

DESK NOTE

16.12.2024

MercadoLibre – Solid Investment, Only At A Better Price

Conclusive Summary: MELI showcases robust growth and a strong competitive position in Latin America, however, the company's current valuation implies a potential downside of 28.7%. Challenges include macroeconomic and FX volatility in key markets, declining margins, and elevated capital expenditures. We recommend monitoring MELI for a more favorable entry point.

Competitive Position: Market leader in Latin American with about 20% market share in e-commerce and a high growth fintech arm. As a native player with heavy investments in technology, logistics networks and fulfillment capabilities have solidified the company's role in the growing LATAM e-commerce and financial services sectors in a diversified manner with ample room for growth over the coming decade.

Valuation: Using a combination of DCF and multiple-based valuation, Multiple-based analysis yields an average target of \$1,371, combining EV/EBITDA, EV/Sales, and EV/FCF multiples. A discounted cash flow (DCF) valuation suggests a target of \$1,310. The final blended target price is \$1,341, indicating a 28.7% downside from the current price.

Ticker: MELI US

Previous day close price: \$1,824

Price range (52w.): \$1,813 – \$2,162

Target price: \$1,341

Reason for note: 3Q2024 report

Recommendation: **Avoid**

Description: MercadoLibre (MELI) operates in the Latin American e-commerce and fintech markets, offering integrated solutions across e-commerce, digital payments, credit, and logistics. Despite significant growth metrics and industry leadership, macroeconomic headwinds and valuation concerns limit its attractiveness as an investment at current price levels.

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| Target NTM Multiples | | Factor | Implied EV | Net Debt | Implied MCap | Shares | Target Price |
|----------------------|------|--------|------------|----------|--------------|--------|--------------|
| EV/EBITDA | 18.0 | 32.4 | 64.2 | -349 | 64.6 | 50.7 | \$1,259 |
| EV/FCF | 17.0 | 11.4 | 70.2 | -349 | 70.6 | 50.7 | \$1,391 |
| EV/Sales | 3.0 | 4.9 | 73.1 | -349 | 73.5 | 50.7 | \$1,433 |
| Average | | | | | | | \$1,361 |

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