MERCADOLIBRE 1Q17 EARNINGS CONFERENCE CALL SCRIPT

Date: May 4th, 2017

Part I: Introduction and Disclaimer – Investor Relations

Hello everyone, and welcome to the MercadoLibre earnings conference call for the quarter ended March 31st, 2017. 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, and Osvaldo Giménez, Executive VP of Payments 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 first quarter 2017 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, hello to everyone and welcome to our first quarter conference call for 2017.

We've kicked off the year with a strong first quarter sustaining the momentum from 2016, which was one of the best years in history. The consistent pace of execution this quarter is a direct reflection of our relentless drive to deliver disruptive technology solutions to our users across platforms, devices, and countries where we operate. We remain focused on transforming commerce and financial services through product innovation, fostering entrepreneurship and delivering best in class user experiences, and thus cementing our leadership position in technology, online payments, and ecommerce throughout Latin America.

We are excited to see how the business has continued to outperform market growth rates in a consistent manner, as we render the value proposition of our enhanced marketplace more complete in terms of quality, quantity and reach of value added services available both on and off our marketplaces.

Before I dive into financial results, let's quickly take a look at some of the KPI's that underscore our strong performance during the first quarter of 2017:

- Units sold grew 38.6% year on year to 53.2 million, maintaining the strong momentum in unit volumes we observed all through the four quarters of last year.
- Gross Merchandise Volume reached $2.3 billion dollars accelerating by 20 percentage points sequentially to 31% year on year in USD, while on an FX neutral basis GMV accelerated for the third consecutive quarter to 61.4% year on year.
- Total Payment volume grew 81.3% on an FX neutral basis, reaching $2.6 billion dollars, while total payment transactions grew 60.1% to 44.1 million payments processed.
- All this led to solid revenue growth both on an FX neutral basis and in USD, growing 78.3% and 73.8% respectively. The latter, is the fastest pace of USD revenue growth in over five years.
- Finally, we continue to grow our user base as registered users were up 20.3% year on year, reaching 182 million we added 8.1 million new users during the quarter.

These are some of the headlines, but what best showcases our strong first quarter performance is the consistent progress we have made in delivering a transformative user experience to our buyers and sellers through our enhanced marketplace, while complementing it with our growing financial technology solutions.

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Starting on the Marketplace let me take a closer look at the building blocks that facilitate growth in this BU: engagement & retention, vibrancy of trade, monetization, and supply.

We continue to make strides on the user engagement & retention front. Unique buyers on grew by 20% year on year and maintained the solid pace of demand growth observed over the course of last year. Engagement rates are also moving in the right direction, as items purchased per unique buyer grew by 15% versus the same quarter a year ago, so we are seeing growth on growth, more active users and more purchases per active user.

The performance of our Brazilian marketplace was noteworthy as well, as we witnessed firsthand how the virtuous cycle of full penetration of our enhanced marketplace offering, delivers solid rates of growth and vibrancy even on top of tough comparisons from last year and a still challenging macro environment.

The resilience of our Brazilian business, and the type of results it is delivering this quarter, has been extraordinary from a unit volume and GMV perspective. Units sold achieved the fourth consecutive quarter of growth in excess of 50% year on year. On an FX neutral basis, GMV grew 12% above its 2-year CAGR at 39% also maintaining a strong momentum during 2016. Additionally, during the first quarter of this year items growth in Brazil was 52.7% year on year, 26% percentage points above its two-year CAGR.

Demand metrics and conversion rates in Brazil are giving us the conviction that we are taking the right approach to attract and retain buyers on our ecosystem. Unique buyers in Brazil accelerated year on year, while purchase frequency continued to grow to record highs. GMV from repeat buyers is also at record levels, being this a leading indicator of how much the improved user experience we are delivering is driving better engagement among our users.

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Mexico was also a highlight during the quarter. Gross Merchandise Volume on an FX neutral basis accelerated for the seventh consecutive quarter to 33% year on year, the fastest pace of GMV growth in four years. On the units sold front, results are even more encouraging as they grew at a multi-year high of 71% year on year reaching 4.5 million items. That's the sixth consecutive quarter of acceleration in unit volumes in Mexico.

As a result of our free shipping strategy and investments in customer acquisition in Mexico, we reignited unique buyer growth as well. Unique buyers accelerated for the third consecutive quarter to 18%, the fastest pace of growth in four years. I also would like to point out, that this quarter in Mexico, we improved purchase frequency per unique buyer by 45% delivering the highest purchase frequency growth rate on record in that country. Not coincidentally, and confirming that onboarding payments and shipping are key drivers to accelerate the marketplace, 79% of new buyers in Mexico made their first purchase with MercadoPago and MercadoEnvios.

When looking at monetization levels, results are also encouraging for us as it continues to improve. On an FX neutral basis, revenues in Mexico, Brazil, and Argentina, are all growing above 55% year on year as we see the pickup of the enhanced marketplace, with shipping, credit, and payment processing revenues penetrating GMV at a rapid clip. Mexico is worth noting here, as its FX neutral revenue growth rate was the highest in over five years during this quarter.

These figures I have just walked you through for Brazil and Mexico starkly contrast with physical retail sales in those countries, which are growing less than 5%. Figures like these are the ones that not only give us confidence that there is still significant room to continue gaining share from online retail as well as offline retail, but also that secular tailwinds continue to trump macroeconomic headwinds for our business.

On the supply side, we are successfully onboarding more inventory as product assortment continues to deepen on our platform. Live listings being offered on Mercado Libre's marketplace accelerated to 58% during the first quarter of 2017 reaching 85 million live listings. In line with that, we are also gaining incremental share of wallet as we become the go to destination for online buyers throughout the continent. Case in point, verticals such as fashion & apparel grew GMV 50% versus a year ago, while auto parts and home & and garden each grew GMV at over 30% year on year respectively.

On a not so positive note, Argentina continues to offset the strength we saw throughout other countries for the marketplace business during the first quarter of 2017. Despite still delivering solid top line growth, results there decelerated across many important operational metrics.

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Moving on to the payments front, MercadoPago's strong results this quarter demonstrate that we are well on track to consolidate our payments business as a regional leader in open digital payments platforms. We continue to build our strategies for democratizing the movement and management of money from cash to digital payments, placing our millions of users in a position to benefit from the mobile revolution and to migrate to an all-digital retail and payments platform.

Penetration of MercadoPago on our platform delivered showed solid gains, as it continues to reduce friction, builds trust, improves purchase frequency, and the overall user experience for our buyers and sellers. As a result, on platform total payment volume reached $2.0 billion dollars, growing at a fast clip both on an FX neutral basis at 77.3% year on year, and in US dollars at an even stronger 84.1% year on year.

During the first quarter, penetration of MercadoPago was up by 21 percentage points from 56% a year ago. On a country per country basis, Colombia, Uruguay, and Chile are delivering promising results as well, with year on year penetration gains of 27, 29, and 33 percentage points respectively.

Our merchant service businesses has consolidated as one of our fastest growing segments within Mercado Libre, and becoming an increasingly important component of our Fintech value proposition. During the first quarter, Total Payment Volume grew 81.3% year on year on an FX neutral basis, while revenue growth from Merchant Services (the name we give to payments processed away from our marketplace) came in at a solid 79% year on year on an FX neutral basis.

As the strength and reliability of our two-sided network engages both merchants and consumers, the stronger our network effect becomes as we grow our scale advantages. As a result, the size of our merchant base is becoming a competitive advantage, increasingly harder to replicate the larger we grow. In this sense, during the quarter, we made progress on this respect as we continue to onboard large and well established merchants. Some of these include online travel & tourism vertical Despegar in Argentina, Assist Card, one of the largest travel assistance plans in Argentina, Mexico, and Colombia, and Coppel, a leading Mexican department store chains.

We have also made progress on our mobile payments initiatives. We are content to report that our MercadoPago mobile wallet app is delivering encouraging results in Brazil and

Argentina, as we build more repeat usage cases around it, making it more convenient for our users to pay for goods and services with a simple tap or scan from their mobile devices. Although still in an early seed stage, we are excited to see strong pickup in active payers and TPV driven by utilities and bill payment services, as well as continued growth in our mobile top-up offerings.

Adoption of our mobile point-of-sale systems by real world physical merchants in Brazil also continues gain traction. Within less than two years since launching the product, it has already become one of the largest contributors to off platform TPV in Brazil. Argentina is beginning to show positive results on that front as well, growing rapidly, but from a small base since the product was only launched in the last quarter of 2016.

One last point in the payments segment is our fraud prevention efforts. As a consequence of our investment in machine learning and AI to prevent and detect fraud on our payments platforms over the last few years, we have achieved historic highs in approval rates, while maintaining fraud loss provision ratios at all-time lows, while also reducing the number of manually reviewed payments consistently quarter over quarter. This is important for us as it signals that not only are we are delivering to our merchants leading ratios on the key factors of approval rates and low fraud loss provisions, which are significant drivers in the merchant selection process of a payments processor, but also we are saving costs and scaling as we further automate our internal fraud monitoring processes.

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Our shipping initiatives are playing a determinant role in accompanying and driving the fast pace of growth our marketplace, growing items shipped through MercadoEnvíos by 59% year on year to over 27 million units. During the quarter, we also reached an important milestone in our shipping BU, as we processed over 10 million orders for the first time in one month since we launched the service four years ago.

MercadoEnvios in Mexico continues to advance on a firm trajectory as drop shipping penetration increased by 29 percentage points versus last year reaching 59 percentage points as a result of the success of free shipping. Within just six months of launch, free shipping already accounts for 67% of items sold and 87% of GMV.

Colombia and Chile are also delivering solid and sustained growth both in unit volumes and revenues, while also quickly growing Envios penetration. As a percentage of items, Chile grew 13 percentage points to 14% within a year of launch of the shipping solution, while Colombia reached 41% gaining 26 percentage points versus the first quarter of 2016.

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Moving on, we are also pleased with the shape of our classifieds business, as it maintains vibrancy and healthy growth rates as we evolve into to a model that monetizes listing fees principally to professional clients such as car dealerships and realtors. Professional active clients are at multi year highs, growing 29% versus last year, and topping 21 thousand in motors and real estate. Supply is growing triple digits year on year, reaching an all-time high of nearly 4 million listings. Lastly, I am happy to report that as a result of investments we have made in enhancing the classifieds product, we are seeing our lead generation volume grow 79% year on year, highlighting the increased liquidity and value we are driving to dealers and realtors.

And with regards to customer experience, overall, we continue to improve on how quickly and effectively we respond to our users, as our Net Promoter Score rose once again during the first quarter of 2017. Providing our users consistently higher rates of immediate access to customer service representatives through real time online and phone channels is resulting in shorter wait queues, and most importantly is playing a determinant factor in reducing overall contact rates and improving satisfaction levels.

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With that, let's review how these operational highlights I have just walked you through have impacted our financials during the quarter.

Net revenue accelerated for the fourth consecutive quarter to $273.9 million dollars, a growth rate of 78.9% on an FX neutral basis and the 9th quarter in a row of growth above 50% in top line. In USD results we have also seen a very strong quarter, as net revenues accelerated for the third consecutive quarter to 73.8%, also the fastest pace of growth in USD revenues in over five years, driven in part by currency stability like we had not seen for some time. On a country by country basis, revenue growth for the first quarter of 2017 was as follows: Argentina 58.5%, Brazil 66.4%, Mexico 55.2%, Colombia 33.3% and Chile 30.2%, all of these on an FX neutral basis.

Once again, we observed robust marketplace revenue growth as unit volumes in Mexico and Brazil continued to grow at a fast clip, and consequently were the most significant contributors to the strong results the segment delivered during the quarter. On an FX neutral basis, total marketplace revenues accelerated to 85.8% year on year, delivering the sixth consecutive quarter of growth above 60%. Core marketplace revenues in USD delivered the fastest pace of growth in over four years, coming in at 68.4% year on year.

We continue to experience solid growth rates in our non-marketplace revenue segment as well. On an FX neutral basis, non-marketplace revenues grew 68.6% and in USD an equally solid 81.8%. In order of relevance, the main contributors to this growth were as follows:

- MercadoPago payment processing revenues accelerating to 78.8% year on an FX neutral basis, driven by the growth of payment volume in off platform. Brazil was a highlight here, as it has delivered 8 consecutive quarters of revenue growth north of 90%.

- Financing Fees growing on an FX neutral basis 42.4% year on year aided by the adoption of installment purchases in Brazil, Mexico, and Chile. This was partially offset by a slowdown in financing revenues in Argentina due to changes in the regulatory environment for consumer financing.

- And finally, shipping revenues more than doubled to 182.2% year on year on an FX neutral basis propelled by adoption of our shipping & logistics solutions in Brazil, Argentina, and Colombia.

Moving down our income statement, gross profit was $168.9 million dollars. Gross profit margin was 61.6% of revenues, versus 64.8% a year ago, and 63.5% in the fourth quarter of 2016. These 318 bps of year on year margin contraction are attributable to investments in hosting, representing around 50 basis points of contraction; and 210 basis points of contraction that stems from higher investments in free shipping initiatives in Mexico, higher collection fees and sales taxes due the incremental adoption our enhanced marketplace. Cost of goods sold related to the sales of our mobile PoS payment devices accounted for the remaining 60 basis points of gross margin contraction.

Operating Expenses totaled $105.5 million dollars, up by 47.2% from last year's first quarter, a 695 basis point margin improvement on an as reported basis.

Breaking down these OPEX lines:

- Sales & Marketing grew 43.6% year on year to $46.9 million dollars, growing less than revenues and representing 17.1% of sales. The 360 bps year on year leverage was attributed for the most part to cost savings in buyer protection, bad debt, and salary and wages, which were partially offset by marketing spend.

- Product development expenses grew less than revenues at 38.1% to $30.3 million dollars, representing 11.1% of revenues, notwithstanding having grown the engineering headcount by 37.4% versus the first quarter of 2016.

- General & Administrative expenses grew 66% year on year to $28.3 million dollars, growing less than revenues, and representing 10.3% of sales. Salaries and wages explained most of the G&A expense growth, driven for the most part by accruals to our Long Term Retention Plan.

As a result of this, on an as reported basis, operating income for the quarter was $63.3 million dollars, up 107.7% versus last year.

Below operating income we saw $6.5 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 $12.2 million dollars, up 67.7% year on year explained by higher interest rates on a larger investment base, as our MercadoPago stored balances have increased versus the first quarter of last year.

Our forex line was $663 thousand dollars during the quarter as we compare against the appreciation of our USD balances held by our Argentine subsidiary as a result of the strong devaluation of the peso during the same period last year.

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Income tax expense was $21.1 million during the quarter. The blended tax rate for the period was 30.4%. The increase in the tax rate is attributed to tax loss carryforwards gained in Venezuela last year as a result of the devaluation of the Bolivar, and a lower concentration of pretax profit in Argentina (where we are beneficiaries of the software law tax holiday).

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Consequently, as reported Net Income came in at $48.5 million dollars. We delivered 17.7% of net income margin during the quarter, which resulted in a basic net income per common share of 1.10 cents.

Purchases of property, equipment, intangible assets and advances for property and equipment, totaled $12.8 million dollars. For the period that ended on the 31st of March 2017, 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 $92.0 million dollars, versus $(29.1) million in the same period last year. Cash, short-term investments and long-term investments at the end of the quarter thus totaled $736.9 million dollars.

Wrapping up, we declared our quarterly dividend of $6.6 million dollars, or 15 cents per share, payable on July 14th, 2017 to shareholders of record as of the close of business on June 30th, 2017.

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To close, and as the quarter's results clearly attest, we continue to execute against our strategic vision in a disciplined, yet ambitious manner. We are fortunate to operate in one of the world's most exciting and dynamic industries, which energize and inspire our team every day. We still have lot of work and heavy lifting ahead of us, but I'd like to take a moment and thank all the employees at Mercado Libre for another quarter of hard work and dedication on behalf of our users. It really is making a difference in the value we are adding to our clients and our shareholders.

And with that, can now take your questions...