

May  
2016



**mercado  
libre**

# First Quarter 2016 Results

*Investor Relations*



This presentation may make forward-looking statements relating to such matters as continued growth prospects for the company, industry trends and product and technology initiatives. These statements are based on currently available information and our current assumptions, expectations and projections about future events. While we believe that our assumptions, expectations and projections are reasonable in view of currently available information, you are cautioned not to place undue reliance on these forward-looking statements. Our actual results may differ materially from those included in this presentation, for a variety of reasons, including those described in the forward-looking statements and risk factor sections of our 10-K and other filings with the Securities and Exchange Commission, which are available on our investor relations website. (<http://investor.mercadolibre.com>)

A reconciliation of Non-GAAP measures to the nearest comparable GAAP measures can be found in our first quarter 2016 earnings press release available on our investor relations website

All of the information included in this presentation is updated as of May 5th, 2016. Except as may be required by applicable law, we assume no obligation to publicly update or revise our statements.



# Q1 2016 Highlights



## Key Trends

- LC Revenue Growth: +57% (ex Venezuela); Marketplace +48%; non-marketplace +71
- LC GMV growth +58% (ex Venezuela); units sold accelerated +39% YoY to 38.3 million driven by Brazil & Argentina
- Total payment transactions +85% YoY to 27.5 million; total payment volume +108% YoY in LC, reaching \$1.3 billion.



## Continued progress on strategic initiatives

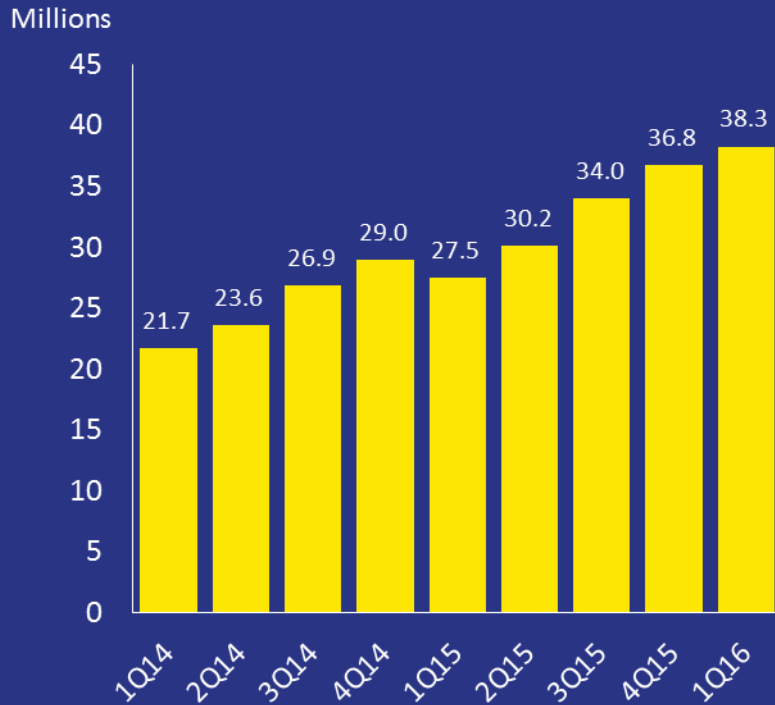
- Mercado Pago on platform penetrating GMV at a fast clip across the board.
  - Mexico and Colombia gaining traction
- Merchant service business maintaining strong momentum with revenues growing 128% on an FX neutral basis. USD revenues grew 46.6%
- Successfully generating incremental content for buyers
  - Live listings +70% to 55 million driven by pricing changes in Brazil and freemium offering
- Mercado Envíos delivering strong results. Items shipped grew 114% YoY to 17.2 million
- Full enhanced marketplace in Chile, with MercadoEnvíos launch through local carrier Chilexpress



# Q1 2016 Core Operating Metrics

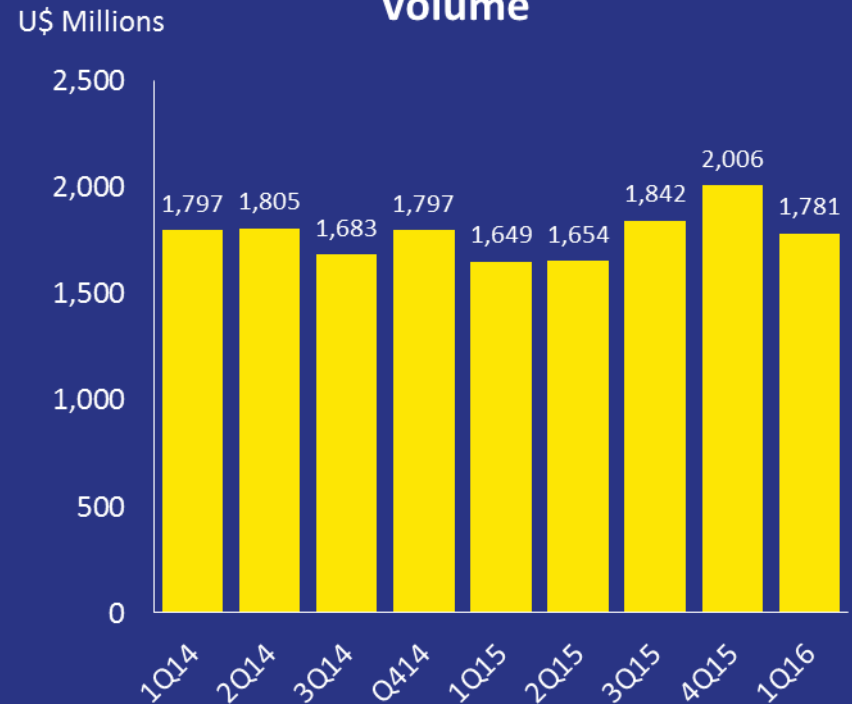


## Items Sold



YoY Growth	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
YoY Growth	20%	18%	22%	27%	27%	28%	26%	27%	39%

## Gross Merchandise Volume



YoY Reported USD growth	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
YoY Reported USD growth	15%	5%	-10%	-16%	-8%	-8%	10%	12%	8%
YoY LC growth	57%	68%	79%	85%	78%	83%	77%	86%	102%

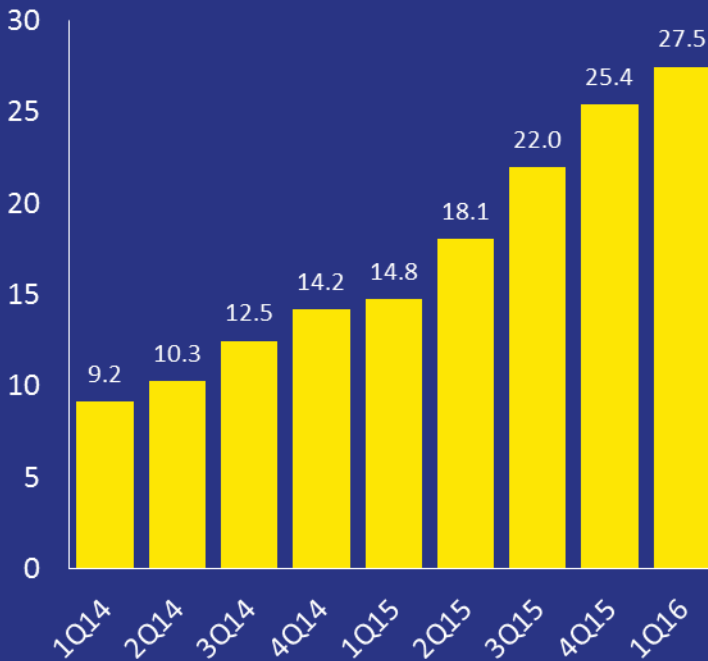


# Q1 2016 Payments Operating Metrics



## Total Payment Transactions

Millions

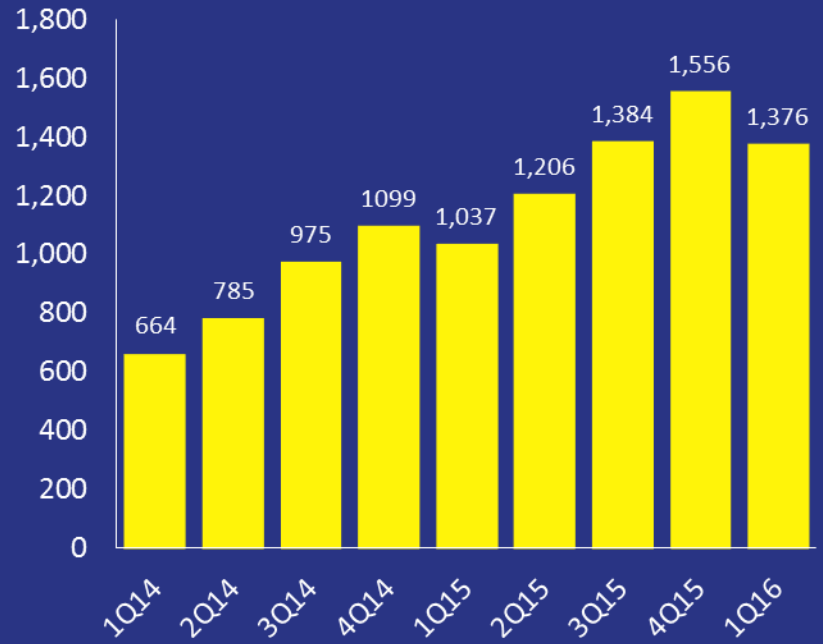


YoY Growth

36% 40% 49% 58% 62% 76% 75% 79% 86%

## Total Payment Volume

US\$ Millions



YoY Reported USD growth

25% 36% 52% 47% 56% 54% 42% 42% 32.7%

YoY LC growth

64% 77% 99% 107% 102% 108% 95% 97% 108%

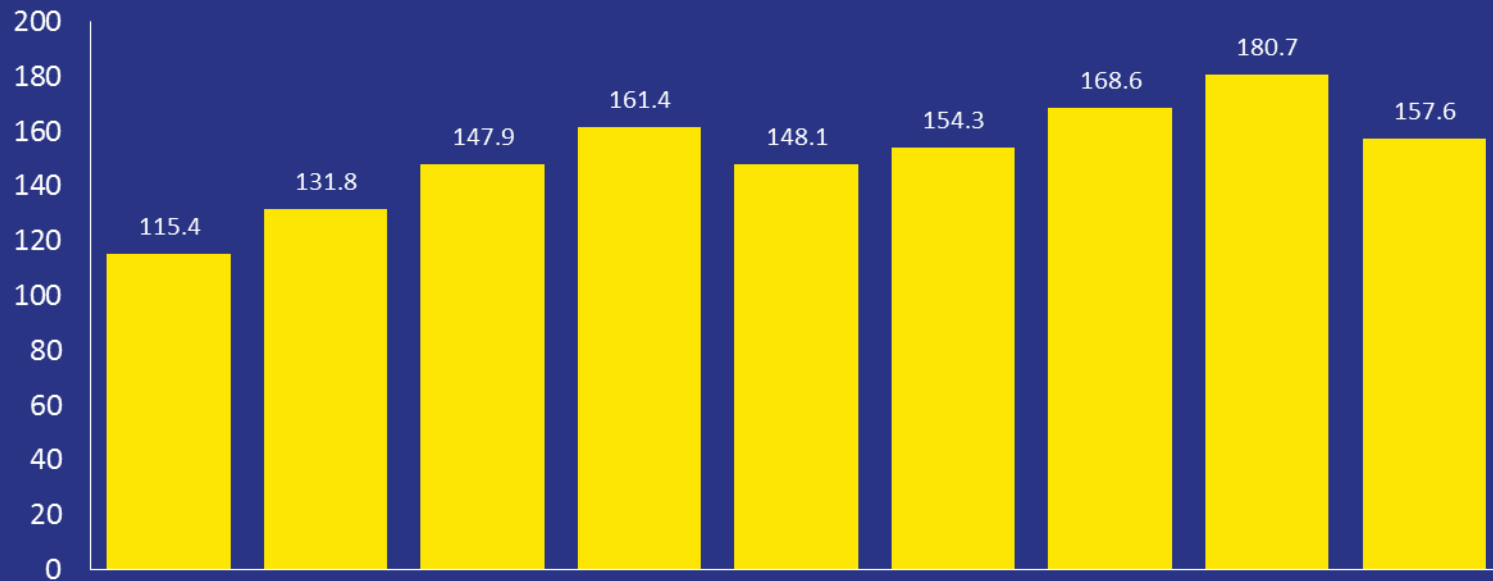


# Q1 2016 Net Revenues



## Net Revenues

U\$ Millions



YoY Reported  
USD Growth

Quarter	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
YoY Reported USD Growth	12%	18%	20%	20%	28%	17%	14%	12%	6%

YoY LC  
Growth

Quarter	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
YoY LC Growth	46%	63%	87%	107%	100%	88%	68%	69%	74%

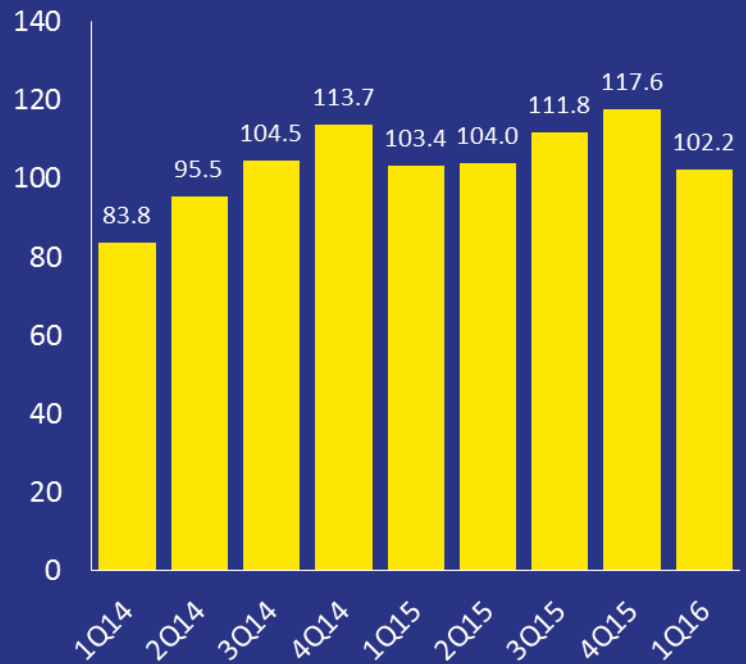


# Q1 2016 Gross Profit & EBIT



## Gross Profit

U\$ Millions

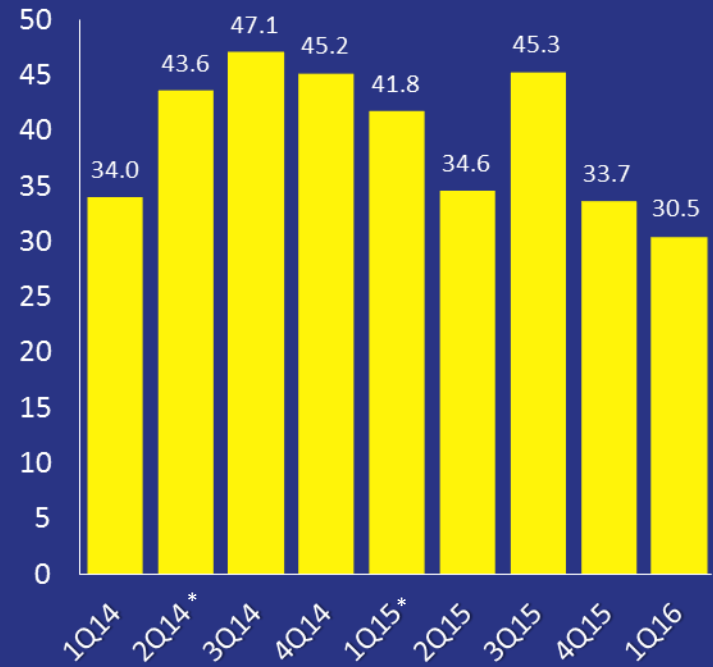


Gross Margin (%)

73% 72% 71% 70% 70% 67% 66% 65% 65%

## EBIT

U\$ Millions



EBIT Margin (%)

30% 29% 31% 28% 28% 22% 27% 19% 19%

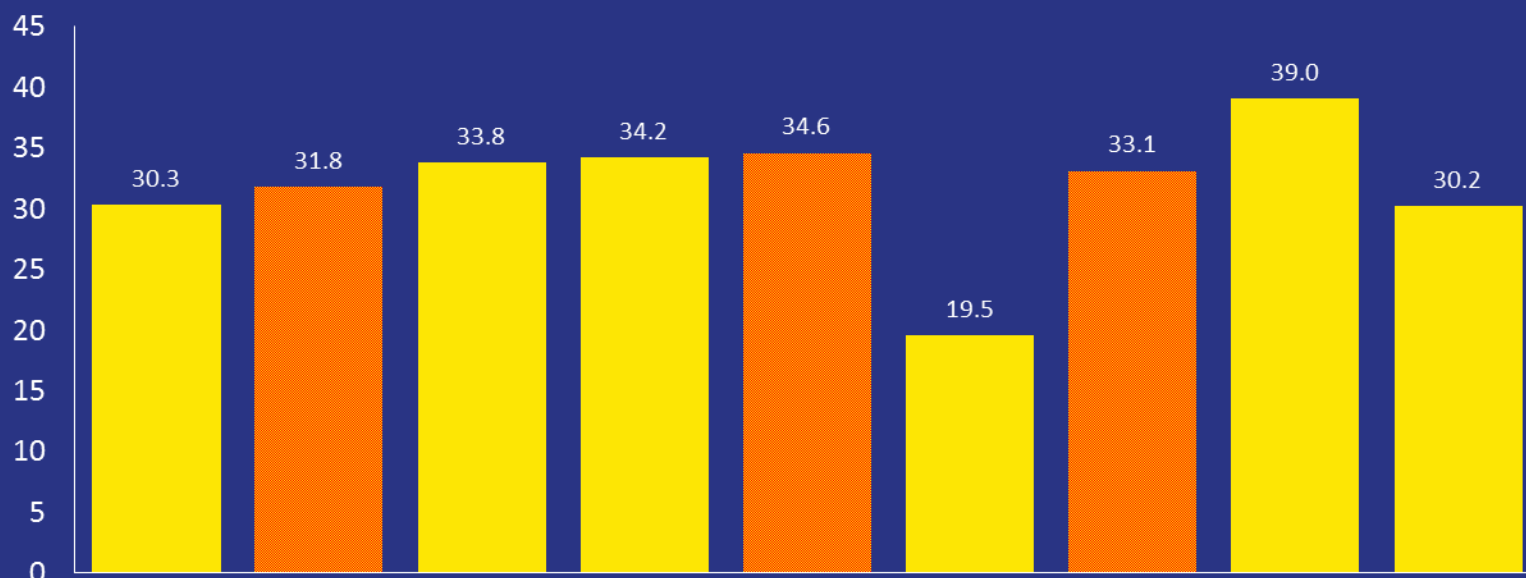
\*Adjusted measures, excluding one-time adjustments in Q2'14 & Q1'15

# Net Income & EPS



## Net Income

U\$ Millions



	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Net Income Margin (%)	26.3%	24.1%	22.8%	21.2%	23.3%	12.6%	19.6%	21.6%	19.2%
Adj EPS	0.69	0.72*	0.76	0.76	0.78*	0.44	0.75*	0.87	0.68

Adjusted measures, excluding one-time adjustments in Q2'14, Q1'15 & Q3'15  
 As reported: Q2'14: (\$25.6M) ; Q1'15: \$1.7M ; Q3'15: \$45.6M

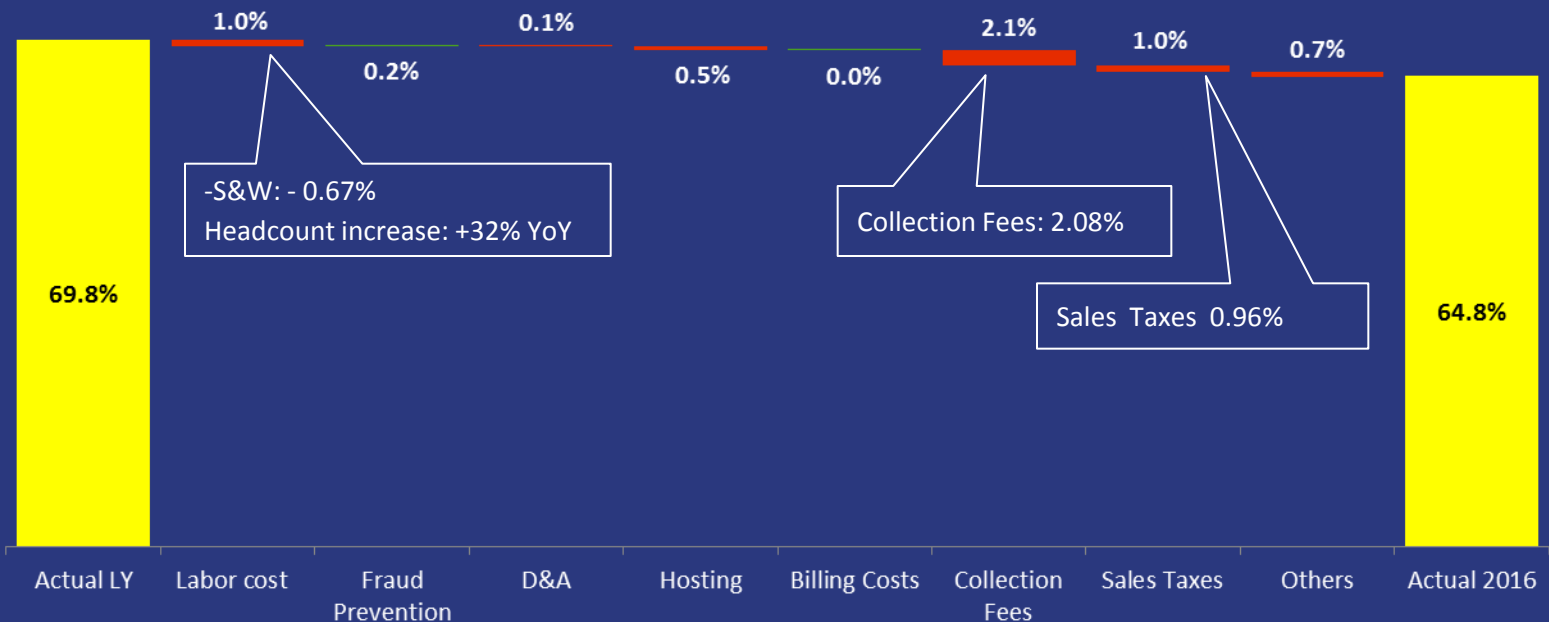




# Q1 2016 Gross Margin vs. Last Year



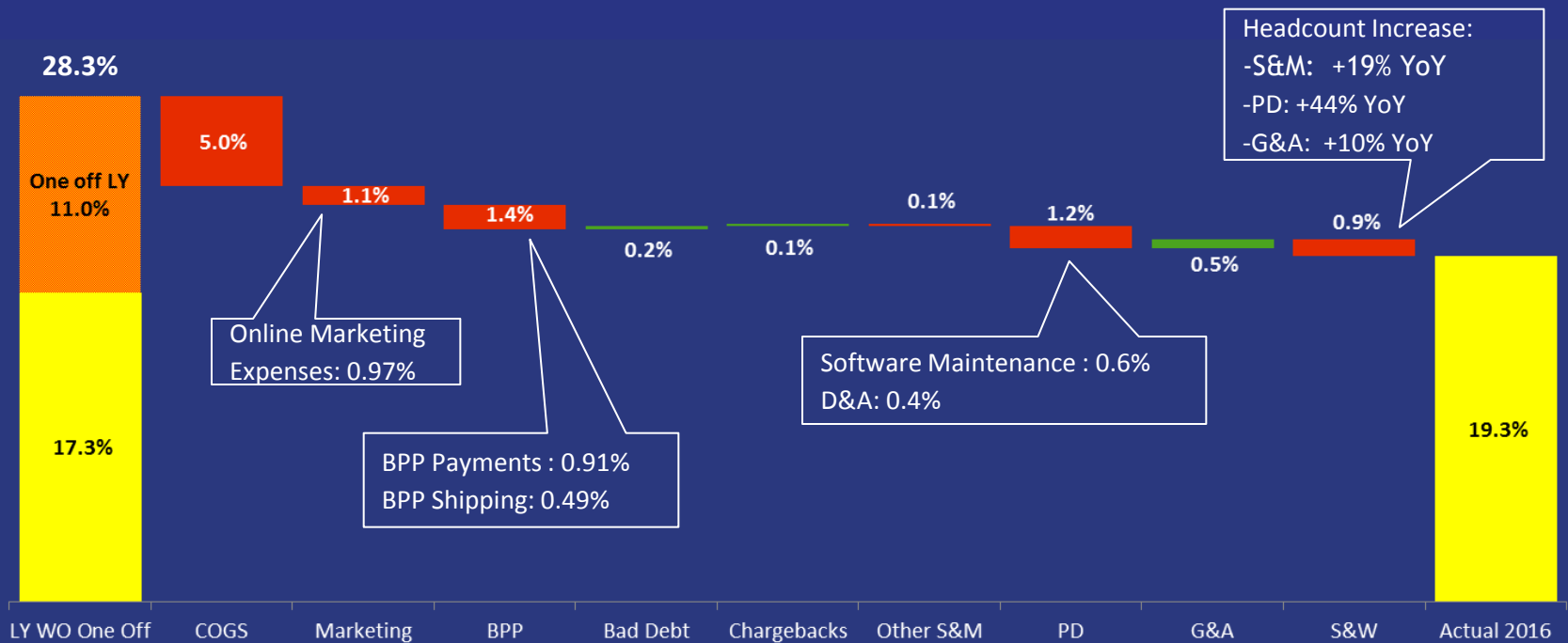
- 5 pp YoY lower gross margin driven by payments & shipping penetration, as well as customer service growth
  - Collection fees & sales taxes associated with shipping & payments businesses account for 3.1pp loss in margin
  - 1.0pp loss in margin due to investments in customer service to meet growth in businesses



# Q1 2016 EBIT vs. Last Year



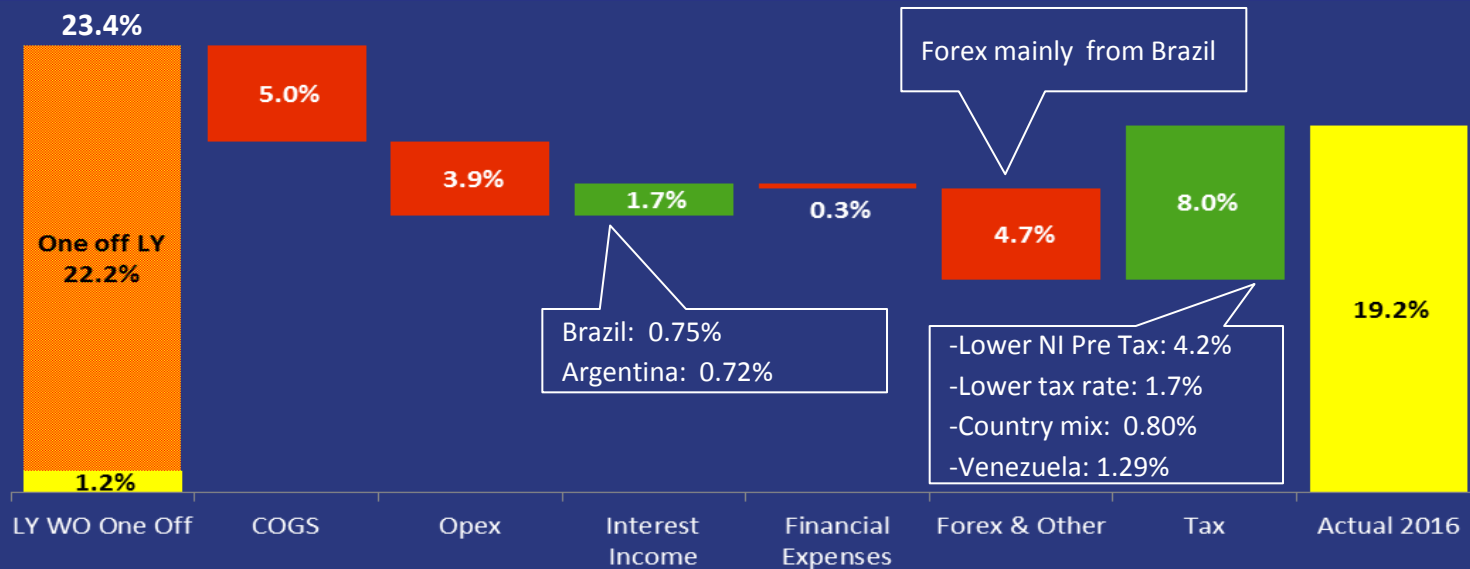
- EBIT decreased 27% to \$30.4M. Excluding Venezuela one time adjustment, margin contracted 9pp
  - 1.1pp margin loss mainly driven by higher online marketing expenses
  - Buyer Protection Program increased 1.4pp
  - PD grew 1.2pp as we continue to invest in licenses and consulting related to R&D
  - 0.9%pp margin loss due to increased compensation costs in OPEX (+28% YoY). Most of the increase in headcount is attributed to engineering talent



# Q1 2016 Net Income vs. Last Year



- Excluding Venezuela's 2015 one time adjustment, Net Income was 13% below last year, while and Net Income margin contracted -4.2pp
- On an FX neutral basis, gross profit margin would have been 67.4%, and operating margin would have been 24.4%
  - COGS & OPEX account for 8.9pp loss in margin
  - Interest income accounts for 1.7pp gain in margin on higher interest rates & invested amounts
  - Forex 4.7pp loss in margin explained by large currency gains in previous year quarter, mainly Brazil
  - 8.0pp in tax due to Argentine software law tax exemptions, tax loss carryforwards in Venezuela, and lower consolidated pre tax profit.



# Non - GAAP Financial Measures



	Three-months periods ended (**)	
	March 31, 2016	31-Mar-2015
Impairment of long-lived assets	37.2	16.4
Devaluation loss in Venezuela	-	20.4
Impairment of long-lived assets in Venezuela	-	16.2
<b>Adjusted Net income before income / asset tax expense</b>	<b>37.2</b>	<b>53.0</b>
Income and Asset Tax Expense	\$ (7.0)	\$ (14.7)
Income tax effect on devaluation loss in Venezuela	-	(3.8) (1)
<b>Adjusted Income and asset tax</b>	<b>(7.0)</b>	<b>(18.5)</b>
Net Income	\$ <u>30.2</u>	\$ <u>1.7</u>
Devaluation loss in Venezuela	-	20.4
Impairment of long-lived assets in Venezuela	-	16.2
Income tax effect on devaluation loss in Venezuela	-	(3.8) (1)
<b>Adjusted Net Income</b>	<b>30.2</b>	<b>34.5</b>
Weighted average of outstanding common shares	44,156,961.0	44,154,796.0
Adjusted Earnings Per Share	<u>0.68</u>	<u>0.78</u>
Adjusted Blended Tax Rate	(2) <u>18.7%</u>	<u>34.8%</u>

(\*\*) Stated in millions of U.S. dollars

(1) Income tax charge related to the Venezuela devaluation under local tax norms.

(2) Adjusted Income and asset tax over Net Income before income/asset tax expense