AZ STOCKS
Stocks from A to Z

Mercado Libre

The most complete digital ecosystem in Latin America, sacrificing margin today to gain scale

DEEP DIVE

November 2026

COMPANY PROFILE

Mercado Libre

THESIS

Mercado Libre has built one of the strongest digital ecosystems in the emerging world. The analysis assesses what a company that combines e-commerce, fintech, logistics and advertising on a single platform is really worth.

THE COMPANY

Mercado Libre runs Latin America's leading marketplace and Mercado Pago, its fintech platform for payments, credit, investments and a digital account, together with Mercado Envíos and Mercado Ads.

The businesses reinforce each other: payments were born for the marketplace, credit uses ecosystem data and logistics increases conversion. Brazil is the largest market, followed by Mexico and Argentina.

TARGET PRICE
USD 1,921

UPSIDE / DOWNSIDE
+27.5%

SECTOR
E-commerce

EXCHANGE
NASDAQ

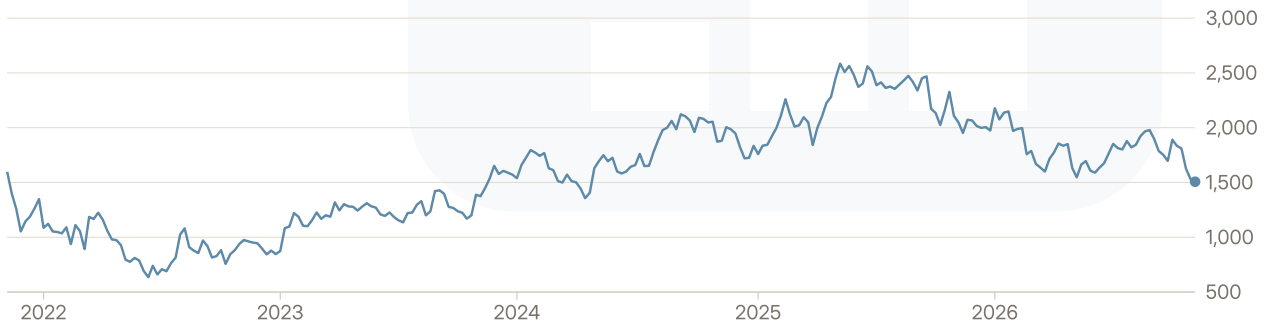
CURRENCY
USD

LAST UPDATED
November 2026

MARKET DATA AS OF 2026-11-06

PRICE	52-WEEK RANGE	5-YEAR CHANGE	BETA (5Y)
USD 1,507.12	1,469.01 – 2,342.00	-6%	1.38

WEEKLY SHARE PRICE, LAST 5 YEARS



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SECTION 01

Introduction

MercadoLibre is arguably the most important technology company to have emerged from Latin America. Founded in 1999 by Marcos Galperin in Buenos Aires, it began as a marketplace with the goal of connecting buyers and sellers. However, over time it has evolved into a much broader digital infrastructure: e-commerce, payments, credit, logistics, advertising, official stores, software for sellers, financial services, and, increasingly, a direct relationship with consumers and businesses.

The correct way to analyze it is not as a simple e-commerce company, nor as an isolated digital bank, but as an ecosystem that reduces friction in a region historically complex for buying, selling, paying, financing and delivering products.

MercadoLibre is building one of the most important consumer and financial services platforms in Latin America. Its advantage doesn't stem from a single product, but from the integration of its marketplace, logistics, payments, digital accounts, credit, advertising, and membership services. **Each layer enhances the utility of the others**. More buyers attract more sellers, more sellers improve their selection and pricing, better logistics increase conversion and repeat business, Mercado Pago reduces payment friction, credit finances consumption and working capital, and Mercado Ads monetizes purchase intent within the ecosystem.

The third quarter of 2026 confirmed that the company keeps growing at a pace few companies of its size can sustain. Net revenues and financial income reached USD 10.75 billion, up 45% year over year (41% in constant currency), and in the first nine months of the year they already total almost USD 29.8 billion, more than the whole of 2025. However, that growth came with a notable margin compression: operating income fell to USD 676 million, a margin of only 6.3%, versus 9.8% in the same quarter of the previous year.

That gap between accelerating growth and falling profitability is, right now, at the center of the debate among MELI investors. The stock traded above USD 2,600 in mid-2025 and today sits around USD 1,500, a drop of more than 40% from its highs. The market seems to be pricing in the risk that competition, mainly Amazon, Shopee, Shein, Temu and other low-cost players, is forcing the company to sacrifice margin structurally rather than temporarily.

My view is that MercadoLibre is going through a phase of strategic investment: lowering free shipping thresholds, expanding logistics, originating loans, increasing Mercado Pago penetration, and defending market share. All of this compresses short-term margins but also strengthens its long-term competitive moat. Management, now under the leadership of Ariel Szarfsztejn as CEO since January 2026, with Galperin as executive chairman, maintains that e-commerce and financial services penetration in the region is still far below that of developed markets, and that the prize for whoever wins the race to scale is enormous.

In the following sections I will go over the business model, the quality of its financials, the management, the competitive structure of the main markets in which it operates, Porter's Five Forces, the SWOT analysis and, finally, my valuation to estimate the intrinsic value of the company, along with a personal conclusion to close the analysis.

Company profile

MercadoLibre, Inc. is a Delaware corporation with Argentine roots and an increasingly regional operational presence. It has been listed on the Nasdaq under the ticker symbol MELI since its initial public offering in August 2007. It is included in major indices such as the Nasdaq-100, reflecting its scale, liquidity, and relevance within the technology sector. Along with Globant, it is one of the few technology companies born in Latin America that has become an international benchmark, although MercadoLibre's scale, diversification, and ecosystem depth are clearly superior.

The company operates in eighteen Latin American countries, with Brazil, Mexico, and Argentina as its three most important markets in terms of revenue, volume, and growth opportunities. It also maintains a significant presence in Chile, Colombia, Peru, Uruguay, and other countries in the region. Its model combines a third-party marketplace (3P), direct sales (1P) in certain categories, its own logistics network managed through Mercado Envíos, digital advertising via Mercado Ads, and the Mercado Pago financial platform, which includes payment processing, a digital account, solutions for merchants, credit for consumers and sellers through Mercado Crédito, investment products such as Mercado Fondo, and other digital financial initiatives.

This combination makes MercadoLibre more than just an e-commerce company. Its true asset is its ecosystem: a digital infrastructure that connects buyers, sellers, businesses, consumers, payments, financing, logistics, and advertising in a region where there are still enormous challenges in buying, selling, collecting payments, obtaining financing, and delivering products efficiently.

Indicador Q1 2026	Valor	Observaciones
Net revenues + financial income	USD 8.845 M	Crecimiento muy fuerte, +49% YoY
Income from operations	USD 611 M	Margen operativo 6,9% por reinversión
Net income	USD 417 M	Margen neto 4,7%
GMV	USD 18.951 M	+42% YoY
Items sold	722 M	+47% YoY aprox.
TPV	USD 87.186 M	+50% YoY
Fintech MAUs	83 M	+29% YoY aprox.
Unique active buyers	84 M	+25% YoY aprox.

Source: author's analysis based on company data.

SECTION 02

Business model

MercadoLibre's model combines several revenue streams. In **commerce**, the company generates sales commissions, service fees, shipping revenue, direct sales revenue, advertising, and seller solutions. In **fintech**, it generates revenue from payment processing, financial services, credit income, returns on funds, cards, insurance, investments, and other products associated with digital accounts.

The separation between commerce and fintech helps to organize the analysis, but it shouldn't lead to the idea that they are independent businesses. A significant part of the value arises from their interaction. Mercado Pago was created to solve the marketplace's payment problem, but then expanded beyond the platform. Mercado Crédito can use ecosystem data to assess risk. Mercado Ads monetizes purchase intent that originates within the marketplace. Mercado Envíos increases conversion and frequency, which in turn generates more payments and more data.

In the first nine months of 2026, Brazil accounted for about 55% of net revenues and financial income and Mexico for about 23%, with Argentina and the other countries making up the rest. The concentration in Brazil matters, since it is the largest and most competitive market and probably the most important battleground for the company's future. Mexico is the second growth engine, with a significant opportunity in logistics, payments and credit.

MELI doesn't have a single, easily estimated normalized margin because its mix is constantly changing. If the free shipping threshold is lowered, the gross margin may decrease. If advertising and software services grow, the margin may increase. If credit is accelerated, revenue increases, but so do provisions and funding costs. Therefore, looking only at the operating margin of a single quarter can lead to incorrect conclusions. The important thing is to understand what each percentage point of margin invested is buying.

The business has a very powerful scalability component. Logistics requires investment, but as order density per zone increases, unit costs can improve. Advertising requires traffic and purchase intent, both of which grow with the marketplace. Credit requires data and risk management, all of which are more solid if the user already transacts within the ecosystem. The digital account gains value with more everyday uses.

Commerce: the heart of the ecosystem

The commerce business includes the marketplace, 1P operations (what MercadoLibre sells directly), seller services, associated logistics, official stores, and advertising. Its main volume metric is GMV, which grew 42% year-over-year to USD 19 billion in Q1 2026. The number of items sold increased from 492 million to 722 million, a 47% jump, even above GMV growth. This suggests that the expansion was not driven mainly by higher ticket size, but by greater frequency, usage and operating volume.

MercadoLibre's marketplace has advantages that have stood the test of time: traffic scale, breadth of selection, trust that took years to build in a region where online shopping involved real friction, native integration with payments and logistics, and a transactional database that no new competitor can replicate overnight. None of these advantages alone eliminates the competition, but together they make competing with MercadoLibre demanding significant capital, patience, and, above all, local execution, something that global players often underestimate.

E-commerce growth doesn't depend solely on converting offline to online. It also depends on winning categories, increasing frequency, improving delivery times, expanding fulfillment, expanding first-party (1P) in specific categories, and improving the offering for professional sellers. The partnership with Assaí in Brazil, for example, shows how MercadoLibre is trying to enter supermarket and consumer goods categories, where frequency can be much higher than in electronics or durable goods.

The commerce margin can be volatile because the company uses pricing, shipping subsidies, promotions, and logistics as strategic tools. The case of Brazil is clear: lowering the free shipping threshold puts pressure on short-term margins but improves conversion, frequency, and market share. If the market only considers the immediate cost impact, it may underestimate the value of strengthening the network. If the company invests poorly, however, these subsidies can destroy profitability. The key lies in the discipline with which MercadoLibre converts investment into value.

Commerce is also the foundation of Mercado Ads. Unlike social media advertising, marketplace advertising is placed closer to the purchase intent. A seller pays to appear when a user is already searching for a product. This type of advertising typically has high conversion rates and can become a source of above-average profit margins. The larger the GMV (Gross Merchandise Volume), the more attractive the platform is to both advertisers and sellers.

Mercado Envíos and fulfillment

In e-commerce, the experience doesn't end when the user clicks "buy." In many cases, it begins there. Price might attract the first purchase, but delivery determines whether the customer returns. Mercado Envíos was created to address one of Latin America's biggest challenges: a fragmented logistics system with inconsistent quality, long delivery times, and low reliability in many areas.

MercadoLibre's logistics network includes fulfillment, cross-docking, sortation centers, last-mile delivery, partnerships with carriers, and, in some markets, air freight infrastructure. This layer requires capital and technology. It's not easy to replicate because simply building warehouses isn't enough: you need volume, routes, demand data, integration with sellers, and the ability to manage returns. Order density is a cumulative advantage.

The strategic impact of logistics is enormous. Faster delivery times increase conversion rates. Greater reliability reduces uncertainty. Fulfillment allows for inventory control, faster delivery promises, and an improved customer experience. For sellers, using MercadoLibre's logistics can be the difference between occasional sales and professional scaling. For buyers, receiving their order within 24 or 48 hours changes their perception of the entire marketplace.

Cost is the sensitive issue. In Q1 2026, the increase in cost of net revenues and financial expenses was partly driven by an additional USD 787 million in shipping and carrier costs. This shows that logistics is not free and that the investment has a real impact on gross margin.

My view is that logistics is part of a moat, not just an expense. But a well-constructed logistics moat should eventually translate into higher retention, higher frequency, greater market share, and unit efficiency. If MercadoLibre manages to grow its network through economies of density, the current investment will make sense. If competition forces it to maintain permanent subsidies, the normalized margin would be lower. That's one of the critical variables in the valuation.

Mercado Pago

Mercado Pago began as a payment solution for the marketplace, but today it's a regional fintech platform. For individuals, it offers digital accounts, cards, payments, investments, insurance, credit, and other services. For businesses, it offers online and in-store payment processing, QR codes, point-of-sale systems, digital accounts, working capital, and management tools. In some countries, Mercado Pago serves as the first digital financial relationship for many users.

In Q1 2026, Mercado Pago reached 83 million monthly active fintech users, up from 64 million a year earlier. Total Payment Volume (TPV) reached USD 87.2 billion, a 50% year-over-year increase. Acquiring volume reached USD 56.0 billion, and total payment transactions totaled 4.64 billion. These figures position Mercado Pago as a regional-scale financial infrastructure, not a niche wallet.

The fintech business is attractive for several reasons. First, the digitization of payments in Latin America still has room to grow. Second, the use of digital accounts can generate daily or weekly transactions, which is more frequent than many e-commerce purchases. Third, businesses need simple solutions for collecting payments. Fourth, the ecosystem generates data that can be used for credit and fraud prevention. Fifth, digital accounts can become gateways to higher-monetization products.

The main difference compared to a traditional bank is customer acquisition. Mercado Pago doesn't have to attract users solely through a branch, a card, or a banking campaign. It can acquire them from the marketplace, from the merchant processing payments, via QR codes, through benefits, through the card itself, or by addressing a specific transactional need. This distribution can generate a significant advantage over more established financial players.

The risk lies in the fact that fintech is not simply software. Processing payments involves costs, fraud, and regulation. Extending credit carries the risk of default. Offering financial products requires oversight. Managing user funds demands trust. Therefore, Mercado Pago must be analyzed differently than e-commerce. It can be an enormous source of value, but it can also introduce volatility in results if the company's credit growth is too rapid or if the macroeconomic cycle deteriorates.

Mercado Crédito

Mercado Crédito is probably one of the most interesting and riskiest layers of the ecosystem. MELI has access to information about the activity of sellers, buyers, and merchants within its platform. This information can help originate credit with better risk analysis than a lender who only looks at traditional banking information. For a seller, access to working capital can mean more inventory and more sales. For a consumer, financing a purchase can increase conversion rates. For a merchant, a line of credit can deepen their relationship with Mercado Pago.

The economic potential is significant because credit can increase fintech revenue and improve monetization per user. In Q1 2026, increased credit revenue was a key driver of net revenue growth. The loan portfolio, as reported by earnings sources, reached very high levels and continues to expand.

But credit has a basic rule: growth is easy when the cycle is favorable; maintaining portfolio quality in an adverse environment is the difficult part. Latin America is a region with macroeconomic volatility, inflation, high interest rates in some markets, regulatory changes, and currency shocks. A decline in employment or consumption could affect delinquency rates. Also, a larger loan portfolio may require more funding and provisions, putting pressure on margins just when the market expects increased operating leverage.

That's why I wouldn't assign the same multiple to the credit business as I would to Ads or software. Mercado Crédito can create value if it remains disciplined and leverages its own insights. But uncontrolled, aggressive expansion could shift MercadoLibre's perception from a platform compounder to a fintech hybrid with significant credit risk. That difference matters a great deal for valuation.

Mercado Ads

Mercado Ads is one of the most compelling aspects of the long-term strategy. In a marketplace, advertising has a key differentiator: users are typically close to making a purchase. This means that sponsored ads, featured products, and visibility tools for sellers can generate measurable returns. For brands and sellers, investing in Mercado Ads isn't just about branding; it's about capturing demand at the point of decision.

Amazon's story illustrates the potential of this business. Amazon Advertising became a high-margin revenue stream because it monetizes high-intent traffic. MercadoLibre has a similar opportunity tailored to Latin America. As the GMV grows, more sellers compete for visibility. As more official brands emerge, advertising sophistication increases. As the platform improves its data and tools, the advertising take rate can be raised.

The appeal of Ads is that it requires less physical capital than logistics and less balance sheet risk than credit. Its main inputs are traffic, data, technology, and a base of sellers willing to pay per conversion. That's why it can be a long-term margin lever. Even if logistics and free shipping put pressure on margins, Ads can help offset this with high-yield revenue.

The risk is that Mercado Ads still depends on the health of the marketplace. If competition reduces traffic, if sellers feel the cost of selling is rising too much, or if ad quality worsens the user experience, monetization may be limited. The platform must balance monetization with user experience. A

marketplace saturated with advertising can degrade the experience; one with low monetization may be underutilized.

In my opinion, ads are one of the reasons why MercadoLibre's operating margin can expand over time. I don't assume aggressive expansion, but I do expect the future revenue mix to include a larger proportion of income streams with a better financial profile.

Brazil: the main battleground

Brazil is MercadoLibre's most important market. In Q1 2026, Brazil generated USD 4.774 billion in net and financial revenue, representing a 54.9% year-over-year increase in dollar terms. Of that total, commerce contributed USD 2.826 billion and fintech USD 1.948 billion. Brazil drives commerce and fintech in almost equal measure: for the company, it is both its largest e-commerce market and its most important fintech testing ground.

Brazil's size makes it both the biggest opportunity and the biggest competitive risk. Local and international players compete there, including Amazon, Shopee, omnichannel retailers, delivery apps, and financial platforms. The decision to lower free shipping thresholds and accelerate investment in logistics should be understood in this context: MercadoLibre is defending and expanding its market share in the region's largest market.

The company reported that gross margin fell in part due to the reduction of the free shipping threshold in Brazil and higher shipping costs. From a quarterly perspective, this puts pressure on profitability. From a strategic perspective, however, this could be understandable if frequency, conversion, and loyalty increase. Brazil is a market where the logistics experience can define consumer preference. If MercadoLibre succeeds in convincing more users that buying on its platform is fast, reliable, and convenient, the value of that investment could be very high.

Entering higher-frequency categories, such as supermarkets and consumer goods, can change the recurrence of business. The alliance with Assaí aims precisely to expand product range and increase frequency in Brazil. This expansion is not without its challenges: low-ticket items, complex logistics, low margins, and strong competition. But if it works, it could allow MercadoLibre to increase its points of contact with consumers.

Brazil is also important for Mercado Pago. The penetration of digital payments, QR codes, POS systems, and digital accounts still has room to grow. The combination of marketplace, offline merchants, and financial products can create a network that is difficult to replicate. For the bullish view, Brazil must continue to show strong growth without excessively eroding the group's profitability. For the bearish view, Brazil could become a permanent investment battleground.

Brasil Q1 2026	Ingresos	Crecimiento YoY
Commerce	USD 2.826 M	+50,9%
Fintech	USD 1.948 M	+61,1%
Total Brasil	USD 4.774 M	+54,9%

Source: author's analysis based on company data.

Mexico: the second engine of growth

Mexico is the most attractive market after Brazil. In Q1 2026, Mexico generated USD 1.976 billion in net and financial revenue, representing a 61.7% year-over-year increase in dollar terms. Commerce grew by 53.7% and fintech by 75.7%. These figures demonstrate significant acceleration and confirm that Mexico is not a secondary operation, but rather a cornerstone of the next phase.

The Mexican opportunity combines a still under-penetrated e-commerce sector, cultural and commercial proximity to the United States, a large population, growth in digital payments, and a logistics infrastructure with significant room for improvement. Also, Mercado Pago has space to expand as a digital account, a payment solution for merchants, and eventually a broader financial platform.

In June 2026, a record investment of USD 4.6 billion in Mexico was announced to strengthen logistics, technological innovation, and financial services. This type of announcement is significant because it confirms the company's ambition: Mexico is not only a source of organic growth, but also a market where MercadoLibre is prepared to invest capital aggressively to consolidate its position.

The risk is that Mexico also attracts competition. Amazon has a significant presence, local retailers want to protect their customer base, and fintech players are vying for users. This is where MercadoLibre has an advantage few rivals possess: it doesn't depend on winning with a single product. Marketplace, shipping, payments, digital accounts, credit, and benefits reinforce each other, making it considerably more expensive for both users and sellers to switch to another platform.

In my assessment, Mexico is one of the most important variables. If Mexico partially replicates Brazil's trajectory, consolidated growth can be sustained for longer. If it slows down or requires overly intensive investment, the valuation would suffer. In my base case scenario, I assume that Mexico will continue to grow above the group average for several years, albeit with significant investment in logistics and fintech.

México Q1 2026	Ingresos	Crecimiento YoY
Commerce	USD 1.195 M	+53,7%
Fintech	USD 781 M	+75,7%
Total México	USD 1.976 M	+61,7%

Source: author's analysis based on company data.

Argentina and other markets

Argentina was the project's country of origin and remains relevant, although its relative weight has decreased compared to Brazil and Mexico. In Q1 2026, Argentina generated USD 1.698 billion in net and financial revenue, representing 22.9% growth in dollar terms. In local currency, growth was much higher, but the peso's depreciation against the dollar reduced the reported growth. This serves as a reminder of a recurring characteristic of MercadoLibre: the company operates in Latin American currencies but reports in dollars.

Argentina can experience years of strong growth and still show distortions due to inflation, exchange rates, and regulations. This makes interpreting the figures more difficult. One quarter might appear weak in dollar terms due to foreign exchange effects, even if the local business is performing well;

another might appear strong due to exchange rate effects. Therefore, it's important to also consider growth in local currency, users, volume, and operational trends.

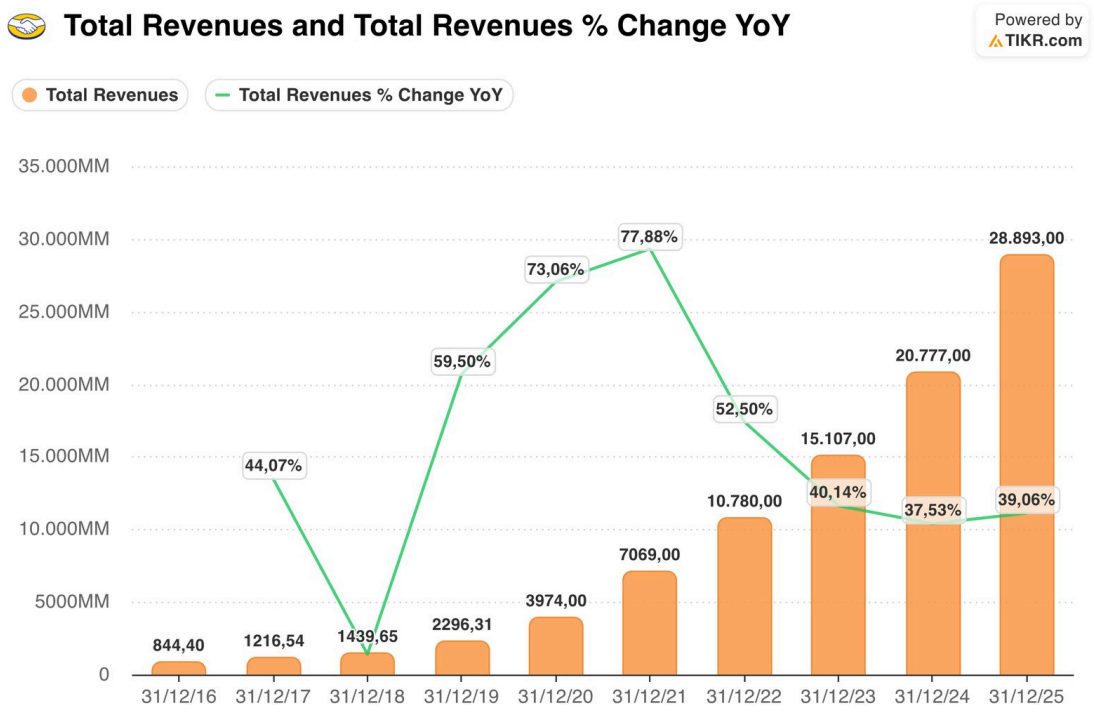
The other countries contribute on a smaller scale, but they are still relevant. Chile, Colombia, Peru, Uruguay, and other markets may not move the needle individually, but together they expand the ecosystem and allow for leveraging technology, know-how, and products developed in larger markets. They also partially diversify geographic risk, although Brazil and Mexico will continue to be the main drivers.

Regional expansion presents a challenge: Latin America is not a single market. Each country has its own distinct regulations, taxes, banking systems, logistics, consumer habits, and competition. MercadoLibre's ability to operate locally is part of its advantage. A foreign competitor may have capital, but not necessarily the operational expertise to overcome all these challenges on a country-by-country basis.

SECTION 03

Business quality

Revenue



Source: Tikr.

Between 2016 and 2025, the company's revenue grew from approximately USD 844 million to USD 28.893 billion, increasing its revenue by more than 34x in less than ten years. This growth was not linear, but it does reflect a very clear trend: MELI ceased to be a regional marketplace and became a much broader digital infrastructure, with a significant presence in e-commerce, payments, credit, logistics, and advertising.

The period of greatest acceleration was observed between 2019 and 2021, when revenues grew 59.5%, 73.1%, and 77.9% year-over-year, respectively. Part of that surge was explained by the acceleration of e-commerce during the pandemic, but attributing it solely to that factor would be an oversimplification. By that time, MercadoLibre had already built a user base, sellers, payment methods, and logistical capabilities that allowed it to capture a significant portion of the structural shift toward online consumption in Latin America.

After that peak in growth, the company went through a period of "normalization." In 2022, revenue grew 52.5%; in 2023, 40.1%; in 2024, 37.5%; and in 2025 it accelerated again to 39.1%. In other words, even after the economic reopening and a much more demanding base of comparison, MercadoLibre

managed to sustain growth rates far exceeding those of most large-scale consumer goods, retail, or technology companies.

The most important thing is that this growth doesn't depend on a single lever. The marketplace remains the core of the ecosystem, but Mercado Pago, Mercado Envíos, Mercado Crédito, and Mercado Ads have significantly expanded the scope of the opportunity. As the company adds more layers on top of the same user and seller base, it can monetize the same business relationship in various ways: commissions, payments, financing, logistics, advertising, and merchant services.

This diversification also helps explain why MercadoLibre continues to grow at such high rates despite its current size. E-commerce in Latin America still has relatively low penetration compared to more developed markets, digital financial services continue to gain adoption, advertising within marketplaces is in its early stages, and logistics remains a source of competitive differentiation. In other words, the company is not only capturing online commerce growth but also expanding its presence in several adjacent layers of the ecosystem.

The current revenue base is much larger than it was a few years ago, so a gradual slowdown is to be expected. However, revenue growth of nearly 40% in 2025 shows that the company is still far from behaving like a mature business. As long as the ecosystem continues to scale in Brazil, Mexico, and Argentina, and as Mercado Pago, Ads, and logistics continue to expand their contributions, MercadoLibre should be able to sustain above-average market growth for several more years.

The current situation at MercadoLibre can be summarized as extraordinary revenue growth versus margin compression.

Período	Ingresos netos y financieros	Crecimiento YoY	Utilidad operativa	Margen operativo	Utilidad neta
Q1 2025	USD 5.935 M	37%	USD 763 M	12,9%	USD 494 M
Q2 2025	USD 6.790 M	34%	USD 825 M	12,2%	USD 523 M
Q3 2025	USD 7.409 M	39%	USD 724 M	9,8%	USD 421 M
Q4 2025	USD 8.759 M	45%	USD 889 M	10,1%	USD 559 M
FY 2025 (total)	USD 28.890 M	39%	≈ USD 3.200 M	≈ 11,1%	USD 2.000 M
Q1 2026	USD 8.845 M	49%	USD 611 M	6,9%	USD 417 M

Source: author's analysis based on Tikr data.

After bottoming at 34% in Q2 2025, revenue growth reaccelerated to 49% in Q1 2026, the highest rate since Q2 2022, but the operating margin is plummeting in parallel, from 12.9% to 6.9% over the same period. The company explains this decline as a conscious decision to reinvest between 5 and 6 percentage points of operating margin in free shipping, logistics, credit cards, and 1P merchandise, betting that this investment will translate into greater scale and efficiency in the medium term.

Performance by geography

Brazil remains by far MercadoLibre's most important market, and also the one that showed the most marked acceleration: Brazilian GMV grew 38% year-over-year in constant currency in the first quarter of 2026, with items sold increasing 56%, more than double the rate prior to the reduction of the free shipping threshold. Mexico showed GMV growth of 28% in constant currency, with items sold growing 34%, sustained by market share gains and greater ecosystem penetration. Argentina, for its part, grew 41% in GMV despite persistent macroeconomic challenges, although this growth is heavily distorted by local inflationary and exchange rate dynamics, which is why the company also reports figures in constant currency to make them comparable.

Latest results: third quarter of 2026

MercadoLibre reported its third-quarter results in early November. Once again, the numbers show both sides of the thesis:

- **Revenue:** USD 10.75 billion, +45% year over year in dollars and +41% in constant currency.
- **Operating income:** USD 676 million, down 7% from a year earlier, with a **6.3% margin** (9.8% in the third quarter of 2025 and 6.7% in the second quarter of 2026).
- **Net income:** up 6%, helped by a lower effective tax rate.
- **Users:** 94 million unique buyers (+22%) and 93 million monthly active fintech users (+29%).
- **Credit:** the portfolio reached USD 17.9 billion (+62%), with 15-to-90-day delinquency stable at around 7%.

In Brazil, GMV grew 36% in constant currency and items sold 45%, confirming that the lower free-shipping threshold is generating volume. In Mexico growth slowed (21% in merchandise volume) because of the tax reform and weaker consumption, although the digital bank already has more than 18 million monthly users.

In the first nine months, revenue totals USD 29.8 billion (+48%), but operating income fell 15% to USD 1.97 billion, with provisions for doubtful accounts up more than 80%. The company gives no guidance, but management's message was clear: they are **investing part of today's margin to accelerate the shift of Latin America's commerce and financial services online**. The question for investors is how long that phase will last.

Vertical analysis

INCOME STATEMENT

Fiscal year Income Statement — % of revenue	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost of Goods Sold	(27.5%)	(32.0%)	(41.9%)	(43.8%)	(48.8%)	(49.4%)	(44.2%)	(42.0%)	(47.3%)	(49.3%)	**(46.2%)**	**(46.5%)**
Gross Profit	**72.5%**	**68.0%**	**58.1%**	**56.2%**	**51.2%**	**50.6%**	**55.8%**	**58.0%**	**52.7%**	**50.7%**	**53.8%**	**53.5%**
Selling General & Admin Expenses	(28.9%)	(36.8%)	(43.1%)	(44.9%)	(27.6%)	(21.6%)	(18.0%)	(16.6%)	(15.2%)	(14.9%)	**(15.5%)**	**(17.3%)**
R&D Expenses	(11.7%)	(10.4%)	(10.1%)	(9.8%)	(8.9%)	(8.3%)	(10.2%)	(12.1%)	(9.3%)	(7.9%)	**(9.8%)**	**(9.6%)**
Total Operating Expenses	**(49.5%)**	**(56.0%)**	**(62.9%)**	**(62.9%)**	**(48.0%)**	**(44.2%)**	**(45.7%)**	**(43.3%)**	**(40.0%)**	**(39.6%)**	**(41.0%)**	**(42.6%)**
Operating Income	**23.1%**	**11.9%**	**(4.8%)**	**(6.7%)**	**3.2%**	**6.4%**	**10.0%**	**14.6%**	**12.7%**	**11.1%**	**12.8%**	**10.9%**
Interest Expense	(3.0%)	(2.2%)	(3.9%)	(2.9%)	(2.7%)	(2.3%)	(1.3%)	(1.2%)	(0.8%)	(0.6%)	**(0.8%)**	**(1.2%)**
EBT Incl. Unusual Items	**21.9%**	**4.4%**	**(4.5%)**	**(4.7%)**	**2.0%**	**3.3%**	**7.2%**	**10.3%**	**11.7%**	**9.8%**	**10.6%**	**8.5%**
Income Tax Expense	(5.8%)	(3.3%)	2.0%	(2.8%)	(2.1%)	(2.1%)	(2.8%)	(3.8%)	(2.5%)	(2.9%)	**(3.1%)**	**(2.8%)**
Net Income	**16.1%**	**1.1%**	**(2.5%)**	**(7.5%)**	**(0.0%)**	**1.2%**	**4.5%**	**6.5%**	**9.2%**	**6.9%**	**7.5%**	**5.7%**
EBITDA	26.5%	15.3%	(1.6%)	(3.5%)	5.9%	9.3%	13.8%	18.1%	15.6%	13.9%	**15.9%**	**14.1%**

Source: author's analysis based on Tikr data.

Vertical analysis of the income statement allows us to see more clearly how MercadoLibre's profitability structure changed as the company ceased to be a lighter marketplace and became a much broader platform, with logistics, payments, credit, advertising, financial services and greater direct intervention in the user experience.

The first relevant point is the evolution of gross margin. In 2016, MercadoLibre had a gross margin of 72.5%, typical of a much more asset-light model focused on marketplace commissions. However, this margin compressed over the following years, settling at around 50.7% in 2025. This decline should not be interpreted solely as a competitive setback, but rather as a direct consequence of the change in the business mix. The company incorporated more cost-intensive layers, such as logistics, fulfillment, subsidized shipping, credit, and certain direct sales operations. All of these initiatives reduce the consolidated gross margin, but also increase the value proposition, usage frequency, and barriers to entry within the ecosystem.

The compression of the gross margin was especially noticeable between 2018 and 2021, when the cost of sales rose from 41.9% of revenue to almost 49.4%. This period coincided with the more aggressive expansion of Mercado Envíos, the accelerated growth of Mercado Pago, and the effort to capitalize on the structural opportunity of e-commerce in Latin America. Starting in 2022, the gross margin showed some recovery, reaching 58.0% in 2023, although it then compressed again to 52.7% in 2024 and 50.7% in 2025. This dynamic reflects that MercadoLibre is still in an investment phase, particularly in logistics, credit, free shipping, and defending its market share.

In terms of operating expenses, the trend is more positive. Selling, general, and administrative expenses were very high between 2017 and 2019, reaching over 40% of revenue in some years. However, over time, they became more efficient and fell to 14.9% of revenue in 2025. This improvement shows that, despite the pressure on gross margin, the company is indeed capturing operating leverage in certain expense categories. MercadoLibre is selling much more on a corporate structure that, in relative terms, is growing at a slower pace than revenue.

Spending on research and development also shows an interesting trend. In 2016, it represented 11.7% of revenue, while in 2025 it fell to 7.9%. In absolute terms, technological investment is certainly much higher, but as a percentage of sales, it has been diluted by scale. This is positive because it indi-

cates that the company can continue investing in product, data, artificial intelligence, fraud prevention, logistics, and financial services without that investment weighing as heavily on the consolidated margin.

The item that added the most pressure in recent years was the allowance for bad debts. In 2020, it represented 3.4% of revenue, but by 2025 it had reached 10.7%. This is the clearest evidence of what the company has become: it's no longer enough to think of it as an e-commerce platform; the real weight of also being a large-scale financial player must be added. The growth of Mercado Crédito expands the company's total addressable market (TAM) and can generate attractive revenue, but it also introduces credit risk, the need for provisions, and greater volatility in results. In other words, part of the current lower operating margin is due to the fact that the company is building a larger financial arm, with greater potential, but also greater complexity.

As a result of all the above, the operating margin followed a very different trajectory than revenue. In 2016, MercadoLibre achieved an operating margin of 23.1%, but that level corresponded to a much simpler and less investment-intensive company. It then went through years of intense pressure, even experiencing negative margins in 2018 and 2019. A gradual recovery began in 2020, with an operating margin of 3.2% in 2020, 6.4% in 2021, 10.0% in 2022, and a recent peak of 14.6% in 2023. However, in 2024 and 2025, the margin contracted again to 12.7% and 11.1%, respectively.

This recent decline is important for the investment thesis. The market is questioning whether the margin pressure is temporary or structural. My interpretation is that there are elements of both. On the one hand, competition from Amazon, Shopee, Shein, Temu, banks, fintechs, and local retailers is forcing MercadoLibre to continue investing in pricing, shipping, logistics, and user acquisition. On the other hand, many of these investments strengthen the ecosystem and can generate operating leverage later on, especially if logistics, advertising, and financial services scale more efficiently.

In terms of net income, the company also shows a significant improvement compared to the years of losses or minimal profitability from 2018 to 2021. The net margin went from negative territory in 2018 and 2019 to 4.5% in 2022, 6.5% in 2023, 9.2% in 2024, and 6.9% in 2025. The decline in 2025 again reflects the pressure on costs, provisions, and operating margin, but the business remains profitable even during a period of aggressive investment.

BALANCE SHEET

Fiscal year Balance Sheet — % of total assets	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Total Cash And Short Term Investments	**35.6%**	**35.7%**	**27.6%**	**51.4%**	**37.7%**	**27.7%**	**22.1%**	**34.3%**	**28.3%**	**14.8%**	**25.8%**	**25.4%**
Total Receivables	**26.3%**	**40.2%**	**24.2%**	**14.1%**	**21.1%**	**33.0%**	**36.2%**	**37.2%**	**41.6%**	**38.9%**	**39.2%**	**37.4%**
Inventory	0.1%	0.2%	0.2%	0.2%	1.8%	2.5%	1.1%	1.4%	1.2%	1.3%	**1.3%**	**1.5%**
Total Current Assets	**63.6%**	**76.9%**	**67.5%**	**79.2%**	**81.9%**	**80.9%**	**79.7%**	**81.0%**	**79.9%**	**78.7%**	**79.9%**	**80.1%**
Net Property Plant And Equipment	9.1%	6.9%	7.4%	9.3%	10.6%	12.6%	12.0%	12.2%	9.8%	10.6%	**10.9%**	**11.4%**
Long-term Investments	11.3%	2.1%	12.3%	5.5%	2.5%	0.8%	2.2%	0.9%	4.8%	4.1%	**3.3%**	**2.6%**
Goodwill	6.7%	5.5%	4.0%	1.8%	1.3%	1.5%	1.1%	0.9%	0.6%	0.4%	**0.6%**	**0.9%**
Other Intangibles	1.9%	1.4%	0.8%	0.3%	0.2%	0.2%	0.1%	0.1%	0.0%	0.1%	**0.1%**	**0.1%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Total Current Liabilities	**42.2%**	**57.9%**	**52.1%**	**36.6%**	**55.7%**	**57.8%**	**62.3%**	**64.0%**	**65.9%**	**67.1%**	**65.7%**	**63.4%**
Long-Term Debt	22.1%	18.6%	26.7%	13.0%	12.9%	21.8%	18.9%	12.0%	11.2%	10.5%	**11.2%**	**14.9%**
Capital Leases	–	–	0.3%	3.8%	4.0%	4.0%	4.0%	4.4%	3.9%	4.3%	**4.2%**	**4.1%**
Total Liabilities	**68.7%**	**80.5%**	**85.0%**	**56.5%**	**74.7%**	**84.8%**	**86.7%**	**82.6%**	**82.7%**	**84.2%**	**83.2%**	**84.2%**
Total Equity	**31.4%**	**19.5%**	**15.0%**	**43.5%**	**25.3%**	**15.2%**	**13.3%**	**17.4%**	**17.3%**	**15.8%**	**16.8%**	**15.8%**
Total Debt	**23.0%**	**22.0%**	**32.8%**	**21.3%**	**26.2%**	**39.4%**	**39.5%**	**30.4%**	**27.3%**	**26.8%**	**28.1%**	**32.7%**
Net Debt	(12.7%)	(13.7%)	5.3%	(30.2%)	(11.5%)	11.8%	17.5%	(3.9%)	(1.0%)	12.0%	**2.4%**	**7.3%**

Source: author's analysis based on Tikr data.

In the early years, the balance sheet was relatively simpler, with a high proportion of cash, short-term investments, and current assets. Over time, the expansion of Mercado Pago, Mercado Crédito, Mercado Envíos, and logistics operations led to the balance sheet incorporating more accounts receivable, restricted balances, debt, financial obligations, and liabilities associated with the operation of the ecosystem.

On the asset side, one of the most relevant characteristics is the weight of current assets. In 2025, current assets represented 78.7% of total assets, a high level, although slightly lower than in some previous years. This reflects the financial and transactional nature of the business. MercadoLibre handles large volumes of payments, user balances, accounts receivable, loans, cash, short-term investments, and assets related to working capital. It is not a company whose balance sheet is dominated by factories or physical assets, but rather by liquid assets and accounts related to the operation of the ecosystem.

Cash and short-term investments have historically been a significant part of the balance sheet. In 2016, cash, cash equivalents, and short-term investments represented 35.7% of total assets. By 2019, they had reached over 51%, but then declined to 14.8% in 2025. This decrease does not necessarily imply a loss of financial strength, but rather a change in the composition of the balance sheet. The company shifted from a balance sheet more concentrated in liquidity to one more focused on accounts receivable, credit, logistics, restricted balances, and other operating assets.

Accounts receivable are one of the most important items for understanding MercadoLibre today. In 2025, total receivables represented 38.9% of total assets, compared to 26.3% in 2016. This evolution reflects the growth of Mercado Pago, the increased scale of payment processing, credit to consumers and sellers, and the growing complexity of the financial ecosystem. Unlike a pure marketplace, MercadoLibre today has greater exposure to outstanding balances and financial assets associated with its operations. This increases the size of the opportunity, but also introduces more credit risk, a greater need for loan loss provisioning, and greater sensitivity to the economic cycle.

Inventory, on the other hand, remains relatively low. In 2025, it represented just 1.3% of total assets. This is important because it confirms that, although MercadoLibre has direct sales operations in certain categories, its core model remains a third-party marketplace, not a traditional, inventory-intensive retail model. The company can expand its selection and volume without having to massively finance product stock on its own balance sheet. This is an advantage over traditional retailers, as it reduces the risk of obsolescence, working capital requirements, and pressure on returns.

Another relevant point is the evolution of net property, plant, and equipment. In 2025, it represented 10.5% of total assets, compared to 9.1% in 2016. At first glance, the increase doesn't seem extreme, but it's important to consider it in conjunction with the company's logistical expansion. MercadoLibre invested heavily in fulfillment centers, logistics technology, automation, distribution infrastructure, and last-mile capabilities. Even so, the proportion of physical assets remains moderate, suggesting that the company maintains a relatively lean structure for its scale, also relying on external operators and hybrid logistics models.

On the liabilities side, the most visible change is the increased weight of obligations relative to total assets. In 2025, total liabilities represented 84.2% of assets, while equity represented 15.8%. This may seem high when considering MercadoLibre as an industrial company, but it should be interpreted

with caution. A significant portion of these liabilities is associated with the operation of Mercado Pago, user balances, accounts payable, operating obligations, financial debt, and other current liabilities related to a payments and financial services platform.

Accounts payable represented 15.7% of assets in 2025, up from 7.0% in 2016, although below the recent peak of 18.1% in 2023. This figure reflects the scale of the marketplace, its relationships with sellers and suppliers, logistics operations, and other short-term commitments. In terms of working capital, accounts payable are a significant source of operating financing. MercadoLibre can finance part of its growth through the ecosystem's own payment cycle, which improves capital efficiency, although it should not be considered an unlimited source of cash.

Another category that grew significantly is "other current liabilities," which increased from 28.1% of assets in 2016 to 34.3% in 2025. This is consistent with a company that processes large volumes of transactions and manages balances and obligations to users, sellers, and other participants in the ecosystem. The more Mercado Pago grows, the more significant these types of liabilities become on its balance sheet.

Long-term debt had a variable weight, but in 2025 it represented 10.5% of assets, while the current portion of long-term debt represented another 10.4%. This shows that the company uses debt as part of its financing structure, although the analysis should be done against the market value of equity and not solely against book equity. In accounting terms, the balance sheet may appear quite leveraged, but from a market perspective, MercadoLibre's market capitalization remains significantly higher than the book value of its equity.

Book equity, meanwhile, decreased as a percentage of the balance sheet from 31.4% in 2016 to 15.8% in 2025. This does not necessarily mean that the company has destroyed value. In platform companies, especially those that reinvest aggressively and have high market capitalization, book equity is often a limited measure for assessing true financial strength. What is relevant is analyzing cash flow generation, asset quality, credit risk, available liquidity, and the ability to sustain investment without compromising the capital structure.

CASH FLOW

Fiscal year Cash Flow — % of revenue	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Net Income	**16.1%**	**1.1%**	**(2.5%)**	**(7.5%)**	**(0.0%)**	**1.2%**	**4.5%**	**6.5%**	**9.2%**	**6.9%**	**7.5%**	**5.7%**
Total Depreciation & Amortization	**3.4%**	**3.4%**	**3.2%**	**3.2%**	**2.6%**	**2.9%**	**3.7%**	**3.5%**	**3.0%**	**2.8%**	**3.1%**	**3.2%**
Stock-Based Compensation	2.7%	2.9%	1.9%	2.3%	3.3%	1.3%	0.8%	1.1%	1.3%	1.0%	**1.1%**	**1.1%**
Cash from Operations	**22.5%**	**22.1%**	**16.0%**	**19.6%**	**29.7%**	**13.7%**	**27.3%**	**34.0%**	**38.1%**	**41.9%**	**38.0%**	**31.0%**
Capital Expenditure	(9.1%)	(6.2%)	(6.8%)	(6.0%)	(6.2%)	(8.1%)	(4.2%)	(3.4%)	(4.1%)	(4.6%)	**(4.1%)**	**(4.9%)**
Cash Acquisitions	(0.9%)	(0.7%)	(0.3%)	–	(0.2%)	(0.7%)	–	–	(0.0%)	–	**(0.0%)**	**(0.2%)**
Cash from Investing	**(10.0%)**	**(1.9%)**	**(46.7%)**	**(63.1%)**	**(6.3%)**	**(22.6%)**	**(35.9%)**	**(22.8%)**	**(39.9%)**	**(21.4%)**	**(28.0%)**	**(28.5%)**
Total Debt Issued	**1.4%**	**3.9%**	**77.6%**	**27.4%**	**60.3%**	**131.0%**	**157.9%**	**165.2%**	**93.7%**	**152.5%**	**137.1%**	**140.1%**
Total Debt Repaid	**(0.8%)**	**(0.4%)**	**(32.8%)**	**(20.7%)**	**(45.0%)**	**(122.6%)**	**(148.0%)**	**(164.7%)**	**(84.3%)**	**(142.4%)**	**(130.4%)**	**(132.4%)**
Repurchase of Common Stock	–	–	–	(0.0%)	(1.4%)	(6.9%)	(1.4%)	(2.4%)	(0.0%)	(0.0%)	**(0.8%)**	**(2.1%)**
Common Dividends Paid	(2.9%)	(2.2%)	(0.5%)	–	–	–	–	–	–	–	**–**	**–**
Cash from Financing	**(2.3%)**	**(4.2%)**	**42.3%**	**88.0%**	**6.1%**	**27.2%**	**8.5%**	**(1.8%)**	**9.4%**	**10.1%**	**5.9%**	**10.7%**
Free Cash Flow	13.4%	15.9%	9.2%	13.7%	23.5%	5.5%	23.1%	30.7%	34.0%	37.3%	**34.0%**	**26.1%**

Source: author's analysis based on Tikr data.

Although MercadoLibre experiences periods of pressure on its operating margin and net income, its operating cash flow generation capacity is very strong. This is explained by a combination of scale, favorable working capital, depreciation and amortization, non-monetary provisions, payment dynamics, and the inherent structure of a platform that processes large volumes of transactions.

In 2025, operating cash flow represented 41.9% of revenue, the highest level in the entire period analyzed. This figure is particularly important because it shows that, even in a year where the net margin fell to 6.9% and the operating margin compressed, the company continued to generate a significant amount of cash from its operations. The difference between accounting profit and operating cash flow is explained, among other factors, by provisions for doubtful accounts, changes in working capital, accounts payable, other operating liabilities, and the financial performance of Mercado Pago and Mercado Crédito.

The historical trend is also interesting. Between 2016 and 2019, operating cash flow remained at solid levels, between 16% and 22% of revenue. In 2020, it jumped to 29.7%, then fell to 13.7% in 2021, before recovering strongly in subsequent years: 27.3% in 2022, 34.0% in 2023, 38.1% in 2024, and 41.9% in 2025. This improvement reflects MercadoLibre's increased scale, optimization of its operating structure, and benefits from an increasingly relevant working capital cycle.

The change in net working capital was positive in several recent years, representing 11.9% of revenue in 2023, 15.4% in 2024, and 20.5% in 2025. This suggests that ecosystem growth generates operating financing, especially through accounts payable, other current liabilities, and payment dynamics. This is a significant advantage for MercadoLibre: as transaction volume grows, it can finance part of its expansion through the operating cycle itself. However, in my valuation, I prefer to gradually normalize working capital to avoid overestimating long-term free cash flow.

In the investment section, cash flow was negative for almost the entire period, which is to be expected in an expanding company. In 2025, cash flow from investing represented -21.4% of revenue. This category includes investments in marketable securities, capital expenditures, and, especially, the creation or net sale of loans. This last point is very relevant because it reflects Mercado Crédito's growth. Loan creation can generate attractive financial income, but it also consumes cash and increases exposure to credit risk. Therefore, the growth of the financial arm should be evaluated not only by revenue, but also by portfolio quality, provisions, delinquency, funding, and risk-adjusted return.

The financing cash flow shows that MercadoLibre actively used debt in several periods, both issuing and repaying it. In 2025, cash flow from financing was positive at 10.1% of revenue, primarily due to net debt issuance. I don't see this as a negative sign: a company with this scale, liquidity, and reinvestment opportunities can certainly use debt to finance growth. What it does confirm, once again, is that at this point we need to stop thinking of MELI as an asset-light marketplace and start treating it as what it is: a regional infrastructure for commerce and financial services, with a much more complex balance sheet than in its early years.

One positive point is that the company doesn't rely on share buybacks or dividends to support its investment thesis. MercadoLibre reinvests most of its cash in growth, logistics, credit, payments, technology, and regional expansion. This makes sense for a company that still operates in markets with low penetration of e-commerce and digital financial services. The strategic priority doesn't appear to be returning capital to shareholders in the short term, but rather maximizing the scale of the ecosystem.

Financial ratios

- **Growth**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Growth												
Revenue growth		44.2%	18.3%	59.4%	73.1%	77.9%	52.5%	40.1%	37.5%	39.1%	**38.9%**	**49.4%**
EBIT growth		(25.6%)	(147.9%)	n.m.	n.m.	251.6%	140.2%	104.2%	19.2%	21.7%	**48.3%**	**107.4%**
Diluted EPS growth		(90.0%)	(364.5%)	n.m.	n.m.	n.m.	470.7%	104.2%	93.7%	4.5%	**67.5%**	**168.3%**
Change in diluted shares (dilution / buybacks)		–	0.8%	9.3%	2.2%	0.1%	3.1%	(0.6%)	(0.6%)	–	**(0.4%)**	**0.4%**

Source: author's analysis based on Tikr data.

Sales grew 39.1% in 2025 and the five-year average is close to 50%. EBIT grew much less (21.7%) and EPS only 4.5%, which sums up the current phase: a lot of growth, little margin expansion. On the positive side, the share count is stable: MELI does not dilute its shareholders.

- **Profitability**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Profitability												
Gross margin	72.5%	68.0%	58.1%	56.2%	51.2%	50.6%	55.8%	58.0%	52.7%	50.7%	**53.8%**	**53.5%**
SG&A % revenue	28.9%	36.8%	43.1%	44.9%	27.6%	21.6%	18.0%	16.6%	15.2%	14.9%	**15.5%**	**17.3%**
R&D % revenue	11.7%	10.4%	10.1%	9.8%	8.9%	8.3%	10.2%	12.1%	9.3%	7.9%	**9.8%**	**9.6%**
EBIT margin	23.1%	11.9%	(4.8%)	(6.7%)	3.2%	6.4%	10.0%	14.6%	12.7%	11.1%	**12.8%**	**10.9%**
EBITDA margin (EBIT + D&A)	26.5%	15.3%	(1.6%)	(3.5%)	5.9%	9.3%	13.8%	18.1%	15.6%	13.9%	**15.9%**	**14.1%**
Net margin	16.1%	1.1%	(2.5%)	(7.5%)	(0.0%)	1.2%	4.5%	6.5%	9.2%	6.9%	**7.5%**	**5.7%**
Stock-based compensation % revenue	2.7%	2.9%	1.9%	2.3%	3.3%	1.3%	0.8%	1.1%	1.3%	1.0%	**1.1%**	**1.1%**
Effective tax rate	26.5%	74.5%	44.1%	(60.5%)	101.2%	64.2%	38.2%	36.6%	21.4%	29.7%	**29.2%**	**38.0%**

Source: author's analysis based on Tikr data.

Gross margin fell from 58.0% in 2023 to 50.7% in 2025, and EBIT margin from 14.6% to 11.1%. Overhead (14.9%) and technology spending (7.9%) keep gaining efficiency as a share of sales, so the pressure comes from shipping costs and provisions for doubtful accounts. Stock-based compensation is low, around 1% of sales.

- **Cash flow and reinvestment**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Cash flow & reinvestment												
Cash from operations % revenue	22.5%	22.1%	16.0%	19.6%	29.7%	13.7%	27.3%	34.0%	38.1%	41.9%	**38.0%**	**31.0%**
FCF margin (TIKR FCF / revenue)	13.4%	15.9%	9.2%	13.7%	23.5%	5.5%	23.1%	30.7%	34.0%	37.3%	**34.0%**	**26.1%**
FCF conversion (FCF / net income)	83.1%	1407.8%	n.m.	n.m.	n.m.	472.3%	515.6%	469.2%	369.3%	539.5%	**459.3%**	**473.2%**
Capex % revenue	9.1%	6.2%	6.8%	6.0%	6.2%	8.1%	4.2%	3.4%	4.1%	4.6%	**4.1%**	**4.9%**
D&A % revenue	3.4%	3.4%	3.2%	3.2%	2.6%	2.9%	3.7%	3.5%	3.0%	2.8%	**3.1%**	**3.2%**
Capex / D&A	2.7x	1.8x	2.1x	1.9x	2.4x	2.8x	1.1x	1.0x	1.4x	1.6x	**1.3x**	**1.6x**
D&A % beginning net PP&E		33.0%	39.8%	44.2%	23.6%	29.4%	31.8%	31.8%	28.7%	33.0%	**31.2%**	**30.9%**
Acquisitions % revenue	0.9%	0.7%	0.3%	–	0.2%	0.7%	–	–	0.0%	–	**0.0%**	**0.2%**

Source: author's analysis based on Tikr data.

Operating cash flow reached 41.9% of sales in 2025 and free cash flow 37.3%. These numbers need to be read carefully: much of that cash corresponds to Mercado Pago user balances, which fund the credit portfolio and are not free cash for shareholders. That is why I normalize this component in my model. CapEx is low for the size of the business (4.6% of sales).

- **Working capital**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Working capital												
Receivables days (DSO)	152.7	180.0	113.3	77.9	91.2	110.4	110.8	94.9	101.2	97.7	**97.9**	**103.0**
Inventory days (DIO)	1.7	2.4	2.8	3.1	22.2	26.4	11.6	13.7	11.0	14.6	**13.1**	**15.5**
Payables days (DPO)	149.7	187.2	147.1	120.2	144.1	143.4	143.6	183.2	156.7	172.0	**170.6**	**159.8**
Cash conversion cycle (DSO + DIO − DPO)	4.7	(4.8)	(31.0)	(39.1)	(30.7)	(6.5)	(21.2)	(74.7)	(44.5)	(59.7)	**(59.6)**	**(41.3)**
Deferred revenue % revenue	–	–	0.4%	0.7%	0.8%	0.5%	0.4%	0.3%	0.4%	0.5%	**0.4%**	**0.4%**
Operating NWC % revenue	(19.2%)	(21.7%)	(15.8%)	(17.5%)	(24.3%)	(14.8%)	(10.2%)	(26.6%)	(32.5%)	(48.0%)	**(35.7%)**	**(26.4%)**

Source: author's analysis based on Tikr data.

Inventory is minimal (about 15 days) because the core of the business is still the third-party marketplace. Receivables are around 100 days because of the weight of credit and payments, and payables exceed 170 days. The result is very negative operating working capital (-48% of sales), which in practice reflects user money deposited in Mercado Pago.

- **Returns on capital**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Returns on capital												
NOPAT = EBIT × (1 − normalized tax rate)	137	102	(49)	(108)	90	316	760	1,551	1,849	2,249	**1,883**	**1,345**
Invested capital = debt + equity − cash & ST inv.	256	96	454	640	899	2,720	4,226	2,385	4,101	11,855	**6,114**	**5,057**
ROIC = NOPAT / average invested capital		57.9%	(17.8%)	(19.7%)	11.7%	17.5%	21.9%	46.9%	57.0%	28.2%	**44.0%**	**34.3%**
ROIC incl. cash = NOPAT / average (debt + equity)		14.2%	(5.5%)	(5.2%)	2.8%	7.1%	11.9%	19.8%	18.8%	15.3%	**18.0%**	**14.6%**
Pre-tax ROIC = EBIT / average invested capital (reference)		82.4%	(25.3%)	(28.0%)	16.6%	24.9%	31.1%	66.8%	81.1%	40.1%	**62.7%**	**48.8%**
ROE = net income / average equity		3.7%	(11.0%)	(14.2%)	(0.1%)	5.2%	28.7%	40.3%	51.5%	36.0%	**42.6%**	**32.3%**
ROA = net income / average total assets		0.9%	(1.9%)	(4.9%)	(0.0%)	1.0%	4.0%	6.3%	8.9%	5.9%	**7.0%**	**5.2%**

Source: author's analysis based on Tikr data.

ROIC was 28.2% in 2025, down from 57% in 2024 because invested capital almost tripled (from USD 4.1 billion to 11.9 billion) as credit grew. If cash is included in invested capital, the return falls to 15.3%. ROE is high (36%) because of low book equity.

- **Leverage and liquidity**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Leverage & liquidity												
Net debt (debt − cash & ST inv.)	(173)	(230)	117	(1,442)	(753)	1,189	2,399	(686)	(250)	5,107	**1,390**	**1,552**
Net debt / EBITDA	(0.8x)	(1.2x)	n.m.	n.m.	(3.2x)	1.8x	1.6x	(0.3x)	(0.1x)	1.3x	**0.3x**	**0.9x**
Interest coverage (EBIT / interest expense)	7.6x	5.5x	(1.2x)	(2.3x)	1.2x	2.8x	8.0x	12.7x	15.9x	20.0x	**16.2x**	**11.9x**
Debt / (debt + equity), book	42.3%	53.0%	68.6%	32.8%	50.8%	72.2%	74.8%	63.5%	61.3%	62.9%	**62.5%**	**66.9%**
Current ratio	1.51	1.33	1.30	2.16	1.47	1.40	1.28	1.27	1.21	1.17	**1.22**	**1.27**

Source: author's analysis based on Tikr data.

Net debt went from practically zero to USD 5.1 billion in 2025, 1.3x EBITDA, largely to fund the growth of the credit portfolio. Interest coverage is comfortable (20x) and the current ratio is 1.17x.

- **Shareholder returns and valuation**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Shareholder returns & market valuation (TIKR, at fiscal year end)												
Dividends + buybacks % FCF	21.6%	13.7%	5.0%	0.2%	5.8%	124.0%	6.0%	7.7%	0.0%	0.0%	**2.6%**	**27.5%**
EV / EBITDA	30.0x	73.1x	n.m.	n.m.	353.0x	113.0x	30.6x	29.0x	26.4x	26.3x	**27.2x**	**45.1x**
EV / revenue	8.0x	11.2x	8.9x	11.6x	20.7x	10.5x	4.2x	5.2x	4.1x	3.7x	**4.3x**	**5.5x**
P/E	50.7x	1008.3x	n.m.	n.m.	n.m.	868.5x	88.3x	80.5x	45.1x	51.1x	**58.9x**	**226.7x**
FCF yield (FCF / market cap)	1.6%	1.4%	1.0%	1.1%	1.1%	0.5%	5.8%	5.8%	8.2%	10.5%	**8.2%**	**6.2%**

Source: author's analysis based on Tikr data.

MELI pays no dividends and buybacks have been occasional: all cash is reinvested in growth. At the end of 2025 it traded at 26x EBITDA and 51x earnings. The 10.5% FCF yield is inflated by the user balances mentioned above, so I would not use it as a valuation reference.

SECTION 04

Management and capital allocation

At MercadoLibre, factor management is a central part of the investment thesis. In growth companies, especially those still expanding their ecosystem, value depends not only on current figures but also on the quality of capital decisions, internal culture, tolerance for reinvestment, and the ability to execute for many years without losing focus.

In that sense, MercadoLibre has a characteristic that is difficult to replicate: it remains a company deeply marked by its founder. **Marcos Galperin stepped down as Chief Operating Officer at the beginning of 2016, but he didn't distance himself from the company.** He moved into the role of Executive Chairman, from where he continues to be involved in long-term strategy, culture, innovation, capital allocation, and the overall vision of the ecosystem.

This matters because MercadoLibre doesn't have the luxury of resting on its laurels: it competes daily in enormous, fragmented markets with increasingly aggressive rivals. Brazil, Mexico, and Argentina still have low penetration of e-commerce and digital financial services compared to more developed markets, but they also attract very aggressive competitors. In this context, having a strong founding culture and a founder who is still involved can be a significant advantage.

The economic alignment is also significant. Through structures linked to the Galperin Trust, the founding group maintains a substantial stake in the company, close to 6.7% of the outstanding shares. Beyond the specific legal structure, what is relevant for the minority shareholder is that Galperin and his associates continue to have significant financial exposure to MercadoLibre's long-term value.

Investor Name	Value (MM)	% Of Shares Outstanding Held	# Shares Held	Chg in Shares Held	% Chg of Shares Held	% of Firm's Portfolio	Holdings Date	Investor Type
Galperin Trust	5404,3 US$ -2,79 %	6,71 %	3.400.136	(150.000)	(4,23 %)	100,00 %	17/6/26	Corporation

Source: author's analysis based on company data.

The most significant change at the management level was the transition to **Ariel Szarfsztejn as CEO, effective January 2026.** For MercadoLibre, this was likely one of the main qualitative risks: how to manage Galperin's departure from the operational role without disrupting the culture or altering the speed of execution. The solution was an internal succession, not the hiring of an external executive.

Szarfsztejn joined MercadoLibre in 2017 and held various strategic roles within the company. He worked in Strategy & Corporate Development, led Mercado Envíos, and then became President of Commerce, one of the most critical areas of the ecosystem. He is an executive who rose through the ranks at MercadoLibre, with direct experience in logistics, marketplace, and strategy, three key elements for the company's next phase.

The rest of the executive team also maintains continuity. Martín de los Santos continues as CFO, Osvaldo Giménez leads the Fintech unit, Daniel Rabinovich holds a key role in technology and operations, and Marcelo Melamud serves as Chief Accounting Officer.

The compensation structure is also aligned with a long-term perspective. MercadoLibre uses a combination of base salary, annual bonus, and long-term retention programs. Importantly, the majority of management compensation is tied to performance and value creation, not just fixed salary. According to company documentation, a very high proportion of executive compensation depends on long-term performance and results.

This is positive for shareholders because it reduces the risk of complacency. If the business underperforms, if the stock price doesn't keep pace, or if the company fails to sustain profitable growth, management is also affected. It's not a perfect alignment, because no compensation scheme is, but it is clearly better than a structure dominated by fixed salaries and short-term targets.

There were also some interesting recent signs of **insider activity** . In May 2026, director Alejandro Nicolás Aguzin bought shares worth close to one million dollars. In June 2026, Marcelo Melamud, Senior VP and Chief Accounting Officer, also bought shares for approximately two hundred thousand dollars. I wouldn't base an investment thesis on isolated insider purchases, but in a context where the stock had corrected from its highs, these types of transactions add a positive qualitative signal.

SECTION 05

Competitive position

Mercado Libre's competition varies by sector and country. In e-commerce, it competes with Amazon, Shopee, local retailers, vertical marketplaces, supermarkets, brand-owned stores, and social commerce platforms. In payments, it competes with banks, fintechs, digital wallets, card networks, and local solutions. In credit, it competes with banks, fintech lenders, and informal lenders. In advertising, it competes for retail media, search, social media, and marketing budgets.

Brazil is the most competitive market. Amazon has capital, technology, and global experience; Shopee typically competes on price and promotions; local retailers have strong customer relationships and product categories; and banks and fintechs offer financial products. However, Mercado Libre has a unique advantage: **it competes with an integrated offering** . It doesn't need to win solely on price, logistics, or payments. It can combine all of these elements.

Mexico is also competitive, but Mercado Libre appears to have a significant opportunity for consolidation. Amazon is a major player, but Mercado Libre can differentiate itself with a local marketplace, payments, sellers, its own logistics, and financial services. The announced investment in Mexico reinforces the idea that the company wants to accelerate its growth before the market fully matures.

In fintech, competition can be more fragmented. In Brazil, Nubank is a huge player in digital banking. In Mexico and Argentina, multiple fintechs and banks compete for payments, accounts, and credit. Mercado Pago doesn't need to dominate every financial product to justify its value: it only needs to capture a solid share of payments, digital accounts, and the most frequently used products. Even so, the cost of competing can rise if all the players subsidize users.

The most significant threat is that competition will force companies to reinvest more than expected for a longer period, reducing margins.

E-commerce: market size (TAM) and growth

The size of the e-commerce market in Latin America varies considerably depending on the methodology used by each consulting firm (some measure only B2C online retail, while others include digital services, travel, and B2B marketplaces), but the consensus range for 2026 is between $200 billion and $215 billion in online sales, with projections from Endeavor and MercadoLibre itself indicating $215.31 billion for 2026, a figure that would grow 1.5 times faster than the global average. If a broader definition of digital commerce is used (including B2B), some consulting firms estimate the total market at $1.78 trillion for 2026, with a projected growth to $4.06 trillion by 2034, at a compound annual growth rate of 10.85%.

Brazil and Mexico together account for more than half of regional e-commerce: in 2024, Brazil represented approximately 29% of the Latin American market and Mexico 26%, while Argentina, Brazil, and Mexico combined represented almost 85% of the region's online sales in 2025. The B2B segment

is, according to several consulting firms, the fastest growing relative segment, with a projected compound annual growth rate of 22.2% between 2026 and 2034, driven by the digitization of supply chains for small and medium-sized enterprises.

COMPETITORS IN E-COMMERCE:

The regional e-commerce industry does not have just one type of competitor, but at least four distinct archetypes, each with a different strategy and risk profile for MercadoLibre.

Amazon

Amazon is the world's largest financial competitor, with quarterly revenues exceeding $180 billion and a market capitalization of around $2.5 trillion. In Latin America, however, its penetration was lower than expected: in 2023, its combined operations in Brazil and Mexico generated only about $1 billion in revenue, a tiny fraction of its global business and far below MercadoLibre's scale in the region. Its recent strategy has shifted focus: instead of competing solely on assortment and price, it began offering free fulfillment (FBA) in Brazil and forged an alliance with Nu Holdings (Nubank's parent company) to offer credit and new payment options to Brazilian customers, directly targeting both MercadoLibre's commerce and fintech flanks.

Shopee

Shopee is, according to the consensus of analysts covering MercadoLibre, the most dangerous competitor in the e-commerce arena. Its model specializes in low-value categories (between $9 and $13 per order, compared to an average of $27 on MercadoLibre), primarily fashion, beauty, and affordable accessories, targeting first-time shoppers who enter e-commerce for price rather than brand. After withdrawing from Argentina and reducing its presence in Chile, Colombia, and Mexico in 2022, Shopee concentrated its efforts in Brazil, where it now handles an estimated volume of between $18 billion and $20 billion annually. Unlike in previous phases, it now operates profitably at the consolidated level of its parent company, Sea Limited, which gives it greater resilience to withstand the subsidy war.

TikTok Shop

The newest and least predictable player, TikTok Shop launched in Brazil in May 2025 with financial backing from ByteDance, betting on the integration of content and commerce (so-called social commerce or live shopping) as its differentiator from traditional marketplaces. Although it is still far from having its own logistics network comparable to that of MercadoLibre or Amazon, Banco Santander projects that it could reach 9% of Brazilian e-commerce by 2028.

Shein, Temu and AliExpress (low-cost cross-border)

These three Chinese players generally do not operate with their own local logistics infrastructure, but rather under a cross-border trade model, shipping products directly from Chinese factories to Latin American buyers, resulting in longer delivery times but extremely low prices. Their main impact is on the fashion, low-cost electronics, and accessories categories, and MercadoLibre's strategic response was to develop its own cross-border trade offering to avoid losing this segment of price-sensitive consumers.

Local players (Magazine Luiza, Falabella, Liverpool, Coppel)

The major traditional retail chains in each country (Magazine Luiza in Brazil, Falabella in Chile and Peru, Liverpool and Coppel in Mexico) digitized part of their operations, but generally maintained a conservative first-party (1P) sales approach without aggressively opening their platforms to third-party sellers. This structurally limits their GMV growth compared to open marketplaces like MercadoLibre. Magazine Luiza, for example, explicitly decided not to pursue third-party volume, a management decision that keeps it profitable but leaves it lagging behind MercadoLibre's growth rate.

Fintech: Market Size (TAM) and Growth

The regional fintech market, strictly measured (fintech platforms and services, excluding digitized traditional banking), was valued at $15.23 billion in 2025, with a projected compound annual growth rate (CAGR) of 15.11% to reach $54.01 billion in 2034, according to IMARC Group. If the neobank and digital banking platform market is measured specifically, another consulting firm valued it at $18.4 billion in 2025, projecting a CAGR of 19.6% to reach $98.7 billion in 2034.

The reason behind this growth is the combination of a massively unbanked population (more than 300 million adults without full access to traditional banking services in the region) with smartphone penetration that has already exceeded 80% in most countries. The digital lending segment is the fastest-growing within fintech, with a projected compound annual growth rate of 30.1%, driven by the demand for financing from urban and informal populations that traditional banks do not serve.

COMPETITORS IN FINTECH:

Nubank (Nu Holdings)

The most relevant competitor in the pure fintech arena. Nubank is the world's largest neobank outside of Asia, with over 80 million customers, a consolidated presence in Brazil, and active expansion in Mexico and Colombia. Its model is based on no-fee credit cards, free digital accounts, and a user experience considered the best in its category by much of the specialized press. The recent alliance between Nubank and Amazon in Brazil (offering credit and new payment options to Amazon customers) is a clear indication that MercadoLibre's fintech business now faces competition of comparable scale. Its market capitalization is around US$57 billion.

PIX and the public payments infrastructure

An atypical but key player: PIX, the instant payment system of the Central Bank of Brazil, is not a company but a free public infrastructure that enables immediate transfers between any bank account or digital wallet. Its massive success (more than 5.4 billion transactions in a single month) reduced the need for private wallets to solve the problem of peer-to-peer payments, forcing players like Mercado Pago to differentiate themselves through value-added services (credit, investment, loyalty programs) rather than solely through the payment function itself.

Local digital banks (Banco Inter, C6 Bank, Neon, PicPay)

Brazil, in particular, has its own ecosystem of digital banks that extends far beyond Nubank: Banco Inter, C6 Bank, Neon, and PicPay compete for specific segments (PicPay, for example, is heavily integrated into the gig economy and the social/commercial use of its wallet). While none reach the scale of Nubank or Mercado Pago, together they account for a significant portion of the migration of users from traditional banking to digital platforms.

Neobanks in Mexico (Klar, Stori, Hey Banco)

Mexico has a more fragmented fintech ecosystem, with players like Klar and Stori focused on credit cards for building credit history, and Hey Banco (Banregio's digital arm) competing for the same underbanked user base as Mercado Pago. Nu Mexico, Nubank's expansion into the country, has already reached approximately 12 million customers by 2025, showing that fintech competition in Mexico has also intensified significantly in recent years.

digitized traditional banks

The incumbent banks in each country (Itaú, Bradesco and Banco do Brasil in Brazil; BBVA, Banorte and Santander in Mexico) digitized a good part of their offering in order not to lose the customers with the highest purchasing power, but in general they do not compete directly for the underbanked segment where Mercado Pago and Nubank built their fastest growth base.

Porter's Analysis

Competitive rivalry: high . Ecommerce and fintech in Latin America are attractive markets, with global and local players investing capital. Rivalry is especially strong in Brazil and Mexico. Mercado Libre responds with scale, logistics, brand, and ecosystem, but it cannot afford to rest on its laurels. Competition is putting pressure on prices, shipping, promotions, and marketing spending.

Threat of new entrants: medium . Launching an online store or wallet is relatively easy; building a regional ecosystem with marketplace, payments, logistics, credit, and advertising is extremely difficult. The threat of new entrants exists in specific verticals, but the integrated moat reduces the risk of complete replacement.

Supplier power: medium . Mercado Libre relies on carriers, cloud technology, logistics infrastructure, talent, banks, and funding sources. The 10-Q report mentions significant commitments to cloud and technology providers, including artificial intelligence capabilities.

Customer and seller power: medium-high . Consumers can compare prices and use other platforms. Sellers can sell on multiple channels. Therefore, Mercado Libre must maintain a superior value proposition. However, as the platform provides traffic, logistics, payments, and credit, the cost of leaving the ecosystem increases for professional sellers.

Threat of substitutes: high for individual products, medium for the ecosystem . A user can buy in a physical store, on Amazon, on Shopee, on Instagram, or on a brand's website. But replacing everything Mercado Libre offers in one place is more difficult. The defense lies not in a single category, but in the added convenience of the ecosystem.

SWOT Analysis

Strengths : regional leadership, recognized brand, scale, buyer and seller network, proprietary logistics, integration with Mercado Pago, transactional database, execution-oriented culture, and reinvestment capacity. Few Latin American companies combine so many digital and physical assets in a single ecosystem.

Opportunities : low ecommerce penetration, digitization of payments, credit expansion, growth of Ads, greater monetization of sellers, improved logistics, new frequency categories, Mexico as a long-term engine, potential banking license in some markets and expansion of more sophisticated financial services.

Weaknesses : volatile margins, reliance on reinvestment, exposure to Latin American currencies, operational complexity, credit risk, and need for logistical capital. The company is not easy to value because it mixes businesses with very different profiles.

Threats : competition from Amazon, Shopee, banks, fintechs and retailers; macroeconomic deterioration in Brazil, Mexico or Argentina; financial regulation; tax changes; increased delinquency; funding pressure; inflation; devaluations; underwriting errors; and the risk that the market will stop paying high multiples if growth slows.

SECTION 06

The bulls vs. the bears

MercadoLibre is one of the most debated stocks in the market right now. Nobody questions the quality of the ecosystem; the debate is about how much margin it will have to sacrifice to defend it.

What do the bulls say?

The first argument is **growth**: revenue growing 45% on more than USD 40 billion of annual sales, something almost no company of its size achieves anywhere in the world.

The second is that **margin compression is a choice, not a consequence**. Free shipping, logistics, credit cards and 1P are investments that increase frequency and loyalty. When this phase ends, scale should translate into higher margins, as happened in 2022-2023.

The third is the **high-margin businesses that are still small**: Mercado Ads, the digital account and financial services can shift the mix toward much higher profitability in the coming years.

What do the bears say?

The first argument is **competition**: Amazon, Shopee, TikTok Shop, Temu and Nubank are rivals with deep pockets. If they force MELI to subsidize indefinitely, 6% margins could be the new normal.

The second is **credit risk**: a portfolio of almost USD 18 billion growing 60% in Latin America can deteriorate quickly if the cycle turns. Provisions are already growing faster than revenue.

The third is **macro and currency risk**: the company operates in reais, Mexican pesos and Argentine pesos but reports in dollars. A sharp devaluation can wipe out a year of growth in a single quarter.

SECTION 07

Valuation

Valuing MercadoLibre is not simple, because it is neither a pure marketplace nor a pure fintech. MELI combines e-commerce, payments, credit, logistics, advertising, seller software and financial services. Each of those layers has a different margin, risk and reinvestment profile.

I built a ten-year **discounted cash flow (DCF)** model with two methods for the terminal value: **perpetuity growth** and an **exit multiple on EBITDA**.

Model inputs and assumptions

The most important point of this valuation is that I do not assume MercadoLibre quickly returns to its historical operating margins. Today's MercadoLibre has a much larger TAM than in 2016, but also a more complex and investment-intensive structure. So I assumed a gradual margin recovery, without aggressive normalization.

2. Operating drivers by scenario (explicit forecast)

Driver	Δ vs Base	FY2023A	FY2024A	FY2025A	3Y avg	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	FY2032E	FY2033E	FY2034E	FY2035E
Forecast year #						*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
Revenue growth ▸ selected scenario		40.1%	37.5%	39.1%	**38.9%**	**45.0%**	**25.0%**	**22.0%**	**19.0%**	**17.0%**	**14.0%**	**12.0%**	**10.0%**	**7.5%**	**5.0%**
Best case	3.0%					48.0%	28.0%	25.0%	22.0%	20.0%	17.0%	15.0%	13.0%	10.5%	8.0%
Base case						45.0%	25.0%	22.0%	19.0%	17.0%	14.0%	12.0%	10.0%	7.5%	5.0%
Worst case	(5.0%)					40.0%	20.0%	17.0%	14.0%	12.0%	9.0%	7.0%	5.0%	2.5%	–
Gross margin ▸ selected scenario		58.0%	52.7%	50.7%	**53.8%**	**44.0%**	**44.5%**	**45.0%**	**45.5%**	**46.0%**	**46.5%**	**47.0%**	**47.5%**	**48.0%**	**48.5%**
Best case	1.0%					45.0%	45.5%	46.0%	46.5%	47.0%	47.5%	48.0%	48.5%	49.0%	49.5%
Base case						44.0%	44.5%	45.0%	45.5%	46.0%	46.5%	47.0%	47.5%	48.0%	48.5%
Worst case	(1.5%)					42.5%	43.0%	43.5%	44.0%	44.5%	45.0%	45.5%	46.0%	46.5%	47.0%
EBIT margin ▸ selected scenario		14.6%	12.7%	11.1%	**12.8%**	**6.5%**	**7.5%**	**8.3%**	**9.0%**	**10.5%**	**12.6%**	**14.0%**	**14.5%**	**15.0%**	**15.5%**
Best case	3.0%					9.5%	10.5%	11.3%	12.0%	13.5%	15.6%	17.0%	17.5%	18.0%	18.5%
Base case						6.5%	7.5%	8.3%	9.0%	10.5%	12.6%	14.0%	14.5%	15.0%	15.5%
Worst case	(4.0%)					2.5%	3.5%	4.3%	5.0%	6.5%	8.6%	10.0%	10.5%	11.0%	11.5%
Capex % of revenue ▸ selected scenario		3.4%	4.1%	4.6%	**4.1%**	**4.0%**	**4.2%**	**4.2%**	**4.0%**	**3.8%**	**3.6%**	**3.4%**	**3.2%**	**3.0%**	**3.0%**
Best case	(0.3%)					3.7%	3.9%	3.9%	3.7%	3.5%	3.3%	3.1%	2.9%	2.7%	2.7%
Base case						4.0%	4.2%	4.2%	4.0%	3.8%	3.6%	3.4%	3.2%	3.0%	3.0%
Worst case	0.5%					4.5%	4.7%	4.7%	4.5%	4.3%	4.1%	3.9%	3.7%	3.5%	3.5%

Source: author's analysis.

Revenue growth: in the Base Case I project 45% for 2026, in line with the first nine months, followed by a gradual slowdown: 25% in 2027, 22% in 2028, 19% in 2029 and 17% in 2030. From there growth keeps slowing to 5% in 2035. MercadoLibre still has several growth engines, but its revenue base is already very large, so it is reasonable to expect it to slow over time.

Gross margin: goes from 44% in 2026 to 48.5% in 2035, assuming the company captures economies of scale in logistics, payments and technology, and that higher-margin businesses such as advertising gain weight. I do not project a return to the margins of the early years, when MELI was a pure marketplace.

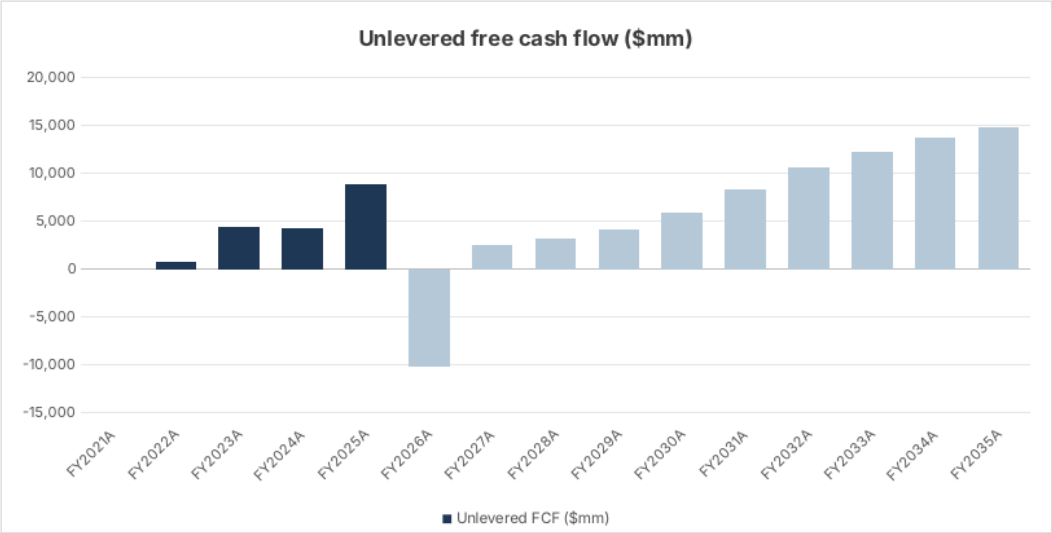
Operating margin: the most sensitive driver in the model. It starts at 6.5% in 2026, in line with the year to date, and recovers gradually: 7.5% in 2027, 8.3% in 2028, 9% in 2029, 10.5% in 2030, 12.6% in 2031 and 15.5% in 2035. I do not assume a return to the 20-23% of 2016: a 15.5% terminal margin recognizes the potential operating leverage but also the higher structural cost of running a much broader ecosystem.

CapEx: around 4% of revenue in the first years, gradually falling to 3% by the end of the period.

Working capital: this is an important point. Historical data show very negative working capital because of Mercado Pago user balances. If I projected that dynamic, every dollar of growth would generate "free" cash and the value would be inflated. So I normalized other current liabilities to 10% of sales (versus a recent average of 40%) and payables to 130 days. I prefer to be conservative here: those balances fund the credit portfolio and are not free cash for shareholders.

What does each scenario mean?

- **Base Case:** MercadoLibre keeps gaining scale in Brazil and Mexico, investment in shipping and credit starts to ease from 2027 and margins recover gradually.
- **Best Case:** today's investment translates into a dominant position, Ads and financial services gain weight in the mix and the company returns to double-digit margins sooner. It adds 3 points of growth per year and 3 points of EBIT margin.
- **Worst Case:** competition forces subsidies for many years, delinquency rises and Mexico slows. It subtracts 5 points of growth and 4 points of EBIT margin.



Source: author's analysis.

Discount rate (WACC)

5. Discount rate (WACC)		Value
Risk-free rate		4.9%
Equity beta (levered)	x	1.38
Equity risk premium		4.2%
Country risk premium		2.0%
Cost of equity		12.7%
Pre-tax cost of debt		7.0%
Tax rate (debt tax shield)		29.7%
After-tax cost of debt		4.9%
Market value of equity	$ mm	76,411
Total debt	$ mm	11,420
Debt / (Debt + Equity)		13.0%
Equity / (Debt + Equity)		87.0%
WACC		11.7%

Source: author's analysis.

I use a 4.9% risk-free rate, a 4.2% equity risk premium and a beta of 1.38. Since MercadoLibre generates practically all its revenue in Brazil, Mexico and Argentina, I add a **2% country risk premium**. The result is a **cost of equity of 12.7%**. For debt I use a 7% pre-tax cost. With a capital structure of 87% equity and 13% debt at market values, the **resulting WACC is 11.7%**.

To go from Enterprise Value to Equity Value I subtracted net debt of USD 3.3 billion. The diluted share count is 50.7 million.

Model results

PERPETUITY METHOD

With 2.5% perpetual growth and an 18% return on new invested capital, the model gives an Enterprise Value of USD 93.1 billion and an Equity Value of USD 89.8 billion, equivalent to **USD 1,771.38 per share**.

MercadoLibre, Inc.

MELI · Discounted Cash Flow · Perpetuity Growth Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

AZ STOCKS Acciones de la A a la Z

INTRINSIC VALUE PER SHARE

$1,771.38

Current share price	$1,507.12
Upside / (downside)	+17.5%

VALUATION SUMMARY

Enterprise value	93,149
Equity value	89,809
PV of forecast cash flows	38,668
PV of terminal value	54,481
Terminal value % of EV	58.5%
Implied exit EV / EBITDA	5.9x

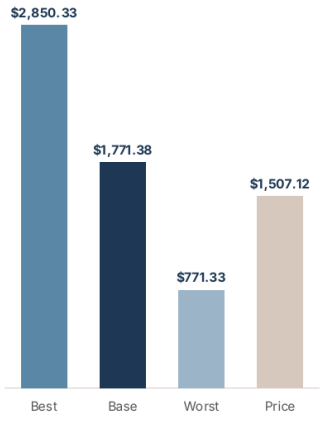
KEY ASSUMPTIONS

WACC (year 1)	11.7%
Terminal WACC	11.7%
Terminal growth (g)	2.5%
RONIC (terminal)	18.0%
Net debt & other claims	3,340
Diluted shares (mm)	50.7

SCENARIOS

Scenario	Terminal growth	Enterprise value	Equity value	Value per share	Upside
Best case	3.0%	147,852	144,512	**$2,850.33**	+89.1%
Base case	2.5%	93,149	89,809	**$1,771.38**	+17.5%
Worst case	2.0%	42,447	39,107	**$771.33**	(48.8%)
Current share price				*$1,507.12*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

	Terminal growth rate (g)				
WACC / g	1.5%	2.0%	2.5%	3.0%	3.5%
10.7%	$1,978.51	$2,010.21	$2,045.78	$2,085.99	$2,131.79
11.2%	$1,846.62	$1,872.04	$1,900.38	$1,932.19	$1,968.13
11.7%	$1,728.40	$1,748.78	**$1,771.38**	$1,796.59	$1,824.88
12.2%	$1,621.88	$1,638.21	$1,656.23	$1,676.21	$1,698.49
12.7%	$1,525.48	$1,538.53	$1,552.86	$1,568.67	$1,586.21

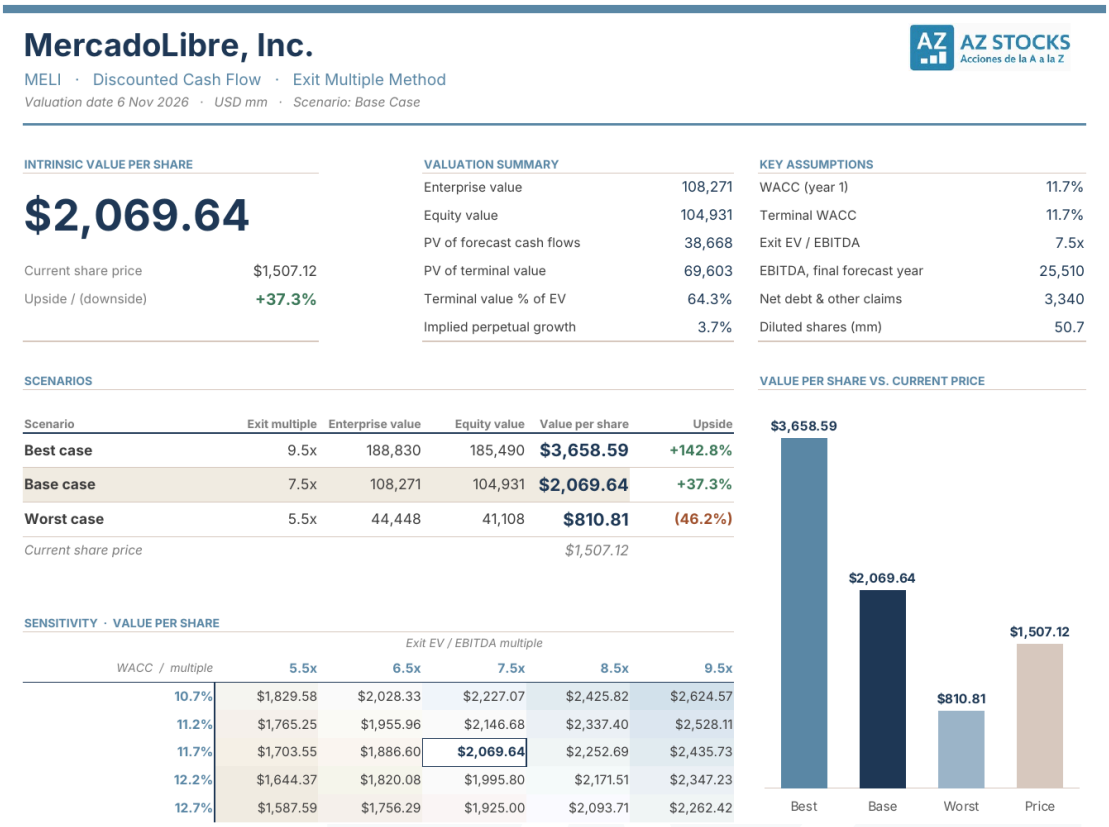
Source: author's analysis.

In the Best Case the value is **USD 2,850.33** and in the Worst Case **USD 771.33**.

With a WACC half a point lower, the value rises to USD 1,900; with one half a point higher, it falls to USD 1,656. Even in the most demanding combination in the table (12.7% WACC and 1.5% growth), the value stays above the current price.

EBITDA MULTIPLE METHOD

Applying a **7.5x** multiple to EBITDA in the last projected year of the Base Case (9.5x in the Best Case and 5.5x in the Worst Case), the model gives an Enterprise Value of USD 108.3 billion and a value of **USD 2,069.64 per share**.



MercadoLibre, Inc.

MELI · Discounted Cash Flow · Exit Multiple Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

AZ STOCKS Acciones de la A a la Z

INTRINSIC VALUE PER SHARE

$2,069.64

Current share price	$1,507.12
Upside / (downside)	+37.3%

VALUATION SUMMARY

Enterprise value	108,271
Equity value	104,931
PV of forecast cash flows	38,668
PV of terminal value	69,603
Terminal value % of EV	64.3%
Implied perpetual growth	3.7%

KEY ASSUMPTIONS

WACC (year 1)	11.7%
Terminal WACC	11.7%
Exit EV / EBITDA	7.5x
EBITDA, final forecast year	25,510
Net debt & other claims	3,340
Diluted shares (mm)	50.7

SCENARIOS

Scenario	Exit multiple	Enterprise value	Equity value	Value per share	Upside
Best case	9.5x	188,830	185,490	**$3,658.59**	+142.8%
Base case	7.5x	108,271	104,931	**$2,069.64**	+37.3%
Worst case	5.5x	44,448	41,108	**$810.81**	(46.2%)
Current share price				*$1,507.12*	

SENSITIVITY · VALUE PER SHARE

Exit EV / EBITDA multiple

WACC / multiple	5.5x	6.5x	7.5x	8.5x	9.5x
10.7%	$1,829.58	$2,028.33	$2,227.07	$2,425.82	$2,624.57
11.2%	$1,765.25	$1,955.96	$2,146.68	$2,337.40	$2,528.11
11.7%	$1,703.55	$1,886.60	**$2,069.64**	$2,252.69	$2,435.73
12.2%	$1,644.37	$1,820.08	$1,995.80	$2,171.51	$2,347.23
12.7%	$1,587.59	$1,756.29	$1,925.00	$2,093.71	$2,262.42

VALUE PER SHARE VS. CURRENT PRICE

Source: author's analysis.

The multiple may look very low for a company that trades at more than 25x EBITDA today, but there is a reason: it is applied to 2035 EBITDA, when MercadoLibre should be a much larger and more mature company, and with an 11.7% cost of capital. At that WACC, a 7.5x multiple already implies 3.7% perpetual growth, at the limit of what I consider reasonable. A higher multiple would require assuming the company keeps growing faster than the economy forever.

In the Best Case the value is **USD 3,658.59** and in the Worst Case **USD 810.81**.

Reading both methods together

Averaging both methods in the base case, I arrive at a **target price of USD 1,921 per share**, compared with a market price of USD 1,507.12. That is an upside of about 27%.

The spread between scenarios is very wide, from about USD 800 in the Worst Case to more than USD 3,000 in the Best Case. That spread sums up the thesis: MercadoLibre's value depends almost entirely on whether today's margin compression is a temporary investment or a new competitive reality.

SECTION 08

Conclusion

The conclusion of the valuation is that MercadoLibre offers an attractive upside even with prudent assumptions: a WACC with a country risk premium, normalized working capital, a low exit multiple and operating margins that, in the base case, never return to 2016 levels. At USD 1,507, my model gives a **target price of USD 1,921 per share**, an upside of about 27%.

The thesis does not depend on an immediate margin recovery. It depends on three things: that revenue keeps growing faster than the market average, that operating margin recovers gradually with scale, and that credit stays under control.

The main risk to the valuation is that competitive pressure is more structural than temporary. If Amazon, Shopee, Shein, Temu, banks, fintechs and local retailers force MELI to keep subsidies, promotions, free shipping and aggressive credit for longer, margin expansion could be smaller. In that scenario, value would move closer to the Worst Case. The third quarter, with a 6.3% margin, does not yet show signs that this phase is ending.

Conversely, if MercadoLibre shows that today's compression is a temporary investment and that higher-margin businesses (especially Ads, scaled financial services and denser logistics) start to carry more weight in the mix, the upside can be significant.

In my view, the current valuation offers an attractive risk/reward for a long-term investor. I do not see it as a thesis for someone looking for a quick, linear improvement in results. The path will probably remain volatile, and the company may have to keep sacrificing short-term profitability to defend or deepen its competitive position.

That is why I think MELI fits better in a long-term portfolio, for investors willing to tolerate quarters of pressured margins in exchange for a large opportunity. The company combines network effects, logistics scale, brand, data, payments, credit, advertising and a regional position that is hard to replicate.

Personally, I do not own MercadoLibre shares today. However, it is a company I have followed closely for a long time and one I consider among the best companies ever born in Latin America. With the stock 40% below its highs and a reasonable upside in my base case, it will probably be among my next purchases, with a multi-year view and without expecting an immediate normalization of margins.

Alan



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