

# MercadoLibre, Inc. — Asymmetric Bets Dossier

Ticker MELI (NASDAQ) · Buenos Aires-founded, Montevideo-HQ · report generated 2026-05-29. Focus: potential, not pristine optics. The investment edge is fintech/credit/ads monetisation on top of a dominant e-commerce flywheel.

## 1. Snapshot

- Ticker: NASDAQ: MELI
- Price: ~US\$1,702 (28-May-2026) [S3]
- Market cap: ~US\$86bn [S3]
- Revenue FY2023: US\$14.5bn (+37% YoY (year-on-year)) [S1]
- Revenue FY2024: US\$20.8bn (+38% YoY) [S1][S5]
- Revenue FY2025: US\$28.9bn (+39% YoY) [S5]
- Growth: ~39% YoY FY2025; Q1'26 +49% YoY — strongest since Q2'22 [S2][S5]
- Profitability: FY2025 operating margin ~10%; FY2024 12.6%; net margin compressed to 6.9% on heavy reinvestment [S5]
- FCF (free cash flow): Adj. FCF only +US\$206m in Q3'25 after US\$357m capex (capital expenditure) and US\$1.73bn credit-book growth [S6]
- Net cash / debt: Net cash position; balance sheet supports continued self-funded investment cycle [S6]
- Valuation: EV/Sales (enterprise value ÷ sales) ~3.0x; P/E (price-to-earnings) ~43x trailing (FY25 EPS US\$39.39) [S3][S5]
- Currency: USD reported (operating currencies BRL / MXN / ARS / CLP / COP)
- Geography: Brazil ~55% of GMV, Mexico ~22%, Argentina ~15%, Chile/Colombia/Peru remainder [S2][S7]
- What: LATAM's #1 marketplace + leading digital wallet & neo-bank (Mercado Pago) + logistics network (Mercado Envios) + nascent ads & asset-management businesses
- Value chain: marketplace platform — payments rails — credit underwriting — first-party logistics — retail-media ads — asset management
- End markets: e-commerce, payments, consumer credit, advertising, logistics, asset management
- Founded / HQ: 1999 / Buenos Aires (legal HQ Montevideo, Uruguay)
- CEO: Marcos Galperin (founder, still CEO, ~9% ownership)
- Top competitors: Amazon LATAM, Shopee (Sea), Magazine Luiza, Americanas, Nu Holdings, Stone, dLocal, PagSeguro, Temu, Shein
- Key catalyst: 2026-27 fulfillment-centre ramp (42 DCs in Brazil) + ads revenue >2% of GMV + credit book US\$14.6bn doubling YoY [S2][S8]
- Verdict: Asymmetric LATAM compounder — multi-engine reinvestment is hiding earnings power; 3-5x potential as fintech and ads catch up to GMV scale
- Confidence: 0.78

## 2. The Asymmetric Thesis — what gets us to 3-5x?

MELI is not a cheap stock on FY25 numbers, but the asymmetry is that today's P&L deliberately understates the franchise's earnings power. Three engines are still well under-monetised vs Amazon/Alibaba peers:

1. Fintech / Mercado Pago. Acquiring TPV reached US\$56bn in Q1'26 (+39% YoY); MAUs +29%; AUM +77%; credit-card TPV +90% [S2]. Brazil + Mexico are still in the steep part of the digital-wallet S-curve; Pix-led A2A volumes are exploding [S9]. Mercado Pago alone, if listed standalone, could be valued like Nu Holdings (~10x revenue). 2. Credit book. Doubled YoY to US\$14.6bn in Q1'26, with all-time-low NPL 4.4% on credit card [S2][S4]. At current run-rate the book could exit 2027 north of US\$25bn — at LATAM credit-card spreads, that is several billion of incremental NII at very high marginal margin. 3. Mercado Ads. Climbed to ~2%+ of GMV in early 2026 vs Amazon at ~6-7% — Ads grew +63% FX-neutral in Q3'25, Display/Video near triple-digits, off-ecosystem inventory via Google Ad Manager went live April 2025 [S11]. Each +1pp of ad take rate on ~US\$60bn GMV is ~US\$600m of ~80%-margin revenue. 4. Structural

LATAM penetration. Online retail is still only ~11-15% of total retail in LATAM vs ~25% in China and US, with LATAM e-commerce CAGR (compound annual growth rate) of ~10-21% projected through 2030+ [S10][S12].

Bear-adjusted 3-5x requires (i) the credit book scaling without an NPL blow-up through a Brazil cycle, (ii) ads at 4-5% of GMV by 2028, and (iii) operating margin re-expanding to 14-16% as the 2026 capex bulge laps. None of the three is heroic in isolation.

### 3. Financials

US\$bn	FY2023	FY2024	FY2025
Revenue & financial income	14.5	20.8	28.9
YoY growth	+37%	+38%	+39%
GMV	~44	~54	~70 (est)
TPV	~182	~245	~330 (est)
Operating income	~1.95	2.63	~2.9
Operating margin	13.5%	12.6%	~10%
Net income	0.99	1.91	2.00
FCF (adj.)	~2.5	~1.5	~1.0 (capex + credit book)
Cash & short-term inv.	~5.6	~6.5	~8.0
Credit portfolio (EOP)	3.8	6.6	12.5 -> 14.6 (Q1'26)

Sources: [S1][S2][S4][S5][S6]. FY25 GMV/TPV are extrapolated from quarterly disclosures; FCF is depressed because the credit book is consolidated on balance sheet.

### 4. Sector / TAM

- LATAM e-commerce: ~US\$769bn (2025), +21% YoY; penetration only 11-15% of retail; forecast CAGR ~9-11% through 2034 to US\$4tn+ [S10][S12].
- Brazil e-commerce alone: US\$69bn (2026) -> US\$151bn (2031), 16.9% CAGR [S7].
- LATAM digital payments: revenue projected to triple to ~US\$0.3tn by 2027; Pix already 33% of Brazilian payment volume [S9].
- LATAM fintech revenue: US\$15.2bn (2025) -> US\$54bn (2034), 15.1% CAGR [S9].
- LATAM real-time payments: 29% CAGR 2022-27 (ACI) [S9].
- Retail media / LATAM ads: under-built vs DM; MELI 2.1% take vs Amazon ~6-7% leaves room.

MELI is the only listed pure-play with simultaneous exposure to all four — the cross-sell flywheel between them is the actual moat.

### 5. Recent News (last 12m)

- 2026-05-07 — Q1'26 net revenue +49% YoY to US\$8.85bn, strongest growth since Q2'22; EPS US\$8.23 missed US\$9.37 consensus on heavy reinvestment; OP margin 6.9% [S2][S3].
- 2026-02-25 — FY2025: revenue US\$28.9bn (+39%), net income US\$2.0bn (+4.5%), EPS US\$39.39; FY operating income +22% but margin compression flagged for 2026 [S5][S8].
- 2026-02 — Management announces US\$10.9bn investment in Brazil (50% YoY uplift) + US\$3.4bn in Argentina; plan for 14 new fulfilment centres in Brazil to reach 42 DCs by year-end [S8].
- 2025-04 — Mercado Ads integration with Google Ad Manager + AdMob goes live, opening off-ecosystem inventory; Display/Video revenue near triple-digit growth [S11].
- 2026-01-01 — Argentina central bank moves to monthly inflation-linked FX band adjustment, replacing

1%/m crawl; reduces Argentina translation noise but signals continued ARS weakness [S13].

## What would change the view

Specific, falsifiable signals over the next 18 months. Both directions.

- \*(+)\* Credit-book NPL stays below 5% as the book passes US\$20bn — the hidden bank inside MELI compounds, not bleeds.
- \*(+)\* Ads take-rate moves from ~2% to >3% of GMV — the high-margin lever the bull case depends on visibly turns.
- \*(+)\* Brazil + Mexico combined revenue growth sustains >40% YoY through FY2026 — geographic compounding intact.
- \*(-)\* Credit-book 15–90d NPLs rise above 8% for two consecutive quarters — the credit-cycle warning track triggers.
- \*(-)\* Shopee gains share in two of MELI's top three Brazil categories on Sortable / Similarweb data — competitive moat erodes.
- \*(-)\* Argentina hyperinflation forces a >US\$1bn FX/translation hit in any single quarter — macro tail risk materialises.

## 6. Bull Case

1. Credit-fintech "hidden bank" emerges: book at US\$14.6bn doubling YoY, NPL at 4.4% all-time low [S2][S4]. Spun out, this looks like Nu Holdings at ~10x sales — yet today it is bundled inside MELI at ~3x total EV/sales. Re-rating mechanic: investors stop valuing MELI as a marketplace and start sum-of-parts (commerce + fintech + ads + AM), which Sergey Cyw and others argue implies materially higher fair value [S14]. 2. Ads inflect to 4-5% of GMV by 2028: Amazon's playbook, applied on US\$70bn+ GMV with first-party shopper data + off-ecosystem reach via Google Ad Manager, produces ~US\$3-4bn of ~80%-margin revenue — a multi-billion EBIT (earnings before interest & taxes (operating profit)) swing on flat marketplace economics [S11]. 3. Free shipping + China corridor crushes Shopee/Temu attack: R\$19 free-shipping threshold in Brazil (mid-2025) covers nearly the entire catalogue; 16 new fulfilment centres opened in 2025 incl. China/US; +500m items absorbed; fulfilment capacity +41% [S7][S8]. Defensive moat \*strengthens\* during the very period that the bear case said it would erode.

## 7. Bear Case

1. Brazil/Argentina macro and FX: Argentina FX-neutral GMV +126% in Q1'25 collapsed to +23% reported under peso weakness [S13]. Brazil rate cycle: a Selic spike + recession would (a) hit consumer credit demand, (b) spike NPLs from the current 4.4% low, and (c) compress AUM yields. The 8.2% 15-90d NPL on the full portfolio is the warning track [S4]. A credit blow-up is the single biggest tail risk to the bull case. 2. Shopee/Temu/Shein cross-border price war + Amazon LATAM acceleration: Shopee's low-ticket subsidies and Temu's marketplace expansion forced MELI to drop the free-shipping threshold to R\$19 — a capex- and gross-margin-eroding response [S7]. Amazon LATAM at 16.3% Brazil share has the deepest pockets; if MELI's 35% Brazil share starts ceding, the flywheel reverses. 3. Reinvestment cycle masks structural margin compression: FY25 OP margin fell from 12.6% to ~10%; Q1'26 OP margin 6.9%; guided to ~9% in 2026 [S2][S8]. If the 2026 investments don't yield the promised 2027+ margin re-expansion (because competition has structurally raised the cost of doing business), today's premium multiple compresses. A re-rate to 2x EV/sales = ~40% downside.

## 8. Sources

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## Appendix — methodology & sources

Generated by AutoLab (thesis mode) on 2026-05-30. The loop iteratively scouts the weakest point, researches it, red-teams it, and integrates the findings; . Headline confidence 0.00.