

# MercadoLibre

E-commerce platform

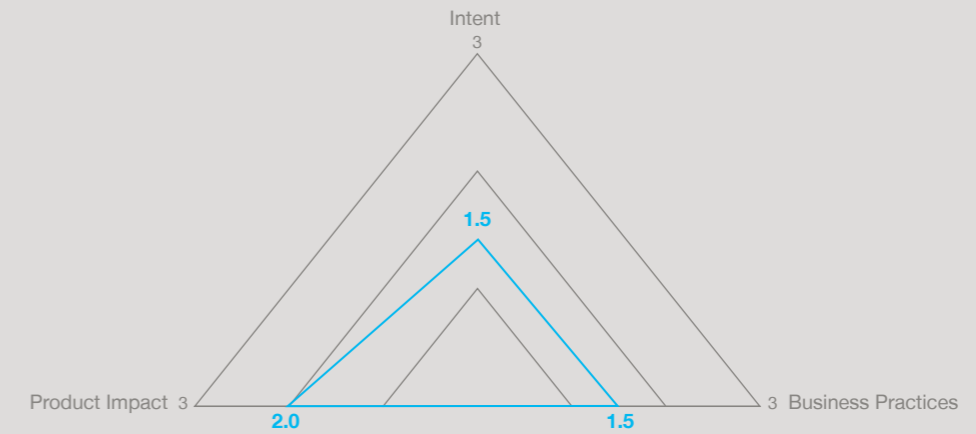


MercadoLibre is Latin America's largest e-commerce platform and is emerging as a leader in the region's financial technology (FinTech) industry.

## Investment Case

<b>What challenge is the Company tackling?</b>	MercadoLibre is a great example of a business using mobile and digital technologies to leapfrog legacy infrastructure and, in the process, reducing hurdles faced by small businesses and those living on low-incomes. By making it easier and cheaper for businesses to trade, MercadoLibre's services are helping to reduce and remove some of the barriers that have held back socio-economic development in Latin America.
<b>Is the Company's offering sufficiently different and better than the status quo?</b>	MercadoLibre's e-commerce platform connects millions of merchants and consumers. For businesses, it provides a more efficient and cheaper way to reach customers. For consumers, it widens the choices of affordable products. On FinTech, the company provides a range of online and mobile payment solutions and financial services. These enable small businesses and consumers to transact and access financial services more easily than before.
<b>Is there a committed management team? What have they done before?</b>	CEO Marcos Galperin and his co-founders recognised in 1999 the potential impact that the company's services could have on people's lives in LatAm. The commitment of management to MercadoLibre's long-term growth is clear and evidenced by two of the three founders remain on the management team.
<b>How does the Company treat stakeholders?</b>	MercadoLibre is a well-governed company which looks after its employees, customers and is conscious of its role in society. Management seek to foster 'entrepreneurial energy' among its >7,000 employees and enables positive outcomes for both merchants and individual customers. The company maintains trust in its platforms by managing two key risks: information privacy and protection and online security and fraud risk. While online fraud is on the rise in LatAm the company remain committed to protecting users.
<b>Is there a potential to create a profitable and defensible business?</b>	E-commerce penetration is still low in Latin America and the long-term growth opportunity is attractive. For financial services, incumbents have historically over-charged and under-provided, giving the opportunity for MercadoLibre and other start-ups to disrupt the market. MercadoLibre benefits from network effects, which should increase the value of its platform over time. The company's ecosystem is much further ahead than competitors and comes out on top in consumer preferences. All those should help MercadoLibre capture a large share of the growth opportunity.
<b>Is the business attractively valued?</b>	With a market cap of \$50 billion, a 2x return would require MercadoLibre reaching \$100 billion market cap by 2025. This can be achieved if e-commerce GMV grows at 35% per year in USD (currently 40-50%) and the take-rate stays flat. On fintech, we need off-platform Total Payment Volume to grow at 50% per year in USD (currently triple-digits). We believe those assumptions are quite realistic given the scale of the growth opportunity ahead and MercadoLibre's competitive strength.

## Impact Analysis



### Product Impact

While MercadoLibre (MELI) e-commerce business is helping SMEs access markets across Latin America, much of our positive impact case for the company lies in its financial services platforms. There is great potential for MELI to materially contribute to the significant problem of financial exclusion for both individuals and companies in Latin America.

### Intent

Since the company was established in 1999, the long term ambition of management has always been to support socioeconomic development and entrepreneurship in Latin America. While it does not claim to be an 'impact first' company, the company monitors and measures the social impact of its platforms.

### Business Practices

MELI is a well-governed company which looks after its employees and customers, and is conscious of its role in society. It is not without risk and as it scales and disrupts traditional industries these may be further scrutinised by users and regulators.

	Relevant Targets	Relevant Products
<b>1 NO POVERTY</b> 	<b>Target 1.4</b> By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance	MELI provides online financial services and mobile payments for unbanked populations in Latin America.
<b>8 DECENT WORK AND ECONOMIC GROWTH</b> 	<b>Target 8.1</b> Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries  <b>Target 8.10</b> Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all	Through supporting SMEs in Latin America, providing them with access to online markets, transactions services and loans which lower their barriers to entry and growth.
<b>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</b> 	<b>Target 9.3</b> Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets	Digitalisation of financial services in Latin America, encouraging the banking industry, particularly in Argentina and Brazil, to modernise their services and expand access.

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