. Replicating comparable infrastructure requires sustained capital deployment, proprietary routing algorithms, warehouse management systems, and operational expertise specific to Latin American geographies. Geographic coverage across multiple countries with varying regulatory environments and delivery expectations creates additional imitation barriers.

Figure 14: Mercado Pago AUM & Credit Portfolio Growth

Source: Team Analysis, Company Reports



CREDIT UNDERWRITING FOR THE UNBANKED

MercadoLibre addresses Latin America's defining financial constraint. Half of adults lack formal banking, so traditional credit scoring has nothing to score. The platform's behavioral data creates alternative creditworthiness signals where FICO scores don't exist. When a street vendor in São Paulo applies for working capital, the algorithm scores them on marketplace performance where no bank statement exists. That capability compounds adoption. AUM grew 78% YoY to $18.9bn in FY2025 **(Figure 14)**, evidence that users are moving balances onto the platform rather than only transacting on it. For SMEs, Mercado Pago simultaneously provides their first credit line, payment processing, and point-of-sale system. Switching means abandoning access to capital, not just changing payment rails. Competitors cannot replicate this underwriting edge. MercadoLibre uniquely observes complete economic cycles (list → sell → ship → pay → repay) across the informal economy, turning marketplace activity into bankable credit history where none previously existed.

INDUSTRY OVERVIEW

Figure 15: LatAm E-Commerce Market Share by Platform (2023-25)

Sources: Statista, Team Analysis Estimates

Market Share (%)	2023	2024	2025
MercadoLibre	21.6	22.8	24.2
Amazon	8.5	9.4	10.3
Shopee	2.1	6.8	8.5
Temu	0.4	2.1	7.8
Magazine Luiza	4.2	3.8	3.2
Shein	2.3	3.2	3.9
AliExpress	3.8	4.1	4.3
Americanas	3.1	2.6	2.1
Other Regional	17.5	15.8	13.9
Other Platforms	36.5	29.4	21.8

Figure 16: LatAm E-Commerce Penetration vs. U.S. (9-Year Lag)

Sources: PCMI, Statista, Americas Market Intelligence, U.S. Consensus via FRED

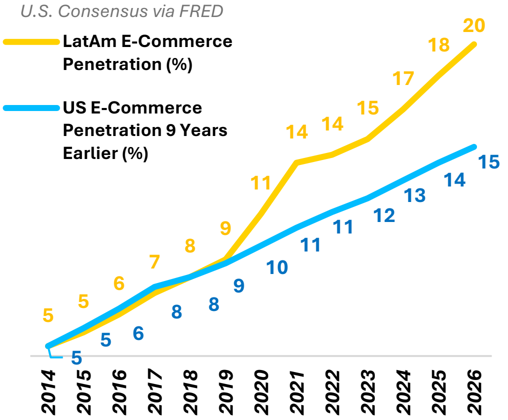


Figure 17: LatAm Financial Inclusion Gap (% of Adults 15+)

Source: World Bank Global Findex Database

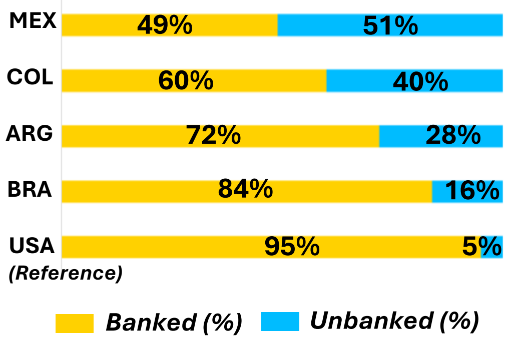


Figure 18: Open Finance, Banking & Payment Competitors LatAm

Sources: Team Analysis

MercadoLibre operates as an **integrated e-commerce and fintech platform** in Latin America. We analyze MercadoLibre primarily within the e-commerce and online-marketplace industry, treating Mercado Pago as both a complementary business line and its sharpest competitive differentiator within that industry.

MARKET DYNAMICS

POLITICAL

- **Trade policy & Chinese competition:** U.S.-China trade tensions may redirect Temu, AliExpress, and Shopee aggressively into LatAm markets, intensifying competitive pressures on MercadoLibre's marketplace dominance.
- **Government intervention risk:** Argentina and Venezuela periodically impose capital controls, import restrictions, and price freezes, directly disrupting cross-border GMV and remittance flows.
- **Financial inclusion mandates:** Regional governments actively push digital payment adoption and banking access for underserved populations, creating regulatory tailwinds for Mercado Pago's expansion.

ECONOMIC

- **Exceptional growth runway:** LatAm e-commerce projected at 10-20% CAGR through 2033, with 12-15% retail penetration versus 85% physical, mirroring U.S. market positioning from nine years ago **(Figure 16)**.
- **Currency & inflation volatility:** FX fluctuations remain structural; Argentina shows highest local-currency GMV growth while contributing declining real economic value. Brazil's elevated rates compress discretionary spending and complicate cross-border pricing.
- **Credit access gap:** 50+% of LatAm adults remain unbanked/underbanked **(Figure 17),** creating a vast addressable market for Mercado Pago as internet and banking infrastructure expands.

SOCIAL

- **Mobile-first demographics:** Median age 30.97 years; internet penetration 86.6% (Brazil) and 83.2% (Mexico). Digitally engaged, price-sensitive cohort drives mobile commerce adoption.
- **Institutional distrust fuels fintech:** Decades of bank failures lower switching costs to Mercado Pago, but non-bank status means less stringent liquidity requirements, raising default and insolvency risks.
- **Informal economy opportunity:** 50-60% of workers operate informally. Converting street vendors expands TAM but requires cash infrastructure (QR codes, collection points) and simplified tax compliance.

TECHNOLOGICAL

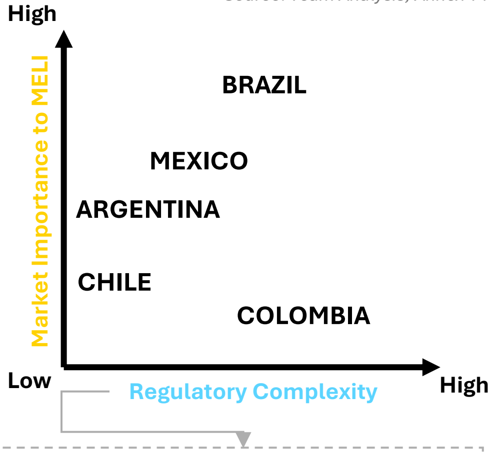
- **Infrastructure deficits persist**: Fixed broadband access at 50% (2021); rural connectivity weak, limiting addressability outside urban centers in mobile-first region.
- **Logistics infrastructure gap**: Inconsistent postal systems force proprietary fulfillment (Mercado Envíos handles 95%+ of shipments). High capex creates moat against undercapitalized competitors.
- **Fraud & AI imperative**: Payment fraud rates 2-3x higher than developed markets. Real-time ML transaction scoring mission-critical as Mercado Pago scales past 83mn monthly active payers.
- **Open banking emergence**: Brazil's Pix processed 40B+ transactions (2024), reshaping dynamics. Open Finance regulations lower entry barriers but enable deeper product integration for incumbents willing to interoperate.

ENVIRONMENTAL

- **Packaging & emissions scrutiny**: E-commerce growth draws attention to cardboard waste and delivery emissions, particularly in Brazil amid deforestation concerns. Early for binding regulation but investor expectations rising.
- **ESG & capital access**: International debt markets increasingly require credible ESG disclosures. MELI's 2023 sustainability report signals recognition this affects financing costs, though creates reporting overhead.
- **Climate infrastructure risk**: Hydroelectric dependence (especially Brazil)

Figure 19: Regulatory Complexity as a Competitive Moat Across MELI's Core Markets

Source: Team Analysis, Annex 14



***Investor Takeaway:** While regulation increases compliance costs, it disproportionately burdens smaller competitors, making regulatory complexity a source of durable competitive advantage for MercadoLibre.*

Figure 20: Five Forces Radar Summary

Source: Team Analysis

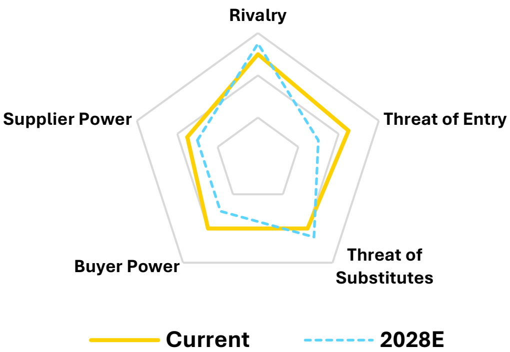


Figure 21: Competitive Service Overlap Matrix

	Commerce: *Mrkt*	Commerce: *Logi*	Commerce: *Ads*	Fintech: *Pay*	Fintech: *Credit*	Fintech: *AuM*
MELI	●	●	●	●	●	●
Amazon	●	●	●	●	○	○
Shopee	●	●	●	○	○	○
Temu	●	●	●	○	○	○
AliExp	●	●	●	○	○	○
Shein	●	●	○	○	○	○
Nubank	○	○	○	●	●	●
Sofi	○	○	○	●	●	●
Block	○	○	○	●	●	

Source: Team Analysis

No LatAm peer runs all six services in one stack

creates vulnerability to precipitation variability. Extreme weather could disrupt fulfillment, necessitating large cash buffers and liquid securities.

LEGAL (Annex 14)

- **Regulatory divergence as moat**: Fragmented frameworks across jurisdictions (Mexico's 2020 VAT on digital services exemplifies fiscal scrutiny). MELI's multi-country integration creates barriers for new entrants.
- **Fintech licensing complexity**: Operating across 18 central bank frameworks; Brazil can change reserve/capital rules on 60-90 day notice, impacting unit economics. Non-bank status provides operational flexibility.
- **Antitrust risk on bundling**: Dominant market share in commerce + fintech may trigger regulatory scrutiny to prevent monopolistic behavior in sectors fundamental to modern economy.
- **Consumer protection tightening**: Mexico's 2023 consumer law and Brazil's expanded chargeback windows raise compliance costs but increase industry trust, favoring large, compliant platforms over smaller competitors.

INDUSTRY FORCES

COMPETITIVE RIVALRY – HIGH

E-commerce: First-mover advantage eroded by Amazon, Shopee, Temu, AliExpress, and Shein offering comparable marketplace, logistics, and advertising services. Thin differentiation beyond regional specialization (country-specific curation), which competitors replicate as local data accumulates. High fixed costs (logistics infrastructure, platform maintenance) and high variable costs (last-mile delivery) make sustained price competition margin-destructive.

Fintech: Low product differentiation, but high qualitative barriers protect Mercado Pago such as deep trust, service quality, and societal integration create sticky user base. Steep learning curve and time delay between market entry and deployment allow Pago to enhance offerings before new competitors threaten conversion.

THREAT OF NEW ENTRANTS – MODERATELY HIGH

E-commerce: Biggest potential entrants already operating (Amazon, Temu, AliExpress), shrinking credible newcomer pool. Remaining entrants face substantial barriers: logistics networks, economies of scale, capital intensity, distribution access, and retaliation risk from well-capitalized incumbents. Regional players (e.g., Fnac) lack distribution infrastructure for price competition at scale; domestic start-ups face steeper barriers requiring customer habit changes.

Fintech: Current competitor count likely stable due to government-backed initiatives serving "fulfilled" markets. Growing Basel III adoption across South America imposes rigorous regulatory alignment. Incumbents (Mercado Pago, Nubank, Uala) benefit from economies of scale and first-mover advantage with differentiated services enabling co-existence without cannibalization.

THREAT OF SUBSTITUTES – MODERATE

E-commerce: Social commerce (Meta, TikTok), WhatsApp-based selling, and physical retail remain relevant, especially in lower-income regions with lower formal e-commerce trust. Near-zero switching costs for buyers, but marketplace platforms hold functional advantage for logistics-dependent and higher-value purchases. E-commerce itself operates as disruptive substitute to traditional retail.

Fintech: Limited direct competitors offering identical services. Strong first-mover advantage embeds Pago deeply, raising switching costs. While IP is easily replicable across firms, services are meaningless without Pago's established technology, network, and customer relationships, lowering substitution risk.

BUYER POWER – MODERATE

E-commerce: Very low switching costs as buyers compare prices across MELI, Amazon, and competitors instantly. High price sensitivity across LatAm markets. MELI's loyalty ecosystem creates some stickiness, particularly in Brazil and Mexico.

Fintech: High switching costs due to one-stop-shop banking for underserved South American regions. Lack of formal banking coverage in many areas makes switching challenging, creating strong consumer stickiness and low defection risk.

Figure 22: Supplier Power Spectrum

SUPPLIER POWER – MODERATELY HIGH

E-commerce: Individual sellers and SMEs fragmented with few alternatives matching Pago's scale and reach, especially in high-traffic markets. Larger brand suppliers (multinationals) multi-home across platforms and negotiate specific terms. Integrated logistics (Mercado Envíos) reduces seller dependence on third-party couriers, weakening courier supplier power.

Fintech: Pago operates as "Platform Orchestrator," repackaging commoditized infrastructure it doesn't own (Mastercard, Visa payment rails). Underlying technology providers hold leverage enabling service execution. Cloud providers (AWS as regional leader) possess high power through core infrastructure inseparable from Pago's backbone, rendering Pago powerless against suppliers who own foundational IP.

FINANCIAL ANALYSIS

Figure 23: Key Financials
Sources: Team Analysis

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
DuPont Analysis											
Gross Margin	43.0%	42.5%	49.0%	50.2%	46.1%	44.5%	43.5%	43.8%	44.1%	44.3%	44.5%
EBIT Margin	3.2%	6.2%	9.8%	14.6%	12.7%	11.1%	7.2%	9.3%	11.2%	12.6%	14.2%
EBITDA Margin	5.9%	9.1%	13.6%	18.1%	15.6%	13.9%	8.2%	10.4%	12.5%	14.0%	15.7%
Net Margin	0.0%	1.2%	4.6%	6.5%	9.2%	6.9%	4.6%	6.1%	7.4%	8.4%	9.6%
Free-Float-Adj. FCF Margin	5.4%	-3.6%	15.7%	22.7%	20.1%	22.5%	4.5%	4.5%	6.0%	7.6%	8.7%
Asset Turnover	0.61x	0.85x	0.88x	0.96x	0.97x	0.85x	0.77x	0.70x	0.64x	0.60x	0.57x
Return on Equity (ROE)	-0.1%	5.2%	28.7%	40.3%	51.5%	36.0%	24.3%	31.5%	33.7%	32.3%	30.9%
Return on Assets (ROA)	0.0%	1.0%	4.0%	6.3%	8.9%	5.9%	3.5%	4.3%	4.8%	5.0%	5.4%
Return on Inv. Capital (ROIC)	-0.1%	4.2%	11.0%	19.8%	23.5%	17.3%	10.7%	12.5%	13.4%	13.6%	14.1%
FCF Return on Equity	56.6%	24.6%	148.0%	189.1%	190.2%	194.1%	105.1%	99.0%	88.0%	75.2%	60.0%
Liquidity											
Current Ratio	1.47x	1.40x	1.28x	1.27x	1.21x	1.17x	1.16x	1.16x	1.18x	1.21x	1.24x
Quick Ratio	1.28x	1.10x	1.03x	0.98x	0.89x	0.82x	0.77x	0.75x	0.76x	0.79x	0.82x
Cash Flow Quality (GAAP)											
FCF Conversion	n/m	4.72x	5.16x	4.69x	3.69x	5.39x	4.32x	3.15x	2.61x	2.33x	1.94x
Quality of Earnings	n/m	11.63x	6.10x	5.21x	4.14x	6.07x	5.31x	3.89x	3.22x	2.84x	2.36x
FCF / EBITDA	4.01x	0.61x	1.73x	1.70x	2.17x	2.68x	2.41x	1.83x	1.55x	1.40x	1.18x
Cash Flow Quality (Adjusted)											
Adj. FCF Conversion	n/m	(3.07x)	3.42x	3.47x	2.18x	3.25x	0.98x	0.75x	0.81x	0.91x	0.91x
Adj. Quality of Earnings	n/m	3.84x	4.37x	3.99x	2.63x	3.93x	1.97x	1.49x	1.41x	1.42x	1.33x
Leverage & Solvency											
Total Debt / Equity	0.85x	2.30x	2.60x	1.46x	1.31x	1.36x	1.77x	1.81x	1.68x	1.47x	1.24x
Net Debt / EBITDA	(7.25x)	0.19x	0.35x	(0.56x)	(0.43x)	0.72x	1.60x	1.23x	0.78x	0.25x	(0.20x)
Equity / Total Assets	25.3%	15.2%	13.3%	17.4%	17.3%	15.8%	13.5%	13.5%	14.6%	16.3%	18.5%
Total Debt / Total Assets	21.6%	34.8%	34.6%	25.5%	22.7%	21.5%	24.0%	24.5%	24.6%	24.0%	23.1%

OVERALL ASSESSMENT

MercadoLibre is the dominant commerce and fintech platform in Latin America, and it grows fast while earning high returns on capital. FY2025 revenue reached $28.9B, up 39% YoY and a 48.6% CAGR since FY2020, while ROE landed at 36.0% and ROIC at 17.3% **(Figure 23)**, both well in excess of their 11.38% WACC **(Figure 33, Annex 13)**. The FY2025 EBIT margin of 11.1% understates underlying profitability: the company is absorbing a heavy provisioning cycle as the credit book scales (provisions hit 10.7% of revenue in FY2025, up from 3.3% in FY2020 **(Annex 9)** and continues to invest in logistics, AI (search rebuilt around LLMs, 87% of Pago interactions automated), advertising, and credit origination. Q1'26's 49% YoY growth, the fastest in four years, confirms the investment cycle is accelerating growth even as margins compress. We forecast $106B by FY2030 at a 29.6% CAGR, with operating margin recovering to 14.2% and net margin to 9.6% as the credit portfolio seasons and operating leverage returns. The balance sheet sits at 0.72x Net Debt/EBITDA **(Figure 27)** with investment-grade ratings, giving ample flexibility to fund credit expansion.

Figure 24: Current Margin Compressing Investments

Figure 25: Revenue Mix & Operating Margin Evolution (FY2020-30)

Sources: Team Analysis, Company Reports

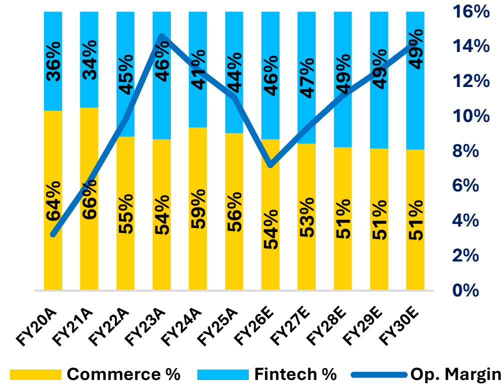
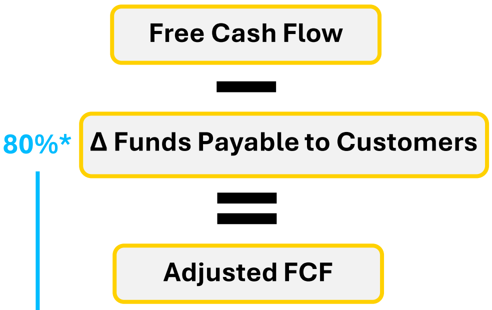


Figure 26: FCF Adjustment

Source: Team Analysis



***Free-Float Assumption (20%):** Customer funds are near-fully segregated by regulation, for example, Brazil's BCB requires prepaid balances held at the central bank or in government bonds, while Argentina's BCRA mandates 100% of client funds at the central bank with ≤45% in Treasury bonds. MELI's FY2025 restricted cash was 76% of funds payable. We estimate 15–25% is firm-deployable; base case uses 20%. This drives the float-adjusted FCF.*

Figure 27: Deleveraging Trajectory

Source: Team Analysis

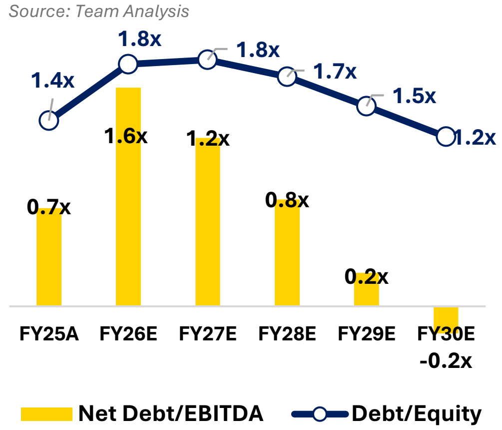
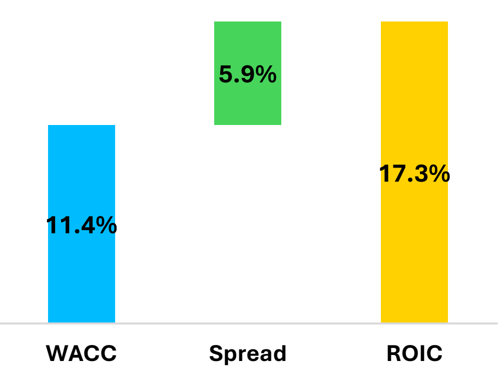


Figure 28: ROIC-WACC Spread (FY25)

Source: Team Analysis



FROM MARKETPLACE TO DIGITAL BANK

MELI is no longer a pure e-commerce business. Mercado Pago's credit portfolio reached $14.6B and AUM hit $20B in Q1'26, together rivalling mid-tier LatAm banks. The credit card doubled to $6.6B (46% of the book) on 2.7M cards issued in Q1, converting marketplace-only users into active fintech users. MAUs reached 83mn (+29% YoY). Revenue grew 49% YoY to $8.8B, the fastest pace in four years, but operating margin compressed 600bps to 6.9% as management invested across five fronts: free shipping, 1P, credit cards, CBT, and AI. Our forecasts model this as a U-shaped trajectory **(Figure 25):** revenue compounds at a 29.6% CAGR to $105.7B by FY30, while EBIT margin troughs at 7.2% in FY26 before recovering to 14.2% by FY30 **(Figure 23)**, a 7pp swing that comes from cohort maturation, gross-margin recovery, and provision normalization. Advertising is the pillar the market keeps skipping. It grew 73% YoY (+63% FX-neutral) at close to pure margin, funding the investment cycle much as Amazon's ad unit once subsidized Prime logistics.

INVESTING THROUGH THE TROUGH

MELI's margin compression is the cost of building. Gross margin contracts from 44.5% in FY25 to 43.5% in FY26 before recovering to 44.5% by FY30 **(Figure 23)**, reflecting the lowering of Brazil's free-shipping threshold (which drove items sold +56% YoY in Q1'26) and rapid scaling of 1P (1P GMV +69% YoY FXN). Provisions for doubtful accounts absorb 13.5% of revenue in FY26: two-thirds is mechanical (credit book growing at 87% vs revenue 49%), while one-third reflects the extension of Brazil loan terms from 5 to 8 months. Net interest margin after losses (NIMAL) of 17.8% in Q1'26 sits 490bps below prior-year levels. Credit card mix explains most of the gap, since immature cohorts front-load provisions before they generate income; heavier Brazil provisioning accounts for the rest. 15–90 day NPLs held stable at 8.0% even as the book nearly doubled, confirming the provision surge is a timing mismatch, not credit deterioration. Provisions normalize to 10.5% by FY30 as the book seasons. Brazil unit shipping costs declined 17% YoY in Q1'26 (vs 11% in Q4'25), as variable contribution per shipment is recovering faster than expected **(Annex 9)**.

THE CASH FLOW INFLECTION

Reported FCF is the most misleading metric in MELI's financials. GAAP FCF margin holds at 18-21% throughout the forecast, but this is mechanically inflated by Mercado Pago's customer deposit float flowing through CFO. Strip out customer funds and adjusted FCF **(Figure 26)** conversion stays positive throughout, at 0.98x in FY26 and 0.75x in FY27, even as the business funds the credit book through the trough. Conversion strengthens to 0.81x in FY28, 0.91x in FY29, and a sustained 0.91x by FY30. Cash generation holds through the earnings trough, which matters for anyone weighing when returns arrive. Capex sits at 4.5% of revenue in FY26 (~$1.9B), with the network now spanning 50+ fulfilment centers delivering 76% of fast shipments within 48 hours; this falls to 4.0% by FY30 as infrastructure density drives unit-cost deflation.

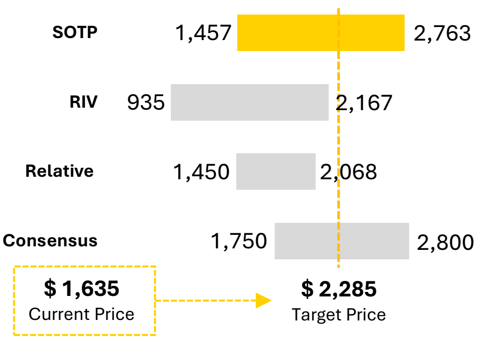
RETURNS & BALANCE SHEET FLEXIBILITY

ROIC is the clearest signal in the numbers. It expands from 10.7% in FY26 to 14.1% by FY30 **(Figure 23)**, and every point of that comes from operations rather than balance-sheet engineering. Asset turnover compresses from 0.77x to 0.57x, but margin expansion overwhelms it. ROE peaks at 33.7% in FY28 before moderating to 30.9% by FY30 **(Figure 23)** as retained earnings rebuild the equity base, evidence the balance sheet is compounding on profit, not leverage. ROA rises from 3.5% to 5.4%. The widening ROIC-WACC spread **(Figure 28)** is the central financial sign of the thesis: Mercado Pago is generating bank-like returns on a capital structure that still carries marketplace operating leverage. The balance sheet finances all of this without strain. Net Debt/EBITDA falls steadily across the forecast, from 1.60x in FY26 to net cash (–0.20x) by FY30 **(Figure 27)**, even after funding aggressive credit book growth and capex expansion with minimal capital return. Debt/Equity declines from 1.77x to 1.24x as equity compounds faster than borrowings, while equity-to-assets rises from 13.5% to 18.5% **(Figure 23)**. Current ratio holds at 1.16x through the trough and expands to 1.24x by FY30. S&P's upgrade to BBB- in mid-2025, following Fitch, lowers funding cost as the credit book shifts from wholesale borrowing to deposit self-funding. The widening spread between cost of funds and lending yields is the compounding advantage that current returns understate..

VALUATION

Figure 29: Valuation Football Field

Sources: Team Analysis, Annex 18



We issue a **BUY** recommendation for MELI based on a rigorous valuation analysis using three approaches: a sum-of-the-parts, a residual income valuation, and a segment-level relative analysis. These give a 12-month target price of $2,284.76 per share **(Figure 29)**, a 39.7% upside from MELI's closing price of $1,635.15 on June 25th, 2026. We weight the SOTP at 100% as the only method that prices each segment on its own economics; the $2,244.50 consensus median corroborates it independently, sitting just below our target.

SOTP VALUATION - $2,285

We value each segment on the method its economics warrant, then bridge to equity through $6.71bn of net debt and 50.7mn shares **(Figure 30)**.

Commerce: We discount unlevered FCF on a mid-year convention at our 11.38% WACC, with FCF set at 90% of NOPAT. Revenue scales from $22.8bn (FY2026E) to $53.5bn (FY2030E) as marketplace, 1P, and advertising mature, while the EBIT margin expands from 12% to 19% as the investment cycle unwinds and operating leverage builds. A Gordon terminal on FY2030E FCF at our 3.0% terminal rate yields a Commerce EV of $64.8bn, 53% of total EV. The 19% exit margin stays conservative against PDD's 22%, leaving headroom as advertising and logistics scale.

Mercado Pago: We value the fintech franchise at 3.0x FY2026E revenue of $19.2bn, an enterprise value of $57.7bn and 47% of total EV, equivalent to 4.6x trailing revenue. The multiple is anchored to Nu Holdings at roughly 3.0x. MELI's integrated data and captive demand argue for a premium over Nu, which we leave unpriced. We use a multiple rather than a DCF because a lender's free cash flow is absorbed by book growth, so a DCF would understate a franchise carrying a large credit portfolio, 83mn monetized users, and falling NPLs.

Net of debt, the parts sum to a base value of $2,284.76. Flexing the two swing inputs, the Commerce terminal margin and the fintech multiple, frames a bear case of $1,456.79 (10.9% downside) and a bull case of $2,763.44 (69.0% upside) **(Figure 31).**

Figure 30: SOTP Summary

Sources: Team Analysis

Sum-of-the-parts Valuation	[$Mn]
Commerce Segment Value	64,819
Fintech Revenue (26E)	19,244
EV / Revenue Multiple	3.0x
Fintech Segment Value	57,731
Total Enterprise Value	122,549
Net Debt	6,712
Equity Value	115,837
Price Per Share	**$2,285**

RESIDUAL INCOME VALUATION

Our RIV charges book equity at the CoE and adds the present value of residual income, using operating income to isolate core returns before below-the-line items. ROE fades from the low-40s to a long-run 25%, producing an intrinsic value of $1,482.56 (9.3% downside) and an implied 11.1x P/B. The discount to our SOTP is expected. RIV credits only book equity and the returns earned on it, so it excludes the franchise and network value the SOTP captures.

Figure 31: Scenario Overview

Sources: Team Analysis

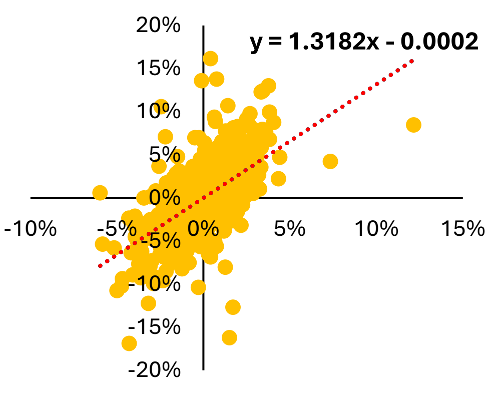
Criteria	**Bear**	**Base**	**Bull**
Revenue CAGR	23.06%	29.6%	34.62%
Operating Margin	4.6% -> 9.9%	7.2% -> 14.2%	9.3% -> 19.4%
Net Margin	2.7% -> 6.5%	4.6% -> 9.6%	6.1% -> 13.4%
Implied Return	**-10.9%**	**39.7%**	**69.0%**

RELATIVE VALUATION

No single peer set captures the integrated platform, so we value each segment against its own comparables and weight by revenue, 56.4% commerce and 43.6% fintech. We apply EV/Revenue, EV/Gross Profit, EV/EBIT, and PEG on NTM metrics, excluding EV/EBITDA, which ignores credit losses, and P/E, which the investment cycle depresses. The four methods produce a mean of $1,732.68 (6.0% upside), ranging from $1,450.46 on EV/Gross Profit to $2,068.46 on EV/Revenue (Annex 15). The direction corroborates our call, but peer multiples applied to a business with no true peer will not price the franchise.

Figure 32: MELI vs NASDAQ weekly 5 yr returns regression analysis

Sources: Team Analysis, Capital IQ



BETA & WACC

Beta. We blend a levered beta of 1.15 from four estimates: a five-year regression against the NASDAQ 100 (1.32, 50%), Damodaran's industry beta (0.84, 30%), a peer-relative beta (1.09, 10%), and a houses-of-finance average (1.34, 10%). The weighting leans on the regression while disciplining it against industry and peer anchors. **(Figure 32, Annex 10)**

Cost of equity. CAPM gives 12.33% on a 4.55% risk-free rate, a 4.23% equity risk premium, and the 1.15 levered beta, plus two-thirds of our country risk premium to capture LatAm exposure not already carried in beta. **(Annex 11)**

Cost of debt. We blend MELI's USD notes (80%), whose 3.125% 2031s and 4.900% 2033s carry a 4.87% weighted pre-tax yield, with a synthetic-rating estimate (20%). Adjusted interest coverage of 9.0x screens AAA, but agencies price MELI near BBB- on adjusted leverage, since most debt funds the credit book, where funding cost is offset by interest income rather than EBIT. The blended after-tax cost of debt is 3.57%. **(Annex 12)**

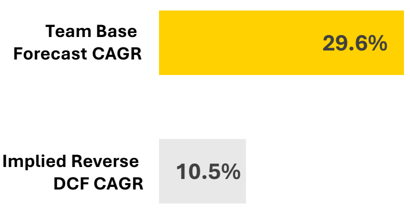
Figure 33: WACC Calculation

Sources: Team Analysis

WACC	
Equity Weight [%]	89.2%
Debt Weight [%]	10.8%
Tax [%]	28.0%
Cost of Equity [%]	12.3%
Cost of Debt [%]	3.6%
WACC [%]	**11.38%**

Figure 34: Market Implied 5Y Revenue CAGR vs Team Forecast

Sources: Team Analysis



Country risk premium. We weight Damodaran's country premia by FY2025 revenue, 52.6% Brazil at 3.24%, 22.4% Mexico at 2.46%, and 20.6% Argentina at 9.71%, for a 4.35% blended premium. **(Annex 11)**

WACC. At market-value weights of 89.2% equity and 10.8% debt, the inputs give a WACC of 11.38%, which we hold constant across the forecast. **(Figure 33, Annex 13)**

TERMINAL GROWTH

We set a 3.0% nominal terminal growth rate, triangulated across three independent checks **(Annex 13)**. The rate sits well below the 4.55% risk-free rate **(Annex 11)**, our hard ceiling on perpetuity growth, and aligns with the revenue-weighted long-run nominal GDP of MELI's core markets in Brazil, Mexico, and Argentina. The Key Value Driver formula, growth equal to the reinvestment rate times average RONIC (30%), implies a 10% reinvestment rate, a low and readily funded bar. We flex the rate from 2.5% to 4.5% in sensitivity **(Figure 37)**, with the risk-free cap binding the upper bound.

REVERSE DCF

Holding our discount and terminal assumptions, MELI's $1,635.15 price implies a FY2025 to FY2030 revenue CAGR of 10.5% against our 29.6% forecast, 19pp of growth the market is not paying for **(Figure 34)**. At today's price the market is discounting a deceleration our segment forecasts do not support.

Investment Risks

Figure 35: Risk Matrix

Sources: Team Analysis

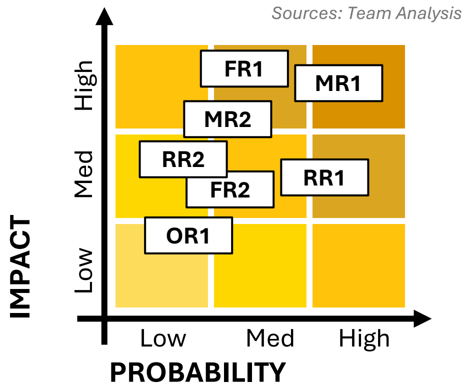


Figure 36: Sensitivity Analysis – Terminal Margin/ SOTP Multiple

Sources: Team Analysis

Term Margin (Commerce) \ EV/Revenue (Fintech)	2.0x	2.5x	3.0x	3.5x	4.0x
15%	1,681	1,871	2,061	2,251	2,440
17%	1,793	1,983	2,173	2,363	2,552
19%	1,905	2,095	**2,285**	2,475	2,664
21%	2,017	2,207	2,397	2,586	2,776
23%	2,129	2,319	2,509	2,698	2,888

Figure 37: Sensitivity Analysis – WACC/Terminal Growth

Sources: Team Analysis

WACC \ Terminal Growth	2.0%	2.5%	3.0%	3.5%	4.0%
9.4%	2,517	2,611	2,719	2,845	2,995
10.4%	2,323	2,393	2,472	2,563	2,667
11.4%	2,171	2,225	**2,285**	2,352	2,429
12.4%	2,049	2,091	2,138	2,190	2,248
13.4%	1,949	1,982	2,019	2,060	2,105

We map each risk to our thesis on a likelihood and impact matrix **(Figure 35).**

MR1 | Competitive intensity. Amazon, Shopee, Shein, and Temu are escalating coupons, free shipping, and fulfillment subsidies across Brazil and Mexico, where Temu alone reached 105M LatAm users in 2025. The danger to Thesis II is that the investment cycle never unwinds: if rivals force a permanently lower free-shipping threshold and a structurally dilutive 1P mix, Commerce terminal margin stays capped below our 19%, with the bear case holding it near 14%. We watch NPS, share, and the margin path into 2027 for the first sign that today's spend is buying durable advantage.

MR2 | Fintech rerating. Our SOTP values Mercado Pago at 3.0x revenue against Nu Holdings, making the segment 47% of enterprise value, so the thesis lives or dies on that multiple. A de-rating of Nu or the broader fintech complex, or simply softer credit returns, would drag the multiple toward our 2.5x bear and pull the floor out from under Thesis I. **(Figure 36 , Annex 16)**

FR1 | Credit quality. The credit book grew 87% YoY as MELI stretched Brazil personal-loan duration from five to eight months and lifted card mix to 46%, pulling NIMAL to 17.8%. Longer duration and a heavier card mix lift yield but also push risk further out, so if asset quality cracks as the book seasons, provisions overshoot and Thesis I breaks. We monitor 15-90 day NPLs, stable at 8.0%, alongside roll rates and reserve coverage.

FR2 | Funding and rates. A high-for-longer Brazil SELIC raises the cost of funding a receivables book that has already lifted net debt to LTM EBITDA from 0.19x to 0.72x, squeezing NIMAL from the funding side just as the book scales and pressuring our cost of debt.

RR1 | FX and Argentina (IAS 29). Around 20% of revenue comes from Argentina under hyperinflationary accounting, and BRL, ARS, and MXN depreciation translates USD results lower while distorting consolidated margins. We normalize IAS 29 in the model, but a disorderly peso devaluation under the new currency band remains a tail risk no model adjustment fully removes.

RR2 | Regulation and tax. Brazil's 20% levy on low-cost imports, Mexico's 16% VAT on foreign platforms, pending Brazilian tax reform, and tighter credit rules could each raise costs and compress cross-border and lending economics.

OR1 | Execution. Running logistics, 1P, the credit card, and cross-border at once concentrates execution risk, though 25 years of compounding through prior cycles is what underwrites our confidence in the base case.

Even in the bear case the parts sum to $1,456.79, a 10.9% downside against 39.7% base-case upside, leaving the risk-reward skewed to the long side. **(Annex 16)**

ENVIRONMENTAL, SOCIAL & GOVERNANCE

At MercadoLibre, social impact and commercial success are the same activity, which is why conventional ESG scoring reads the company poorly. Because the company spans e-commerce, fintech, and logistics in a structurally underdeveloped region, its growth is itself the primary source of social impact. In this context the Social pillar is the central engine of MELI's expansion and a durable competitive advantage, while Environmental and Governance are the areas where execution and risk management remain critical. **(Annex 17)**

Figure 38: Current ESG Regulation Alignment Status

Source: Team Analysis

Framework	Alignment
SASB STANDARDS (Now part of IFRS Foundation)	✓
GRI Global Reporting Initiative	✓
TCFD	✓
CDP (DRIVING SUSTAINABLE ECONOMIES)	✓

ALIGNMENT TO ESG REGULATIONS

A fragmented regulatory map, navigated voluntarily. Unlike North American or European peers operating under consolidated frameworks, MercadoLibre operates across 18 separate regulatory regimes, each with distinct and evolving ESG requirements. Despite the absence of a single binding regime, MELI voluntarily aligns its disclosure with the rated Reporting Framework (now under IFRS), the 2021 Global Reporting Initiative (GRI), and the Sustainability Accounting Standards Board (SASB, now under IFRS). **(Figure 38)**

On climate, MELI adheres to TCFD recommendations and uses IPCC benchmarks to run physical and transition risk scenarios for 2030, 2040, and 2050, factoring outputs directly into decisions such as the siting of new distribution centers. Since 2020 the company has responded to the CDP climate survey, and in 2025 it received a B rating for the first time, alongside an A- in CDP's Supplier Engagement Assessment, reflecting its expanding focus on supply-chain climate. **(Figure 38)**

Fintech magnifies the compliance burden. As a regulated financial institution in Brazil, Mexico, and Argentina, Mercado Pago is subject to central bank oversight, including Brazil's BACEN Joint Resolution No. 8 on financial education and mandatory Social, Environmental and Climate Risk reporting at the credit-portfolio level. This regulatory density is itself a moat. Compliance at that scale is not something smaller competitors can easily match, which is the same point our competitive analysis makes.

Figure 39: Total Carbon Emission (Thousands tCO2)

Source: Team Analysis, Company Reports

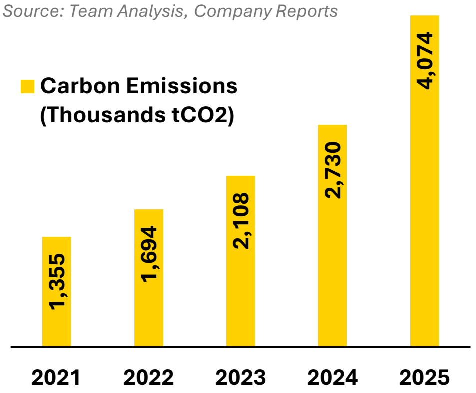


Figure 40: MELI Emission Scope Split

Source: Team Analysis, Company Reports

Scope	2025 Emissions (tCO2)
3 – Other	4,001,344
2 – Indirect	43,865
1 – Direct	29,284

ENVIRONMENTAL PERFORMANCE ANALYSIS

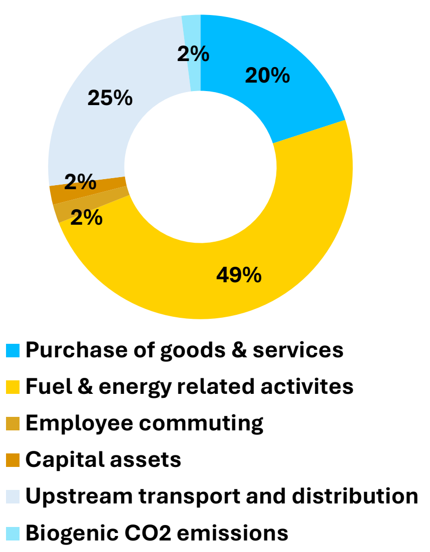
Intensity, not absolute net-zero, is the honest frame. MercadoLibre's environmental strategy centers on reducing the emissions intensity of an expanding logistics network, built on two pillars: energy and mobility, and waste management and circularity. Rapid growth, limited charging infrastructure, and macroeconomic headwinds have kept MELI focused on gradual intensity reduction rather than an absolute net-zero commitment, a visible gap against global peers that we flag openly.

The 2024 Scope reclassification distorts the optics. In 2024 MELI reclassified third-party logistics emissions from Scope 1 to Scope 3, producing an uptick in Scope 3 that reflects the company's deepening reliance on partner transportation even as per-employee intensity fell. On a per-employee basis, emissions intensity has continued to decline.

The electrification effort is real but capacity-constrained. In 2025 MELI operated more than 4,500 electric vehicles and 13,000 powered by alternative fuels, avoiding approximately 32,000 tCO_2e. Supply-demand imbalances and limited charging infrastructure remain structural roadblocks. In response, MELI partnered with Newlab on a Low-Carbon Logistics Study and joined Brazil's Alliance for Sustainable Mobility to improve charging infrastructure. Renewable sources accounted for more than 50% of total energy across all operations in 2025 (up from 23% in 2023), supported by Power Purchase Agreements at Brazilian logistics centers.

Figure 41: 2025 Scope 3 Emissions Distribution

Source: Team Analysis, Company Reports



Circularity is advancing faster than the headline footprint suggests. Material circularity remained a priority, with 82% of waste recovered across all operations in 2025 and destruction reduced to just 1.56% of returned products. Optimized packaging formats lowered both emissions and logistics cost, and waste-related emissions represented only 0.27% of the total carbon footprint. MELI continued supporting environmental restoration through Regenera América and related ecosystem projects, and strengthened supplier climate engagement, earning its first A- in CDP's Supplier Engagement Assessment.

Figure 42: Glassdoor Review Peer Comparison

Sources: Glassdoor Database, Team Analysis

Figure 43: Financial Inclusion Ecosystem (2025)

Sources: Team Analysis, Company Reports

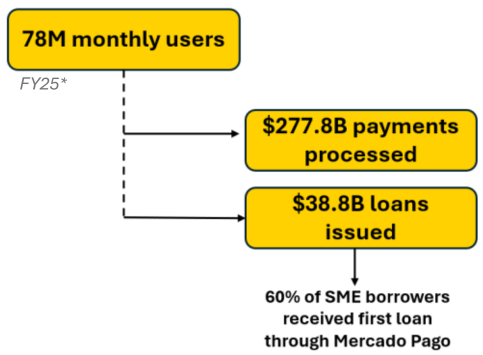


Figure 44: Job Creation by Country (2024-2025)

Sources: Team Analysis, Company Reports

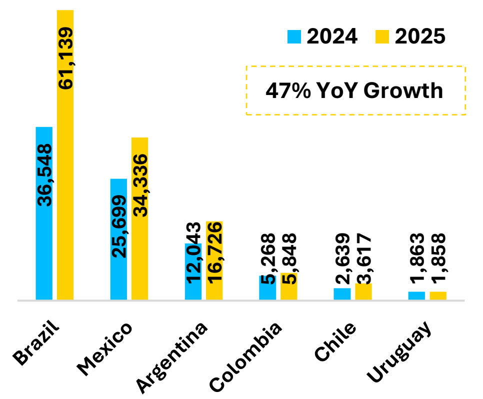
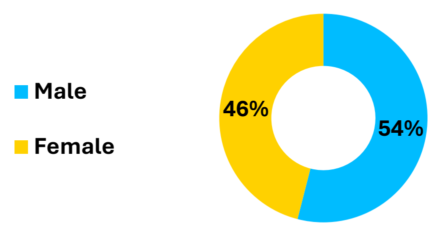


Figure 45: Employee Gender Composition

Sources: Team Analysis, Company Reports



SOCIAL PERFORMANCE ANALYSIS

Financial inclusion is the thesis in social form. Operating in a region defined by a high degree of informality, MELI's ecosystem directly targets the gaps in banking access, credit availability, and e-commerce that define Latin America. In 2025 Mercado Pago reached 83 million monthly active users, processed USD 277.8bn in payments, and granted USD 38.8bn in loans across 15.47bn transactions. More than 60% of SMEs using Mercado Pago accessed their first formal loan through the ecosystem, and more than half reported sales growth after adopting its digital payment tools. The company continued embedding AI into underwriting and launched the Mercado Pago Personal Assistant, an AI financial assistant widening access to financial products. This is the same underwriting edge and financial-inclusion flywheel that underpins our Mercado Pago digital-bank thesis, expressed here as social impact.

The ecosystem is an employment engine. More than 9.5 million entrepreneurs and SMEs operated within the platform in 2025, of which 55% relied on MELI as their primary income source, a scale of regional employment and entrepreneurship that few private institutions in Latin America match.

Talent metrics are strong on every measure MELI discloses. MELI ended 2025 with more than 123,000 employees after 39,000 new hires (47% YoY growth, **Figure 44**), while sustaining a 93% engagement rate and ranking highly in independent surveys such as Randstad and Merco Talento. The company trained over 23,000 employees in AI, with 95% reporting daily use of AI tools. Notable initiatives include LGBTQ+ representation, disability inclusion and accessibility programs, the MELI DNA cultural development program, MercadoLibre Negocios for SME digitalization, WCAG 2.2 digital accessibility investments, and AI governance policies for the ethical deployment of generative AI. Women represented 46% of the workforce **(Figure 45)**, though leadership positions remain male-dominated, a gap we treat as a governance issue below.

GOVERNANCE PERFORMANCE ANALYSIS

Founder leadership with maturing institutional oversight. MercadoLibre's governance combines durable founder leadership with strengthening institutional structure as the company scales. Effective January 1, 2026, founder Marcos Galperin transitioned from CEO to Executive Chairman after more than 25 years leading the business, with Ariel Szarfsztejn, previously Commerce President, appointed CEO. The Board is chaired by Galperin and operates through standing Audit, Compensation, and Nominating & Corporate Governance committees composed primarily of independent directors, conducts annual self-assessments under a lead independent director, and maintains structures aligned with U.S. public-market standards.

Management execution remains a core governance advantage. CFO Martín de los Santos oversees financial discipline and capital allocation, Osvaldo Giménez leads Mercado Pago's fintech expansion, and Daniel Rabinovich runs the AI, logistics, and operational infrastructure increasingly embedded across the ecosystem. That bench depth is why we are comfortable the Thesis II investment cycle is in experienced hands, though OR1 still treats founder-led concentration as a live risk.

Diversity is the most visible governance gap. Women hold only 11% of board seats, and senior leadership remains overwhelmingly male, a meaningful contrast with the company's stated inclusion commitments and the figure we watch most closely. On compliance, MELI monitored 751 third parties through its anti-corruption risk framework in 2025, enforced its MELI Code+ across suppliers and partners, and processed 2,211 whistleblower complaints through an externally managed ethics hotline, resolving more than 90% of cases.

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ANNEX 1 – Forecasts & Assumptions

Sources: Team Analysis, Company Reports

Revenues

1. **Period of analysis is FY2026E to FY2030E.** Revenue is forecast by segment: Commerce (services + 1P product sales), Fintech (financial services & income, credit revenue, fintech product sales). We use MELI's four-line reporting structure and model segment growth rates as the primary quantitative driver, anchored in Q1'26 actuals ($8.8B, +49% YoY), management commentary, and our independent assessment of where the market is too optimistic or too conservative. FY2025A revenue of $28.9B is the base.
2. **Commerce services growth** is set at 36% for FY2026E, declining to 18% by FY2030E. Q1'26 printed +39% FXN, but we strip out the one-time effect of the R$19 free-shipping threshold introduced mid-2025, which laps and annualizes away by H2 2026. The deceleration path reflects GMV base maturation, partially offset by advertising monetization (+63% Q1'26) and items-sold growth (+56%). We do not assume MELI expands into new geographies during the forecast period.
3. **Commerce product sales (1P) growth** is set at 55% for FY2026E, tapering to 20% by FY2030E. 1P GMV grew +69% FXN in Q1'26, driven by the China fulfillment center (opened Dec 2025), cross-border trade (+68% FXN), and domestic share gains in categories like cellphones (Brazil share 12% to 36% in three years). 1P reached direct-contribution profitability in Q1'26. The growth path reflects continuation of the 1P push with gradual category saturation.
4. **Financial services & income growth** is set at 45% for FY2026E, declining to 20% by FY2030E. Fintech revenue grew +54% FXN in Q1'26. The driver is the Mercado Pago banking franchise (Thesis I): AUM ~$20B (+77% YoY), acquiring TPV $56B (+41% FXN), and deposit-funded lending. The deceleration curve reflects the natural slowdown as the deposit base scales past $70B toward FY2030.
5. **Credit revenue growth** is set at 62% for FY2026E, declining to 20% by FY2030E. This is an independent view that diverges from management's implied trajectory. The credit book grew +87% in Q1'26, but credit *revenue* grows slower: NIMAL compressed to 17.8% (from 22.7%) as lower-yield credit card mix rises, and management extended Brazil consumer loan terms from 5 to 8 months while cutting personal-loan spreads. We therefore decouple revenue growth from headline book growth. NPLs held stable at ~8.0% and Brazil credit card NPLs fell 80bps, supporting the direction but not the speed of the taper.
6. **Fintech product sales growth** is set at 12% for FY2026E, declining to 5% by FY2030E. POS device (Mercado Pago Point) sales are a mature line with modest single-digit terminal growth.
7. **Consolidated revenue** reaches ~$42.1B in FY2026E and ~$105.7B in FY2030E, implying a FY2025 to FY2030 CAGR of ~29.6%. The revenue mix shifts toward fintech over the forecast: fintech rises from 44% of consolidated revenue in FY2025A to ~49% by FY2030E.

Costs & Margins

1. **Gross margin** is set at 43.5% for FY2026E, recovering to 44.5% by FY2030E. This is an independent view. The recovery ceiling is deliberately capped below FY2024's 46.1% peak. The drag is structural and growing: 1P is permanently lower-margin and rising as a mix share, and free shipping is a permanent cost. Logistics scale (Brazil unit shipping cost fell 17% YoY) drives partial recovery only. We start from the Q1'26 actual of 43.7% and chart a flatter, more conservative path than a full snap-back to pre-investment levels.
2. **Product & technology development** is set at 7.5% of revenue for FY2026E, declining to 6.0% by FY2030E. Q1'26 printed 7.9% (down 140bps YoY). Management guided engineer headcount to be "broadly stable in 2026" while productivity KPIs grew 7 to 10x faster. We model sustained ~60bps per year of operating leverage.
3. **Sales & marketing** is set at 11.5% of revenue for FY2026E, declining to 10.5% by FY2030E (Thesis II stress test). Q1'26 printed 11.1% (+100bps YoY) from affiliate channel scaling. S&M holds elevated through FY2026 as the affiliate programme matures, with gradual efficiency gains thereafter.
4. **Provisions for doubtful accounts** are set at 13.5% of revenue for FY2026E, declining to 10.5% by FY2030E. This is an independent view that slows management's implied taper. Management cites older cohorts offsetting new-cohort dilution, but we assume MELI continues to scale credit aggressively, keeping upfront lifetime-loss provisioning elevated for longer. As long as the book compounds, the ratio cannot normalize to a mature-book level. We taper to 10.5% terminal rather than the ~9.5% a stable-book assumption would imply.
5. **G&A expense** is set at 3.8% of revenue for FY2026E, declining to 3.3% by FY2030E. Q1'26 printed 3.7% (+60bps), diluted by 49% revenue growth. We model modest ~50bps of leverage over five years.
6. **Operating margin** declines to 7.2% in FY2026E (trough) before recovering to 14.2% by FY2030E. The trough reflects the full-year impact of the five discrete investment initiatives (Thesis II), with recovery driven by operating leverage across P&T, S&M, and provisions as the investment cycle matures.

Non-Operating Items & Tax

1. **Interest income** grows from $142M (FY2026E) to $297M (FY2030E), reflecting yield on short-term investments (Selic ~12 to 13% normalizing through FY2027). Yield is set at 4.5% of average short-term investments in FY2026, declining to 3.8% by FY2030 as Brazil's rate cycle eases.
2. **Interest expense** grows from $277M (FY2026E) to $831M (FY2030E), scaling with loans payable as the credit book expands. The

cost of debt is set at ~2.2% of average loans payable, declining toward 1.9% as the deposit franchise displaces wholesale funding. Own deposits are materially cheaper than warehouse lines.

3. **FX losses** are modeled as a % of revenue, declining from 0.55% (FY2026E) to 0.40% (FY2030E). The declining trajectory reflects gradual Argentina normalization (IAS 29 distortions receding), while underlying FX risk persists. Q1'26 was a small +$6M gain.

4. **Effective tax rate** is held flat at 28.0% across the forecast. Q1'26 effective rate was 28.0% (vs. 30.0% Q1'25), benefiting from deferred tax benefits associated with Brazil credit book growth. The rate is held constant across all three scenarios.

Working Capital

1. **Accounts receivable:** DSO is held at 5 days throughout, consistent with FY2025A (4.7 days). The marketplace model collects from buyers before paying sellers, producing structurally low receivables.
2. **Inventory days** are held at 13 days (vs. COGS), reflecting the 1P expansion and fulfillment center buildout driving a modest inventory build. FY2025A was 13.0 days.
3. **DPO** is held at 100 days (FY2025A: 102 days), reflecting MELI's strong negotiating position with merchants and suppliers.
4. **Credit card receivables** rise from 27.0% of revenue (FY2026E) to 34.0% by FY2030E. FY2025A was 23.9%. This captures the scaling credit card book (+104% YoY) and off-platform acquiring TPV ($87B Q1'26 annualized).
5. **Loans receivable (short-term)** rise from 38.0% of revenue (FY2026E) to 50.0% by FY2030E. FY2025A was 30.6%. The book scales with consumer and SME credit originations, though revenue growth from this book is decoupled from headline book growth via compressed NIMAL.
6. **Funds payable to customers** rise from 50.0% of revenue (FY2026E) to 66.0% by FY2030E. FY2025A was 45.1%. This is the Mercado Pago deposit float, the core of Thesis I. It is the cheap funding source that displaces wholesale borrowing and lifts net interest margin as the franchise deepens, particularly as Brazil poupança share grows.
7. **AP from credit/debit card transactions** are held at 13.0% of revenue, reflecting settlement liabilities to merchants scaling with acquiring TPV.

CAPEX & Depreciation

1. **Capital expenditure** is held at 4.5% of revenue through FY2028E, declining to 4.0% by FY2030E. This is an independent view that holds capex elevated longer than a naive annualization of Q1'26 ($271M, 3.1% run-rate) would suggest. The $4.6B Mexico investment (+35% YoY) and continued fulfilment center buildout argue for sustained intensity. The cited $10.9B Brazil and $4.6B Mexico figures are blended opex, capex, and credit commitments, not pure capex; we strip accordingly.
2. **PP&E useful life** is assumed at 8 years (straight-line), reflecting a mix of buildings, logistics equipment, and software. D&A grows from $406M (FY2026E) to $1,593M (FY2030E) via the PP&E roll-forward.
3. **Operating lease ROU assets** rise from 8.0% of revenue (FY2026E) to 7.8% by FY2030E. The buildout of 42+ fulfilment centers and last-mile stations drives the ROU expansion, with the ratio plateauing as the network matures.

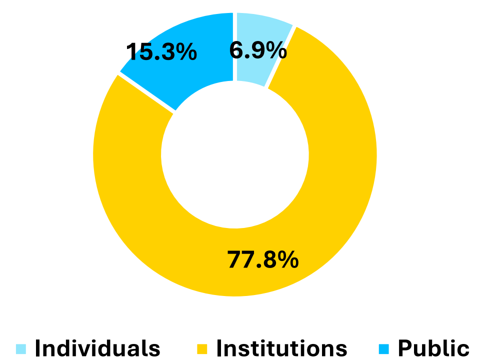
Financing & Capital Return

1. **Loans payable (ST + LT)** scale from 38.0% of revenue (FY2026E) to 45.0% by FY2030E. These fund the portion of the credit book not covered by customer deposits. As the deposit franchise deepens (Thesis I), the proportion of wholesale funding should decline relative to the book, improving funding cost.
2. **Share repurchases** are capped at $4M per year, matching the active authorization (expires 30 June 2027) and FY2025A history. MELI's stated priority is reinvestment into credit, logistics, and 1P; no ramp or dividend is signaled. As a result, cash and short-term investments accumulate to roughly $51B by FY2030E. We treat this as deployable optionality (self-funding the credit book, M&A, eventual capital return) rather than modelling a specific use.
3. **Dividends:** MELI does not pay a dividend. No dividend is assumed across the forecast period in any scenario.
4. **Stock-based compensation** is held at 1.1% of revenue, consistent with the LTRP plan.

ANNEX 2 – MELI Shareholder Structure

Sources: Capital IQ, Team Analysis, Company Reports

Shareholder	Shares	%
Corporations:		
Volorama Stichting (Marcos Galperin, Founder)	3,400,136	6.71%
Individuals:		
Stelleo Passos Tolda (Independent Director)	77,619	0.15%
Osvaldo Gimenez (Fintech President)	18,402	0.04%
Other individuals (owning <0.01% shares)	14,419	0.03%
Institutions:		
Capital Research and Management Company	6,750,969	13.32%
Baillie Gifford & Co.	3,233,259	6.38%
BlackRock, Inc.	1,367,064	2.70%
T. Rowe Price Group, Inc.	1,237,320	2.44%
Morgan Stanley Investment Management Inc.	1,150,616	2.27%
Eagle Capital Management LLC	785,937	1.55%
UBS Asset Management AG	756,069	1.49%
JP Morgan Asset Management	671,897	1.33%
Janus Henderson Group plc	614,238	1.21%
Sands Capital Management, LLC	475,455	0.94%
Other institutions (owning <1% of shares individually)	22,407,447	44.20%
Public and other	7,734,967	15.26%
Total	**50,695,814**	**100%**



Shareholding data as of Q1 2026. Total basic shares outstanding: ~50.7m. Institutional ownership: ~77.8% of CSO. Insider ownership (incl. Volorama Stichting, Marcos Galperin's foundation): ~6.9%. "Other institutions" aggregates ~1,500 holders, each individually holding <1% of CSO.

ANNEX 3 – MELI BoD & Management

Sources: Team Analysis, Company Reports

Name & Position	Background
Board of Directors	
Marcos Galperin **Executive Chairman** **Director since 1999 | Age 53**	Co-founder of MercadoLibre (1999); CEO 1999–2025, Executive Chairman since Jan 2026. Previously at J.P. Morgan and YPF S.A. M.B.A., Stanford; B.S. Economics, Wharton.
Emiliano Calemzuk **Lead Independent Director** **Director since 2007 | Age 52**	CEO of Reshet Media Group. Former President of Fox Television Studios and Fox International Channels Europe. Graduated Cum Laude, UPenn.
Susan Segal **Independent Director** **Director since 2012 | Age 72**	President and CEO of Americas Society/Council of the Americas since 2003. Former partner at JPMorgan Partners. M.B.A., Columbia; B.A., Sarah Lawrence.
Alejandro Nicolás Aguzin **Independent Director** **Director since 2017 | Age 56**	Private investor; former CEO of Hong Kong Stock Exchanges (2021–2024). 30+ years at J.P. Morgan across Asia Pacific, LatAm, and IB leadership. B.S. Economics, Wharton.
Henrique Dubugras **Independent Director** **Director since 2021 | Age 29**	Co-founder and Chairman of Brex Inc. Previously co-founded Pagar.me (Brazil payments). Studied Computer Science at Stanford.
Richard Sanders **Independent Director** **Director since 2022 | Age 53**	Partner at Permira; serves on Executive and Investment Committees. Former Morgan Stanley M&A. M.A. Classics, Oxford; M.B.A., Stanford (Fulbright).
Stelleo Passos Tolda **Independent Director** **Director since 2024 | Age 57**	Former MercadoLibre Commerce President, EVP/COO (1999–2022); Advisor (2022–2024). Prior roles at Lehman Brothers, Banco Pactual. M.B.A., Stanford; M.S./B.S. Engineering, Stanford.
Nicolás Galperin **Director** **Director since 1999 | Age 56**	Private investor. Former MD and Head of EM Trading at Morgan Stanley. Founded Onslow Capital Management (2006–2018). B.S. Finance, Wharton.
Martin Lawson **Independent Director** **Director since 2025 | Age 52**	25+ years in e-commerce, fintech, and digital marketplaces in LatAm. Former VP Marketplace and Classifieds Director at MercadoLibre. M.S. Finance, UTDT; Executive Ed., Stanford GSB.

Note: Board composition as of Mar, 2026 (per 2026 Proxy Statement for Mar, 2026). Board size: 9 directors. Board independence: 78% (7 of 9 directors). The Board maintains three standing committees: Audit Committee (chaired by Stelleo Passos Tolda), Compensation Committee (chaired by Emiliano Calemzuk), and Nominating & Corporate Governance Committee (chaired by Emiliano Calemzuk). The board is classified into three classes with staggered three-year terms. Effective January 1, 2026, Mr. Marcos Galperin transitioned to Executive Chairman and Mr. Ariel Szarfsztejn was appointed Chief Executive Officer; Mr. Calemzuk serves as Lead Independent Director.

Name & Position	Background
Management	
Ariel Szarfsztejn **Chief Executive Officer**	CEO since Jan 2026; Commerce President 2024–2025; joined in 2017, previously led Mercado Envios (2018–2021). Prior: Despegar, BCG. Economics (Cum Laude), UBA; MBA, Stanford.
Martin de los Santos **Chief Financial Officer**	EVP & CFO since Jan 2024; joined in 2013, led Mercado Crédito (2017–2023). Prior: Merrill Lynch, McKinsey, Goldman Sachs. MBA, Stanford; BS, UNC Chapel Hill.
Osvaldo Gimenez **Fintech President**	Fintech President since Aug 2020; joined in 2000, managed Mercado Pago from 2004. Prior: Booz Allen & Hamilton, Santander Investments. MBA, Stanford; BS Industrial Engineering, ITBA.
Daniel Rabinovich **Chief Operating Officer**	COO since Aug 2020; joined in 2000, previously CTO (2011–2019). Prior: PeopleSoft. Master's, Universidad de San Andrés; Information Systems, UBA.
Sean Summers **Chief Marketing Officer &** **EVP Advertising**	EVP of Mercado Ads & CMO since 2022; joined in 2012, formerly SVP of Marketplace. Prior: Twinings, PepsiCo. MBA, Stanford.
Juan Martin de la Serna **EVP Corporate Affairs &** **President, Argentina**	EVP of Corporate Affairs & President of Argentina since 2020; joined in 1999. Previously SVP of Mercado Envíos (2012–2020). 10+ years in financial markets. Economics, UBA.
Agustin Costa **EVP Shipping**	EVP of Shipping; oversees Mercado Envios logistics across LatAm (1.8B+ items/year). Joined in 2022; previously 17 years at BCG as MD & Partner. Industrial Engineering, ITBA; MBA (Distinction), Harvard.
Fernando Yunes **EVP & Head of Commerce,** **Latin America**	EVP & Head of Commerce, LatAm; also leads Brazil. 25+ years in tech, consumer goods, and consulting. Joined in 2020. Prior: CEO of Sem Parar; Whirlpool, Bain. Mechanical Engineering, Unicamp; MBA, Michigan Ross.

ANNEX 4 – PESTEL

Sources: Team Analysis, Company Reports, World Bank Global Findex Database, Americas Market Intelligence, PCMI, Statista, IMF

P

- Escalating U.S.-China tensions are redirecting Chinese e-commerce platforms (Temu, AliExpress, Shopee) into LatAm. Temu reached 105M regional users in 2025, intensifying pressure on MELI's 24.2% market share.
- Argentina, Venezuela, and other markets impose capital controls, import restrictions, and periodic price freezes that disrupt cross-border GMV. Argentina's currency band regime stabilized inflation but remains a tail risk for 20.6% of revenue.
- Financial inclusion mandates (Brazil's Pix interoperability, Mexico's CoDi) promote digital payment adoption, creating a regulatory tailwind for Mercado Pago.

E

- LatAm e-commerce is projected to grow at 10-20% CAGR through 2033, with retail penetration at only 12-15%. MELI's GMV grew 26.4% YoY to $65.0B in FY2025.
- Brazil's elevated SELIC rate compresses discretionary spending and raises funding costs for Mercado Pago's $14.6B credit book (Q1'26). Around 20% of revenue falls under IAS 29 hyperinflationary accounting, distorting consolidated GAAP margins.
- Roughly 50% of LatAm adults remain unbanked (World Bank). Over 60% of SMEs on Mercado Pago accessed their first formal loan through the ecosystem in 2025; the credit book has compounded at 89% CAGR since FY2020.

S

- LatAm's median age is 31, with internet penetration at 86.6% in Brazil and 83.2% in Mexico. Unique active buyers reached 121mn in FY2025 (+21% YoY).
- Decades of bank failures have left consumers skeptical of traditional finance, lowering switching costs to digital wallets. Non-bank licensing means less stringent liquidity requirements, increasing default risk.
- An estimated 50-60% of workers operate informally. Over 9.5M entrepreneurs and SMEs operated within MELI's ecosystem in 2025, with 55% relying on it as their primary income source.

T

- Only around half of Latin Americans had fixed broadband as of 2021. Rural connectivity remains weak, limiting e-commerce addressability outside urban centers.
- Mercado Envios handles 95% of shipments through managed infrastructure, shipping over 2B items in FY2025. The capex required to replicate this creates a durable barrier.
- Payment fraud rates in LatAm run 2-3x higher than developed markets. MELI deployed ML across credit offers, underwriting, and fraud prevention for 83mn MAUs in 2025.
- Brazil's Pix processed over 40B transactions in 2024. Open Finance regulations lower entry barriers but enable deeper product integration for incumbents willing to interoperate.

E

- E-commerce growth draws scrutiny on packaging waste and delivery emissions, particularly in Brazil. Binding regulation is early-stage, but investor expectations are rising.
- Access to international debt and equity markets increasingly requires credible ESG disclosures. MELI published its first sustainability report in 2023; the 2025 Sustainability Bond report reinforces this.
- Hydroelectric dependence in Brazil creates vulnerability to precipitation variability and extreme weather disruptions to fulfilment reliability.

L

- Fragmented regulatory frameworks across 18 markets impose distinct tax, consumer protection, and cross-border trade rules. MELI's multi-country integration creates barriers for new entrants navigating this complexity from scratch.
- Operating payments and lending across 18 central bank jurisdictions is complex. Brazil's Central Bank can adjust reserve or capital rules on 60-90 day notice.
- Dominant share in both commerce (24.2%) and fintech may trigger antitrust scrutiny. No formal proceedings are underway, but the risk is structural.
- Mexico's 2023 consumer law and Brazil's expanded chargeback windows raise costs but increase industry trust, favoring large compliant platforms.

ANNEX 5 – VRIO

Sources: Team Analysis, Company Reports, Statista, World Bank Global Findex Database

Resource / Capability	Value	Rarity	Inimitability	Organization	Competitive Implication
Integrated Ecosystem	High	High-Moderate	Very High	High	**Sustained Competitive Advantage**
Proprietary Logistics (Envíos)	Very High	High-Moderate	Very High	High	**Sustained Competitive Advantage**
First-Party Data and AI	Very High	Very High	Very High	High	**Sustained Competitive Advantage**
Regional Brand Equity	High	Moderate-High	Moderate	High	**Temporary Competitive Advantage**
Network Effects and Switching Costs	Very High	Moderate-High	High	High	**Sustained Competitive Advantage**

Four of five resources generate durable competitive advantage. Brand equity is the exception, classified as temporary due to vulnerability to sustained investment from deep-pocketed rivals.

Detailed explanation on next page:

Integrated Ecosystem

Full-stack integration across commerce, fintech, logistics, and advertising generates cross-selling economics and compounding network effects that single-vertical competitors cannot replicate. As of Q1'26, the platform serves 121mn unique buyers and 83mn fintech MAUs, processing $58.3B in TPV, with net revenue of $8.8B (+49% YoY) and income from operations of $611M (YoY decline). Few LatAm competitors have built full-stack integration; Amazon operates with separated structures lacking MELI's unified data architecture for credit scoring. Replication required sequential build-up over decades (marketplace 1999, Envios 2013, Credito 2016), path dependency that capital alone cannot compress. Galperin's "build versus buy" culture compounds barriers to imitation.

Proprietary Logistics (Mercado Envios)

Envios shipped over 2B items in FY2025, handling 95% of packages through managed infrastructure. Faster delivery increases conversion in a self-reinforcing cycle; Brazil unit shipping costs declined 17% YoY in Q1'26. Amazon maintains global logistics expertise but its LatAm network remains less developed, and most regional competitors rely on third-party providers. Replicating the infrastructure (warehouses, vehicles, MELI Air cargo partnerships, MELI Places pickup network, proprietary routing algorithms) requires sustained multi-year capital deployment. Management continues aggressive investment despite Commerce EBIT margin compression from approximately 18% to 12%; lowering Brazil's free-shipping threshold drove items sold up 56% YoY in Q1'26.

First-party Data and AI

The integrated platform captures users' complete economic journey: searches, purchases, payments, credit applications, logistics preferences, and merchant operations. This enables alternative creditworthiness signals where FICO scores do not exist, reaching the 50% of LatAm adults who lack formal banking. No LatAm competitor possesses comparable cross-vertical data; only MELI observes complete economic cycles (list, sell, ship, pay, repay) across the informal economy. Replication requires simultaneously leading in e-commerce, payments, logistics, and lending, a coordination challenge no competitor has solved. Network effects compound the barrier: larger datasets improve model accuracy, attracting more users who generate more data. In 2025 MELI launched the Mercado Pago AI Personal Assistant and deployed ML for credit card offers and fraud prevention.

Regional Brand Equity

A 25-year operating history established MELI as LatAm's most recognized e-commerce brand, translating to acquisition advantages and pricing power that extend to Mercado Pago's fintech identity. Amazon maintains superior global recognition, but MELI's regional specialization provides differentiated equity. However, Shopee achieved 8.5% market share in Brazil (versus MELI's 24.2%), reaching twice Amazon's GMV there. Brand equity can be challenged through sustained investment; Amazon's resources, AliExpress's value positioning, and Shopee's aggressive entry demonstrate that leadership can shift. We therefore classify this advantage as temporary.

Network Effects And Switching Costs

With 121mn unique buyers and 9.5mn sellers, the platform has achieved critical mass where liquidity advantages are self-reinforcing. Ecosystem integration amplifies network effects as each service deepens engagement. For SMEs, Mercado Pago often represents first credit access, creating financial dependency; AUM grew 77% YoY to $20B in Q1'26. Competitors face a "cold start" problem compounded by cross-segment integration: simultaneously scaling a marketplace, payments platform, lending book, and logistics network raises imitation difficulty beyond single-vertical competitors. Product decisions systematically reinforce lock-in: credit card launches prioritize marketplace integration, and MELI+ tiers (Essential, Total, Mega) bundle shipping, cashback, and streaming benefits.

ANNEX 6 – Five Forces

Sources: Team Analysis, Company Reports, Statista, Americas Market Intelligence

Competitive rivalry	MELI's first-mover advantage has eroded as Amazon, Shopee, Temu, AliExpress, and Shein entered LatAm with comparable marketplace, logistics, and advertising capabilities. Temu reached 105M LatAm users in 2025; Shopee captured 8.5% regional share versus MELI's 24.2%. Differentiation beyond regional specialization is thin, and high fixed/variable costs make sustained price competition margin-destructive. MELI's FY2025 Commerce EBIT margin of approximately 12% reflects investment-cycle pressure. In fintech, Mercado Pago faces low product-level differentiation, but trust and integration into daily economic life create a sticky base of 83mn MAUs. Incumbents (Mercado Pago, Nubank, Uala) occupy differentiated niches enabling co-existence.
Threat of new entrants	The most credible commerce entrants (Amazon, Temu, AliExpress) already operate in the region, shrinking the remaining newcomer pool. Any new participant faces barriers including proprietary logistics networks, capital intensity, and retaliation risk. MELI's fulfilment capex creates a physical moat expensive to replicate. In fintech, many regional initiatives are government-backed (Pix, Daviplata), and once mature a market is considered "served." Growing Basel III adoption raises compliance costs. MELI's licensing across 18 central bank jurisdictions represents a regulatory moat that would take years for a new entrant to navigate.
Threat of substitutes	Social commerce (Meta, TikTok), WhatsApp-based selling, and physical retail remain relevant substitutes with near-zero switching costs, but marketplace platforms hold a functional advantage for logistics-dependent purchases. E-commerce itself is the incoming substitute to traditional retail, placing MELI on the disrupting side. In fintech, no direct competitor offers Pago's breadth. AUM grew 78% YoY to $18.9B in FY2025, and over 60% of SMEs accessed their first formal loan through the ecosystem, creating financial dependency lowering substitution risk.
Buyer power	Consumers can compare across platforms instantly, and LatAm price sensitivity amplifies this. MELI's loyalty ecosystem (MELI+ tiers, cashback, instalment advantages) creates some stickiness, particularly in Brazil and Mexico (75% of revenue). In fintech, Mercado Pago serves as a one-stop banking platform for underserved populations. First-access credit creates financial lock-in beyond payment preferences. Credit portfolio growth of 87% YoY in Q1'26 confirms deepening relationships.
Supplier power	Individual sellers and SMEs (9.5M in 2025) are fragmented with limited alternatives to MELI's scale. Integrated logistics (Mercado Envios, 95% of shipments) further weakens courier supplier power. In fintech, Mercado Pago repackages commoditized infrastructure it does not own. Card networks (Mastercard, Visa) and cloud providers (AWS) hold substantial leverage as core enablers, making supplier power structurally elevated.

ANNEX 7 – Balance Sheet

Sources: Team Analysis, Company Reports

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Assets											
Current Assets:											
Cash and cash equivalents	$1,856	$2,585	$1,910	$2,556	$2,635	$3,670	$6,798	$11,276	$18,851	$29,657	$42,403
Restricted cash and cash equivalents	$652	$1,063	$1,453	$1,292	$2,064	$9,867	$12,827	$16,034	$19,241	$22,127	$24,782
Short-term investments	$1,241	$810	$2,339	$3,480	$4,485	$2,629	$3,681	$4,785	$5,981	$7,177	$8,469
Accounts receivable, net	$50	$98	$130	$156	$255	$369	$576	$782	$993	$1,214	$1,448
Credit card receivables and other means of payments, net	$863	$1,839	$2,946	$3,632	$5,288	$6,893	$11,361	$17,120	$23,207	$29,257	$35,943
Loans receivable, net of allowances of $3,087 and $1,630	$385	$1,199	$1,704	$2,629	$4,716	$8,855	$15,989	$24,538	$34,085	$43,442	$52,858
Prepaid Expenses	$28	$40	$0	$0	$0	$0	$0	$0	$0	$0	$0
Inventories	$118	$253	$152	$238	$296	$570	$847	$1,142	$1,444	$1,759	$2,090
Customer crypto-assets safeguarding assets	$0	$0	$15	$34	$0	$0	$0	$0	$0	$0	$0
Other assets	$153	$287	$304	$277	$403	$720	$1,052	$1,427	$1,813	$2,216	$2,643
Total Current Assets	**$5,347**	**$8,175**	**$10,953**	**$14,294**	**$20,142**	**$33,573**	**$53,131**	**$77,103**	**$105,615**	**$136,849**	**$170,636**
Non-Current Assets:											
Long-term investments	$166	$89	$322	$162	$1,203	$1,764	$2,117	$2,498	$2,872	$3,217	$3,539
Credit card receivables and other means of payments, net	$0	$0			$0	$153	$153	$153	$153	$153	$153
Loans receivable, net of allowances of $86 and $48	$17	$61	$32	$65	$179	$510	$842	$1,255	$1,741	$2,305	$2,960
Property and equipment, net	$392	$807	$993	$1,250	$1,380	$2,303	$3,790	$5,724	$8,068	$10,633	$13,269
Operating lease right-of-use assets	$303	$461	$656	$899	$1,098	$2,201	$3,366	$4,679	*$5,947*	$7,093	$8,246
Goodwill	$85	$148	$153	$163	$149	$163	$163	$163	$163	$163	$163
Intangible assets, net	$14	$45	$25	$11	$12	$33	$33	$33	*$33*	$33	$33
Intangible assets of fair value	$0	$0	$0	$24	$49	$0	$0	$0	$0	$0	$0
Deferred tax assets	$135	$181	$346	$710	$802	$1,541	$2,272	$3,082	$3,916	$4,787	$5,709
Other assets	$68	$134	$256	$68	$182	$426	$631	$856	$1,088	$1,330	$1,586
Total Non-Current Assets	**$1,180**	**$1,926**	**$2,783**	**$3,352**	**$5,054**	**$9,094**	**$13,367**	**$18,443**	**$23,981**	**$29,715**	**$35,657**
Total Assets	**$6,526**	**$10,101**	**$13,736**	**$17,646**	**$25,196**	**$42,667**	**$66,498**	**$95,546**	**$129,596**	**$166,564**	**$206,293**
Liabilities											
Current Liabilities:											
Accounts payable and accrued expenses	$767	$1,036	$1,393	$2,117	$3,196	$4,502	$6,513	$8,787	$11,107	$13,529	$16,074
Funds payable to customers	$1,695	$2,393	$3,454	$4,475	$6,954	$13,029	$21,038	$31,386	$43,513	$56,741	$69,772
Accounts payable due to credit and debit card transactions	$38	$337	$483	$1,072	$1,923	$3,584	$5,470	$7,419	$9,428	$11,525	$13,743
Salaries and social security payable	$207	$313	$401	$545	$727	$916	$1,431	$1,940	$2,393	$2,837	$3,383
Taxes payable	$216	$291	$414	$477	$525	$1,140	$1,683	$2,283	$2,901	$3,546	$4,229
Loans payable and other financial liabilities	$548	$1,285	$2,131	$2,292	$2,828	$4,623	$8,415	$12,555	$17,405	$22,164	$26,429
Operating lease liabilities	$55	$92	$142	$166	$241	$430	$842	$1,170	$1,487	$1,773	$2,061
Customer crypto-assets safeguarding liabilities	$0	$0	$15	$34			$0	$0	$0	$0	$0
Other liabilities	$109	$88	$129	$119	$209	$409	$589	$799	$1,015	$1,241	$1,480
Total Current Liabilities	**$3,636**	**$5,837**	**$8,562**	**$11,297**	**$16,603**	**$28,633**	**$45,981**	**$66,338**	**$89,249**	**$113,358**	**$137,171**
Non-Current Liabilities:											
Accounts payable due to credit and debit card transactions	$0	$4	$5	$20	$41	$187	$273	$371	$471	$576	$687
Salaries and social security payable	$50	$20	$0	$0	$0	$0	$0	$0	$0	$0	$0
Loans payable and other financial liabilities	$861	$2,233	$2,627	$2,203	$2,887	$4,570	$7,574	$10,843	$14,504	$17,731	$21,143
Operating lease liabilities	$244	$372	$514	$672	$894	$1,769	$2,525	$3,510	$4,460	$5,319	$6,184
Deferred tax liabilities	$64	$62	$106	$183	$204	$372	$547	$742	$943	$1,153	$1,374
Other liabilities	$20	$41	$95	$200	$216	$388	$589	$799	$1,015	$1,241	$1,480
Total Non-Current Liabilities	**$1,239**	**$2,733**	**$3,347**	**$3,278**	**$4,242**	**$7,286**	**$11,508**	**$16,264**	**$21,394**	**$26,021**	**$30,869**
Total Liabilities	**$4,875**	**$8,569**	**$11,909**	**$14,575**	**$20,845**	**$35,919**	**$57,489**	**$82,602**	**$110,643**	**$139,378**	**$168,040**
Equity											
Common stock	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Additional paid-in capital	$1,861	$2,439	$2,309	$1,770	$1,770	$1,771	$2,234	$2,862	$3,659	$4,635	$5,797
Treasury stock	-$55	-$790	-$931	-$310	-$311	-$312	-$316	-$320	-$324	-$328	-$332
Retained earnings	$314	$397	$913	$1,901	$3,812	$5,809	$7,726	$11,182	$16,559	$24,007	$34,126
Accumulated other comprehensive loss	-$468	-$515	-$464	-$290	-$920	-$520	-$636	-$778	-$942	-$1,128	-$1,339
Total Equity	**$1,652**	**$1,532**	**$1,827**	**$3,071**	**$4,351**	**$6,748**	**$9,009**	**$12,945**	**$18,953**	**$27,185**	**$38,253**
Total Liabilities and Equity	**$6,526**	**$10,101**	**$13,736**	**$17,646**	**$25,196**	**$42,667**	**$66,498**	**$95,546**	**$129,596**	**$166,564**	**$206,293**

Sources: Team Analysis, Company Reports

ANNEX 8 – Cash Flow Statement

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Cash flows from operations:											
Net income (loss)	-$1	$83	$482	$987	$1,911	$1,997	$1,917	$3,455	$5,378	$7,447	$10,120
Adjustments to reconcile net income (loss) to net cash provided by operating activities:											
Impairment of equity securities held at cost	$0	$0	$0	$0	$0	$19	$0	$0	$0	$0	$0
Equity in earnings of unconsolidated entity	$0	$9	$0	-$3	$0	$0	$0	$0	$0	$0	$0
Unrealized foreign currency losses, net	$89	$91	$411	$487	$286	$457	$0	$0	$0	$0	$0
Impairment of digital assets	$0	$9	$12	$0	$0	$0	$0	$0	$0	$0	$0
Depreciation and amortization	$105	$204	$403	$524	$617	$818	$406	$634	$919	$1,247	$1,593
Accrued interest, financial income and other revenues	-$46	-$36	-$166	-$311	-$415	-$1,216	$0	$0	$0	$0	$0
Non cash interest expense, convertible notes amortization of debt discount and amortization of debt issuance costs and other charges	$15	$86	$137	$113	$114	$396	$0	$0	$0	$0	$0
Provision for doubtful accounts	$133	$435	$1,073	$1,050	$1,858	$3,091	$0	$0	$0	$0	$0
Provision for contingencies	$0	$0	$0	$335	$176	$106	$0	$0	$0	$0	$0
Results on derivative instruments	-$2	$0	$66	$39	-$42	$117	$0	$0	$0	$0	$0
Settlement of the call option	$0	-$11	$0	$0	$0	$0	$0	$0	$0	$0	$0
Stock-based compensation expense - restricted shares	$1	$1	$1	$0	$0	$0	$0	$0	$0	$0	$0
Sale of fixed assets and intangible assets	$4	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Results on digital assets at fair value	$0	$0	$0	-$14	-$25	-$10	$0	$0	$0	$0	$0
LTRP accrued compensation	$130	$89	$84	$167	$261	$303	$463	$628	$798	$975	$1,163
Deferred income taxes	-$70	-$29	-$97	-$284	-$243	-$469	-$556	-$615	-$634	-$662	-$699
Changes in assets and liabilities:											
Accounts receivable	$12	-$26	-$71	-$1,413	-$2,687	-$1,508	-$207	-$205	-$212	-$221	-$234
Credit card receivables and other means of payments	-$522	-$1,063	-$1,084	$0	$0	$0	-$4,468	-$5,759	-$6,087	-$6,050	-$6,686
Prepaid expenses	$16	-$13	$3	$0	$0	$0	$0	$0	$0	$0	$0
Inventories	-$107	-$142	$114	-$69	-$113	-$235	-$277	-$296	-$302	-$315	-$331
Other assets	-$114	-$175	-$90	-$55	-$308	-$491	-$537	-$600	-$618	-$645	-$682
Payables and accrued expenses	$584	$380	$449	$1,225	$1,595	$1,487	$2,011	$2,273	$2,320	$2,423	$2,545
Funds payable to customers	$901	$808	$1,044	$1,502	$3,605	$5,341	$8,009	$10,348	$12,127	$13,228	$13,031
Amounts payable due to credit and debit card	$37	$309	$128	$693	$1,213	$1,592	$1,972	$2,046	$2,110	$2,202	$2,328
Other liabilities	-$35	-$79	-$82	$80	$75	$145	$1,439	$1,529	$1,504	$1,541	$1,706
Operating lease liabilities	$0	$0	$0	-$168	-$189	-$408	$2	$0	$0	$0	$0
Interest received from investments	$52	$35	$123	$255	$229	$584	$0	$0	$0	$0	$0
Net cash provided by operating activities	**$1,182**	**$965**	**$2,940**	**$5,140**	**$7,918**	**$12,116**	**$10,175**	**$13,439**	**$17,303**	**$21,170**	**$23,854**
Cash flows from investing activities:											
Purchases of investments	-$5,200	-$7,371	-$12,694	-$18,936	-$16,710	-$14,754	$0	$0	$0	$0	$0
Proceeds from sale and maturity of investments	$5,533	$7,801	$11,023	$18,100	$13,962	$16,590	-$1,404	-$1,485	-$1,571	-$1,541	-$1,614
Payments for acquired businesses, net of cash	-$7	-$51	$0	$0	-$6	$0	$0	$0	$0	$0	$0
Capital contributions in joint ventures	$0	-$5	$0	$0	$0	$0	$0	$0	$0	$0	$0
Receipts from settlements of derivative instruments	$18	$6	$1	$0	$0	$0	$0	$0	$0	$0	$0
Proceeds from settlements of derivative instruments	$0	$0	$0	$0	$29	$3	$0	$0	$0	$0	$0
Payments from settlements of derivative instruments	-$4	-$20	-$45	-$58	-$14	-$91	$0	$0	$0	$0	$0
Purchases of intangible assets	$0	-$36	-$1	$0	$0	$0	$0	$0	$0	$0	$0
Changes in principal loans receivable, net	-$345	-$1,348	-$1,701	-$2,047	-$4,688	-$6,659	-$7,466	-$8,963	-$10,032	-$9,921	-$10,070
Investments of PPE, and intangibles	-$247	-$573	-$454	-$509	-$860	-$1,343	-$1,893	-$2,568	-$3,263	-$3,812	-$4,229
Proceeds from sale of intangible assets at fair value	$0	$0	$0	$0	$0	$75					
Net cash used in investing activities	**-$252**	**-$1,597**	**-$3,871**	**-$3,450**	**-$8,287**	**-$6,179**	**-$10,764**	**-$13,016**	**-$14,866**	**-$15,275**	**-$15,913**
Cash flows from financing activities:											
Purchase of convertible note capped calls	-$307	-$101	$0	$0	$0	$0	$0	$0	$0	$0	$0
Exercise of Convertible Notes	$0	-$3	$0	$0	$0	$0	$0	$0	$0	$0	$0
Payments on repurchase of the 2028 Notes	$0	-$1,865	$0	$0	$0	$0	$0	$0	$0	$0	$0
Unwind of convertible note capped calls	$0	$397	$0	$0	$0	$0	$0	$0	$0	$0	$0
Proceeds from loans payable and other financial	$2,396	$9,262	$17,017	$24,963	$19,472	$44,050	$86,397	$135,500	$191,524	$249,755	$304,554
Payments on loans payable and other financing	-$1,785	-$6,782	-$15,933	-$24,841	-$17,461	-$41,088	-$79,601	-$128,092	-$183,012	-$241,769	-$296,878
Payments of finance lease obligations	-$5	-$17	-$20	-$33	-$51	-$57	$0	$0	$0	$0	$0
Common Stock repurchased	-$54	-$486	-$148	-$356	-$1	-$1	-$4	-$4	-$4	-$4	-$4
Dividends paid of preferred stock	-$3	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Proceeds from issuance of common stock, net	$0	$1,520	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net cash provided by financing activities	**$242**	**$1,925**	**$916**	**-$267**	**$1,959**	**$2,904**	**$6,792**	**$7,404**	**$8,508**	**$7,982**	**$7,672**
Effect of exchange rate changes on cash, cash equivalents, restricted cash and cash equivalents	-$115	-$153	-$270	-$938	-$739	-$3	-$116	-$143	-$163	-$186	-$211
Net (decrease) increase in cash, cash equivalents, restricted cash and cash equivalents	**$1,057**	**$1,140**	**-$285**	**$485**	**$851**	**$8,838**	**$6,088**	**$7,684**	**$10,782**	**$13,692**	**$15,402**
Cash, cash equivalents, restricted cash and cash equivalents, beginning of the year	$1,451	$2,508	$3,648	$3,363	$3,848	$4,699	$13,537	$19,625	$27,309	$38,092	$51,783
Cash, cash equivalents, restricted cash and cash equivalents, end of the year	**$2,508**	**$3,648**	**$3,363**	**$3,848**	**$4,699**	**$13,537**	**$19,625**	**$27,309**	**$38,092**	**$51,783**	**$67,185**

ANNEX 9 –Income Statement

Sources: Team Analysis, Company Reports

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Net service and financial income	$3,690	$6,149	$9,442	$13,617	$18,638	$25,286	$36,513	$49,298	$62,671	$76,458	$91,089
Net product revenues	$284	$920	$1,095	$1,490	$2,139	$3,607	$5,564	$7,768	$9,851	$12,200	$14,626
Net revenues and financial income	**$3,974**	**$7,069**	**$10,537**	**$15,107**	**$20,777**	**$28,893**	**$42,077**	**$57,066**	**$72,522**	**$88,657**	**$105,715**
YoY of Revenues	*NA*	*78%*	*49%*	*43%*	*38%*	*39%*	*45.6%*	*35.6%*	*27.1%*	*22.2%*	*19.2%*
Cost of net revenues and financial income	-$2,265	-$4,064	-$5,374	-$7,517	-$11,200	-$16,035	-$23,773	-$32,071	-$40,540	-$49,382	-$58,672
Gross Profit	**$1,709**	**$3,005**	**$5,163**	**$7,590**	**$9,577**	**$12,858**	**$18,303**	**$24,995**	**$31,982**	**$39,275**	**$47,043**
Gross Margin	*43%*	*43%*	*49%*	*50%*	*46%*	*45%*	*43.5%*	*43.8%*	*44.1%*	*44.3%*	*44.5%*
Operating expenses:											
Product and technology development	-$353	-$590	-$1,099	-$1,831	-$1,934	-$2,269	-$3,156	-$3,995	-$4,786	-$5,585	-$6,343
Sales and Marketing	-$768	-$1,074	-$1,296	-$1,736	-$2,191	-$3,219	-$4,839	-$6,448	-$7,977	-$9,575	-$11,100
Provisions for doubtful accounts	-$133	-$435	-$1,073	-$1,050	-$1,858	-$3,091	-$5,680	-$7,133	-$8,558	-$9,930	-$11,100
General and administrative	-$327	-$465	-$661	-$766	-$963	-$1,078	-$1,599	-$2,111	-$2,538	-$3,014	-$3,489
Total operating expenses	**-$1,581**	**-$2,564**	**-$4,129**	**-$5,383**	**-$6,946**	**-$9,657**	**-$15,274**	**-$19,688**	**-$23,860**	**-$28,104**	**-$32,032**
Income from operations	**$128**	**$441**	**$1,034**	**$2,207**	**$2,631**	**$3,201**	**$3,030**	**$5,307**	**$8,122**	**$11,171**	**$15,012**
Operating Margin	*3%*	*6%*	*10%*	*15%*	*13%*	*11%*	*7.2%*	*9.3%*	*11.2%*	*12.6%*	*14.2%*
Other income (expenses):											
Interest income and other financial gains, net	$103	$138	$265	$135	$148	$138	$142	$190	$226	$263	$297
Interest expense and other financial losses	-$107	-$229	-$321	-$174	-$165	-$160	-$277	-$414	-$553	-$718	-$831
Foreign currency losses, net	-$43	-$109	-$198	-$615	-$182	-$337	-$231	-$285	-$326	-$372	-$423
Income before tax	**$81**	**$241**	**$780**	**$1,553**	**$2,432**	**$2,842**	**$2,663**	**$4,799**	**$7,469**	**$10,344**	**$14,055**
Income tax expense	-$82	-$149	-$298	-$569	-$521	-$845	-$746	-$1,344	-$2,091	-$2,896	-$3,935
Net tax rate	*101%*	*62%*	*38%*	*37%*	*21%*	*30%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*
Equity in earnings of unconsolidated entity	$0	-$9	$0	$3	$0	$0	$0	$0	$0	$0	$0
Net Income	**-$1**	**$83**	**$482**	**$987**	**$1,911**	**$1,997**	**$1,917**	**$3,455**	**$5,378**	**$7,447**	**$10,120**
Net Margin	*0%*	*1%*	*5%*	*7%*	*9%*	*7%*	*4.6%*	*6.1%*	*7.4%*	*8.4%*	*9.6%*

ANNEX 10 – Beta

Sources: Team Analysis, Damodaran, Capital IQ

Method 1 – Bottom-up peers

Peer	*Ticker*	Levered Beta
Sea Limited	SE	1.57
Shopify	SHOP	2.59
PDD Holdings	PDD	-0.03
eBay Inc.	EBAY	1.37
Falabella S.A.	FALABELLA	0.58
El Puerto de Liverpool	LIVEPOL	0.32
Vipshop Holdings	VIPS	0.62
Nu Holdings	NU	0.95
StoneCO	STNE	1.59
PagSeguro	PAGS	1.29
Average		**1.09**

Method 2 – Houses of finance

Houses of Finance	*Beta*
Yahoo Finance	1.35
Trading View	1.18
CNBC	1.35
Investing.com	1.41
eToro	1.04
Lightyear	1.41
MarketWatch	1.65
Average	**1.34**

Method 3 & 4 – Regression and Damodaran's estimate

5-year regression Beta (vs NASDAQ 100)	1.32
Damodaran's Industry Estimate	0.84

Method	*Weight*	Beta	Contribution
Peer Relative Beta	*10%*	1.09	0.11
Houses of Finance Average	*10%*	1.34	0.13
5-yr Regression on the NASDAQ 100	*50%*	1.32	0.66
Damodaran's Industry Estimate	*30%*	0.84	0.25
Weighted MELI Beta			**1.15**

We use four methods for our beta calculation with the final weighted beta assigning 50% weight to regression, 30% to Damodaran's estimate, 10% to bottom-up peers, and 10% to Houses of Finance average. The 50% weighting on regression reflects our view that historical market behavior is the most reliable predictor of future systematic risk. This produces a final weighted beta of 1.15.

ANNEX 11 – Cost of Equity

Sources: Team Analysis, Damodaran

CoE CAPM	
Risk Free Rate	4.55%
Beta	1.154
Market Risk Premium	4.23%
Country Risk Premium	2.90%
Cost of Equity	**12.33%**

We calculate cost of equity using the Capital Asset Pricing Model (CAPM). The risk-free rate of 4.55% represents the 10-year U.S. Treasury yield as of June 2026, ensuring consistency with the valuation date. The market risk premium of 4.23% reflects the long-term historical equity risk premium for U.S. markets. We employ a levered beta of 1.154, derived through a weighted methodology combining four distinct approaches to reduce single method bias and capture MercadoLibre's true systematic risk. We further add two-thirds of the revenue-weighted country risk premium (2.90%) to account for MELI's Latin American exposure, following Damodaran's standard adjustment to avoid double-counting risk already embedded in the beta. This yields a cost of equity of 12.33%.

ANNEX 12 – Cost of Debt

Sources: Team Analysis, Company Reports, Capital IQ

Method 1 - MELI's Outstanding Bonds (USD only)			
Bond Maturity	Coupon	Current YTM	Principal ($M)
Jul-31	3.13%	4.82%	537
Jul-33	4.90%	4.90%	744
Weighted Average Pre-tax CoD		4.87%	
Tax Rate		28.0%	
After-tax Cost of Debt		**3.50%**	

Method 2 - Synthetic credit rating	
Adj. EBIT 2025 ($M)	3,421
Adj. Interest Expense ($M)	-380
Interest Coverage Ratio	9.00x
Synthetic credit rating assigned	AAA
Credit Spread (Damodoran)	0.750%
Risk free rate	4.55%
Pretax CoD	5.30%
Tax rate	28.0%
After Tax Cost of Debt	**3.82%**

Blended Cost of Debt Calculation			
Method	Weight	After-tax CoD	Contribution
Interest-Bearing Liabilities (Method 1)	80%	3.50%	2.80%
Synthetic Credit Rating (Method 2)	20%	3.82%	0.76%
Blended After-tax Cost of Debt			**3.57%**

To estimate the cost of debt for MELI, we employed two complementary methods to triangulate the estimate: a) interest-bearing liabilities (IBL) method based on MELI's existing debt portfolio, and b) synthetic credit rating approach using interest coverage ratios. We assign an 80% weight to the IBL method, recognizing that MELI's actual borrowing costs provide the most accurate reflection of the company's cost of debt. The 20% weight on the synthetic rating approach serves as a forward looking validation.

ANNEX 13 – WACC & Terminal Growth Rate

Sources: Team Analysis, Company Reports, Capital IQ

WACC	
Equity Weight [%]	89.2%
Debt Weight [%]	10.8%
Tax [%]	28.0%
Cost of Equity [%]	12.3%
Cost of Debt [%]	3.6%
WACC [%]	**11.38%**

Terminal Growth Rate	**3%**

We assume a stable WACC of 11.38% throughout the forecast period, reflecting MELI's risk profile and target capital structure of 89.2% equity and 10.8% debt at market-value weights. The U.S. 10-year Treasury yield of 4.55% already incorporates market expectations for future economic conditions, making a distinct terminal-period WACC unnecessary. By keeping WACC constant, we avoid speculative fluctuations that could undermine valuation reliability.

Our terminal growth rate of 3.0% (nominal USD) is positioned above long-run U.S. inflation (2.0%) but below the revenue-weighted nominal GDP growth of MELI's markets (~4.5%). The IMF WEO (April 2026) projects long-term real GDP of ~2.0% for both Brazil (53% of revenue) and Mexico (22%), implying ~4.0-4.5% nominal in USD terms. We apply a ~30% haircut to this anchor, consistent with Damodaran's principle that emerging market growth rates converge toward the global average over time. At 66% of the risk-free rate cap, the 3.0% rate provides margin of safety while recognizing that MELI's dual-sided platform economics and early-stage fintech penetration across Latin America support modest real growth above inflation in perpetuity. A cross-check via the Key Value Driver formula (reinvestment rate of 10.0% × average RONIC of 30%) corroborates the 3.0% estimate.

ANNEX 14 – Regulatory Moat & Risk Matrix

Sources: Team Analysis

Regulatory Area	*Brazil*	*Mexico*	*Argentina*	*Chile*	*Colombia*
Digital Services Tax / VAT	Medium	High	Medium	Low	Medium
Fintech Licensing Complexity	High	Medium	High	Medium	Medium
Reserve & Capital Requirement Risk	High	Low	High	Medium	Medium
Consumer Protection Regulation	High	High	Medium	Medium	Medium
Antitrust / Competition Scrutiny	High	Medium	Medium	Low	Low
Currency & Capital Controls	Low	Low	Very High	Low	Low
Regulatory Barrier to Entry (Moat Strength)	Very High	High	High	Medium	Medium

We scored each of MELI's five core markets across seven regulatory dimensions, from tax and licensing through capital controls, based on current statute, enforcement posture, and pace of rule changes. Brazil and Argentina carry the heaviest aggregate burden: Brazil because of layered fintech licensing, state-level tax variation, and active antitrust enforcement through CADE; Argentina because of its capital control regime and volatile central bank requirements under IAS 29. Mexico sits just below, driven by its 2020 digital services VAT and 2023 consumer protection overhaul. Chile and Colombia are lighter-touch, with more accessible frameworks that lower the bar for new entrants. The bottom row captures the net effect: regulatory complexity in MELI's two largest markets functions less as a cost and more as a moat, because the 18-jurisdiction licensing portfolio MELI has assembled over 25 years cannot be simply replicated or bought.

ANNEX 15 – Relative Valuation

Sources: Team Analysis, Capital IQ

Section 1 – LTM Market Data ($bn)

Company	Ticker	Price ($)	Mkt Cap	Ent. Value	Revenue	EBITDA	Net Inc.	Lev. FCF
Commerce								
Amazon.com	AMZN	$244.39	2,628.9	2,721.4	742.8	155.9	90.8	9.8
Shopify	SHOP	$108.85	141.6	135.3	12.4	2.1	1.3	1.3
eBay	EBAY	$108.24	48.1	51.4	11.6	3.0	2.0	1.2
El Puerto de Liverpool	LIVEPOL	$5.85	8.0	9.9	13.2	1.9	1.0	0.5
Falabella	FALABELLA	$6.73	16.9	23.5	15.0	2.0	1.5	0.9
Vipshop	VIPS	$13.33	6.4	3.5	15.7	1.4	1.1	
PDD Holdings	PDD	$79.56	113.2	50.8	65.4	14.4	14.1	10.6
Sea Limited	SE	$91.28	55.9	49.1	25.2	2.5	1.6	0.9
Fintech								
Nu Holdings	NU	$12.71	61.8	57.1	7.6	4.03	3.2	NA
PagSeguro	PAGS	$8.82	2.4	2.5	3.9	1.8	0.4	1.0
StoneCo	STNE	$10.59	2.6	3.8	2.6	1.4	0.7	0.4
MercadoLibre	**MELI**	**$1,635.15**	**82.9**	**89.6**	**31.8**	**3.9**	**1.9**	**(4.1)**

Section 2 – Trading Multiples (NTM forward, unless noted)

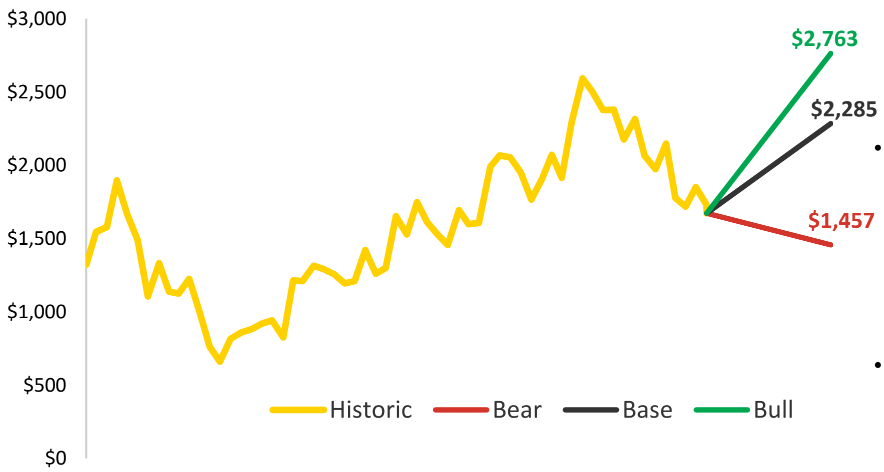
Company	EV/Rev	EV/EBITDA	EV/EBIT	P/E	PEG	EV/GP (LTM)
Commerce peers						
Amazon.com	3.21x	12.23x	24.95x	29.31x	1.39x	7.24x
Shopify	8.74x	47.03x	48.32x	57.54x	2.20x	22.82x
eBay	4.23x	13.65x	15.02x	17.57x	1.69x	6.17x
El Puerto de Liverpool	0.71x	4.66x	5.50x	6.28x	0.50x	2.09x
Falabella	1.48x	10.15x	12.87x	19.32x	NM	4.73x
Vipshop	0.22x	2.37x	2.79x	4.98x	1.13x	0.96x
PDD Holdings	0.70x	3.02x	3.05x	7.17x	0.83x	1.43x
Sea Limited	1.52x	11.91x	17.31x	21.57x	1.14x	4.40x
Mean — Commerce	**2.60x**	**13.13x**	**16.23x**	**20.47x**	**1.27x**	**6.23x**
Median — Commerce	**1.50x**	**11.03x**	**13.95x**	**18.45x**	**1.14x**	**4.57x**
Fintech peers						
Nu Holdings	7.52x	19.80x	18.00x	14.31x	0.48x	7.70x
PagSeguro	0.60x	2.56x	2.78x	4.93x	0.47x	1.27x
StoneCo	1.29x	2.29x	2.61x	4.86x	0.28x	1.94x
Mean — Fintech	**1.48x**	**8.22x**	**7.80x**	**8.03x**	**0.41x**	**3.64x**
Median — Fintech	**1.29x**	**2.56x**	**2.78x**	**4.93x**	**0.47x**	**1.94x**
MercadoLibre	**2.10x**	**21.03x**	**29.30x**	**40.12x**	**1.27x**	**5.70x**

Section 3 – Implied Valuation

Method	Peer Mult.	MELI Metric	Implied EV	Less: Net Debt	Impl. Equity	Shares (M)	Impl. Price ($)	Upside/(Down)
EV/Revenue (NTM)	2.1x	52.8	104.9	(6.7)	104.8	50.7	$2,068.46	26.5%
EV/Gross Profit (LTM)	5.10x	15.7	80.3	(6.7)	73.5	50.7	$1,450.46	(11.3%)
EV/EBIT (NTM)	16.23x	6.0	97.2	(6.7)	90.5	50.7	$1,785.54	9.2%
PEG (NTM)	0.89x	$40.76			82.5	50.7	$1,626.26	(0.5%)
Implied price — Low							**$1,450.46**	**(11.3%)**
Implied price — Mean							**$1,732.68**	**6.0%**
Implied price — Median							**$1,705.90**	**4.3%**
Implied price — High							**$2,068.46**	**26.5%**

ANNEX 16 – Scenario Analysis

Sources: Team Analysis, Capital IQ



- **Bull case:** Thesis I plays out faster than expected. Credit book compounds toward Nubank scale, cohorts season sooner, provisions fall quicker, and the $4.6B Mexico investment pays off early. Gross margin recovers toward FY2024's 46.1% peak (capped at 46.2%). Operating margin reaches 19.4% by FY2030E. Revenue CAGR 34.6%. Implied price: $2,763 (+69.0%).
- **Bear case:** The investment cycle becomes a permanent cost of competing. Shopee, Temu, and TikTok Shop force sustained free-shipping intensity and elevated S&M. Credit decelerates on tighter underwriting and LatAm macro/FX drag. Gross margin recovery stalls at 43.5%. Operating margin recovers only to 9.9% by FY2030E. Revenue CAGR 23.1%. Implied price: $1,457 (−10.9%).
- **Only value drivers flex across scenarios.** The effective tax rate (28%), share repurchases ($4M), and all non-driver balance sheet ratios are held constant. This isolates the impact of revenue growth, margin recovery, and fintech scaling on the valuation.

ANNEX 17 – ESG Scorecard

Sources: Team Analysis, Capital IQ

Pillar	Criterion	MELI	Sea (SE)	Amazon (AMZN)	Nubank (NU)	PayPal (PYPL)
ENVIRONMENTAL	E1 Climate strategy & targets	3	2	5	3	4
	E2 Emissions & energy	3	2	4	4	4
	E3 Circularity & supply chain	4	2	3	3	3
SOCIAL	S1 Financial inclusion & access	5	3	1	5	3
	S2 Economic empowerment & job creation	5	3	3	2	3
	S3 Human capital & DEI	4	2	3	4	4
GOVERNANCE	G1 Board structure & independence	4	2	4	3	4
	G2 Shareholder rights & founder control	3	2	4	2	4
	G3 Ethics, compliance & disclosure	4	2	4	4	4
	Environmental score	***3.33***	***2***	***4***	***3.33***	***3.67***
	Social score	***4.67***	***2.67***	***2.33***	***3.67***	***3.33***
	Governance score	***3.67***	***2***	***4***	***3***	***4***
	OVERALL ESG SCORE	**4.05**	**2.3**	**3.25**	**3.37**	**3.63**
	Rank	***1***	***5***	***4***	***3***	***2***

No universal ESG standard applies cleanly to a dual-segment LatAm platform, so we build a tailored scorecard in place of a single agency rating. Nine criteria span the three pillars, each graded 0-5 against the peer set.

Peers mirror the sum-of-the-parts structure: commerce comparables (Sea, Amazon) and fintech comparables (Nubank, PayPal). This tests MELI's ESG profile against both halves of the business.

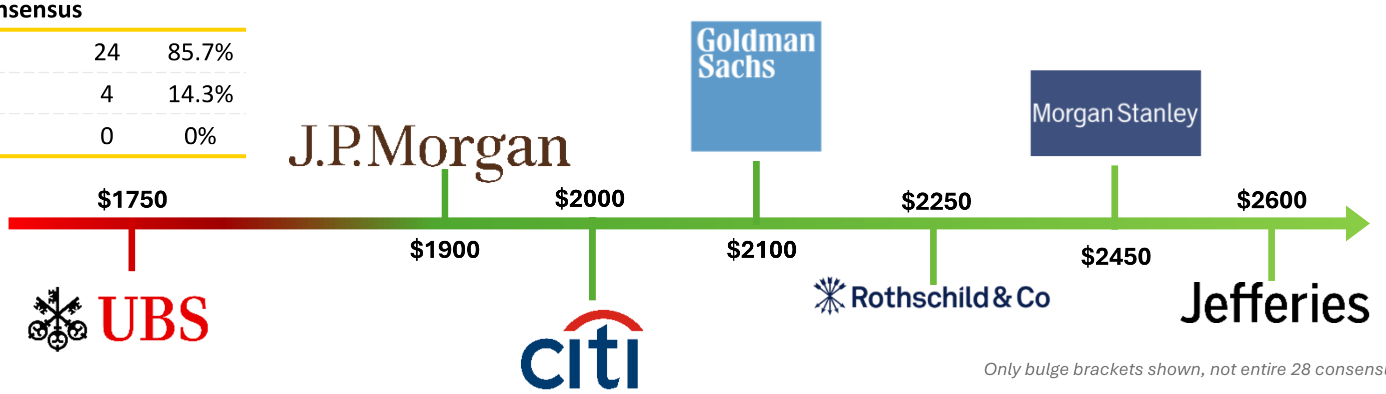
Overall score weights Social at 45%, Governance at 35%, Environmental at 20%. For MELI, financial inclusion is the growth engine itself, so Social dominates. Governance is elevated by founder-led control and the board-diversity gap. Environmental is lower-materiality given an asset-light, logistics-led footprint.

Result: MELI ranks first overall, driven by the highest Social score. Its edge sits precisely where the materiality weighting says it matters most, reinforcing the digital-bank-of-the-underbanked thesis. Governance is solid but capped by an 11% female board and a classified board; Environmental is credible but modest, with intensity reduction in place of an absolute net-zero pledge.

ANNEX 18 – Analyst Consensus

Sources: Team Analysis, Bloomberg Terminal

Analyst Consensus		
Buys	24	85.7%
Holds	4	14.3%
Sells	0	0%



Only bulge brackets shown, not entire 28 consensuses

ANNEX 19 – Sources

Company. MercadoLibre Forms 20-F (FY2020–FY2025), quarterly results and shareholder letters through Q1 2026, 2025 Proxy Statement, 2023 Sustainability Report, and 2025 Sustainability Bond Report. SEC EDGAR and MercadoLibre Investor Relations.

Financial & market data. S&P Capital IQ, Bloomberg terminal; FRED (Federal Reserve Bank of St. Louis); Houses-of-Finance beta providers (Yahoo Finance, TradingView, CNBC, Investing.com, eToro, Lightyear, MarketWatch). Industry & academic. Damodaran (NYU Stern) for risk premia, betas, and credit spreads; IMF World Economic Outlook (April 2026); World Bank Global Findex Database; Statista; PCMI; Americas Market Intelligence.

Peer filings. Annual reports for Amazon, Shopify, eBay, PDD Holdings, Sea Limited, Vipshop, Falabella, El Puerto de Liverpool, Nu Holdings, PagSeguro, and StoneCo.

ESG frameworks & ratings. GRI, SASB, TCFD, IPCC, and the rated Reporting Framework; CDP climate and supplier assessments; BACEN Joint Resolution No. 8; Glassdoor, Randstad, and Merco Talento.

Regulatory. IAS 29; Banco Central do Brasil (Pix, Open Finance); Banco de México (CoDi); Mexican VAT and consumer protection statutes; Argentine capital controls (BCRA); Basel III; CADE.

Models & team analysis. MELI_Model_vF.xlsx and team-produced forecasts, scenario analysis, and exhibits.