

MELI - MercadoLibre, Inc.

Generated: September 10, 2025

Price Target Scenarios

Scenario	P/S Ratio	Target Price	Potential Return
■ Bear Case	4.1x (15th %ile)	\$4402.06	+87.4%
■ Base Case	5.0x (30th %ile)	\$5331.89	+127.0%
■ Bull Case	9.1x (50th %ile)	\$9634.77	+310.2%

Current Price: \$2348.99

Revenue TTM: \$20.78B • Growth: 61.4% (Analyst projection: 61.4% to \$54.1B. Estimates: 2026: \$35.6B, 2027: \$43.7B, 2028: \$51.4B. Methods: 1yr-estimate: 71.5%; average-estimates: 50.6%)

P/S Scenarios: Bear 15th%ile, Base 30th%ile, Bull 50th%ile • Buyback Rate: -0.9% annually

2-Year Revenue Growth: 160.4% • Projected Revenue: \$54.11B

Share Count Reduction: -0.3% over 2 years

Earnings Calendar

Last Earnings	Aug 04, 2025	Next Earnings	Nov 05, 2025 (55 days)
Revenue Est.	Low: \$59.57B	Median: \$61.76B	High: \$64.48B

Valuation Metrics

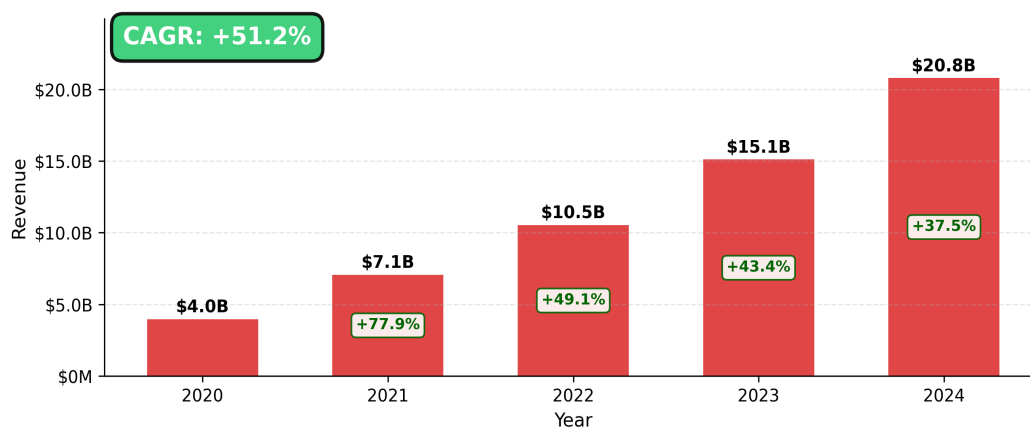
P/E (TTM)	57.9	Dividend Yield	0.00%	Buyback Yield	0.00%	Total Yield	0.00%
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D/E: 2.0 • Int Cov: 18.2x • Net Cash: \$-4449M	Op Margin: 12.3% • ROE: 43.1%	Buyback Yield: 0.0%	Rev Growth: 37.5%	Founder-Le d: Yes
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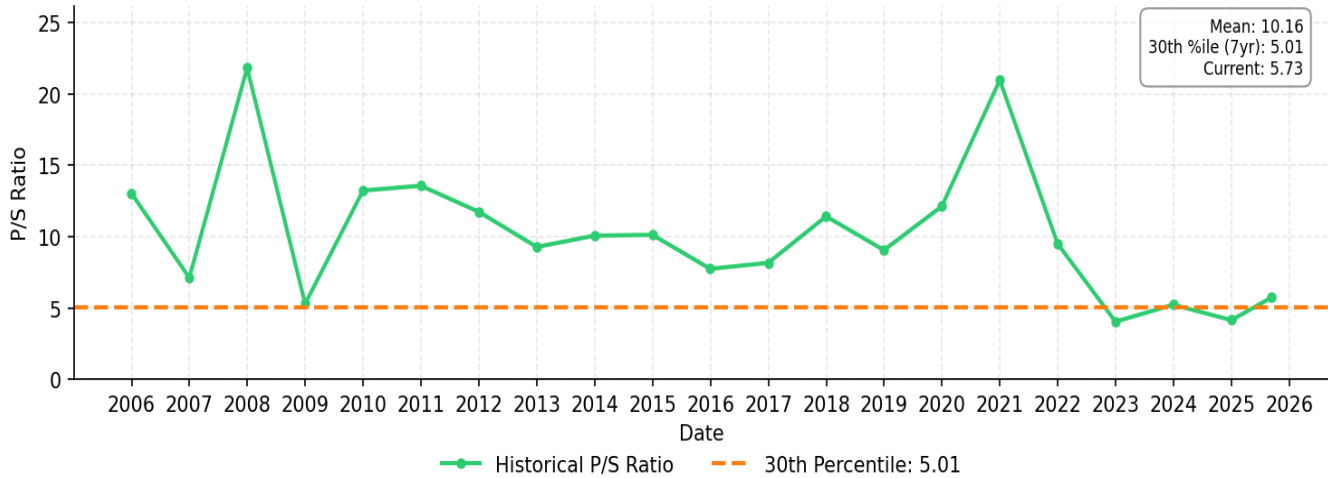
Competitor Comparison

Symbol	P/E	P/S	Margin	ROE	Rev Growth
MELI	58.0	4.9	8.5%	43.1%	37.5%
AMZN	34.7	3.7	10.5%	23.8%	11.0%
BABA	16.3	2.5	14.6%	14.7%	5.9%
SE	95.7	5.9	6.2%	13.7%	28.6%

MELI - Revenue History & Growth



MELI - Price-to-Sales Ratio History
Last Earnings: Aug 04, 2025



Investment Analysis

<p>Business Description: MercadoLibre runs the leading online marketplace in Latin America and an integrated fintech arm (Mercado Pago) that processes payments, offers digital wallets, credit, and now asset-management products. It earns money from marketplace fees, advertising, logistics services, payment take-rates, interest income on its credit book, and float on wallet balances.</p>	<p>Competitive Moat: Its moat stems from network effects between buyers and sellers, an end-to-end ecosystem (marketplace, payments, credit, logistics, ads) that raises switching costs, and brand trust built over two decades in markets with limited formal retail infrastructure.</p>
<p>Monopoly/Duopoly Status: Partially. In most of its core markets (Argentina, Brazil, Mexico) e-commerce is effectively a duopoly between MercadoLibre and Amazon, but MELI usually holds the #1 share; outside e-commerce it also competes with local fintechs and banks.</p>	<p>Notable Investors: Cathie Wood (ARK Invest), Chase Coleman (Tiger Global), Baillie Gifford, Ray Dalio (Bridgewater), Coatue Management.</p>
<p>Share Price Drivers: Share-price drivers: GMV growth, total payment volume, credit NPL trends, operating-margin expansion, FX fluctuations (BRL, ARS, MXN), and regulatory headlines. Near-term catalysts include faster fintech monetization, roll-out of advertising, credit portfolio performance, and any LatAm macro stabilization.</p>	<p>Customer Stickiness: Yes. Integration of shopping, payments, shipping, and credit inside one app plus loyalty perks (Mercado Puntos, free shipping tiers) creates high switching costs and habitual usage.</p>
<p>Management Integrity: Management generally guides conservatively, focuses on long-term ecosystem metrics over quarterly EPS, and has a record of exceeding top-line guidance; capital raises have been timely and strategic rather than promotional.</p>	<p>Bull Case Argument: BULL CASE: (a) Advertising and logistics segments, still small, could materially lift margins with minimal capital outlay. (b) Under-penetration of digital payments and credit in LatAm offers decades of optionality for Mercado Pago. (c) The company is self-funding—OFCF covers capex—so growth does not rely on debt. (d) Its data advantage in underwriting small-business credit is under-appreciated and can compound returns. (e) Currency fears keep valuation restrained in USD terms; any FX tailwind or stabilization could unlock multiple expansion.</p>



■ Bear Case Argument:

BEAR CASE: (a) Heavy reinvestment in fulfillment centers and last-mile delivery dilutes free cash flow. (b) Amazon, Shopee, and Nubank can squeeze take-rates, pressuring margins. (c) Credit portfolio is young; a recession or inflation spike could create large write-offs. (d) FX devaluation wipes USD earnings, while political shifts (e.g., Argentina capital controls, Brazil fintech regulation) can hit operations overnight. (e) High valuation leaves little margin for error, making it a prime short if growth stalls.

Share Buyback Program:

No. Management has no active, sizable share-repurchase program and has historically reinvested cash flow into growth rather than buying back stock.

Market Narratives & Performance:

Given the recent news and sector themes, MercadoLibre, Inc. (MELI) is currently positioned as a compelling growth story within the Consumer Cyclical - Specialty Retail sector, particularly highlighted by its significant exposure to the burgeoning e-commerce and fintech markets in Latin America. Despite facing market volatility and economic uncertainty, which are prevalent themes in its sector, MELI has been frequently mentioned as a top growth stock to buy, with analysts bullish on its prospects. This optimism is underscored by its presentations at high-profile conferences like the Goldman Sachs Communacopia + Technology Conference 2025, signaling strong investor interest and confidence in its strategic direction. However, concerns about its heavy exposure to Latin America potentially limiting its growth have surfaced, suggesting that while the region offers substantial opportunities, it also poses unique challenges and risks. This narrative is balanced by MELI's inclusion in discussions about "monster stocks" to hold for the long term and recommendations as an "easy wealth builder," indicating a belief in its resilience and long-term growth trajectory. There's no specific mention of MELI being involved in meme stock phenomena, major fund involvements, or being the subject of significant regulatory scrutiny, which suggests its current market narrative is more fundamentally driven rather than speculative. The focus remains on its core business performance, market expansion strategies, and how it navigates the economic uncertainties in its primary markets. This story is about a company leveraging technology and strategic market positioning to capitalize on the digital and financial services

■ 5-Year Price History (Daily)

MELI - 5-Year Daily Price Chart



■ Earnings Call Analysis

Analysis of 2025-08-04 earnings call (\$0.0330)

MELI Evolution Analysis: Q4 2024 → Q1 2025 → Q2 2025

■ Performance Trajectory Over 3 Quarters

Revenue Growth Trajectory: MELI demonstrates **consistent acceleration**

- **Q4 2024:** Achieved **\$21 billion annual revenue** (specific quarterly growth rate not provided in transcript)
- **Q1 2025:** Maintained "rapid pace of net revenue growth achieved in 2024"
- **Q2 2025:** **Over 30% year-on-year growth** with record income from operations of **\$825 million**

Profitability Evolution: Significant improvement trajectory

- **Q4 2024:** Generated **over \$1 billion in free cash flow** annually
- **Q1 2025:** "Income from operations grew at a faster pace than revenue"
- **Q2 2025:** **Record income from operations of \$825 million**, showing strong operational leverage

Key Metrics Progression: Explosive growth across all segments

- **Fintech MAUs:** 60M (Q4 2024) → **64M (Q1 2025)** → **68M (Q2 2025)**
- **Credit Portfolio:** **75% YoY growth (Q1)** → **91% YoY growth reaching \$9.3B (Q2)**
- **Marketplace:** Surpassed **100M unique buyers** by Q4 2024, with continued acceleration

■ Strategic Evolution & Consistency

Persistent Themes Across All 3 Calls:

1. **Credit card expansion** - Consistently emphasized as core to digital banking ambition
2. **Logistics infrastructure investment** - Fulfillment centers and free shipping expansion
3. **Fintech ecosystem integration** - Building comprehensive financial services platform

New Initiatives:

- **Q1 2025:** **Mercado Pago rebranding to yellow** - major ecosystem unification
- **Q2 2025:** **Google Manager integration** for advertising, **third free shipping threshold reduction in 5 years**

Strategic Consistency: No abandoned initiatives - all Q4 2024 priorities remain active, showing **strong strategic discipline**.



■ Management Credibility Track Record

Promises from Q4 2024 vs Q2 2025 Delivery:

- ■ **Credit card profitability:** Promised improving cohorts → **Delivered: >50% of Brazil portfolio now NIMAL positive**
- ■ **Market share gains:** Promised continued expansion → **Delivered: Brand preference at all-time highs**
- ■ **Risk model improvements:** Promised better underwriting → **Delivered: First payment defaults at all-time lows**

Credibility Pattern: Consistent under-promise, over-deliver

- Management sets conservative expectations then exceeds them
- **Communication style:** Becoming more confident - Q2 2025 tone notably more assertive about competitive position

■ Analyst Sentiment Trajectory

Persistent Concerns:

- **Argentina sustainability** - Asked about in Q1 2025, remains focus area
- **Investment spending impact on margins** - Consistent across all calls

Resolved Issues:

- **Credit quality concerns** - Q4 2024 worries about delinquency → Q2 2025 shows **NPLs below 7% for first time**

Emerging Concerns:

- **Q2 2025: Marketing spend surge** (~50% increase) - new analyst focus on sustainability

Q&A; Tone: Increasingly supportive - questions more about growth strategy than defensive concerns

■ Red Flags vs Green Shoots

Green Shoots (Consistently Improving):

- **Credit quality:** Delinquency rates improving across all quarters
- **Argentina recovery:** "More than doubling" USD revenues in Q1, continued strength
- **Operational leverage:** Income from operations growing faster than revenue

Minor Red Flags:

- **Marketing spend volatility: 50% increase in Q2** raises sustainability questions
- **Margin pressure:** Continued investment spending, though offset by operational improvements

Management Language: Increasingly confident - "more optimistic than ever" (Q4) → "excited" (Q1) → "pleased with performance" (Q2)

■ Business Momentum Assessment

Overall Trajectory: Clear acceleration across all metrics

- Revenue growth maintaining 30%+ pace
- Profitability hitting records
- User growth at "startup rates of 30%+"

Execution Quality: Exceptional - consistently beating internal targets

Competitive Position: Strengthening - "all-time highs in brand preference"

Investment Thesis: Significantly strengthening - ecosystem flywheel accelerating

■ MOST RECENT CALL DEEP DIVE (Q2 2025 - August 4, 2025)

Key Financial Results

- **Revenue: Over 30% YoY growth** (specific dollar amount not provided in transcript excerpt)
- **Operating Income: Record \$825 million**
- **Credit Portfolio: \$9.3 billion, +91% YoY**
- **Fintech MAUs: 68 million (+30% YoY growth rate)**

Management's Main Messages



1. **"Strong financial performance"** with record operating income
 2. **Brazil free shipping strategy** - third reduction in 5 years to drive adoption
 3. **Mexico acceleration** - fastest item growth in almost 2 years
 4. **Credit quality improvement** - NPLs below 7% for first time
 5. **Advertising momentum** - 38% YoY growth with Google integration
- Tone: Highly confident** - "pleased with performance," "encouraged by quality"

Critical Analyst Questions

- **Andrew Ruben (Morgan Stanley):** Focused on **shipping fee changes and seller dynamics**
- **Irma Sgarz (Goldman Sachs):** Questioned **50% marketing spend increase sustainability**

Management Responses: Detailed and confident - Ariel provided specific rationale for pricing changes with historical testing data

Important Quotes

- > **"We are pleased with our performance in Q2 as the benefits of years of disciplined investments continue to compound."** - Martin de los Santos
- > **"More than half of our portfolio in Brazil already being NIMAL positive."** - Martin de los Santos (on credit card profitability)

What Stood Out

- **Biggest Positive: Credit business inflection** - over 50% of Brazil portfolio profitable
- **Biggest Concern: Marketing spend surge** without clear ROI timeline
- **Key Metric to Watch: Credit card cohort profitability progression**

■ FINAL INVESTMENT CONCLUSION

Based on the three-call evolution, **MELI is clearly in an acceleration phase** with the ecosystem flywheel spinning faster each quarter. The **credit business has reached profitability inflection**, **Argentina has fully recovered**, and **market share gains are accelerating** across all geographies. While **marketing spend volatility** requires monitoring, the **consistent execution against all strategic priorities** and **record profitability** demonstrate management's ability to balance growth investments with operational discipline.

Single Most Important Insight: MELI has successfully transitioned from a growth-at-all-costs model to a **profitable growth machine** where investments are generating measurable returns across the entire ecosystem.

■ Red Flag Analysis

Management Assessment

No credible indications of a CEO transition in the past ~12 months. Scanning across headlines and press releases did not surface definitive appoint/name/succeed/replace patterns tied to the chief executive role, and no pertinent regulatory notices were observed. Conclusion based on multiple independent sources.

Legal Review

No material legal issues identified in recent coverage or filings. Screening threshold ≈ \$208M; focus areas included criminal or regulatory actions, securities class actions, antitrust matters, and settlements of meaningful size. Conclusion based on multiple independent sources.

Capital Structure

Equity financing activity detected. 13 recent news/PR items about financing activity. Current liquidity: \$4.37B cash, \$2000.0M/quarter generated from operations. Assessment based on SEC filings and multiple news sources.

Short-Seller Reports

No recent activist short-seller report identified from FMP/Yahoo coverage. Monitoring continues.

■ 10-POINT INVESTMENT CHECKLIST

■	ROE > 15%	Current: 43.1%
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■	Expected Return > 25%	Current: 127%
■	Revenue Growth > 15%	Current: 37.5%
■	Founder-Led Company	Yes
■	Monopoly/Duopoly Position	Duopoly position
■	Sticky Product	High switching costs
■	Conservative Management	Conservative approach
■	Strong Competitive Moat	Network effects
■	Active Buyback Program	No active buyback program
■	Net Cash Positive	Net cash: \$-4449M

CRITERIA MET : 8/10 criteria met ✓

Disclaimer:

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