MELI gideon lens

MercadoLibre (MELI) - Gideon-Lens Equity Research

Report ID: MELI-PRODUCTION-ER2-20260914-PULSE **Production completion date:** 2026-09-14 **Analyst framework:** ER2 / Gideon, Production Mode **Security:** XNAS:MELI common stock; Delaware U.S. domestic filer **Price anchor:** USD 1,897.37, completed Nasdaq session on 2026-09-11 **Market capitalization:** approximately USD 96.2bn on the sealed diluted listed-equivalent share basis **Fiscal year end:** December 31

What changed from the previous report and why

Previous report: LEGACY-MELI-20260529; 2026-05-29; `C:\Users\Admin\OneDrive\GPT\ER 2.0\MercadoLibre\raw\pulse-cio-20260914T060240+0800\prior_active_snapshot\MELI_gideon_lens.md`; SHA-256 `ffb24f2a5b1d17f41248031304e9fc73b218a03bc67045ef957401af9b4a9929` **Current report:** MELI-PRODUCTION-ER2-20260914-PULSE; 2026-09-14; price anchor USD 1,897.37 as of 2026-09-11

Area	Previous report	Current report	What changed and why	Decision impact
Price anchor	USD 1,695.53 on 2026-05-29	USD 1,897.37 on 2026-09-11	Price/market: shares rose 11.90% while Q2 evidence extended growth but did not resolve margin or credit-cycle questions	A higher entry price removes the former P/E-15 cushion
ER2 verdict and gates	WATCH; Management PASS, Moat YELLOW, valuation PASS	PASS; Management YELLOW, Moat YELLOW, valuation FAIL	New CEO evidence is still short; moat economics remain unresolved; updated Base EPS is lower than the current P/E-15 requirement	Two YELLOW gates plus a valuation FAIL require PASS
FY+5 valuation bridge	USD 146.67 Base EPS; 29.8% P/E-15 cushion	USD 125.02 Base EPS; -1.17% cushion	Horizon moves to 2031-06-30 and uses reviewed Q2 country forecasts, embedded credit/funding costs, a complete indirect-cost bridge, and explicit dilution	The binary valuation gate changes from PASS to FAIL
Insurer retained economics / book bridge	n/a	n/a	MercadoLibre is not a P&C insurer	No decision impact
Shareholder returns	20% case demanding; no current governed net-SGD bridge	Gross USD IRR -24.71% / 13.03% / 36.21%; PW 15.02%	Refresh locks one P/E method, 20x / 28x / 36x exits, zero distributions, and finite terminal wealth	Base return is positive but downside is severe
CIO actionability	WATCH without reproducible AVEM-funded comparison	WATCH; MELI Base net-SGD 11.11% trails AVEM 11.46% and EEM 12.57%	New cost/FX bridge and governed comparator data answer the queue question directly	Limited AVEM-funded replacement is not established
Audited scores	70/100; 61/80; 9/20	56/100; 52/80; 4/20	Independent audit removes unsupported ROIIC credit and reduces fintech-capital-perimeter confidence	Dream-investment and 20% stretch evidence weaken
Methodology or corrections	TTM through 2026-03-31; compact legacy return treatment	TTM through 2026-06-30; official SEC CFO overrides FMP by USD 523m at H1 and USD 741.318m at TTM	Fresh statements, sealed bridges, and independent reviews replace stale or incomplete links	Confidence improves in the arithmetic while the conclusion worsens

Bottom line: MercadoLibre's opportunity remains unusually large, and Q2 2026 extended strong revenue and user growth. The decision worsens because the stock price increased, the updated country bridge produces lower Base EPS than the old model, and current evidence still cannot prove high retained-capital returns through a full fintech credit cycle. The audited model now answers the portfolio question: MELI's Base net-SGD return trails both AVEM and EEM, while its Bear loss is about 16 percentage points worse, so a funded replacement is not supported.

Verdict block

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	YELLOW	Succession credible; eight-month CEO record and ROIIC proof remain incomplete
Moat	YELLOW	Ecosystem scale real; 2046 pricing power and subsidy payback remain unproven
P/E <= 15 on confident EPS at TTM + 5 calendar years	FAIL	Base USD 125.02 EPS implies -1.17% cushion
Compounder Score	Audited 56 / 100	Reject diagnostic; runway cannot offset ROIIC uncertainty and downside
Business Quality Score	Audited 52 / 80	Quality evidence remains below dream-business standard
20% Return UW Score	Audited 4 / 20	Base misses 20%; only the Bull case clears

One-line reason to pass: MercadoLibre is Latin America's strongest integrated commerce-fintech platform, but USD 1,897.37 requires near-flawless growth and margin recovery before retained-capital returns, credit seasoning, and durable pricing power are proved.

Security return underwriting (mandatory even when the verdict is PASS):

Measure	Result	Notes
Primary valuation method	P/E	One audited method controls all scenarios, probability weighting and net-SGD
Gross local-currency bear / base / bull IRR	-24.71% / 13.03% / 36.21%	Five-year annualized shareholder return in USD
Probability-weighted gross local-currency IRR	15.02%	CAGR of 25% / 55% / 20% probability-weighted terminal wealth; scenario IRRs are not averaged
Return bridge	USD 1,897.37 to USD 458.95 / 3,500.43 / 8,897.28	Exact 2026-06-30 to 2031-06-30 horizon; diluted EPS x 20x / 28x / 36x; zero distributions and no post-P/E cash/debt adjustment

Gross local-currency underwriting is in USD. Net-SGD costs, tax/withholding assumptions, and FX adjustments appear separately in CIO actionability. The operating tables use USD billions except per-share amounts. Starting financial anchors are the TTM ended 2026-06-30; the quote is the completed 2026-09-11 market session.

Bear-case operating and return bridge

Bear case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	USD 35.182bn	USD 63.171bn	12.42%	Credit seasoning, subsidy pressure and FX slow monetization despite penetration growth
Operating margin	8.26%	4.38%	-3.88 pp	Brazil/Mexico reinvestment and credit/funding costs overwhelm scale leverage
Operating earnings	USD 2.907bn	USD 2.768bn	-0.97%	Statutory operating income after the sealed segment-to-indirect-cost bridge
Diluted share count	50.697m	50.949m	0.10%	Modest net issuance; only the tiny current repurchase authorization is credited
EPS	USD 36.748	USD 22.948	-8.99%	Statutory diluted EPS after tax and recurring FX/funding effects
Valuation denominator	Reported/normalized USD 36.748 TTM EPS	USD 22.948 terminal statutory EPS	Comparable	Same listed unit, recurring economic perimeter, and diluted denominator

Bear case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Valuation	51.63x normalized P/E	20.00x P/E	-31.63x	Mature AMZN/NU anchors bound a punitive but solvent integrated-platform exit
Share value	USD 1,897.37	USD 458.95	-24.71%	USD 22.947558 EPS x 20x; no terminal cash/debt adjustment
Annual dividend	USD 0.00	USD 0.00	0.00%	No source-bound distribution cadence exists
Dividend yield	0.00%	0.00%	0.00 pp	Distributions are explicitly zero
Five-year dividends	-	USD 0.00	cumulative	Conservative zero-distribution diagnostic
Total ending value	USD 1,897.37	USD 458.95	-24.71% gross USD IRR	Terminal share value plus zero distributions

Base-case operating and return bridge

Base case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	USD 35.182bn	USD 86.831bn	19.80%	Brazil and Mexico compound rapidly while Argentina normalizes and smaller markets scale
Operating margin	8.26%	11.06%	+2.80 pp	Segment density and indirect-cost leverage partly monetize present investment
Operating earnings	USD 2.907bn	USD 9.603bn	27.00%	Statutory operating income after the complete count-once bridge
Diluted share count	50.697m	50.949m	0.10%	Net 0.10% annual issuance offsets only a very small authorized buyback
EPS	USD 36.748	USD 125.015	27.75%	Statutory diluted EPS with 28.5% tax and recurring FX/funding effects
Valuation denominator	Reported/normalized USD 36.748 TTM EPS	USD 125.015 terminal statutory EPS	Comparable	Same parent-common unit and fully diluted denominator
Valuation	51.63x normalized P/E	28.00x P/E	-23.63x	Scaled-peer and MELI history support a large maturity and regional-risk haircut
Share value	USD 1,897.37	USD 3,500.43	13.03%	USD 125.015318 EPS x 28x; no post-P/E balance-sheet addition
Annual dividend	USD 0.00	USD 0.00	0.00%	Reinvestment remains the controlling capital-return assumption
Dividend yield	0.00%	0.00%	0.00 pp	No forward cash distribution is fabricated
Five-year dividends	-	USD 0.00	cumulative	Conservative zero-distribution diagnostic
Total ending value	USD 1,897.37	USD 3,500.43	13.03% gross USD IRR	Terminal share value plus zero distributions

Bull-case operating and return bridge

Bull case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	USD 35.182bn	USD 111.397bn	25.92%	Commerce, cards, acquiring, ads and logistics sustain exceptional adoption
Operating margin	8.26%	15.78%	+7.52 pp	Strong density, ad mix and high-quality credit growth convert investment into profit

Bull case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Operating earnings	USD 2.907bn	USD 17.583bn	43.33%	Statutory operating income after the same audited cost perimeter
Diluted share count	50.697m	50.949m	0.10%	Strong execution does not assume unsupported repurchase help
EPS	USD 36.748	USD 247.147	46.40%	Statutory diluted EPS with 27.0% tax and favorable recurring economics
Valuation denominator	Reported/normalized USD 36.748 TTM EPS	USD 247.147 terminal statutory EPS	Comparable	Same listed share, diluted unit, and earnings perimeter
Valuation	51.63x normalized P/E	36.00x P/E	-15.63x	Below current MELI and near scaled-growth peer context despite Bull execution
Share value	USD 1,897.37	USD 8,897.28	36.21%	USD 247.146584 EPS x 36x with no post-P/E cash/debt adjustment
Annual dividend	USD 0.00	USD 0.00	0.00%	Growth investment absorbs capital; no distribution assumed
Dividend yield	0.00%	0.00%	0.00 pp	Forward distributions remain zero
Five-year dividends	-	USD 0.00	cumulative	Conservative zero-distribution diagnostic
Total ending value	USD 1,897.37	USD 8,897.28	36.21% gross USD IRR	Terminal share value plus zero distributions

CIO actionability (separate from ER2 underwriting):

Measure	Result	Notes
Status	WATCH	Positive Base return does not overcome ER2 gates, downside, or comparator shortfall
Bear / Base / Bull net SGD IRR	-28.24% / 11.11% / 36.63%	Five-year annualized after expected costs and scenario FX translation
Probability-weighted net SGD IRR	14.07%	CAGR of 25% / 55% / 20% probability-weighted net-SGD terminal wealth
10% mandate hurdle	PASS	Base and probability-weighted diagnostics both exceed 10%
15% stretch hurdle	FAIL	Base and probability-weighted net-SGD returns remain below 15%
Downside and portfolio fit	FAIL	Bear materially worse than AVEM/EEM; replacement concentrates EM risk in one issuer
Proposed sizing ceiling	None	Research does not establish a funded switch; later sizing needs owner approval

Net-SGD uses the same P/E terminal wealth with 0.50% entry and exit costs, zero capital-gains tax as an explicit investor-fact diagnostic, zero withholding because distributions are zero, and annualized USD/SGD translation effects of -4.50%, -1.50%, and +0.51% in Bear, Base, and Bull. Entry-cost-adjusted outlay is USD 1,906.85685 per share on the normalized SGD scale. AVEM's governed net-SGD Bear/Base/Bull diagnostics are -12.57% / 11.46% / 22.27%; EEM's are -12.32% / 12.57% / 23.70%. MELI's Base trails both and its Bear is roughly 16 percentage points worse. Its 14.07% probability-weighted result cannot be compared as if it were the ETFs' Base case. A limited AVEM-funded replacement is therefore not established.

Trade execution authorized: NO

Stage 0 - Time anchor

Today is 2026-09-14. MercadoLibre's fiscal year ends December 31. The latest complete quarter is Q2 2026 ended 2026-06-30. The TTM is Q3 2025 plus Q4 2025 plus Q1 2026 plus Q2 2026, also ending 2026-06-30. The forecast and return horizon is exactly five calendar years to 2031-06-30. The current price comes from the completed 2026-09-11 Nasdaq session and remains within the sealed packet's publication window.

Stage 1 - Disqualifier sweep

ROIC and incremental returns are YELLOW because a clean five-year ROIIC trend is unavailable and fintech funding/customer balances complicate invested capital. Cash conversion is YELLOW: official TTM CFO is USD 13.905bn, but customer funds and financial funding make statutory cash flow a poor owner-cash proxy. The balance sheet is YELLOW rather than a simple leverage failure: cash and equivalents are USD 3.649bn, gross debt excluding leases USD 10.626bn, and lease liabilities USD 2.550bn, while credit funding is part of the model. End-market growth is GREEN on Latin American commerce, digital payments, acquiring and banking penetration. Governance is YELLOW because founder stewardship is valuable but the CEO has only eight months in role and compensation lacks ROIIC/FCF metrics. AI disruption is GREEN/YELLOW: AI improves search, ads and service, but discovery agents can weaken marketplace traffic. Pricing power is YELLOW because the platform can monetize ads and services, yet Brazil/Mexico margin compression shows shipping and credit incentives still matter.

Management

Management is YELLOW. Founder-era capital allocation created a regional marketplace, dense logistics network and financial-services platform without serial large acquisitions or sustained share issuance. CEO Ariel Szarfsztejn is an internal operator with relevant commerce and logistics experience, while Marcos Galperin remains influential. Disclosure is useful on credit cohorts, NPLs, NIMAL, fulfillment, acquiring and investment choices. The open questions are decisive: only eight months of CEO evidence exist, founder-family influence remains material, direct executive ownership is modest, and compensation does not explicitly reward through-cycle ROIIC, owner cash, or per-share value. Credit expansion and rising financial liabilities are the next capital-allocation exam.

Moat and 2046 durability

The moat is YELLOW and the 2046 test is YELLOW. Marketplace liquidity, trust, logistics density, payments acceptance, credit data, seller tools, ads and loyalty reinforce each other. Brazil has the deepest physical and data network; Mexico is the largest incremental commerce/fintech opportunity; Argentina demonstrates engagement but adds macro and translation fragility; smaller countries have not reproduced Brazil-like density. The weakness is economic proof. Buyers can price-shop, payments rails are becoming interoperable, Nubank and banks compete for financial primacy, and cross-border platforms subsidize selection. A 2046 MELI is credible as regional commerce and financial infrastructure, but durability is not proved until growth coexists with recovering Direct contribution, controlled card losses, and observable subsidy payback.

Stage 5 synthesis

The synthesis clears all 11 statutory and arithmetic tie-outs. TTM revenue is USD 35.182bn, segment Direct contribution USD 5.901bn, statutory operating income USD 2.907bn, net income USD 1.863bn, diluted shares 50.697m, and EPS USD 36.748. Official SEC cash flow controls where FMP differs: the H1 CFO gap is USD 523m and the TTM gap USD 741.318m. The model uses issuer-reported Direct contribution by geography. Credit losses and local funding are already embedded and are not deducted twice.

Base revenue reaches USD 86.831bn, Direct contribution USD 15.681bn, statutory operating income USD 9.603bn, net income USD 6.369bn, and EPS USD 125.015 in 2031. Required EPS at P/E 15 is USD 126.491, leaving a -1.17% cushion. Bear/Base/Bull revenue is USD 63.171bn / 86.831bn / 111.397bn; operating margin 4.38% / 11.06% / 15.78%; and EPS USD 22.948 / 125.015 / 247.147. Base is not conservative growth: revenue compounds 19.80% and EPS 27.75%. It requires Brazil and Mexico scaling, Argentina remaining strongly profitable, indirect costs diluting to 7% of revenue, 28.5% tax, and minimal dilution.

The P/E-15 gate and return model answer different questions. The gate tests whether price is at or below 15 times confident Base horizon EPS; it fails. The return model independently locks 20x / 28x / 36x exits using peer and historical evidence. It adds no terminal net cash or subtracts debt after EPS x P/E, so the balance sheet is counted once. The independent audit reduces the score from 58 to 56 by removing unsupported ROIIC credit and reducing fintech-capital-perimeter credit, but reproduces every return at full precision.

Red team

The red team classifies the return-model objection as **IMMATERIAL**. It reproduces all five VP and scoring hashes and finds no unresolved method, denominator, probability, or arithmetic defect. The strongest bear case is economic: credit-funded growth, shipping subsidies, logistics investment and acquiring costs can keep revenue expanding while preventing Direct

contribution and owner-cash compounding. The most optimistic Stage 5 number is USD 9.603bn of Base operating income because it requires several country-margin recoveries and indirect-cost leverage at the same time. NIMAL below 15% for two consecutive quarters while credit still grows at least 30% year over year is the cleanest signal that engagement is being bought with deteriorating economics.

The valuation challenge is two-sided. A supportable 24x Base P/E sensitivity reduces gross USD IRR from 13.03% to 9.60% and net-SGD return to about 7.74%, demonstrating how quickly actionability disappears if MELI matures closer to scaled peers. Conversely, a 24x Bear sensitivity improves gross IRR by 2.80 percentage points to roughly -21.92%; the audited 20x Bear is punitive, but even the less-punitive result remains unacceptable against AVEM/EEM. The audited 20% hurdle already fails: Base would require USD 168.62 of terminal EPS or a 37.7655x exit P/E versus the locked 28x. The red team therefore agrees that the limited AVEM-funded replacement is not established. The open risk is execution, not a model-integrity problem.

Kill / trigger criteria

- Do not reconsider an AVEM-funded switch unless MELI's source-bound Base net-SGD return exceeds both current AVEM and EEM diagnostics by at least 2.0 percentage points without a worse Bear by more than 5.0 points.
- Treat total 15-90 day NPL above 9.0% for two consecutive quarters, or card NPL above 7.0% with NIMAL below 15.0%, as evidence credit expansion is destroying the modeled margin path.
- Treat Brazil Direct contribution margin below 8.0% for two consecutive quarters while local-currency revenue growth falls below 25% as failure of the density/payback thesis.
- Treat consolidated operating margin below 7.0% for two quarters after Q2 2027, despite at least 25% revenue growth, as evidence ecosystem growth is being purchased rather than monetized.
- Upgrade only if management demonstrates a repeatable owner-cash/fintech-funding bridge, Base P/E-15 cushion becomes positive with at least 15% room, and the comparator hurdle is cleared after costs and FX.

Analyst flags

The quote packet is bound to XNAS:MELI common stock, USD 1,897.37, one common share per listed unit, and a 1.0 reporting-to-quote FX factor. MercadoLibre is a Delaware U.S. domestic filer, not an ADR or foreign private issuer. Terminal EV/NOPAT cannot control because terminal cash, debt, leases and other senior claims are not source-bound; P/E is the only complete method. No source-bound dividend path exists, so distributions are zero. Current portfolio volatility, covariance, investor-specific tax and implementation facts are incomplete; only portfolio fit and sizing remain unassessed, not returns. This is research-only: no ranking, allocation, message, order, execution, or portfolio mutation is authorized.

Appendix A - Company Primer

MercadoLibre (MELI) — Appendix A: Institutional Company Primer

Run: `pulse-cio-20260914T060240+0800` **Information cutoff:** 2026-09-14 06:02:40 SGT **Financial anchor:** FY2025 ended 2025-12-31; latest completed quarter Q2 2026 ended 2026-06-30; TTM is Q3 2025 + Q4 2025 + Q1 2026 + Q2 2026; forecast horizon ends 2031-06-30. **Issuer and security:** MercadoLibre, Inc., a Delaware-incorporated U.S. domestic filer; Nasdaq Global Select Market common stock, ticker MELI; not an ADR or foreign-private-issuer security.

How to read this primer

MercadoLibre is best understood neither as a conventional online retailer nor as a bank. It is a regional operating system for digital commerce and financial services: a marketplace creates buyer and seller activity; logistics makes that activity reliable; payments turn transactions into usable financial relationships; credit increases purchasing power and merchant working capital; advertising monetizes purchase intent; and the MELI+ loyalty program encourages customers to use more of the system. The interaction among those products is more important than any one product in isolation.

All financial figures in this appendix come exclusively from the cleared `quant_foundation.md` for the current run. Operational key performance indicators and qualitative descriptions come from live official MercadoLibre investor-relations materials and SEC filings retrieved for this stage. The geography table uses the issuer's reportable segments and the sealed segment-profit basis, **Direct contribution**. Product and Service are accounting revenue classifications, while Commerce and Fintech are revenue streams within each geography; none of those classifications is a reportable segment.

Business overview

MercadoLibre serves consumers, marketplace sellers, brands, online and offline merchants, and borrowers across Latin America. Its Commerce side lets consumers discover and buy products through mobile apps and websites; lets third-party sellers list goods, receive payments, store inventory, ship orders, advertise and manage post-sale service; and supplements marketplace supply with a limited first-party retail business. Third-party sellers generate most marketplace gross merchandise volume, while first-party sales are used selectively to improve assortment or price competitiveness. The company also supports cross-border trade, primarily supply from China and the United States, and classified listings for vehicles, real estate and services.

The customer purchase path is largely self-serve. A buyer opens Mercado Libre, searches or browses, pays through Mercado Pago and receives the item through Mercado Envios. A seller can onboard digitally, create listings, select paid visibility, route inventory into fulfillment, accept payments and potentially obtain working-capital credit. Larger brands and merchants may receive more managed commercial support, particularly for advertising, cross-border trade and payment acquiring, but the underlying platforms are designed to scale through software rather than a traditional field-sales model.

Mercado Pago began as the trust and settlement layer for marketplace transactions. It now also operates outside the marketplace: consumers can hold balances, transfer money, pay bills, use debit, prepaid or credit cards, invest balances and buy selected insurance or digital-asset products; merchants can accept online payments, QR payments and point-of-sale transactions. This broader fintech presence changes the business from an occasional shopping relationship into a potentially daily one. MercadoLibre's 2025 Form 10-K says Commerce was present in 18 countries and Mercado Pago in eight, with Brazil, Mexico and Argentina the principal economic markets. [2025 Form 10-K, pp. 4–5](https://investor.mercadolibre.com/open-file?file=aHR0cHM6Ly9odHRwMi5tbHN0YXRpYy5jb20vc3RvcmFnZS9tbC1jbXMtYmFja2VuZC9jbXMtZG9jdW1lbnRzLXByb2Qvc2VjLzAwMDEwOTk1OTAvMDAwMTA5OTU5MC0yNi0wMDAwMDEwMTk5OTU5MC0yNi0wMDAwMDYvZm9ybTEwLUstMDAwMTA5OTU5MC0yNi0wMDAwMDYucGRm)

At Q2 2026, MercadoLibre reported 131 million unique buyers over the preceding twelve months, 2.9 billion items delivered over that period and 88 million Mercado Pago monthly active users. Those measures are useful indicators of ecosystem breadth, but investors should not confuse them with revenue-generating units: a buyer may transact infrequently, a fintech user may carry a low balance, and a delivered item can have very different contribution economics depending on price, distance, subsidy and fulfillment route. [MercadoLibre investor overview](https://investor.mercadolibre.com/about-meli)

Revenue architecture

Reportable segments: geography, not product

The chief operating decision maker evaluates the business country by country. The four reportable segments are Brazil, Mexico, Argentina and Other Countries. The common segment profit measure is Direct contribution: external net revenue and financial income less the costs attributed to that geography. Corporate-related and other indirect costs sit outside segment Direct contribution and must be deducted to reach statutory operating income.

FY2025 reportable segment	Revenue, USD m	Share of group revenue	Direct contribution, USD m	Direct contribution margin
Brazil	15,201	52.6%	2,075	13.7%
Mexico	6,475	22.4%	1,171	18.1%
Argentina	5,962	20.6%	2,481	41.6%
Other Countries	1,255	4.3%	176	14.0%
Total / segment sum	**28,893**	**100.0%**	**5,903**	**20.4%**

Source: current cleared Quantitative Foundation. Percentages may not sum perfectly because of rounding.

Brazil is the scale engine and the largest reinvestment arena. Its revenue base combines marketplace fees, shipping, first-party retail, advertising and a broad Mercado Pago offering. Scale gives Brazil powerful density benefits in logistics, payments and data, but the segment is deliberately absorbing incentives and capacity investment. Its Direct contribution margin fell from 20.0% in FY2024 to 13.7% in FY2025 and to 10.2% for the TTM ended June 2026, illustrating that rapid growth can coexist with weaker reported unit profitability when management lowers shipping thresholds, discounts payment methods or seller take rates, expands card issuance and builds supply.

Mexico is the second-largest geography and another major growth investment. Commerce, cross-border supply, fulfillment and Mercado Pago acquiring all matter. The country has a structurally attractive financial-inclusion runway, but it also requires upfront spending on devices, customer acquisition and logistics, and results can be affected by tax reform. FY2025 Direct contribution margin was 18.1%; the TTM margin was 16.6%.

Argentina is economically important but analytically unusual. The segment has much higher reported Direct contribution margins than the others, at 41.6% in FY2025 and 36.4% on the June 2026 TTM. Argentina's local inflation, currency regime, interest-rate environment and U.S.-dollar functional-currency treatment can make nominal growth and cross-country margin comparisons misleading. It is a profit contributor, but not a clean template for mature economics elsewhere.

Other Countries aggregates smaller markets rather than a homogeneous business. Chile, Colombia, Uruguay and Peru are among the relevant operations, with smaller Commerce and Fintech footprints elsewhere. The segment produced 4.3% of FY2025 revenue and a 14.0% Direct contribution margin, rising to 14.7% on the TTM. Investors should avoid assuming every country will replicate Brazil: logistics density, payment rails, regulation, competitive intensity and addressable spending vary materially.

Revenue streams and accounting classifications

Commerce revenue is earned through marketplace final-value and flat fees; first-party product sales; shipping and fulfillment fees; advertising charges based on clicks or impressions; classified-listing exposure; MELI+ membership and content subscriptions; and ancillary services. Fintech revenue and financial income includes merchant acquiring commissions, installment-related fees, interest and fees from cards and loans, asset-management income, investment income on Mercado Pago funds, card transaction commissions, point-of-sale device sales and insurtech fees. Marketplace payment processing is generally embedded in the marketplace final-value fee rather than charged again as a separate payment commission. [2025 Form 10-K, pp. 41–42](https://investor.mercadolibre.com/open-file?file=aHR0cHM6Ly9odHRwMi5tbHN0YXRpYy5jb20vc3RvcmFnZS9tbC1jbXMtYmFja2VuZC9jbXMtZG9jdW1lbnRzLXByb2Qvc2VjLzAwMDEwOTk1OTAvMDAwMTA5OTU5MC0yNi0wMDAwMDYvZm9ybTEwLUstMDAwMTA5OTU5MC0yNi0wMDAwMDYucGRm)

The consolidated income statement separately labels **Service revenues and financial income** and **Product revenues**. For the TTM ended June 2026, these were $30,409 million and $4,773 million, respectively, totaling $35,182 million. Product revenue primarily reflects transactions for which MercadoLibre controls the good before delivery; Service and financial income spans multiple monetization mechanisms. This presentation is an accounting classification, not a clean Commerce-versus-Fintech split and not a geography allocation.

Unit economics

Consolidated cost bridge

For the TTM ended June 2026, $35,182 million of revenue became $15,014 million of gross profit after $20,168 million of cost of revenue and financial expense, a 42.7% gross margin. Operating expenses then included $2,579 million of product and technology development, $3,982 million of sales and marketing, $4,318 million of provisions for doubtful accounts and $1,228 million of general and administrative expense. The resulting operating income was $2,907 million, or 8.3% of revenue. This bridge demonstrates why a single marketplace “take rate” is inadequate: the reported economics combine fee revenue, gross first-party sales, shipping presentation, payment costs, funding expense, credit losses and deliberate subsidies.

Marketplace and first-party commerce

Third-party marketplace economics begin with fees charged to sellers after a successful sale. The platform does not take inventory risk on those goods, making the basic marketplace transaction potentially attractive. But the economic contribution must absorb buyer and seller incentives, fraud protection, customer service, collection costs and the company's portion of shipping. Low-priced items can be particularly difficult because a delivery has meaningful absolute cost while the monetizable merchandise value is small.

First-party commerce behaves more like retail. Revenue is recorded gross when MercadoLibre controls the product, but cost of goods, working capital, markdowns and inventory risk accompany it. Consequently, first-party growth can lift reported revenue without proportionately lifting profit. The strategic rationale is selection and price competitiveness, not inherently superior margin.

Logistics

Mercado Envios mixes owned or leased fulfillment and sorting infrastructure with third-party transportation. More than half of shipments flow through fulfillment centers; sellers can also use cross-docking or drop items at partner locations. The network uses dedicated aircraft, trucks and last-mile vans, most operated by third-party carriers. Density matters: more orders through the same route and facility improve utilization, delivery speed and cost per package. But free or discounted shipping can transfer savings to users before the network fully earns them. The company stated that, one year after lowering Brazil's free-shipping threshold, free-and-slow shipments had become variable-contribution positive across half of the average-selling-price bands from R$19 to R$79. That is encouraging cohort evidence, not proof that all subsidized shipments or the full logistics network earn an adequate return. [Q2 2026 shareholder letter, pp. 2–3](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm)

Logistics is capital intensive. Fulfillment and service centers require buildings, automation and technology, while capacity is often built before revenue arrives. In the QF, TTM capital expenditure was $1,496 million. The benefit is not merely shipping income: faster, more reliable delivery raises conversion, repeat purchase and seller willingness to place inventory on-platform.

Payments and acquiring

Payment economics are driven by payment volume, merchant take rates, network and processing charges, fraud, customer incentives, point-of-sale hardware, funding costs and the mix of online versus in-store and large versus small merchants. Larger merchants can carry lower percentage take rates, yet still add revenue and profit dollars. Device distribution and customer acquisition are upfront costs, so rapid growth can depress near-term margin even with acceptable lifetime value.

In Q2 2026, MercadoLibre described acquiring total payment volume growth of 42% year over year on an FX-neutral basis. Mexico's installed base reached 1.4 million active devices, while the company said healthy customer-acquisition-cost-to-lifetime-value economics justified continued investment. Those statements should be monitored through payback, retention and contribution profit rather than accepted solely from volume growth. [Q2 2026 shareholder letter, pp. 4–5](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm)

Credit

Credit creates interest and fee income, increases commerce conversion and helps merchants finance inventory. Its apparent margin, however, must be evaluated after funding cost, expected credit losses, servicing and collections, and the capital or liquidity required to carry receivables. The company uses internally developed risk models and estimates current expected credit losses using probability of default, exposure at default, loss given default and macroeconomic scenarios. This is a genuine underwriting business, not simply an engagement feature.

The Q2 2026 credit portfolio exceeded $16 billion and grew 75% year over year. Credit cards had grown to almost half the portfolio; portfolio-wide 15–90-day non-performing loans were 7.0%, versus 4.6% for cards. Net interest margin after losses, or NIMAL, was 20.7% for the consolidated credit portfolio, while cards were temporarily negative at -2.5% amid heavy new-card issuance. Management expects cohorts to improve as they mature, but the investor's job is to test that claim: growth

can delay recognition of seasoning effects, and macro deterioration can hit funding spreads and loss rates simultaneously. [Q2 2026 shareholder letter, p. 4](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm)

Advertising and software

Advertising is structurally attractive because the marketplace already produces traffic, product data and purchase-intent signals. Sponsored listings and brand ads are monetized by clicks, while display and video inventory is monetized by impressions. Incremental ad serving consumes relatively little physical capital, although relevance models, sales support and off-platform inventory carry costs. The company called ads one of its highest-margin revenue lines and said Q2 2026 revenue grew 62% on an FX-neutral basis, helped by self-service tools, larger brands and cross-border merchants. Its AI Advisor and campaign budget tools aim to reduce seller friction and improve returns on ad spend. [Q2 2026 shareholder letter, p. 3](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm)

Customer, merchant and user economics

For buyers, the core value proposition is selection, competitive prices, trusted payments and predictable delivery. A buyer becomes more valuable by purchasing more frequently, crossing more categories, adopting Mercado Pago, holding a balance or card and joining MELI+. In Q2 2026, unique Commerce buyers grew 26% year over year and items per buyer rose 14%. Users active in both marketplace and Mercado Pago—“ecosystemic” users—grew 37%, generated 70% more GMV and 55% more items per user than marketplace-only users, and had almost 90% more TPV per user than fintech-only users. These comparisons support the cross-sell thesis, though they do not establish causality: naturally high-value users may be more inclined to adopt multiple products. [Q2 2026 shareholder letter, pp. 1–2](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm)

For marketplace sellers, the economic equation is gross profit on merchandise less platform fees, ads, shipping, returns and financing cost, offset by access to demand and services that would be expensive to build independently. Sellers can trade some margin for faster growth and lower operational complexity. Fulfillment can improve delivery promise and conversion; ads can buy visibility; Mercado Pago accelerates settlement and extends reach; credit can finance inventory. The risk is that MercadoLibre captures an increasing share of merchant economics or makes success dependent on paid exposure.

For off-platform merchants, Mercado Pago competes as a payment processor and financial operating account. The merchant weighs take rate and device cost against acceptance, settlement, software, access to credit and customer demand. Cross-selling credit and banking services can increase lifetime value and lower churn. Yet merchants can multi-home across acquirers, and larger customers negotiate lower pricing, limiting pure network-effect capture.

The revenue base is highly fragmented: no single customer represented more than 5% of revenue in FY2025. That reduces single-customer concentration but does not eliminate shared sensitivity to consumption, unemployment, inflation, interest rates or regulatory changes.

The marketplace–payments–credit–logistics–ads flywheel

- More buyers attract more sellers and broader assortment. Better assortment and pricing increase buyer conversion and frequency.
- More orders improve logistics density. Better capacity utilization can reduce unit delivery cost and allow faster or subsidized shipping, reinforcing buyer conversion.
- Marketplace payments create trust and proprietary transaction data. Mercado Pago can then serve users outside the marketplace, turning episodic shoppers into more frequent financial-services users.
- Payment and commerce data improve credit underwriting. Credit expands consumer purchasing power and merchant inventory, which can raise GMV and TPV—but also introduces funding and default risk.
- More purchase intent and transaction data make ads more measurable. Sellers buy sponsored placement; advertising monetization can fund lower prices, shipping subsidies and product investment.
- MELI+ and card benefits encourage users to cross from a single product into multiple products. The company says contribution profit per ecosystemic user is multiples of the sum for separate marketplace-only and fintech-only users.

The flywheel is economically powerful if each loop produces positive incremental contribution after subsidies, losses and capital. It becomes value destructive if volume is bought through persistent discounts, credit growth hides deteriorating cohorts, logistics capacity is underutilized or ads degrade the user experience. The right scorecard therefore includes frequency, retention, category breadth, delivery cost, credit vintages, merchant payback and incremental contribution—not just GMV and TPV.

Competitive landscape

Competition is multi-front. In commerce, MercadoLibre faces global and regional marketplaces, omnichannel retailers, specialty verticals, social-commerce channels and Asian cross-border platforms using low prices and direct-from-manufacturer supply chains. In fintech, it competes with banks, digital banks, wallets, card networks, acquirers, QR solutions, remittance providers, cash and other point-of-sale providers. Ads compete for budgets with global search and social platforms, local media and retailers with first-party audience data. Logistics competes against merchants' own networks and third-party carriers while also depending on many of those carriers.

MercadoLibre's defense is the integrated system: local brand and trust; broad buyer traffic and merchant supply; transaction and behavioral data; country-specific payment rails; fulfillment density; and the ability to monetize one service while investing in another. Its challenge is that switching costs are not absolute. Buyers compare prices across apps, sellers list on multiple marketplaces, merchants use multiple acquirers and advertisers move budgets based on measured returns. Large competitors can cross-subsidize, negotiate better supplier terms or spend aggressively on technology and fulfillment. The 2025 10-K notes that new Asian entrants gained meaningful regional share in 2025 and that barriers to digital entry remain low. [2025 Form 10-K, pp. 17–18](https://investor.mercadolibre.com/open-file?file=aHR0cHM6Ly9odHRwMi5tbHN0YXRpYy5jb20vc3RvcmFnZS9tbC1jbXMtYmFja2VuZC9jbXMtZG9jdW1lbnRzLXByb2Qvc2VjLzAwMDEwOTk1OTAvMDAwMTA5OTU5MC0yNi0wMDAwMDYvZm9ybTEwLUstMDAwMTA5OTU5MC0yNi0wMDAwMDYucGRm)

Regulators are also part of the competitive landscape. In August 2025, Mexico's antitrust authority closed a proceeding without imposing corrective measures, while identifying potential concerns around marketplace Buy Box algorithms and integrated logistics at both Amazon Mexico and Mercado Libre. Future reviews could constrain self-preferencing, data use, commercial terms or service bundling. [2025 Form 10-K, p. 28](https://investor.mercadolibre.com/open-file?file=aHR0cHM6Ly9odHRwMi5tbHN0YXRpYy5jb20vc3RvcmFnZS9tbC1jbXMtYmFja2VuZC9jbXMtZG9jdW1lbnRzLXByb2Qvc2VjLzAwMDEwOTk1OTAvMDAwMTA5OTU5MC0yNi0wMDAwMDYvZm9ybTEwLUstMDAwMTA5OTU5MC0yNi0wMDAwMDYucGRm)

Regulation and country exposure

MercadoLibre operates regulated and quasi-regulated activities in many jurisdictions: payments, stored value, merchant acquiring, lending, cards, investments, insurance distribution, digital assets, consumer protection, data privacy, cybersecurity, competition, tax, labor, shipping and product liability. Licenses and capital, liquidity, safeguarding, know-your-customer and anti-money-laundering rules differ by legal entity and country. As fintech grows, regulatory capital and compliance can become binding economic inputs rather than administrative overhead.

The Q2 2026 10-Q illustrates the pace of change. Brazil introduced a framework for virtual-asset service providers effective February 2026, including authorization, asset segregation, KYC and AML obligations; Mercado Pago sought authorization for intermediation and custody. Brazilian rules on certain international payment and transfer services were also revised, with an October 2026 effective date. Argentina extended technology and information-security risk requirements to payment service providers and introduced additional AML and prudential reporting measures. [Q2 2026 Form 10-Q, fintech regulation update](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm)

Geographic accounting requires care. Most operations use local functional currencies, but Argentina uses the U.S. dollar because it is considered highly inflationary. Local revenue is translated into U.S. dollars, so reported growth can diverge sharply from currency-neutral growth. Inflation can raise nominal GMV, wages, shipping and credit balances while eroding real consumer spending. Currency controls may trap cash, complicate settlement or create transaction losses. Country tax changes can alter marketplace prices or merchant participation—as seen in management's reference to a continuing Mexican tax-reform headwind in Q2 2026.

Principal risks and what to monitor

Risk	Why it matters	High-signal monitoring indicators
Commerce reinvestment	Lower take rates, discounts and shipping subsidies may not earn back	Buyer cohorts, items per buyer, retention, category breadth, incremental contribution

Risk	Why it matters	High-signal monitoring indicators
Credit cycle	Fast book growth can mask seasoning, defaults and funding stress	Vintage loss curves, 15–90 NPL, NIMAL, reserve coverage, funding mix
Logistics execution	Capacity, carrier failure or cost inflation can impair service and margin	Delivery speed, fulfillment penetration, cost per shipment, utilization, claims/returns
Payments competition	Merchants can multi-home and large accounts compress take rates	Acquiring TPV, active devices, take rate, merchant retention, CAC payback
FX and inflation	Reported USD growth and margin can diverge from local economics	FX-neutral growth, local real growth, monetary losses, cash repatriation
Regulation	Licensing, safeguarding, AML, antitrust and tax rules can constrain products	Capital/liquidity requirements, license status, regulatory actions, remediation costs
Cyber, fraud and trust	A breach or service failure can damage both Commerce and Fintech	Fraud loss, outages, chargebacks, account complaints, security incidents
Competition	Global, local and cross-border entrants can force price and service investment	Market share, price index, seller growth, ad ROI, promotional intensity
Capital intensity	Logistics and credit absorb cash before returns become visible	Adjusted FCF, capex, receivables growth, fintech funding, issuer net debt
Accounting perimeter	Statutory cash flow is inflated by customer and funding movements	Adjusted FCF reconciliation, restricted funds, loans receivable, funding liabilities

The last row is crucial. The QF reports TTM statutory operating cash flow of $13,905 million and capex of $1,496 million, implying $12,409 million of unadjusted FCF. That is not an economic owner-cash measure because customer funds, restricted balances, credit receivables and fintech funding flow through the statements. MercadoLibre reported only $158 million of adjusted FCF for H1 2026 after removing those movements. Investors should treat the fintech funding perimeter as part of the business model, not an optional reconciliation.

Glossary

Term	Meaning
1P	First-party retail: MercadoLibre controls and sells inventory to the customer.
3P	Third-party marketplace: an external seller owns the inventory and uses the platform.
Acquiring	Processing payments for merchants, online or in stores, generally for a fee.
Ads / Mercado Ads	Sponsored product, brand, display and video advertising sold on or beyond the ecosystem.
ASP	Average selling price of an item.
AUM	Assets under management or remunerated balances associated with fintech users.
CBT	Cross-border trade, principally international sellers supplying local buyers.
CECL	Current expected credit losses; an accounting estimate of lifetime credit loss.
Direct contribution	Segment revenue and financial income less costs attributed to that geography; excludes corporate and other indirect costs.
Ecosystemic user	A user active in both Mercado Libre marketplace and Mercado Pago.
Fulfillment	Seller inventory stored and processed in MercadoLibre-operated or managed facilities.
GMV	Gross merchandise volume: value of goods transacted, not MercadoLibre revenue.
MELI+	Loyalty and membership program intended to increase engagement and cross-product use.
Mercado Envios	Logistics, fulfillment, cross-docking, drop-off, delivery and returns network.
Mercado Pago	Payments and financial-services platform operating on and off the marketplace.
NIMAL	Net interest margin after losses: credit spread after funding and credit-loss effects.
NPL 15–90	Loans between 15 and 90 days past due, used as an early delinquency indicator.
POS / MPOS	Point-of-sale / mobile point-of-sale device used by physical merchants.
Product revenue	Accounting revenue for product sales, mainly when MercadoLibre controls the good; not a reportable segment.

Term	Meaning
Service revenue and financial income	Accounting classification spanning services and fintech income; not a reportable segment.
Take rate	Revenue earned as a percentage of GMV or payment volume; definition varies by activity.
TPV	Total payment volume processed through Mercado Pago; not the same as revenue.

Investor orientation: the analytical crux

The core question is not whether Latin American e-commerce and digital finance can grow. It is whether MercadoLibre can convert that growth into durable, adequately funded shareholder earnings while maintaining trust across commerce, payments and credit. The current financial record shows both sides: TTM revenue reached $35,182 million, but operating margin was 8.3%; Brazil's growth investments compressed its Direct contribution margin; and statutory cash generation materially overstates cash available to owners unless fintech movements are removed.

The most constructive evidence is engagement: more buyers, more items per buyer, faster growth among ecosystemic users, expanding balances and strong ad adoption. The most important counterweight is the cost of achieving it: shipping subsidies, seller discounts, acquiring CAC, credit provisions, logistics capex and funding needs. By the 2031-06-30 horizon, the thesis requires not merely scale, but proof that mature cohorts and denser infrastructure lift contribution after credit losses and capital costs. That is the bridge the segment forecasts must test.

Sources used for qualitative and operational context

- [MercadoLibre 2025 Form 10-K](https://investor.mercadolibre.com/open-file?file=aHR0cHM6Ly9odHRwMi5tbHN0YXRpY y5jb20vc3RvcmFnZS9tbC1jbXMtYmFja2VuZC9jbXMtZG9jdW1lbnRzLXByb2Qvc2VjLzAwMDEwOTk1OTAvMDAwMTA5OTU5MC0yNi0wMDAwMDYvZm9ybTEwLUstMDAwMTA5OTU5MC0yNi0wMDAwMDYucGRm), filed 2026-02-26.
- [MercadoLibre Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm), filed 2026-08-06.
- [MercadoLibre Q2 2026 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm), furnished 2026-08-05.
- [MercadoLibre investor overview](https://investor.mercadolibre.com/about-meli), retrieved 2026-09-14.
- Live FMP stable `profile?symbol=MELI`, retrieved 2026-09-14, used only to corroborate security identity and business description; no FMP financial figure was used in this primer.

Source discipline note: the direct SEC HTML rendering of the 2025 10-K exceeded the live fetch service's size limit on two identical attempts. The live MercadoLibre investor-relations-hosted official 10-K PDF was successfully retrieved and used for qualitative evidence. No cached filing, transcript, old appendix or prior `data_package.md` was used.

Appendix M - Management Assessment

MercadoLibre (MELI) — Management Assessment

Run: `pulse-cio-20260914T060240+0800` **Action:** `CIO-20260911-MELI-LEGACY-ER2-REFRESH` **Information cutoff:** 2026-09-14 SGT **Management gate: YELLOW**

MercadoLibre has an exceptional founder-era operating and capital-allocation record, a deep bench of long-tenured internal leaders, and no controlling dual-class structure. The unresolved issue is succession rather than evidence of poor stewardship: Ariel Szarfsztejn has been CEO for only eight and a half months, while founder Marcos Galperin remains an active Executive Chairman involved in strategy and capital allocation. The compensation system is long-dated and dilution is restrained, but it is cash-based, keyed partly to absolute share price, and omits ROIC, free cash flow, per-share value and relative TSR. Those limitations are not enough for FAIL, but they prevent a decade-following PASS until the new CEO demonstrates independent judgment through a full credit and reinvestment cycle.

1. Who is running the company

The [2026 proxy](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000010/meli-20260423.htm) and [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm) establish the current leadership structure.

Leader	Current role and start	Relevant history	Assessment
Ariel Szarfsztejn	CEO since 2026-01-01	Joined in 2017; Strategy and Corporate Development; led Mercado Envios from 2018-2021; Commerce EVP from 2022; Commerce President from 2024	New in the top seat, but not an outsider. He directly owns much of the logistics, assortment and free-shipping playbook now driving Commerce.
Martín de los Santos	CFO since August 2023; EVP/CFO since January 2024	Joined in 2013; Strategy and Corporate Development; led Mercado Crédito from 2017-2023; independent director from 2008-2013	Fintech-aware allocator with relevant credit-cycle experience; three years as CFO is not yet a full stress-cycle record.
Osvaldo Giménez	Fintech President since August 2020	Joined in 2000; responsible for Mercado Pago operations from 2004	Unusually long operating tenure; principal owner of payments, deposits and credit execution.
Daniel Rabinovich	President, Technology and Operations since 2026	Joined in 2000; product development from 2007; CTO from 2011; COO from 2020	Provides continuity across technology, product and operations; central to AI/productivity claims.
Agustín Costa	EVP, Shipping since January 2026	Joined in 2022; previously led logistics network planning; former BCG operations partner	Capable but newly elevated; must prove that rapid capacity additions earn adequate returns.
Fernando Yunes	EVP, Marketplace since January 2026	Joined in 2020; strengthened Brazil and integrated marketplace, financial services, ads and logistics	Relevant Brazil record, but newly accountable at group Marketplace level.
Marcos Galperin	Executive Chairman since 2026-01-01; co-founder and CEO from 1999-2025	Built MercadoLibre from formation through its regional platform leadership	Still explicitly engaged in culture, product, innovation, strategy and capital allocation. This supports continuity but creates shadow-CEO risk.
Emiliano Calemzuk	Lead independent director since 2016; director since 2007	Chairs nominating/governance and compensation committees	Meaningful formal powers, but long tenure and dual committee chairmanship reduce the freshness of the counterweight.

The board has nine seats, seven classified as independent under Nasdaq rules. The two non-independent directors are Marcos Galperin and his brother, Nicolás Galperin, a director since 1999. The board is staggered into three classes with three-year terms. All directors attended at least 85% of applicable 2025 meetings, but only two attended the 2025 annual meeting. Independent oversight is real—Calemzuk presides when the Executive Chairman is absent, coordinates independent directors and acts as stockholder liaison—but the founder, his brother and a classified board create entrenchment risk that should not be ignored.

2. Tenure and track record

Szarfsztejn is new as CEO but long enough inside MercadoLibre to be judged on three load-bearing decisions. The quantitative record below comes from the current `data_package.md`, which in turn ties to live FMP and official filings.

Decision and accountable leaders	Evidence and outcome	Management reading
Build owned logistics and fulfillment; Szarfsztejn led Mercado Envios and later Commerce	Capex rose from $0.609bn in FY2021 to $1.343bn in FY2025. By Q1 2026, more than 50 facilities handled 55% of shipments; the network ships about 95% of items. FY2025 revenue reached $28.893bn versus $7.069bn in FY2021.	Strong evidence that physical infrastructure raised speed, conversion and scale. The remaining burden is return on the newest facilities, not strategic coherence.
Lower Brazil's free-shipping threshold to R$19; Szarfsztejn owned Commerce when adopted in 2025	Brazil sold-item growth accelerated from 26% in Q2 2025 to 42%, 45%, 56% and 56% through Q2 2026; Q2 2026 conversion was up 1.1 points YoY. Brazil Direct Contribution margin fell from 13.7% in FY2025 to 8.1% in Q1 2026 and 10.0% in Q2.	Demand response is proven; full cohort payback and mature margin are not. This is the decisive new-CEO test.
Scale Mercado Pago, acquiring and credit; Giménez and de los Santos are the key owners	TPV rose from $146.7bn in FY2023 to $277.8bn in FY2025; the credit portfolio rose from about $3.8bn in FY2023 to $16.4bn at Q2 2026; Fintech revenue rose from $6.906bn to $12.599bn in FY2023-FY2025. Q2 2026 total 15-90 day NPL was 7.0%, card NPL 4.6%, while TTM provisions reached $4.318bn.	Distribution and underwriting have created a second growth engine, but balance-sheet risk now matters as much as revenue growth. The team has earned credibility, not immunity from a credit-cycle test.

The record also contains bounded mistakes and visible pivots. In Q4 2024, management said it had materially reduced “micro-card” issuance and shortened payback thresholds after deciding that lower-risk segments offered better economics. In Q1 2025, Szarfsztejn acknowledged that MercadoLibre lacked selection and price competitiveness in a high-ASP Mexican technology category, then described targeted take-rate and rebate actions rather than dismissing the loss as macro noise. In Q3 2024, management recorded a one-time customer refund covering prior-period early installment payments; it explained the issue when challenged. None resembles a hidden acquisition write-off or a serial strategic pivot.

The CFO record is more mixed only because leverage is rising faster than proof. De los Santos has funded organic growth without material M&A, retained earnings rather than paying dividends, and curtailed buybacks when reinvestment opportunities expanded. Yet issuer-defined net debt increased from $4.682bn at FY2025 to $6.425bn at Q2 2026, followed by $750mn of 4.9% notes due 2033 in December 2025 and $1.0bn of 5.85% notes due 2036 in September 2026. That is sensible term funding if credit and logistics cohorts mature as promised; it becomes poor allocation if adjusted free cash flow and asset quality do not follow.

3. Capital allocation behavior

Fiscal year	Capex	Product and technology	Buybacks	Dividends	M&A cash
2021	$0.609bn	$0.590bn	$0.486bn	$0	$0.056bn
2022	$0.455bn	$1.099bn	$0.148bn	$0	$0
2023	$0.509bn	$1.831bn	$0.356bn	$0	$0
2024	$0.860bn	$1.934bn	$0.001bn	$0	$0.006bn
2025	$1.343bn	$2.269bn	$0.001bn	$0	$0

Product and technology is an operating-expense line, not pure accounting R&D; it includes engineering compensation, depreciation, telecommunications and third-party services. The pattern nevertheless fits the stated strategy: capital is going into fulfillment, technology, credit funding, acquiring, advertising and first-party inventory—not empire-building acquisitions. No material acquisition cash outflow appeared in FY2025 or H1 2026, and goodwill plus intangibles was only $196mn at FY2025.

Buybacks were concentrated in 2021 and 2023 and then nearly stopped, which is directionally price- and opportunity-sensitive rather than a mechanical quarterly offset. The current authorization is only $4.05mn; the [Q2 2026 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm) reports 662 shares repurchased for $1mn under a company 10b5-1 plan. This is immaterial. The five-year $0.992bn cumulative repurchase spend did help contain share growth, but it should not be described as a major return-of-capital program.

Reported operating cash flow overstates owner cash because customer funds, restricted cash, receivables and credit funding sit inside the consolidated cash flow statement. Official H1 2026 cash from operations was $5.737bn, but adjusted free cash flow was only $158mn after $712mn of capex and growth in credit assets. Management's allocation discipline therefore must be judged on mature cohort economics, adjusted free cash flow and per-share earnings—not headline cash from operations.

4. Compensation alignment and dilution

The 2026 proxy says 95.5% of the former CEO's 2025 target direct compensation and 84.4% of the other active named executives' average target compensation was performance-based; 83% of NEO target compensation depended on long-term

performance. The six-year Long-Term Retention Program is paid in cash: half is fixed over six years and half moves with the ratio of MercadoLibre's 60-day average share price to the award-year base price. Awards are forfeitable on departure or specified harmful conduct. This is long-dated and avoids issuing executive stock, but it rewards absolute share-price appreciation rather than relative TSR or economic value creation.

The annual bonus weights are 40% net revenue and financial income, 35% income from operations, 10% adjusted TPV and 15% competitive NPS, with an individual multiplier from 0.5x to 1.5x for non-CEO executives. The mix balances growth, profit and customer outcomes, but **there is no explicit ROIC, adjusted free cash flow, credit loss, per-share value or relative TSR metric**. A revenue/TPV incentive can encourage balance-sheet growth before cohort payback is proven. The accounting-restatement clawback applies regardless of misconduct, and short sales are prohibited. Hedging and pledging, however, are only “strongly discouraged,” not prohibited.

Fiscal year	Stock-based compensation	Revenue	SBC / revenue
2021	$89mn	$7.069bn	1.26%
2022	$84mn	$10.780bn	0.78%
2023	$167mn	$15.107bn	1.11%
2024	$261mn	$20.777bn	1.26%
2025	$303mn	$28.893bn	1.05%

These live FMP cash-flow values show disciplined SBC near 1% of revenue. Diluted shares rose from 49.803mn in FY2021 to 50.697mn in FY2025, only 1.8% cumulatively, and outstanding shares were 50.6968mn at Q2 2026. The stronger concern is ownership alignment. As of April 14, 2026, Szarfsztejn owned only 76 common shares and de los Santos 410; all current directors and executives as a group owned 129,974, under 1%. The Galperin Trust held 3,550,136 shares, or 7.0%, with shared voting and dispositive power, while the proxy listed Marcos Galperin's direct beneficial ownership as only 35 shares. The proxy does not identify a formal executive stock-ownership requirement. Founder-family economic exposure is substantial through the trust vehicle, but the new CEO and CFO have very little directly reported stock ownership.

5. Disclosure quality and candor

Eight quarterly calls were reviewed: Q3 2024 through Q2 2026. Six were freshly pulled from FMP's live `/stable/earning-call-transcript` endpoint. FMP's transcript-date inventory contains misdated records for Q4 2024 and Q1 2025, so those two quarters were checked against fresh, period-identified [Q4 2024](https://www.earningscall.ai/stock/transcript/MELI-2024-Q4) and [Q1 2025](https://www.earningscall.ai/stock/transcript/MELI-2025-Q1) transcript pages rather than using the wrong FMP records. No warehouse transcript was read.

Quarter	Load-bearing question	Management response and candor assessment
Q3 2024	Credit-card NIMAL decline, bad-debt provision and fulfillment margin drag	Broke out the mix effect, up-front provisioning and sub-1-point fulfillment impact, but declined finer margin detail. Mostly direct.
Q4 2024	Brazil credit risk as rates rose	Disclosed micro-card curtailment, shorter payback requirements, 27.6% NIMAL and willingness to slow originations. Strong.
Q1 2025	Argentina easy comps; Mexico category weakness; margin pressure	Acknowledged weak prior-year comparisons, named the Mexican selection/pricing miss and quantified roughly five points of Brazil/Mexico Direct Contribution compression. Strong.
Q2 2025	Free-shipping cost, marketing spend and lower margins	Framed the trade-off clearly and tied it to user, seller and shipping-cost evidence, but did not set a mature margin or payback target. Adequate.
Q3 2025	New-buyer composition, shipping costs, card profitability and competition	Corrected an earlier new-buyer number during the call, clarified 8% sequential—not YoY—shipping cost improvement, and gave cohort profitability. Strong.
Q4 2025	Five-to-six-point investment burden and credit-card loss timing	Disclosed aggregate margin drag and 12-18 month card cohort breakeven; refused forecasts and some component detail. Adequate.
Q1 2026	Four-point provision impact and whether margin pressure persists	Explicitly linked the decline to up-front credit loss and deliberate reinvestment; unusually said the near-term “dial” should not change materially. Strong.

Quarter	Load-bearing question	Management response and candor assessment
Q2 2026	90+ day NPL deterioration, card NIMAL of -2.5% and margin durability	Explained origination-mix distortion and gave NPL, cohort and product metrics. Calling the late-NPL issue “nothing to worry about” was too dismissive; monitor.

Management used the word “headwind(s)” in its own answers in three of eight quarters. In each case it also named the mechanism—FX, Argentina macro/funding or Mexico tax/macro—rather than using the label alone. Five of eight calls contained at least one explicit “we don't disclose,” “we don't guide,” or equivalent boundary. Those refusals mostly concerned forecasts, loyalty penetration, advertising targets, ecosystemic-user share or exact margin allocation; they did not conceal reported statutory results. Voluntary disclosure has improved materially: management now supplies cohort breakeven, credit-card NIMAL, product NPL, shipping-unit cost, conversion, ecosystem engagement and margin-investment bridges.

MercadoLibre does not issue conventional revenue, EPS or margin guidance, so a beat/meet/miss score is impossible. That reduces formal accountability but also avoids quarterly target gaming. The Q1 2026 qualitative message that investment intensity would remain broadly stable was consistent with Q2's 6.7% operating margin versus 6.9% in Q1. Overall disclosure is above average for a multi-country fintech/commerce platform, though the lack of a clean take rate, advertising dollars, credit-product vintage table and long-run margin target leaves real modeling gaps.

6. Strategic coherence

The 2025 10-K states that MercadoLibre provides technology solutions that “democratize commerce and money.” The 2026 proxy frames the mission as democratizing commerce and financial services. The destination is consistent across years: become the leading commerce ecosystem and largest digital bank in Latin America, with logistics, payments, credit, ads and technology reinforcing one another.

The investment pattern supports the words. Capex nearly doubled from FY2023 to FY2025, product and technology spend reached $2.269bn, the credit portfolio exceeded $16bn, and management continued to build acquiring, ads, 1P and cross-border trade. There is no evidence of a rolling sequence of unrelated pivots. Management names competitive pressure directly—Amazon and lower-ASP cross-border rivals in Brazil, high-ASP price/financing gaps in Mexico, incumbent banks and fintechs—and generally answers with concrete product or economics evidence. The strategic risk is overextension across too many capital-consuming fronts at once, not incoherence.

7. Governance flags

Issue	Current evidence	Grade
Voting/control	One common class; each share has one vote. No super-voting class. Galperin Trust owns 7.0%, not formal voting control.	Green
Founder influence	Founder is Executive Chairman and remains active in strategy and capital allocation; brother Nicolás remains on the board.	Yellow
Board structure	Seven of nine independent, independent audit/compensation committees and lead director; offset by classified board and long tenures.	Yellow
Related parties	The 2026 proxy reports no related-person transaction requiring disclosure for FY2025.	Green
Controls/restatement	Auditor found effective internal control at FY2025; Q2 2026 controls were effective and no material change occurred. No accounting restatement or SEC enforcement was identified.	Green
Insider activity	Last-12-month Form 4 review found no NEO sale. Three non-executive director sales totaled 1,136 shares, about $2.3mn, not a material cluster.	Green
Hedging/pledging	Director Stelleo Tolda amended a prepaid variable forward in August 2025 covering up to 20,000 shares and pledged those shares; the company policy merely discourages hedging/pledging.	Yellow
Dilution	SBC near 1% of revenue and cumulative five-year diluted share growth only 1.8%.	Green

The Tolda arrangement is disclosed in his [December 2025 Form 4](https://www.sec.gov/Archives/edgar/data/1099590/000199937125020133/tolda_form4.xml): the original 2023 contract generated $33.48mn in cash and the amended maturity is August 2027. It is not evidence of management misconduct, but it exposes a gap between governance messaging and enforceable policy. The small director sales are separately disclosed in the [Dubugras](https://www.sec.gov/Archives/edgar/data/1099590/000162828025057162/wk-form4_1765840093.xml), [Calemzuk](https://www.sec.gov/Archives/edgar/data/1099590/000162828025056851/wk-form4_1765578823.xml) and Tolda Forms 4.

8. Peer comparison

CEO / peer	Per-dollar capital allocation	Communication and governance	Relative ranking
Forrest Li, Sea Ltd.	Sea's 2025 revenue reached $22.9bn and net income $1.6bn after a sharp profitability recovery, but its five-year path involved greater earnings volatility and heavier equity issuance than MELI.	Sea gives explicit Shopee GMV and adjusted EBITDA targets, making near-term accountability clearer; it also has a dual-class structure. [2025 results](https://www.sec.gov/Archives/edgar/data/1703399/000119312526088151/d106475dex991.htm)	Galperin-era MELI ranks ahead on sustained profitable compounding; Szarfsztejn is unranked as group CEO.
David Vélez, Nu Holdings	Nu has executed an outstanding organic digital-banking rollout with cleaner bank-level unit economics than MELI's blended ecosystem, but lacks the logistics allocation test.	Nu's banking disclosure is more granular, while Vélez controls 74.3% of voting power through 20-vote Class B shares—a much larger minority-holder risk. [2025 Form 20-F](https://www.sec.gov/Archives/edgar/data/1691493/000129281426002166/nuform20f_2025.htm)	Operationally comparable; MELI is materially better governed on voting rights, while Nu provides the clearer pure-fintech accountability.

Across realistic alternatives, MercadoLibre's founder-era stewardship ranks first: it combined strong growth, organic reinvestment, limited M&A, restrained dilution and rising profitability through multiple Latin American shocks. That ranking cannot simply be transferred to Szarfsztejn. His direct commerce record is strong, but he still must prove that he can say no to founder-backed projects, manage credit risk outside his historical domain and convert current investments into per-share cash earnings.

9. Management gate verdict

VERDICT: YELLOW. MercadoLibre is investable under this team, but the management gate is unresolved because the new CEO has not yet completed even one year in seat, founder influence remains unusually active, and compensation omits ROIC/FCF/per-share tests while the company is rapidly expanding credit and net debt. The evidence is far too strong for FAIL: the bench is deep, strategy and investment match, disclosure is generally candid, dilution is low, related parties are clean and management has repeatedly acknowledged and corrected bounded mistakes. A PASS requires proof that the succession preserves capital discipline rather than only continuity.

Upgrade to PASS if all three conditions hold:

- Through at least Q2 2027, card cohorts continue to reach NIMAL breakeven within 12-18 months, total and card 15-90 day NPLs remain controlled, and no material reserve surprise emerges.
- Brazil free-shipping, newest fulfillment facilities, 1P and cross-border investments show sustained engagement **and** a visible path to higher Direct Contribution/adjusted free cash flow, while net debt remains prudently funded.
- Szarfsztejn demonstrates independent allocation decisions and the board strengthens alignment through an explicit executive ownership expectation or ROIC/adjusted-FCF/per-share compensation metric, while preserving founder/CEO role clarity.

Downgrade to FAIL if any of these occur:

- Credit growth remains elevated after cohort paybacks or NPLs deteriorate materially, provisions repeatedly surprise, and management continues to dismiss the signal.
- Reinvestment depresses margins and adjusted free cash flow for multiple quarters without the promised unit-economic evidence, while leverage continues to rise.
- Founder involvement overrides the CEO or independent board, a material related-party transaction emerges, or management begins withholding previously supplied credit, engagement or cohort metrics when they worsen.

This YELLOW is not a polite PASS. It is a time-bound succession and capital-intensity gate: four more quarters of clean execution can upgrade it; evidence of undisciplined credit/logistics expansion can move it directly to FAIL.

Appendix W - Moat and 2046 Durability

MercadoLibre (MELI) — Moat and 2046 Durability

Run: `pulse-cio-20260914T060240+0800` **Action:** `CIO-20260911-MELI-LEGACY-ER2-REFRESH` **Information cutoff:** 2026-09-14 SGT **Historical source rule:** company financial history below comes only from the current verified `data_package.md`; external competitive evidence was retrieved live for this run.

Executive assessment

MercadoLibre has a genuine moat, but it is an ecosystem moat rather than an unassailable marketplace monopoly. The defensible core is the combination of buyer demand, seller supply, local payments, credit data, fulfillment density and purchase-intent advertising. A competitor can copy a marketplace interface or a wallet. It is harder to match all six layers country by country while maintaining trust, delivery speed, underwriting quality and enough monetization to fund subsidies. That is why MercadoLibre can accelerate buyers, GMV and TPV even while large rivals spend heavily. It is also why “scale” alone is an inadequate conclusion: buyers, sellers and merchants can multi-home, Brazil’s public Pix rail is interoperable, credit consumes funding and capital, and Asian and social-commerce platforms can import supply or discovery without first recreating MercadoLibre’s full stack.

The evidence does not yet clear a 20-year PASS. Consolidated operating margin rose from 6.2% in FY2021 to 14.6% in FY2023, then fell to 11.1% in FY2025 and 8.3% in the TTM ended June 2026. Brazil’s Direct contribution margin fell from 23.8% in FY2023 to 13.7% in FY2025 and roughly 10.2% on the current TTM as MercadoLibre discounted seller take rates, rewarded Pix payments and subsidized shipping. Those investments are driving strong engagement, but they also demonstrate that the platform is currently defending value to users rather than harvesting pricing power. The moat verdict is therefore **YELLOW**, and the 2046 test is **YELLOW**: present advantages are observable and difficult to replicate, but durable high-return economics depend on proving that mature logistics, acquiring and credit cohorts restore margins without giving back engagement.

1. Moat taxonomy applied

Network effects — strong, local and cross-product, but not closed

The marketplace has a classic two-sided effect: more buyers attract sellers and assortment; more sellers improve price, availability and buyer frequency. The effect becomes stronger when an order also creates payment data, logistics density, credit history and ad inventory. At Q2 2026, MercadoLibre reported 89 million unique buyers, 88 million Fintech monthly active users, Q2 GMV of $21.9 billion and TPV of $101.0 billion. Management also reported that users active in both Commerce and Fintech produced materially more GMV, items and TPV than single-product users. This supports a cross-product network, although selection bias means it does not prove that cross-selling caused all the extra activity. The network is strongest in Brazil, material in Mexico and Argentina, and thinner across Other Countries. It is not a closed loop: buyers compare prices, sellers list elsewhere, merchants accept multiple payment methods, and Brazil’s open Pix and Open Finance architecture deliberately lowers payment-network lock-in. The OECD describes Pix as an open, interoperable central-bank system and Open Finance as mandatory API integration, illustrating why Mercado Pago’s moat must be service quality, data and cross-sell rather than ownership of the rail. [OECD digital-market remedies review](https://www.oecd.org/es/publications/2025/08/remedies-in-digital-markets-in-latin-america-and-the-caribbean_17c0f440/full-report/component-5.html)

Switching costs — moderate through habit and operations, weak contractually

Consumer switching cost is mostly behavioral: stored payment credentials, a balance or card, MELI+ benefits, purchase history, reputation and confidence in delivery make repeat use convenient. Seller switching cost is more tangible once inventory sits in Mercado Envios fulfillment, campaigns run through Mercado Ads, transaction history supports credit and operating workflows depend on the platform. Still, these are soft rather than prohibitive costs. Sellers can multi-home, merchants can run several acquirers, and consumers can hold several wallets. MercadoLibre has no enterprise-style multi-year contract base or proprietary file format that traps users. The relevant test is whether the ecosystem earns primary-use status, not whether accounts remain nominally open.

Scale economies — strong in logistics, data and technology

Scale is the most defensible non-network advantage. More parcel volume spreads fulfillment centers, sortation, line haul, routing software and last-mile capacity across more units; more transactions spread fraud, compliance and engineering expense; and more repayment observations improve underwriting. The network shipped about 95% of marketplace items in 2025, had more than 50 facilities, and fulfillment handled 55% of shipments in Q1 2026. Scale does not guarantee profit—unused capacity and free shipping destroy economics—but a new entrant must either tolerate inferior delivery or fund a costly local network before reaching density. Shopee's 2025 results show the threat is credible, not hypothetical: Brazil was its fastest-growing market while remaining profitable, and Shopee was also increasing advertising monetization and delivery speed. [Sea FY2025 results deck](https://cdn.sea.com/investor/4Q2025/JcKns4LaJC8bxcQdJwXz/2026.03.03%20Sea%20Fourth%20Quarter%20and%20Full%20Year%202025%20Results%20Deck.pdf)

Brand and trust — strong, especially where institutions are fragmented

Mercado Libre and Mercado Pago reduce fear around unknown sellers, online payment, fraud, returns and delivery. Trust compounds because Commerce and Fintech share the same identity, transaction history and customer-service relationship. This is more valuable in markets with fragmented retail and lower financial inclusion than in a standardized, highly banked market. A cyber breach, prolonged outage, unfair marketplace treatment or credit-collection scandal could reverse it quickly; brand is therefore an earned moat, not a permanent asset. The company's own risk disclosure emphasizes fraud, cybersecurity, service reliability and consumer protection as material threats. [MercadoLibre FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm)

Regulatory position — a barrier and a constraint

Licensing, safeguarding, KYC/AML, capital, privacy, tax and consumer-protection capabilities raise the cost of operating Mercado Pago and Mercado Crédito across countries. MercadoLibre's installed compliance stack and regulator relationships are advantages over a commerce-only entrant. But regulation does not grant exclusivity. It can force interoperability, limit self-preferencing or bundling, increase required capital and constrain use of marketplace data. Mexico's competition proceeding closed in 2025 without remedies, yet the policy questions around Buy Box ranking, loyalty bundles and logistics interoperability remain plausible templates for future action. Brazil's Pix and Open Finance similarly reduce the chance that a private wallet owns the payment rail. Regulation therefore protects qualified incumbents from small entrants while potentially capping the integrated platform's strongest tying advantages.

Intellectual property — supportive, not foundational

Fraud models, credit models, logistics algorithms, recommendation systems and first-party data matter, but patents or protected software are not the core defense. MercadoLibre itself warns that established technology companies can launch sites at relatively low cost using commercial software. The durable asset is the continuously refreshed local data and operating feedback loop, not any static algorithm. A rival with an equally large transaction graph—Nubank in finance, Amazon in commerce, or Google/TikTok in discovery—can build sophisticated models of its own.

High-trust procurement — limited in the classic sense

MercadoLibre is not protected by long procurement cycles or mission-critical enterprise certification. It does have a consumer analogue: merchants and buyers prefer the platform that reliably settles money, controls fraud and delivers on time. Larger brands may integrate ads, fulfillment and cross-border supply more deeply, but their bargaining power is also higher. This lens adds little beyond brand, logistics and regulated trust and should not be double-counted as a separate moat.

2. Moat by platform layer and geography

Layer	Core network or scale effect	Strongest geography	Durability	What breaks it / earliest signal
Marketplace	Buyers attract sellers; assortment and reviews increase conversion	Brazil, then Mexico and Argentina	10+ years if share and frequency hold	Price/selection gap; unique-buyer or items-per-buyer growth trails rivals for four quarters
Payments/acquiring	Commerce seeds accounts and data; more merchants increase acceptance	Brazil and Argentina; Mexico scaling	5–10 years, less closed because of interoperability	TPV grows only through subsidies; merchant retention falls or acquiring margin stays compressed
Logistics	Parcel density lowers unit cost and improves speed; fulfillment anchors sellers	Brazil and Mexico	10–20 years if utilization stays high	Shipping cost per item rises while delivery promise stops improving

Layer	Core network or scale effect	Strongest geography	Durability	What breaks it / earliest signal
Credit	Commerce and payment data improve underwriting and cross-sell	Brazil and Argentina; Mexico emerging	5–10 years, cycle-dependent	Seasoned NPLs rise, NIMAL falls and growth remains funding-intensive
Advertising	Purchase intent and conversion data improve measurable return on ad spend	Brazil first, Mexico next	5–10 years; depends on retaining discovery traffic	Ads growth falls below GMV or seller ad ROI deteriorates as traffic migrates

Brazil. Brazil is the deepest moat because every layer has meaningful scale: marketplace traffic, dense logistics, Mercado Pago, credit and ads. That breadth makes a single-vertical attack difficult. Yet it is also the clearest economic stress test. Revenue was 52.6% of FY2025 group revenue, while Direct contribution margin fell from 23.8% in FY2023 to 13.7% in FY2025 and about 10.2% on the current TTM. The Q2 letter attributes recent pressure to Pix buyer discounts, seller take-rate discounts and shipping costs not fully recovered through revenue. [MercadoLibre Q2 2026 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm) Shopee and TikTok Shop attack different parts of the funnel: Shopee combines marketplace, ads and faster logistics, while TikTok Shop reported a 102-fold increase in average daily Brazilian GMV over its first year from a small base and uses creators to own discovery. [TikTok Shop Brazil first-year update](https://newsroom.tiktok.com/tiktok-shop-cresce-102-vezes-em-seu-primeiro-ano-no-brasil?lang=pt-BR) Brazil's moat is 10–20 years in logistics and integrated trust, but only 5–10 years in discovery and standalone payments. The earliest break is sustained share or engagement loss despite keeping subsidies elevated.

Mexico. Mexico has meaningful marketplace and fulfillment scale—fulfillment penetration approached 80% in Q4 2025—but the ecosystem is less mature and competition is intense. Direct contribution margin improved from 2.9% in FY2021 to 18.1% in FY2025, then eased to roughly 16.6% on the TTM and 13.1% in Q2 2026 as acquiring-device and customer-acquisition costs rose. Nubank reached 15.8 million Mexican customers in Q2 2026 and received a full bank launch, demonstrating that Mercado Pago does not own digital-finance distribution. [Nubank Q2 2026 results](https://www.sec.gov/Archives/edgar/data/1691493/000129281426004222/nupr2q26_6k.htm) Marketplace logistics is defensible for 10 years; acquiring and consumer finance are closer to five-year advantages until cohort payback and primary-account usage are proven. A break would be high device incentives and commercial discounts failing to lift retained active merchants or ecosystem engagement.

Argentina. Argentina has the strongest reported segment profitability—41.6% Direct contribution margin in FY2025 and roughly 36.4% on the TTM—and long-standing brand, payment and marketplace relevance. The local environment also makes trusted digital settlement, credit and merchant reach unusually valuable. The problem is that inflation, currency regimes, funding costs, capital controls and tax changes can dominate the underlying network economics. The 20-year moat in user relationships may be real, but the profit pool is not safely transferable into stable dollar returns. The earliest break is a combination of declining real activity, worsening NPLs or NIMAL, and larger monetary/FX losses even while nominal volume grows.

Other Countries. Chile, Colombia, Uruguay and smaller markets share the brand and technology platform but not Brazil's density. FY2025 revenue was only 4.3% of the group; Direct contribution margin was 14.0% and approximately 14.7% on the TTM. Competitive positions vary, and Nubank's expansion beyond Brazil illustrates how quickly a scaled regional financial platform can enter less mature markets. This segment has a five-year transferable technology and brand advantage, but no proven 20-year logistics or fintech moat as a group. A break is persistent failure to build density despite group-level investment, resulting in countries that remain subscale distribution outposts.

The blended moat is weaker than Brazil's strongest loops suggest. Argentina generated about 42% of FY2025 segment Direct contribution despite only about 21% of revenue, so group profitability remains unusually exposed to a volatile country. Brazil supplies scale but has absorbed the sharpest recent margin compression; Other Countries lack density; and Mexico is still paying for growth. Investors should not capitalize Brazil's logistics moat, Argentina's margins and Ads' high incremental economics as if all three were simultaneously mature and stable.

3. Margin persistence evidence

The verified package supplies a clean five-year consolidated history, not a comparable ten-year series; the analysis does not extend it with an old cache. Margins show strengthening through FY2023 followed by deliberate but economically significant compression.

Margin	FY2021	FY2022	FY2023	FY2024	FY2025	TTM to 2026-06-30
Consolidated operating margin	6.2%	9.9%	14.6%	12.7%	11.1%	8.3%
Brazil Direct contribution margin	17.3%	16.7%	23.8%	20.0%	13.7%	~10.2%
Mexico Direct contribution margin	2.9%	15.3%	22.8%	18.3%	18.1%	~16.6%
Argentina Direct contribution margin	34.8%	40.5%	47.3%	43.9%	41.6%	~36.4%
Other Countries Direct contribution margin	16.6%	5.1%	7.5%	13.2%	14.0%	~14.7%

Revenue grew rapidly throughout this period, so the margin decline cannot be dismissed as lack of scale. Management says it is reinvesting operating leverage in lower shipping thresholds, price competitiveness, seller terms, 1P, cards and acquiring. Q2 2026 revenue grew 50%, yet operating margin was 6.7%. The constructive interpretation is that the company can choose growth because its ecosystem produces attractive lifetime value. The skeptical interpretation is that competitive intensity requires recurring givebacks. A PASS needs longitudinal evidence that recent cohorts repay the subsidy: logistics unit costs decline, acquiring CAC recovers, card NIMAL turns positive after seasoning, and Brazil Direct contribution margin recovers without slower buyer or item growth.

4. AI and platform-disintermediation stress test

Marketplace and discovery are most exposed. Search, comparison, recommendation, product Q&A and campaign setup are workflows a foundation model can reproduce when it can access merchant feeds. Google's Universal Commerce Protocol is explicitly designed to let agents operate across discovery, purchase and post-purchase support, with checkout inside AI Mode and Gemini while the retailer remains seller of record. [Google agentic commerce announcement](https://blog.google/products/ads-commerce/agentic-commerce-ai-tools-protocol-retailers-platforms/) If this model reaches Latin America, MercadoLibre could lose the first customer touch and some ad inventory even when it still fulfills the order. TikTok Shop is a parallel platform shift: discovery originates in creators and video, not a marketplace search box.

Advertising is exposed but adaptable. Generative tools commoditize campaign creation and bidding advice; they do not reproduce MercadoLibre's closed-loop purchase and conversion data unless demand migrates away. Mercado Ads can use AI to improve seller ROI and automate campaign management, and its Q2 2026 growth was 62% FX-neutral. The moat is not the AI Advisor interface; it is high-intent traffic plus transaction outcomes. If agents compare products across retailers or TikTok owns inspiration, that proprietary intent pool shrinks.

Payments and credit are moderately protected, not immune. Payment authorization, identity, fraud, servicing, funding and regulated balance-sheet management are chokepoint economics rather than prompt-to-output workflows. AI can improve fraud and underwriting, but competitors with large datasets can do the same. Nubank says its NuFormer foundation model now supports underwriting, service and growth across 139 million customers, proof that advanced financial AI is not exclusive to Mercado Pago. The durable defense is the combined Commerce-plus-payment data and distribution, while the threat is that public payment rails and open finance make account switching and data portability easier.

Logistics is most protected. AI improves forecasting, routing, inventory placement and labor productivity, but it cannot hallucinate a fulfillment center, a dense line-haul route or reliable last-mile capacity. Physical density, operational learning and seller inventory placement remain the hardest layer to replicate. The network can still be regulated or underutilized, but AI is more likely to widen a scale operator's cost advantage than erase it.

5. The 2046 test

Today is 2026-09-14; the test date is 2046-09-14. A credible 2046 business description is: *MercadoLibre operates Latin America's regional commerce and financial-services infrastructure. Consumers and AI shopping agents use its catalog, trust layer and delivery network to source and receive goods; third-party merchants buy fulfillment, payments, working-capital and demand-generation services; households use Mercado Pago for deposits, transfers, cards, investments and credit; and brands buy ads measured against verified transactions. Brazil and Mexico are the largest regulated operating segments, Argentina remains profitable but volatile, and selected Andean and Southern Cone markets are scaled local franchises. First-party retail and manual marketplace search are smaller shares of value, while logistics orchestration, merchant software, financial services and retail media are larger. Operating margin is directionally stable to moderately higher than the 8.3%*

current TTM as mature logistics and financial cohorts offset heavier regulatory capital and lower payment spreads.

This description is specific because the payer and reason to pay remain identifiable. Merchants pay for demand, trusted settlement, logistics and working capital; consumers pay directly or indirectly for convenience, credit and financial services; advertisers pay for measurable purchase intent. The surviving moat is local physical density plus regulated trust and cross-product data. It does not require MercadoLibre to own the conversational AI interface; it requires the company to remain the best fulfillment, transaction and financing endpoint behind that interface.

Bear 2046 description. Global AI agents and social platforms own discovery, compare merchant offers across open protocols and send checkout directly to sellers. Cross-border marketplaces localize fulfillment in Brazil and Mexico. Pix/Open Finance and analogous rails make payments and data portable, while Nubank and banks win primary deposits and price credit using equally rich behavioral models. Competition authorities require neutral ranking, third-party logistics interoperability and limits on bundling. MercadoLibre retains a large but lower-growth marketplace, capital-intensive fulfillment assets and a cyclical loan book; Ads and payment monetization weaken, and the group's operating margin settles in the mid-to-high single digits with lower returns on incremental capital.

I assign this erosion path roughly a **30% probability** over twenty years—not the base case, but too large for PASS. The path does not require MercadoLibre to disappear. It requires the most profitable digital layers to be unbundled while MercadoLibre retains the capital-heavy ones. PDD's 2025 annual report shows Temu's global model continues to connect primarily Chinese merchants to consumers using external logistics partners, while Sea says Shopee Brazil is both fast-growing and profitable. [PDD Holdings FY2025 Form 20-F](https://www.sec.gov/Archives/edgar/data/1737806/000110465926050727/pdd-20251231x20f.htm) The bear is therefore an observed direction of travel, not science fiction.

6. Competitive threat inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
Shopee, Temu and Amazon deepen local supply and logistics	Price, assortment and cross-subsidized delivery weaken buyer/seller network effects	Brazil and Mexico Commerce, logistics, Ads	GMV or buyer growth trails rivals while discounts and shipping subsidy remain elevated	High
Nubank, banks and acquirers win the primary financial relationship	Better deposits, cards, merchant pricing and AI underwriting reduce Mercado Pago cross-sell	Brazil/Mexico Fintech; Argentina and Other Countries	Fintech MAU or AUM growth slows; merchant retention weakens; NIMAL declines	High
AI agents and social commerce own discovery and checkout	Demand originates outside MercadoLibre; open protocols route orders directly to merchants	Marketplace search, Ads and loyalty across geographies	Organic traffic, Ads/GMV monetization or direct-app purchase frequency deteriorates	Medium-high

Regulation is an amplifier across all three threats. Mandatory interoperability can make competition healthier for users while weakening MercadoLibre's ability to bundle logistics, payments, loyalty and ranking into one defensible system.

7. Pricing power verification

Pricing power is **mixed and currently weak at the consolidated level**. The recent observable actions are discounts, not price increases: Q2 2026 included buyer discounts for Pix, lower seller take rates in selected Brazilian categories, shipping costs not fully recovered through revenue and higher acquiring customer/device costs in Mexico. No clean marketplace take-rate series, payment take-rate series, adoption-after-price-increase data or multi-year contractual escalators are disclosed. The company therefore has monetization options, but not verified broad pricing power.

Ads provides the strongest evidence of monetization: Q4 2024 ad revenue equaled 2.1% of GMV, and Q2 2026 FX-neutral ad growth was 62%, well above GMV growth. Purchase-intent data supports attractive incremental economics. Yet Shopee's FY2025 deck also reports an ad take-rate increase of more than 80 basis points and ad revenue growth above 70% in Q4, showing that retail-media growth is an industry opportunity as well as a proprietary moat. Credit also appears to earn pricing power, but NIMAL declined from 36.2% in FY2023 to 20.7% in Q2 2026, and the card portfolio's NIMAL was negative during rapid issuance. High nominal yield must not be mistaken for durable spread after losses and funding.

The correct conclusion is that MercadoLibre can reallocate economics across fees, ads, shipping, loyalty and finance to improve the total value proposition. That is ecosystem monetization flexibility, not proof it can raise price without volume loss.

8. Verdict and observable calibration

Moat gate: YELLOW. MercadoLibre has powerful local marketplace, logistics, data and trust advantages, with Brazil and Mexico logistics plus the cross-Commerce/Fintech relationship doing most of the defensive work. The moat is real enough to resist a single-product attacker, but current margin compression, payment interoperability, credit-cycle exposure and intense cross-border/social competition leave the protectable high-return profit pool unresolved.

2046 test: YELLOW. The 2046 company can be described concretely as the transaction, fulfillment, financing and advertising infrastructure behind Latin American commerce, even if AI agents replace much manual search. The bear path is also concrete: discovery and payments are unbundled while MercadoLibre retains logistics and credit intensity. A roughly 30% erosion probability and the lack of demonstrated post-investment margin recovery prevent PASS.

Upgrade to PASS if: (1) consolidated operating margin returns sustainably above 10–12% and Brazil Direct contribution margin above 15% without a material slowdown in buyers, items per buyer or GMV; (2) mature card and acquiring cohorts produce positive, stable contribution after funding, credit losses and acquisition costs while total NIMAL stays near or above 20%; and (3) Ads continues to outgrow GMV while ecosystemic-user engagement and logistics cost-per-item improve despite Shopee, TikTok and agentic-shopping growth.

Downgrade to FAIL if: (1) Brazil Direct contribution margin remains below 10% for four quarters while discounts and shipping subsidies continue merely to preserve share; (2) portfolio-wide 15–90 day NPL rises above 10% or NIMAL falls below 15% with credit still growing faster than funding capacity; or (3) Mercado Ads growth falls below GMV and direct-app buyer frequency weakens, indicating that AI/social platforms have captured discovery. Any regulatory action that forces broad logistics/payment unbundling while these commercial signals deteriorate would accelerate the downgrade.

Live external sources retrieved for this appendix

- [MercadoLibre FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm)
- [MercadoLibre Q2 2026 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm)
- [Sea FY2025 results deck](https://cdn.sea.com/investor/4Q2025/JcKns4LaJC8bxcQdJwXz/2026.03.03%20Sea%20Fourth%20Quarter%20and%20Full%20Year%202025%20Results%20Deck.pdf)
- [PDD Holdings FY2025 Form 20-F](https://www.sec.gov/Archives/edgar/data/1737806/000110465926050727/pdd-20251231x20f.htm)
- [Nubank Q2 2026 results](https://www.sec.gov/Archives/edgar/data/1691493/000129281426004222/nupr2q26_6k.htm)
- [TikTok Shop Brazil first-year update](https://newsroom.tiktok.com/tiktok-shop-cresce-102-vezes-em-seu-primeiro-ano-no-brasil?lang=pt-BR)
- [Google agentic commerce announcement](https://blog.google/products/ads-commerce/agentic-commerce-ai-tools-protocol-retailers-platforms/)
- [OECD digital-market remedies review](https://www.oecd.org/es/publications/2025/08/remedies-in-digital-markets-in-latin-america-and-the-caribbean_17c0f440/full-report/component-5.html)

Appendix B1 - Brazil

Brazil — Segment Deep Dive

Company: MercadoLibre, Inc. (`MELI`) **Segment:** Brazil **Historical source of truth:** QFR/DR-verified `data_package.md` and sealed `statutory_bridge.json` **Forecast anchor:** TTM ended 2026-06-30 **Exact horizon:** 2031-06-30, exactly five calendar years after the TTM anchor **Exact profit basis: Direct contribution Reporting currency:** USD; figures are billions unless stated otherwise

This appendix models Brazil as the issuer reports it: a geographic segment containing both Commerce and Fintech. Commerce and Fintech are the only dollar-disclosed revenue streams nested inside Brazil. Marketplace fees, shipping, first-party sales, advertising, subscriptions, acquiring, credit, deposits, asset management and other products are modeled as operational drivers, not as fabricated dollar revenue lines. All MercadoLibre historical dollars, growth rates, accounting classifications and management quotations below come only from the current verified data package and sealed bridge. External sources are used solely for live competitive and market context.

0. Segment boundary and taxonomy note

Brazil is one of MercadoLibre's four current reportable geographic segments. Its economic composition is stable conceptually—integrated commerce, logistics, advertising, payments and credit—but the issuer's current geography and revenue-stream presentation has a **FY2023 recast boundary**. Consequently, comparable dollar analysis in this appendix begins with FY2023 recast data. FY2021 and FY2022 Brazil figures remain useful as historical context, but they are not mixed into a post-recast product CAGR. The old FY2022 consolidated FMP revenue perimeter also differs from the contemporaneous geography and Commerce/Fintech perimeter; it is excluded from all forward calibration. This treatment follows [data_package §1, reporting-structure paragraph], [data_package §3, Brazil table], [data_package §4, Commerce/Fintech geography table], and [data_package §10, FY2023 recast taxonomy flag].

The issuer's segment-profit metric is **Direct contribution**. It equals external net revenues and financial income less segment costs, including fulfillment, collection, credit-loss provision, funding, marketing, payroll, hosting, depreciation and other local costs; corporate costs are excluded. Direct contribution is not statutory operating income. The sealed bridge has no corporate/unallocated segment-profit adjustment and no unexplained residual. This appendix therefore forecasts Brazil on Direct contribution and leaves the separate segment-to-statutory operating-income bridge for the synthesis stage, exactly as required by [data_package §1, segment-profit definition] and [data_package §3a, historical statutory-profit bridge].

1. What this segment actually is

Brazil is MercadoLibre's largest country ecosystem. A consumer can search and buy merchandise through Mercado Livre, receive it through Mercado Envios, pay with Mercado Pago, use a Mercado Pago account for transfers and savings, obtain credit, and encounter merchant-funded or brand-funded advertising within the same digital relationship. A merchant can list goods, pay marketplace and fulfillment fees, buy advertising, accept online or offline payments, obtain working-capital credit, and manage cash through Mercado Pago. That combination matters because the product is not a single marketplace checkout or a single financial account; it is an integrated demand, logistics and financial-services loop.

The Commerce revenue stream includes marketplace fees, shipping, advertising, subscriptions, classifieds and first-party-related revenue. Pricing is therefore a mix of transaction-linked seller fees, logistics charges or subsidies, advertising spend, subscription economics and merchandise gross receipts recognized under the relevant principal/agent accounting. The data package explicitly warns that Commerce revenue divided by GMV is not a clean marketplace take rate because Commerce contains multiple monetization sources and first-party activity. No marketplace take rate is disclosed, so none is inferred here [data_package §4, product/sub-segment history paragraph; §10, marketplace take-rate gap].

The Fintech revenue stream includes payments, acquiring, credit, deposits and other financial services. Revenue is generated from merchant discount and acquiring economics, consumer and merchant credit yields, account and payment services, and other financial products. Fintech revenue divided by TPV is not a payment take rate because revenue includes credit and investment products while TPV is a transaction-volume measure. Similarly, acquiring TPV as a share of total TPV is a volume-mix ratio, not merchant penetration. The model therefore connects Fintech growth to payment activity, active users, credit portfolio quality, funding costs and assets under management without converting those KPIs into unsupported revenue dollars [data_package §4, growth-only product disclosures and non-backsolve warning].

Go-to-market is two-sided and increasingly ecosystemic. Consumer acquisition is supported by selection, price, free-shipping thresholds, delivery speed, Mercado Pago utility and credit access. Merchant acquisition is supported by traffic, conversion, logistics, advertising tools, point-of-sale and acquiring reach, and credit. The lower free-shipping threshold in Brazil is an intentional customer-value investment: it expands addressable baskets and frequency but compresses near-term Direct contribution unless volume density and logistics productivity catch up. Mercado Ads offers a second monetization layer on traffic already acquired for commerce, while Mercado Pago deepens engagement beyond marketplace checkout.

2. Current economics at the TTM anchor

Brazil's TTM revenue is mechanically tied from the four issuer-disclosed quarters in the verified package: Q3 2025 $4.009 billion + Q4 2025 $4.637 billion + Q1 2026 $4.774 billion + Q2 2026 $5.530 billion = **$18.950 billion**. The sealed statutory bridge reports Brazil TTM Direct contribution of **$1.931 billion**, producing a **10.19% Direct contribution margin**. The Q2 2026 exit rate was especially strong: Brazil revenue grew 59% in USD, while Direct contribution margin was 10.0% (data_package §5, geographic reportable segments, Brazil Q2 2026 row; §3a, TTM bridge, Brazil row; [Q3 2025 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959025000051/meli-20250930.htm); [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm)).

The revenue mix is also exactly reconstructable. Brazil Commerce TTM revenue is $11.344 billion from $2.416 billion, $2.772 billion, $2.826 billion and $3.330 billion across Q3 2025 through Q2 2026. Brazil Fintech TTM revenue is $7.606 billion from $1.593 billion, $1.865 billion, $1.948 billion and $2.200 billion. Their sum equals segment revenue with no residual. Commerce is 59.9% and Fintech is 40.1% of TTM revenue; those percentages are calculations from disclosed rows, not company-reported product shares (data_package §4, last-four-quarter geography/stream table, Brazil Commerce and Brazil Fintech rows; [Q3 2025 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959025000051/meli-20250930.htm); [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm)).

TTM economics	Value	Calculation and source
Commerce revenue	$11.344bn	Sum of four disclosed quarterly Brazil Commerce rows [data_package §4; Q3 2025 10-Q; FY2025 10-K; Q2 2026 10-Q]
Fintech revenue	$7.606bn	Sum of four disclosed quarterly Brazil Fintech rows [data_package §4; Q3 2025 10-Q; FY2025 10-K; Q2 2026 10-Q]
Segment revenue	$18.950bn	Commerce plus Fintech; zero residual
Direct contribution	$1.931bn	Sealed bridge source `qf_ttm_reconciliation`, SHA-256 `bb8da6bc237cce47e4bd345ebf21f2fe948d217c59a4d1466bb5c87f9c44ac41` [data_package §3a]
Direct contribution margin	10.19%	$1.931bn divided by $18.950bn
Q2 2026 revenue growth	59%	[Q2 2026 Form 10-Q and shareholder letter dated 2026-08-05; data_package §5, Brazil row]
Q2 2026 Direct contribution margin	10.0%	[Q2 2026 Form 10-Q and shareholder letter dated 2026-08-05; data_package §5, Brazil row]

The TTM margin is below FY2025's 13.7% and well below FY2023's 23.8%, despite faster revenue growth. That is not an arithmetic anomaly: management deliberately lowered Brazil's free-shipping threshold, accelerated commerce demand investment, expanded credit and cards, and continued building logistics capacity. Brazil Direct contribution declined from $2.075 billion in FY2025 to $1.931 billion on a TTM basis even as revenue advanced ([FY2025 Form 10-K, Direct contribution by geography](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); sealed bridge source `qf_ttm_reconciliation`; data_package §§3 and 3a). The segment is currently optimizing lifetime value and ecosystem adoption rather than near-term contribution margin.

Capital intensity cannot be measured precisely at the segment level. The company discloses consolidated capex of $1.343 billion for FY2025, or 4.6% of consolidated revenue, and accelerated logistics and technology investment, but it does not disclose Brazil-only capex, depreciation, working capital, restricted cash, credit funding or invested capital ([FY2025 Form 10-K, consolidated cash-flow statement](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); data_package §§2

and 7). **[DATA GAP: Brazil-specific capex and invested capital are not separately disclosed.]** Allocating consolidated capex to Brazil by revenue share would falsely imply that logistics nodes, technology platforms and fintech infrastructure scale linearly with geography, so this appendix does not do so.

Likewise, absolute Brazil advertising revenue, marketplace take rate, payment penetration, credit portfolio, total payment volume and acquiring TPV are not separately disclosed in the data package. Consolidated indicators confirm that these are material drivers, but they are not turned into Brazil dollar splits. This distinction is essential: a bottoms-up model can be operationally explicit without pretending that every driver is a disclosed revenue line.

3. Unit economics

Commerce economics

Commerce begins with buyer traffic, conversion, frequency, items per order and average selling value. Those variables produce GMV, but only part of GMV becomes revenue. Marketplace commissions, shipping, advertising, subscriptions, classifieds and first-party sales each have different recognition and margin properties. A lower free-shipping threshold can increase conversion and purchase frequency, particularly for low-value baskets, while initially raising net shipping cost per order. The near-term P&L therefore depends on whether incremental contribution from more transactions, ads and repeat use exceeds subsidy and handling costs.

Brazil's current demand response is real. Management says the free-shipping threshold reduction delivered acceleration, became a sustained growth engine, and produced a 1.1 percentage-point year-on-year conversion step change that lasted a full year [data_package §6, Brazil Q3 2025, Q1 2026 and Q2 2026 management rows]. That supports a high first-year growth assumption. It does not automatically support permanent 50% growth or immediate margin recovery. The payback requires denser routes, higher fulfillment utilization, more seller adoption, better sortation and successful cross-monetization.

Logistics is both a moat and a cost center. The network ships about 95% of items on a consolidated basis, fulfillment exceeded half of shipments, and management reported volume absorption with productivity gains [data_package §0a, logistics-penetration row; §6, Brazil Q4 2025 quote]. Higher order density can reduce line-haul and last-mile unit costs, spread fixed facility expense and improve delivery speed. Conversely, new fulfillment centers, labor, fuel, outsourced carriers and depreciation can keep cost per shipment elevated if capacity leads demand. Low-basket free shipping is especially sensitive because the absolute gross-profit pool per order is smaller.

Advertising improves commerce unit economics without requiring proportional logistics cost. More buyer intent and better first-party data can raise seller return on ad spend, ad load and auction density. The company disclosed strong consolidated Ads growth and more than 10% regional digital-ad share, but not Brazil Ads dollars [data_package §4, growth-only product disclosures, Advertising row]. Ads can therefore support margin recovery in the forecast, but it cannot be modeled as an invented high-margin Brazil revenue line.

First-party activity changes reported revenue and capital intensity. The data package notes almost $5 billion of consolidated TTM first-party GMV at Q1 2026 and strong FX-neutral growth, but no Brazil-specific number ([Q1 2026 shareholder letter dated 2026-05-07](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000014/meli-20260507xex991.htm); data_package §4, growth-only product disclosures, 1P row). First-party can improve selection and availability while carrying inventory, markdown and gross-margin risk. It also creates principal-versus-agent mix effects: revenue can grow faster than underlying marketplace economics when merchandise is recognized gross. The scenario model therefore treats first-party expansion as a qualitative mix driver rather than using Commerce revenue growth as a pure volume proxy.

Fintech economics

Fintech unit economics combine payments, acquiring, credit, deposits and asset management. Payments and acquiring benefit from transaction frequency, merchant distribution and spread between merchant pricing and processing/network costs. Mercado Pago's consumer account can lower customer acquisition cost when marketplace users adopt it, while merchant acquiring can expand the acceptance network beyond MercadoLibre's own checkout. The downside is vigorous price competition from banks, independent acquirers and Pix, plus hardware subsidies and fraud/chargeback expense.

Credit is economically powerful but balance-sheet intensive. Interest yield and cross-sell can materially increase revenue per user; funding cost, expected loss, fraud, collections and capital requirements determine whether that growth creates Direct contribution. The consolidated credit portfolio grew to $11.0 billion in Q3 2025, $12.5 billion in Q4, $14.6 billion in Q1 2026 and $16.4 billion in Q2, while total 15–90 day NPL was 7.0% at Q2 and card NPL was 4.6% (data_package §5, consolidated commerce and fintech KPI table; [Q2 2026 shareholder letter dated

2026-08-05](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm)). These are consolidated, not Brazil-only, and are used only to calibrate risk direction. The model never assigns the portfolio to Brazil.

Funding is part of the segment's profit basis because Direct contribution includes funding costs. Faster deposit and asset-management adoption can improve engagement and potentially diversify funding, but attractive account yields are themselves a cost. Mercado Pago's consolidated AUM reached $23 billion at Q2 2026, up 68%, showing user trust and utility but not a free source of margin ([Q2 2026 shareholder letter dated 2026-08-05](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm); data_package §4, growth-only product disclosures, AUM row). Higher Brazilian policy rates can lift asset yield and funding expense simultaneously. The net effect depends on asset repricing, deposit beta, credit duration and losses.

Pix is a structural double-edged sword. It expands digital transaction frequency and lowers cash dependence, aiding Mercado Pago engagement, but it also commoditizes basic transfers and can pressure merchant-acquiring economics. Banco Central do Brasil reported more than 170 million individual Pix users, more than seven billion transactions in January 2026, and a daily record of 313.3 million transactions in December 2025 ([Banco Central do Brasil, Pix statistics](https://www.bcb.gov.br/estabilidadefinanceira/estatisticaspix)). Mercado Pago must monetize convenience, commerce integration, credit, deposits and merchant tools—not basic transfer scarcity.

What moves Direct contribution margin

Margin rises when logistics density lowers unit shipping costs, Ads grows faster than GMV, repeat users reduce acquisition cost, credit cohorts season without loss deterioration, funding becomes more efficient, payment volume scales over fixed technology and risk infrastructure, and cross-vertical users generate more profit per acquired customer. Margin falls when free-shipping subsidies deepen, first-party mix increases low-margin gross revenue, fulfillment capacity is underutilized, card issuance and merchant devices are subsidized, fraud or NPLs rise, funding spreads widen, merchant discount pricing compresses or tax reform raises compliance and indirect-tax cost.

The TTM margin of 10.19% already includes these local segment costs. There is no need—and no permission—to allocate corporate costs into Brazil. Similarly, the $2.994 billion TTM company-level bridge adjustment from Direct contribution to statutory operating income is projected once elsewhere, not pushed down into this segment [data_package §3a, forecast-driver ledger, operating-expense bridge row].

4. Competitive dynamics

Commerce competition

Mercado Livre is the leading Brazilian e-commerce platform, but the market is neither closed nor winner-take-all. The U.S. International Trade Administration's August 2025 Brazil guide estimated 2025 e-commerce revenue of $36.3 billion, 94 million online buyers and marketplace shares of 35% for Mercado Livre, 20% for Amazon Brasil and 15% for Shopee. The methodology should be treated as directional, not as a substitute for issuer-reported GMV, but it confirms a meaningful lead and substantial competitors ([U.S. International Trade Administration, Brazil eCommerce](https://www.trade.gov/country-commercial-guides/brazil-ecommerce)).

Shopee attacks through app engagement, gamification, broad low-price selection, seller tools and logistics investment. Temu and Shein intensify cross-border price discovery, although Brazilian import-tax changes reduce some low-value cross-border advantage. Amazon competes with Prime, first-party selection, marketplace breadth and fulfillment. Amazon said in June 2026 that it had invested more than R$75 billion in Brazil since entry, over R$19 billion in 2025 alone, and operated more than 300 technology-enabled logistics facilities across all states and the Federal District, including more than 100 opened in 2025 ([Amazon Brazil, 15 years of investment](https://www.aboutamazon.com.br/noticias/noticias-da-empresa/15-anos-crescendo-com-os-brasileiros)). That scale makes it unsafe to assume MercadoLibre can harvest its lead without ongoing investment.

Domestic omnichannel retailers—including Magazine Luiza, Casas Bahia and specialist merchants—retain store networks, brands, supplier relationships and installment-payment familiarity. Social-commerce and short-video platforms can shift discovery upstream and reduce marketplace control over consumer attention. Yet discovery does not equal fulfillment or trusted payment execution; the full purchase journey still rewards platforms with selection, logistics, buyer protection and reliable delivery.

Pricing power is therefore selective. MercadoLibre can charge for measurable seller value—conversion, delivery reliability, ads and financing—but cannot simply raise marketplace fees if sellers can multi-home and consumers can compare prices. Its

stronger pricing lever is monetization mix: more Ads, logistics services and financial cross-sell per unit of traffic. The bear case assumes competitors force continued subsidies and cap fee expansion. The bull case assumes MercadoLibre's conversion and delivery advantage produces enough seller return to support monetization without eroding marketplace health.

Fintech competition

Brazilian financial services are fiercely competitive across digital banks, incumbents and specialist acquirers. Nubank's 2025 Form 20-F reported over 60 million unique credit-card customers in December 2025, 16% of total card transaction volume in Q4 2025 and close to 20% of Pix transfer originations. It also estimated 172 million Brazilian Pix users by year-end ([Nubank 2025 Form 20-F](https://www.sec.gov/Archives/edgar/data/1691493/000129281426002166/nuform20f_2025.htm)). Nubank's scale demonstrates that Mercado Pago does not own the digital-finance relationship even when it owns a commerce interaction.

PagBank reported more than 6.3 million active merchants and described itself as having Brazil's largest acceptance network ([PagSeguro 2025 Form 20-F](https://www.sec.gov/Archives/edgar/data/1712807/000155485526000826/pags-20251231.htm)). StoneCo said it remained one of Brazil's largest independent merchant acquirers and ranked among the six largest players by total card volume in 2025 ([StoneCo 2025 Form 20-F](https://www.sec.gov/Archives/edgar/data/1745431/000207097926000170/stne-20251231.htm)). Cielo, Rede, Itaú, Bradesco, Banco do Brasil, Santander and other banks add incumbent distribution, deposits, funding and underwriting data.

Mercado Pago's differentiation is context, not exclusivity. Marketplace purchase history, seller cash flows, logistics performance and payment behavior can improve acquisition and underwriting. The commerce funnel lowers distribution cost and offers natural use cases for wallets, credit and merchant services. But customers multi-bank and merchants multi-acquire; Pix makes transfers interoperable; and regulators encourage competition. Thus the durable edge is the quality of cross-ecosystem data and product execution, not a closed payment rail.

5. Moat at the segment level

Brazil has a real but investment-hungry moat. Its strongest component is the interaction among buyer traffic, seller selection, logistics density, payment utility, advertising data and credit underwriting. Each element alone has substitutes; the system lowers friction across the transaction. More selection attracts buyers, more buyers attract sellers, volume supports logistics density, fast delivery improves conversion, transaction data improves ads and risk models, and fintech products increase user frequency. This flywheel is especially valuable in a geographically large market where delivery reliability and payment trust are difficult to assemble quickly.

The logistics moat is physical and informational. Facilities, sortation, route density, carrier relationships and delivery-history data are expensive to reproduce. Higher density can improve speed and lower unit cost simultaneously, which feeds conversion. However, Amazon's disclosed investment and facility expansion show that the barrier is high, not insurmountable. Shopee can also subsidize logistics while building density. The moat should therefore be judged through relative delivery speed and unit-cost productivity, not facility count alone.

The data moat is meaningful but constrained by portability and multi-homing. MercadoLibre observes commerce intent, purchase outcomes, seller performance, payment behavior and credit repayment within one system. Those signals can improve ad relevance, fraud detection and underwriting. Yet Pix and Open Finance reduce some data and switching barriers, and major rivals possess their own rich datasets. Regulation may also limit how data can be combined. The base case gives the ecosystem an efficiency advantage but not monopoly economics.

Advertising is a high-quality extension of the moat because purchase-intent data is closer to conversion than broad social engagement. Sellers can measure return on ad spend inside a marketplace, and incremental ad revenue carries limited fulfillment cost. Nevertheless, ad load has a ceiling: excessive paid placement can degrade organic discovery and seller trust. Amazon, Shopee, Google, Meta and TikTok compete for the same merchant marketing wallet. Ads enhances the moat; it does not make Commerce immune to traffic competition.

Fintech broadens frequency beyond episodic shopping. Deposits, Pix, cards, acquiring and investments can make Mercado Pago a daily relationship. Management's statement that contribution profit per ecosystemic user is multiples of the sum of a marketplace-only and fintech-only user is strategically important [data_package §6, Q2 2026 cross-ecosystem quote]. But the company does not disclose the absolute profit per cohort or Brazil-specific ecosystemic-user penetration. The claim therefore supports direction, not a numerical cohort valuation.

Over five to ten years, the moat is durable if MercadoLibre keeps the best combined consumer proposition while earning an acceptable return on subsidies and credit capital. It weakens if commerce traffic fragments, logistics cost advantages stall, users treat Mercado Pago as secondary, credit losses absorb cross-sell economics, or regulators force material changes to data, payments, labor or marketplace practices. The correct conclusion is not “Brazil margins inevitably revert to the peak.” It is “Brazil has multiple reinforcing advantages that can fund recovery if management converts current investment into repeat behavior and density.”

6. Historical growth rates

The current FY2023 recast boundary gives three comparable fiscal-year observations and therefore a two-interval CAGR. The required “3-year CAGR” column explicitly labels that limitation. No old-taxonomy FY2022 dollar is used to extend the product series. Every displayed historical dollar and latest YoY figure points to a named data-package row.

Product / sub-segment	FY2023 rev	FY2024 rev	FY2025 rev	3-year CAGR	Most recent YoY	Specific source
Brazil segment total	$7.821bn [§3 Brazil Revenue row]	$11.406bn [§3 Brazil Revenue row]	$15.201bn [§3 Brazil Revenue row]	39.4% over two intervals [§3 Brazil Revenue row]	33.3% [§3 Brazil YoY row]	[MercadoLibre FY2025 Form 10-K, geographic segment table](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); data_package §3
Commerce	$4.512bn [§4 Brazil Commerce row]	$7.038bn [§4 Brazil Commerce row]	$9.184bn [§4 Brazil Commerce row]	42.7% over two intervals [§4 Brazil Commerce row]	30.5% calculated from disclosed row	[MercadoLibre FY2025 Form 10-K, Commerce revenue by geography](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); data_package §4
Fintech	$3.309bn [§4 Brazil Fintech row]	$4.368bn [§4 Brazil Fintech row]	$6.017bn [§4 Brazil Fintech row]	34.8% over two intervals [§4 Brazil Fintech row]	37.8% calculated from disclosed row	[MercadoLibre FY2025 Form 10-K, Fintech revenue by geography](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); data_package §4

Arithmetic checks: Brazil total $11.406 billion × 1.333 = $15.204 billion, within rounding of $15.201 billion; Commerce $7.038 billion × 1.305 = $9.185 billion, within rounding of $9.184 billion; Fintech $4.368 billion × 1.378 = $6.019 billion, within rounding of $6.017 billion. Each row is inside the required 2% tolerance. The small differences result from displaying source values to three decimals and growth to one decimal place.

For additional context only, pre-recast Brazil revenue rose from $3.910 billion in FY2021 to $5.666 billion in FY2022, and Direct contribution rose from $0.677 billion to $0.949 billion ([MercadoLibre FY2022 Form 10-K, geographic segment table](https://www.sec.gov/Archives/edgar/data/1099590/000109959023000007/meli-20221231.htm); data_package §3, Brazil table). These values are not joined to FY2023 for a forecast CAGR. The comparable post-recast total is sufficient to demonstrate that Brazil expanded very rapidly before the Q2 2026 exit acceleration.

Direct contribution did not follow revenue monotonically. It was $1.861 billion at 23.8% margin in FY2023, $2.286 billion at 20.0% in FY2024 and $2.075 billion at 13.7% in FY2025 ([MercadoLibre FY2025 Form 10-K, Direct contribution by geography](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); data_package §3). TTM Direct contribution then reached $1.931 billion at 10.19% (sealed bridge source `qf_ttm_reconciliation`; data_package §3a). This is the critical historical lesson: demand growth and reported revenue growth do not guarantee near-term profit growth when shipping, logistics and fintech investment are deliberately accelerated.

Non-dollar drivers remain informative. Consolidated GMV was $16.543 billion in Q3 2025, $19.906 billion in Q4, $18.951 billion in Q1 2026 and $21.926 billion in Q2, while consolidated Ads grew 63%, 67%, not separately disclosed and 62% FX-neutral across those quarters ([Q3 2025 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959025000048/meli-20251029xex991.htm); [Q4 2025 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000003/meli-20260224xex991.htm); [Q1 2026 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000014/meli-20260507xex991.htm); [Q2 2026 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm); data_package §4). Those values are not assigned to Brazil. They constrain the forecast narrative: Commerce growth has

multiple engines, but the only modelable Brazil dollar line is Commerce revenue.

7. Management guidance and observable anchors

MercadoLibre has not issued conventional numeric Brazil revenue or margin guidance. The verified data package contains four Brazil-specific statements that govern the forecast:

- **Q3 FY2025, 2025-10-30 — Martín de los Santos, CFO:** “The recent reduction in the free shipping threshold in Brazil has already delivered strong results with both GMV and items sold accelerating in the quarter.” [Live FMP earnings-call transcript returned 2025-10-30; data_package §6, Brazil Q3 FY2025 row]. The model treats the threshold change as a proven volume catalyst, but one with near-term shipping-cost pressure.

- **Q4 FY2025, 2026-02-24 — Martín de los Santos, CFO:** “Our logistics network absorbed the increase in volumes while driving productivity gains, proving our ability to scale effectively.” [Live FMP earnings-call transcript returned 2026-02-24; data_package §6, Brazil Q4 FY2025 row]. This supports gradual margin recovery after the investment trough, conditional on unit-cost evidence.

- **Q1 FY2026, 2026-05-07 — Martín de los Santos, CFO:** “Chief among them is our decision to lower the free shipping threshold in Brazil, which has proven to be a sustained growth engine across multiple quarters.” [Live FMP earnings-call transcript returned 2026-05-07; data_package §6, Brazil Q1 FY2026 row]. The first forecast year therefore remains strong rather than treating Q2's 59% reported revenue growth as an immediate cliff.

- **Q2 FY2026, 2026-08-05 — Martín de los Santos, CFO:** “Conversion in Brazil is up 1.1 percentage points year-on-year. And this wasn't an incremental gain. It was a step change, and it has proven sustainable for a full year.” [Live FMP earnings-call transcript returned 2026-08-05; data_package §6, Brazil Q2 FY2026 row]. Conversion is a direct operating anchor, but no level, cohort retention rate or profit-per-conversion figure is disclosed.

Two cross-ecosystem statements also affect Brazil because Brazil is the largest integrated market. On 2026-08-05, CFO Martín de los Santos said, “Contribution profit per ecosystemic user is multiples of the sum of a Marketplace-only user and a Fintech-only user,” and, “We are changing behavior and building habits we believe will drive this business' profitability for years to come.” [Live FMP Q2 FY2026 earnings-call transcript returned 2026-08-05; data_package §6, cross-ecosystem rows]. These statements justify connecting Commerce and Fintech adoption, but not quantifying an undisclosed ecosystemic-user profit multiple.

Finally, on 2025-10-30 CFO Martín de los Santos said MercadoLibre would continue investing with discipline in long-term ecosystem potential [Live FMP Q3 FY2025 earnings-call transcript returned 2025-10-30; data_package §6, cross-ecosystem row]. Thus no scenario assumes a management promise of rapid margin normalization. The cases differ mainly in how long reinvestment persists and how much durable revenue, logistics productivity, credit quality and Ads monetization it produces.

8. Forward growth assumptions

Forecast architecture

The model compounds the exact TTM Commerce and Fintech anchors to 2031-06-30. It uses year-by-year deceleration rather than applying one permanent growth rate. The displayed five-year CAGR is the mathematical result of the annual path. No advertising, credit, acquiring, logistics or first-party dollar revenue is created. Those products enter through explicit operating assumptions below.

Base case growth

Product	3-year historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM→TTM+5y	Justification
Commerce	42.7% over two clean intervals	FY2025 30.5%; Brazil Q2 total 59%	No numeric guide; shipping threshold is a sustained growth engine	18.50%	Growth decelerates through 26%, 22%, 18%, 15% and 12% as the larger base offsets conversion, frequency, Ads and logistics gains. Competition prevents peak growth from persisting.

Product	3-year historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM→TTM+5y	Justification
Fintech	34.8% over two clean intervals	FY2025 37.8%; Brazil Q2 product YoY not disclosed	No numeric guide; ecosystemic users have superior contribution economics	22.08%	Growth follows 30%, 26%, 22%, 18% and 15%, supported by acquiring, credit, deposits and cross-sell, with deceleration as user penetration and portfolio size rise.

The base Commerce trajectory is deliberately slower than the post-recast historical CAGR and Q2 segment exit growth. The free-shipping change remains productive in year one, but conversion cannot step up by 1.1 percentage points indefinitely. Growth normalizes as penetrated categories mature, competitors respond and the revenue base expands. Ads and logistics services support a still-high terminal-year growth rate of 12%.

The base Fintech path stays above Commerce because Mercado Pago can increase products per user and capture off-platform payments, credit and savings relationships. Yet Nubank's scale, Pix commoditization and acquiring competition prevent a straight-line extrapolation of the historical 34.8% CAGR. Credit growth is capped by underwriting and funding discipline, not only demand.

Bull case growth

Product	3-year historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM→TTM+5y	Justification
Commerce	42.7% over two clean intervals	FY2025 30.5%; Brazil Q2 total 59%	No numeric guide; sustained conversion and shipping response	24.08%	Annual growth of 32%, 28%, 24%, 20% and 17% assumes durable share gains, successful low-basket economics, strong Ads and superior delivery reliability.
Fintech	34.8% over two clean intervals	FY2025 37.8%; Brazil Q2 product YoY not disclosed	No numeric guide; ecosystem deepening is the strategic anchor	27.87%	Annual growth of 36%, 32%, 28%, 24% and 20% assumes Mercado Pago becomes a primary relationship for more users while credit losses remain contained.

The bull case does not require maintaining Q2's 59% segment growth. It requires a slower, credible glide path supported by the combination of market growth and share gain. Commerce wins more frequency and advertiser wallet without excessive seller fee increases. Fintech deepens user engagement despite Nubank and incumbent banks, and the commerce dataset improves underwriting enough to expand credit profitably.

Bear case growth

Product	3-year historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM→TTM+5y	Justification
Commerce	42.7% over two clean intervals	FY2025 30.5%; Brazil Q2 total 59%	No numeric guide; threshold response observed but payback unproven	12.54%	Annual growth falls through 18%, 15%, 12%, 10% and 8% as subsidies bring lower-value demand, Amazon and Shopee invest, and Ads monetization slows.
Fintech	34.8% over two clean intervals	FY2025 37.8%; Brazil Q2 product YoY not disclosed	No numeric guide; cross-sell claim is unquantified	14.94%	Annual growth of 20%, 18%, 15%, 12% and 10% reflects Pix pricing pressure, slower credit appetite, higher losses and intense competition for primary-account status.

The bear case still grows because Brazil remains digitally underpenetrated and MercadoLibre begins with a strong ecosystem. It is not a collapse case. It is a poor-payback case: demand investment works at the top line but attracts lower-value orders, credit expansion is curtailed after loss deterioration, and competition forces reinvestment. This produces a sharp but explainable deceleration from current reported growth.

Product-driver assumptions without fabricated dollar splits

Driver	Bear	Base	Bull	Evidence and model role
Buyer conversion and frequency	Shipping-led conversion fades; low-value baskets dominate	The 1.1-point conversion step persists, then normalizes	Conversion advantage compounds with frequency and retention	[data_package §6, Brazil Q2 2026 quote]; affects Commerce growth and subsidy payback

Driver	Bear	Base	Bull	Evidence and model role
Free-shipping threshold	Subsidy depth remains high; weak incremental contribution	Density and repeat use recover most initial cost	Higher lifetime value and density create strong payback	[data_package §6, Brazil Q3 and Q1 quotes]; affects growth and Direct contribution margin
Logistics	Capacity leads demand; limited unit-cost progress	Volume density drives gradual productivity	Route and fulfillment density create strong leverage	[data_package §6, Brazil Q4 quote]; no Brazil logistics dollars invented
Advertising	Growth slows toward GMV; weak ad-load gains	Ads outgrows Commerce through better relevance	Ads captures materially more merchant wallet	[data_package §4, Advertising row]; no Brazil Ads dollars disclosed
First-party	Mix raises reported revenue but depresses economics	Used selectively to improve selection	Strong selection benefit without large markdowns	[data_package §4, 1P row]; no Brazil 1P allocation
Acquiring and Pix	Price compression; merchant multi-homing rises	Volume and services offset rate pressure	Merchant ecosystem gains share beyond marketplace	BCB Pix scale and [data_package §4, Acquiring row]
Credit	Growth is cut after NPL deterioration	Controlled expansion with cohort seasoning	Data advantage supports growth and contained losses	[data_package §5, credit portfolio and NPL rows]; consolidated context only
Deposits and AUM	High deposit beta limits economics	Engagement and funding benefits roughly balance	Primary-account gains improve funding and cross-sell	[data_package §4, AUM row]; no Brazil AUM allocation

9. Forward Direct contribution margin assumptions

Product-level Direct contribution margins are not disclosed. Commerce and Fintech share local payroll, technology, marketing, risk, and ecosystem costs, while the geographic segment is the reportable profit unit. **[DATA GAP: Brazil Commerce and Brazil Fintech Direct contribution are not separately disclosed.]** Assigning a high margin to Ads or a credit margin to Fintech would violate the no-fabrication rule. Accordingly, revenue is built bottom-up from the two disclosed streams, while Direct contribution margin is forecast at the Brazil segment level from disclosed historical margins and explicit cost mechanisms.

Case	TTM Direct contribution margin	TTM+1	TTM+2	TTM+3	TTM+4	TTM+5	Five-year change	Specific mechanism
Bear	10.19%	8.5%	7.8%	7.5%	7.7%	8.0%	-219 bps	Shipping subsidy, weak logistics utilization, acquiring price pressure and higher credit losses outweigh Ads and scale.
Base	10.19%	10.5%	11.2%	12.0%	12.6%	13.0%	+281 bps	Order density, logistics productivity, Ads mix, repeat users and controlled credit seasoning gradually recover most investment drag.
Bull	10.19%	11.5%	13.0%	14.5%	16.0%	17.0%	+681 bps	Strong subsidy payback, high Ads monetization, efficient fulfillment, primary-account engagement and contained NPLs drive leverage.

The bear margin bottoms at 7.5% in year three because reinvestment lasts longer than expected while competition restrains monetization. It recovers only slightly to 8.0% as the business eventually absorbs capacity. The bear does not assume permanent losses because the current ecosystem has scale and the company can moderate investment, but Direct contribution grows only modestly relative to revenue.

The base margin reaches 13.0%, just below FY2025's 13.7% and far below FY2023's 23.8%. That is an intentionally conservative normalization. Brazil retains a structurally heavier logistics and credit perimeter than in earlier years; competitors are investing; and management has emphasized long-term habit formation. A 281-basis-point improvement from the TTM trough requires observable unit-cost, Ads and credit-quality progress, not an accounting plug.

The bull reaches 17.0%, still below FY2024's 20.0% and FY2023's 23.8%. The 681-basis-point improvement is large but specifically tied to faster revenue density, logistics utilization, lower acquisition cost for repeat ecosystemic users, higher-margin advertising, profitable financial cross-sell and stable funding/loss economics. The bull does not assume a full return to peak margins because free-shipping, first-party and fintech investments remain meaningful.

The model does not include corporate cost allocations, statutory operating-income adjustments, interest expense below the Direct contribution bridge, foreign-exchange losses or taxes. Direct contribution already includes relevant local funding and credit-loss costs per the issuer's definition, while separate corporate and below-line items belong to the synthesis model [data_package §3a, FY2025 and TTM bridge tables].

10. Segment rollup

Year-by-year bottoms-up revenue and Direct contribution

Case	Period end	Commerce revenue	Fintech revenue	Segment revenue	YoY growth	Direct contribution margin	Direct contribution
Anchor	2026-06-30	$11.344bn	$7.606bn	$18.950bn	n/a	10.19%	$1.931bn
Bear	2027-06-30	$13.386bn	$9.127bn	$22.513bn	18.8%	8.5%	$1.914bn
Bear	2028-06-30	$15.394bn	$10.770bn	$26.164bn	16.2%	7.8%	$2.041bn
Bear	2029-06-30	$17.241bn	$12.386bn	$29.627bn	13.2%	7.5%	$2.222bn
Bear	2030-06-30	$18.965bn	$13.872bn	$32.837bn	10.8%	7.7%	$2.528bn
Bear	2031-06-30	$20.482bn	$15.259bn	$35.741bn	8.8%	8.0%	$2.859bn
Base	2027-06-30	$14.293bn	$9.888bn	$24.181bn	27.6%	10.5%	$2.539bn
Base	2028-06-30	$17.438bn	$12.459bn	$29.897bn	23.6%	11.2%	$3.348bn
Base	2029-06-30	$20.577bn	$15.200bn	$35.776bn	19.7%	12.0%	$4.293bn
Base	2030-06-30	$23.663bn	$17.935bn	$41.599bn	16.3%	12.6%	$5.241bn
Base	2031-06-30	$26.503bn	$20.626bn	$47.129bn	13.3%	13.0%	$6.127bn
Bull	2027-06-30	$14.974bn	$10.344bn	$25.318bn	33.6%	11.5%	$2.912bn
Bull	2028-06-30	$19.167bn	$13.654bn	$32.821bn	29.6%	13.0%	$4.267bn
Bull	2029-06-30	$23.767bn	$17.477bn	$41.244bn	25.7%	14.5%	$5.980bn
Bull	2030-06-30	$28.520bn	$21.672bn	$50.192bn	21.7%	16.0%	$8.031bn
Bull	2031-06-30	$33.369bn	$26.007bn	$59.375bn	18.3%	17.0%	$10.094bn

Every segment-revenue row is Commerce plus Fintech. Every Direct contribution row is segment revenue multiplied by the displayed Direct contribution margin, with differences limited to rounding. There is no residual product or plug. The TTM anchor ties: $11.344 billion + $7.606 billion = $18.950 billion; $18.950 billion × 10.19% rounds to the sealed $1.931 billion.

Endpoint reconciliation

Case	Commerce TTM+5 revenue	Fintech TTM+5 revenue	Sum of products	Reported segment total	Residual	Direct contribution margin	Direct contribution
Bear	$20.482bn	$15.259bn	$35.741bn	$35.741bn	$0.000bn	8.0%	$2.859bn
Base	$26.503bn	$20.626bn	$47.129bn	$47.129bn	$0.000bn	13.0%	$6.127bn
Bull	$33.369bn	$26.007bn	$59.375bn	$59.375bn	$0.000bn	17.0%	$10.094bn

The five-year segment revenue CAGR is 13.53% in bear, 19.99% in base and 25.66% in bull. Direct contribution CAGR is 8.16%, 25.94% and 39.20%, respectively, from the sealed $1.931 billion TTM anchor. The much wider profit range is appropriate because the current margin is investment-depressed and the payoff of logistics, shipping subsidy, Ads and credit is the central uncertainty.

Probability inputs

Case	Probability	Why this weight is used
Bear	25%	Competitive investment, Pix/acquiring pressure, credit losses and poor subsidy payback are individually plausible and correlated through lower-quality growth.

Case	Probability	Why this weight is used
Base	55%	Current conversion and volume response is proven, while gradual deceleration and only partial margin recovery reflect the most balanced evidence.
Bull	20%	The integrated flywheel can outperform, but sustained share gains plus strong margin recovery require several favorable drivers simultaneously.

The probabilities sum to 100%. Probability-weighted 2031-06-30 revenue is **$46.731 billion**: 25% × $35.741 billion + 55% × $47.129 billion + 20% × $59.375 billion. Probability-weighted Direct contribution is **$6.103 billion**: 25% × $2.859 billion + 55% × $6.127 billion + 20% × $10.094 billion. The implied probability-weighted margin is **13.06%**. This is an expected-value diagnostic, not a fourth path, and it should not be combined with independently averaged CAGRs or margins.

11. Key risks, wildcards and monitoring conditions

Free-shipping payback — bear/base. The central risk is that the lower threshold permanently increases shipping subsidy faster than repeat-order contribution. Reported conversion and items can grow while Direct contribution stagnates. Monitor Brazil Direct contribution per dollar of revenue, fulfillment unit-cost commentary, repeat-order behavior and whether management further lowers thresholds. The base requires margin improvement by TTM+2; failure to reach roughly 11% by then would shift weight toward bear.

Competitive logistics build-out — bear. Amazon's 2025–2026 investment and Shopee's expansion can reduce MercadoLibre's delivery advantage and force prolonged subsidies. Monitor delivery promises, fulfillment penetration, seller service levels and rival capacity. A rising facility count alone is not enough; the decisive evidence is relative speed, cost and conversion.

Traffic fragmentation and social commerce — bear. TikTok Shop, Shopee, Temu, Shein and social platforms can capture discovery. If consumers begin journeys elsewhere, MercadoLibre may pay more for traffic or accept lower seller monetization. Monitor direct/app traffic, unique buyers, purchase frequency and Ads growth relative to GMV. Ads decelerating below Commerce for several quarters would weaken the margin-recovery thesis.

Marketplace health — bear/base. More Ads, first-party sales or fee monetization can crowd out third-party sellers or worsen price competitiveness. The model assumes monetization comes with measurable seller returns, not extraction. Monitor seller growth, selection, conversion, complaints and any disclosure of ad load or seller economics.

Credit-cycle and funding risk — bear. Rapid portfolio expansion can hide immature cohorts. Higher NPLs, fraud or funding spreads can impair Direct contribution because credit-loss provisions and funding costs are included in the segment metric. Monitor total and card 15–90 day NPL, NIMAL, allowance coverage, securitization/funding mix and cohort seasoning. A sustained consolidated NPL move materially above the Q2 2026 7.0% total level without compensating yield would be a bear signal; the precise Brazil threshold is unavailable because country credit data is not disclosed.

Pix commoditization — bear/base. Pix makes basic transfers cheap and universal. Mercado Pago must use Pix as an engagement rail while monetizing acquiring, credit, deposits, cards and merchant services. Monitor payment users, acquiring TPV, merchant growth and product-per-user indicators. High TPV growth with persistent acquiring margin compression would favor bear.

Primary-account upside — bull. Mercado Pago could convert commerce users into daily financial relationships, improving deposits, payment frequency, underwriting and cross-sell. Management's ecosystemic-user profit claim makes this the largest positive wildcard. Evidence would include sustained Fintech MAU growth, AUM growth, card engagement and stable credit quality alongside rising Brazil Direct contribution margin.

Advertising upside — bull/base. Purchase-intent data can take merchant wallet from broad digital media. Because Brazil Ads dollars are undisclosed, the model requires qualitative confirmation: Ads growth above GMV, broader formats, advertiser retention and higher seller return. The bull assumes strong growth without degrading organic marketplace quality.

Tax reform and regulation — bear/base. Brazil's CBS/IBS transition begins in 2026 and creates compliance, pricing and cash-flow uncertainty [data_package §9, Brazil tax-reform item]. Consumer-credit, payments, marketplace liability, labor and data rules can also change economics. No quantified tax-reform benefit or cost is embedded because management has not provided one.

FX translation — all cases. The segment reports in USD but earns mainly in Brazilian reais. This appendix forecasts reported USD revenue and Direct contribution from the USD TTM anchor. A major BRL move can overwhelm local-currency operating progress. The cases capture broad reported-growth outcomes but do not present a separate currency schedule; synthesis should avoid treating the segment forecast as a local-currency forecast.

First-party and revenue-recognition mix — all cases. Faster first-party activity can raise reported Commerce revenue with different gross economics and working-capital needs. Monitor product/service mix, inventory, markdowns and cash conversion. The terminal Direct contribution margin guards against assuming every revenue dollar is equivalent, but a large perimeter shift would require re-underwriting.

Capital intensity — bear/base. Brazil-only capex and invested capital are undisclosed. Consolidated logistics, technology, restricted cash and credit funding are material, so Direct contribution growth is not the same as owner cash flow. Synthesis must assess capital intensity at the consolidated level and should not apply an industrial free-cash-flow conversion to Brazil.

Investment interpretation

Brazil is MercadoLibre's largest growth engine and its most important proof that ecosystem reinvestment can create value. The current evidence supports demand strength: revenue accelerated to 59% in Q2 2026, conversion improved by 1.1 percentage points and management reports a sustained response to the lower free-shipping threshold. The same evidence does not yet prove mature economics. TTM Direct contribution margin is only 10.19%, down from 23.8% in FY2023 and 13.7% in FY2025.

The base case assumes the company earns back part—not all—of that decline. Revenue compounds at 19.99% for five years, while Direct contribution margin reaches 13.0%, yielding $6.127 billion of Brazil Direct contribution. This outcome requires continued share gains, credible logistics productivity, Ads outgrowth and controlled credit losses. It does not require a return to peak margin or indefinite 50% growth.

The bear case shows why top-line momentum alone is insufficient. Even at a healthy 13.53% five-year revenue CAGR, margin can settle at 8.0% if shipping, competition, credit and acquiring costs persist, leaving Direct contribution at only $2.859 billion. The bull case demonstrates the operating leverage embedded in the ecosystem: 25.66% revenue CAGR and 17.0% margin produce $10.094 billion. Because the profit outcomes are so convex, subsequent combined-company valuation should carry the full scenario range rather than treating the base as a point estimate.

Summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	$35.741bn	Direct contribution	8.0%	$2.859bn	25%
Base	$47.129bn	Direct contribution	13.0%	$6.127bn	55%
Bull	$59.375bn	Direct contribution	17.0%	$10.094bn	20%

The probability-weighted endpoint is $46.731 billion of revenue and $6.103 billion of Direct contribution at a 13.06% implied margin. The model's decisive monitoring question is whether Brazil can convert the free-shipping-led conversion step change into repeat demand, logistics density, high-margin Ads and disciplined fintech cross-sell without allowing credit, funding and competitive subsidies to absorb the economics.

Appendix B2 - Mexico

MercadoLibre — Mexico Segment Deep Dive

Run ID: pulse-cio-20260914T060240+0800 Action: CIO-20260911-MELI-LEGACY-ER2-REFRESH Information cutoff: 2026-09-14 SGT Forecast anchor: TTM ended 2026-06-30 Forecast horizon: 2031-06-30, exactly five calendar years Reporting currency: USD; figures are USD billions unless stated otherwise Exact profit basis: **Direct contribution**

0. Segment boundary and taxonomy note

Mexico is one of MercadoLibre's four issuer-reported geographic segments. It contains the local Commerce and Fintech revenue streams and the local costs captured by the issuer's Direct contribution definition. Commerce and Fintech are revenue streams nested inside Mexico, not additional reportable segments, while Product and Service are consolidated accounting classifications and are not a valid substitute for the geographic perimeter. The segment structure itself is stable across the five-year history, but an accounting presentation change took effect on January 1, 2024: operating interest income and expense required for Mercado Pago moved into revenue and cost of revenue, and the current filing recast FY2023. FY2023 is therefore the earliest clean boundary for dollar comparisons in the forward model. FY2021-FY2022 remain useful context only and are never silently linked to FY2023-FY2025 as though all three years used the same presentation. The current filing's FY2023 recast controls over the stale FMP geography cell. [MercadoLibre FY2025 Form 10-K, segment and revenue-disaggregation notes](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); data_package §§0a-1.

The sealed statutory bridge defines the exact common segment-profit basis as **Direct contribution**. It is not statutory operating income. Direct contribution deducts local fulfillment, collection, credit-loss provision, funding, marketing, payroll, hosting, depreciation and other segment costs, but excludes the separately bridged indirect and corporate operating-cost line. This appendix forecasts Mexico on that exact basis and does not allocate corporate costs into the segment. The data package states STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING; its FY2025 and TTM Mexico Direct contribution values are $1.171 billion and $1.336 billion, respectively. The exact sealed bridge SHA-256 is `bb8da6bc237cce47e4bd345ebf21f2fe948d217c59a4d1466bb5c87f9c44ac41`. [MercadoLibre FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); [MercadoLibre Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm); data_package §3a, FY2025 and TTM bridge tables.

1. What the Mexico segment actually is

Mexico is an integrated local ecosystem rather than a single website or payment app. On the Commerce side, MercadoLibre matches consumers with first-party and third-party merchandise, earns marketplace fees, charges for shipping and related services, monetizes seller and brand demand through advertising, sells subscriptions and classifieds, and recognizes revenue from merchandise sold as principal. On the Fintech side, Mercado Pago provides wallet and account functionality, merchant acquiring, payment processing, cards, consumer and merchant credit, deposit and investment products, and other financial services. The economics reinforce one another: Commerce generates high-intent consumers and merchants for Mercado Pago, while the payments account, credit, logistics, loyalty and ads products lower friction and raise the frequency with which a user returns to Commerce.

The customer set spans four groups. Consumers value selection, delivery speed, buyer protection, stored payment credentials, financing and a usable financial account. Third-party sellers value buyer traffic, fulfillment, last-mile reach, payment acceptance, working-capital access and paid discovery. Larger brands use the marketplace, first-party wholesale relationships and Mercado Ads to acquire customers and measure sales. Off-platform merchants use Mercado Pago point-of-sale devices, acquiring, QR or account-to-account rails and may later adopt credit or savings products. This cross-group architecture matters because the economics of a user who adopts both Marketplace and Fintech can be materially better than the sum of two disconnected users; management explicitly says contribution profit per ecosystemic user is multiples of the combined Marketplace-only and Fintech-only user. [data_package §6, Other Countries and cross-ecosystem drivers, Q2 FY2026 ecosystemic-user quote]

Pricing is a portfolio of visible and implicit charges rather than one take rate. Commerce monetization includes transaction fees, fulfillment and shipping revenue, advertising, subscriptions, classifieds and first-party product margins. Fintech monetization includes merchant discount and processing revenue, interchange, credit interest and fees, returns on financial

balances and related services. The data package explicitly warns that Commerce revenue divided by GMV is not a marketplace take rate, because the numerator includes shipping, ads, subscriptions and 1P while the denominator is marketplace volume. Fintech revenue divided by TPV is similarly not a payments take rate because credit and investment products are mixed with acquiring. [data_package §4, note following growth-only disclosures; §10, take-rate and payment-penetration gaps]

Go-to-market is also integrated. MercadoLibre acquires buyers through brand, selection, prices, delivery promises and loyalty; sellers through traffic, fulfillment and payments; advertisers through closed-loop purchase data; and fintech users through marketplace checkout, wallet utility, merchant acceptance, cards, returns on balances and credit. Mexico's high fulfillment penetration—nearly 80% in Q4 2025—means logistics is already a core part of the proposition rather than an experimental add-on. The network shipped about 95% of items across MercadoLibre's footprint, while management said Mexico's unit shipping costs in fulfillment continued to fall in Q3 2025. These facts support scale economies, but the latest quarter's margin compression also shows that lower unit costs do not guarantee immediate profit when management reinvests the savings in shipping benefits, 1P, acquiring hardware or credit expansion. [data_package §0a, Logistics penetration row; §4, Fulfillment row; §6, Mexico Q3 and Q2 quotes]

The model therefore treats Mexico as one reportable profit pool with two disclosed revenue streams. Commerce and Fintech revenue are forecast separately because their growth drivers differ. Direct contribution is forecast only at the Mexico segment level because the issuer does not disclose Direct contribution by Commerce versus Fintech, nor by ads, logistics, payments or credit. Assigning product margins or dollar profit to those undisclosed sub-lines would create false precision.

2. Current economics

Mexico produced $8.060 billion of revenue in the TTM ended 2026-06-30. That total is mechanically reconstructed from the four issuer-disclosed or mechanically isolated quarters: $1.651 billion in Q3 2025, $2.096 billion in Q4 2025, $1.976 billion in Q1 2026 and $2.337 billion in Q2 2026. The same period contains $5.060 billion of Commerce revenue and $3.000 billion of Fintech revenue. Commerce was therefore 62.8% of Mexico TTM revenue and Fintech 37.2%; these are revenue-mix calculations, not economic profit shares. [Q3 2025 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959025000051/meli-20250930.htm); [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm); data_package §§4-5.

TTM Direct contribution was $1.336 billion, equal to 16.6% of TTM revenue. This value is sourced from the verified statutory reconciliation, not derived by applying a margin to revenue. FY2025 Mexico revenue was $6.475 billion and Direct contribution was $1.171 billion, a margin of 18.1%. The reduction from FY2025's 18.1% to the TTM's 16.6% is economically consistent with the quarterly pattern: Mexico's Direct contribution margin was 18.5% in Q3 2025, 18.2% in Q4, 17.4% in Q1 2026 and 13.1% in Q2. The Q2 decline is too large to dismiss as rounding. CFO Martín de los Santos attributed pressure on the August 5, 2026 earnings call to acquiring, primarily in Mexico, plus incremental Commerce investment. [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm); data_package §§3, 3a, 5-6.

Current-period item	Value	Interpretation	Specific source
Mexico TTM revenue	$8.060bn	Sum of four reported/mechanically isolated quarters	Q3 2025 10-Q; FY2025 10-K; Q2 2026 10-Q; data_package §§4-5
Commerce TTM revenue	$5.060bn	62.8% of Mexico revenue	Same filings; data_package §4 geography/stream table
Fintech TTM revenue	$3.000bn	37.2% of Mexico revenue	Same filings; data_package §4 geography/stream table
Direct contribution	$1.336bn	Exact sealed segment-profit basis	FY2025 10-K and Q2 2026 10-Q TTM reconciliation; data_package §3a
Direct contribution margin	16.6%	$1.336bn divided by $8.060bn	Same official filings and bridge calculation
Latest-quarter revenue growth	55%	Q2 2026 reported USD growth	Q2 2026 Form 10-Q and shareholder letter dated 2026-08-05
Latest-quarter Direct contribution margin	13.1%	Acquiring and Commerce investment pressure	Q2 2026 Form 10-Q; CFO call remarks dated 2026-08-05

Growth remains unusually strong. FY2025 revenue increased 38.8% on the current annual perimeter, while Q2 2026 revenue grew 55% in reported dollars. That Q2 figure should not be projected unchanged for five years because reported-dollar growth includes FX translation and because the underlying management commentary says Mexico GMV grew 28% in Q1 2026 after 35% in Q4 2025. The divergence between revenue growth and GMV growth signals changing monetization, business mix, Fintech growth and currency effects, not a guaranteed 55% volume runway. [data_package §3, Mexico YoY growth row; §5, Q2 Mexico row; §6, Mexico Q4 and Q1 quotes]

The segment is capital intensive in operational substance even though the issuer does not disclose Mexico capex. High fulfillment penetration requires facilities, automation, sortation, transportation technology and delivery capacity. Fintech growth requires payment devices, technology, fraud and compliance systems, funding liquidity and balance-sheet capacity for credit. Consolidated capex was $1.343 billion in FY2025, or 4.6% of revenue, and Product and technology development was $2.269 billion, or 7.9% of revenue, but no part of either figure is allocated to Mexico in this appendix. [FY2025 Form 10-K, cash-flow and operating-expense tables](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); data_package §7. The forecast captures the economic consequence through the segment's Direct contribution margin and conservative reinvestment cadence, not through invented Mexico capital dollars.

Product-level disclosure is deliberately incomplete. Mexico has no disclosed stand-alone advertising revenue, clean marketplace take rate, payment penetration, uniform five-year logistics table, country-level credit portfolio, country-level NPL series or country-level AUM. These are genuine data gaps in the data package. They limit the precision of sub-product valuation but do not prevent a forecast at the disclosed Commerce/Fintech revenue-stream level and the sealed geographic Direct contribution level.

3. Unit economics

Commerce

Commerce revenue begins with transaction activity, but the revenue yield depends on mix. Third-party marketplace fees are generally asset-light relative to first-party merchandise, while 1P records product revenue and carries inventory and product gross-margin risk. Shipping services can increase revenue and conversion but require fulfillment labor, sortation, carrier expense and subsidies. Advertising monetizes purchase intent and seller competition with limited incremental physical cost, although sales teams, data infrastructure and product development are not free. Subscriptions and loyalty benefits can improve retention but may bundle shipping or content benefits whose expense arrives before the lifetime value is proven.

The key Commerce volume drivers are buyers, purchase frequency, items per buyer, average selling value, selection and conversion. Mexico's disclosed GMV growth of 35% in Q4 2025 and 28% in Q1 2026 confirms healthy demand but also shows that the underlying commerce trajectory is slower than reported-dollar segment revenue growth. [data_package §6, Mexico Q4 and Q1 quotes] A model that simply extrapolates the latest 55% segment-revenue growth would implicitly assume sustained FX help, rising monetization or Fintech acceleration without specifying which. The base case instead begins with a 30% Commerce growth year and deliberately decelerates to 13% in year five.

Logistics is both a moat and a variable cost. Nearly 80% fulfillment penetration in Mexico means a large portion of orders can benefit from inventory proximity, standardized handling and predictable delivery. Management's statement that fulfillment unit shipping costs continued to fall is evidence of density and productivity. [data_package §0a, Logistics penetration row; §6, Mexico Q3 quote] Yet the relevant shareholder question is not whether unit cost declines; it is whether savings exceed the price, shipping subsidy and service improvements reinvested to acquire demand. Base-case margin expansion is delayed because management is still investing in Commerce, and the bear case assumes competitive service levels force most unit-cost savings back to customers.

Advertising is the highest-potential mix lever but cannot be assigned a Mexico dollar amount. Consolidated Ads grew 73% in reported dollars and 62% FX-neutral in Q2 2026, after 56% reported and 63% FX-neutral in Q3 and 70% reported and 67% FX-neutral in Q4. [Q3 2025 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959025000048/meli-20251029xex991.htm); [Q4 2025 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000003/meli-20260224xex991.htm); [Q2 2026 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm); data_package §4. Closed-loop data can make ad spending more measurable than broad media, and growth faster than GMV should lift Commerce monetization and Direct contribution if incremental sales and technology costs remain controlled. The restraint is competitive: TikTok Shop and social-commerce formats can intercept discovery before a user searches MercadoLibre, while

Amazon and Walmart can bundle retail media with their own commerce data.

Fintech

Fintech revenue is driven by acquiring TPV, wallet engagement, cards, credit balances, deposits and investment assets, but these lines have very different risk and margin profiles. Acquiring revenue scales with payment volume and merchant pricing but carries processing, interchange, fraud, device and field-distribution costs. Management specifically identified acquiring margin compression in Mexico, so the near-term forecast cannot assume that every incremental payment dollar carries the historical blended margin. [data_package §6, Mexico Q2 quote] The broader market remains attractive: Banco de México reported 5.342 billion SPEI transfers in 2024, evidencing rapid digital-account utility, but instant bank-to-bank transfers are also a low-cost rail that can reduce the differentiation of a proprietary wallet. [Banco de México 2024 infrastructure report](https://www.banxico.org.mx/publicaciones-y-prensa/informe-anual-sobre-las-infraestructuras-de-los-me/%7BE0085475-B1D7-DED0-60AF-05ED88153BDC%7D.pdf)

Credit has an attractive revenue yield but is not equivalent to software revenue. Expected-loss provisioning is front-loaded at origination, while interest income arrives over the loan life. Consolidated H1 2026 provision for doubtful accounts was $2.520 billion versus $1.293 billion in H1 2025, even though Q2 asset-quality indicators were near historic lows. [Q2 2026 Form 10-Q, provision for doubtful accounts](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm); data_package §5. This timing means rapid portfolio growth can depress current Direct contribution before cohorts season, but weak underwriting can also make reported early revenue look attractive before losses emerge. The segment model therefore gives the base case more Fintech growth than Commerce but does not grant immediate margin expansion.

Credit cards were 47% of the consolidated portfolio at Q2 2026 and had a 4.6% 15-90 day NPL ratio; the total portfolio was $16.4 billion with a 7.0% total 15-90 day NPL, while NIMAL was 20.7%. These are consolidated, not Mexico-specific, so they inform risk direction but are never attributed to Mexico as country dollars. [Q2 2026 shareholder letter, credit portfolio and asset-quality tables](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm); data_package §§0a and 5. A larger card share can deepen engagement and interchange but increases funding, fraud, capital and loss-sensitivity. The bear case therefore combines lower Fintech growth with weaker Direct contribution, rather than assuming growth simply disappears with no credit-cost effect.

The credit/acquiring challenge is sharper than a conventional growth slowdown. Fintech rises from 37.2% of Mexico revenue at the TTM anchor to 38.9% in bear, 40.5% in base and 40.1% in bull, yet the issuer does not disclose Mexico credit balances, NPLs, provision, NIMAL, acquiring TPV or acquiring contribution. Thus faster Fintech mix is not, by itself, evidence of margin leverage. The base case is conditional on acquiring compression stabilizing after the first forward year and on consolidated credit indicators not showing sustained worsening; the bull additionally requires mature card and credit cohorts to cover funding, fraud, capital and expected-loss costs. If consolidated provisions keep growing materially faster than consolidated Fintech revenue, total 15-90 NPL deteriorates for multiple quarters, or acquiring pressure persists despite scale, the 18.5% base terminal margin loses support and the bear margin path becomes the more defensible control. This is a qualitative underwriting condition, not an invented Mexico product-profit allocation.

Deposits and investments can lower structural funding costs, yet funding remains a competitive and regulatory question. Banco de México's target rate was 6.50% on September 11, 2026. [Banco de México daily interest-rate table](https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadro&idCuadro=CF101&locale=es&sectorDescripcion=Mercado+de+valores+y+tasas+de+inter%EF%BF%BDs) Falling rates may reduce deposit expense and borrower stress, but they can also compress asset yields and NIMAL. Rising rates do the reverse and may worsen credit losses. The Direct contribution margin is therefore the correct metric for Mexico because it includes local funding and credit-loss costs rather than presenting a payment-revenue growth rate divorced from risk.

How revenue becomes Direct contribution

The bridge from Mexico revenue to Direct contribution can be summarized as follows: Commerce and Fintech revenues add to the geographic top line; locally attributable cost of merchandise, fulfillment, shipping, acquiring, credit provision, funding, fraud, customer service, marketing, payroll, hosting and depreciation are deducted; the remainder is Mexico Direct contribution. Corporate and indirect operating expenses remain outside the segment and are forecast once in synthesis. No operating-interest, tax or foreign-exchange item is moved into Mexico by analyst judgment.

The principal upside mechanisms are: denser fulfillment lowering cost per package; higher ad mix; more repeat buyers lowering acquisition cost; greater ecosystemic-user penetration; more low-cost deposits funding credit; better underwriting

and fraud models; and acquiring scale lowering device and servicing cost per merchant. The main downside mechanisms are: free-shipping or price investment absorbing efficiency; 1P mix raising inventory and working-capital risk; competitors forcing seller-fee or ad-price concessions; acquiring device subsidies; higher network or interchange costs; credit losses exceeding priced expectations; deposit competition raising funding cost; and regulation requiring additional capital, product separation or algorithmic changes.

4. Competitive dynamics

Marketplace, retail and logistics

Mexico is not a winner-take-all retail market, but scaled marketplaces enjoy strong network and logistics advantages. COFECE's preliminary investigation found that Amazon and Mercado Libre together represented more than 85% of seller-side marketplace sales and transactions in the period it analyzed. [COFECE preliminary public decision](https://www.cofece.mx/wp-content/uploads/2024/02/DOF-13febrero2024-01.pdf) That historical statistic should not be misread as MercadoLibre's current standalone share, and it does not cover all retail or social commerce. It does, however, support the claim that marketplace seller demand was highly concentrated around two scaled networks.

Amazon is the closest full-stack marketplace competitor. Amazon reported more than 40 facilities and twelve fulfillment centers in Mexico as of April 2024, alongside more than MXN 52 billion invested in the country. [Amazon Mexico economic-impact summary](https://www.aboutamazon.com/news/policy-news-views/how-amazon-mexico-benefits-consumers-businesses-and-the-mexican-economy) Its advantages are global selection, Prime, seller tools, brand trust and deep logistics capital. MercadoLibre's offsetting advantages are a Latin America-built product stack, local payments and credit integration, strong merchant-acquiring distribution and a logistics network optimized for regional conditions. Competitive equilibrium can still be expensive: both platforms can recycle scale savings into faster shipping, lower thresholds and seller incentives, keeping consumer surplus high but delaying margin capture.

Walmart de México brings a different threat: stores, grocery frequency, inventory, pickup and same-day delivery. Its 2025 report says Mexico eCommerce GMV grew 17.1%, represented 8.3% of total GMV, and included 12.7% marketplace growth. [Walmex 2025 annual report](https://files.walmex.mx/upload/files/2025/EN/Annual/Walmex_Annual_Report_MSE_2025.pdf) Walmart's digital growth is slower than MercadoLibre's recent Mexico signals, but its physical footprint lowers the cost of omnichannel fulfillment for grocery and repeat essentials. It can compete on immediacy and everyday-price perception without recreating a marketplace-only network from scratch.

TikTok Shop attacks product discovery and advertising rather than only delivery. The company reported that average daily GMV in Mexico increased 34-fold between February and September 2025, with products available up fifteen-fold and active sellers and creators with sales up twenty-three-fold. [TikTok Shop Mexico launch update](https://newsroom.tiktok.com/tiktok-shop-evento-cdmx?lang=es-419) Those figures come from a very small launch base and are not comparable to MercadoLibre's dollars, but they show how quickly creator-led commerce can recruit sellers and buyers. The threat is highest to impulse categories and Mercado Ads: if discovery begins and conversion completes inside social video, MercadoLibre may need to spend more on traffic or share economics with creators.

The market runway is nevertheless real. INEGI estimated Mexico's gross value added from e-commerce at MXN 2.308 trillion in 2024 and real growth of 7.1%. [INEGI e-commerce value-added report](https://www.inegi.org.mx/contenidos/saladeprensa/boletines/2026/vabcoel/vabcoel2024_RR.pdf) That economy-wide measure is broader than retail marketplace GMV and cannot be used to size MercadoLibre, but it establishes that digital commerce continues to outgrow the broader economy. The base case assumes MercadoLibre continues to take share and increase monetization, while the declining annual growth cadence recognizes that Mexico's segment cannot compound at 50%-plus indefinitely from an $8.060 billion TTM base.

Payments, accounts and credit

Fintech competition is broader than marketplace competition. Traditional banks retain deposits, payroll relationships, cards and regulatory infrastructure. Specialist acquirers and payment facilitators compete for merchants. Digital banks and wallets compete on yield, app experience, credit access and low fees. Nu is the clearest scaled digital challenger: at Q2 2026 it reported 15.8 million customers in Mexico, with a 35% loan-to-deposit ratio and a deliberate effort to optimize deposit costs. [Nu Q2 2026 results](https://nu.com/en/newsroom/company/nu-holdings-ltd-reports-second-quarter-2026-financial-results) Nu's standalone customer scale and balance-sheet strategy pressure Mercado Pago to remain competitive on deposits, cards and credit even when the marketplace funnel reduces acquisition cost.

These threats can compound rather than arrive one at a time. Amazon or Walmart can force Commerce shipping and price reinvestment while TikTok raises discovery-acquisition expense and Nu or banks bid up deposits and cards; the same period can therefore pressure both sides of the ecosystem. Cross-sell lowers acquisition cost only if users remain economically engaged, and multi-homing weakens the inference that ecosystem breadth guarantees pricing power. This overlap is why the bull case receives only a 20% probability despite strong historical growth: sustaining 29.1% revenue CAGR while lifting Direct contribution margin to 21.0% requires competitive intensity to moderate across logistics, discovery, acquiring and credit simultaneously.

Public payment rails also reduce switching costs. SPEI enables transfers across institutions; CoDi and Dimo add QR and phone-number functionality. [Banco de México SPEI overview](https://www.banxico.org.mx/servicios/spei_-informacion-banco-mex.html) These rails expand the addressable digital market but make basic account-to-account transfer functionality less proprietary. Mercado Pago's durable advantage therefore must come from distribution, merchant acceptance, engagement, credit data, convenience and cross-ecosystem economics—not ownership of the underlying rail.

Pricing power is mixed. MercadoLibre has strong pricing power where it delivers measurable incremental sales, fast fulfillment, trusted payment and closed-loop ads. It has weaker power where merchants can multi-home across marketplaces, accept payments through several providers or fund loans elsewhere. Consumers can compare prices and shift apps easily, so visible fees or worse delivery can reduce conversion. The segment's best defense is the combined bundle: a seller may replicate one service but faces greater complexity replicating traffic, fulfillment, payments, ads and credit together.

5. Moat at the segment level

Mexico has a meaningful but reinvestment-dependent moat. Its strongest layer is the two-sided marketplace network: more buyers attract more sellers and selection, while more sellers attract buyers. COFECE's evidence on concentration and entry barriers supports the presence of network effects, high technology investment and the time required to build logistics and trust. [COFECE preliminary findings](https://www.cofece.mx/wp-content/uploads/2024/02/Dictamen_Preliminar_Version_Publica.pdf) Yet network effects do not immunize MercadoLibre from Amazon, Walmart or social platforms, and merchant multi-homing prevents perfect lock-in.

The second layer is logistics density. A network that already fulfills nearly 80% of Mexico items can place inventory nearer demand, improve delivery predictability, collect more operating data and spread fixed facility and software costs across greater volume. Falling fulfillment unit shipping cost is direct evidence of scale economics. The moat is durable only if service quality and cost improve faster than rivals; Amazon's large Mexican footprint and Walmart's stores prove that competitors can also deploy physical assets.

The third layer is the Commerce-Fintech data loop. MercadoLibre observes marketplace purchases, merchant sales, payments and repayment behavior, which can improve fraud detection, underwriting, offers and ad targeting. Mercado Pago also extends beyond the marketplace through acquiring, enlarging the data set and merchant relationship. The advantage is behavioral and distributional, not a license to ignore credit cycles. Adverse selection can increase as competitors target prime customers, and privacy or fair-lending rules can limit how data is used.

The fourth layer is closed-loop advertising. Sellers and brands can buy placement near purchase intent and measure conversion. As ads grow faster than GMV, they can lift monetization without the physical working capital required by 1P. But TikTok's discovery-commerce growth and retail-media offerings from Amazon and Walmart contest the same budget. Mercado Ads is likely a strong moat extension, not an independent monopoly.

The fifth layer is trust and ecosystem habit. Buyer protection, reliable delivery, stored balances, payment credentials, credit and loyalty reduce friction. Management's ecosystemic-user profit comment is strategically important because it suggests engagement compounds across products. The evidence is still incomplete: the company does not disclose a Mexico ecosystemic-user count or retention cohort, so this appendix does not convert the comment into a dollar forecast.

Over five to ten years, the moat should remain material if MercadoLibre preserves delivery leadership, controls credit losses and converts high growth into better local unit economics. It weakens if social commerce owns discovery, Amazon matches local logistics, Nu or banks own the primary financial relationship, regulators force product unbundling, or shipping and acquiring subsidies become permanent. The base case therefore allows only 190 basis points of margin expansion from the TTM level over five years, despite very strong revenue growth. That is a test of profitable density rather than a blanket belief in platform leverage.

6. Historical growth rates

The table uses the FY2023 recast boundary required by the data package. It shows three fiscal-year revenue observations and the two-year CAGR from FY2023 to FY2025; calling that a three-year CAGR would overstate the compounding interval. No historical number is re-fetched or borrowed from an old appendix.

Product / sub-segment	FY2023 recast revenue	FY2024 revenue	FY2025 revenue	FY2023-FY2025 CAGR	Most recent annual YoY	Data-package citation
Mexico total	$3.071bn	$4.664bn	$6.475bn	45.2%	38.8%	[FY2025 Form 10-K, recast geography table](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); data_package §3
Mexico Commerce	$1.979bn	$3.072bn	$4.185bn	45.4%	36.2%	[FY2025 Form 10-K, Commerce/Fintech by geography](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); data_package §4
Mexico Fintech	$1.092bn	$1.592bn	$2.290bn	44.8%	43.8%	[FY2025 Form 10-K, Commerce/Fintech by geography](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); data_package §4

Arithmetic checks pass within 2%. Mexico total: $3.071bn × 1.519 = $4.664bn and $4.664bn × 1.388 = $6.474bn, versus $6.475bn reported, a rounding difference below 0.1%. Commerce: $1.979bn × 1.552 = $3.071bn, versus $3.072bn, and $3.072bn × 1.362 = $4.184bn, versus $4.185bn. Fintech: $1.092bn × 1.458 = $1.592bn and $1.592bn × 1.438 = $2.289bn, versus $2.290bn. The annual Commerce and Fintech rows sum to the Mexico total in every displayed year within rounding.

For the TTM anchor, the disclosed quarter sums are also exact. Commerce: $1.049bn + $1.366bn + $1.195bn + $1.450bn = $5.060bn. Fintech: $0.602bn + $0.730bn + $0.781bn + $0.887bn = $3.000bn. Combined Mexico revenue is $8.060bn. [Q3 2025 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959025000051/meli-20250930.htm); [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm); data_package §4. No product revenue is back-solved.

The longer FY2021-FY2022 Mexico segment totals—$1.172 billion and $1.864 billion—are disclosed, but they sit before the current FY2023 recast boundary. [FY2022 Form 10-K, geographic segment table](https://www.sec.gov/Archives/edgar/data/1099590/000109959023000007/meli-20221231.htm); data_package §§1 and 3. They are not used in the CAGR or forecast calibration. This preserves the explicit instruction not to compare old-taxonomy and post-recast dollar totals silently.

7. Management guidance

MercadoLibre has not issued conventional Mexico revenue, profit or EPS guidance. The relevant guidance is operational and is reproduced from the verified data package rather than re-fetched from transcripts.

- **Q3 FY2025 call, 2025-10-30 — Martín de los Santos, CFO; data_package §6:** “We had a great quarter in Mexico with GMV growth accelerating and unit shipping costs in fulfillment continue to fall.” This supports continued Commerce growth and logistics density, but it does not quantify how much cost improvement will be retained after shipping investment.

- **Q4 FY2025 call, 2026-02-24 — Martín de los Santos, CFO; data_package §6:** “Our value proposition is generating traction in Mexico, too, where GMV also grew 35%.” This is a useful underlying-demand anchor. The 35% GMV rate is lower than later reported-dollar segment revenue growth and therefore discourages a five-year 50%-plus revenue extrapolation.

- **Q1 FY2026 call, 2026-05-07 — Martín de los Santos, CFO; data_package §6:** “In Mexico, GMV grew 28% year-over-year while in Argentina, GMV grew by 41%.” The base case begins above this GMV rate for Commerce revenue because ads, shipping and 1P can outgrow GMV, but then decelerates. The quote also reinforces the need to distinguish local activity from USD translation.

- **Q2 FY2026 call, 2026-08-05 — Martín de los Santos, CFO; data_package §6:** “This was offset by margin compression in acquiring, primarily in Mexico and incremental investments in Commerce.” This is the controlling near-term margin evidence. It justifies base-case Direct contribution margin falling to 15.0% in the first forward year before recovering and the bear case falling further.

- **Q2 FY2026 call, 2026-08-05 — Martín de los Santos, CFO; data_package §6:** “Contribution profit per ecosystemic user is multiples of the sum of a Marketplace-only user and a Fintech-only user.” This supports the cross-sell moat and a Fintech growth rate above Commerce in the base and bull cases. Because Mexico user cohorts are not disclosed, it does not justify a separate dollar uplift.

- **Q1 FY2026 call, 2026-05-07 — Martín de los Santos, CFO; data_package §6:** “Our investment decisions are guided by clear observable evidence and that evidence tells us that now is precisely the right moment to invest boldly in a market with significant multiyear growth runways ahead.” This tells the model to vary reinvestment duration by scenario. It is not a promise of quick margin normalization.

- **Q3 FY2025 call, 2025-10-30 — Martín de los Santos, CFO; data_package §6:** “We will continue to invest with discipline, focusing on the long-term potential and scale of our ecosystem.” This supports a long runway but offers no numeric ceiling on spending. The base case assumes evidence-based investment gradually earns leverage; the bear assumes competition keeps spending elevated.

[DATA GAP: MercadoLibre gives no numeric Mexico revenue, Commerce, Fintech, Direct contribution, capex or margin guidance for the forward year. The model therefore treats management statements as directional constraints, not numeric targets.]

8. Forward growth assumptions

The forecast begins at the TTM ended 2026-06-30, not FY2025. It runs exactly five calendar years to 2031-06-30. The only dollar-modeled revenue lines are Mexico Commerce and Mexico Fintech because those are the finest disclosed Mexico revenue streams. Ads, logistics, 1P, acquiring, credit and AUM are modeled as qualitative drivers of those two lines; assigning stand-alone Mexico revenue to them would invent undisclosed dollars.

Base case growth

Product	FY2023-FY2025 historical CAGR	Latest disclosed indicator	Management FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Mexico Commerce	45.4%	FY2025 revenue +36.2%; Mexico Q1 GMV +28%	No numeric guide; falling fulfillment unit cost and ongoing Commerce investment	21.1%	Growth decelerates as scale rises, but fulfillment density, ads and 1P allow revenue to outgrow mature e-commerce
Mexico Fintech	44.8%	FY2025 revenue +43.8%; Mexico Q2 stream YoY not disclosed	No numeric guide; acquiring compression now, ecosystem cross-sell long term	24.4%	Merchant acquiring, cards, account use and credit expand faster than Commerce, offset by funding and credit discipline

Base Commerce annual growth is 30%, 25%, 21%, 17% and 13%. This takes revenue from $5.060 billion to $6.578 billion, $8.223 billion, $9.949 billion, $11.641 billion and $13.154 billion. The step-down is explicit: near-term growth remains supported by recent Mexico GMV gains and the segment’s 55% reported-dollar revenue growth, but normalization follows as comparisons become harder and the business approaches a much larger share of online retail. The path is not sharper than the evidence warrants; it still leaves year-five growth above INEGI’s 7.1% real economy-wide e-commerce growth because MercadoLibre can gain share and monetize more deeply.

Base Fintech annual growth is 34%, 29%, 24%, 20% and 16%. Revenue rises from $3.000 billion to $4.020 billion, $5.186 billion, $6.430 billion, $7.716 billion and $8.951 billion. Fintech begins above Commerce because acquiring, cards, wallet

engagement and credit have additional penetration runways. The cadence drops as Mexico customer penetration rises, competition for deposits and cards intensifies, and credit growth must be funded and provisioned. Nu's 15.8 million Mexico customers demonstrate both the addressable opportunity and the competitive ceiling.

Bull case growth

Product	FY2023-FY2025 historical CAGR	Latest disclosed indicator	Management FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Mexico Commerce	45.4%	FY2025 revenue +36.2%; latest Mexico segment revenue +55%	No numeric guide; logistics productivity and strong value-proposition traction	27.9%	Faster buyer frequency, ads monetization and fulfillment density preserve growth above base with controlled deceleration
Mexico Fintech	44.8%	FY2025 revenue +43.8%; acquiring and ecosystem engagement expanding	No numeric guide; long-term digital-bank ambition and ecosystem-user economics	31.1%	Mercado Pago becomes a primary account for more users while credit and acquiring scale without a material loss shock

Bull Commerce growth is 36%, 32%, 28%, 24% and 20%. This is demanding: $5.060 billion becomes $17.301 billion in five years. It requires MercadoLibre to retain leadership against Amazon and Walmart, turn nearly 80% fulfillment penetration into faster delivery and lower unit cost, and monetize Ads without damaging organic seller economics. It also assumes TikTok Shop enlarges e-commerce discovery more than it diverts transactions from MercadoLibre.

Bull Fintech growth is 40%, 35%, 31%, 27% and 23%, taking $3.000 billion to $11.603 billion. The path requires a larger share of users to treat Mercado Pago as a primary financial relationship; acquiring-device economics improve; deposits fund lending competitively; cards drive engagement; and credit losses remain controlled. It does not assume zero competition. Instead, the bull case assumes that Nu, banks and public rails validate the digital market while MercadoLibre's Commerce funnel keeps acquisition cost and cross-sell economics advantaged.

Bear case growth

Product	FY2023-FY2025 historical CAGR	Latest disclosed indicator	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Mexico Commerce	45.4%	FY2025 revenue +36.2%; Q1 Mexico GMV +28%	No numeric guide; Commerce investment continues	11.9%	Amazon, Walmart and TikTok raise acquisition and shipping intensity while USD translation and monetization normalize
Mexico Fintech	44.8%	FY2025 revenue +43.8%; Q2 acquiring compression	No numeric guide; no promised margin recovery	13.5%	Deposit, card and acquiring competition slows monetization; credit standards tighten after a loss or funding shock

Bear Commerce growth is 20%, 15%, 11%, 8% and 6%, producing $8.873 billion at the horizon. This is not a collapse; Mexico's digital-commerce penetration and MercadoLibre's installed network make outright decline an unnecessarily extreme central bear. The damage comes from rapid deceleration, heavier subsidies and weaker monetization. Amazon competes on fulfillment, Walmart on omnichannel immediacy and TikTok on discovery. A stronger peso-to-dollar base or later currency reversal can also make reported-dollar comparisons volatile.

Bear Fintech growth is 22%, 17%, 13%, 9% and 7%, producing $5.644 billion. This path assumes that merchant acquiring remains competitive, account balances chase yield, Nu and banks win more primary relationships, and a credit-cycle or regulatory response causes tighter originations. It also recognizes that SPEI, CoDi and Dimo commoditize basic transfer functionality. Fintech still grows because cash-to-digital migration and the Commerce funnel remain structural, but the growth premium over Commerce narrows.

Year-by-year revenue cadence and thesis consistency

Case	Line	Year 1	Year 2	Year 3	Year 4	Year 5	TTM+5y revenue
Bear	Commerce growth	20%	15%	11%	8%	6%	$8.873bn
Bear	Fintech growth	22%	17%	13%	9%	7%	$5.644bn
Base	Commerce growth	30%	25%	21%	17%	13%	$13.154bn
Base	Fintech growth	34%	29%	24%	20%	16%	$8.951bn
Bull	Commerce growth	36%	32%	28%	24%	20%	$17.301bn

Case	Line	Year 1	Year 2	Year 3	Year 4	Year 5	TTM+5y revenue
Bull	Fintech growth	40%	35%	31%	27%	23%	$11.603bn

The current 55% latest-quarter Mexico revenue growth is not comparable to the modeled Commerce and Fintech line rates because Mexico quarterly stream YoY rates are not disclosed and currency plus mix can widen the gap. [data_package §5, Q2 Mexico row; §10, true non-disclosures] The model handles this by anchoring line growth to clean FY2023-FY2025 disclosed stream CAGRs, validating the first-year direction against recent GMV and segment signals, and tapering explicitly. It does not claim that an undisclosed Mexico Ads, credit or payments number drives the difference.

The anchor and endpoint replay cleanly. FY2023 recast Commerce plus Fintech is $1.979 billion + $1.092 billion = $3.071 billion, and FY2025 is $4.185 billion + $2.290 billion = $6.475 billion. At the TTM anchor, $5.060 billion + $3.000 billion = $8.060 billion. Applying the five disclosed annual steps produces exact unrounded horizon totals of $14.516832 billion in bear, $22.104976 billion in base and $28.904011 billion in bull, which round to the required $14.517 billion, $22.105 billion and $28.904 billion. This replay uses 2026-06-30 to 2031-06-30—five periods, not six.

9. Forward Direct contribution margin assumptions

Exact profit metric: Direct contribution. The TTM starting margin is 16.6%, while the latest quarter was 13.1%. The forecast uses a segment-level margin because the issuer does not disclose Commerce and Fintech Direct contribution separately. Product-level margin estimates would be invented and could double-count shared logistics, marketing, technology and ecosystem costs.

Case	TTM margin	Year 1	Year 2	Year 3	Year 4	TTM+5y margin	Change from TTM	Mechanism
Bear	16.6%	14.0%	12.5%	11.5%	11.5%	12.0%	-460 bps	Shipping, acquiring and deposit competition absorb density gains; credit loss and funding costs rise
Base	16.6%	15.0%	15.8%	16.8%	17.8%	18.5%	+190 bps	Near-term investment fades; ads mix, logistics density and ecosystem cross-sell gradually exceed reinvestment
Bull	16.6%	16.5%	17.8%	19.0%	20.2%	21.0%	+440 bps	Fulfillment and acquiring scale, higher ads mix, low-cost funding and strong credit cohorts create leverage

The bear case’s 460-basis-point decline is not a generic haircut. It combines four specific mechanisms. First, Amazon and Walmart force continued shipping and service investment, preventing fulfillment unit-cost gains from reaching profit. Second, TikTok and other channels raise traffic acquisition and seller-promotion costs. Third, acquiring device and merchant-service competition keeps the Fintech cost base elevated. Fourth, an adverse credit or funding cycle raises provision and funding expense as Fintech becomes a larger share of Mexico revenue. The slight recovery from 11.5% to 12.0% in year five reflects unavoidable scale benefits even in a damaged competitive environment; it does not assume a return to the starting margin.

The base case’s 190-basis-point expansion begins with compression. Year-one margin of 15.0% is below the 16.6% TTM rate because management has explicitly identified Mexico acquiring pressure and incremental Commerce investment. Improvement then requires falling cost per fulfilled item, better utilization, acquisition-cost dilution, more ad mix and higher ecosystem engagement. The final 18.5% remains only 40 basis points above FY2025’s 18.1% despite the business more than doubling, which is conservative relative to a pure software platform but appropriate for logistics, 1P and credit intensity.

The bull case’s 440-basis-point expansion requires positive evidence in every major engine. Logistics savings must be retained rather than wholly reinvested; Ads must grow faster than GMV with limited incremental selling cost; acquiring hardware and service costs must scale; deposits must support competitive funding; and credit cohorts must preserve low losses through seasoning. The 21.0% margin is below Mexico’s FY2023 recast margin of 22.8%, so the bull does not require a record margin. [data_package §3, Mexico Direct contribution margin row] It does require the segment to recover most of the

margin surrendered in FY2024-TTM while supporting a much larger ecosystem.

The scenario margins should not be read as a mechanical benefit from Fintech mix. Fintech is a larger share of revenue in every terminal case than at the TTM anchor, but acquiring and credit are precisely the businesses for which incremental revenue can carry device subsidies, funding expense, fraud, capital usage and front-loaded expected-loss provision. The base recovery from 15.0% in year one to 18.5% at the horizon therefore requires observable unit-economics repair, not merely growth. A sustained acquiring drag or adverse credit seasoning would invalidate that recovery even if Mexico revenue remains near the base path; conversely, a 21.0% bull margin requires evidence that both cohorts and merchant economics have scaled after all local costs included in Direct contribution.

No corporate cost, tax, foreign exchange loss or below-line financing item is embedded in these margins. The separate statutory bridge's indirect operating-cost line is for synthesis to forecast once. This preserves the exact accounting identity and prevents Mexico from being charged for costs already bridged outside reportable segments.

10. Segment rollup

The segment rollup is reconstructed directly from the Commerce and Fintech paths in Section 8. Each case adds the two horizon revenues, applies the Section 9 Direct contribution margin and computes profit. Totals reconcile to component revenue within rounding.

Case	Commerce TTM+5y revenue	Fintech TTM+5y revenue	Mexico TTM+5y revenue	Revenue CAGR	Direct contribution margin	Direct contribution
Bear	$8.873bn	$5.644bn	$14.517bn	12.5%	12.0%	$1.742bn
Base	$13.154bn	$8.951bn	$22.105bn	22.4%	18.5%	$4.089bn
Bull	$17.301bn	$11.603bn	$28.904bn	29.1%	21.0%	$6.070bn

Bear tie-out: $8.873bn + $5.644bn = $14.517bn; $14.517bn × 12.0% = $1.742bn. Base tie-out: $13.154bn + $8.951bn = $22.105bn; $22.105bn × 18.5% = $4.089bn. Bull tie-out: $17.301bn + $11.603bn = $28.904bn; $28.904bn × 21.0% = $6.070bn. Each difference from unrounded arithmetic is below 0.01%.

The year-by-year bridge makes the pace of profit formation explicit.

Case	Period	Commerce revenue	Fintech revenue	Total revenue	Direct contribution margin	Direct contribution
Bear	TTM anchor	$5.060bn	$3.000bn	$8.060bn	16.6%	$1.336bn
Bear	Year 1	$6.072bn	$3.660bn	$9.732bn	14.0%	$1.363bn
Bear	Year 2	$6.983bn	$4.282bn	$11.265bn	12.5%	$1.408bn
Bear	Year 3	$7.751bn	$4.839bn	$12.590bn	11.5%	$1.448bn
Bear	Year 4	$8.371bn	$5.274bn	$13.645bn	11.5%	$1.569bn
Bear	Year 5	$8.873bn	$5.644bn	$14.517bn	12.0%	$1.742bn
Base	TTM anchor	$5.060bn	$3.000bn	$8.060bn	16.6%	$1.336bn
Base	Year 1	$6.578bn	$4.020bn	$10.598bn	15.0%	$1.590bn
Base	Year 2	$8.223bn	$5.186bn	$13.408bn	15.8%	$2.118bn
Base	Year 3	$9.949bn	$6.430bn	$16.380bn	16.8%	$2.752bn
Base	Year 4	$11.641bn	$7.716bn	$19.357bn	17.8%	$3.446bn
Base	Year 5	$13.154bn	$8.951bn	$22.105bn	18.5%	$4.089bn
Bull	TTM anchor	$5.060bn	$3.000bn	$8.060bn	16.6%	$1.336bn
Bull	Year 1	$6.882bn	$4.200bn	$11.082bn	16.5%	$1.829bn
Bull	Year 2	$9.084bn	$5.670bn	$14.754bn	17.8%	$2.626bn
Bull	Year 3	$11.627bn	$7.428bn	$19.055bn	19.0%	$3.620bn
Bull	Year 4	$14.418bn	$9.433bn	$23.851bn	20.2%	$4.818bn
Bull	Year 5	$17.301bn	$11.603bn	$28.904bn	21.0%	$6.070bn

The bear case is the most important discipline check. Revenue still compounds 12.5%, yet Direct contribution grows only from $1.336 billion to $1.742 billion, a 5.5% CAGR, because growth becomes more expensive. This demonstrates that Mexico can remain a successful consumer franchise while disappointing shareholders on profit conversion. The base case requires Direct contribution to compound about 25.1%, faster than revenue because the segment recovers from a reinvestment-heavy TTM.

The bull requires roughly 35.3% profit growth, which is possible only if high-growth Fintech and ads do not import proportional credit, funding or sales expense.

11. Key risks and wildcards

Bear — permanent reinvestment intensity. The biggest risk is that logistics and acquiring scale economies are real but competed away. Falling fulfillment unit cost would then fund lower shipping thresholds, faster delivery or merchant incentives rather than margin. This is consistent with Q2 2026's 13.1% margin despite strong revenue growth.

Bear — credit seasoning. Rapid card and loan growth books expected losses at origination and can look temporarily conservative if cohorts are healthy, but late delinquencies may surface after the revenue has been recognized. A Mexico-specific NPL or credit-cost series is not disclosed. The monitoring trigger is a sustained rise in consolidated 15-90 NPL, lower NIMAL and higher provisions without compensating Fintech growth.

Bear — funding and deposit competition. Nu, banks and new digital entrants can bid for deposits or offer cards at low introductory economics. A bank license may eventually improve Mercado Pago's funding breadth but can also bring capital, liquidity, compliance and deposit-insurance obligations. The current Mexican Fintech law was most recently reformed in November 2025, and CNBV publishes separate authorization and operating requirements. [Mexican federal law index](https://www.diputados.gob.mx/LeyesBiblio/index.htm); [CNBV fintech regulation](https://www.cnbv.gob.mx/SECTORES-SUPERVISADOS/Fintech/Paginas/NORMATIVIDAD-FINTECH.aspx)

Bear — competition and remedies. COFECE's 2025 resolution found sufficient evidence that two identified practices constituted barriers on the seller-side marketplace, although the votes required for remedial orders were not reached. [COFECE 2025 resolved matters](https://www.cofece.mx/conocenos/pleno/asuntos-resueltos-2025/) The immediate outcome avoided orders, but the record can inform future scrutiny of Buy Box transparency, logistics linkage or marketplace conduct. Regulatory change could reduce conversion or raise compliance expense even without a fine.

Bear — social-commerce disintermediation. TikTok Shop can own discovery, creators and conversion in impulse categories. If MercadoLibre must buy traffic back through advertising or subsidize sellers, Commerce revenue may grow while Direct contribution weakens. The threat is also direct to Mercado Ads budgets.

Base — ads monetization. Ads can grow faster than GMV and lift margins because it monetizes existing traffic. The wildcard is size: Mexico advertising dollars are not disclosed, so the model cannot prove how many basis points of future margin come from ads. Monitoring should focus on disclosed consolidated Ads growth, advertiser adoption and whether Direct contribution improves as ads outgrow GMV.

Base — ecosystemic-user conversion. Management says an ecosystemic user has much higher contribution economics. The upside depends on turning Marketplace-only and Fintech-only users into multi-product users without over-subsidizing cards, shipping or returns on balances. A disclosed cohort or penetration metric would materially improve confidence.

Bull — bank-status funding advantage. If Mercado Pago secures and successfully operates a Mexican bank charter, it may broaden deposits, payroll, lending and the primary-account relationship. The bull requires any funding advantage to exceed incremental capital and compliance costs. It does not assume regulatory approval automatically creates profit.

Bull — logistics density flywheel. Mexico fulfillment penetration and falling unit cost can create a reinforcing loop: faster delivery raises conversion, volume improves route and facility utilization, and savings support price or margin. The bull needs both consumer reinvestment and retained economics; pure volume with no margin is insufficient.

All cases — currency translation. The segment reports in USD while much activity is local-currency. Recent reported-dollar growth can differ materially from underlying volume. The forward CAGRs are economic USD scenarios, not local-currency guidance, and should be stress-tested against peso depreciation.

All cases — first-party mix and working capital. Faster 1P growth can improve selection and control but raises inventory, markdown and working-capital risk. The company disclosed almost $5 billion of consolidated TTM 1P GMV at Q1 2026, not Mexico revenue. [Q1 2026 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000014/meli-20260507xex991.htm); data_package §4. No Mexico 1P dollar allocation appears in the forecast.

All cases — fraud, cybersecurity and operational resilience. A combined marketplace, wallet, acquiring and credit platform is an attractive fraud target. Losses can appear in transaction expense, provisions, remediation and trust. The moat depends on risk controls scaling as quickly as transaction volume.

All cases — data and consumer protection. Cross-product data improves underwriting and ads, but it increases privacy, consent, fair-treatment and model-governance obligations. Any restriction on using marketplace behavior for credit or ads could weaken the ecosystem advantage.

Data gaps carried into synthesis

- [DATA GAP: No numeric Mexico management guidance for revenue, Commerce, Fintech, Direct contribution, margin or capex.]
- [DATA GAP: Mexico advertising revenue dollars and ad margin are not separately disclosed.]
- [DATA GAP: Mexico marketplace take rate and marketplace-payment penetration are not separately disclosed.]
- [DATA GAP: Mexico credit portfolio, NPL, NIMAL, provision and AUM are not separately disclosed.]
- [DATA GAP: Mexico acquiring TPV, acquiring take rate, device subsidy and acquiring contribution are not separately disclosed.]
- [DATA GAP: Mexico capex, logistics expense, fulfillment unit cost and a uniform five-year fulfillment series are not separately disclosed.]
- [DATA GAP: Commerce versus Fintech Direct contribution is not disclosed; only the Mexico segment total is forecast on the exact Direct contribution basis.]

These gaps are constraints, not invitations to estimate hidden dollars. The two-line revenue model and one-line Direct contribution model use only disclosed perimeters.

Segment forecast summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	$14.517bn	Direct contribution	12.0%	$1.742bn	25%
Base	$22.105bn	Direct contribution	18.5%	$4.089bn	55%
Bull	$28.904bn	Direct contribution	21.0%	$6.070bn	20%

The 25% bear / 55% base / 20% bull weighting is deliberately non-uniform. Base receives the majority because Mexico’s recent GMV, revenue and fulfillment evidence supports continued structural growth, while the explicit first-year margin reset acknowledges current acquiring and Commerce investment. Bear is more likely than bull because the latest quarter already shows 13.1% Direct contribution margin and several competitive pressures can overlap, whereas the bull requires simultaneous success in logistics, ads, acquiring, deposits and credit without a loss shock. Bull remains material because the FY2023 recast margin shows that a 21.0% endpoint is operationally possible, but its 29.1% five-year revenue CAGR and 440-basis-point margin improvement demand substantially more evidence than the base case.

The base case is the working forecast, not a midpoint mechanically averaged from the other cases. It assumes that Mexico’s Commerce and Fintech flywheel remains strong, but reported-dollar growth decelerates materially from recent levels and margin recovery takes several years. The bear shows that good digital-market growth can coexist with poor profit conversion. The bull is achievable only if logistics, ads, acquiring, account engagement and credit all scale together without a major loss or funding shock. Across every case, the exact profit basis remains Direct contribution and the endpoint remains 2031-06-30, exactly five years after the TTM anchor.

Appendix B3 - Argentina

MercadoLibre — Argentina Segment Deep Dive

Run: `pulse-cio-20260914T060240+0800` **Action:** `CIO-20260911-MELI-LEGACY-ER2-REFRESH` **Information cutoff:** 2026-09-14 SGT **Forecast anchor:** TTM ended 2026-06-30 **Exact horizon:** 2031-06-30, exactly five calendar years **Reporting unit:** USD billions unless stated otherwise **Exact profit basis: Direct contribution**

This appendix treats the verified current `data_package.md` and QFR-sealed `statutory_bridge.json` as the sole sources for MercadoLibre historical figures, management quotations, and accounting classifications. External sources are used only for current macroeconomic, regulatory, industry, and competitor context. Forecast figures are analyst scenarios, not company guidance.

Upstream forecasting gate: `STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING` [data_package §3a].

0. Segment boundary and taxonomy note

Argentina is one of MercadoLibre's four geographic reportable segments. It contains the local Commerce and Fintech revenue streams and all local costs included in the issuer's Direct contribution definition: fulfillment, collection, credit-loss provision, funding, marketing, payroll, hosting, depreciation, and other local costs. Corporate and indirect expenses excluded from Direct contribution remain outside this appendix and must be forecast once in the consolidated synthesis. The geographic boundary is stable over the five-year issuer history, but the accounting presentation changed on 2024-01-01 when operating interest income and expense required for Mercado Pago moved into revenue and cost. FY2023 was recast in the current filing; FY2022 and earlier were not. Accordingly, all comparable dollar-growth work uses FY2023 recast onward. FY2021-FY2022 are shown only as older-perimeter context and are never chained across the FY2023 boundary [data_package §1, reporting-structure paragraph; §3, Argentina table].

1. What the Argentina segment actually is

The segment is a two-sided consumer and merchant ecosystem rather than a single online store. Commerce connects buyers with third-party sellers through Mercado Libre's marketplace, adds first-party merchandise where it improves selection, charges for marketplace and fulfillment services, sells advertising, and bundles loyalty and subscription benefits through MELI+. Its value proposition is trust, assortment, search relevance, predictable delivery, returns, seller reputation, and payment conversion in a country where fragmented offline retail and volatile prices make discovery and fulfillment unusually costly.

Commerce monetization is not disclosed as a clean take rate. Revenue includes marketplace fees, shipping, advertising, subscriptions, classifieds, and first-party activity, while reported GMV is a transaction-volume measure. Dividing Commerce revenue by GMV would therefore mix agency revenue, logistics reimbursement, advertising, subscription income, and principal sales and would create a false take-rate metric [data_package §4, growth-only disclosure note; §10, marketplace take-rate gap]. The appropriate model is revenue-stream growth from the issuer-disclosed Argentina Commerce base, constrained by local e-commerce volumes, pricing, mix, cross-border competition, and currency translation.

Fintech is Mercado Pago's local financial platform. It spans wallet and account balances, person-to-person and merchant payments, QR acquiring, cards, consumer and merchant credit, investment products, and other financial services. The customer proposition is immediate access through the same identity and data graph used for marketplace activity. Merchant acquiring reinforces Commerce by reducing checkout friction; the wallet and card reinforce frequency; credit can expand purchasing power and merchant working capital. That integration is economically valuable, but it also means that Fintech revenue is a mix of payments, financial income, acquiring, and credit. Revenue divided by TPV is not a valid payment take rate, and no Argentina-only TPV, credit balance, AUM, or product revenue schedule is disclosed in the verified package [data_package §4, growth-only disclosure note; §10, payment-penetration gap].

The go-to-market engine is cross-sell. A seller acquired for the marketplace can be converted to shipping, advertising, acquiring, and credit. A buyer acquired for Commerce can become a wallet, card, deposit, and credit customer. Conversely, a Mercado Pago user can become a marketplace buyer. This lowers marginal distribution cost compared with stand-alone commerce or financial apps, but it raises reinvestment requirements because the platform must defend logistics quality, merchant acceptance, underwriting, fraud prevention, and service reliability simultaneously.

Pricing is partly explicit and partly embedded. Sellers and merchants see fees, advertising bids, shipping economics, acquiring charges, and credit terms. Consumers see product prices, shipping thresholds, card economics, and wallet yields. In a high-inflation market, nominal price changes are frequent, and the USD-reported result depends on the timing of price resets versus peso depreciation. The forecast therefore does not extrapolate Argentina peso revenue or historical reported USD growth mechanically. It models Commerce and Fintech in USD with explicit macro, volume, monetization, credit, and translation assumptions.

2. Current economics at the TTM anchor

The TTM ended 2026-06-30 is constructed from Q3 2025, Q4 2025, Q1 2026, and Q2 2026. Argentina generated $6.590 billion of revenue: $2.270 billion from Commerce and $4.320 billion from Fintech. Those stream values are direct sums of issuer-disclosed quarterly geography-by-stream rows; they are not allocated estimates. TTM Direct contribution was $2.402 billion, producing a 36.45% Direct contribution margin [data_package §4, last-four-quarter geography/stream table, Argentina rows; §3a, TTM bridge, Argentina row].

TTM anchor item	Value	Derivation and verified source
Argentina Commerce revenue	$2.270bn	$0.495bn + $0.545bn + $0.573bn + $0.657bn [data_package §4, last-four-quarter geography/stream table, Argentina — Commerce row]
Argentina Fintech revenue	$4.320bn	$0.946bn + $1.067bn + $1.125bn + $1.182bn [data_package §4, last-four-quarter geography/stream table, Argentina — Fintech row]
Argentina total revenue	$6.590bn	Commerce plus Fintech; also $1.441bn + $1.612bn + $1.698bn + $1.839bn [data_package §5, geographic segments, Argentina rows]
Commerce mix	34.45%	$2.270bn divided by $6.590bn; analyst calculation from verified rows
Fintech mix	65.55%	$4.320bn divided by $6.590bn; analyst calculation from verified rows
Direct contribution	$2.402bn	[data_package §3a, TTM bridge, Argentina segment-profit row]
Direct contribution margin	36.45%	$2.402bn divided by $6.590bn; exact basis is Direct contribution

The primary-source chain for the four-quarter anchor is the [Q3 2025 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959025000051/meli-20250930.htm), Q4 2025 mechanically isolated from the [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm) less its disclosed 9M 2025 values, and Q1 2026 mechanically isolated from H1 2026 less Q2 2026 in the [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm). This reproduces the verified data-package construction and does not introduce a new estimate.

Argentina remains unusually profitable at the segment level, but the direction is less flattering than the level. Direct contribution margin fell from 47.3% in FY2023 recast to 43.9% in FY2024, 41.6% in FY2025, and 36.45% at the TTM anchor. The four most recent quarterly margins were 39.7%, 37.2%, 35.7%, and 33.9% [data_package §3, Argentina table; §5, geographic segments, Argentina rows]. The model interprets this as evidence that rapid revenue expansion and high historical profitability do not automatically translate into stable incremental margins when the company is funding logistics, new card cohorts, credit growth, acquisition, and broader ecosystem adoption.

Revenue growth also decelerated in reported USD terms. Argentina's quarterly reported growth was 39% in Q3 2025, 23% in Q4 2025, 23% in Q1 2026, and 20% in Q2 2026 [data_package §5, geographic segments, Argentina rows]. Yet in the Q1 FY2026 call CFO Martín de los Santos said Argentina GMV grew 41% year over year, indicating that operating-volume and reported-USD growth can diverge materially [data_package §6, Mexico section, Q1 FY2026 quote dated 2026-05-07]. The model therefore gives more weight to multi-year unit adoption and normalized translation than to any one reported-USD quarter.

Capital intensity has three layers. First, logistics requires facilities, automation, sortation, transportation capacity, and last-mile density. Second, payments require fraud controls, compliance, devices, merchant service, and technology. Third, credit requires funding and loss-absorbing capital; expected credit losses are recognized before a cohort fully seasons. The company does not disclose country-level capex, credit capital, or adjusted free cash flow, so this appendix does not allocate

consolidated balances to Argentina [DATA GAP: country-level Argentina capex, credit funding, and adjusted free cash flow are not disclosed in data_package §§7-8]. High Direct contribution is therefore not equivalent to immediately distributable country cash.

3. Unit economics

Commerce

Commerce revenue begins with a buyer order but becomes profit only after several variable and semi-fixed costs. Marketplace fees and advertising are potentially high incremental-margin lines, whereas shipping subsidies, first-party merchandise, returns, payments, and customer service consume more gross profit. Fulfillment density matters because a fixed facility and route network becomes cheaper per item as volume rises. Better delivery reliability raises conversion and purchase frequency, which creates a positive loop: more volume supports denser routes, denser routes improve unit cost and speed, and better service attracts more buyers and sellers.

Argentina's macro volatility complicates that loop. A rapid peso devaluation can compress USD revenue even if local nominal prices rise. If price updates lag replacement cost or shipping expense, local contribution narrows. If prices reset too quickly, demand and conversion can suffer. The platform's real advantage is not immunity from the cycle; it is faster repricing, broader assortment, and a data-rich ability to reallocate subsidies and promotion. In the bear case, these tools preserve relevance but do not prevent lower reported USD growth and weaker margin.

Advertising improves Commerce economics because it monetizes seller demand without taking inventory or moving a parcel. However, Argentina advertising dollars are not separately disclosed, so no high-margin advertising block is invented. The model represents ads through a higher Commerce growth and margin-support mechanism in favorable cases, bounded by the disclosed fact that standalone advertising revenue is unavailable [data_package §4, growth-only product table, Advertising row; §10, advertising-dollars gap]. First-party activity works in the opposite direction: it may improve selection and availability but increases inventory, working-capital, and gross-margin risk. The latest package provides only consolidated TTM first-party GMV context, not Argentina revenue, so the model does not allocate it.

The critical Commerce unit-economics variables are therefore buyer and item growth, transaction frequency, seller density, fulfillment penetration, parcel cost, free-shipping thresholds, advertising monetization, and the first-party mix. Management has not provided an Argentina-specific fulfillment penetration history or a clean marketplace take rate. Forecast confidence should be tied to observable growth and service quality, not to an invented per-order contribution.

Fintech

Fintech converts engagement into revenue through several distinct engines. Acquiring earns payment economics on merchant volume. Wallet and account balances create engagement and may generate spread or fee income. Cards create payment volume and revolving balances. Consumer and merchant loans earn financial income but require provisions and funding. Investment products deepen the relationship, while the marketplace data graph may improve risk selection and collection.

The profit conversion is asymmetric over a credit cycle. New credit and card originations can lift revenue while expected-loss provisioning, customer acquisition, rewards, servicing, and funding appear earlier. The verified package reports that consolidated H1 2026 provisions rose to $2.520 billion from $1.293 billion in H1 2025 even as Q2 NPLs were near historical lows; provision timing leads revenue because expected losses are booked at origination [data_package §5, consolidated trends paragraph]. Argentina's card product was only about three quarters old at Q2 2026 according to management. That makes a mature-cohort margin assumption inappropriate.

Funding is also macro-sensitive. Lower and more stable inflation can improve duration, planning, and real credit demand, but it can reduce some nominal spreads and inflation-linked revenue optics. Higher inflation can increase nominal balances and financial income while simultaneously damaging credit affordability, funding costs, and translation. Direct contribution properly captures funding and credit-loss provision at the country segment level, but it does not solve this economic ambiguity. The model therefore normalizes the margin rather than extrapolating peak hyperinflation-era profitability.

Payment network effects are genuine but increasingly portable. BCRA rules require interoperable QR payments, so a consumer can often use a competing wallet on a merchant's code. The regulator listed 88 interoperable wallets and 62 PCT acceptors in its March 2026 payments report, and QR initiated 98.8% of PCT operations that month. That expands the addressable digital-payment pool while reducing the degree to which a proprietary QR footprint alone locks in both sides. Mercado Pago must win on trust, balance utility, acceptance, product breadth, and underwriting rather than on closed-loop

access alone.

What raises or lowers Direct contribution

Margin rises if Commerce volume increases faster than fulfillment and support cost, ads become a larger share of monetization, fraud and returns remain controlled, and fintech funding and credit losses normalize. It also rises if ecosystem users reduce customer-acquisition cost across products. Management's statement that contribution profit per ecosystemic user is multiples of the sum of a marketplace-only and a fintech-only user is strategically important, but no country-level cohort value is disclosed, so it is treated as a directional mechanism rather than a forecast input [data_package §6, cross-ecosystem Q2 2026 quote].

Margin falls if free-shipping or promotional intensity rises, cross-border competition forces lower seller economics, fulfillment investment runs ahead of density, payment interoperability compresses acquiring economics, card acquisition costs persist, funding spreads widen, or loss rates rise. Currency translation can also change the USD margin when local revenue and costs reprice at different speeds. This is why the scenario endpoint margins range from 29% to 39% even though historical Direct contribution remained positive in every year shown.

4. Competitive dynamics

Commerce competition

MercadoLibre's main advantage in Argentina is the integrated local stack: marketplace liquidity, trusted checkout, seller reputation, fulfillment, advertising, and Mercado Pago. A stand-alone marketplace can offer lower fees or imported assortment, but it must still solve delivery predictability, returns, fraud, and payment conversion. Independent retailers and direct-to-consumer sites compete for specific categories and customer relationships. Global cross-border platforms such as Temu and Shein intensify price and assortment competition, especially as import processes become easier.

The competitive threat is no longer theoretical. CACE's 2025 industry study explicitly said international purchases were growing and named Temu, Mercado Libre, and Shein among the platforms driving that trend. Argentina's July 2026 reform equalized postal and courier treatment and exempted up to $400 per shipment from import duties and the statistics tax, subject to five annual shipments per person. The policy lowers friction for consumer cross-border purchases and can pressure marketplace pricing and domestic seller volumes. It can also help MercadoLibre if the company intermediates imported selection or logistics, but the first-order effect is greater contestability, so the bear and base cases include persistent Commerce reinvestment rather than automatic margin recovery.

Current share context is strong but definition-sensitive. The available current CACE material describes a broad market spanning marketplaces, direct merchant sites, and cross-border purchases but does not publish a comparable MercadoLibre GMV-share percentage. A separate Euromonitor overview appeared in live search, but the source page returned HTTP 403 on the initial fetch and the required identical retry; its estimate is excluded. The underwriting conclusion therefore does not depend on a precise marketplace-share figure: MercadoLibre has a leading integrated local platform, while easier imports and low-friction global apps can still erode category economics at the margin.

CACE's mid-term 2026 industry data are more useful for demand calibration. The organization reported e-commerce pesos transacted up 28% year over year in H1 2026, orders up 21%, and units sold up 22%. Nominal sales growth cannot be treated as real growth in an inflationary economy, but order and unit growth show structural channel expansion. This supports a base case in which Argentina Commerce grows faster than mature retail over five years, while the bear case still preserves positive growth rather than assuming structural decline.

Fintech competition

Mercado Pago competes with banks, bank-owned MODO, Ualá, Naranja X, Personal Pay, card issuers, merchant acquirers, and other wallets. The contest is multi-dimensional: consumer balances, wallet yield, transfers, QR acceptance, acquiring price, cards, merchant services, credit, and investment products. High wallet count means distribution is competitive even if Mercado Pago leads engagement.

BCRA evidence illustrates both strength and contestability. Its April 2025 retail-payments report showed Mercado Pago holding 88.0% of PSP customer balances invested in mutual funds, versus 7.5% for Personal Pay, 2.3% for Ualá, and 2.1% for the remainder. That is a powerful savings-distribution position, but it is one product perimeter at one date, not overall wallet or payment market share. Meanwhile the March 2026 BCRA report counted 88 interoperable wallets, and payment-with-transfer transactions in pesos grew 62.7% year over year. The market is expanding, but interoperability and

open standards can shift value from network access toward customer experience, risk, and cross-sell.

Regulation could strengthen competition further. BCRA's 2026 plan emphasizes full payment interoperability, online PCT modes, card-payment interoperability in pesos and dollars, and technical work toward open finance. These measures should enlarge digital adoption and reduce transaction costs, but they also reduce proprietary barriers. Mercado Pago's defense must be the breadth and frequency of the ecosystem, not exclusive access to a payment rail.

Pricing power and substitution

MercadoLibre has pricing power where it delivers measurable seller ROI: fast conversion, national reach, trusted payment, fulfillment, and ads. It has less pricing power in commodity categories exposed to direct imports or sellers with strong brands. Mercado Pago has pricing power where acceptance, settlement, credit, and integrated merchant services matter, but less where interoperable transfers or commoditized wallet balances dominate.

Substitution risk is therefore product-specific. Commerce faces direct retailer sites, social commerce, physical retail, and cross-border apps. Fintech faces bank accounts, cards, interoperable wallets, and cash. None reproduces the entire ecosystem, but customers can multi-home. The segment moat is a lower total friction bundle, not contractual captivity.

5. Moat at the segment level

Argentina has a meaningful but not unassailable moat. The strongest component is the transaction-data and distribution flywheel. Marketplace searches, purchases, seller performance, payment behavior, and fulfillment events create data that can improve recommendations, fraud detection, service, advertising relevance, and credit underwriting. Each additional high-quality transaction reinforces multiple products. A stand-alone rival can subsidize one layer, but matching the whole stack requires capital, logistics density, merchant relationships, risk systems, and consumer trust.

The second moat is logistics density. A national network is expensive to build and requires enough parcel volume to deliver both speed and unit cost. Density can sustain a service advantage even when a competitor offers lower headline fees. The limitation is that the verified data package does not disclose a consistent Argentina fulfillment-penetration or parcel-cost series, so the moat is evidenced qualitatively rather than through a country unit-cost curve [DATA GAP: no uniform Argentina logistics penetration or unit-shipping-cost history in data_package §§0a, 4, and 10].

The third moat is financial engagement. Mercado Pago is embedded in the checkout flow and extends beyond it into savings, payments, acquiring, cards, and credit. The BCRA mutual-fund balance share evidence suggests unusually strong customer trust and distribution. Yet interoperability deliberately weakens closed-loop network effects. If QR acceptance becomes commodity infrastructure, the moat shifts toward engagement, pricing, underwriting, and service. That is still defensible, but it is more execution-dependent than a proprietary rail.

The fourth moat is brand and trust under volatility. In a market with frequent repricing and variable merchant quality, buyer protection, refunds, seller reputation, and reliable delivery reduce uncertainty. Trust can support conversion and frequency even when consumers compare prices aggressively. It also supports wallet balances and credit relationships. Brand can be damaged quickly by service failures, fraud, or perceived platform unfairness, making seller and regulator relations important durability conditions.

Over five to ten years, the moat should remain strong enough to support growth above the broader economy, but not strong enough to guarantee the FY2023 47.3% Direct contribution margin. Cross-border liberalization, payment interoperability, and credit-cycle exposure attack economics without necessarily dislodging user leadership. The base case therefore assumes durable share and cross-sell but a 35% terminal margin, below the TTM anchor and well below the FY2023 peak. The bull case requires proof that ecosystem economics and logistics productivity overwhelm competitive and regulatory pressure. The bear case assumes the platform remains relevant yet earns materially lower incremental returns.

6. Historical growth rates — verified data-package reproduction

The table uses FY2023 recast through FY2025 because that is the clean comparable boundary. “Three-year CAGR” below means the CAGR across the three annual observations, which contains two compounding intervals. Older FY2021-FY2022 Argentina revenue and Direct contribution are available in the data package, but the operating-interest reclassification and lack of a full FY2022 geographic recast prevent a clean bridge into FY2023 [data_package §1, taxonomy; §3, Argentina table].

Product / sub-segment	FY2023 recast revenue	FY2024 revenue	FY2025 revenue	FY2023-FY2025 CAGR	Most recent YoY	Data package cite
Argentina segment total	$3.550bn	$3.818bn	$5.962bn	29.59%	20% in Q2 2026	[FY2025 Form 10-K, revenue by geography table](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); [Q2 2026 Form 10-Q, geographic segment table](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm); data_package §§3, 5
Argentina Commerce	$1.261bn	$1.407bn	$2.034bn	27.00%	44.56% in FY2025; quarterly stream YoY n/d	[FY2025 Form 10-K, geography-by-revenue-stream table](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); data_package §4
Argentina Fintech	$2.289bn	$2.411bn	$3.928bn	31.00%	62.92% in FY2025; quarterly stream YoY n/d	[FY2025 Form 10-K, geography-by-revenue-stream table](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); data_package §4
Argentina Direct contribution	$1.680bn	$1.675bn	$2.481bn	21.52%	TTM $2.402bn; profit, not revenue	[FY2025 Form 10-K, Direct contribution by geography table](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); sealed statutory bridge and data_package §§3, 3a

Arithmetic verification. Segment revenue: $3.550bn × 1.075 = $3.816bn versus reported $3.818bn, a 0.05% difference from rounded growth; $3.818bn × 1.562 = $5.964bn versus $5.962bn, a 0.03% difference. Commerce: $1.261bn × 1.116 = $1.407bn and $1.407bn × 1.446 = $2.035bn versus $2.034bn. Fintech: $2.289bn × 1.053 = $2.410bn versus $2.411bn and $2.411bn × 1.629 = $3.928bn. Every row is within the 2% tolerance. No historical dollar is back-solved.

The historical pattern is distorted by inflation, exchange rates, and the reclassification boundary, so the CAGRs are not stand-alone forecasts. The most recent segment reported-USD growth of 20% is materially below the FY2023-FY2025 CAGR, while local operating evidence remained stronger. The scenario model explicitly decelerates from historical rates and does not treat the FY2025 Commerce or Fintech growth rates as sustainable.

7. Management guidance and forward anchors

MercadoLibre has not provided conventional numeric Argentina revenue, margin, or EPS guidance. The verified data package contains strategic and operating commentary instead. Every quotation below is reproduced from `data_package.md` §6; no transcript was re-fetched for this appendix.

- **Q3 FY2025, 2025-10-30 — CFO Martín de los Santos:** “In Argentina, growth of GMV, buyers and TPV remained resilient in Q3, but trends slowed through the quarter due to the challenging macro backdrop.” [data_package §6, Argentina, Q3 FY2025 first quote]. This establishes that structural adoption and macro sensitivity coexist. It supports positive bear-case growth but rules out treating high local momentum as macro-independent.

- **Q3 FY2025, 2025-10-30 — CFO Martín de los Santos:** “Despite the headwind Argentina continues to be a very profitable market with strong long-term growth perspective.” [data_package §6, Argentina, Q3 FY2025 second quote]. The statement supports a positive Direct contribution floor, not preservation of the historical peak margin. The bear case remains profitable while stressing translation, funding, and credit.

- **Q1 FY2026, 2026-05-07 — Fintech President Osvaldo Giménez:** “I would say that in general, the 15-90 NPL in Argentina has improved sequentially.” [data_package §6, Argentina, Q1 FY2026 quote]. The comment is constructive for current underwriting but is not a through-cycle loss guarantee. Newer card cohorts and a larger balance can still increase provisions.

- **Q2 FY2026, 2026-08-05 — Fintech President Osvaldo Giménez:** “Marcelo, we are very excited with how the credit card in Argentina is going. As we know, we only started issuing cards 3 quarters ago, roughly around September last year.” [data_package §6, Argentina, Q2 FY2026 quote]. This is the clearest reason not to capitalize early growth at a mature margin. The card has insufficient seasoning across a full credit cycle.

- **Q2 FY2026, 2026-08-05 — CFO Martín de los Santos:** “Contribution profit per ecosystemic user is multiples of the sum of a Marketplace-only user and a Fintech-only user.” [data_package §6, cross-ecosystem Q2 FY2026 quote]. This supports the cross-sell mechanism. Because no Argentina ecosystemic-user count or contribution amount is disclosed, the model uses it to justify durable growth and possible long-run leverage, not a numerical cohort build.

- **Q2 FY2026, 2026-08-05 — CFO Martín de los Santos:** “We are changing behavior and building habits we believe will drive this business' profitability for years to come.” [data_package §6, cross-ecosystem Q2 FY2026 quote]. The horizon fits a five-year underwriting period, but realization depends on retention and frequency. Base margins recover only gradually after near-term investment.

- **Q3 FY2025, 2025-10-30 — CFO Martín de los Santos:** “We will continue to invest with discipline, focusing on the long-term potential and scale of our ecosystem.” [data_package §6, cross-ecosystem Q3 FY2025 quote]. No management promise supports immediate margin normalization. The three cases vary reinvestment duration and productivity rather than assuming a fixed short-term bounce.

[DATA GAP: the verified package contains no numeric Argentina FY2026 or long-term revenue, GMV, Direct contribution, credit, or capex guidance; the 2025 institutional presentation was inaccessible to the upstream live fetcher and is not substituted.]

8. Forward growth assumptions — TTM 2026-06-30 to 2031-06-30

All CAGRs are reported in USD and run exactly five years from the $6.590 billion TTM anchor. They are intentionally below the comparable FY2023-FY2025 CAGRs. They are not a compound of assumed peso inflation; instead, each scenario combines real activity, digital share, monetization, and translation. This prevents hyperinflationary nominal growth from masquerading as economic growth.

Macro and translation frame

Current evidence is mixed. The [BCRA August 2026 expectations survey](https://www.bcra.gob.ar/publicaciones/relevamiento-de-expectativas-de-mercado-rem-agosto-de-2026/) estimated 1.7% monthly inflation for August, 2.1% real GDP growth for 2026, and a December exchange rate of ARS1,630 per USD, implying 12.6% year-over-year depreciation. The [IMF's May 2026 review](https://www.imf.org/en/news/articles/2026/05/21/pr26165-argentina-imf-completes-2nd-rev-of-extended-arr-under-eff-concludes-2026-aiv-consultation) was more constructive on real growth at 3.5% and projected 25% end-period inflation for 2026, but emphasized remaining external and domestic risks and the need for exchange-rate flexibility. These are year-one macro anchors, not five-year forecasts. The model uses their dispersion as scenario information rather than choosing one precise long-range macro path.

FX normalization is embedded once in each USD revenue CAGR: approximately, USD growth equals `(1 + local nominal revenue growth) / (1 + ARS-per-USD depreciation) - 1`. Local inflation or peso depreciation is therefore not compounded again on top of the 8%-24% USD stream-growth assumptions. This avoids double counting nominal repricing and ensures that the scenario outputs remain reported-currency economics rather than invented country-level peso revenue.

Driver	Bear assumption	Base assumption	Bull assumption	Modeling effect
Real activity	Stagnation and uneven consumption; roughly 0%-1% medium-term real growth	Recovery toward roughly 2%-3% real growth	Reform success and 4%-5% real growth for several years	Buyer demand, merchant sales, credit appetite
E-commerce adoption	Units and orders grow mid-single digits after 2026	Low-double-digit structural unit and frequency growth	Mid-teens unit growth and sustained share gains	Commerce volume before monetization
Inflation	Disinflation stalls in the teens or higher	Falls toward high single digits over the horizon	Converges to low single digits with stable expectations	Pricing cadence, wallet behavior, funding

Driver	Bear assumption	Base assumption	Bull assumption	Modeling effect
Peso translation	Depreciation matches or exceeds local price growth	Depreciation broadly offsets inflation with modest productivity benefit	Peso strengthens in real terms during reform success	Reported USD revenue and margin
Credit	Cohort losses rise and funding remains expensive	Card and loan growth seasons with manageable NPLs	Strong data advantage and lower funding costs	Fintech revenue and Direct contribution
Regulation and imports	Open rails and cross-border imports pressure economics	Competition expands the market but limits take-rate upside	MELI uses its stack to intermediate greater formalization	Commerce monetization and acquiring economics

The assumptions are deliberately qualitative where the issuer does not disclose country unit data. Assigning a precise peso inflation pass-through, Argentina TPV, or card balance would create false precision. The directly modeled outputs are the two issuer-disclosed USD revenue streams.

Base-case growth

Product	FY2023-FY2025 historical CAGR	Latest disclosed YoY	Management FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Argentina Commerce	27.00%	44.56% FY2025; Q2 stream YoY n/d	No numeric guide	15.0%	Decelerates below history as reported segment growth slows and imports intensify; sustained e-commerce units, logistics density, ads, and cross-sell keep growth above the economy.
Argentina Fintech	31.00%	62.92% FY2025; Q2 stream YoY n/d	No numeric guide	17.0%	Card, acquiring, wallet, AUM, and credit deepen engagement, but maturing penetration, interoperable payments, funding, and seasoning credit reduce growth from the FY2025 rate.

The base case assumes Commerce grows from $2.270 billion to $4.566 billion and Fintech from $4.320 billion to $9.471 billion. Fintech stays the larger engine because it begins at 65.6% of segment revenue and has more cross-sell vectors. A 15%-17% USD CAGR is still demanding: it more than doubles total Argentina revenue to $14.037 billion. It requires the platform to translate e-commerce growth and financial formalization into USD value despite a normalizing inflation regime.

The deceleration path is explicit rather than a single endpoint leap. Applying the case CAGRs annually produces total revenue of $7.665 billion, $8.916 billion, $10.371 billion, $12.065 billion, and $14.037 billion. This is not presented as quarter-level precision. It shows that the model does not smuggle FY2025's 56.2% segment growth into later years.

Bull-case growth

Product	FY2023-FY2025 historical CAGR	Latest disclosed YoY	Management FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Argentina Commerce	27.00%	44.56% FY2025; Q2 stream YoY n/d	No numeric guide	21.0%	Real stabilization, sustained channel-share gains, ads, and dense logistics offset cross-border pressure; still below the historical CAGR.
Argentina Fintech	31.00%	62.92% FY2025; Q2 stream YoY n/d	No numeric guide	24.0%	Card cohorts season well, wallet and AUM leadership persists, open rails expand usage, and lower funding costs unlock profitable credit growth.

The bull case produces $5.888 billion of Commerce revenue and $12.665 billion of Fintech revenue, for $18.552 billion total. It assumes MercadoLibre captures formalization and financial deepening while real stabilization reduces the translation tax. The case does not require historic 31%-63% Fintech growth to persist; it requires a five-year 24% CAGR. This is aggressive because payments are interoperable and the card is immature, so it receives only a 20% probability.

The annual total cadence is $8.104 billion, $9.966 billion, $12.258 billion, $15.079 billion, and $18.552 billion. Commerce and Fintech growth remain distinct in every year. The path would be invalidated if reported USD growth fell to single digits while unit adoption and credit quality also deteriorated.

Bear-case growth

Product	FY2023-FY2025 historical CAGR	Latest disclosed YoY	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Argentina Commerce	27.00%	44.56% FY2025; Q2 stream YoY n/d	No numeric guide	8.0%	Weak consumption, peso translation, lower import barriers, and promotional intensity overwhelm some channel-share gains; the platform remains structurally relevant.
Argentina Fintech	31.00%	62.92% FY2025; Q2 stream YoY n/d	No numeric guide	10.0%	Credit losses, high funding costs, and wallet competition slow monetization, while digital payments and the installed base preserve positive growth.

The bear case still reaches $3.335 billion in Commerce and $6.957 billion in Fintech, or $10.293 billion total. This is not a benign bear: the revenue outcome is only one part of the damage. The larger impact comes through Direct contribution margin as growth shifts toward expensive card acquisition and credit while Commerce requires subsidy and pricing concessions.

The annual total cadence is $7.204 billion, $7.875 billion, $8.609 billion, $9.413 billion, and $10.293 billion. The path is consistent with a dominant platform continuing to grow digitally even when macro conditions and reported-USD translation disappoint. A harsher structural-loss case belongs in sensitivity analysis, but the observed profitability and industry channel growth do not justify making outright revenue contraction the central bear.

Five-year revenue cadence by case

Case and stream	TTM 2026-06-30	Year 1	Year 2	Year 3	Year 4	2031-06-30
Bear Commerce	$2.270bn	$2.452bn	$2.648bn	$2.860bn	$3.088bn	$3.335bn
Bear Fintech	$4.320bn	$4.752bn	$5.227bn	$5.750bn	$6.325bn	$6.957bn
Bear total	$6.590bn	$7.204bn	$7.875bn	$8.609bn	$9.413bn	$10.293bn
Base Commerce	$2.270bn	$2.611bn	$3.002bn	$3.452bn	$3.970bn	$4.566bn
Base Fintech	$4.320bn	$5.054bn	$5.914bn	$6.919bn	$8.095bn	$9.471bn
Base total	$6.590bn	$7.665bn	$8.916bn	$10.371bn	$12.065bn	$14.037bn
Bull Commerce	$2.270bn	$2.747bn	$3.324bn	$4.021bn	$4.866bn	$5.888bn
Bull Fintech	$4.320bn	$5.357bn	$6.642bn	$8.237bn	$10.213bn	$12.665bn
Bull total	$6.590bn	$8.104bn	$9.966bn	$12.258bn	$15.079bn	$18.552bn

Small differences from multiplying displayed rounded annual values are rounding only; calculations use the unrounded CAGR formulas from the exact TTM stream anchors.

9. Forward Direct contribution margin assumptions

The exact segment profit basis is **Direct contribution**. It must not be relabeled operating income. The TTM starting margin is 36.45%, and the forecast includes no corporate expense, interest, foreign-currency loss, or tax adjustment. Those lines belong in consolidated synthesis under the sealed bridge.

MercadoLibre does not disclose Argentina Commerce and Fintech Direct contribution separately. Product-level margin allocation would therefore be fabricated. The model forecasts the two disclosed revenue streams separately and applies one disclosed-basis segment margin path. This is the finest reconstructable method under the verified disclosure set [DATA GAP: Argentina Commerce and Fintech Direct contribution are not separately disclosed in data_package §§3-4].

Case	TTM Direct contribution margin	Year 1	Year 2	Year 3	Year 4	2031-06-30 margin	Change vs TTM	Primary mechanism
Bear	36.45%	34.0%	32.5%	31.0%	30.0%	29.0%	-745bps	Credit seasoning, funding, weaker translation, import and wallet competition, sustained subsidies

Case	TTM Direct contribution margin	Year 1	Year 2	Year 3	Year 4	2031-06-30 margin	Change vs TTM	Primary mechanism
Base	36.45%	35.0%	34.0%	34.0%	34.5%	35.0%	-145bps	Near-term card and ecosystem investment, followed by logistics and cross-sell leverage
Bull	36.45%	35.0%	35.5%	36.5%	37.5%	39.0%	+255bps	Strong credit cohorts, lower funding costs, ads and ecosystem mix, dense logistics

Bear mechanism. The 745-basis-point contraction is larger than a normal mix wobble. It assumes credit revenue grows but expected losses and funding absorb more of the economics; payment interoperability compresses acquiring; cross-border alternatives pressure seller pricing; and Commerce promotion persists because weak real demand reduces organic operating leverage. The 29% endpoint remains positive and above many platform businesses, consistent with management's description of Argentina as very profitable, but it rejects peak-margin extrapolation.

Base mechanism. Margin initially falls to 34% because the card remains young and the company is deliberately building habits. It then recovers only to 35% by 2031 as denser logistics, ads, repeat use, and cross-sell offset open-rail competition and credit costs. The 145-basis-point decline from TTM and 660-basis-point decline from FY2025 are conservative relative to a simple scale-leverage thesis. It acknowledges that the TTM downtrend has not yet proven to be temporary.

Bull mechanism. Margin reaches 39%, still below FY2025's 41.6% and FY2023's 47.3%. This requires mature card cohorts to validate underwriting, lower inflation and funding costs, a favorable ecosystemic-user mix, resilient wallet economics, and logistics productivity. The 255-basis-point improvement from TTM is not granted solely for revenue scale. It requires explicit operating confirmation.

The key interaction is that faster Fintech growth can either raise or lower margin depending on credit composition. The bull case assumes higher-quality growth and funding relief; the bear assumes costly growth and losses. Because the issuer withholds stream-level Direct contribution, the scenario margin is the uncertainty buffer rather than a falsely precise weighted product-margin build.

10. Segment rollup — bottoms-up revenue and Direct contribution

Revenue and profit rollup

Case	Commerce TTM+5 revenue	Fintech TTM+5 revenue	Sum of streams	Segment TTM+5 revenue	Revenue tie-out	Direct contribution margin	Direct contribution
Bear	$3.335bn	$6.957bn	$10.293bn	$10.293bn	0.00%	29.0%	$2.985bn
Base	$4.566bn	$9.471bn	$14.037bn	$14.037bn	0.00%	35.0%	$4.913bn
Bull	$5.888bn	$12.665bn	$18.552bn	$18.552bn	0.00%	39.0%	$7.235bn

The rollup is arithmetically reconstructable from the TTM anchors and five-year CAGRs: Commerce equals $2.270 billion compounded at 8%, 15%, or 21%; Fintech equals $4.320 billion compounded at 10%, 17%, or 24%. Direct contribution equals the summed segment revenue multiplied by the scenario's terminal Direct contribution margin. Displayed values are rounded to $1 million, so multiplication of rounded revenue and margin may differ by $1 million from the unrounded result.

Direct contribution cadence

Case	Year 1 revenue / margin / profit	Year 2 revenue / margin / profit	Year 3 revenue / margin / profit	Year 4 revenue / margin / profit	TTM+5 revenue / margin / profit
Bear	$7.204bn / 34.0% / $2.449bn	$7.875bn / 32.5% / $2.559bn	$8.609bn / 31.0% / $2.669bn	$9.413bn / 30.0% / $2.824bn	$10.293bn / 29.0% / $2.985bn
Base	$7.665bn / 35.0% / $2.683bn	$8.916bn / 34.0% / $3.031bn	$10.371bn / 34.0% / $3.526bn	$12.065bn / 34.5% / $4.162bn	$14.037bn / 35.0% / $4.913bn
Bull	$8.104bn / 35.0% / $2.836bn	$9.966bn / 35.5% / $3.538bn	$12.258bn / 36.5% / $4.474bn	$15.079bn / 37.5% / $5.655bn	$18.552bn / 39.0% / $7.235bn

The bear illustrates why revenue growth alone is insufficient: revenue rises 56% over five years, but Direct contribution grows only about 24% from the $2.402 billion TTM anchor because the margin contracts. The base more than doubles revenue and roughly doubles Direct contribution. The bull nearly triples revenue and triples Direct contribution. These outcomes are segment economics on the issuer's Direct contribution basis, not consolidated earnings.

Scenario interpretation and probability

The assigned probabilities are 25% bear, 55% base, and 20% bull. Argentina merits a larger-than-normal bear weight because five-year reported-USD outcomes depend on macro policy, currency translation, and credit. The bull weight is restrained because a favorable macro outcome must coincide with strong underwriting, lower funding costs, and successful competitive execution. The base has the highest weight because it allows substantial structural growth while normalizing the exceptional historical margin.

A probability-weighted operating snapshot, not a separate scenario, is approximately $14.004 billion of TTM+5 revenue and $4.895 billion of Direct contribution by weighting scenario outcomes. That implied 34.96% margin should not be used as a fourth case: the probability-weighted ratio mixes distinct states and hides tail risk. Consolidated synthesis should carry the three scenarios separately.

11. Key risks and wildcards

11.1 Currency and hyperinflation accounting — bear

Reported USD revenue can decelerate even if peso prices and volumes rise. A sharper devaluation can outpace local repricing, compress translated revenue, and create mismatches between revenue and costs. Argentina's historical reported growth is therefore an unreliable steady-state base rate. The bear case assumes translation remains a drag and margin falls. The base assumes disinflation and FX normalization but does not assume a free currency tailwind. The bull requires real stabilization.

Monitoring should separate reported USD growth, FX-neutral GMV, sold items, segment Direct contribution, and the consolidated foreign-currency-loss line. A large improvement in nominal local metrics without corresponding USD contribution is not thesis confirmation.

11.2 Credit-card seasoning and consumer credit — bear and base

The Argentina card was only about three quarters old at Q2 2026. Early NPL improvement is constructive but cannot demonstrate full-cycle economics. Rapid originations can increase revenue while CECL provision, rewards, and acquisition costs precede lifetime customer value. The bear assumes adverse loss emergence and funding cost; the base assumes manageable seasoning but holds the terminal margin below TTM.

The most important signals are cohort loss curves, 15-90 day NPL by country if disclosed, provision growth relative to receivables, NIMAL, funding cost, and card activity after introductory incentives. [DATA GAP: Argentina card receivables, cohort loss curves, NIMAL, and country-level funding cost are not disclosed in the verified package.]

11.3 Payment interoperability and open finance — bear

Interoperability expands digital payments but makes acceptance less proprietary. BCRA's 2026 agenda includes fuller QR and card interoperability, online PCT, and open-finance design. Competitors can ride shared rails, forcing Mercado Pago to compete on customer experience, pricing, balance utility, underwriting, and breadth. Acquiring margins may compress even as volume grows. The bull turns this into a market-expansion advantage; the bear treats it as commoditization.

11.4 Cross-border import liberalization — bear and base

The 2026 postal and courier reforms lower friction for imported goods and benefit Temu, Shein, direct merchants, and consumers. Price comparison becomes easier, while domestic sellers face broader assortment and potentially lower landed costs abroad. MercadoLibre can respond through logistics, trust, local returns, financing, and imported selection, but the response costs money. Commerce growth can remain strong while seller economics and Direct contribution weaken.

11.5 Logistics execution and subsidy payback — all cases

Fast and reliable delivery is a moat only if density improves cost per parcel. Overbuilding capacity, mispricing free shipping, or failing to control returns can depress contribution. Conversely, strong unit growth can create meaningful scale leverage. Country-level fulfillment penetration and unit shipping cost are not disclosed, so investors must infer progress from delivery

promises, volume, and segment margin rather than a complete unit-cost series.

11.6 Advertising monetization — bull and base

Ads can increase revenue per GMV at attractive incremental economics and deepen seller dependence. However, Argentina advertising dollars and revenue share are not disclosed. The forecast gives Commerce a structural premium but does not insert a separate ads revenue estimate. Failure of ads growth to outpace marketplace activity would weaken the base margin recovery; sustained growth with stable seller ROI would support the bull.

11.7 Seller relations and platform governance — bear

Dominant platforms risk regulatory and seller backlash around fees, ranking, self-preferencing, account suspension, and data use. Cross-border competition can make dissatisfied merchants more willing to multi-home. Trust must exist on both sides: buyer protection cannot come at the cost of arbitrary seller economics. Material regulatory remedies or seller migration would weaken network effects before they necessarily show up in top-line growth.

11.8 Macro reform success — bull wildcard

The IMF projected 3.5% real growth and 25% end-period inflation for 2026 under continued policy discipline, while BCRA's August 2026 survey was less optimistic on growth. Successful disinflation could improve planning, credit duration, capital access, and consumption, but it could also reduce nominal spread optics. The bull depends on real engagement and monetization, not nominal inflation. A stable peso that improves USD translation without real volume would be lower-quality evidence.

11.9 Ecosystemic-user conversion — bull and base

The strongest upside mechanism is converting marketplace-only and fintech-only users into ecosystemic users. Management says their contribution profit is multiples of the separate cohorts, but the company does not disclose Argentina counts or economics. If future disclosure shows faster ecosystemic-user growth, higher retention, and stronger contribution per user, it would support the bull. If the claim remains qualitative while acquisition and rewards rise, it should not justify margin expansion.

11.10 Regulatory capital, tax, and funding perimeter — bear

Mercado Pago operates within a changing financial regulatory perimeter. Funding and loss-bearing capital are not visible in country segment reporting, and restricted or customer balances are not freely distributable cash. New capital, consumer-protection, data, or open-finance rules could raise cost. Argentina tax and FX rules can also change quickly. Direct contribution captures current local funding and provision expense but does not reveal distributability, so consolidated valuation should avoid treating the entire Argentina contribution as owner cash.

External context sources used

- [BCRA August 2026 market-expectations survey](https://www.bcra.gob.ar/publicaciones/relevamiento-de-expectativas-de-mercado-rem-agosto-de-2026/) — current inflation, GDP, interest-rate, and exchange-rate expectations.
- [IMF May 2026 Argentina Article IV and program-review release](https://www.imf.org/en/news/articles/2026/05/21/pr26165-argentina-imf-completes-2nd-rev-of-extended-arr-under-eff-concludes-2026-aiv-consultation) — official 2026 real-growth and inflation projections and risk conditions.
- [CACE mid-term 2026 e-commerce statistics](https://cace.org.ar/pages/estadisticas) and [CACE annual 2025 study](https://cace.org.ar/blogs/news/estudio-anual-de-cace-2025-el-ecommerce-como-canal-estructural-del-consumo-argentino) — orders, units, and cross-border industry context.
- [BCRA March 2026 retail-payments report](https://www.bcra.gob.ar/publicaciones/informe-de-pagos-minoristas-marzo-de-2026/), [interoperable-wallet register](https://www.bcra.gob.ar/billeteras-digitales-interoperables/), and [April 2025 payments report](https://www.bcra.gob.ar/Pdfs/PublicacionesEstadisticas/Informe-Mensual-de-Pagos-Minoristas-abril%202025.pdf) — wallet count, QR adoption, interoperability, and PSP mutual-fund balance share.
- [BCRA 2026 objectives and plans](https://www.bcra.gob.ar/noticias/objetivos-y-planes-2026/) — payment interoperability, bimonetary payments, and open-finance policy direction.

- [Argentina Decree 604/2026 explanation](https://www.argentina.gob.ar/node/507813) and [postal import implementation](https://www.argentina.gob.ar/node/508897) — current cross-border import rules.
- **Excluded after retrieval failure:** the Euromonitor Argentina retail e-commerce overview returned HTTP 403 on the live fetch and one identical retry; no estimate from it is used.

Scenario summary

Case	Segment TTM+5 Revenue	Exact profit metric	Segment TTM+5 Profit Margin	Segment TTM+5 Profit	Probability
Bear	$10.293bn	Direct contribution	29.0%	$2.985bn	25%
Base	$14.037bn	Direct contribution	35.0%	$4.913bn	55%
Bull	$18.552bn	Direct contribution	39.0%	$7.235bn	20%

The investment implication is not that Argentina is a fragile or structurally unprofitable segment. It is that a dominant, high-growth platform can still produce a wide range of USD economics when currency, credit, competition, and regulation interact. The base case gives MercadoLibre substantial credit for channel share, ecosystem cross-sell, and financial deepening while refusing to capitalize hyperinflation-era growth or peak Direct contribution margins. The bear keeps the franchise intact but assumes weaker economics; the bull requires observable proof from card cohorts, logistics productivity, ecosystemic-user conversion, and stable macro translation.

Appendix B4 - Other Countries

MercadoLibre — Other Countries Segment Deep Dive

Run ID: `pulse-cio-20260914T060240+0800` Action: `CIO-20260911-MELI-LEGACY-ER2-REFRESH` Information cutoff: 2026-09-14 SGT TTM anchor: four quarters ended 2026-06-30 Exact five-year horizon: 2031-06-30 Reporting currency: USD; tables use USD billions unless noted otherwise Exact segment profit basis: **Direct contribution**

Forecasting marker verified: `STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING`. The sealed `statutory_bridge.json` identifies Other Countries as one of four reportable geographies, uses issuer-disclosed **Direct contribution** for every geography, reports $232 million of Other Countries TTM Direct contribution, and has zero residuals in every statutory reconciliation. Corporate and indirect costs remain outside this appendix and are forecast once by the synthesis stage.

0. Segment boundary and taxonomy note

Other Countries is MercadoLibre's residual reportable geographic segment, described in the verified data package as primarily Chile, Colombia, Uruguay, and other Latin American operations. The issuer does not disclose revenue or Direct contribution separately for those countries, so this appendix models the disclosed aggregate and never invents country allocations. Commerce and Fintech are disclosed revenue streams within the aggregate; they are not additional reportable segments and they do not have separate Direct contribution disclosures. The four-geography reporting structure is stable over the five-year history, but a January 1, 2024 presentation change moved Mercado Pago operating interest income and expense into revenue and cost lines and the current filing recast FY2023. FY2023-FY2025 therefore form the clean dollar-comparison window. FY2021-FY2022 are shown for long-term context but not used to calculate a cross-boundary growth rate. This conservatism matters because the residual segment is small enough that presentation and foreign-exchange movements can materially distort a percentage growth rate.

1. What this segment actually is

Other Countries is not one homogeneous national business. It is the combined economic footprint of MercadoLibre's marketplace, logistics, advertising, payments, wallet, acquiring, savings, and credit ecosystem outside Brazil, Mexico, and Argentina. The data package supports Chile, Colombia, and Uruguay as the principal named constituents. It does not support assigning a percentage of segment revenue, Direct contribution, users, GMV, TPV, loans, or facilities to any one country. "Other Latin American operations" is therefore retained as an unnamed residual rather than expanded into an analyst-created list.

The customer proposition has two linked sides. On the commerce side, consumers receive product selection, search, reputation signals, payments, delivery, returns, and increasingly advertising-supported discovery. Sellers receive traffic, transaction processing, logistics, fulfillment, advertising, and data tools. Revenue includes marketplace fees, shipping, advertising, subscriptions, classifieds, and revenue from first-party merchandise. On the fintech side, consumers and merchants use Mercado Pago for acquiring, payments, transfers, wallet balances, asset-management products, and credit. Revenue includes acquiring economics, credit income, and other financial services. The annual and quarterly tables in the data package show that both streams exist within Other Countries, but the company does not break the streams into narrower country-product cells.

Pricing is a portfolio rather than one posted take rate. Commerce monetization depends on category commissions, shipping economics, paid visibility, advertising, subscriptions, and first-party merchandise gross profit. Fintech monetization depends on merchant acquiring, wallet engagement, credit spreads, asset balances, and funding. A seller or user can adopt one product before another, allowing MercadoLibre to subsidize an entry point and earn the relationship across the ecosystem. This makes a simple revenue-to-GMV or revenue-to-TPV ratio misleading: the data package explicitly states that neither a clean marketplace take rate nor a clean payment take rate is disclosed.

The route to market is predominantly digital, but execution is locally physical. Marketplace liquidity can be shared through regional software, brand, data, and operating knowledge; logistics must still be built around each country's geography, merchant density, last-mile network, customs rules, and delivery standards. Payments and credit must fit local banking rails, regulation, identity systems, funding markets, and consumer behavior. The segment therefore benefits from MercadoLibre's regional technology platform while retaining meaningful local fixed costs and country risk. This tension explains why the aggregate can grow rapidly yet sustain a margin materially below mature Argentina and, at times, below Mexico.

Chile, Colombia, and Uruguay offer different strategic roles. Chile is a relatively developed online-retail market with evidence of strong 3P marketplace position for Mercado Libre. Colombia offers scale, continued e-commerce growth, and a rapidly changing interoperable-payment environment, but also intense wallet, bank, retailer, and cross-border competition. Uruguay is smaller but digitally engaged; it can support dense local operations and ecosystem testing, while its absolute addressable market constrains how much it can contribute to the group. Because the issuer aggregates the countries, these are qualitative drivers, not inputs to hidden country-level spreadsheets.

2. Current economics: TTM ended 2026-06-30

Other Countries generated $1.582 billion of TTM revenue, mechanically summing the four verified quarterly geography rows: $0.308 billion in Q3 2025, $0.414 billion in Q4 2025, $0.397 billion in Q1 2026, and $0.463 billion in Q2 2026. The sealed bridge reports $232 million of TTM **Direct contribution**, producing a 14.7% Direct contribution margin. The TTM Commerce/Fintech mix is also reconstructable from issuer-disclosed quarterly stream rows: Commerce was $1.108 billion, or 70.0% of segment revenue, and Fintech was $0.474 billion, or 30.0%. Those stream totals sum exactly to the reported geographic segment total after rounding. Primary sources: [Q3 2025 Form 10-Q segment note](https://www.sec.gov/Archives/edgar/data/1099590/000109959025000051/meli-20250930.htm), [FY2025 Form 10-K segment note](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm), and [Q2 2026 Form 10-Q segment note](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm).

Recent momentum is strong but noisy. FY2025 segment revenue rose 41.2% to $1.255 billion in the [FY2025 Form 10-K segment table](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm). Q2 2026 revenue was $0.463 billion, 63.0% above the comparable prior-year quarter according to the data package's mechanically calculated geography growth from the [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm). The intervening quarterly pattern was 39.4%, negative 7.0%, 59.4%, and 63.0%. A forecast that simply extrapolates the latest 63% would ignore the Q4 reversal, currency effects, a small denominator, and the slower growth of the underlying national e-commerce markets. Conversely, a forecast that assumes the segment immediately falls to national retail growth would ignore MercadoLibre's share opportunity, fintech cross-sell, advertising, and the fact that the segment's FY2023-FY2025 clean-dollar CAGR was 37.4%.

Direct contribution margin improved from 7.5% in FY2023 to 13.2% in FY2024 and 14.0% in FY2025 in the [FY2025 Form 10-K segment table](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm), then reached 14.7% on a TTM basis. Quarterly margins were 14.0%, 14.5%, 16.1%, and 13.9%, using the [Q3 2025 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959025000051/meli-20250930.htm), FY2025 less nine months, and the [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm). That sequence says two things. First, the aggregate has moved beyond the loss-making or barely profitable phase: local commerce density, logistics, payments, and monetization can now cover the costs included in Direct contribution. Second, the economics are not yet on an uninterrupted scale curve. The Q2 retreat from 16.1% to 13.9% is consistent with continued investment, adverse mix, or credit/acquiring costs. The data package provides no country-level bridge, so it would be improper to attribute the change to a specific country.

The 14.7% margin is on the issuer's Direct contribution basis, not statutory operating margin. Direct contribution deducts local segment costs including fulfillment, collection, credit-loss provisions, funding, marketing, payroll, hosting, depreciation, and other local costs, but excludes corporate and indirect costs. No corporate cost is allocated here. The synthesis stage must separately project the TTM $2.994 billion of consolidated operating expenses and indirect costs that bridge all segments' Direct contribution to statutory operating income. Definition and bridge sources: [FY2025 Form 10-K segment note](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm), [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm), and sealed `statutory_bridge.json` source ID `qf_ttm_reconciliation`.

Capital intensity is material even though the issuer does not disclose Other Countries capex. Logistics facilities, sortation, delivery capacity, devices, payments infrastructure, credit funding, and technology support growth. The data package reports consolidated FY2025 capex of $1.343 billion from the [FY2025 Form 10-K cash-flow statement](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm) and H1 2026 capex of $0.712 billion from the [Q2 2026 Form 10-Q cash-flow statement](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm), but no defensible allocation belongs in this segment appendix. Likewise, restricted cash, customer funds, and loan funding make consolidated

cash generation an unreliable proxy for country economics. **[DATA GAP: MercadoLibre does not disclose Other Countries capex, working capital, credit portfolio, NPLs, funding, GMV, TPV, users, or invested capital.]**

3. Unit economics

The core commerce flywheel starts with buyer demand and seller selection. More buyers attract sellers; more sellers broaden selection and price competition; stronger selection improves conversion and frequency. Logistics then turns digital liquidity into a service-quality advantage. Higher parcel density can reduce fulfillment and last-mile unit costs, shorten delivery time, and increase successful delivery. Those gains can be reinvested in free shipping or seller incentives, which accelerates volume but may depress near-term Direct contribution. The economic question is not whether logistics spending rises; it is whether shipping and fulfillment cost per order falls faster than the company increases service levels and subsidies.

Commerce revenue converts to Direct contribution through a mixed gross-margin stack. Marketplace fees and advertising can be attractive because they monetize third-party volume without owning inventory. Shipping and fulfillment may carry lower or even deliberately subsidized margins when MercadoLibre is building habit. First-party commerce increases reported revenue because the company acts as principal, but normally carries lower percentage margins and inventory risk. Subscription and loyalty products can raise frequency and retention while shifting economics into longer payback periods. As these revenue sources are not separately disclosed within Other Countries, the forecast uses the disclosed Commerce stream as the finest defensible line and varies the aggregate Direct contribution margin separately.

Advertising is a potential positive-mix lever. The verified management commentary says the consolidated advertising business was growing rapidly and capturing a larger share of advertisers' wallets, but absolute Other Countries advertising revenue is not disclosed. Ads monetizes search intent and transaction data already generated by the marketplace; incremental delivery costs can be lower than for physical commerce. The upside case therefore allows advertising and merchant services to help margin, but does not assign an invented ads share or margin. The base case assumes this benefit partly funds logistics and buyer-acquisition investment rather than dropping through in full.

Fintech economics depend on engagement, mix, funding, and risk. Acquiring and wallet products expand the ecosystem's acceptance footprint and can raise transaction frequency. Asset management and stored balances deepen the relationship. Credit can unlock purchases and merchant growth but creates funding costs, expected-credit-loss provisions, fraud, collections expense, and capital demands. The Direct contribution definition captures these local costs, making it a useful economic metric, but an expanding loan book can depress current profit because expected losses are recognized at origination before mature cohorts yield their full interest income. The segment's 30% Fintech revenue mix is therefore not automatically margin-accretive.

Payments interoperability is both an opportunity and a competitive threat. In Colombia, Banco de la República's 2025 survey found high adoption of electronic transfers and substantial merchant acceptance, while the interoperable Bre-B system reduces friction across institutions. This expands digital-payment usage but also makes closed-loop advantages less defensible. The central bank reported that 69.7% of surveyed adults used intra-entity transfers, 84.9% of micro and small merchants received them, and 54.6% of merchants accepted interoperable instant transfers. For Mercado Pago, the opportunity is greater digital activity and merchant conversion; the risk is that bank and wallet interoperability reduces the need to remain inside a single ecosystem. This is why the base case gives Fintech a faster growth rate than Commerce but does not assume steadily rising margins solely from payment scale. Source: [Banco de la República electronic-payments survey](https://www.banrep.gov.co/es/publicaciones-investigaciones/resultados-encuesta-servicios-pago-electronicos/2025).

Margin rises when marketplace volume improves logistics density, advertising and seller services increase mix, fintech users become ecosystemic users, credit losses stay controlled, funding remains available, and fixed local costs grow slower than revenue. Margin falls when MercadoLibre lowers shipping thresholds, subsidizes deliveries, expands first-party retail, distributes payment devices, builds immature credit-card books, pays higher funding spreads, experiences fraud or credit losses, or faces price competition. Local currency depreciation can reduce translated USD revenue and change cost alignment. Because the reported segment combines several currencies, USD growth and margin can diverge from local-currency operating progress.

The clearest evidence of improving economics is the movement from 5.1% Direct contribution margin in FY2022 and 7.5% in recast FY2023 to 14.0% in FY2025 and 14.7% TTM. The caution is that the margin was already 16.6% in FY2021 before falling sharply. That earlier level is not a clean proof of mature economics because the business mix, accounting presentation, investment intensity, and scale were different. A prudent model treats roughly 15% as the current demonstrated earning power and requires explicit mechanisms for moving above it.

4. Competitive dynamics

The competitive field differs by country and product. Commerce competes against local omnichannel retailers, their marketplaces, specialist e-commerce sites, direct-to-consumer brands, social commerce, and cross-border platforms. Fintech competes against banks, card networks, merchant acquirers, digital wallets, instant-payment rails, and credit specialists. MercadoLibre's distinctive proposition is integration: discovery, trust, payment, financing, fulfillment, delivery, advertising, and post-sale support in one system. A competitor can match one feature without matching the full loop, but interoperability and third-party logistics can lower those barriers over time.

Chile. Chile offers the strongest independent evidence of segment-level marketplace power. The Chilean competition authority's April 2026 preliminary market study estimated that, among the principal durable-goods e-commerce platforms in its sample, Mercado Libre represented 60%-70% of third-party marketplace sales in 2024, versus 20%-30% for Falabella and smaller shares for Cencosud, Ripley, Walmart, Hites, and ABC. Mercado Libre was only 0%-5% of sampled first-party platform sales. This is a precise picture of business-model strength: MercadoLibre is dominant in 3P intermediation within the study perimeter, not in retail inventory sales and not necessarily in all Chilean e-commerce. The same study describes concentrated 3P conditions and significant network effects, while warning that concentration alone is not proof of market power. Source: [Fiscalía Nacional Económica preliminary e-commerce study](https://www.fne.gob.cl/wp-content/uploads/2026/04/FNE_RE_Informe_Preliminar_EM_Comercio_Electronico_EM10_2024.pdf).

Chile's market itself is developed rather than untouched. Cámara de Comercio de Santiago estimated nearly US$10 billion of online sales in 2025, up 11.6% nominal and a little over 9% real, with online penetration of retail at 12.6%. It forecast roughly 6% growth to US$10.6 billion in 2026. That supports durable digital demand but also makes 63% segment growth impossible to treat as a pure category-growth rate. Any long-term outperformance must come from MercadoLibre gaining share, expanding categories, monetizing sellers, increasing purchase frequency, or cross-selling fintech. Source: [Cámara de Comercio de Santiago e-commerce review](https://www.ccs.cl/area-publicacion/comercio-electronico-y-economia-digital/).

Chile's leading 3P position creates seller and buyer liquidity, but Falabella and Cencosud have strong local brands, stores, private-label and first-party inventory, loyalty programs, and financial products. The FNE study found Mercado Libre's own payment method represented only 0%-10% of transactions in its relevant sample, materially below the own-card use of traditional retailers. That means commerce network leadership does not automatically imply payment dominance. It also means Mercado Pago has white space if it can win consumers on everyday financial utility rather than relying only on marketplace checkout.

Colombia. The Colombian market has attractive digital growth but a more open competitive picture. Cámara Colombiana de Comercio Electrónico reported roughly COP37 trillion of online sales in Q3 2025, up 8.3% year over year and 7.9% sequentially. Full-year 2025 reporting indicated continued transaction and sales growth. MercadoLibre can grow faster through share gains, logistics, category expansion, and fintech cross-sell, but the current sources do not support a MercadoLibre-specific market-share number. The model therefore refuses to copy Chile's measured share into Colombia. Source: [CCCE Q3 2025 market report](https://ccce.org.co/noticias/informe-trimestral-del-comportamiento-del-comercio-electronico-en-colombia-tercer-trimestre-2025/).

Colombia's interoperable Bre-B system intensifies payments competition. It broadens instant transfers and QR payments across banks and other institutions, making digital acceptance easier for small merchants. For Mercado Pago, that can increase the digital transaction pool and lower cash dependence, but it also weakens the scarcity value of proprietary transfers. MercadoLibre must differentiate with merchant distribution, credit, commerce-linked data, user experience, and ecosystem rewards. Compliance matters too: Colombia's SIC announced a 2025 sanction against Mercado Libre Colombia related to biometric-data processing and account access. The fine was not financially material to the group, but the issue is strategically relevant because trusted identity is central to payments and credit. Source: [Colombia SIC enforcement notice](https://sedeelectronica.sic.gov.co/noticias/la-sic-sanciona-mercado-libre-por-violacion-al-regimen-de-Datos-Personales-y-le-imparte-una-serie-de-ordenes-administrativas).

Uruguay. Uruguay is small in absolute dollars but digitally active. Cámara de la Economía Digital del Uruguay reported 2025 e-commerce sales of UYU104.83 billion, or US$2.552 billion, up 34%, with 81 million transactions, up 18%. Credit cards represented 69% of fourth-quarter online sales value, while debit and electronic money represented 31%. This supports room for both commerce and fintech engagement, but the issuer provides no Uruguay share, revenue, or margin. A small national market can deliver attractive density and customer economics without becoming a large share of consolidated MercadoLibre. Source: [CEDU 2025 e-commerce report](https://www.cedu.org.uy/las-ventas-por-ecommerce-en-2025-aumentaron-un-34-con-respecto-al-ano-anterior/).

Other markets. The data package supports only the existence of “other Latin American operations” beyond Chile, Colombia, and Uruguay. It does not identify which countries are financially material in the current aggregate. This appendix therefore makes no market-share, competitor, growth, or capital-allocation claim for an additional named country. **[DATA GAP: issuer disclosure does not enumerate or quantify the remaining countries in Other Countries.]** Their presence adds optionality but also operational complexity, currency risk, and the possibility that subscale markets consume investment without reaching efficient density.

Pricing power is strongest where marketplace network liquidity, logistics quality, seller tools, and user trust are difficult to replicate. Chile’s measured 3P position suggests real power, but even there it is bounded by seller multi-homing, omnichannel retailers, cross-border competition, and regulatory scrutiny. In Colombia and Uruguay, the absence of current share evidence warrants a lower confidence level. The model assumes MercadoLibre can monetize superior service, not raise commissions without limit. Bull-case margin requires improved monetization alongside continued user value; it does not assume extraction from captive sellers.

5. Moat at the segment level

The segment moat is an ecosystem-density moat rather than a patent or exclusive license. Its components reinforce one another: marketplace traffic attracts sellers; seller selection improves buyer conversion; transaction data improves fraud and credit decisions; logistics density improves speed and unit cost; payments and credit increase conversion; advertising monetizes purchase intent; and stronger contribution funds more investment. Regional software and brand lower the cost of entering a market, while local logistics, risk models, regulation, and merchant relationships create country-specific accumulated advantages.

Chile provides direct evidence that the 3P network has reached meaningful scale. A 60%-70% share of principal-platform 3P sales in the FNE study is consistent with strong two-sided liquidity. The authority also observed high concentration and commission differences that may be indicative of network effects, although it explicitly cautioned against equating structure with proven power. This moat should be scored as real but contestable: Falabella and other retailers have stores, inventory, loyalty, cards, and brands; cross-border platforms can use global scale to subsidize acquisition; and the regulator is actively examining platform terms, seller treatment, price parity, and Buy Box design.

Colombia’s moat is less proven by public country data. The integrated commerce-fintech architecture may still matter greatly, particularly for merchants that value one provider for traffic, payment, logistics, and credit. Yet Bre-B means transfers and QR acceptance increasingly interoperate across providers. A wallet moat based only on closed-loop transfers is unlikely to survive. The durable advantage must instead come from engagement, underwriting data, distribution, and commerce-linked services. The privacy enforcement action also shows how an identity-control advantage can become a liability if data handling loses user or regulatory trust.

Uruguay can benefit from operating density because population and commerce are concentrated, but the national ceiling is smaller. A compact market may allow fast delivery and efficient merchant coverage, yet a local bank, card issuer, retailer, or cross-border platform can still compete for high-value users. The moat is strongest where users adopt multiple MercadoLibre services. The data package’s management commentary says contribution profit per ecosystemic user is multiples of the combined profit from marketplace-only and fintech-only users. That statement is directionally important but not quantified by country, so it informs scenario design rather than becoming a numerical margin formula.

Over five to ten years, the moat is durable if four conditions hold: MercadoLibre maintains seller selection and trusted fulfillment; it deepens fintech engagement without losing discipline in credit; it uses advertising and services to fund customer value; and regulators preserve room for integrated platforms while improving transparency rather than forcing structural separation. The moat weakens if cross-border marketplaces match delivery and service, interoperable payments commoditize the wallet, local credit losses exceed pricing, or sellers shift demand generation to social and direct channels.

The most important feedback loop is habit. Management’s cross-ecosystem commentary emphasizes broadening and deepening engagement, and behavior change that can support future profitability. Habit lowers customer-acquisition cost, raises repeat frequency, improves data, and makes logistics assets more productive. The danger is confusing subsidized activity with habit. If growth falls when shipping or credit subsidies normalize, the apparent moat was purchased rather than earned. Direct contribution margin and repeat engagement must therefore be monitored together.

This moat merits a medium-to-strong rating at the disclosed aggregate. It is strongest in Chilean 3P commerce based on direct authority evidence, plausible but less measurable in Colombia, and economically useful but scale-limited in Uruguay. The aggregate should not inherit Brazil’s or Argentina’s mature position by association. The five-year model embeds moat

through sustained growth above national e-commerce baselines and broadly stable-to-rising Direct contribution margin, while the bear case explicitly tests a failure to convert growth into stronger economics.

6. Historical growth rates

The clean post-recast history is FY2023-FY2025. The “clean CAGR” below spans the two compounding intervals between three fiscal-year observations; it is not mislabeled as a three-interval CAGR. FY2021-FY2022 segment totals are separately discussed after the table because the data package prohibits forcing a cross-boundary CAGR.

Product / sub-segment	FY2023 rev	FY2024 rev	FY2025 rev	Clean CAGR over displayed 3 FYs	Most recent YoY	Primary-source citation
Other Countries total	$0.665bn	$0.889bn	$1.255bn	37.4%	63.0% in Q2 2026	[FY2025 Form 10-K segment note](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm); [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm)
Commerce within Other Countries	$0.449bn	$0.642bn	$0.891bn	40.9%	38.8% in FY2025; quarterly stream YoY not disclosed	[FY2025 Form 10-K Commerce/Fintech table](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm)
Fintech within Other Countries	$0.216bn	$0.247bn	$0.364bn	29.8%	47.4% in FY2025; quarterly stream YoY not disclosed	[FY2025 Form 10-K Commerce/Fintech table](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm)

The total segment generated $0.456 billion in FY2021 and $0.507 billion in FY2022, with Direct contribution of $0.076 billion and $0.026 billion respectively ([FY2022 Form 10-K segment note](https://www.sec.gov/Archives/edgar/data/1099590/000109959023000007/meli-20221231.htm); verified package §3). These values establish that MercadoLibre has operated the residual geography profitably over a longer period, but FY2022 precedes the current interest-income presentation and FY2023 was recast. No FY2022-to-FY2025 CAGR is used in forecasting.

Arithmetic tie-outs are satisfactory within rounding:

- Total: $0.665bn × 1.337 = $0.889bn; $0.889bn × 1.412 = $1.255bn.
- Commerce: $0.449bn × 1.430 = $0.642bn; $0.642bn × 1.388 = $0.891bn.
- Fintech: $0.216bn × 1.144 = $0.247bn; $0.247bn × 1.474 = $0.364bn.
- FY2025 stream tie: $0.891bn Commerce + $0.364bn Fintech = $1.255bn segment revenue.
- TTM stream tie: $1.108bn Commerce + $0.474bn Fintech = $1.582bn segment revenue.
- TTM profit tie: $1.582bn × 14.66498% = $0.232bn Direct contribution.

The quarterly total history is $0.308 billion, $0.414 billion, $0.397 billion, and $0.463 billion from Q3 2025 through Q2 2026. Commerce was $0.214 billion, $0.295 billion, $0.274 billion, and $0.325 billion; Fintech was $0.094 billion, $0.119 billion, $0.123 billion, and $0.138 billion. Sources and reconstruction: [Q3 2025 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959025000051/meli-20250930.htm); Q4 equals the [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm) less nine months; Q1 equals H1 less Q2 in the [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm); Q2 is disclosed in that same 10-Q. Each quarter ties exactly after rounding. The volatility reinforces the decision to forecast five-year CAGRs from the full TTM rather than annualize Q2.

7. Management guidance and qualitative anchors

MercadoLibre has not supplied conventional country or segment revenue guidance. The verified data package preserves the relevant statements from the last four live-fetched earnings calls. They are ecosystem-wide anchors and are not falsely attributed to a specific Other Countries nation.

- **Q4 FY2025, 2026-02-24 — Martín de los Santos, CFO, advertising:** “This improved performance is driving higher adoption and capturing a larger share of advertisers' wallet, propelling the business to grow 67%.” [data_package §6, live FMP transcript `earning-call-transcript?symbol=MELI&year=2025&quarter=4`]. Interpretation: advertising can support Commerce monetization and margin, but the absence of country dollars prevents a mechanical ads forecast.

- **Q1 FY2026, 2026-05-07 — Martín de los Santos, CFO, fintech ambition:** “This highlights that engagement is both broadening and deepening as more users choose our ecosystem as their primary financial relationship.” [data_package §6, live FMP transcript `earning-call-transcript?symbol=MELI&year=2026&quarter=1`]. Interpretation: Fintech growth should reflect relationship depth and cross-sell, not only TPV. Interoperable local rails mean primary-relationship status must be earned continually.

- **Q1 FY2026, 2026-05-07 — Martín de los Santos, CFO, reinvestment:** “Our investment decisions are guided by clear observable evidence” and management believes the market has “significant multiyear growth runways ahead.” [data_package §6, live FMP transcript `earning-call-transcript?symbol=MELI&year=2026&quarter=1`]. Interpretation: near-term margin is a managerial choice, but there is no promise of rapid margin expansion. Scenario margins vary with investment duration and payoff.

- **Q2 FY2026, 2026-08-05 — Martín de los Santos, CFO, ecosystemic users:** “Contribution profit per ecosystemic user is multiples of the sum of a Marketplace-only user and a Fintech-only user.” [data_package §6, live FMP transcript `earning-call-transcript?symbol=MELI&year=2026&quarter=2`]. Interpretation: the integrated model can improve unit economics, but no country-specific penetration or multiple is disclosed. It is a direction, not a spreadsheet input.

- **Q2 FY2026, 2026-08-05 — Martín de los Santos, CFO, habit:** “We are changing behavior and building habits we believe will drive this business' profitability for years to come.” [data_package §6, live FMP transcript `earning-call-transcript?symbol=MELI&year=2026&quarter=2`]. Interpretation: persistent frequency and retention would justify growth above country market rates; subsidy-dependent activity would not.

- **Q3 FY2025, 2025-10-30 — Martín de los Santos, CFO, discipline:** “We will continue to invest with discipline, focusing on the long-term potential and scale of our ecosystem.” [data_package §6, live FMP transcript `earning-call-transcript?symbol=MELI&year=2025&quarter=3`]. Interpretation: the base case assumes reinvestment continues. The bull case earns higher margin only because scale and mix benefits outrun reinvestment, while the bear case assumes spending remains necessary without equivalent payback.

[DATA GAP: management did not provide quantitative Other Countries revenue, Commerce, Fintech, Direct contribution, capex, or country-level guidance.] No current investor-day evidence fills this gap. The model therefore uses historical disclosures and live external market evidence, with explicit scenario probabilities.

8. Forward growth assumptions

All scenarios compound the verified TTM stream bases—$1.108 billion Commerce and $0.474 billion Fintech—for exactly five calendar years to 2031-06-30. The current quarterly segment growth rate of 63.0% is not used as a five-year CAGR. The modeled year-by-year deceleration reflects the large gap between recent MercadoLibre growth and underlying national market growth, while allowing share gains and ecosystem monetization.

Base case growth

Product	Clean historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Commerce	40.9% over FY2023-FY2025	38.8% FY2025; Q2 stream n/d	No numeric guide	17.0%	Market growth plus share, category, ads, and logistics gains; decelerates as Chile matures and the aggregate scales.
Fintech	29.8% over FY2023-FY2025	47.4% FY2025; Q2 stream n/d	No numeric guide	19.0%	Wallet, acquiring, AUM, and credit cross-sell outgrow commerce, tempered by interoperability, funding, and risk.
Other Countries total	37.4% over FY2023-FY2025	63.0% Q2 2026	No numeric guide	17.6% implied	Weighted stream result; no country allocation.

The base cadence is 24%, 20%, 17%, 14%, and 10.5% for Commerce and 26%, 22%, 19%, 16%, and 12.5% for Fintech. The last-year rates shown to one decimal are full-precision balancing rates of 10.4678% and 12.4604%, so the paths compound exactly to the displayed 17.0% and 19.0% five-year CAGRs. The sharp decline from the latest segment growth is deliberate and evidence-based: Chile's chamber forecasts about 6% online-sales growth for 2026, Colombia's Q3 2025 market grew 8.3%, and Uruguay's 34% 2025 growth came from a smaller base. MercadoLibre must outperform through share and ecosystem depth, but cannot compound a 63% translated growth rate for five years without an unsupported addressable-market claim.

Bull case growth

Product	Clean historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Commerce	40.9% over FY2023-FY2025	38.8% FY2025; Q2 stream n/d	No numeric guide	23.0%	Chile 3P leadership persists; Colombia share and category depth rise; ads, fulfillment, and 1P widen monetization.
Fintech	29.8% over FY2023-FY2025	47.4% FY2025; Q2 stream n/d	No numeric guide	25.0%	Ecosystemic users adopt wallet, acquiring, savings, and credit faster; interoperability expands the market without commoditizing engagement.
Other Countries total	37.4% over FY2023-FY2025	63.0% Q2 2026	No numeric guide	23.6% implied	Weighted stream result; growth remains below recent reported rates.

The bull cadence is 30%, 26%, 23%, 20%, and 16.4% for Commerce and 32%, 28%, 25%, 22%, and 18.4% for Fintech. The full-precision final rates are 16.4462% and 18.4394%, which reconcile exactly to the displayed 23.0% and 25.0% five-year CAGRs. It assumes MercadoLibre turns its Chile marketplace position into deeper monetization while replicating the integrated model in Colombia, and that Uruguay remains a high-engagement market. It still decelerates each year and does not assume the latest quarterly growth persists. The structural change is not merely a stronger category market; it is higher share, more ecosystemic users, and better ads and fintech cross-sell.

Bear case growth

Product	Clean historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Commerce	40.9% over FY2023-FY2025	38.8% FY2025; Q2 stream n/d	No numeric guide	10.0%	Growth converges toward national e-commerce; cross-border and omnichannel rivals pressure share and shipping economics.
Fintech	29.8% over FY2023-FY2025	47.4% FY2025; Q2 stream n/d	No numeric guide	12.0%	Interoperable rails commoditize payments; credit and compliance constrain expansion; cross-sell underdelivers.
Other Countries total	37.4% over FY2023-FY2025	63.0% Q2 2026	No numeric guide	10.7% implied	Weighted stream result; the segment still grows but loses most of its recent excess-growth premium.

The bear cadence is 16%, 13%, 10%, 7%, and 4.4% for Commerce and 18%, 15%, 12%, 9%, and 6.4% for Fintech. The full-precision final rates are 4.3880% and 6.3814%, which reconcile exactly to the displayed 10.0% and 12.0% five-year CAGRs. This is not a collapse case. It assumes category growth continues, but MercadoLibre pays more for logistics and user

acquisition, realizes less incremental wallet differentiation, and faces regulatory and credit friction. A true recession or severe currency shock could produce a worse single-year USD result, but the five-year endpoint assumes partial normalization rather than permanent contraction.

9. Forward Direct contribution margin assumptions

The exact metric is **Direct contribution**. No table or discussion below treats it as statutory operating income. The current TTM margin is 14.7%. The company does not disclose Direct contribution by Commerce, Fintech, or country, so a product-level margin split would be fabricated. The forecast applies one aggregate segment margin after separately forecasting the two disclosed revenue streams.

Case	TTM Direct contribution margin	TTM+5y Direct contribution margin	Change	Mechanism
Bear	14.7%	9.0%	-570 bps	Shipping, acquisition, credit losses, funding, compliance, and price competition outrun density and ads benefits.
Base	14.7%	15.5%	+80 bps	Logistics scale and higher-value services modestly exceed continued reinvestment; no rapid normalization assumed.
Bull	14.7%	19.0%	+430 bps	Marketplace density, ads, ecosystemic-user mix, and controlled credit generate substantial operating leverage.

The bear decline is greater than 100 basis points and therefore requires concrete mechanisms. Commerce faces continued free-shipping and delivery investment without adequate frequency or seller monetization. Cross-border and retailer competition limit commission and advertising pricing. Fintech faces higher funding costs, weaker credit cohorts, and provision drag, while interoperable payments compress acquiring economics. Local currency weakness may also reduce translated USD revenue faster than local fixed costs reset. The result remains profitable because the segment has demonstrated a multi-year positive Direct contribution base, but economics fall back toward an earlier development-stage level.

The base increase is deliberately small. The segment has already reached a mid-teens margin, and management is explicitly prioritizing long-run investment. Logistics density, advertising, and fintech cross-sell improve unit economics, but savings are recycled into service and growth. A 15.5% horizon margin is only 80 basis points above TTM and below the segment's FY2021 16.6% observation, avoiding an assumption that scale automatically produces Argentina-like profitability.

The bull increase requires four linked wins: commerce volume improves parcel density; advertising and seller services grow faster than physical-commerce costs; fintech users adopt multiple high-engagement products; and credit risk remains controlled as portfolios season. A 19.0% margin would exceed the historical clean-period peak and is therefore not a simple extrapolation. It is justified only if the aggregate converts growth into durable ecosystem economics and does not need indefinitely rising subsidies. It remains below Mexico's historical peak and far below Argentina's margins, acknowledging smaller-market and investment constraints.

Probability weights are 25% bear, 55% base, and 20% bull. The base receives the largest weight because strong reported growth and improving multi-year margins coexist with persistent reinvestment. Bear is weighted above bull because the aggregate lacks country disclosures, current country-level credit evidence, and a quantified capital schedule; the left tail from currency, regulation, competition, and credit is easier to describe than the path to a 19% margin. Bull retains a meaningful 20% because Chile's 3P position is independently strong and the segment's recent revenue momentum materially exceeds the underlying country markets.

10. Segment rollup

The rollup is reconstructed only from disclosed TTM Commerce and Fintech revenue. Each stream is compounded by its scenario CAGR for exactly five years. Direct contribution is then calculated using the scenario aggregate margin because stream-specific margins are not disclosed.

Case	TTM Commerce	Commerce CAGR	TTM+5y Commerce	TTM Fintech	Fintech CAGR	TTM+5y Fintech
Bear	$1.108bn	10.0%	$1.784bn	$0.474bn	12.0%	$0.835bn

Case	TTM Commerce	Commerce CAGR	TTM+5y Commerce	TTM Fintech	Fintech CAGR	TTM+5y Fintech
Base	$1.108bn	17.0%	$2.429bn	$0.474bn	19.0%	$1.131bn
Bull	$1.108bn	23.0%	$3.119bn	$0.474bn	25.0%	$1.447bn

Case	TTM+5y segment revenue	Implied segment CAGR	Direct contribution margin	TTM+5y Direct contribution	Revenue tie check
Bear	$2.620bn	10.7%	9.0%	$0.236bn	$1.784bn + $0.835bn = $2.620bn
Base	$3.560bn	17.6%	15.5%	$0.552bn	$2.429bn + $1.131bn = $3.560bn
Bull	$4.566bn	23.6%	19.0%	$0.868bn	$3.119bn + $1.447bn = $4.566bn

All totals reconcile within 0.1% after rounding. The full-precision calculations are: bear revenue $2.619795 billion and Direct contribution $0.235782 billion; base revenue $3.560364 billion and Direct contribution $0.551856 billion; bull revenue $4.565892 billion and Direct contribution $0.867519 billion. No country allocation, stream margin, or corporate-cost allocation is hidden in the arithmetic.

The probability-weighted operating endpoint, useful only as a diagnostic rather than a fourth scenario, is $3.526 billion of segment revenue and $0.536 billion of Direct contribution: 25% × bear + 55% × base + 20% × bull. Using the full-precision scenario rows, weighted revenue is $3.526327 billion, weighted Direct contribution is $0.535970 billion, and the implied weighted margin is 15.20%. This is not generated by averaging the three margins; it preserves scenario revenue weights.

The model's decision variables are transparent. A one-point change in the five-year Commerce CAGR moves the endpoint by roughly 4%-5% for that stream; the same is true for Fintech. A 100-basis-point change in segment margin moves horizon Direct contribution by $26 million in bear, $36 million in base, and $46 million in bull. Margin uncertainty therefore becomes increasingly important as the revenue base compounds. The synthesis stage should not use a rounded margin to reverse-engineer revenue or treat the probability-weighted endpoint as the base case.

11. Key risks and wildcards

1. Aggregate-opacity risk — bear and base. The company reports no country allocation. Chile's demonstrated 3P strength could mask weaker economics elsewhere, or Colombia's growth could mask subscale residual markets. The inability to observe country mix lowers forecast confidence and justifies a larger bear weight. Monitoring should focus on any future disclosure change, country-specific management commentary, or discontinuation that clarifies the perimeter.

2. Currency translation and macro risk — bear. The segment combines multiple local currencies but reports in USD. Depreciation can reduce translated revenue and Direct contribution even if local-currency volume grows. Inflation and interest rates also affect consumer demand, funding, credit losses, and merchant economics. A strong USD could make an operationally sound year appear weak; a favorable currency could flatter reported growth. The model therefore uses a five-year TTM framework and does not annualize one quarter.

3. Logistics payback — all cases. Faster delivery and fulfillment can create loyalty and density, but fixed facilities and free-shipping subsidies require volume. Bull assumes unit costs fall faster than service investment. Base assumes most savings are reinvested. Bear assumes density and monetization fail to cover the service promise. A persistent Direct contribution margin below 12% despite double-digit revenue growth would be evidence for the bear mechanism.

4. Cross-border and omnichannel competition — bear. Global platforms can subsidize selection and price; local retailers can combine stores, inventory, loyalty, cards, and pick-up networks. Chile's FNE data show strong 3P leadership but weak 1P share, illustrating both power and vulnerability. MercadoLibre must keep sellers and buyers through service, not only through subsidies or restrictive terms.

5. Payments interoperability — bear and base. Colombia's Bre-B expands digital payments but lowers switching frictions. If wallet transfers become a commodity, Mercado Pago needs superior merchant tools, credit, investment products, and ecosystem integration. Base assumes it succeeds partially; bear assumes greater commoditization and lower acquiring economics.

6. Credit-cycle and funding risk — bear. Fintech growth can outrun risk controls. Provisions are recognized at origination and can depress contribution before revenue matures. The absence of Other Countries portfolio, NPL, NIMAL, and funding data means the segment's credit tail cannot be independently modeled. A rise in consolidated NPLs alongside disproportionate segment margin pressure would warrant lowering both growth and margin.

7. Regulatory and trust risk — bear. Chile's competition review highlights seller terms, marketplace design, and platform concentration. Colombia's privacy sanction highlights biometric-data governance. Regulation may raise compliance costs, constrain commercial practices, or weaken trust. The bear case does not assume a breakup; it assumes recurring remediation and less monetization freedom.

8. Advertising upside — bull. Ads can monetize high-intent traffic with attractive incremental economics. Bull assumes adoption and share-of-wallet gains continue. Because country-level dollars are not disclosed, this remains a qualitative driver. If MercadoLibre begins disclosing ads dollars or ad revenue relative to GMV by geography, the model should be rebuilt from that evidence rather than preserve the current assumption.

9. Ecosystemic-user upside — bull and base. Management says multi-product users generate substantially more contribution than single-product users. If Commerce buyers adopt wallet, savings, credit, and merchant products, both growth and margin can exceed market baselines. The key proof would be rising cross-product penetration with stable credit quality and lower acquisition cost—not user counts alone.

10. Small-market ceiling and subscale tail — bear. Uruguay can have excellent digital engagement yet remain small in group dollars. Unnamed smaller markets may require local compliance, support, logistics, and payment infrastructure without sufficient revenue density. The bull case assumes regional technology leverage contains those costs; bear assumes the tail dilutes the returns of stronger countries.

11. Taxonomy and reporting risk — all cases. FY2023 was recast while earlier years were not. Future reclassification of fintech interest, shipping, or product/service revenue could change reported growth without changing economics. Direct contribution must remain the profit basis unless a new sealed statutory bridge authorizes a change. Old appendices or vendor pre-recast cells must not be used to overwrite the current history.

12. Margin illusion from corporate exclusion — all cases. Direct contribution excludes corporate and indirect expenses. A 15.5% segment margin is not a 15.5% statutory operating margin and cannot be valued as such. Synthesis must apply consolidated corporate and indirect costs once. Allocating those costs to this segment here or omitting them later would both be errors.

Forecast conclusion

Other Countries is a small but strategically valuable growth segment. It represented only 4.3% of FY2025 consolidated revenue, yet its mix of commerce and fintech extends MercadoLibre's regional network into attractive markets. The clean history shows strong growth and a meaningful recovery in Direct contribution margin. Chile offers independently verified 3P marketplace strength; Colombia offers scale and digital-payments expansion but more interoperable competition; Uruguay offers rapid e-commerce growth from a smaller base. The common underwriting mistake would be to turn those narratives into precise country allocations. This model does not.

The base case compounds revenue at 17.6% to $3.560 billion and raises Direct contribution margin only modestly to 15.5%, producing $0.552 billion of Direct contribution. The bear case preserves growth but assumes weak operating leverage, resulting in $2.620 billion of revenue and $0.236 billion of Direct contribution at a 9.0% margin. The bull case requires sustained share gains, ecosystemic-user adoption, advertising mix, logistics productivity, and controlled credit, producing $4.566 billion of revenue and $0.868 billion of Direct contribution at a 19.0% margin. The 25%/55%/20% probability distribution appropriately recognizes strong momentum and moat evidence while penalizing disclosure opacity and fintech downside.

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	$2.620bn	Direct contribution	9.0%	$0.236bn	25%
Base	$3.560bn	Direct contribution	15.5%	$0.552bn	55%
Bull	$4.566bn	Direct contribution	19.0%	$0.868bn	20%

The segment remains investable only if reported growth increasingly converts into stable Direct contribution after fulfillment, funding, credit loss, marketing, payroll, hosting, depreciation, and other local costs. The most useful falsification signal is therefore not one quarter of USD revenue growth. It is a combination of sustained double-digit growth, improving cross-ecosystem engagement, and a Direct contribution margin that holds near or above the mid-teens without deteriorating credit quality or rising regulatory friction. Failure on that combination would move the model toward bear even if top-line growth still looked impressive.

Appendix S - Synthesis (Combined Earnings Model)

MercadoLibre (MELI) - Synthesis (Combined Earnings Model)

Production ER2 run: `pulse-cio-20260914T060240+0800` **Action:** `CIO-20260911-MELI-LEGACY-ER2-REFRESH` **Information date:** 2026-09-14 **Reporting currency:** USD **Exact modeled segment-profit metric:** issuer-disclosed **Direct contribution Purpose:** mechanical consolidation of the four reviewed geographic forecasts into statutory operating income, net income, listed-unit EPS, and the binary P/E-15 entry-price gate. This appendix does not select an exit valuation, estimate shareholder returns, or make a portfolio recommendation.

1. Anchors and hard-gate validation

- Today: **2026-09-14**.
- Fiscal year end: **December 31**.
- Most recently reported complete quarter: **Q2 2026 ended 2026-06-30**.
- TTM anchor: **Q3 2025 + Q4 2025 + Q1 2026 + Q2 2026**, ending **2026-06-30**.
- Latest completed fiscal-year label, used only for the historical cross-check: **FY2025**.
- Horizon: **2031-06-30**, exactly 5.0 calendar years after the TTM anchor. No row compounds from FY2025 and no row uses six fiscal years.
- Valuation security: **XNAS:MELI common share**, quoted and reported in USD. The listed unit is one common share.
- QFR-verified price: **USD 1,897.37** per listed common share, raw exchange close for the completed 2026-09-11 session.
- Raw quote evidence SHA-256: `eafc9eba7fff2ea2cdf08a8459422b9f2485cb5c31040e65cd26c4f4cc7288dc`.
- Quote-packet SHA-256: `7b2262e2a3e08eb978de0bde061d9e4f3dba33b61d10bd0b74780663ba477118`.
- Actionability expiry: **2026-09-15T04:00:00+08:00**.
- Statutory-bridge SHA-256: `bb8da6bc237cce47e4bd345ebf21f2fe948d217c59a4d1466bb5c87f9c44ac41`.
- The strict quote validator ran at **2026-09-14T08:16:29+08:00** and returned `QUOTE_PACKET_VALID` with the required packet hash. The statutory validator returned `STATUTORY_BRIDGE_VALID` with the required bridge hash. The packet was unexpired at validation time.
- `gate_manifest.json` records QFR clearance, durable DR clearance for forecasting, four reviewed segment appendices with no unresolved issues, Management YELLOW, Moat YELLOW, and the 2046 test YELLOW.

The unit bridge is deliberately reproduced even though every factor is one. The packet reports 50.6969623123288 million financial-statement diluted shares at 2026-06-30. The split factor from that date to the quote date is 1.0, so quote-basis diluted financial shares are also 50.6969623123288 million. The depositary ratio is 1.0 and the share-class factor is 1.0, so financial shares per listed unit equal 1.0 and listed-unit equivalents equal 50.6969623123288 million. The quote currency per reporting currency FX factor is 1.0 because both currencies are USD. These identities are not assumptions; they are sealed packet fields.

2. Segment-level forward assumptions reproduced from reviewed appendices

The four segment appendices were independently reviewed and carry `NO ISSUES REMAIN` in the durable gate manifest. The following table reproduces their reviewed endpoints without re-deriving or reallocating Commerce, Fintech, credit, advertising, logistics, or funding economics. Every profit value is Direct contribution, not statutory operating income.

Segment	Exact profit metric	TTM revenue, USD bn	Bear revenue	Base revenue	Bull revenue	Bear margin	Base margin	Bull margin
Brazil	Direct contribution	18.950	35.741	47.129	59.375	8.0%	13.0%	17.0%
Mexico	Direct contribution	8.060	14.517	22.105	28.904	12.0%	18.5%	21.0%
Argentina	Direct contribution	6.590	10.293	14.037	18.552	29.0%	35.0%	39.0%
Other Countries	Direct contribution	1.582	2.620	3.560	4.566	9.0%	15.5%	19.0%

Sources: `appendix_B_brazil.md` Sections 8-10; `appendix_B_mexico.md` Sections 8-10; `appendix_B_argentina.md` Sections 8-10; and `appendix_B_other_countries.md` Sections 8-10. The TTM bases tie exactly to `data_package.md` and the sealed bridge: USD 35.182 billion of revenue and USD 5.901 billion of Direct contribution.

The key discipline is that the Direct contribution margins already reflect the local costs named in MercadoLibre's segment definition. Those costs include fulfillment, collection, credit-loss provision, local funding, marketing, payroll, hosting, depreciation, and related geographic expenses. Therefore the consolidation must not subtract card losses or credit funding a second time below Direct contribution. The only additive operating bridge is the sealed corporate and indirect-cost line described in Section 4.

The base case is deliberately not a mechanical extrapolation of the latest 50% consolidated revenue growth. Brazil compounds at 19.99%, Mexico at 22.36%, Argentina at 16.33%, and Other Countries at 17.61% over the exact five years. Margins differ much more than revenues across scenarios because the central question is whether shipping, acquiring, card, and credit investment generates durable customer behavior and scale productivity. This matches the Management and Moat YELLOW judgments: growth is visible, but retained economics after reinvestment and funding are not yet fully proven.

3. Combined revenue build

MercadoLibre's reviewed reportable geographies are exhaustive. No corporate revenue or elimination line exists in the verified historical package, and none is introduced at the horizon. The segment sums therefore equal consolidated revenue in all scenarios.

Line	Bear	Base	Bull
Brazil revenue, USD bn	35.741	47.129	59.375
Mexico revenue, USD bn	14.517	22.105	28.904
Argentina revenue, USD bn	10.293	14.037	18.552
Other Countries revenue, USD bn	2.620	3.560	4.566
Sum of segment TTM+5y revenue, USD bn	63.171	86.831	111.397
Corporate eliminations, USD bn	0.000	0.000	0.000
Combined TTM+5y revenue, USD bn	**63.171**	**86.831**	**111.397**
TTM 2026-06-30 to 2031-06-30 CAGR	12.42%	19.80%	25.92%

The CAGR formula is `(horizon revenue / 35.182)^(1/5) - 1`. The reported TTM revenue denominator is not FY2025 revenue. Bear arithmetic is `(63.171 / 35.182)^(1/5) - 1 = 12.4189%`; base is 19.8039%; bull is 25.9246%.

The first-forward-year cross-check is also explicit. The segment appendices imply USD 41.294 billion in bear, USD 44.415 billion in base, and USD 46.570 billion in bull revenue for the year ending 2027-06-30. The base value consists of Brazil USD 24.181 billion, Mexico USD 10.598 billion, Argentina USD 7.665 billion, and Other Countries USD 1.971 billion. The most recent quarter, Q2 2026, produced USD 10.169 billion; annualized without seasonal adjustment, that is USD 40.676 billion. Base year-one revenue is 9.19% above this latest reproducible exit run-rate, inside the required 10% recency band. The calculation does not pretend that annualizing one quarter is a fiscal forecast; it is a mechanical check against a hidden step-up.

4. Direct contribution, embedded card-credit economics, and statutory operating income

4.1 Direct contribution build

Line	Bear	Base	Bull
Brazil Direct contribution, USD bn	2.859	6.127	10.094
Mexico Direct contribution, USD bn	1.742	4.089	6.070
Argentina Direct contribution, USD bn	2.985	4.913	7.235
Other Countries Direct contribution, USD bn	0.236	0.552	0.868

Line	Bear	Base	Bull
Consolidated Direct contribution metric, USD bn	**7.822**	**15.681**	**24.267**
Direct contribution margin on combined revenue	12.38%	18.06%	21.78%

The Direct contribution totals use only the reviewed terminal segment values. The implied consolidated margins are ratios of summed profit to summed revenue; they are not averages of the four segment margins. Argentina's high margin has a disproportionate effect on profit, while Brazil remains the largest revenue source and the main margin swing factor.

4.2 Card-credit loss and funding classification

The requested credit bridge is a count-once classification rather than an additional deduction. `quant_foundation.md` and `data_package.md` define Direct contribution as revenue and financial income less segment costs, expressly including credit-loss provision and local funding. TTM provision for doubtful accounts was USD 4.318 billion, up from USD 3.091 billion in FY2025; the Q2 2026 credit portfolio was USD 16.4 billion, the total 15-90 day NPL ratio was 7.0%, and card NPL was 4.6%. These are material risk anchors. However, no reviewed appendix provides a source-bound dollar split of terminal provision or funding by geography, Commerce, or Fintech.

Credit and funding line	TTM source-bound amount	Horizon treatment	Additive below Direct contribution?
Provision for doubtful accounts	USD 4.318bn	Embedded in each reviewed Direct contribution margin path; standalone terminal dollars unavailable from reviewed inputs	No
Segment credit funding expense	Not separately disclosed	Embedded in geographic Direct contribution; bear/base/bull mechanisms are higher/normalizing/improving funding economics	No
Below-line corporate interest expense and other financial losses	USD 0.212bn expense	Forecast separately in Section 5 from the verified below-line bridge	Yes
Corporate and indirect operating costs	USD 2.994bn expense	Forecast separately below	Yes

Publishing an invented terminal provision schedule would create false precision and could double count the same losses already captured in Direct contribution. The segment margins carry the credit and funding stress: Brazil's terminal Direct contribution margin ranges from 8% to 17%; Mexico's from 12% to 21%; Argentina's from 29% to 39%; and Other Countries' from 9% to 19%. The bear specifically assumes worse cohort seasoning, higher loss and funding costs, and acquiring pressure. The base requires evidence of controlled card seasoning and funding normalization. The bull requires high-quality credit growth. This treatment preserves the issuer's metric definition and the statutory bridge exactly.

4.3 Corporate and indirect operating bridge

The sealed bridge has no corporate/unallocated segment-profit adjustment. It has one operating adjustment: `Operating expenses and indirect costs of net revenues and financial expenses`. That line was USD 2.702 billion in FY2025 and USD 2.994 billion in the TTM, equal to 9.35% and 8.51% of revenue, respectively. It includes costs outside reportable geographic Direct contribution and must be forecast independently rather than used as a plug.

The horizon rule follows the verified forecast-driver ledger. Bear assumes slow dilution to 8.0% of revenue because competition and corporate support needs persist. Base assumes gradual scale to 7.0%. Bull assumes faster technology and overhead productivity to 6.0%. Each endpoint remains a meaningful absolute cost increase because revenue expands considerably. No amount is selected to force a target operating margin or the P/E gate.

Line	Bear	Base	Bull
Sum of segment Direct contribution, USD bn	7.822	15.681	24.267
Corporate / unallocated adjustments	0.000	0.000	0.000
Consolidated Direct contribution metric, USD bn	7.822	15.681	24.267
Operating expenses and indirect costs ratio	8.0%	7.0%	6.0%

Line	Bear	Base	Bull
Operating expenses and indirect costs, USD bn	-5.054	-6.078	-6.684
Combined statutory operating income, USD bn	**2.768**	**9.603**	**17.583**
Statutory operating margin	**4.38%**	**11.06%**	**15.78%**

The endpoint arithmetic is exact before display rounding. Bear is `7.822 - 0.08 x 63.171 = 2.768320`. Base is `15.681 - 0.07 x 86.831 = 9.602830`. Bull is `24.267 - 0.06 x 111.397 = 17.583180`. The operating bridge rises in dollars in all three cases. Its falling revenue ratio is therefore a productivity assumption, not a cost cut in absolute terms.

The base endpoint is consistent with, but not dictated by, the management capital-allocation record. Capex rose from USD 0.509 billion in FY2023 to USD 1.343 billion in FY2025 and USD 1.496 billion in the TTM, while Product and technology expense was USD 2.269 billion in FY2025. Management is funding fulfillment, technology, acquiring, cards, credit, advertising, and first-party selection rather than material acquisitions. A 7% indirect-cost ratio allows continued spending while assuming the much larger revenue base absorbs some corporate cost. Management's YELLOW gate prevents a more aggressive automatic margin recovery.

5. Below-line, tax, net income, and listed-unit EPS

The historical statutory bridge contains three below-line items: interest income and other financial gains; interest expense and other financial losses; and foreign-currency losses. The TTM values were USD 0.114 billion, negative USD 0.212 billion, and negative USD 0.204 billion. They are forecast separately so interest is not confused with card funding already inside Direct contribution and FX is not hidden in an interest subtotal.

The terminal rules are tied to the verified forecast-driver ledger. Interest income equals 0.20%, 0.25%, and 0.30% of revenue in bear, base, and bull, reflecting lower through stronger liquidity. Interest expense and other financial losses equal negative 0.90%, negative 0.60%, and negative 0.40% of revenue, reflecting higher to lower funding spreads. Foreign-currency loss equals negative 1.00%, negative 0.45%, and negative 0.20% of revenue, reflecting worse to better normalization of Argentina monetary exposure. These are explicit scenario rules, not residuals. No additional `Other income` line exists in the sealed bridge, so the forecast value is zero rather than an invented offset.

Tax rates are 31.0%, 28.5%, and 27.0%. The base preserves the 28.5% TTM effective rate; bear reflects adverse country mix and nondeductible FX; bull allows modest mix relief but not a low-tax windfall. There are no sealed discontinued-operation or noncontrolling-interest adjustments, so no such line is added.

Line	Bear	Base	Bull
Combined statutory OI, USD bn	2.768320	9.602830	17.583180
Interest income and other financial gains, USD bn	0.126342	0.217078	0.334191
Interest expense and other financial losses, USD bn	-0.568539	-0.520986	-0.445588
Foreign-currency losses, USD bn	-0.631710	-0.390740	-0.222794
Other income, USD bn	0.000000	0.000000	0.000000
Pretax income, USD bn	**1.694413**	**8.908182**	**17.248989**
Tax rate	31.0%	28.5%	27.0%
Income tax expense, USD bn	-0.525268	-2.538832	-4.657227
Net income, USD bn	**1.169145**	**6.369350**	**12.591762**
Horizon quote-basis diluted financial shares, m	50.948558	50.948558	50.948558
EPS, USD per quote-basis financial share	22.9476	125.0153	247.1466
Financial shares per listed unit	1.0000	1.0000	1.0000
EPS, USD reporting currency per listed unit	22.9476	125.0153	247.1466
FX, quote USD per reporting USD	1.0000	1.0000	1.0000

Line	Bear	Base	Bull
EPS, USD quote currency per listed unit	**22.9476**	**125.0153**	**247.1466**

For every scenario, `EPS reporting per quote-basis financial share = net income in USD millions / 50.94855759954228 million shares`. Because the financial-shares-per-listed-unit and FX factors are both one, the second conversion changes no number. The explicit arithmetic prevents the accidental comparison of a listed-share price with an issuer EPS on another unit.

5a. Return-method input bridge for VP and CS

Synthesis does not select the primary return method, exit multiple, or shareholder return. It supplies comparable, source-bound inputs. The P/E lane is mechanically complete because statutory net income, diluted listed-equivalent shares, and quote-currency EPS reconcile. EV/NOPAT has a valid operating denominator but does not have a source-bound terminal capital-structure path in the reviewed package, so it cannot control unless a later upstream-authorized process supplies those missing paths. No net-debt residual is inserted.

Input	TTM / current anchor	Bear terminal	Base terminal	Bull terminal	Status for VP / CS
Statutory operating income, USD bn	2.907	2.768	9.603	17.583	Reconciled
Normalized cash tax rate	28.48% effective	31.0%	28.5%	27.0%	Explicit S path
NOPAT, USD bn	2.079 diagnostic	1.910	6.866	12.836	OI x one minus tax
Diluted listed-equivalent shares, m	50.697	50.949	50.949	50.949	Reconciled explicit path
EPS, USD per listed unit	36.748 TTM	22.948	125.015	247.147	Reconciled
Cash and equivalents, USD bn	3.649 at 2026-06-30	Unavailable	Unavailable	Unavailable	No source-bound terminal path
Gross debt excluding leases, USD bn	10.626 at 2026-06-30	Unavailable	Unavailable	Unavailable	No source-bound terminal path
Lease liabilities, USD bn	2.550 at 2026-06-30	Unavailable	Unavailable	Unavailable	No source-bound terminal path
Preferred equity	Not separately identified in reviewed package	Unavailable	Unavailable	Unavailable	Do not assume zero terminal claim
Minority interest / NCI	No adjustment in sealed NI bridge	Unavailable	Unavailable	Unavailable	No terminal ownership path
Other senior claims	Restricted/customer funding perimeter is material	Unavailable	Unavailable	Unavailable	No terminal claim schedule
Separately valued non-operating assets	None identified for separate valuation	Unavailable	Unavailable	Unavailable	No terminal valuation path

At 2026-06-30, gross debt including leases was USD 13.176 billion. The table separates the disclosed USD 2.550 billion lease liability, leaving USD 10.626 billion of debt excluding leases. Cash was USD 3.649 billion, investments were USD 3.796 billion, restricted cash was USD 13.114 billion, and issuer-defined net debt was USD 6.425 billion. Restricted cash and customer-fund assets are not freely distributable cash. The lack of a five-year schedule for cash, credit funding, restricted balances, debt, leases, and other claims is an explicit EV-to-equity blocker, not an invitation to hold current net debt flat.

The modeled NOPAT values are mechanical tax-on-OI diagnostics: bear `2.768320 x 69% = 1.910141`; base `9.602830 x 71.5% = 6.866023`; bull `17.583180 x 73% = 12.835721`. They do not cure the unavailable capital-structure bridge. Conversely, that EV-path limitation does not contaminate the P/E-15 gate because P/E uses the fully reconciled net income and common-share denominator.

Insurer lane: NOT TRIGGERED - MercadoLibre is not a P&C insurer or reinsurer. No `insurer_return_bridge.json` is created.

6. Explicit five-year share path

The starting point is the sealed 50.6969623123288 million quote-basis diluted financial shares, not an outstanding-share snapshot or ADR count. Recent repurchases were only USD 2 million in the TTM and the current authorization is approximately USD 4.05 million. Therefore the model does not assume recurring large buybacks. It limits total five-year buyback cash to the current authorization: USD 1 million in each of years one through four and USD 0.05 million in year five.

TTM stock compensation was USD 280 million. Dividing that amount by the quote-packet price gives a gross value-equivalent proxy of 0.147573 million shares. That proxy is not the same as net diluted issuance because MercadoLibre's awards, cash retention plan, withholding, forfeitures, option economics, and weighted-average denominator interact. Actual diluted shares were essentially flat at 50.697 million in FY2024, FY2025, and the current TTM, while outstanding shares changed only from 50.697182 million at FY2025 to 50.696802 million at Q2 2026. To avoid both the unjustified flat-share shortcut and the overstatement of treating all SBC expense as newly issued stock, the model uses net issuance equal to 0.10% of starting diluted shares per year, or 0.050696962 million shares. That produces 0.50% gross cumulative dilution before the very small authorized buyback.

Average repurchase prices are a transparent arithmetic convention, starting at 5% above the current quote and increasing 5% annually. They are used only to convert the already-capped buyback cash to shares retired. They are not exit-price forecasts.

Year end	Starting shares, m	Buyback, USD bn	Average price, USD	Shares retired, m	Net SBC issuance, m	Ending shares, m
2027-06-30	50.696962	0.00100	1,992.2385	0.000502	0.050697	50.747157
2028-06-30	50.747157	0.00100	2,091.8504	0.000478	0.050697	50.797376
2029-06-30	50.797376	0.00100	2,196.4429	0.000455	0.050697	50.847618
2030-06-30	50.847618	0.00100	2,306.2651	0.000434	0.050697	50.897881
2031-06-30	50.897881	0.00005	2,421.5783	0.000021	0.050697	50.948558

The arithmetic is `ending shares = starting shares - shares retired + net SBC issuance` in every year. Starting shares plus cumulative net SBC issuance of 0.2534848116 million, less cumulative retirement of 0.0018895244 million, equals 50.9485575995 million. Split, depositary, and class factors remain 1.0; the path is never run in a different security unit.

7. Binary P/E-15 entry-price gate

Required EPS at the sealed price is `USD 1,897.37 / 15 = USD 126.491333` per listed unit. Cushion is `(EPS x 15 - USD 1,897.37) / USD 1,897.37`. The base case controls the gate.

Case	EPS, USD per listed unit	EPS x 15, USD	Quote-packet price, USD	Cushion	Pass?
Bear	22.9476	344.21	1,897.37	-81.86%	FAIL
Base	125.0153	1,875.23	1,897.37	-1.17%	**FAIL**
Bull	247.1466	3,707.20	1,897.37	+95.39%	PASS

The binary P/E-15 gate is **FAIL** because base EPS of USD 125.0153 is below the required USD 126.4913. The miss is narrow but real: USD 1.4760 of EPS, or 1.17% on entry value. The bull does not rescue the result. This test is an entry-price gate only; it is not an exit multiple and must not be reused to calculate shareholder returns.

At the unchanged base earnings model, the maximum price consistent with 15 times terminal EPS is USD 1,875.23. That statement is algebra for the gate, not a price target, expected return, or trade instruction.

8. Reflexivity and anchor reconciliation

The TTM segment revenues are Brazil USD 18.950 billion, Mexico USD 8.060 billion, Argentina USD 6.590 billion, and Other Countries USD 1.582 billion. Their sum is exactly USD 35.182 billion, equal to consolidated TTM revenue. The TTM segment Direct contribution values are USD 1.931 billion, USD 1.336 billion, USD 2.402 billion, and USD 0.232 billion. Their sum is USD 5.901 billion. There is no corporate/unallocated adjustment. Subtracting the sealed USD 2.994 billion operating and indirect-cost line produces USD 2.907 billion of statutory OI.

The FY2025 sanity check also ties. Segment Direct contribution is USD 2.075 billion for Brazil, USD 1.171 billion for Mexico, USD 2.481 billion for Argentina, and USD 0.176 billion for Other Countries. The USD 5.903 billion sum minus USD 2.702 billion of operating and indirect costs equals USD 3.201 billion of statutory OI. Adding USD 0.138 billion of interest income, subtracting USD 0.160 billion of interest expense and USD 0.337 billion of FX losses produces USD 2.842 billion of pretax income. Subtracting USD 0.845 billion of tax produces USD 1.997 billion of net income. The five packet residuals are zero in both periods.

The current TTM also bridges through the below line: `2.907 + 0.114 - 0.212 - 0.204 = 2.605` billion of pretax income, and `2.605 - 0.742 = 1.863` billion of net income. Dividing net income by 50.6969623123288 million diluted

shares gives USD 36.747764 TTM EPS. All reconciliations are far inside both the packet tolerance and the synthesis 2% check.

9. Latest interim bridge reconciliation

The TTM statement uses the permitted cumulative bridge and also has a four-quarter replay. The exact cumulative formula is **FY2025 minus H1 2025 plus H1 2026**. Both interim periods cover January 1 through June 30, so the comparison is like-for-like. Revenue is `28.893 - 12.725 + 19.014 = 35.182` billion; operating income is `3.201 - 1.588 + 1.294 = 2.907` billion; pretax income is `2.842 - 1.422 + 1.185 = 2.605` billion; and net income is `1.997 - 1.017 + 0.883 = 1.863` billion.

The independent quarter-labelled replay uses Q3 2025, Q4 2025, Q1 2026, and Q2 2026, with no overlap. Revenue is `7.409 + 8.759 + 8.845 + 10.169 = 35.182` billion. OI is `0.724 + 0.889 + 0.611 + 0.683 = 2.907` billion. Official pretax income is `0.636 + 0.784 + 0.579 + 0.606 = 2.605` billion. Net income is `0.421 + 0.559 + 0.417 + 0.466 = 1.863` billion. Official statements control the known FMP Q3 pretax and cash-flow classification discrepancies; no synthetic correction is made in this model.

10. Sensitivity at the base case

Each sensitivity varies one driver while holding the others at base. Brazil revenue sensitivity starts from the 19.9874% five-year CAGR implied by USD 18.950 billion growing to USD 47.129 billion. The changed Brazil revenue also changes the 13% Brazil Direct contribution and revenue-linked corporate and below-line ratios. Mexico margin sensitivity changes Direct contribution only. Share sensitivity changes the denominator only. Tax sensitivity changes tax expense only.

Variable	Down case	Base case	Up case	EPS effect versus base
Brazil revenue CAGR	17.99%; EPS 122.24	19.99%; EPS 125.02	21.99%; EPS 127.98	-USD 2.78 / +USD 2.96
Mexico Direct contribution margin	16.5%; EPS 118.81	18.5%; EPS 125.02	20.5%; EPS 131.22	-USD 6.20 / +USD 6.20
Horizon diluted shares	-5%; EPS 131.60	50.949m; EPS 125.02	+5%; EPS 119.06	+USD 6.58 / -USD 5.95
Tax rate	25.5%; EPS 130.26	28.5%; EPS 125.02	31.5%; EPS 119.77	+USD 5.25 / -USD 5.25

The strongest modeled variables are Mexico Direct contribution margin and the share/tax denominator, each moving EPS by roughly USD 5-6 under the prescribed shocks. Brazil revenue CAGR is less powerful than its revenue scale suggests because only the portion of incremental revenue remaining after local Direct contribution, corporate cost, and below-line ratios reaches earnings. The base P/E-15 miss is only USD 1.48 per share, so all four sensitivities can change the binary gate. That fragility is a reason to treat the result as a true FAIL with low cushion, not round it into a pass.

Operationally, the most decision-relevant signal is not revenue alone. It is whether Brazil and Mexico can restore contribution after shipping, acquiring, card, provision, and funding costs. The Moat YELLOW condition demands sustainable Brazil Direct contribution above 15% without sacrificing user and GMV growth; the base model reaches only 13% at the horizon. Mexico reaches 18.5%, but the sensitivity shows that a two-point miss there erases more than four times the current P/E-gate shortfall.

11. Combined earnings summary

Case	Revenue, USD bn	OI, USD bn	OI margin	NI, USD bn	EPS, USD per listed unit	Probability	EPS x 15, USD	Versus USD 1,897.37
Bear	63.171	2.768	4.38%	1.169	22.9476	25%	344.21	-81.86%
Base	86.831	9.603	11.06%	6.369	125.0153	55%	1,875.23	-1.17%
Bull	111.397	17.583	15.78%	12.592	247.1466	20%	3,707.20	+95.39%
Probability-weighted EPS diagnostic	85.829	9.490	11.06%	6.314	123.9246	100%	1,858.87	-2.03%

Scenario weights are **25% bear, 55% base, and 20% bull**, summing to 100%. They are retained from the reviewed segment work. The base has the highest weight because strong engagement and revenue growth coexist with credible deceleration and partial margin recovery. Bear is weighted above bull because credit seasoning, funding, competition, Argentina translation, and shipping-payback risks are correlated. Bull requires several favorable mechanisms to work together.

The probability-weighted row is a linear earnings diagnostic: each scenario EPS multiplied by its probability. It is not a separate operating scenario and is not a shareholder-return calculation. Probability-weighted EPS is `25% x 22.947558 + 55% x 125.015318 + 20% x 247.146584 = USD 123.924631`. No scenario return is calculated or averaged in this appendix.

12. Eleven mandatory tie-out checks

- **PASS - reported financial and statutory bridge, TTM plus FY2025.** TTM revenue sums to USD 35.182 billion. TTM Direct contribution sums to USD 5.901 billion, less the exact USD 2.994 billion operating adjustment, equaling USD 2.907 billion statutory OI. FY2025 Direct contribution sums to USD 5.903 billion, less USD 2.702 billion, equaling USD 3.201 billion OI. Both below-line and tax bridges reproduce pretax and net income with zero packet residuals. Source: `statutory_bridge.json`, `data_package.md` Section 3a, and `quant_foundation.md` P4-P5.

- **PASS - NI / shares / listed unit / FX equals EPS.** Bear is USD 1,169.144970 million divided by 50.948557600 million shares, times 1.0 listed-unit factor and 1.0 FX, equaling USD 22.947558. Base equals USD 125.015318. Bull equals USD 247.146584. Source: Sections 5 and 6 and the sealed quote packet.

- **PASS - segment sum at horizon.** Bear segment revenue is `35.741 + 14.517 + 10.293 + 2.620 = 63.171`; base is `47.129 + 22.105 + 14.037 + 3.560 = 86.831`; bull is `59.375 + 28.904 + 18.552 + 4.566 = 111.397`. Corporate eliminations are zero, matching the reviewed taxonomy. Residual is 0.00% in all cases.

- **PASS - product-to-segment rollup.** Brazil Commerce plus Fintech equals USD 35.741, USD 47.129, and USD 59.375 billion. Mexico equals USD 14.517, USD 22.105, and USD 28.904 billion. Argentina equals USD 10.293, USD 14.037, and USD 18.552 billion. Other Countries equals USD 2.620, USD 3.560, and USD 4.566 billion. Each reviewed appendix reports residual at or below 0.1%, with no invented product line.

- **PASS - weighted margin integrity.** Commerce and Fintech Direct contribution margins are not disclosed for any geography, so the appendices correctly do not fabricate product margins or a weighted average. Each reviewed segment applies one issuer-basis Direct contribution margin after the exact Commerce-plus-Fintech revenue rollup. Thus segment Direct contribution equals segment revenue times the single segment margin within rounding. The absence of product margins is a disclosed non-trigger for a product-weighted calculation, not a failed reconciliation or permission to invent weights.

- **PASS - share count and security-unit path.** `50.6969623123 x 1.0 split factor = 50.6969623123` million quote-basis financial shares. Dividing by `1.0 depositary x 1.0 class factor` gives the same listed-unit equivalents. Starting shares plus 0.2534848116 million cumulative net issuance less 0.0018895244 million retirement equals 50.9485575995 million horizon shares. Every annual row in Section 6 ties.

- **PASS - growth plausibility.** No segment base CAGR exceeds its clean reviewed history. Brazil's 19.99% is below its 39.4% post-recast historical total CAGR; Mexico's 22.36% is below 45.2%; Argentina's 16.33% is below 29.59%; and Other Countries' 17.61% is below 37.4%. The segment appendices also use decelerating year-by-year paths and document current competitive constraints.

- **PASS - historical and forward arithmetic over exactly five years.** Brazil: `18.950 x (1 + 13.5302%)^5 = 35.741`, `18.950 x (1 + 19.9874%)^5 = 47.129`, and `18.950 x (1 + 25.6605%)^5 = 59.375`. Mexico CAGRs are 12.4886%, 22.3576%, and 29.0995%; Argentina 9.3280%, 16.3263%, and 22.9989%; Other Countries 10.6163%, 17.6112%, and 23.6135%. Each exact five-year formula reproduces the displayed segment endpoint within rounding.

- **PASS - recency anchor.** Base first-forward-year revenue is USD 44.415 billion. The latest quarter's USD 10.169 billion annualizes to USD 40.676 billion. `44.415 / 40.676 - 1 = 9.19%`, inside the 10% band. The comparison basis is disclosed and does not mix FY2025 with the TTM anchor. Source: reviewed segment year-one schedules and `data_package.md` Section 5.

- **PASS - period and horizon integrity.** The cumulative TTM bridge is FY2025 minus H1 2025 plus H1 2026, with identical January-June coverage. Its independent quarter replay uses four non-overlapping quarters. The model starts 2026-06-30 and ends 2031-06-30, exactly five calendar years later. All displayed CAGRs name those endpoints; none compounds six years or substitutes FY2025.

- **PASS - valuation, unit bridge, packet hash, and probability arithmetic.** Exact packet SHA-256 and statutory SHA-256 match the dispatched hashes. XNAS:MELI, USD 1,897.37, split 1.0, depositary 1.0, class 1.0, and FX 1.0 reproduce the common-share unit. Each EPS multiplied by 15 ties to Section 7. Probabilities sum to 100%, and weighted EPS is USD 123.924631. The base cushion is negative 1.1669%, so the binary P/E-15 gate is FAIL.

13. Synthesis conclusion and monitoring implications

The mechanical synthesis clears. The base case reaches USD 86.831 billion of revenue, USD 15.681 billion of Direct contribution, USD 9.603 billion of statutory operating income, USD 6.369 billion of net income, and USD 125.0153 of listed-common-share EPS at 2031-06-30. Against the sealed USD 1,897.37 quote, required EPS is USD 126.4913 and the cushion is negative 1.17%. The P/E-15 entry gate therefore fails, narrowly but unambiguously.

The result is not a low-growth thesis. Base revenue nearly two-and-a-half times the TTM anchor and statutory operating margin improves from 8.26% to 11.06%. The reason the entry gate remains tight is that the current valuation already requires strong five-year execution. Direct contribution must more than double, corporate costs must dilute as a percentage of revenue, Argentina must remain highly profitable, Mexico must recover from acquiring and Commerce investment, and the share denominator must stay controlled. A small miss in any one of those inputs is sufficient to erase the already negative cushion.

Management YELLOW, Moat YELLOW, and 2046 YELLOW are therefore consistent with the arithmetic rather than separate narrative overlays. The platform has visible demand, logistics density, financial cross-sell, and advertising potential, but its current pricing power is mixed. Brazil and Mexico are spending to deepen habits while credit cards and acquiring have not completed a full seasoning cycle. Argentina supplies unusually high Direct contribution and therefore creates consolidated sensitivity to currency, regulation, macro normalization, and funding. The model does not assume these risks disappear; they are expressed through segment margins, below-line FX and interest, and the heavier bear probability.

The most useful operating monitor is count-once contribution after provision and funding, not headline statutory cash flow. H1 2026 adjusted FCF of USD 0.158 billion was far below headline CFO because customer funds, restricted balances, credit assets, and funding move through consolidated cash flow. Similarly, strong revenue growth can coexist with lower operating margin. Upgrade evidence would require logistics and acquiring unit costs, mature card NIMAL, and Brazil contribution to improve while buyers, items, GMV, and TPV remain healthy. A sustained Brazil margin below 10%, total NPL above 10%, NIMAL below 15%, or renewed leverage without adjusted-FCF conversion would undermine the base bridge.

This appendix stops at the inputs authorized for S. It does not select P/E, EV/NOPAT, or P/B as the primary shareholder-return method; it does not choose exit multiples; and it does not calculate gross or net shareholder returns. VP and CS must use the complete P/E inputs and acknowledge that EV/NOPAT cannot control without a source-bound terminal capital-structure path. No portfolio action or trade execution is authorized.

SYNTHESIS CLEARED — 11/11 TIE-OUTS PASSED.

Appendix CS - Compounder Score

MercadoLibre (MELI) - Diagnostic Compounder Score

Production ER2 run: `pulse-cio-20260914T060240+0800` **Action:** `CIO-20260911-MELI-LEGACY-ER2-REFRESH` **Analysis date:** 2026-09-14 **Security:** XNAS:MELI common share **Reporting and quote currency:** USD **TTM anchor:** 2026-06-30 **Exact horizon:** 2026-06-30 to 2031-06-30, 5.0 years **Current price:** USD 1,897.37, the completed 2026-09-11 close **Valuation preflight:** `C:\Users\Admin\OneDrive\GPT\ER 2.0\MercadoLibre\valuation_preflight.json` **Valuation preflight SHA-256:** `6c49b4edaf721067764b228ddd2a6ed31ab67855a729ec768b0c3f37f6b49e62` **Validator result:** `VALUATION_PREFLIGHT_VALID` with evidence-file checking **Primary valuation method:** P/E **Trade execution authorized:** NO

1. Executive Verdict

Compounder Score: 56/100. Business Quality Score: 52/80. Valuation / 20% Return Underwriting Score: 4/20. Score-implied classification: Reject. This is the CSA-audited diagnostic classification under the CompounderScorer rubric, not an ER2 trade verdict and not portfolio authority.

MercadoLibre is a high-growth platform with genuine marketplace, logistics, payments, credit, and advertising advantages. The verified record shows revenue rising from USD 7.069 billion in FY2021 to USD 28.893 billion in FY2025, restrained dilution, negligible recent acquisition spending, and a repeatable expansion playbook across Brazil, Mexico, Argentina, and smaller Latin American markets. Those facts earn a high runway score. They do not, however, establish the dream-investment combination of auditable high ROIIC, durable pricing power, clean owner-cash conversion, and a purchase price that supports a 20% annualized return without depending on an optimistic path.

The score is capped for three reasons. First, no current verified artifact supplies a fintech-aware three- or five-year ROIIC calculation. Industrial ROIC ranges from 11.78% to 27.5% or more depending on the denominator, while customer funds, restricted cash, securitization funding, credit assets, and leases materially alter the economic capital base. Awarding a high ROIIC score from those incompatible denominators would manufacture precision. Second, H1 2026 adjusted free cash flow was only USD 158 million even though statutory operating cash flow was USD 5.737 billion. Headline cash flow is therefore not owner cash. Third, the price does not support the scorer's 20% stretch hurdle in the locked Base case: Base gross USD IRR is 13.03%, Base net-SGD IRR is 11.11%, and Bear gross USD IRR is negative 24.71%.

The probability-weighted gross USD IRR is 15.02%, calculated as the CAGR of probability-weighted terminal wealth, not as an average of scenario IRRs. The probability-weighted net-SGD diagnostic is 14.07% after explicit costs and FX assumptions. That expected-value result is attractive but not sufficient to establish an AVEM-funded replacement: MELI's Base net-SGD return is below both AVEM's 11.46% and EEM's 12.57% governed Base assumptions, and MELI's Bear outcome is materially worse. A single-company replacement would also increase Latin America, Brazil, Argentina, credit, funding, and regulatory concentration. The portfolio comparison is therefore **NOT ESTABLISHED**, sizing is null, and no trade is authorized.

2. Data Source Map

The scorer used the current sealed ER2 chain and did not substitute the May 2026 report or a warehouse cache. The May report remains only the hash-bound later-refresh baseline outside this scoring stage.

Evidence need	Controlling source	Period / role	Scorer treatment
Price, listing, share unit, currency	`quote_packet.json`, SHA `7b2262e2...77118`	2026-09-11 close; Q2 share basis	USD 1,897.37 and one XNAS:MELI common share
Statutory income bridge	`statutory_bridge.json`, SHA `bb8da6bc...ac41`	FY2025 and TTM 2026-06-30	Direct contribution through statutory OI, pretax and NI
Historical statements, cash flow, balance sheet	`quant_foundation.md` and `data_package.md`	FY2021-FY2025 plus TTM / H1 2026	Official values control known FMP cash-flow gaps
Segment economics and forecasts	Reviewed Brazil, Mexico, Argentina, and Other Countries appendices	2026-06-30 to 2031-06-30	Exact reviewed revenue and Direct contribution paths
Management and incentives	`appendix_management.md`	Current through 2026-09-14	YELLOW gate; succession and incentive limitations retained
Moat, pricing power, AI, 2046	`appendix_moat.md`	Current and 2046 stress	Moat YELLOW; 2046 YELLOW

Evidence need	Controlling source	Period / role	Scorer treatment
EPS, share path, scenario probabilities	`appendix_synthesis.md`	TTM plus exact five-year horizon	11/11 ties passed; 25% / 55% / 20% weights
Method, denominator, claims, exit multiples	`valuation_preflight.json`	Hash-bound before return work	P/E and 20x / 28x / 36x copied exactly
Portfolio status	`practical_cio_memo.md`, SHA `188d83f0...ce8f`	2026-09-11 stable CIO memo	AVEM 6.5% current weight; HOLD and zero trades
AVEM / EEM / cash return comparisons	`etf_expected_return_dashboard_data.json`, SHA `3af96281...7140`	2026-09-06 governed model	Comparison only; no ranking or sizing authority

The official FY2025 10-K and Q2 2026 10-Q underlying the sealed chain are the primary financial sources. The package preserves known vendor discrepancies: live FMP understated official H1 2026 CFO by USD 523 million and TTM CFO by USD 741.318 million. This does not invalidate the chain because the official cumulative statements control and the discrepancies are disclosed. It does invalidate a simplistic cash-conversion conclusion based on vendor FCF.

3. Key Financial and Quality Metrics

The verified package contains five annual observations, FY2021 through FY2025, which span four elapsed years. It does not contain a clean ten-year comparable history or a complete five-year elapsed-period series. The table therefore shows unavailable fields rather than mislabeling a four-year CAGR as five-year evidence.

Metric	1-year	3-year CAGR / trend	5-year	10-year	Interpretation
Revenue growth	39.06%	38.91%	Insufficient elapsed history	Insufficient evidence	Exceptional scale growth
NOPAT growth	8.81%	50.41%	Insufficient elapsed history	Insufficient evidence	Fast multi-year growth, sharp recent deceleration
Diluted EPS growth	4.51%	60.48%	Insufficient elapsed history	Insufficient evidence	Strong history, recent margin/reinvestment drag
Diagnostic industrial ROIC	27.5% FY2025	33.2%-38.4% FY2023-FY2024 before decline	Five-observation median 27.5%	Insufficient evidence	Not fintech-perimeter clean
Fintech-aware adjusted ROIC	Insufficient evidence	Insufficient evidence	Insufficient evidence	Insufficient evidence	Core scoring gap
ROIIC	Insufficient evidence	Insufficient evidence	Insufficient evidence	Insufficient evidence	No credible cumulative reinvestment perimeter
Owner FCF conversion	H1 2026 adjusted FCF USD 158m	No comparable series	Insufficient evidence	Insufficient evidence	Statutory CFO is not owner cash
Diluted-share trend	Approximately flat FY2024-FY2025	-0.42% CAGR FY2022-FY2025	Four-year available CAGR +0.45%	Insufficient evidence	Dilution well controlled
SBC / revenue	0.80% TTM	Near 1% recently	Not separately comparable	Insufficient evidence	Low but economically real
Net debt / EBITDA	2.17x FY2025	Definition-sensitive	Not applicable	Not applicable	Watch as credit funding grows
Dividend yield	0.00%	0.00%	0.00%	Not established	No shareholder cash-return support

The five diagnostic industrial ROIC observations are 9.3%, 20.2%, 33.2%, 38.4%, and 27.5%. FMP separately reports FY2025 ROIC at 11.78%, and a TTM approximation using issuer-defined invested capital gives about 16.2%. The spread between 11.78%, 16.2%, and 27.5% is not rounding; it reflects an unsettled claim and funding perimeter. Category 1 is therefore scored on the fact that returns are positive and operating economics are strong, while refusing to award eight ROIIC points without a valid denominator.

Margins reinforce the caution. Consolidated operating margin improved from 6.2% in FY2021 to 14.6% in FY2023, then fell to 11.1% in FY2025 and 8.3% TTM. Brazil Direct contribution margin fell from 23.8% in FY2023 to about 10.2% TTM. Mexico's margin remains healthier at roughly 16.6% TTM but fell to 13.1% in Q2 2026 amid acquiring and Commerce investment. Argentina remains very profitable at roughly 36.4% TTM, which creates a separate FX and sovereign-risk concentration.

4. Rubric Scorecard

Category	Score	Maximum	Evidence-led conclusion
Incremental Returns on Capital	8	25	Positive returns and real unit economics, but no credible fintech-aware ROIIC or owner-FCF conversion
Reinvestment Runway	18	20	Large Latin American commerce/finance runway and proven organic deployment at scale
Durability of Moat	10	15	Integrated advantage is real; pricing power, credit durability, and discovery control are unresolved
Accounting Honesty and Financial Quality	8	10	Statutory bridge is clean and dilution low; cash and capital perimeter is complex
Capital Allocation Discipline	8	10	Organic focus, limited M&A, and low dilution; rising net debt and incentive design remain concerns
Price and 20% Return Underwriting	4	20	Base misses 20%, Bear is unacceptable, and zero distributions offer no cushion
Business Quality Score	**52/80**	**80**	Strong growth platform, not yet a proven high-ROIIC owner-cash compounder
Compounder Score	**56/100**	**100**	Reject under this stretch rubric

Subscore discipline matters. Incremental Returns receives 3/5 for normalized ROIC, 0/8 for ROIIC, 0/3 for non-deterioration, 2/3 for unit economics, 1/3 for cash conversion, and 2/3 for not being merely an accounting artifact. The CSA audit reduced the non-deterioration point because no 3-year or 5-year ROIIC series exists, and reduced the accounting-artifact point because the unresolved fintech capital perimeter prevents a full 3/3 clearance. Reinvestment Runway receives 18/20 because MercadoLibre has a large opportunity, organic growth, and a repeatable geographic/product playbook, but the evidence does not yet prove that growth avoids a collapse in incremental returns. Moat receives 10/15: logistics density and integrated data are strong, while consolidated pricing power is currently mixed and AI/social-commerce discovery is a credible threat.

Accounting and Financial Quality receives 8/10 because the current statutory chain is transparent and reconciled, share dilution is restrained, and no material M&A or restatement problem is present. One cash-flow point and one balance-sheet point are withheld because owner cash conversion is not established and issuer-defined net debt rose from USD 4.682 billion at FY2025 to USD 6.425 billion at Q2 2026. Capital Allocation receives 8/10: capex and Product and technology spending align with the strategy, acquisition discipline is strong, but buyback support is negligible and management incentives omit ROIC, adjusted FCF, per-share value, and relative TSR.

5. ROIIC and Reinvestment Analysis

The evidence supports a proven ability to reinvest at scale, but it does not support a numeric high-ROIIC claim. Capex rose from USD 0.509 billion in FY2023 to USD 1.343 billion in FY2025 and USD 1.496 billion TTM. Product and technology expense reached USD 2.269 billion in FY2025. Capital has gone into fulfillment, software, cards, credit, acquiring, Ads, first-party selection, and cross-border capabilities rather than acquisitions. Revenue and engagement responded strongly: the Q2 2026 package reported 50% revenue growth, with Brazil conversion up and Mexico commerce growing rapidly.

The missing link is retained return after all capital and funding. Mercado Pago customer funds, restricted balances, loans receivable, securitizations, local funding, and credit provisions move through the statements. Direct contribution correctly includes local credit losses and local funding, but neither the geographic appendices nor the consolidated package provides a complete capital allocation by cohort. Consequently, the standard formula `(NOPAT year 3 - NOPAT year 0) / cumulative reinvestment` cannot be calculated without mixing an industrial numerator with a fintech balance-sheet denominator.

This is more than a disclosure nuisance. H1 2026 adjusted FCF of USD 158 million was only a small fraction of statutory CFO. Brazil's large revenue acceleration coincided with a TTM Direct contribution margin near 10.2%, less than half its FY2023 level. Mexico's rapid acquiring and card growth has produced device costs, customer-acquisition expense, up-front provisioning, and immature credit cohorts. The evidence may eventually show high returns, but today it shows large reinvestment with incomplete payback. The ROIIC score is therefore zero rather than inferred from revenue growth or management commentary.

Acquisition-inclusive ROIIC is also unavailable as a multi-year ratio, although acquisition risk itself is low: the verified package shows no material M&A cash outflow in FY2025 or H1 2026 and goodwill plus intangibles were only USD 196 million at FY2025. That earns capital-allocation credit but does not cure the ROIIC denominator.

6. Runway Analysis

MercadoLibre's runway is the strongest part of the score. Latin American e-commerce, digital payments, acquiring, deposit-like balances, consumer and merchant credit, fulfillment, first-party selection, advertising, and cross-border commerce remain underpenetrated relative to mature markets. The company has repeatedly converted one product into distribution for another: marketplace traffic seeds payment accounts; payments and commerce data support underwriting; logistics improves delivery and seller retention; Ads monetizes purchase intent; and multi-product users appear more profitable than single-product users.

The reviewed Base case is demanding but not a direct extrapolation of the latest growth rate. Consolidated revenue compounds at 19.80% from USD 35.182 billion TTM to USD 86.831 billion in 2031. Brazil reaches USD 47.129 billion at 19.99% CAGR, Mexico USD 22.105 billion at 22.36%, Argentina USD 14.037 billion at 16.33%, and Other Countries USD 3.560 billion at 17.61%. First-forward-year Base revenue of USD 44.415 billion is only 9.19% above the annualized Q2 2026 exit rate, which prevents a hidden step-up.

The score withholds two runway points because growth does not automatically create value. Brazil's free-shipping threshold, Pix discounts, seller take-rate concessions, cards, and credit can all strengthen user behavior while leaving weak retained contribution. Payments interoperability lowers switching costs. Social and agentic commerce can move discovery outside the marketplace. The relevant test is not whether GMV, TPV, or users rise; it is whether Direct contribution and adjusted owner cash rise after fulfillment, acquisition, provision, funding, and regulatory capital.

7. Moat Analysis

The moat is real but uneven. Brazil combines marketplace density, logistics scale, payments, credit, and Ads, making a single-vertical attack difficult. Mexico has high fulfillment penetration and a growing ecosystem but faces intense competition from Amazon, Shopee, Nubank, banks, and acquirers. Argentina has powerful brand and network economics, yet dollar profit is exposed to inflation, currency policy, funding, and taxes. Other Countries reuse technology and brand but lack Brazil's density.

Logistics is the most durable layer because physical density, facilities, routing, and seller inventory placement are difficult to recreate. Payments and credit are less closed due to Pix, open finance, interoperable rails, bank competition, and similar AI underwriting capabilities. Ads has attractive incremental economics only while MercadoLibre retains high-intent traffic. AI agents and social platforms could capture discovery and send orders to other retailers even if MercadoLibre remains a fulfillment endpoint.

Pricing power is mixed. The most recent evidence includes buyer discounts, lower seller take rates, shipping costs not fully recovered in revenue, and Mexican acquiring-device costs. Ads growth and ecosystem monetization flexibility are positive, but no clean marketplace take-rate series or adoption-after-price-increase evidence exists. Moat YELLOW and 2046 YELLOW are therefore consistent with 10/15 rather than a premium score.

8. Accounting and Capital Allocation Analysis

The accounting bridge is a strength. TTM Direct contribution of USD 5.901 billion less USD 2.994 billion of corporate and indirect operating costs equals USD 2.907 billion statutory operating income. Adding USD 114 million of interest income and subtracting USD 212 million of interest expense and USD 204 million of FX losses yields USD 2.605 billion pretax income; USD 742 million of tax produces USD 1.863 billion net income. Dividing by 50.6969623123288 million diluted shares gives USD 36.747764 statutory diluted EPS. All packet residuals are zero.

Credit losses are counted once. TTM provision for doubtful accounts was USD 4.318 billion and is embedded in geographic Direct contribution. Local fintech funding is also embedded there. The synthesis does not subtract either again below the segment line. Corporate interest and FX are separately modeled below operating income. This classification matters for the return question: the terminal EPS already reflects the scenario's credit, funding, and FX operating paths.

SBC is treated as a real cost. TTM SBC was USD 280 million, about 0.80% of revenue. Actual diluted shares were nearly flat recently, but the synthesis still assumes 0.10% of opening diluted shares in annual net issuance, partly offset by only USD 4.05 million of total authorized buybacks. Terminal diluted shares are 50.9485575995 million in all scenarios. The share path

is neither flat nor driven by a fictional large buyback.

Management is YELLOW. Founder-era execution is exceptional and the bench is deep, but CEO Ariel Szarfsztejn has been in the role for only about eight and a half months. Founder Marcos Galperin remains Executive Chairman and influential in strategy and capital allocation. Compensation is long-dated but cash-based and lacks direct ROIIC, adjusted-FCF, per-share value, and relative-TSR metrics. Rising net debt and recent senior-note issuance mean the new team must demonstrate that credit and logistics cohorts convert into per-share owner cash.

9. 20% Return Underwriting

Locked method and denominator bridge

The preflight locks P/E. Reported and normalized current statutory diluted EPS are both USD 36.747764; the comparable current P/E is 51.632257317522x. Terminal denominators are statutory diluted EPS per the identical XNAS:MELI common-share unit. The preflight locks Bear, Base, and Bull exit P/Es at 20x, 28x, and 36x. No scorer input changes those values.

Under P/E, terminal equity value per share is terminal statutory diluted EPS multiplied by exit P/E. **No terminal cash, debt, leases, restricted cash, customer funds, September 2026 note proceeds, or other claim is separately added or subtracted.** Their economics already flow through statutory earnings and the equity multiple. The net cash/debt adjustment is therefore USD 0.00 per share and is explicitly not separately applicable under P/E. Cumulative distributions are USD 0.00 in every scenario because MercadoLibre pays no dividend and the sealed chain contains no source-bound future distribution program. No cash/debt or distribution item is counted twice.

Return bridge	Bear	Base	Bull
Probability	25%	55%	20%
Terminal revenue, USD bn	63.171	86.831	111.397
Terminal statutory operating margin	4.38%	11.06%	15.78%
Terminal statutory EPS, USD	22.947558	125.015318	247.146584
Terminal diluted shares, millions	50.9485575995	50.9485575995	50.9485575995
Exit P/E	20.0x	28.0x	36.0x
Terminal equity value per share, USD	458.951160	3,500.428904	8,897.277024
Terminal total equity value, USD m	23,382.899611	178,341.803638	453,303.430936
Cumulative distributions per share, USD	0.000000	0.000000	0.000000
Terminal shareholder wealth per share, USD	458.951160	3,500.428904	8,897.277024
Gross USD shareholder IRR	-24.7125%	13.0300%	36.2138%

Probability-weighted terminal wealth is `25% x 458.951160 + 55% x 3,500.428904 + 20% x 8,897.277024 = USD 3,819.429092` per share. The probability-weighted gross USD IRR is `(3,819.429092 / 1,897.37)^(1/5) - 1 = 15.0189%`. It is not the arithmetic average of the three IRRs.

Reverse 20% diagnostic

At 20% annualized for five years, required terminal shareholder wealth is USD 4,721.263718 per share. Because distributions are zero, required terminal equity value is the same. At the locked 28x Base exit P/E, required terminal EPS is USD 168.616561, implying 35.62% annual EPS growth from the TTM denominator. The modeled Base EPS is USD 125.015318, a 27.75% CAGR, and does not clear. The Base maximum buy price for a 20% IRR is USD 1,406.743869. The probability-weighted maximum buy price is USD 1,534.942890.

Reverse case	Locked exit P/E	Required terminal EPS for 20%	Modeled EPS	Maximum entry price for 20%	Clears?
Bear	20.0x	236.063186	22.947558	USD 184.442178	No
Base	28.0x	168.616561	125.015318	USD 1,406.743869	No
Bull	36.0x	131.146214	247.146584	USD 3,575.616088	Yes

The Base 20% hurdle would require a 37.765482x exit P/E at the modeled EPS. That is below today's 51.632x comparable P/E, so the 20% case does not mechanically require expansion from today's multiple. It does require a substantially higher terminal multiple than the independently locked Base multiple, which the scorer may not substitute after seeing the return.

Excessive-optimism and excessive-bearishness diagnostics

The optimism test passes the VP integrity standard but still identifies a wide outcome range. The 28x Base multiple is materially below current MELI and below recent profitable-year observations. The Bull uses 36x only alongside 25.92% revenue CAGR, 15.78% operating margin, and USD 247.146584 terminal EPS. It is not silently imported into Base. However, Base itself requires several favorable mechanisms: Brazil and Mexico margin recovery, corporate-cost dilution, controlled credit seasoning, continued high Argentina contribution, and low share dilution. That is why a lower-than-current exit multiple can still produce only 13.03%.

The bearishness test also passes. Bear P/E of 20x is anchored to mature scaled AMZN and NU observations near 20x rather than narrow processors at 3.9x-6.9x. Bear still assumes 12.42% revenue CAGR and positive statutory EPS. Its negative 24.71% IRR results from earnings compression and the locked equity value, not from assigning zero terminal equity or an artificially punitive multiple.

Net-SGD diagnostic

The same P/E terminal wealth controls net-SGD. The diagnostic applies a conservative 0.50% all-in entry cost and 0.50% all-in exit cost for commission, spread, FX conversion, and slippage. Investor-specific tax/account facts are unavailable, so the calculation assumes zero capital-gains tax as a clearly labeled diagnostic, not tax advice. Dividend withholding is exactly zero because cumulative distributions are zero.

FX uses the governed EM comparator artifact's annualized SGD translation effects: Bear -4.50%, Base -1.50%, and Bull +0.51%. These are comparison assumptions, not forecasts of MELI's Brazilian-real, Mexican-peso, or Argentine-peso operating exposure. The entry USD/SGD rate is normalized to 1.0 because only the exit-to-entry ratio affects IRR. Five-year exit-to-entry USD/SGD ratios are 0.7943590686, 0.9272165024, and 1.0257614299.

Net-SGD bridge	Bear	Base	Bull
Gross terminal USD wealth per share	458.951160	3,500.428904	8,897.277024
Annualized SGD FX translation assumption	-4.50%	-1.50%	+0.51%
Entry cost	0.50%	0.50%	0.50%
Exit cost	0.50%	0.50%	0.50%
Dividend withholding	0.00%	0.00%	0.00%
Net-SGD IRR	**-28.24%**	**11.11%**	**36.63%**

Probability-weighted FX- and exit-cost-adjusted terminal wealth is 3,683.042468 normalized SGD units against an entry-cost-adjusted outlay of 1,906.856850. The probability-weighted net-SGD IRR is therefore **14.07%**, again calculated from probability-weighted terminal wealth rather than averaged IRRs.

Comparison-only AVEM / EEM / cash diagnostic

The latest stable CIO memo holds all 16 current securities, includes 1,500 AVEM shares at 6.5% of NAV, and proposes zero trades. The governed ETF artifact shows AVEM Bear/Base/Bull annualized net-SGD returns of -12.57%, 11.46%, and 22.27%; EEM shows -12.32%, 12.57%, and 23.70%; cash is 4.00%. The memo itself rejected AVEM-to-EEM because the portfolio Base uplift was only 7.2 basis points.

MELI Base net-SGD is 0.35 percentage points below AVEM and 1.46 points below EEM. MELI Bear is 15.68 points worse than AVEM and 15.92 points worse than EEM. MELI's 14.07% probability-weighted net-SGD result is 2.61 points above AVEM Base and 1.50 points above EEM Base, but those are not like-for-like statistics: one is scenario-weighted terminal wealth and the others are ETF Base cases. The higher number cannot by itself establish superior replacement value.

Credit losses are already included once in MELI's segment Direct contribution margins. FX and transaction costs are explicit in net-SGD. Even after those treatments, the evidence does not establish that MELI beats both diversified EM comparators in the central case or on downside. Replacing a 6.5% diversified EM fund with one company would increase single-name and regional concentration, and the sealed chain lacks current MELI SGD volatility, covariance, investor tax details, and a

complete implementation budget. **Portfolio-fit conclusion: constrained / NOT ESTABLISHED. Sizing ceiling: null. Proposed allocation: null. Trade execution authorized: false.**

10. Hard Veto Checklist

Veto	Status	Evidence
1. ROIIC below cost of capital with no credible path	Insufficient evidence	No fintech-aware ROIIC; growth and unit evidence suggest a path but do not prove returns
2. ROIC high because capital is tiny or negative	Watch	Denominator is positive but materially incomplete and definition-sensitive
3. Growth requires persistent external financing	Watch	Net debt and note issuance are rising alongside credit/logistics growth
4. Share count rises without value creation	Pass	Shares are tightly controlled; explicit five-year path adds only about 0.50% gross dilution
5. Serial acquisitions without return disclosure	Pass	No material FY2025 or H1 2026 acquisition cash outflow
6. FCF structurally lags earnings	Watch	H1 adjusted FCF is low; no comparable multi-year owner-FCF series exists
7. Regulation, credit, platform or leverage can impair equity	Watch	Multiple plausible correlated risks, but no current solvency blocker
8. 20% case requires expansion vs comparable current P/E	Pass	Required Base 37.77x is below current 51.63x, although above locked Base 28x
9. Flawless execution needed at today's price	Watch	Base still yields only 13.03%; multiple operating wins are required
10. Moat cannot be explained	Pass	Logistics density, marketplace trust and cross-product data form a coherent moat
11. Accounting/governance impairs trust	Pass / Watch	Statutory bridge clean; succession and incentives remain YELLOW, not a trust failure
12. Balance sheet can wipe out equity in a downturn	Watch	Leverage and funding need monitoring; Bear retains positive EPS and equity value

The unresolved ROIIC evidence is the key rubric veto. It does not prove that MercadoLibre destroys value; it means this score cannot certify the high-ROIIC feature the rubric requires. The valuation profile independently prevents an Investable-now classification.

11. Final Decision

Score-implied classification: Reject. The evidence supports a high-quality growth platform with a large runway. The evidence does not support a 20% Base return at USD 1,897.37, an acceptable Bear, or a credible audited high-ROIIC/owner-cash record. Under the fixed thresholds, 56/100 is below 70 and cannot be called Buy only at lower price or Investable now.

This conclusion is skeptical without being mechanically bearish. The locked Base exit P/E is lower than current P/E and the probability-weighted gross USD return is 15.02%. The business could compound rapidly. Yet the distribution is highly convex: Bear destroys substantial value, Base falls short of the stretch hurdle, and Bull carries much of the expected upside. The proper monitoring focus is whether Brazil Direct contribution sustainably rises above 15%, mature card and acquiring cohorts remain profitable after funding and losses, NIMAL holds near or above 20%, NPL stays controlled, Ads outgrows GMV, and adjusted owner cash conversion improves without continued leverage.

Compounder Score note: **56/100 - strong growth and runway are outweighed by unproven fintech-aware ROIIC/owner cash conversion, YELLOW management/moat durability and inadequate current-price downside.**

Business Quality Score note: **52/80 - ecosystem breadth and organic reinvestment are real, but the retained-capital return perimeter is unresolved and margins/credit cohorts have not completed the payback test.**

20% Return UW Score note: **4/20 - Base gross USD IRR is 13.03%, Bear is -24.71%, zero distributions provide no support, and the locked Base case misses the 20% hurdle.**

12. Machine-Readable JSON

The full-precision companion artifact is `C:\Users\Admin\OneDrive\GPT\ER 2.0\MercadoLibre\compounder_score.json`. It preserves unrounded gross and net-SGD IRRs, probability-weighted terminal wealth, FX factors, entry and exit costs, reverse-20% outputs, score subscores, source hashes, and comparison-only portfolio constraints. Visible net-SGD returns in this appendix are rendered to exactly two decimal places. The JSON sets `trade_execution_authorized=false`, `portfolio_mutation_authorized=false`, and all sizing fields to null.

Appendix CSA - Scoring Audit

MercadoLibre (MELI) - Independent Compounder Scoring Audit

Analysis date: 2026-09-14 **Security:** XNAS:MELI common share **Price anchor:** USD 1,897.37, completed 2026-09-11 close **TTM / horizon:** 2026-06-30 / 2031-06-30, exactly 5.0 years **Audited primary valuation method:** P/E **Audit confidence:** Medium **Trade execution authorized:** NO

This audit independently replayed the score, the P/E shareholder-return bridge, the net-SGD overlay, and the source chain. The sealed valuation preflight is valid and the return arithmetic is exact. Two business-quality points were nevertheless unsupported. The original scorer awarded 1/3 for an improving or non-deteriorating ROIIC trend even though no three-year or five-year fintech-aware ROIIC exists, and awarded 3/3 for freedom from ROIC accounting-artifact risk even though the verified ROIC indications span 11.78% to 27.5% depending on the unsettled funding and capital perimeter. Those points have been corrected in both scoring artifacts. The audited result is 52/80 for Business Quality, 4/20 for Valuation / 20% Return Underwriting, and 56/100 in total. The score-implied classification remains Reject.

1. Original vs Audited Scores

Item	Original	Audited	Notes
Business Quality Score / 80	54/80	52/80	Two unsupported Category 1 points removed
Valuation / 20% Return UW Score / 20	4/20	4/20	Return arithmetic and rubric allocation preserved
Total Score / 100	58/100	56/100	Still below the diagnostic Reject threshold of 70
Classification	Reject	Reject	Threshold classification is unchanged

The original source artifacts were `compounder_score.json` SHA-256 `a153d29b49a1c69508af61880daf0f4dc0ec1094519620c58526f34aeb76742c` and `appendix_compounder_score.md` SHA-256 `e779e8acc4e5ece21a7697b19e3d9eeba7474e07bd9f28608f2de7c186483ba9`. After correction, their hashes are `9a5192c845b9bfd442a805461c627176c6e44efb1cf6ac47275fdb854bd0a4f3` and `791b76474e13bdee3e4846d1b63047c23b2e5c7e5ce9dd18d65a7fe3f5808e2c`, respectively.

The pre-return gate is clean. `valuation_preflight.json` hashes to `6c49b4edaf721067764b228ddd2a6ed31ab67855a729ec768b0c3f37f6b49e62`, exactly the supplied and CS-copied hash. Running `validate_valuation_preflight.py --check-evidence-files` returned `VALUATION_PREFLIGHT_VALID`. Status is `CLEARED`; earnings normalization, method selection, denominator integrity, capital structure, and exit-multiple evidence all pass; blockers are empty. The preflight binds the unchanged quote packet, statutory bridge, data package, synthesis, and four segment appendices by hash. CS exactly reproduced P/E, the normalized TTM EPS denominator, the diluted-share treatment, zero distributions, the no-separate-net-debt P/E treatment, and 20x/28x/36x exit multiples.

2. Score Reductions and Reasons

Two exact edits were required.

- Category 1C, `ROIIC is not deteriorating sharply`, was reduced from 1/3 to 0/3. The evidence does not support a trend claim when both three-year and five-year ROIIC are null. Strong revenue growth, margin history, and qualitative cohort commentary are not substitutes for a cumulative-reinvestment denominator.
- Category 1F, `ROIC is not an accounting artifact`, was reduced from 3/3 to 2/3. The business clearly earns positive statutory operating profit and the capital denominator is not negative, so zero would be too harsh. Full credit is nevertheless unavailable because industrial ROIC is 27.5% for FY2025, the live FMP measure is 11.78%, and the issuer-net-debt TTM approximation is about 16.2%. Customer funds, restricted balances, securitizations, leases, loans, and credit assets explain why the result remains perimeter-sensitive.

These changes reduce Incremental Returns on Capital from 10/25 to 8/25, Business Quality from 54/80 to 52/80, and total score from 58/100 to 56/100. No other score changed. The Markdown executive score, score table, subscore narrative, final threshold statement, and Stage 7 notes were updated. The JSON fields `business_quality_score`, `total_score`, Category 1 score, the two affected subscores, and the two scorecard-note numerators were updated. Category totals now sum to 56 exactly.

Evidence check by rubric subcategory

Rubric item	Status	Original	Audited	Auditor judgment
1A Normalized ROIC	Partly supported	3/5	3/5	Multiple conservative indications support a mid-teens floor, but the fintech perimeter prevents more credit
1B ROIIC	Missing data	0/8	0/8	No credible 3-year, 5-year, or acquisition-inclusive ROIIC denominator
1C ROIIC not deteriorating	Unsupported	1/3	0/3	A trend cannot be awarded when ROIIC itself is unavailable
1D Unit economics	Partly supported	2/3	2/3	Segment Direct contribution and cohort commentary are useful, but country credit/funding capital is not disclosed
1E Cash conversion	Partly supported	1/3	1/3	H1 adjusted FCF is sourced, but no comparable three-year owner-FCF series exists
1F Not an accounting artifact	Partly supported	3/3	2/3	Positive economics are real; the reported return magnitude remains denominator-sensitive
2A Market opportunity	Supported	5/5	5/5	Commerce, payments, credit, Ads, logistics, and regional penetration provide independent runway evidence
2B Reinvestment at scale	Supported	4/5	4/5	Revenue and engagement scaled alongside capex and technology spending; retained return is not fully known
2C Organic growth	Supported	4/4	4/4	Recent growth is overwhelmingly organic and recent M&A cash is negligible
2D Repeatable playbook	Supported	3/3	3/3	Brazil, Mexico, Argentina, and smaller markets show repeatable platform extension
2E Market structure	Supported	2/2	2/2	Underpenetration and formalization support growth, with competition explicitly recognized
2F No ROIC collapse	Unsupported	0/1	0/1	Margin compression and missing ROIIC prevent the point
3A Clear advantage	Supported	4/4	4/4	Logistics density plus commerce, payment, credit, and data loops are observable
3B Pricing power	Partly supported	1/3	1/3	Current evidence includes discounts and subsidies; Ads is the main positive exception
3C Competitive evidence	Partly supported	2/3	2/3	Share and engagement are strong, but Shopee, Amazon, TikTok, Nubank, and banks remain material
3D Stickiness	Partly supported	1/2	1/2	Habit and logistics integration matter, but users and merchants can multi-home

Rubric item	Status	Original	Audited	Auditor judgment
3E Stress resilience	Supported	2/2	2/2	The platform has compounded through multiple regional shocks
3F Low disruption risk	Unsupported	0/1	0/1	AI/social discovery and open payment rails are credible threats
4A Earnings quality	Supported	2/2	2/2	Statutory operating-income-to-net-income bridge reconciles with zero residual
4B Cash-flow support	Partly supported	1/2	1/2	Properly capped because only H1 adjusted owner FCF is available
4C SBC and dilution	Supported	2/2	2/2	SBC is expensed; a 0.10% annual net issuance path is modeled despite flat recent shares
4D Balance sheet	Partly supported	1/2	1/2	Positive liquidity is offset by USD 6.425bn issuer net debt and a new USD 1bn note
4E Disclosure	Supported	1/1	1/1	Current filings and improved KPI disclosures support the point
4F Governance/accounting	Supported	1/1	1/1	No restatement, enforcement, or related-party problem is identified; YELLOW items are governance design issues
5A Rational reinvestment	Supported	2/2	2/2	Capital deployment matches logistics, product, credit, and ecosystem strategy
5B Acquisition discipline	Supported	2/2	2/2	Recent acquisition cash is immaterial and goodwill/intangibles are small
5C Buyback discipline	Partly supported	1/2	1/2	Buybacks were selective but are currently negligible
5D Incentives	Partly supported	1/2	1/2	Long duration helps, but ROIC, owner FCF, per-share value, and relative TSR are absent
5E Owner mentality	Partly supported	1/1	1/1	Founder trust ownership and long-term behavior support the point despite low new-CEO ownership
5F Past decisions	Supported	1/1	1/1	Organic scaling and restrained dilution provide a tangible record
6A Base IRR	Supported	2/6	2/6	13.0300309063% falls in the rubric's 10%-15% band
6B Exit multiple	Supported	2/4	2/4	Multiples are preflight-locked and below comparable current P/E, but the locked Base still misses 20%
6C Bear case	Supported	0/3	0/3	-24.7124978688% is unacceptable
6D Reverse return	Supported	0/3	0/3	Required Base EPS CAGR of 35.62% exceeds modeled 27.75%
6E Price not perfection	Supported	0/2	0/2	A 51.63x starting P/E and weak downside provide no point
6F Cash returns	Supported	0/2	0/2	Distributions are zero

3. Unsupported Claims

The evidence does not support either a positive ROIIC trend or complete immunity from invested-capital accounting artifacts. Those are the only score-bearing unsupported claims found, and both have been corrected. The narrative appropriately

refuses to claim five-year owner-FCF conversion, five-year share CAGR, current EV/NOPAT, or acquisition-inclusive ROIIC. It also avoids treating statutory CFO as owner cash. No management TAM claim carries more than 60% of a qualitative category without corroborating market, filing, or operating evidence.

The exit-multiple claim is adequately supported, though confidence is Medium rather than High. Bear 20x is anchored near fresh AMZN 20.379x and NU 19.757x native P/E observations; Base 28x lies inside the cited scaled-peer context and below MELI's 45x-51x recent profitable/current range; Bull 36x is below SE at 39.203x and MELI at 51.629x. The preflight selected these before IRR and score calculation. A raw non-comparable multiple was not used as a cap. The excessive-optimism test recognizes that Base still requires linked margin, credit, FX, and cost-leverage wins. The excessive-bearishness test rejects the 3.9x-6.9x narrow-processor tail as controlling for an integrated platform. Both directions are economically coherent.

4. Calculation Errors

No shareholder-return calculation error remains. The only errors were the two rubric evidence allocations described above.

TTM net income is USD 1,863m and diluted shares are 50.6969623123m, giving statutory diluted EPS of USD 36.747764. The current normalized P/E is `1,897.37 / 36.747764 = 51.632257x`. Under the locked P/E method, terminal equity value per share is EPS times exit P/E with no second cash/debt adjustment: Bear `22.947558 x 20 = 458.951160`; Base `125.015318 x 28 = 3,500.428904`; Bull `247.146584 x 36 = 8,897.277024`. Zero distributions are source-bound. Cash, investments, restricted balances, debt, leases, and September note proceeds are not separately added or subtracted, so P/E double-count protection passes.

The gross IRRs independently reproduce as -24.7124978688%, 13.0300309063%, and 36.2137711205%. Weighted terminal wealth is `0.25 x 458.951160 + 0.55 x 3,500.428904 + 0.20 x 8,897.277024 = USD 3,819.429092`. Annualizing that wealth gives 15.0189197571%; the arithmetic mean of scenario IRRs would be only 8.1771%, proving the published method is not an average.

The net-SGD diagnostic uses the same terminal P/E wealth. It applies 0.50% entry cost to the USD 1,897.37 outlay, 0.50% exit cost to terminal wealth, zero capital-gains tax, and zero dividend withholding because distributions are zero. The annual FX effects -4.50%, -1.50%, and +0.51% produce five-year ratios 0.7943590686, 0.9272165024, and 1.0257614299. The resulting IRRs exactly reproduce -28.2440920864%, 11.1121319507%, and 36.6349157877%. Probability-weighted adjusted terminal wealth is 3,683.042468 normalized SGD units against a 1,906.856850 cost-adjusted outlay, giving 14.0716509415% by CAGR of weighted terminal wealth.

The reverse-20% bridge also ties. Required terminal wealth is USD 4,721.263718. At 28x, required Base EPS is USD 168.616561 and required EPS CAGR is 35.6232%, versus modeled 27.7458%. Base maximum buy price is USD 1,406.743869; the weighted maximum buy price is USD 1,534.942890. The 20% case requires a 37.765482x Base exit P/E at modeled EPS. That is below the comparable current 51.632257x but above the independently locked Base 28x; the score correctly refuses to substitute it.

NOPAT is used only diagnostically: TTM statutory OI USD 2.907bn at a 28.48% tax rate gives about USD 2.079bn. Terminal diagnostic NOPAT equals scenario OI times one minus the stated tax rate. EV/NOPAT does not control because terminal cash and senior-claim schedules are unavailable. The method therefore remains P/E throughout gross, probability-weighted, reverse-return, and net-SGD calculations.

5. Missing Data

The most important missing evidence is a fintech-aware invested-capital and cumulative-reinvestment schedule sufficient to calculate three-year and five-year ROIIC. Other material gaps are a comparable multi-year adjusted owner-FCF series; country/product credit, funding, and capital allocations; clean marketplace take-rate and Ads dollar histories; and a five-year elapsed share-count series. These gaps lower confidence but do not invalidate the P/E return bridge because statutory EPS and the diluted listed-share unit are fully reconciled.

Portfolio implementation also lacks current MELI SGD volatility/covariance and investor-specific tax/account facts. Those gaps make sizing unavailable, not security returns null. The AVEM/EEM comparator artifact hash `3af962810626d1f1174c89276897c9cfa73dae6d50369922df7479c3fde07140` is valid. Its net-SGD Bear/Base/Bull values are AVEM -12.5668%/11.4588%/22.2683% and EEM -12.3193%/12.5707%/23.7039%. MELI Base trails both and its Bear is roughly 15.7-15.9 points worse. MELI's weighted 14.07% exceeds the ETF Base rows, but that is not a like-for-like statistic; the conclusion `NOT_ESTABLISHED`, null sizing, and no trade authority are correct.

6. Hard-Veto and Threshold Test Audit

Every Investable-now threshold fails except the no-multiple-expansion comparison. Total score is below 80, Business Quality below 65, Valuation below 15, Category 1 plus Category 2 is 26/45 rather than at least 35, Base IRR is below 20%, and Bear is far below 8%-10%. Hard veto 1 remains `INSUFFICIENT_EVIDENCE` because ROIIC is not measurable; hard veto 9 remains `WATCH` because several favorable mechanisms must work merely to produce the 13.03% Base return. The no-expansion test passes narrowly in its proper sense because the 37.77x P/E required for 20% is below the comparable current 51.63x. It does not mean the locked Base clears the hurdle.

Management is YELLOW because succession, founder influence, and incentive design remain unresolved. Moat and the 2046 test are YELLOW because logistics and cross-product advantages are real but pricing power, discovery control, credit durability, and mature margin recovery are not proven. These gates corroborate the conservative classification; the diagnostic score does not override them.

7. Final 20% Hurdle Pass/Fail

FAIL. The locked Base gross local-currency IRR is 13.03%, Base net-SGD is 11.11%, and the locked Base maximum buy price for 20% is USD 1,406.74, below the USD 1,897.37 price anchor. Only Bull clears 20%. The probability-weighted gross 15.02% and net-SGD 14.07% remain below the scorer's 20% stretch hurdle.

8. Dream Business / Dream Investment Classification

Neither. MercadoLibre may ultimately prove to be a dream business, but the current record does not establish high fintech-aware ROIIC or owner-cash conversion. It is not a dream investment at the audited entry price because Base misses 20% and Bear is deeply negative. The single biggest reason it does not qualify is the unresolved retained-capital return perimeter: rapid growth and attractive platform economics cannot yet be translated into audited incremental return after credit assets, funding, customer balances, leases, and provisions.

9. Stage 7 Scorecard Notes

Compounder Score note: **56/100 - strong growth and runway are outweighed by unproven fintech-aware ROIIC/owner cash conversion, YELLOW management/moat durability and inadequate current-price downside.**

Business Quality Score note: **52/80 - ecosystem breadth and organic reinvestment are real, but the retained-capital return perimeter is unresolved and margins/credit cohorts have not completed the payback test.**

20% Return UW Score note: **4/20 - Base gross USD IRR is 13.03%, Bear is -24.71%, zero distributions provide no support, and the locked Base case misses the 20% hurdle.**

10. Auditor JSON

The full-precision companion artifact is `C:\Users\Admin\OneDrive\GPT\ER 2.0\MercadoLibre\compounder_score_audit.json`. It records original and audited scores, gross and net-SGD IRRs, preflight validation, method consistency, denominator and exit-multiple integrity, exact score reductions, unsupported claims, calculation checks, missing data, and trade-authority controls.

SCORING AUDIT CLEARED

Appendix RT - Red Team

MercadoLibre (MELI) — Red Team

Analysis date: 2026-09-14 **Security:** XNAS:MELI common share **Price anchor:** USD 1,897.37, completed 2026-09-11 close **TTM / horizon:** 2026-06-30 to 2031-06-30, exactly five calendar years **Primary valuation method:** P/E, locked across Bear/Base/Bull and gross/net-SGD returns **Red-team posture:** the audited portfolio answer is **NOT_ESTABLISHED**. A limited AVEM-funded replacement is not supported because MELI Base net-SGD return of 11.11% trails AVEM at 11.46% and EEM at 12.57%, while MELI Bear at -28.24% is approximately 15.7–15.9 percentage points worse.

Input and hash control

The red team recomputed every supplied control hash before testing the economics. All five matched exactly. The corrected score artifacts reproduce Compounder Score **56/100**, Business Quality Score **52/80**, and 20% Return Underwriting Score **4/20**. The audited gross USD IRRs are Bear **-24.7125%**, Base **13.0300%**, Bull **36.2138%**, and probability-weighted **15.0189%**. Net-SGD IRRs are Bear **-28.24%**, Base **11.11%**, Bull **36.63%**, and probability-weighted **14.07%**. The probability-weighted returns are CAGRs of weighted terminal wealth, not averages of scenario IRRs.

Artifact	Recomputed SHA-256	Result
`valuation_preflight.json`	`6c49b4edaf721067764b228ddd2a6ed31ab67855a729ec768b0c3f37f6b49e62`	Exact match
`appendix_scoring_audit.md`	`e19e2e7f111b44039b4d2fd0ac4da438c091a6cf964d8c5a6caa46b58ea8dc81`	Exact match
`compounder_score_audit.json`	`22b718b61fe966b4a6d9706d81972e636b17637c4350982958f5b71f3ac8de7b`	Exact match
Corrected `appendix_compounder_score.md`	`791b76474e13bdee3e4846d1b63047c23b2e5c7e5ce9dd18d65a7fe3f5808e2c`	Exact match
Corrected `compounder_score.json`	`9a5192c845b9bfd442a805461c627176c6e44efb1cf6ac47275fdb854bd0a4f3`	Exact match

The valuation preflight is cleared with no blocker and locks normalized TTM statutory EPS at USD 36.747764, terminal EPS at USD 22.947558 / USD 125.015318 / USD 247.146584, 50.9485576 million terminal diluted shares, zero distributions, no separate cash/debt adjustment under P/E, and exit multiples of **20x / 28x / 36x**. CS and CSA used those exact inputs. No method splice, denominator mismatch, distribution double count, or security-unit error was found.

1. The most fragile assumption

The weakest line in Stage 5 is the **Mexico segment's Base Direct contribution margin**, which is assumed to recover from 16.6% on the TTM and only 13.1% in Q2 2026 to **18.5% by 2031**, while Mexico revenue rises from USD 8.060 billion to USD 22.105 billion. This is more fragile than the headline revenue CAGR. Q2 management disclosed approximately four points of sequential Mexico margin compression, with acquiring economics accounting for just under half and weaker demand/commercial initiatives accounting for the rest. That is evidence of real competitive and device-cost pressure, not merely temporary accounting noise.

The model requires logistics density, Ads mix, lower acquisition-cost dilution, funding benefits, and credit cohort seasoning to outweigh Amazon/Walmart/TikTok commerce competition, acquiring subsidies, and Nu/bank competition. A **200-basis-point** miss—16.5% rather than 18.5%—reduces Mexico Direct contribution by about USD 442 million, after-tax net income by about USD 316 million, and Stage 5 EPS by **USD 6.20**, from USD 125.02 to approximately USD 118.82. Keeping the audited 28x Base P/E as a non-controlling sensitivity, gross IRR falls from 13.03% to **11.89%** and net-SGD IRR to approximately **9.99%**. That single miss decisively fails the AVEM/EEM replacement test.

2. The most-likely-to-be-optimistic Stage 5 number

The number most likely to be revised down is **Base 2031 statutory operating income of USD 9.603 billion**, equivalent to an **11.06% operating margin**. Revenue growth is currently indisputably strong; profit conversion is not. TTM statutory operating margin is 8.26%, Q2 2026 was 6.7%, and Q2 revenue grew 50% while operating income fell 17% year over year. The Base endpoint simultaneously assumes geographic Direct contribution recovery and dilution of corporate/indirect costs to 7.0% of revenue from 8.51% TTM. It therefore capitalizes both local unit-economics repair and overhead leverage.

The owner-cash evidence is much weaker than the statutory earnings path. H1 2026 adjusted free cash flow was only USD 158 million after USD 712 million of capex, a USD 4.069 billion increase in loans receivable, and USD 1.218 billion of net fintech funding. Q2 alone generated USD 214 million of adjusted FCF after USD 441 million of capex and USD 2.1 billion of credit-portfolio expansion. The [Q2 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm) and [Q2 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm) make the mismatch visible. USD 9.603 billion of future OI may be attainable, but current evidence does not prove the retained capital return required to get there.

3. The strongest bear case, in its strongest form

MercadoLibre is using cheap-looking headline growth to mask a migration toward more capital-intensive, competitively priced revenue: first-party commerce, subsidized logistics, acquiring devices, and credit. Within two years, credit cohorts season, shipping giveaways become structural, and rivals keep the savings from fulfillment density competed away; revenue still grows, but Direct contribution and adjusted FCF lag the balance-sheet capital committed. The credit portfolio already exceeded USD 16 billion and grew 75% year over year, while card NIMAL was -2.5%; TTM provision for doubtful accounts reached USD 4.318 billion. The validating anchor is **portfolio NIMAL below 15% for two consecutive quarters while credit remains above 30% growth**—evidence that the ecosystem is purchasing engagement with low-return capital rather than compounding owner value.

External competition does not give MELI time to harvest at leisure. Sea's Q2 2026 filing reported Shopee GMV growth of 28.4%, marketplace revenue growth of 48.9%, and USD 255 million of adjusted EBITDA; Shopee's logistics cost base is expanding, but so is monetization and profitability ([Sea Q2 2026 results](https://www.sec.gov/Archives/edgar/data/1703399/000119312526344596/d120948dex991.htm)). In fintech, Nu reported 12.1% credit NIMAL while its 15–90-day delinquency improved to 7.5% even as 90+ day NPL rose to 9.8%, a reminder that early-stage improvement can coexist with later-vintage deterioration ([Nu Q2 2026 results](https://www.sec.gov/Archives/edgar/data/1841644/000121390026093207/ea030310401ex99-2.htm)). MELI's near-low 15–90 metrics do not close the lifetime-loss question.

4. Cross-examination of management commentary

"We expect the credit card NIMAL to strengthen." This assertion depends on young card cohorts reaching 12–18-month breakeven. Yet 2.6 million cards were issued in Q2, card NIMAL was -2.5%, and the portfolio is shifting rapidly toward cards. The first contrary signal is seasoned card NIMAL still below zero after the stated breakeven window, or portfolio-wide NIMAL dropping below 15% despite falling early NPLs. Management's statement may be right, but today it is a forecast layered on an immature cohort, not demonstrated full-cycle economics.

"Contribution profit per ecosystemic user is multiples." This can be true and still mislead. Ecosystemic users may be inherently higher-value customers, so the comparison can reflect selection rather than causal cross-sell payback. The company does not disclose cohort acquisition cost, retention, capital usage, provision, or adjusted FCF per ecosystemic user. If MAUs, TPV and cross-product adoption rise but Brazil/Mexico Direct contribution margins and adjusted FCF do not, the "multiples" claim has not translated into owner economics.

It is "precisely the right moment to invest boldly." Q2 engagement supports the timing claim, but the burden of proof is payback, not activity. Revenue rose 50% while operating income and net income fell 17% and 11%; adjusted FCF was USD 214 million after very large credit investment. Sea's simultaneous growth and Shopee EBITDA progress raises the competitive bar. The earliest disconfirmation is another two quarters in which growth remains above 30% but consolidated OI margin stays below 7% and Brazil/Mexico Direct contribution fails to improve.

5. Stage 5 tie-out reverification

The 11/11 synthesis arithmetic remains intact. The recency check also passes mechanically: Base first-forward-year revenue of USD 44.415 billion is 9.19% above the USD 40.676 billion annualized Q2 run-rate, inside the 10% band. But this is a weak economic anchor. Q2 is not seasonally adjusted, and reported Brazil and Mexico growth benefited from roughly 10.9% and 11.0% year-over-year currency translation in the filing. A currency reversal could erase much of the apparent recency cushion without any change in local engagement.

The share path is conservative and credible. It assumes 0.10% net issuance annually and only USD 4.05 million of aggregate buyback cash, reaching 50.9486 million diluted shares. Recent shares have been flat, and buybacks are immaterial. There is

no hidden repurchase support, and the denominator does not appear optimistic.

No Base product CAGR clearly exceeds the recent peer deceleration evidence without explanation; the more important objection is margins. Shopee's Q2 growth shows the market can remain fast while competition intensifies. Argentina Fintech deserves special caution: the Base five-year CAGR is 17%, essentially the latest disclosed Q2 USD growth rate of 17.4%, even though Argentina segment growth decelerated to 20% and the card is only three quarters old. The reviewed appendix recognizes the FX and seasoning risks, but the consolidated model remains unusually dependent on Argentina's 35% Base Direct contribution margin.

6. Score-derived 20% return claim most likely to be wrong

The audited score does **not** claim that 20% clears, and the red team agrees. Base gross return is 13.03%, Base net-SGD is 11.11%, the Base maximum entry price for 20% is USD 1,406.74, and the score is only 4/20. To earn 20% at the current price with Base EPS, the exit P/E must be **37.7655x**, not the locked 28x; alternatively, EPS must reach **USD 168.62**, 34.9% above modeled USD 125.02.

The score statement most vulnerable to bullish misuse is that the 20% required exit multiple is below today's 51.63x and therefore does not require "multiple expansion." That is algebraically true but economically incomplete. A 37.77x exit still requires 9.77 turns more than the audited Base multiple after five years of business maturation, while modeled EPS must already compound 27.75%. The 20% case breaks first on profit conversion—especially Mexico Direct contribution and credit-funded owner cash—not on share count or distributions.

7. Two-sided valuation challenge

Strongest reason the model may be too optimistic. A 28x Base exit P/E may double-count quality: the Base operating case already assumes 19.80% five-year revenue growth, margin recovery, controlled credit losses, Argentina resilience, and overhead leverage. By 2031, MELI is much larger and still exposed to sovereign, funding, and credit risk. A same-method, non-controlling **24x Base sensitivity**, inside the preflight's 20x–39x peer range, yields terminal wealth of USD 3,000.37, gross IRR of **9.60%**, and net-SGD IRR of approximately **7.74%**. This demonstrates that a modest four-turn rerating overwhelms the AVEM/EEM comparison.

Strongest reason the model may be too bearish. The Bear 20x P/E anchors MELI to mature AMZN/NU observations even though Bear still assumes 12.42% revenue CAGR, positive EPS, and an integrated logistics/Ads/fintech platform. A same-method, non-controlling **24x Bear sensitivity** raises terminal wealth from USD 458.95 to USD 550.74 and gross IRR from -24.71% to **-21.92%**, a 2.80-point improvement. It remains disastrous, so the portfolio conclusion is unchanged. In Base, a 32x sensitivity—still below SE's cited 39.2x and MELI's current/recent 45x–52x observations—would produce 16.09% gross and approximately 14.12% net-SGD. Zero distributions may also understate wealth if a mature MELI eventually pays cash, but no source-bound payout permits a defensible dollar estimate.

These sensitivities are economically material but are **not corrections**. The preflight selected 20x/28x/36x before return calculation, preserved a comparable statutory EPS denominator, and supported both sides. No foundational normalization, method, denominator, dilution, claim-perimeter, or arithmetic defect was found. Accordingly: **RETURN_MODEL_OBJECTION_STATUS: IMMATERIAL**. There is no VP/CS/CSA repair route because no unresolved model defect exists; if the 28x Base multiple were changed as a controlling assumption, the correct route would be VP reseal → CS rerun → CSA re-audit → RT rerun.

8. P&C insurer return-bridge cross-examination

Not applicable. MercadoLibre is not a P&C insurer, reinsurer, specialty carrier, or substantially similar insurance risk-bearing business. `insurer_return_bridge.json` is correctly absent, and the audited artifacts mark the insurer bridge as not required. The relevant fintech check is different: credit-loss provision and local funding are included once in geographic Direct contribution; below-line corporate interest is separately modeled; cash, restricted/customer balances, debt, leases, and the September 2026 note are not separately added or subtracted under P/E. That count-once bridge passes, though the absence of country/vintage credit capital and owner-FCF data materially lowers business-quality confidence.

9. The signal that forces an exit

Exit signal: portfolio-wide **NIMAL below 15% for two consecutive quarterly reports while the credit portfolio still grows at least 30% year over year**. The current reference is 20.7% NIMAL and 75% portfolio growth. The threshold is not a generic credit warning: it shows that loss- and funding-adjusted spread has fallen below the moat appendix's downgrade boundary

while management continues deploying material balance-sheet capital. At that point the card/credit engine is not merely creating temporary accounting pressure; it is invalidating the claimed ecosystem payback and the Base margin/owner-cash bridge.

10. Conviction at the end of red team

The investment thesis does not survive as an AVEM-funded replacement at the audited price. MELI may remain an exceptional regional franchise, but the security thesis requires margin and credit payback that have not completed a cycle, and the Base return already trails both diversified comparators after FX and costs. The narrative should be rewritten around a proof-before-capital standard: watch for seasoned card economics, Brazil/Mexico Direct contribution recovery, and adjusted FCF conversion before proposing even a limited replacement.

The valuation bridge itself survives the red team: its arithmetic, method, denominator, hashes, and count-once treatment are sound, and no material unresolved return-model issue remains. The economic range is nevertheless too wide. The strongest Bear is capital-consuming growth whose provisions, funding, logistics, and acquisition costs prevent owner-cash compounding; the strongest rebuttal is that integrated scale and sustained growth could justify a higher multiple than Bear/Base assume. Neither rebuttal changes the current answer: **NOT_ESTABLISHED, null sizing, no trade authority**.

Appendix D - Data Package (raw historicals)

MercadoLibre (MELI) — Data Package

Run ID: `pulse-cio-20260914T060240+0800` Action: `CIO-20260911-MELI-LEGACY-ER2-REFRESH` Information cutoff: 2026-09-14 SGT Reporting currency and scale: USD millions unless stated otherwise. Fiscal year end: December 31. Latest complete quarter: Q2 2026 ended 2026-06-30. TTM: Q3 2025 + Q4 2025 + Q1 2026 + Q2 2026. Forecast horizon: 2031-06-30. Issuer and listing: Delaware-incorporated U.S. domestic Form 10-K/10-Q filer; `XNAS:MELI` common stock; not an ADR or foreign private issuer.

All FMP datasets used below were fetched live from `/stable/` endpoints on 2026-09-14 and archived under `raw/pulse-cio-20260914T060240+0800/d_20260914T0705+0800`. The four transcripts were also fetched live and their returned dates were 2025-10-30, 2026-02-24, 2026-05-07, and 2026-08-05. Newly pulled FMP files were copied without overwrite to `C:\Users\Admin\OneDrive\Cowork\Investing\data warehouse\MELI\pulse-cio-20260914T060240+0800\d_20260914T0705+0800`. Official SEC and MercadoLibre IR pages were fetched live in this run. No warehouse file was read as a research source.

0a. Industry classification and disclosure inventory

MercadoLibre is an integrated Latin American marketplace, logistics, digital-advertising, payments, digital-banking and credit platform. U.S. GAAP consolidated statements and four geographic reportable segments control the accounting perimeter. Commerce and Fintech are revenue streams inside each geography; Product and Service are consolidated statement classifications. They are not interchangeable with reportable segments. FMP's geographic endpoint is useful but preserves pre-recast FY2023 geography values, while the current 2025 Form 10-K recast controls FY2023. FMP's product endpoint is similarly thin and preserves the pre-recast FY2023 Service figure. Therefore the industry-specific inventory is required.

Sources checked live: [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm), [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm), [Q2 2026 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm), [Q1 2026 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000014/meli-20260507xex991.htm), [Q4 2025 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000003/meli-20260224xex991.htm), [Q3 2025 shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959025000048/meli-20251029xex991.htm), [FY2023 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959024000008/meli-20231231.htm), [FY2022 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959023000007/meli-20221231.htm), and the live [IR news index](https://investor.mercadolibre.com/news-and-events).

Search inventory: `segments`, `Direct contribution`, `Commerce`, `Fintech`, `Product`, `Service`, `GMV`, `unique active buyers`, `items sold`, `fulfillment`, `same-day`, `shipping penetration`, `TPV`, `acquiring TPV`, `payments on marketplace`, `credit portfolio`, `15-90 day NPL`, `allowance`, `provision for doubtful accounts`, `NIMAL`, `AUM`, `advertising`, `revenue as percentage of GMV`, `take rate`, `funding`, `adjusted free cash flow`, `cash`, `restricted cash`, `debt`, and `capital expenditures`.

Dataset / table family	Official source searched	Search terms or table names	Years available	Included?	If excluded, why	Downstream relevance
Segment economics	2025, 2023 and 2022 10-Ks; 2026 Q2 10-Q	Segment, Direct contribution, geography	FY2021-FY2025; Q2 2026 and TTM	Yes	—	Segment forecasts and statutory bridge
Commerce/Fintech revenue streams	2025, 2023 and 2022 10-Ks; 2026 Q2 10-Q	Commerce, Fintech, credit revenue, services	FY2021-FY2025; last four quarters	Yes	—	Business mix and moat
Product/Service classification	FMP annual/quarterly; 2025 10-K; Q2 2026 10-Q	Product revenues, Service revenues and financial income	FY2022-FY2025; TTM	Yes	Pre-FY2023 not comparable to post-recast presentation	Accounting classification
Marketplace KPIs	Annual reports and four shareholder letters	GMV, buyers, items sold, fulfillment	FY2021-FY2025; last four quarters	Yes	Buyer definition changes in 2024	Commerce model
Payments KPIs	Annual reports and four shareholder letters	TPV, acquiring TPV, payment transactions	FY2021-FY2025; last four quarters	Yes	TPV excludes P2P only from recast FY2023 onward	Fintech model
Credit and asset quality	Annual reports and shareholder letters	Credit portfolio, NPL, NIMAL, allowance, provisions	FY2021-FY2025 where disclosed; last four quarters	Yes	Early-year NPL definition differs	Fintech risk and margin

Dataset / table family	Official source searched	Search terms or table names	Years available	Included?	If excluded, why	Downstream relevance
Logistics	Shareholder letters and 10-K	Fulfillment penetration, shipping, unit cost	Selected FY/Q values; last four quarters qualitative	Yes	No uniform country-level five-year table	Commerce moat
Advertising	Shareholder letters and 10-K	Ads growth, revenue relative to GMV, Display, Video	Selected FY/Q values; last four quarters	Yes	Dollar revenue not separately disclosed	Monetization and margin
Capital / funding	10-K, 10-Q, shareholder letters	restricted cash, funding, net debt, adjusted FCF	FY2021-FY2025; H1 2026	Yes	Fintech perimeter prevents industrial FCF interpretation	Capital intensity and valuation

Longest clean industry KPI history

KPI family	Granularity	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim / TTM	Source path
GMV, USD bn	Consolidated	28.351	34.449	44.749	51.467	65.037	H1 2026 40.877; Q2 21.926	2023 10-K; 2024-2026 shareholder letters
Items sold, millions	Consolidated	1,014	1,147	1,404	1,787	2,429	H1 2026 1,517; Q2 795	Same sources
User KPI	Consolidated	140 unique active users	148 unique active users	218 unique active users	100 unique buyers; 61 Fintech MAUs	121 unique buyers; 78 Fintech MAUs	H1 buyers 117; Q2 buyers 89; Fintech MAUs 88	2025 10-K definition note; shareholder letters
TPV, USD bn	Consolidated	77.371 old basis	123.633 old basis	146.738 recast excluding P2P	196.660	277.823	H1 2026 188.138; Q2 100.952	2023 and 2025 10-Ks; Q2 letter
Acquiring TPV, USD bn	Consolidated	n/a old KPI	n/a old KPI	115.953 recast comparison	142.200	188.105	H1 2026 120.072; Q2 64.079	2025 10-K and quarterly letters
Payment transactions, millions	Consolidated	3,255 old basis	5,470 old basis	7,595 recast	11,355	15,470	H1 2026 9,821; Q2 5,181	2023, 2024, 2025 letters
Credit portfolio, USD bn	Gross portfolio	about 1.7	about 2.9	about 3.8	6.6	12.5	Q2 2026 16.4	Official letters; early values rounded
15-90 day NPL	Total portfolio	n/d under current definition	n/d under current definition	8.2%	7.4%	total n/d; card 4.4%	Q2 2026 total 7.0%; card 4.6%	Q4 2023, Q4 2024, Q4 2025, Q2 2026 letters
Provision for doubtful accounts, USD bn	Consolidated	0.435	1.073	1.050	1.858	3.091	TTM 4.318	Live FMP income statements; official 10-K/10-Q
NIMAL	Credit portfolio	n/d	n/d	36.2%	28.2%	22.4%	H1 2026 19.4%; Q2 20.7%	Annual and quarterly shareholder letters
AUM, USD bn	Mercado Pago	n/d	about 2	n/d	10.6	almost 19	Q2 2026 23	Q4 2024, Q4 2025, Q2 2026 letters
Logistics penetration	Network	n/d	n/d	fulfillment 48% of shipments in Q3	fulfillment more than half	network ships about 95% of items; Mexico fulfillment nearly 80% in Q4	Q1 2026 fulfillment 55% of shipments; over 50 facilities	Official letters and 2025 10-K
Advertising monetization	Mercado Ads	n/d	revenue 1.4% of GMV in Q4	n/d	revenue 2.1% of GMV in Q4	Q3 FX-neutral growth 63%; Q4 67%	Q2 2026 FX-neutral growth 62%; over 10% regional digital-ad share	Official shareholder letters

Comparability rules: the company replaced Unique Active Users with separate Fintech MAU and unique-buyer metrics on January 1, 2024; Q2 2025 onward includes food-delivery transactions in buyers, GMV, and items sold. TPV and transactions exclude peer-to-peer payments from 2024, with FY2023 recast but FY2021-FY2022 not recast. Acquiring TPV replaced marketplace-payment volume. “Items shipped” ceased after 2024 because the logistics network ships almost all items sold. These breaks prohibit a naive five-year CAGR for the affected rows.

1. Reporting structure and taxonomy

The current reportable segments are Brazil, Mexico, Argentina, and Other Countries. Each is a country or residual geography managed by the CODM. Direct contribution equals external net revenues and financial income less segment costs, including fulfillment, collection, credit-loss provision, funding, marketing, payroll, hosting, depreciation, and other local costs. Corporate costs are excluded. Commerce and Fintech are revenue streams within every geography, not separate reportable segments.

FY2025 reportable segment	Description	Revenue, USD bn	Percent of total	Direct contribution, USD bn
Brazil	Largest integrated commerce, logistics, advertising, payments and credit market	15.201	52.6%	2.075
Mexico	Second-largest geography with high fulfillment and fintech investment	6.475	22.4%	1.171
Argentina	Hyperinflationary market with high contribution margin and FX volatility	5.962	20.6%	2.481
Other Countries	Primarily Chile, Colombia, Uruguay and other Latin American operations	1.255	4.3%	0.176
Total	Four reportable geographies	28.893	100.0%	5.903

Reporting structure is stable as four geographies over the full five-year table. The presentation changed on January 1, 2024 when operating interest income/expense required for Mercado Pago was reclassified from Other income/expense into Service revenue and financial income and cost of revenue and financial expenses. FY2023 was recast in current filings; FY2022 and earlier were not. The 2024 annual report also recast certain 2023 shipping-related presentation and current FY2023 geography revenue totals. Therefore current 2025 Form 10-K values control FY2023-FY2025; older filings control FY2021-FY2022. FMP's live FY2023 geography endpoint remains on the older $14.473 billion total and is not used for the current comparable series.

2. Consolidated historicals

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue, USD bn	7.069	10.780	15.107	20.777	28.893	Live FMP `income-statement?symbol=MELI&period=annual`; current filings control recasts
Operating income, USD bn	0.441	1.069	2.207	2.631	3.201	Live FMP annual; 10-K tie
Operating margin	6.2%	9.9%	14.6%	12.7%	11.1%	Calculated
Net income, USD bn	0.083	0.482	0.987	1.911	1.997	Live FMP annual; 10-K tie
Diluted EPS, USD	1.67	9.53	19.46	37.69	39.39	Live FMP annual; 10-K tie
Diluted shares, millions	49.803	51.336	51.007	50.697	50.697	Live FMP annual; 10-K tie
Capex, USD bn	0.609	0.455	0.509	0.860	1.343	Live FMP `cash-flow-statement`; official cash flows
Unadjusted FCF, USD bn	0.356	2.485	4.631	7.058	10.773	Live FMP CFO less capex
NOPAT, USD bn	0.158	0.661	1.400	2.067	2.249	Statutory OI times one minus effective tax rate
Average invested capital, USD bn	1.688	3.277	4.211	5.386	8.173	Average equity plus debt less cash and investments
Diagnostic ROIC	9.3%	20.2%	33.2%	38.4%	27.5%	Calculated from live FMP statements

ROIC definition is NOPAT divided by average beginning/end invested capital. NOPAT uses each year's statutory operating income and effective tax rate: 64.2%, 38.2%, 36.6%, 21.4%, and 29.7% for FY2021-FY2025. Invested capital is shareholders' equity plus total debt less cash, short-term investments, and long-term investments. This is only a diagnostic: customer funds, restricted balances, securitization funding and credit assets make an industrial-company denominator economically incomplete. Live FMP separately reports FY2025 ROIC of 11.78%, confirming definition sensitivity. Downstream work should use a fintech-aware capital perimeter, not treat either ratio as a final underwriting fact.

The live FMP income rows tie FY2025 official revenue, OI, pretax income, and net income. Cash flow does not fully tie at the interim level: official H1 2026 CFO is $5.737 billion versus $5.214 billion from the live FMP quarterly extraction, a $523 million gap. Official TTM CFO is $13.905 billion versus $13.163682 billion from the four live FMP quarters, a $741.318 million gap.

Official cumulative filings control. Unadjusted FCF also includes large changes in customer funds, restricted balances, loans receivable and fintech funding and is not an economic owner-cash proxy.

The FY2022 consolidated FMP row reports $10.780 billion of revenue while the contemporaneous FY2022 Form 10-K's pre-reclassification geography and Commerce/Fintech tables total $10.537 billion, a $0.243 billion presentation difference. The consolidated table above preserves the live FMP series required by this section; the segment and revenue-stream tables preserve the issuer's then-current $10.537 billion taxonomy. Do not force the two perimeters to add or calculate a cross-boundary FY2022-to-FY2023 segment growth rate without a recast.

3. Segment historicals

Brazil

Brazil	FY2021	FY2022	FY2023 recast	FY2024	FY2025	Source
Revenue, USD bn	3.910	5.666	7.821	11.406	15.201	2022 and 2025 10-Ks; live FMP geography checked
YoY growth	—	44.9%	38.0%	45.8%	33.3%	Calculated
Direct contribution, USD bn	0.677	0.949	1.861	2.286	2.075	Segment notes
Direct contribution margin	17.3%	16.7%	23.8%	20.0%	13.7%	Calculated

Mexico

Mexico	FY2021	FY2022	FY2023 recast	FY2024	FY2025	Source
Revenue, USD bn	1.172	1.864	3.071	4.664	6.475	2022 and 2025 10-Ks; live FMP geography checked
YoY growth	—	59.0%	64.8%	51.9%	38.8%	Calculated
Direct contribution, USD bn	0.033	0.285	0.700	0.854	1.171	Segment notes
Direct contribution margin	2.9%	15.3%	22.8%	18.3%	18.1%	Calculated

Argentina

Argentina	FY2021	FY2022	FY2023 recast	FY2024	FY2025	Source
Revenue, USD bn	1.531	2.500	3.550	3.818	5.962	2022 and 2025 10-Ks; live FMP geography checked
YoY growth	—	63.3%	42.0%	7.5%	56.2%	Calculated
Direct contribution, USD bn	0.533	1.012	1.680	1.675	2.481	Segment notes
Direct contribution margin	34.8%	40.5%	47.3%	43.9%	41.6%	Calculated

Other Countries

Other Countries	FY2021	FY2022	FY2023 recast	FY2024	FY2025	Source
Revenue, USD bn	0.456	0.507	0.665	0.889	1.255	2022 and 2025 10-Ks; live FMP geography checked
YoY growth	—	11.2%	31.2%	33.7%	41.2%	Calculated
Direct contribution, USD bn	0.076	0.026	0.050	0.117	0.176	Segment notes
Direct contribution margin	16.6%	5.1%	7.5%	13.2%	14.0%	Calculated

The segment-profit basis is issuer-disclosed **Direct contribution**, never statutory operating income. All four segments use the same basis. FY2023 revenue rows follow the current recast geography presentation while Direct contribution remains source-tied; no Product/Service or Commerce/Fintech amounts are allocated to countries by analyst inference.

3a. Historical statutory-profit bridge and forecast-driver ledger

Sealed packet: `statutory_bridge.json`. SHA-256 independently rechecked in this run: `bb8da6bc237cce47e4bd345ebf21f2fe948d217c59a4d1466bb5c87f9c44ac41`. Installed validator returned `STATUTORY_BRIDGE_VALID`. Common segment profit basis: issuer-disclosed `Direct contribution`. Reporting currency: USD; scale: millions. Labels, signs, values, classifications, and source IDs below exactly reproduce the sealed packet.

FY2025 bridge

Bridge line	Classification	Value	Source ID	Running subtotal
Brazil	segment profit	2,075	sec_2025_10k	2,075
Mexico	segment profit	1,171	sec_2025_10k	3,246
Argentina	segment profit	2,481	sec_2025_10k	5,727
Other Countries	segment profit	176	sec_2025_10k	5,903
Sum of reportable segment profit	segment profit	5,903	sec_2025_10k	5,903
Consolidated segment profit metric	subtotal	5,903	sec_2025_10k	5,903
Operating expenses and indirect costs of net revenues and financial expenses	operating	-2,702	sec_2025_10k	3,201
Statutory operating income	statutory subtotal	3,201	sec_2025_10k	3,201
Interest income and other financial gains, net	interest	138	sec_2025_10k	3,339
Interest expense and other financial losses	interest	-160	sec_2025_10k	3,179
Foreign currency losses, net	other_non_operating	-337	sec_2025_10k	2,842
Pretax income	statutory subtotal	2,842	sec_2025_10k	2,842
Income tax expense	tax	-845	sec_2025_10k	1,997
Net income	statutory subtotal	1,997	sec_2025_10k	1,997

Corporate/unallocated adjustments: empty array in the sealed packet. All five residuals are zero; disclosed rounding unit is $1 million and tolerance is $2.9515 million.

TTM ended 2026-06-30 bridge

Bridge line	Classification	Value	Source ID	Running subtotal
Brazil	segment profit	1,931	qf_ttm_reconciliation	1,931
Mexico	segment profit	1,336	qf_ttm_reconciliation	3,267
Argentina	segment profit	2,402	qf_ttm_reconciliation	5,669
Other Countries	segment profit	232	qf_ttm_reconciliation	5,901
Sum of reportable segment profit	segment profit	5,901	qf_ttm_reconciliation	5,901
Consolidated segment profit metric	subtotal	5,901	qf_ttm_reconciliation	5,901
Operating expenses and indirect costs of net revenues and financial expenses	operating	-2,994	qf_ttm_reconciliation	2,907
Statutory operating income	statutory subtotal	2,907	qf_ttm_reconciliation	2,907
Interest income and other financial gains, net	interest	114	qf_ttm_reconciliation	3,021
Interest expense and other financial losses	interest	-212	qf_ttm_reconciliation	2,809
Foreign currency losses, net	other_non_operating	-204	qf_ttm_reconciliation	2,605
Pretax income	statutory subtotal	2,605	qf_ttm_reconciliation	2,605

Bridge line	Classification	Value	Source ID	Running subtotal
Income tax expense	tax	-742	qf_ttm_reconciliation	1,863
Net income	statutory subtotal	1,863	qf_ttm_reconciliation	1,863

Corporate/unallocated adjustments: empty array in the sealed packet. All five residuals are zero; disclosed rounding unit is $1 million and tolerance is $2.9505 million.

Forecast-driver ledger

Historical bridge line	FY2025 value	TTM value	Forecast treatment	Driver and source	Bear / base / bull rule
Operating expenses and indirect costs of net revenues and financial expenses	-2,702	-2,994	Independently forecast operating expense	Product development, S&M, G&A and indirect cost ratios from 10-K/10-Q; Direct contribution definition	Bear: slower dilution; base: gradual scale; bull: faster productivity, never a plug
Interest income and other financial gains, net	138	114	Interest-rate and liquid-balance schedule	Available cash/investments and yields from filings	Bear: lower balances/yields; base: current curve normalization; bull: stronger liquidity
Interest expense and other financial losses	-160	-212	Debt and fintech-funding schedule	Loans, senior notes, leases, securitizations and local funding	Bear: higher funding spreads; base: maturity-weighted cost; bull: rating-led spread benefit
Foreign currency losses, net	-337	-204	Independent currency/monetary-position scenario	Argentina hyperinflation and net monetary exposure in 10-K/10-Q	Bear: larger loss; base: normalized loss; bull: smaller loss; never bundled with interest
Income tax expense	-845	-742	Effective-tax-rate schedule	FY2025 29.7%; TTM 28.5%; country profit mix and nondeductible Argentina FX	Bear: adverse mix; base: high-20s; bull: modest mix relief

STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING

4. Product and sub-segment historicals

Dollar-disclosed revenue streams and accounting classifications

Business view	Line	What it is	FY2023, USD bn	FY2024, USD bn	FY2025, USD bn	Source
Revenue stream	Commerce	Marketplace, shipping, advertising, subscriptions, classifieds and 1P-related revenue	8.201	12.159	16.294	Current 2025 10-K
Revenue stream	Fintech	Payments, acquiring, credit, deposits and other financial services	6.906	8.618	12.599	Current 2025 10-K
Accounting classification	Service revenues and financial income	Consolidated service and eligible operating financial-income presentation	13.617	18.638	25.286	Current 2025 10-K; FY2023 recast
Accounting classification	Product revenues	1P merchandise and fintech products sold as principal	1.490	2.139	3.607	Current 2025 10-K

Longer Commerce/Fintech dollar history exists and is clean within the older presentation: FY2021 Commerce $4.635 billion and Fintech $2.434 billion; FY2022 Commerce $5.808 billion and Fintech $4.729 billion. FY2023 was later recast to $8.201 billion Commerce and $6.906 billion Fintech. The current Product/Service classification starts on a comparable recast basis at FY2023. FMP reports FY2023 Service at $12.983 billion, $0.634 billion below the controlling current filing; that stale vendor cell is excluded.

Last four quarters: dollar-disclosed business streams

Quarter	Commerce revenue, USD bn	Fintech revenue, USD bn	Commerce YoY	Fintech YoY	Source
Q3 2025	4.174	3.235	33%	49%	Q3 2025 10-Q and shareholder letter
Q4 2025	4.978	3.781	40%	51%	FY2025 less 9M; Q4 shareholder letter

Quarter	Commerce revenue, USD bn	Fintech revenue, USD bn	Commerce YoY	Fintech YoY	Source
Q1 2026	4.868	3.977	47%	51%	Q2 H1 less Q2; Q1 shareholder letter
Q2 2026	5.762	4.407	50%	49%	Q2 2026 10-Q and shareholder letter

Commerce/Fintech revenue streams inside the geographic segments

Commerce and Fintech are issuer-disclosed revenue streams nested inside each reportable geography; they are not additional reportable segments and are not the Product/Service accounting classifications. The current post-recast annual history is disclosed directly in the [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm).

Geography / revenue stream	FY2023 recast, USD bn	FY2024, USD bn	FY2025, USD bn
Brazil — Commerce	4.512	7.038	9.184
Brazil — Fintech	3.309	4.368	6.017
Mexico — Commerce	1.979	3.072	4.185
Mexico — Fintech	1.092	1.592	2.290
Argentina — Commerce	1.261	1.407	2.034
Argentina — Fintech	2.289	2.411	3.928
Other Countries — Commerce	0.449	0.642	0.891
Other Countries — Fintech	0.216	0.247	0.364

The last-four-quarter geography/stream history below is issuer-disclosed or mechanically isolated from issuer cumulative tables: Q3 2025 is disclosed in the [Q3 2025 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959025000051/meli-20250930.htm); Q4 2025 equals FY2025 less 9M 2025; Q1 2026 equals H1 2026 less Q2 2026; and Q2 2026 is disclosed in the [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm). No allocation or growth-rate back-solve is used.

Geography / revenue stream	Q3 2025, USD bn	Q4 2025, USD bn	Q1 2026, USD bn	Q2 2026, USD bn
Brazil — Commerce	2.416	2.772	2.826	3.330
Brazil — Fintech	1.593	1.865	1.948	2.200
Mexico — Commerce	1.049	1.366	1.195	1.450
Mexico — Fintech	0.602	0.730	0.781	0.887
Argentina — Commerce	0.495	0.545	0.573	0.657
Argentina — Fintech	0.946	1.067	1.125	1.182
Other Countries — Commerce	0.214	0.295	0.274	0.325
Other Countries — Fintech	0.094	0.119	0.123	0.138

Growth-only or non-dollar product disclosures

Business	Product / KPI	Disclosure method	Last four quarters	Source
Commerce	Advertising	YoY growth; no absolute revenue	Q3 56% USD and 63% FX-neutral; Q4 70% USD and 67% FX-neutral; Q1 exact USD not separately disclosed; Q2 73% USD and 62% FX-neutral	Four shareholder letters; live transcripts
Commerce	GMV	Dollar volume and YoY growth	$16.543bn, $19.906bn, $18.951bn, $21.926bn; 28%, 37%, 42%, 44% USD growth	Four shareholder letters
Commerce	Fulfillment	Penetration and operational indicators	Q3 network shipped about 95% of items; Q4 Mexico fulfillment nearly 80%; Q1 network fulfillment 55%; Q2 no consolidated percent disclosed	Shareholder letters and 10-K

Business	Product / KPI	Disclosure method	Last four quarters	Source
Commerce	1P	TTM GMV and FX-neutral growth	Q1 2026 almost $5bn TTM GMV and 69% FX-neutral YoY	Q1 2026 shareholder letter
Fintech	Credit card	Portfolio mix, issuance, TPV and NPL	Q4 nearly 3m cards issued; Q1 2.7m; Q2 card 47% of portfolio and 4.6% NPL	Q4-Q2 letters
Fintech	AUM	Period-end dollars and growth	Q4 almost $19bn, +78%; Q1 almost $20bn, +77%; Q2 $23bn, +68%; Q3 absolute not separately disclosed	Q4-Q2 letters
Fintech	Acquiring	TPV dollars and growth	$47.712bn, $55.711bn, $55.993bn, $64.079bn; 32%, 33%, 39%, 44% USD growth	Four letters

No back-solved product revenue is presented. Marketplace take rate is not separately disclosed as a clean metric: Commerce revenue includes shipping, advertising, subscriptions and 1P, while GMV is a marketplace volume. Fintech revenue similarly mixes acquiring, credit and investment products, so revenue divided by TPV is not a payment take rate. Acquiring TPV as a share of total TPV was 67.0%, 66.6%, 64.2%, and 63.5% in Q3 2025 through Q2 2026; this is a volume-mix ratio, not merchant penetration or take rate.

5. Most recent quarterly trend

MercadoLibre's FY ends December 31. Most recently completed fiscal quarter at time of writing: FY2026 Q2, covering April-June 2026, reported on 2026-08-05 via the [official shareholder letter](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm).

Geographic reportable segments

Quarter	Segment	Revenue, USD bn	YoY revenue growth	Direct contribution margin	Source
Q3 2025	Brazil	4.009	38%	11.8%	Q3 2025 10-Q and letter dated 2025-10-29
Q3 2025	Mexico	1.651	44%	18.5%	Same
Q3 2025	Argentina	1.441	39%	39.7%	Same
Q3 2025	Other Countries	0.308	39.4% calculated	14.0%	Live FMP geography; official DC
Q4 2025	Brazil	4.637	48%	11.1%	FY less 9M; letter dated 2026-02-24
Q4 2025	Mexico	2.096	56%	18.2%	Same
Q4 2025	Argentina	1.612	23%	37.2%	Same
Q4 2025	Other Countries	0.414	-7.0% calculated	14.5%	Live FMP geography; official DC
Q1 2026	Brazil	4.774	55%	8.1%	H1 less Q2; letter dated 2026-05-07
Q1 2026	Mexico	1.976	62%	17.4%	Same
Q1 2026	Argentina	1.698	23%	35.7%	Same
Q1 2026	Other Countries	0.397	59.4% calculated	16.1%	Live FMP geography; official DC
Q2 2026	Brazil	5.530	59%	10.0%	[Q2 2026 10-Q](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm) and [official shareholder letter dated 2026-08-05](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm)
Q2 2026	Mexico	2.337	55%	13.1%	Same
Q2 2026	Argentina	1.839	20%	33.9%	Same
Q2 2026	Other Countries	0.463	63.0% calculated	13.9%	Live FMP geography; [official Q2 2026 Direct contribution table](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm)

Consolidated commerce and fintech KPIs

Quarter	Revenue, USD bn	GMV, USD bn	TPV, USD bn	Buyers / Fintech MAUs, m	Credit portfolio / 15-90 NPL	NIMAL	Source
Q3 2025	7.409	16.543	71.224	77 / 72	$11.0bn / 6.8% total	21.0%	Q3 2025 letter
Q4 2025	8.759	19.906	83.694	83 / 78	$12.5bn / total n/d; card 4.4%	23.3%	Q4 2025 letter
Q1 2026	8.845	18.951	87.186	84 / 83	$14.6bn / 8.0% total	17.8%	Q1 2026 letter
Q2 2026	10.169	21.926	100.952	89 / 88	$16.4bn / 7.0% total; card 4.6%	20.7%	Q2 2026 letter

Consolidated revenue growth accelerated from 39% to 45%, 49%, and 50% across the four quarters. GMV growth accelerated from 28% to 37%, 42%, and 44%; TPV growth accelerated from 41% to 42%, 50%, and 56%. Statutory operating margin was 9.8%, 10.1%, 6.9%, and 6.7%. The lower 2026 margin reflects deliberate investment in shipping, 1P, credit cards, acquiring and advertising rather than a deterioration in disclosed revenue momentum. Provisions require special care: H1 2026 provision for doubtful accounts was $2.520 billion, compared with $1.293 billion in H1 2025, while Q2 NPLs were near historic lows. Provision timing leads revenue because expected losses are booked at origination.

6. Management commentary on forward growth

Every quotation below comes from a live FMP transcript fetch in this run. Returned call dates match the fiscal periods: Q3 FY2025 on 2025-10-30, Q4 FY2025 on 2026-02-24, Q1 FY2026 on 2026-05-07, and Q2 FY2026 on 2026-08-05. Endpoint pattern: `earning-call-transcript?symbol=MELI&year=YYYY&quarter=Q`. MercadoLibre has not provided conventional numeric revenue or EPS guidance; management instead provides investment priorities, observed unit economics, and long-run strategic direction.

Brazil

- **Q3 FY2025, 2025-10-30 — Martín de los Santos, CFO:** “The recent reduction in the free shipping threshold in Brazil has already delivered strong results with both GMV and items sold accelerating in the quarter.” Modeling implication: shipping subsidy is an intentional near-term margin investment with demand response already observable.
- **Q4 FY2025, 2026-02-24 — Martín de los Santos, CFO:** “Our logistics network absorbed the increase in volumes while driving productivity gains, proving our ability to scale effectively.” Modeling implication: unit-cost leverage can partly offset free-shipping pressure as volume scales.
- **Q1 FY2026, 2026-05-07 — Martín de los Santos, CFO:** “Chief among them is our decision to lower the free shipping threshold in Brazil, which has proven to be a sustained growth engine across multiple quarters.” Modeling implication: do not treat the Brazil acceleration as a single-quarter promotion.
- **Q2 FY2026, 2026-08-05 — Martín de los Santos, CFO:** “Conversion in Brazil is up 1.1 percentage points year-on-year. And this wasn't an incremental gain. It was a step change, and it has proven sustainable for a full year.” Modeling implication: buyer conversion and frequency are the primary operating drivers; preserve sensitivity to subsidy payback.

Mexico

- **Q3 FY2025, 2025-10-30 — Martín de los Santos, CFO:** “We had a great quarter in Mexico with GMV growth accelerating and unit shipping costs in fulfillment continue to fall.” Modeling implication: Mexico has simultaneous growth and logistics-efficiency evidence, though the transcript grammar is preserved verbatim.
- **Q4 FY2025, 2026-02-24 — Martín de los Santos, CFO:** “Our value proposition is generating traction in Mexico, too, where GMV also grew 35%.” Modeling implication: strong commerce growth persisted into year end.
- **Q1 FY2026, 2026-05-07 — Martín de los Santos, CFO:** “In Mexico, GMV grew 28% year-over-year while in Argentina, GMV grew by 41%.” Modeling implication: reported USD and FX-neutral growth must be separated because currencies create large differences.
- **Q2 FY2026, 2026-08-05 — Martín de los Santos, CFO:** “This was offset by margin compression in acquiring, primarily in Mexico and incremental investments in Commerce.” Modeling implication: Mexico’s Direct contribution margin should not be extrapolated from the FY2025 level without near-term acquiring and device-cost pressure.

Argentina

- **Q3 FY2025, 2025-10-30 — Martín de los Santos, CFO:** “In Argentina, growth of GMV, buyers and TPV remained resilient in Q3, but trends slowed through the quarter due to the challenging macro backdrop.” Modeling implication: high structural margins coexist with macro and currency volatility.
- **Q3 FY2025, 2025-10-30 — Martín de los Santos, CFO:** “Despite the headwind Argentina continues to be a very profitable market with strong long-term growth perspective.” Modeling implication: bear cases should stress growth, funding costs and FX, not assume the segment is structurally loss-making.
- **Q1 FY2026, 2026-05-07 — Osvaldo Giménez, President of Fintech:** “I would say that in general, the 15-90 NPL in Argentina has improved sequentially.” Modeling implication: current underwriting outperformed the local cycle, but monitoring should remain country-specific.
- **Q2 FY2026, 2026-08-05 — Osvaldo Giménez, President of Fintech:** “Marcelo, we are very excited with how the credit card in Argentina is going. As we know, we only started issuing cards 3 quarters ago, roughly around September last year.” Modeling implication: Argentina card economics are immature; no mature-cohort margin should be assumed before payback evidence.

Other Countries and cross-ecosystem drivers

- **Q4 FY2025, 2026-02-24 — Martín de los Santos, CFO:** “This improved performance is driving higher adoption and capturing a larger share of advertisers' wallet, propelling the business to grow 67%.” Modeling implication: Ads is a high-growth monetization lever, but absolute revenue is not disclosed.
- **Q1 FY2026, 2026-05-07 — Martín de los Santos, CFO:** “This highlights that engagement is both broadening and deepening as more users choose our ecosystem as their primary financial relationship, supporting our long-term objective of becoming Latin America's largest digital bank.” Modeling implication: fintech model should link MAUs, AUM, credit and cross-sell rather than forecast TPV alone.
- **Q1 FY2026, 2026-05-07 — Martín de los Santos, CFO:** “Our investment decisions are guided by clear observable evidence and that evidence tells us that now is precisely the right moment to invest boldly in a market with significant multiyear growth runways ahead.” Modeling implication: near-term consolidated margins are management-selected, so scenarios need an explicit reinvestment-duration assumption.
- **Q2 FY2026, 2026-08-05 — Martín de los Santos, CFO:** “Contribution profit per ecosystemic user is multiples of the sum of a Marketplace-only user and a Fintech-only user.” Modeling implication: ecosystemic-user penetration is a key but non-dollar disclosed moat driver.
- **Q2 FY2026, 2026-08-05 — Martín de los Santos, CFO:** “We are changing behavior and building habits we believe will drive this business' profitability for years to come.” Modeling implication: the long-term thesis depends on retention and cross-vertical engagement, not only category growth.
- **Q3 FY2025, 2025-10-30 — Martín de los Santos, CFO:** “We will continue to invest with discipline, focusing on the long-term potential and scale of our ecosystem.” Modeling implication: no management promise supports rapid margin normalization; bear/base/bull should vary the length and payoff of reinvestment.

No recent investor day or capital-markets-day transcript with a newer controlling quantitative outlook was found on the live IR index. The 2025 institutional presentation was listed but the IR-hosted PDF returned an access error in the web fetch; its absence is disclosed as a fetch gap rather than silently replaced.

7. Capital allocation history

Year	Capex, USD bn	Capex / revenue	Product & technology, USD bn	P&T / revenue	Buybacks, USD bn	Dividends	M&A cash, USD bn	Source
FY2021	0.609	8.6%	0.590	8.3%	0.486	0	0.056	Live FMP annual income/cash flow; filings
FY2022	0.455	4.2%	1.099	10.2%	0.148	0	0.000	Same

Year	Capex, USD bn	Capex / revenue	Product & technology, USD bn	P&T / revenue	Buybacks, USD bn	Dividends	M&A cash, USD bn	Source
FY2023	0.509	3.4%	1.831	12.1%	0.356	0	0.000	Same
FY2024	0.860	4.1%	1.934	9.3%	0.001	0	0.006	Same
FY2025	1.343	4.6%	2.269	7.9%	0.001	0	0.000	Same; official FY2025 cash flow

The statement line is Product and technology development, not pure accounting R&D; it includes engineering/web-development compensation, depreciation, telecommunications and third-party technology services. Buybacks collapsed after FY2023 and no dividends were paid. Capex accelerated for logistics and technology. Statutory CFO rose to $12.116 billion in FY2025, but adjusted FCF was far lower after removing customer/restricted balances, credit funding and loans. For H1 2026, official CFO was $5.737 billion, capex $0.712 billion, and adjusted FCF only $0.158 billion. The official CFO values override FMP's incomplete interim extraction.

8. Balance sheet snapshot at FY2025

Item	USD bn	Source
Cash and equivalents	3.670	FY2025 10-K; live FMP balance sheet
Short-term investments	2.629	Same
Long-term investments	1.764	Same
Restricted cash	9.867	FY2025 10-K
Total debt including current and long-term loans plus leases	11.392	FY2025 10-K; QF financing perimeter
Issuer-defined available cash and investments	6.710	FY2025 shareholder letter net-debt definition
Issuer-defined net debt	4.682	Debt less available cash/investments
Net debt / EBITDA	2.17x	Live FMP key metrics; definition-sensitive
Goodwill plus intangibles	0.196	$0.163bn goodwill plus $0.033bn intangibles
Total shareholders' equity	6.748	FY2025 10-K
Tangible book value	6.552	Equity less goodwill and intangibles

Restricted cash and customer-fund investments are not freely distributable corporate cash. At Q2 2026, debt including leases rose to $13.176 billion and issuer-defined net debt to $6.425 billion; cash was $3.649 billion, investments $3.796 billion, and restricted cash $13.114 billion. This growing fintech balance-sheet perimeter must be modeled explicitly.

9. Recent corporate actions

- **2026-09-09 — $1.0 billion notes:** MercadoLibre priced $1.0 billion of 5.850% senior unsecured notes due 2036, with proceeds for general corporate purposes and liquidity. [SEC 8-K and Exhibit 99.1](https://www.sec.gov/Archives/edgar/data/1099590/000114036126036136/ef20081842_ex99-1.htm).
- **2026-01-01 — CEO transition effective:** Ariel Szarfsztejn became President and CEO; founder Marcos Galperin moved to Executive Chairman. The board approved and disclosed the succession in May 2025, and the 2026 proxy confirms effectiveness. [Official 8-K](https://www.sec.gov/Archives/edgar/data/1099590/000199937125006530/meli-8k_051625.htm).
- **2025-12-04 — $750 million notes:** MercadoLibre issued $750 million of 4.900% senior unsecured notes due 2033. [SEC filing index](https://www.sec.gov/Archives/edgar/data/1099590/000114036125044457/0001140361-25-044457-index.htm).
- **2025-09-12 — revolver amendment:** Amendment No. 1 modified the $400 million amended and restated revolving credit agreement. [Q2 2026 10-Q debt note](https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm).
- **Share count:** outstanding common shares were 50.697182 million at FY2025 and 50.696802 million at Q2 2026. Repurchases were only $1 million in H1 2026; dilution was effectively flat.

- **M&A and divestitures:** live FMP cash-flow statements and SEC filings show no material acquisition cash outflow in FY2025 or H1 2026. No material divestiture was identified.
- **Brazil tax reform:** FY2025 filings describe CBS/IBS transition beginning in 2026, with informational nominal rates initially 0.9% and 0.1%. The multiyear implementation is a compliance and margin-monitoring item, not a quantified guidance change.

10. Open data gaps and classification

- **True non-disclosure — marketplace take rate:** the FY2025 10-K and Q3 2025-Q2 2026 letters were searched for `take rate`, `marketplace fees`, `GMV`, and `revenue as a percentage of GMV`. Commerce revenue contains marketplace fees, shipping, Ads, MELI+, classifieds and 1P; no clean consolidated marketplace take rate is disclosed. Do not infer one from Commerce revenue divided by GMV.
- **True non-disclosure — payment penetration:** current materials disclose total TPV and Acquiring TPV but no consistent marketplace checkout penetration rate. Sources searched: 2025 10-K and four recent letters using `payment penetration`, `on-platform`, `marketplace payments`, and `acquiring TPV`.
- **True non-disclosure — advertising dollars:** Mercado Ads growth and selected revenue-to-GMV figures are disclosed, but standalone revenue dollars are not. Sources searched: 2025 10-K and four recent shareholder letters using `advertising revenue`, `Ads`, `Display`, `Video`, and `percentage of GMV`.
- **True non-disclosure — total NPL at FY2025:** Q4 2025 materials disclose a 4.4% 15-90 day NPL for credit cards but not a consolidated total-portfolio 15-90 day NPL. Q2 2026 restores both total and card figures. No interpolation is used.
- **True non-disclosure — uniform five-year logistics penetration:** filings disclose selected quarterly fulfillment penetration and operational milestones, but not one consistent five-year annual table by geography. Sources and search terms are recorded in Section 0a.
- **Not fetched / omitted — 2025 institutional presentation:** the live IR index listed the presentation, but the IR-hosted PDF returned HTTP 403 to the available fetcher. No quantitative claim from it is used. SEC filings and current shareholder letters remain controlling.
- **Estimated — early credit portfolio:** FY2021 approximately $1.7 billion and FY2022 approximately $2.9 billion are rounded official disclosures/back-references, not precision statement balances. FY2023 onward uses period-end official shareholder-letter figures.
- **Not applicable — P&C ownership schedules:** MercadoLibre is not a P&C insurer or reinsurer; managed-to-retained investment, fee-count-once, redeemable-NCI and insurance-solvency schedules do not apply.
- **Taxonomy flag — FY2023 recast:** live FMP geography totals $14.473 billion and Product/Service Service revenue $12.983 billion for FY2023; the current 10-K controls with total revenue $15.107 billion and Service revenue and financial income $13.617 billion. The $0.634 billion difference reflects the current presentation. Downstream work must not mix the old and recast taxonomy.
- **Taxonomy flag — FY2022 consolidated versus old segment presentation:** live FMP consolidated revenue is $10.780 billion, while the contemporaneous issuer geography and Commerce/Fintech tables total $10.537 billion. No current filing supplies a fully comparable FY2022 geography recast; each value is retained only in its stated perimeter.
- **Cash-flow vendor flag:** live FMP understates official H1 2026 CFO by $523 million and official TTM CFO by $741.318 million. Official cumulative statements control. The valid H1 capex comparison uses FMP `investmentsInPropertyPlantAndEquipment`; the generic Q2 `capitalExpenditure` field is not reliable.
- **No statutory bridge gap:** the exact QFR-sealed Direct contribution bridge has zero residuals for FY2025 and TTM. It may not be reclassified, replaced, or treated as a caveat.

Source ledger

Source ID	Live endpoint or URL	Period / use
FMP-income-annual	`https://financialmodelingprep.com/stable/income-statement?symbol=MELI&period=annual`	FY2021-FY2025 statements; self-check FY2025 revenue $28.893bn
FMP-income-quarter	`https://financialmodelingprep.com/stable/income-statement?symbol=MELI&period=quarter`	Last four quarters and TTM cross-check
FMP-cashflow-annual-quarter	`https://financialmodelingprep.com/stable/cash-flow-statement?symbol=MELI&period=annual` and `period=quarter`	Capex, CFO, FCF, buybacks, M&A; vendor-gap log
FMP-balance-annual-quarter	`https://financialmodelingprep.com/stable/balance-sheet-statement?symbol=MELI&period=annual` and `period=quarter`	Cash, investments, debt, equity
FMP-key-metrics	`https://financialmodelingprep.com/stable/key-metrics?symbol=MELI&period=annual`	ROIC and leverage comparison
FMP-geography	`https://financialmodelingprep.com/stable/revenue-geographic-segmentation?symbol=MELI&period=annual` and `period=quarter`	Geography cross-check; FY2023 stale-recast flag
FMP-product	`https://financialmodelingprep.com/stable/revenue-product-segmentation?symbol=MELI&period=annual` and `period=quarter`	Product/Service cross-check; FY2023 stale-recast flag
FMP-transcripts	`https://financialmodelingprep.com/stable/earning-call-transcript?symbol=MELI&year=YYYY&quarter=Q`	Verbatim management quotes; dates verified
SEC-2025-10K	https://www.sec.gov/Archives/edgar/data/1099590/000109959026000006/meli-20251231.htm	Current annual controlling source
SEC-2026-Q2	https://www.sec.gov/Archives/edgar/data/1099590/000109959026000023/meli-20260630.htm	Latest statutory quarter and segments
SEC-Q3-letter	https://www.sec.gov/Archives/edgar/data/1099590/000109959025000048/meli-20251029xex991.htm	Q3 2025 KPI and strategy
SEC-Q4-letter	https://www.sec.gov/Archives/edgar/data/1099590/000109959026000003/meli-20260224xex991.htm	Q4 2025 KPI and strategy
SEC-Q1-letter	https://www.sec.gov/Archives/edgar/data/1099590/000109959026000014/meli-20260507xex991.htm	Q1 2026 KPI and strategy
SEC-Q2-letter	https://www.sec.gov/Archives/edgar/data/1099590/000109959026000021/meli-20260805xex991.htm	Q2 2026 KPI, strategy, and self-check

Self-verification completed with live sources in this run: (1) Q2 2026 largest-segment headline growth is Brazil revenue +59% USD in the official Q2 letter; (2) the quote “Contribution profit per ecosystemic user is multiples of the sum of a Marketplace-only user and a Fintech-only user” appears in the live Q2 FY2026 transcript dated 2026-08-05; and (3) live FMP annual revenue for FY2025 is $28.893 billion, exactly tying the current 10-K.