MERCADOLIBRE 3Q16 EARNINGS CONFERENCE CALL SCRIPT

Date: November 3rd, 2016

Part I: Introduction and Disclaimer – Investor Relations

Hello everyone, and welcome to the MercadoLibre earnings conference call for the quarter ended September 30th, 2016. I am Federico Sandler, Head of Investor Relations for MercadoLibre. Our senior manager presenting today is Pedro Arnt, Chief Financial Officer. Additionally, Marcos Galperin, Chief Executive Officer, will be available during today's Q&A session. This conference call is also being broadcasted over the Internet and is available through the investor relations section of our website.

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I remind you that management may make forward-looking statements relating to such matters as continued growth prospects for the company, industry trends and product and technology initiatives. These statements are based on currently available information and our current assumptions, expectations and projections about future events. While we believe that our assumptions, expectations and projections are reasonable in view of the currently available information, you are cautioned not to place undue reliance on these forward-looking statements. Our actual results may differ materially from those discussed in this call, for a variety of reasons, including those described in the forward-looking statements and risk factors sections of our 10-K and other filings with the Securities and Exchange Commission, which are available on our investor relations website. Finally, I would like to remind you that during the course of this conference call we may discuss some non-GAAP measures. A reconciliation of those measures to the nearest comparable GAAP measures can be found in our third quarter 2016 earnings press release available on our investor relations website.

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Now let me turn the call over to Pedro.

Part II: Overview & Financial Results – Pedro Arnt

Thanks Federico, welcome everyone to our third quarter conference call for 2016.

I like to kick-off by stating that this has been another excellent quarter for us. We continue to make progress in expanding our enhanced marketplace across all our geographies, as we grow the adoption of our payments, credit and shipping solutions in our marketplaces. More importantly, as a consequence of this, we have been able to sustain high growth rates in our trading volume, revenue, and customer satisfaction metrics.

Our off marketplace business also had an excellent quarter, as our merchant services offerings for third party online customers and also off-line customers through mobile POS´s continue to gain share of overall revenue and payments volume, and are becoming a growing portion of our business.

With that in mind, let me walk you through some high level operational results that we‘ve delivered.

During the third quarter of 2016:

- Successful items grew 40%, reaching 47.6 million units.
- Gross merchandise volume rose 46% in local currencies, reaching USD 2 billion.
- Total payment transactions grew 68% to $36.8 million.
- Total payment volume grew 85% on an FX neutral basis, reaching USD 2.1 billion, and surpassing our marketplace GMV for the first time in our history.
- 7.7 million new users were registered on MELI, 26% more than during the third quarter of 2015, bringing our confirmed registered users to 159.3 million.

These operational highlights I have just walked you through have led to a solid top line growth on an FX neutral basis of 66% year on year. Revenues in USD grew 37% year on year, 14 percentage points above our three-year compounded annual growth rate and the highest growth rate we’ve delivered over the last four years.

Going forward, we remain committed to building and executing our enhanced marketplace as the central focus of our strategy, with a shift towards driving penetration of our shipping and fulfillment efforts, and growing payments adoption in smaller markets that still lag our larger markets, where we have reached, or are on our way to reaching 100% adoption of MercadoPago

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Let me get into greater detail regarding our Marketplace business. We are encouraged by how strong execution continues to be across most markets. On this note, our Mexican and Brazilian businesses were highpoints of the quarter, performing very well in key metrics like units sold, GMV growth, and revenues, while also making significant strides when it comes to penetration of the value added services we offer.

More specifically: Mexican units sold accelerated to a multi-year high of 33% year on year, up from 8% last year. Revenues in local currency also accelerated to 36% year on year, a 10 percentage point improvement when compared to the same period last year.

Our Brazilian business also keeps performing exceptionally well and continues demonstrating its resilience despite tough macro conditions. Revenue growth in local currency accelerated to 62% year on year, a 15 percentage point increase when compared to the same period last year. On an FX neutral basis GMV grew 55% year on year, the third consecutive quarter of growth above 50% in that metric. Successful items grew at an equally impressive 61% year on year, being not only the fastest pace of growth in over 4 years, but also 25 percentage points above our three-year compounded annual growth rate.

As a counterbalance to the strength in those two markets, our Argentine operation, despite still delivering high growth, decelerated across certain KPI´s. The slowdown in that business can be attributed primarily to our decision to make the adoption of MercadoPago mandatory on 100% of its listings that sell new items by quarter end. We believe that the long term impact of this decision is positive; yet, as we also saw in Brazil when we took similar measures a few years ago, the short term impact is to slow down the business, as users who are not accustomed to having to pay through MercadoPago generate a drop in conversion rates. In addition, the Argentine business conversion rates were also negatively impacted by a strike among workers of our largest carrier partner in Argentina during the month of September.

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Getting back on highlights for the quarter, category product selection continues to deepen at a fast pace as the number of live listings being offered on our marketplace grew over 67% year on year, reaching 70.4 million listings. This growth in selection confirms that the changes we performed to our pricing strategy have been powerful igniters to keep deepening the SKU count on our platforms.

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We also remain pleased with the advance of mobile on Mercado Libre as we strive to provide our users the best user experience across multiple screens and devices. During the third quarter, we continued to perform usability enhancements that contributed to capturing the growth of e-commerce into smartphones and tablets. 6 out of 10 new users registered through mobile devices during the quarter, while mobile sales reached slightly over 1/3 of our total GMV. Finally, our mobile efforts contribute to 60% of our traffic, giving us great confidence that we are taking the right steps on our path to becoming a predominantly mobile company in the not so distant future.

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Our payments business also performed well all throughout, processing over $2 billion dollars of Total Payment Volume for the first time in our history during a single quarter. In line with that, as mentioned earlier, our payment volume also surpassed for the first time ever core Marketplace's Gross Merchandise Volume. These are two very significant milestones for us, as they not only present material evidence that our payments strategy is the right one, but also that we are scratching the surface when it comes to the growth opportunities present in the payments spectrum.

Exiting the quarter, three out of four items sold on Mercado Libre are being paid for and settled through MercadoPago. This is a promising data point, given that we now know that buyers who adopt our payments solution show significantly higher net promoter scores, increased monetization rates, and better lifetime value metrics. This level of penetration is also a testament to the success we have had in driving adoption of our payments solution on our marketplaces across Latin America. On a country by country basis, I am happy to report that as of this quarter; effectively 100% of the transactions that take place in our Brazilian marketplace are done through MercadoPago. On platform penetration almost doubled in Mexico from where it was a year ago reaching 76%. Argentina increased 20 percentage points during the same period also to 76%, which is great news long term, despite the short term dislocation to conversion rates this has caused and that I addressed earlier. Colombia and Chile delivered excellent results as well, with penetration reaching 47% and 28% this quarter versus 18% and 7% a year ago.

As our payments services keep spreading beyond our marketplace and into the wider e-commerce arena, MercadoPago's merchant service business continues to be one of the fastest growing segments within our company. This quarter's results were no exception to this. Great execution of initiatives including cross border payments and open platform integrations combined with improvements of functionalities and product features resulted in off platform Total Payment Volume growth on an FX neutral basis of 101%, the sixth consecutive quarter of triple digit growth in that metric.

Off line payments efforts have also evolved robustly during Q3. Adoption of mobile POS systems by merchants in Brazil continues to deliver promising results. Within a little over a year of its launch, transactions done through these devices already represent more than 20% of Brazilian off platform Total Payment Volume. Additionally, leveraging on the momentum we gained in Brazil, we have now launched our mobile POS solution in Argentina and Mexico during the quarter.

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Continuing on to our shipping business unit, we are more convinced than ever that providing a good shipping solution to our users is a key piece of our enhanced marketplace flywheel.

Not only that, but it is also a tool that will play a critical role in helping us maintain high growth rates for our business going forward, as the shipping experience will be a determinant factor in delivering a world class user experience and customer satisfaction.

Shipping usage metrics have kept tracking positively, as already one out of every two items sold on MELI is being done through MercadoEnvíos. Items shipped on the platform grew 86% to 23 million units during the quarter, with gains across all countries. On a country by country basis, close to ¾ of items sold in Brazil are already being shipped through MercadoEnvíos. In Mexico, whereas of the month of August we began offering free shipping on items above US$ 30 as well as fulfillment services to our merchants, results have exceeded our expectations with penetration of shipping on items sold reaching 43% versus 18% a year ago. Additionally, adoptions of our shipping solution in Colombia and Chile have also shown very encouraging advances in terms of adoption.

These results for MercadoEnvíos are very important to us. As we continue to scale the business for the long term, fulfillment, shipping and logistics will become key instruments to maximize value to our users.

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Our classifieds business made firm progress in its transition towards a monetization model that charges listing fees only to professional sellers and is free for regular users. Revenues from professional sellers grew 20% year on year in local currencies and already represent to 2/3 of the segment's total revenues, while listings grew 40% year on year to 2.4 million, an all-time high. Lastly, we have made a significant progress in the convergence of our classifieds platforms in Mexico and Colombia, to a more uniform experience which resulted in a significant product improvements and more verticalized experiences for our users.

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Our efforts around customer experience have also paid off during the quarter. We have deepened the penetration of our online contact channels, which give users immediate access to customer service representatives, shortened queues, and reduced contact rates. All this has resulted in healthy metrics indicating we are responding faster and more effectively to our customers, thus elevating once again our Net Promoter Score during the third quarter of 2016.

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On final update on office management and infrastructure. We are pleased to report that as of August 15th, we have moved into our new campus in Brazil. With design inspired on campuses in the USA particularly Silicon Valley, this state of the art complex can house up to 2000 employees in 183,000 square feet of shared workspace. The new development was based on three main objectives: as a tool to attract and retain top talent, bring partners and customers together, and promote sustainability. Following these objectives, the construction of our new campus not only promotes integration among all our employees with shared workspaces in a great living area, but also allows us to be closer to our customers and partners in the city of São Paulo. Additionally, our new headquarters in Brazil will also include several solutions that promote sustainability of the environment. Case in point, the campus has 2,000 photovoltaic rooftop panels that will generate half of the energy distributed on the campus, all this in addition to having a 100% LED automated lighting system which effectively reduces our power consumption by 75%.

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This wraps up the strategic the progress report for the quarter. At the core of all these initiatives we've just covered is a commitment to a constant process of innovation that will keep allowing us to understand our users more and consequently help us transform their transactional experiences for the better. All in all, we are pleased with the way each of the aforementioned aspects of our business are coming together to deliver value to our users and, look forward to continue developing the necessary capabilities in a rapidly changing ecommerce space.

With that, let’s review how these operational highlights have impacted our financials for the quarter.

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We delivered net revenues of $231 million dollars, a growth of 66% year over year on an FX neutral basis, and the strongest quarter on record from a top line perspective. Excluding Venezuela on an FX neutral basis, total revenues grew by 61% year on year, in USD revenues grew 40%, the highest rate of growth on multiyear high unit volume sales. Looking on a country by country basis, revenue growth for the third quarter, on an FX neutral basis was as follows: Argentina 68%, Brazil 62%, Mexico 36%, and Colombia 52%.

We saw strong marketplace revenue growth driven by mainly the acceleration of our unit volumes in Brazil and Mexico. Total marketplace revenues grew 71% year on year in on an FX neutral basis, the fourth consecutive quarter of growth above 60% in that metric. In USD marketplace revenue growth came in at an equally strong 36% year on year, the fastest rate of growth in over two years.

Non-marketplace revenues also experienced strong growth rates. In local currencies non-marketplace revenues grew 60% and in USD an equally solid 38% year on year. The main contributors to this growth came from the following items:

- MercadoPago processing revenues grew 88% year on year on an FX neutral basis driven by the solid growth of payments volume outside the marketplace.

- Shipping Revenues grew 82% year on year on an FX neutral basis as adoption of our shipping solution in Brazil, Mexico and Colombia continue to penetrate items sold and GMV.

- Our Advertising business grew 84% year on year on an FX neutral basis thanks to the success of our Product Ads in search format.

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Moving down to gross profit, it grew 30% to $145.6 million dollars. That leads to a gross profit margin of 63% of revenues, versus 66% in the same quarter last year and 63% in the second quarter of this year. The year on year margin contraction is attributable to investments in hosting and customer service, representing 155 bps of contraction; and 167 bps of contraction from higher sales taxes due to the increased adoption of payments, credit and shipping services, as well as costs related to the sales of our Mobile POS payment devices.

Operating Expenses totaled $91.9 million dollars, up 38% from last year's third quarter, on an as reported basis.

If I break down our OPEX lines:

- Sales & Marketing grew 28% year on year to $39.7 million dollars, growing less than revenues and representing 17 % of sales.

- Product Development Expenses grew 53% year on year to $26.1 million dollars, representing 11% of revenues. Expense growth in this line continued to dilute margins as a result of our investments in our IT headcount which grew over 40% year on year.

- General & Administrative expenses grew 42% year on year to $26.1 million dollars, growing faster than revenues, and representing 11% of sales. Salaries and wages explained most of the G&A expense growth, driven by accruals to our Long Term Retention Plan.

On that matter, increased compensation costs related to the LTRP plan were a relevant driver of margin compression across all our OPEX this quarter. The year over year impact of the retention factor alone was 420 bps of negative margin compression as our stock went from $ 91 in September 2015 to $ 185 by the end of September 2016.

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As a result of this, on an as reported basis, operating income for the quarter was $53.7 million dollars, up 19% versus last year.

Below operating income we saw $6.4 million dollars in financial expenses mostly corresponding to the interest accrual on the convertible bond we issued in June of 2014.

Further down, interest income was $9.9 million dollars, up 71% year on year explained by higher interest rates on a larger investment base, as our MercadoPago stored balances have increased versus the third quarter of last year.

Our forex line was negative $4.8 million dollars during the quarter mainly due to the depreciation of USD balances held for the most part by our Brazilian subsidiary as the Brazilian real appreciated during the quarter.

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Income tax expenses ascended to $13.4 million dollars during the quarter yielding a blended tax rate for the period of 26%.

Consequently, as reported Net Income came in at $38.9 million dollars or 17% of revenues in during the third quarter, resulting in a basic net income per common share of 88 cents.

Purchases of property, equipment, intangible assets and advances for property and equipment, totaled $22.9 million dollars. For the period ended September 2016, Free cash flow, defined as cash from operating activities less payments for the acquisition of property, equipment, intangible assets advances for property and equipment, net of financial liabilities, was $78.7 million dollars, versus $6.3 million in the same period last year. Cash, short-term investments and long-term investments at the end of the quarter totaled $627 million dollars.

Wrapping up, we declared our quarterly dividend of $6.6 million, or 15 cents per share, payable on January 16, 2017 to shareholders of record as of the close of business on December 31, 2016.

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And with that, we can end today's call, but before I'd like to once again state that we believe our strong third quarter results both from an operational and a financial perspective are consequence of our focus on execution, user experience and customer satisfaction. As we head into the last quarter of 2016 and into 2017, our efforts going forward will continue to be geared towards leveraging the gains we have made from advances in our enhanced marketplaces, and off platform payment efforts. We hope to continue to make strides on growing our payments business both on and offline, and in building our logistics capabilities so as to deliver an efficient and cost effective shopping experience for our users...

We can now take your questions...