

# Mercado Libre Ticker: MELI US\$1556, Mkt Cap US\$77.3bn, Price Target US\$2257 +45%

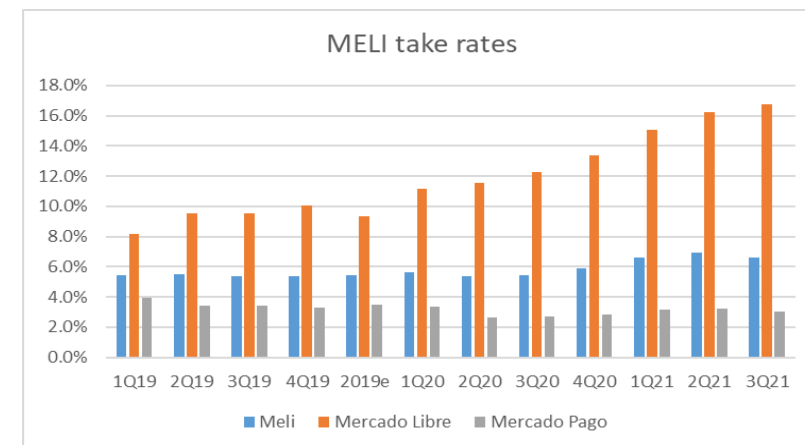


- MELI's 3Q21 report shows that its network, ecosystem or combination of **ecommerce, logistics and fintech** should continue to drive 30+% growth into the future.
- Monetization:** While GMV (gross merchandise value) or the value of all products sold on the platform grew 24%, revenue grew 69% as the company collected more from every transaction. The take rate, as it is called, expanded to 16.75% vs 12.28% YoY.
- Fintech:** Total payment volumes (TPV) grew 44% while revenue grew 61% as Mercado Pago expanded off platform transaction and increased loans to US\$1.1bn while maintaining nonperforming loans in check.
- Logistics:** Mercado Envios is now 86% of all shipments while fulfillment, where the merchant has inventory at an Envios distribution center, is 37% (65% in Mexico). The capacity to get products to customers fast and cheap plus reduce operating friction for merchants is a key driver in the ecommerce ecosystem.
- Political/Macro risk?** One very positive factor in the MELI investment case is that it has very little political or macro risk. As many sectors tech, they live and die by execution and innovation in an ever-expanding market. The company has shown it can rapidly pass on high inflation and FX volatility.
- Valuation:** As a combination of ecommerce and fintech we value the stock at .8x GMV or 12x Revenue

## 3Q21 Results

MELI US\$m	3Q20a	3Q21a	YoY	3Q21e	vs Max	Consensus	High	Low
GMV (sales volume)	5,902	7,314	24%	8,068	-9%			
TPV (pay volume)	14,506	20,879	44%	20,889	0%			
<b>Take Rate</b>	<b>5.5%</b>	<b>6.6%</b>		<b>6.5%</b>				
<b>Revenue</b>	<b>1,116</b>	<b>1,857</b>	<b>66%</b>	<b>1,877</b>	<b>-1%</b>	<b>1,885</b>	<b>2,088</b>	<b>1,701</b>
EBITDA	111	214		217	na	160	260	101
Margin	10%	12%		12%		8%	12%	6%
Net	15	95		113		65	111	19
Revenue	3Q20	3Q21	YoY	3Q21	vs MAX			
Brazil	611	1,063	74%	969	10%			
Argentina	285	393	38%	354	11%			
Mexico	150	291	94%	242	20%			
Other	70	110	58%	105	5%			

## Monetization



## Mercado Libre: Key drivers post pandemic intact

- Bellow our key drivers for MELI. We expect GMV to decelerate to 30% and TPV 35%.
- Take rates rise on logistics and credit growth.
- Margins increase on scale gains.
- Working capital intensifies.



Mercado Libre	YE16	YE17	YE18	YE19	YE20	YE21e	YE22e	YE23e
Share Price	141	248	335	584	1,640	1,555	1,555	1,555
Mkt Cap US\$m	6,215	10,917	14,770	29,031	81,541	77,315	77,315	77,315
Net Debt	-185	-229	-191	-2,230	-2,340	-334	-71	-316

Valuation								
EV/Revenue	7	9	10	12	20	11	8	6
EV/EBITDA	27	58	-618	-336	341	104	64	42
ROIC	19%	13%	-3%	-7%	1%	10%	13%	14%

Financials								
GMV	8,047	11,749	12,489	13,996	20,925	28,685	37,663	49,451
TPV	6,471	13,038	18,455	28,389	49,756	76,861	103,763	140,080
<b>Revenue</b>	<b>844</b>	<b>1,217</b>	<b>1,439</b>	<b>2,296</b>	<b>3,973</b>	<b>7,042</b>	<b>9,346</b>	<b>12,815</b>
Growth	30%	44%	18%	60%	73%	77%	33%	37%
EBITDA	225	183	-24	-80	232	742	1,216	1,851
EBITDA Margin	27%	15%	-2%	-3%	6%	11%	13%	14%
Net Income	136	129	-36	-172	-1	217	653	1,023

Growth								
GMV	12%	46%	6%	12%	50%	37%	31%	31%
TPV	25%	101%	42%	54%	75%	54%	35%	35%
Revenue	30%	44%	18%	60%	73%	77%	33%	37%
EBITDA	39%	-19%	NA	NA	NA	219%	64%	52%

Price Target		YE21e	YE22e	YE23e
EV/GMV		0.80	0.80	0.80
<b>PT</b>		<b>1,706</b>	<b>2,257</b>	<b>3,099</b>
Upside		10%	45%	99%

MELI US\$m	YE19	YE20	YE21e	YE22e	YE23e
<b>GMV</b>	<b>13,996</b>	<b>20,925</b>	<b>28,685</b>	<b>37,663</b>	<b>49,451</b>
Growth	12%	50%	37%	31%	31%
<b>Items sold</b>	<b>379</b>	<b>719</b>	<b>254</b>	<b>330</b>	<b>429</b>
Growth	13%	90%	-65%	30%	30%
<b>Avg Ticket</b>	<b>37</b>	<b>29</b>	<b>113</b>	<b>114</b>	<b>115</b>
Growth	-1%	-21%	288%	1%	1%
<b>GMV Revenue</b>	<b>1,311</b>	<b>2,563</b>	<b>4,667</b>	<b>6,026</b>	<b>7,912</b>
<b>Take Rate</b>	<b>9.4%</b>	<b>12.2%</b>	<b>16.3%</b>	<b>16.0%</b>	<b>16.0%</b>

MELI US\$m	YE19	YE20e	YE21e	YE22e	YE23e
<b>TPV</b>	<b>28,389</b>	<b>49,756</b>	<b>76,861</b>	<b>103,763</b>	<b>140,080</b>
Var	54%	75%	54%	35%	35%
<b>Avg Ticket</b>	<b>33.88</b>	<b>25.99</b>	<b>23.44</b>	<b>21.09</b>	<b>18.98</b>
Growth	-29%	-23%	-10%	-10%	-10%
<b>Total Transactions</b>	<b>838</b>	<b>1,915</b>	<b>3,280</b>	<b>4,919</b>	<b>7,379</b>
Growth	115%	128%	71%	50%	50%
TPV Market place	13,451	19,951	27,596	36,156	47,473
% GMV	96%	95%	96%	96%	96%
TPV off Platform	14,938	29,805	49,265	67,606	92,606
Var	108%	100%	65%	37%	37%
<b>Mercado Pago Rev</b>	<b>985</b>	<b>1,413</b>	<b>2,374</b>	<b>3,320</b>	<b>4,903</b>
<b>Take Rate</b>	<b>3.5%</b>	<b>2.8%</b>	<b>3.1%</b>	<b>3.2%</b>	<b>3.5%</b>