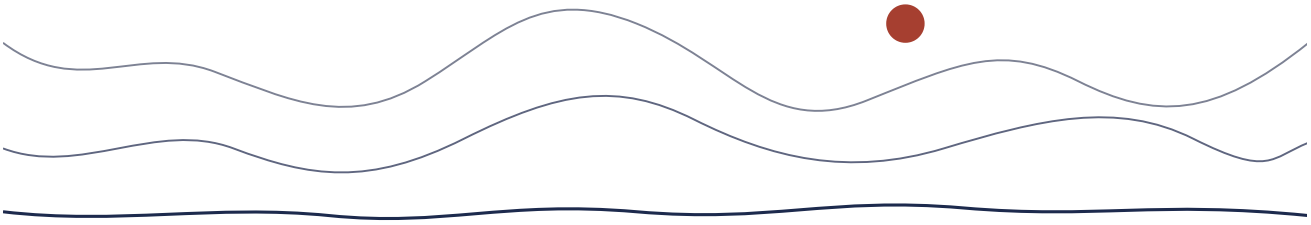
Motomeru Strategies

EQUITY RESEARCH | INITIATION REPORT

MercadoLibre, Inc.

Latin America's continental railway with a bank attached: a logistics network priced as infrastructure, and a lender whose card book now needs watching



REVIEW TYPE	Initiation: first review of this company. Deep dive no. 1 in the *Rails and Relationship Banks* series, where it appears as "The Continental Railway"
SECURITIES	MELI, Nasdaq (US$) | MELI N, Bolsa Mexicana de Valores | MELI34, B3 depositary receipts
PREPARED BY	Motomeru Strategies Inc. | Jordan Hiebert, BBA, CFA, Principal
REPORT DATE	October 2026; updated November 2026 for Q3 results
INFORMATION AS AT	Share price at the November 4, 2026 close, before the results. Results for July–September 2026 (published November 4, 2026), April–June 2026 and full-year 2025
MY VIEW	Modestly undervalued. At US$1,740 my base case returns about 21% a year against a 13.3% required return, if margins widen once competitive pressure eases
CLASSIFICATION	Final. General information; not investment advice. The author personally holds MELI (see disclosures).

ABOUT THIS REPORT

Revenue, profit, credit book, delinquency, NIMAL and capex come from the company's Q3 2026, Q2 2026 and Q4 2025 releases and shareholder letters; Q3 figures were taken from published coverage of the November 4 release. Balance sheet figures are at June 30, 2026. Other figures come from public sources available on November 5, 2026. Figures marked EST are my estimates, and figures for 2021–2023 are approximate; the pro forma's assumptions are listed beside it.

INVESTMENT SUMMARY

A railway and a bank in one share, worth more than the price if margins come back

MercadoLibre (MELI) is a US-incorporated company, founded in Buenos Aires in 1999 and listed on Nasdaq since 2007. It runs Latin America's largest marketplace, its own logistics network across Brazil, Mexico and Argentina, and Mercado Pago, a payments business with an US$18bn credit book.

At US$1,740 (November 4, 2026 close) the market values it at about US$88bn, roughly 18% below my sum of the parts (US$108bn EST). The shares fell about 8% after hours on the Q3 results.

What supports the value

- **A network nobody else has finished.** 42% of Brazilian e-commerce, more than Shopee and Amazon combined, carried on a delivery network built over 13 years.
- **Density is starting to show.** Brazil shipping cost per package fell 5% in local currency in Q3, while fulfillment capacity grew almost 20% in the quarter.
- **A lender that knows its borrowers.** Merchant loans are repaid from marketplace payouts; 15–90 day NPL held at 7.0% while the book grew 62%.
- **Room to widen margins.** Operating margin was 14.1% in 2023, before the 2024–26 push on shipping, credit and marketing. Ads are growing 58% a year.
- **A survivable sleeve.** In a Brazil 2015–16 repeat, one loss-making year and no new capital.

What tempers my view

- **Margin is still falling.** Operating margin was 6.3% in Q3, from 6.7% in Q2 and 9.8% a year earlier. Q3 shows no sign yet of competition easing.
- **Cards are the stretch.** 47% of the book, outside the marketplace flow.
- **Credit already carries the profit.** Q3 provisions of US$1.34bn were twice operating income.
- **The case rests on margin.** Net margin must reach about 10% by 2030; at 8% the return falls to about 14%, barely over the hurdle.

MY VIEW

Modestly undervalued

Return clears the hurdle if margins widen once competition eases; the recovery now starts a year later

Share price (US$)	**1,740**
Market cap (US$ bn)	**88**
Sum of the parts (US$ bn) EST	**108**
Expected return, base	**20.6%**
Expected return, weighted EST	**~17%**
Required return	**13.3%**
Hurdle price (US$)	**~2,260**
Model status	**At or below hurdle**

9M 2026 revenue (US$ bn)	**29.8**
9M 2026 net income (US$ bn)	**1.3**
P/E, trailing four quarters	**47x**
Return on equity, 2025	**36%**
Credit book, Q3 2026 (US$ bn)	**17.9**
Trust-adjusted score	**22 / 27**

Price: Nasdaq close, November 4, 2026, before the results; 50.7m shares (June 30). Trailing EPS US$37.28 (Q4 2025 to Q3 2026).

PRIMER | HOW THE RAILWAY WAS BUILT

From an auction site in Buenos Aires to a market, a railway and a bank

MercadoLibre built its three layers in order, and each one exists because the one before it could not work without it. The post offices could not deliver reliably and the banks would not lend to small sellers, so it built a delivery network and a lender of its own.

YEAR	WHAT HAPPENED	WHAT IT LEFT IN TODAY'S GROUP
1999	Marcos Galperin writes the business plan at Stanford and launches an auction site in Buenos Aires.	The founder who ran it for 27 years
2001	eBay swaps its Brazilian business for a minority stake and agrees to stay out of the region.	A decade with no global rival
2003–04	Mercado Pago launches as escrow: the buyer's money is held until the goods arrive.	Trust as the product; today's 88m-user fintech
2007	Nasdaq IPO.	A US listing and US GAAP accounts
2013	Mercado Envíos launches because the postal services cannot carry the parcels.	The logistics network
2016–17	Merchant lending starts; the first Brazilian fulfillment centers open.	Credit repaid from marketplace payouts
2019	US$2bn equity raise, including US$750m from PayPal.	Funding for the logistics and credit build
2020–21	Pandemic surge; own air cargo fleet; Mercado Pago credit cards.	Volume that pays for the network; credit outside the marketplace
2024–26	Mexican banking licence sought; record 2026 investment of US$4.6bn in Mexico and about US$11bn in Brazil.	A bank in the making
Jan 2026	Ariel Szarfsztejn succeeds Galperin as CEO; Galperin becomes executive chairman.	The first new leader in 27 years

Why it matters to a holder today

Amazon arrived in Brazil in 2012 and Mexico in 2015, a decade after MELI had started on payments and two years before its own delivery network existed. In terrain this hard, the first dense network wins, which is how railways worked.

Reading the history plainly

The network was built with subsidies: free shipping and cheap credit paid for by the marketplace's margin. The question for this report is whether the subsidy era is ending in logistics just as a new one begins in cards.

Sources: company filings and shareholder letters; This Week in Fintech (Mexico investment, June 2026). Dates before 2019 are from public histories and approximate to within a year.

1 | THE RELATIONSHIP IT OWNS

Buyers, sellers and borrowers: who MELI serves and why they stay

MELI's real asset is the trust of about 89m quarterly buyers, millions of sellers and 88m monthly fintech users, each relying on it to stand in the middle. In an economy where most listed value is intangible, a lasting relationship is the nearest thing to a real asset. MELI's is tied to physical things: a parcel that arrives, a payout that lands on time, a loan netted from tomorrow's sales.

PARTY	SIZE, Q2 2026	WHAT MELI SEES	WHY THEY STAY
Sellers	Active sellers +29% y/y	Daily sales, returns, reputation, stock held in MELI warehouses	42% of Brazilian e-commerce; stock in its warehouses; loans repaid from its payouts
Buyers	89m unique buyers in the quarter	Purchase history, address, payment habits	Delivery speed, free shipping, buyer protection
Fintech users	88m monthly actives; US$23bn of assets under management	Salary inflows, bills, savings, card spend	Paid balances, a card and a credit line in the app they already shop in

The deep relationship: sellers

MELI holds the seller's stock, carries the parcels and collects the sales. A seller who ships through MELI and borrows from Mercado Pago would lose rankings, inventory access and income by defaulting. That is the town banker's full edge: private information, collection from the flow, and exclusion as the penalty.

The thin relationship: cardholders

A cardholder who never sells on the platform gives MELI a data edge only. There are no payouts to net and no shop to lose. With cards at 47% of the book, a growing share of the relationship is the thin kind. This judgment drives the scorecard in section 6.

> **Reputation as collateral**
>
> On a marketplace, reputation does the work collateral does at a bank. Adam Smith made the same point about commerce: the dealer who trades with you again and again is "afraid of losing his character." MELI's seller reputation score is that idea written into software. A seller with a green rating sells more, and a seller who defaults on a Mercado Pago loan loses the rating and the sales behind it. Cardholders are harder. Someone who never sells on the platform has no standing there to lose, and I don't yet know what binds them beyond the credit line.

MELI Q2 2026 shareholder letter; UBS BB via Money Times (Brazil share). Smith, *Lectures on Jurisprudence* (1763).

2 | BUSINESS AND NETWORK

How the business makes money

Q3 2026 revenue was US$10.75bn, up 45% (41% FX-neutral, the fourth straight quarter of slower growth). Commerce was US$6.1bn and fintech US$4.6bn. Brazil was US$6.0bn, up 50%, and 56% of the total. Mexico slowed to 21% FX-neutral GMV growth on tax reform and weaker spending; Argentina grew 40%.

SEGMENT	Q3 2026 SCALE	GROWTH	HOW IT EARNS
Marketplace	GMV US$22.8bn; 867m items; 94m buyers	GMV +33% FX-neutral	Commissions, shipping fees; first-party under 10% of GMV
Advertising	Over 10% of Latin American digital ad spend	+58% (US$)	Sellers pay for placement; highest-margin line
Logistics	591m shipments, 258m same or next day; 79% of fast shipments within 48 hours	Items +36%	Shipping fees; Brazil cost per package down 5%
Payments	TPV US$109bn, of which acquiring US$68bn; 93m monthly users	TPV +53% (US$)	Merchant discount rate; wallet float
Credit	Book US$17.9bn: cards US$8.5bn (47%), consumer and merchant loans the rest	+62% (US$)	Interest spread; NIMAL 20.1%

The railway test, applied to the logistics network

The white paper's four railway traits, Q3 2026

RAILWAY TRAIT	MERCADOLIBRE	SCORE /3
Hard-to-copy right-of-way	Fulfillment, cross-dock and last mile across Brazil, Mexico and Argentina, where informal addresses and state tax rules defeat outsiders; a leased air fleet	3
Fixed-cost leverage	Brazil cost per package down 5% in Q3; free and slow shipping contribution-positive across about half of the R$19–79 range	3
Third-party toll	Almost every parcel is a third-party seller's; unlike JD Logistics, no customers off the platform yet	2
Long useful life	Hubs, sortation automation and fleet that pay off over a decade or more	—

Each layer feeds the next. Faster delivery lifts conversion, and items per buyer rose 12% in Q3 (16% in Brazil). More sales bring more sellers, and they buy ads and borrow against their payouts. Those payouts run through Mercado Pago, which turns the float into deposits and the sales data into credit scores. Amazon has the delivery network, Nu has the bank and Shopee has the marketplace. Nobody else in the region has all three.

MELI is still spending its margin. Operating margin fell to 6.3% in Q3. Net shipping margin has dropped about 2 points of GMV since Q1 2025 as easier free shipping in Brazil brought smaller baskets, new warehouse space is carrying cost before it fills, and sales and marketing rose to 11.6% of revenue. Provisions were US$1.34bn, up 65%.

MELI Q3 2026 shareholder letter and release (November 4, 2026) via Stock Titan and Brazil Stock Guide; Yahoo Finance and Motley Fool (call coverage). Long useful life is scored in the likeness total under fixed-cost leverage.

3 | FINANCIAL ANALYSIS

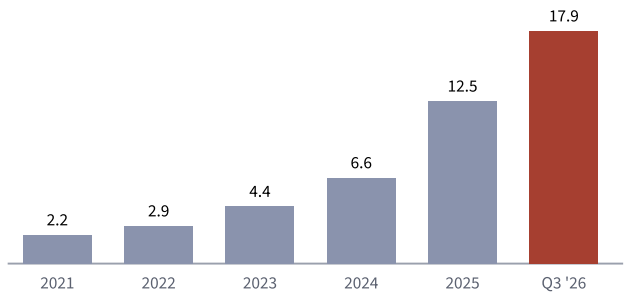
Revenue up fourfold since 2021, but credit and shipping are now absorbing the margin

US$M	2021	2022	2023	2024	2025	9M 2026
Net revenue and financial income	7,069	10,537	14,473	20,777	28,900	29,764
Gross profit				9,577	12,858	
Provision for doubtful accounts				(1,858)	(3,091)	(3,860)
Income from operations	441	1,034	2,039	2,631	3,201	1,970
Operating margin	6.2%	9.8%	14.1%	12.7%	11.1%	6.6%
Net income	83	482	987	1,911	1,997	1,331
Diluted EPS (US$)				37.69	39.40	26.25
Capex				860	1,327	1,215
Adjusted free cash flow				1,215	1,481	443
NIMAL, whole book				28.2%	22.4%	20.1% (Q3)
Total equity, period end				4,351	6,748	7,834 (Jun)

2021–2023 approximate. 2024 onward from MELI's releases; 9M 2026 adds Q3 (revenue US$10,750m, operating income US$676m, net income US$448m, EPS US$8.83, provisions US$1,340m, capex US$503m, adjusted FCF US$285m) to H1. Adjusted free cash flow deducts loan growth.

Credit book up about 8x since 2021

Credit portfolio, US$ bn, period end



2021–23 approximate. Red = latest.

Reading the numbers

Returns. 2025 return on average equity was about 36%, slightly above Nu's 33%, helped by leverage: US$16.0bn of customer funds and US$10.6bn of loans payable on US$7.8bn of equity at June 30.

Capital intensity. Capex of US$503m in Q3 was the highest yet, for warehouse space. Over 2025 it ran at 1.6x depreciation; a railway still laying track runs above 3x.

Cash. Q3 adjusted free cash flow was US$285m after about US$2.1bn went into credit growth. Credit is still consuming most of the commerce cash flow.

3 | FINANCIAL ANALYSIS, CONTINUED: THE CREDIT BOOK

Delinquency has held steady while the margin on loans has come down

MEASURE	Q3 2026	Q2 2026	COMMENT
Credit portfolio	US$17.9bn	US$16bn+	+62% y/y, down from +75% in Q2
Card book	US$8.5bn		+76% y/y; 2.9m cards issued in Q3
Card share of the book	47%	47%	Outside the marketplace flow
Merchant book (Q4 2025)	US$2bn+		About 16% of the book at the time; not updated
15–90 day NPL, whole book	7.0%	7.0%	No 90+ figure disclosed
NIMAL, whole book	20.1%	20.7%	27.6% in Q4 2024
NIMAL, cards	Improved q/q	−2.5%	Not quantified in Q3
Provisions	US$1.34bn	US$1.28bn	+65% y/y; twice operating income
Customer funds / net loans		134%	US$16.0bn against US$12.0bn at June 30
Net loans that are current		95%	US$11.4bn of US$12.0bn at June 30

What argues for discipline

Whole-book 15–90 NPL has held at 7% for two quarters while the book grew. Card NIMAL improved, and management said it has become more conservative on new lending in Brazil and Argentina. Book growth slowed from 75% to 62%, which is what a careful lender does late in a cycle.

What argues for caution

Cards grew 76%, faster than the whole book, so the share outside the flow is not falling. Provisions were twice operating income. MELI still shows only partial vintage curves, so reported margins lag true cohort economics.

MELI Q3 2026 release (November 4, 2026) via Stock Titan; Motley Fool (provisions); Yahoo Finance and Rallies (lending stance). Q2 2026 and Q4 2025 shareholder letters and balance sheets. Balance-sheet lines for September 30 were not in the coverage I could reach.

4 | STRESS TEST OF THE CREDIT SLEEVE

What a repeat of Brazil 2015–16 would cost

Twelve months forward from Q3 2026. I split the 20.1% NIMAL into a gross yield of about 50%, funding of about 12% and steady-state losses of about 18% of the average book[EST], then stress each piece. Group pre-tax income starts at about US$2.7bn a year, the Q3 run rate[EST].

SCENARIO [EST]	BASE	RECESSION	SEVERE
Analogue	Current trend	Brazil 2020 / Mexico 2009	Brazil 2015–16 plus an Argentine devaluation
Average book, US$bn	20	18	14.5
Loss rate, % of book	18%	27%	36%
Funding cost, % of book	12%	14%	16%
Gross yield	50%	50%	47%
NIMAL	20%	9%	−5%
Credit margin, US$bn	4.0	1.6	(0.7)
Commerce and payments profit lost, US$bn	0	(0.5)	(1.0)
Pre-tax income, local terms, US$bn	2.7	(0.2)	(3.0)
BRL and MXN against the US$	Flat	−20%	−40%
Net income in US$, bn	**~1.9**	**~(0.1)**	**~(1.3)**
Equity after FX translation, US$bn (from ~8.3[EST])	~10.2	~7.2	~5.0
Equity / ending loans			~57%

1. **The book is short enough to escape.** 95% of net loans were current at June 30; halving new lending shrinks the book in six to nine months, like the town banker's renewable 90-day note.
2. **Currency hurts more than credit.** About US$2.0bn of the US$3.3bn fall in severe-case equity is translation.
3. **The card book is the weak link.** Put the whole loss increase on cards and card losses roughly triple.

Credit already carries the profit

The base-case credit margin of about US$4.0bn is well above group pre-tax income of about US$2.7bn. That is the Sears pattern the white paper warns about. The recession case now takes the group to about break-even; the severe case removes a year of earnings but not the franchise.

Brazil 2015–16: GDP down about 7% over two years, unemployment from about 7% to 12%, Selic 14.25%, BRL down about 50% in 2014–16 (approximate). Starting equity is June 30 equity plus Q3 net income. I have not modelled the release of up-front provisioning when growth stops, so results are conservative.

5 | COMPARISON WITH INCUMBENTS

Mercado Pago against the banks, and MELI against Shopee and Amazon

Against the banks, Q2 2026 (April–June)

	MERCADO PAGO (MELI)	ITAÚ UNIBANCO	BANORTE
Loan growth, y/y	+75% (US$)	+9.6%	+8.4%
Credit cost, % of book	~32% EST (Q3 provisions annualised; includes up-front cohort provisioning)	~2.7%	~1.9% EST
Delinquency	15–90 NPL 7.0%	System 90+ 1.9%; SME 2.0%	NPL 1.5%
Return on equity	~36% (group, 2025)	24.3%	~24% EST
Efficiency ratio	Not comparable	37.4%	36.2%
Price / book	~12x (group)	~2x (approximate)	2.1x
Price / earnings	~51x trailing		8.7x

Against the retailers and the railways

	MELI	SHOPEE (SEA)	AMAZON	RAIL BENCHMARKS
Brazil e-commerce share, 2025	42% (~R$185bn GMV)	19% (~R$86bn, +45%)	~11%	
Own logistics network	Fulfillment, last mile, air	Partly; leans on third parties	Yes, less dense in the region	Track (CPKC, Rumo)
Lending to its sellers	Yes, repaid from payouts	Yes (Monee), smaller	No meaningful local lending	
Capex / depreciation	1.6x (2025), 1.3x (H1 2026)			~1–1.5x mature (approximate)

The banks set the floor for Mercado Pago's multiple. In the bear case it trades closer to a bank's 9–10x earnings, which is why the group exit drops to 18x; in the bull case the network keeps its premium at 25x. On the commerce side, Shopee is the competitor that matters. It is growing faster from a smaller base, in cheap goods where delivery speed counts for least. Amazon, after 14 years in Brazil, has about a quarter of MELI's share.

Itaú Q2 2026 via Finsee; Banorte 2T26 via B×+ (Ve por Más); UBS BB via Money Times (shares). Banorte credit cost is provisions annualised over loans; ROE implied by P/BV and P/E.

6 | THE RAILS AND RELATIONSHIP SCORECARD

Trust-adjusted 22 of 27, still first in the series

PILLAR	KEY READING	VERDICT
1. Network credit quality	Merchant loans ~16% of book (Q4 2025); cards 47%; book / annualised TPV ~4%; 15–90 NPL 7.0%, steady; NIMAL 20.1% and falling; customer funds / loans 134% (June)	Mixed
2. Infrastructure moat	Same-day in 28+ Mexican cities; shipping contribution-positive across half the R$19–79 band; capex / depreciation 1.3–1.6x	Strong
3. Runway	Brazil online penetration ~18% (2026E), MELI share 42%; private credit / GDP roughly 55% Brazil, under 40% Mexico, under 10% Argentina (approximate)	Strong
4. Owner economics	ROE ~36%; P/E ~51x; P/B ~12x against the lender test of ROE ÷ cost of equity ≈ 2.7x	Strong returns, full price
5. Light-footprint trust	Fintech users recruited from the marketplace; ~US$17 monthly revenue per fintech user[EST]; CAC and NPS not disclosed	Good, under-evidenced

LIKENESS TRAIT	SCORE
RAILWAY	
Right-of-way	3
Fixed-cost leverage	3
Third-party toll	2
TOWN BANK	
Private information	3
Collection from the flow (down 1)	2
Network as the penalty (up 1)	3
LIGHT-FOOTPRINT TRUST	
Low acquisition cost	3
Customer trust	2
Low cost to serve	2
Likeness total	**23 / 27**

TRUST DISCOUNT	SCORE
Jurisdiction: US-domiciled; Brazil, Mexico, Argentina	2
Ownership and disclosure: widely held, no super-voting shares, SEC filer	3
Conduct: no material allegations	3
Governance	**8 / 9**
Trust-adjusted score	22
Added risk premium	+0.5 pp

Lifecycle stage

Logistics is in *densification*: capex near depreciation, unit costs falling, the 1880–1910 railway stage. Credit is in *build-out*: 62% growth, young cohorts, margin given up for growth. The opportunity sits in the first and the risk in the second.

Scoring framework and first-pass scores from the series white paper. Totals unchanged; points moved within the town-bank group. The January 2026 CEO succession was orderly and does not move the governance score.

7 | VALUATION AND SCENARIOS

Sum of the parts, and three paths to 2030

SUM OF THE PARTS, 2026E	BASIS	US$ BN
Commerce: marketplace, ads, logistics	~US$23.6bn 2026E revenue at 3.0x, for a path back to a mid-teens operating margin; above Shopee for the network EST	~71
Mercado Pago: payments and credit	~US$2.5bn normalised 2027 net income at 15x, about 2.1x the US$17.9bn book EST	~37
Sum of the parts		**~108**
Market value at US$1,740 (50.7m shares)		~88

Scenarios to December 2030

From 2026E revenue of about US$42.1bn: 9M 2026 actual of US$29.8bn plus an estimated US$12.3bn for Q4

SCENARIO EST	BEAR	BASE	BULL
Story	Recession, card-loss cycle, Shopee gains	Competition eases from 2028; ads, density and seasoned credit widen margin	Credit seasons well; ads scale
Revenue growth, a year	12%	20%	25%
2030 revenue, US$bn	~66	~87	~103
2030 net margin (operating margin)	5% (~8%)	10% (~14%)	12.5% (~17%)
2030 EPS, US$	~65	~172	~253
Exit P/E	18x	22x	25x
Value per share, end 2030, US$	**~1,180**	**~3,790**	**~6,340**
Annual return from US$1,740	~−9%	~21%	~37%
Weight	25%	50%	25%

Most of the commerce value is the delivery network and the sellers who use it. It took several billion dollars and the better part of a decade to build, and a newcomer would need longer.

Operating margin was 14.1% in 2023, before MELI started spending heavily on free shipping, credit growth and marketing. Q3 2026 showed no let-up, so I now start the recovery in 2028 rather than 2027 and keep the 2030 end point. If Shopee's growth slows and the card cohorts season, those costs should ease while ads and delivery density keep adding. If competition doesn't ease, the bear case is closer to what happens.

8 | RETURN VERSUS REQUIRED RETURN

At US$1,740 the base case clears the hurdle by about seven points, the weighted case by about four

REQUIRED RETURN (US$)	
US 10-year Treasury, Oct 19, 2026	5.1%
Equity risk premium EST	5.0%
Country premium: revenue-weighted Brazil 56%, Mexico 22%, Argentina 17% EST	2.7%
Trust premium: 0.5 pp × 1 missing governance point	0.5%
Required return	**13.3%**

EXPECTED RETURN, BASE CASE	
Entry price, Nov 4, 2026 close	US$1,740
2030E EPS (model)	US$172
Exit at 22x	US$3,790
Dividends	None
Expected return, % a year	**20.6%**
Spread over required return	+7.3%
Probability-weighted return	~17%

Annual return: revenue growth × exit P/E

2030 net margin 10%, entry US$1,740, 4.15 years EST

REVENUE GROWTH TO 2030	18X	22X	26X	2030 REVENUE, US$BN
15% a year	10.3%	15.8%	20.5%	74
20% a year (base)	14.9%	**20.6%**	25.6%	87
25% a year	19.5%	25.5%	30.6%	103

- **Hurdle price:** about US$2,260. On my assumptions, a price below it should earn more than 13.3% and a price above it less; below about US$2,120 the base case earns 15%. It is a model output that moves with the assumptions, not a price target or a recommendation.
- **Why the return rose.** The 2030 end point is unchanged. The price is 7% lower than at initiation and 2026 revenue is running about US$1bn ahead of my earlier estimate; together they lift the base case from 17.4% to 20.6%. At the after-hours price of about US$1,600 it would be about 23%.
- **Margin carries the case.** At 20% growth and 22x, an 8% net margin returns about 14.3% a year, 10% returns 20.6% and 12% about 26%. How fast competition eases decides which.

Treasury par yield curve (5.15%, October 19, 2026) and FRED DGS10 (5.09%, October 16), as in the series; not refreshed for this update. Country premium is my judgment from sovereign spreads and is approximate. Margin sensitivity at 20% growth and 22x: 6% → 6.7%; 8% → 14.3%; 12% → 26.0%.

9 | PRO FORMA, 2026–2030

The base case, year by year

The consolidated model. 2026E is nine months of actuals plus my Q4 estimate. Commerce and fintech revenue then grow at a blended 20% a year; the credit book grows more slowly than revenue from 2027, and 25% of each year's increase in the book is held back as equity. Operating margin stays under 9% in 2027 and returns to 14% by 2030, near its 2023 level, as competitive pressure eases from 2028. All years after 2025 are estimates[EST].

US$ BN	2025A	2026E	2027E	2028E	2029E	2030E
INCOME STATEMENT						
Net revenue	28.9	42.1	50.5	60.6	72.7	87.3
Commerce	16.3	23.6	28.3	34.0	40.8	48.9
Fintech	12.6	18.5	22.2	26.6	31.9	38.4
Operating margin	11.1%	6.7%	8.5%	11.0%	13.0%	14.0%
Income from operations	3.2	2.8	4.3	6.7	9.5	12.2
Net income	**2.0**	**1.9**	**3.1**	**4.8**	**6.7**	**8.7**
Net margin	6.9%	4.5%	6.2%	7.9%	9.2%	10.0%
EPS, US$ (50.7m shares)	39.40	37	62	94	132	172
CREDIT						
Credit book, year end	12.5	19.5	25	31	37	43
NIMAL	22.4%	20%	20%	21%	21%	21%
CASH FLOW AND BALANCE SHEET						
Capex	1.3	1.7	2.0	2.3	2.6	2.9
Equity held back for loan growth		(1.8)	(1.4)	(1.5)	(1.5)	(1.5)
Owner earnings		**0.1**	**1.7**	**3.3**	**5.2**	**7.2**
Total equity, year end (no payouts)	6.7	8.6	11.7	16.5	23.2	31.9
Return on average equity	36%	25%	31%	34%	34%	32%

2025A from MELI's Q4 2025 release. 2026E: 9M actual revenue US$29.8bn, operating income US$1.97bn and net income US$1.33bn, plus Q4 estimates of US$12.3bn, US$0.86bn and US$0.55bn. Owner earnings = net income less 25% of the increase in the credit book. MELI pays no dividend and its share count has barely moved.

Owner earnings are close to nil in 2026 because the book grows by about US$7bn. They stay small until loan growth slows after 2027, which is why so much of the return rides on the book seasoning well.

10 | KEY RISKS

RISK	WHAT COULD HAPPEN	EFFECT ON THE CASE
Drift to open-market credit	Cards pass 55% of the book; merchant share falls below 12%	The town-banker edges shrink to a data edge; I would rescore the town-bank group
Growth hiding losses	Card NIMAL stays negative after growth slows; NPL above 8%	Base-case net margin of 10% out of reach; bear case more likely
Brazil recession	A downturn on 2015–16 lines	One loss-making year; equity to about US$5.0bn
Currency	Real and peso fall; another Argentine devaluation	Translation loss larger than the credit loss
Regulation	Tighter Brazilian card caps (100% of principal since 2024); Mexican licence refused	Lower yield; higher funding cost in Mexico
Competition	Shopee keeps growing above 30%; Nu and PicPay push into merchant credit	Share below 40%; take rates cut; credit priced toward bank levels
Mexico slowdown	GMV growth stays near Q3's 21% FX-neutral on tax reform and weak spending	Slower growth in the second-largest market; a smaller country mix shift away from Brazil
Margin as investment	Operating margin stays under 7% through 2027	Exit multiple and EPS both fall
Succession	A new CEO since January 2026	Capital allocation drifts from the network

What would change my view

I would turn more positive if MELI disclosed vintage curves showing that borrowers it already knows from the marketplace lose much less than outside cardholders, if card NIMAL turned positive as growth slowed, or if the price fell well below the US$2,260 hurdle price with the franchise intact. I would turn negative if the card book kept outgrowing the marketplace for another year with card NIMAL still negative; at that point I would score MELI as a railway with a consumer lender attached.

11 | CLOSING SUMMARY: THE CASE

Latin America's continental railway, with a bank whose card book still has to prove itself

What I found

1. **The best franchise in the series.** 42% of Brazilian e-commerce, the only dense regional delivery network, and a lender that sees its merchants' sales. Trust-adjusted 22 of 27.
2. **The railway is built.** Brazil cost per package fell 5% in Q3, and capex is still well below what a railway laying track spends. Logistics is in the densification stage, where railways compounded fastest.
3. **The bank is being built.** The book grew 62% in a year to US$17.9bn. Delinquency is steady and card NIMAL improved, but cards are still 47% of the book and growing faster than the rest.
4. **The sleeve survives a severe shock.** A Brazil 2015–16 repeat costs one loss-making year and leaves about US$5.0bn of equity, more than half of the shrunken book.
5. **The return clears the hurdle if margins recover.** Base case about 20.6% a year to 2030 and weighted about 17%, against 13.3% required, with net margin back to about 10%. Q3 pushed the start of that recovery out a year. Hurdle price about US$2,260.

My case

MercadoLibre owns what the old-world playbook prizes: the right-of-way and the borrower's trust, in markets where neither can be bought quickly. The franchise is real. What I can't yet see is whether the credit sleeve will stay close to the flow, or when MELI stops spending its margin. Q3 did not answer the second question: operating margin fell again, to 6.3%. If competition eases and the card book seasons, margins return toward their 2023 level and the base case clears the hurdle at any price below about US$2,260. If cards keep outgrowing the marketplace with thin margins, the network still holds its value, but the earnings path falls toward my bear case of about US$1,180.

MY VIEW

Modestly undervalued: best franchise, margin to come

Expected 20.6% base, ~17% weighted, vs 13.3% required; hurdle price about US$2,260, a model output rather than a target; value range US$1,180–6,340 by 2030

What to watch

Q4 2026 operating margin as peak season fills the new warehouses; card NIMAL and card share of the book; vintage disclosure; Mexico's slowdown; Shopee's Brazil growth; BRL and MXN.

SOURCES AND DISCLOSURES

1. MercadoLibre Q3 2026 release and shareholder letter (November 4, 2026), via Stock Titan and Brazil Stock Guide; call and results coverage from Yahoo Finance, Motley Fool, Rallies and MarketScreener (EPS, provisions, margin drivers, lending stance, share price). The SEC copy was not reachable for this update.
2. MercadoLibre Q2 2026 earnings release and shareholder letter (SEC 8-K, August 5, 2026): revenue by segment and country, GMV, TPV, credit portfolio and mix, NIMAL, NPL, provisions, capex, balance sheet, shares outstanding. Primary source.
3. MercadoLibre Q4 and full-year 2025 shareholder letter (SEC 8-K, February 24, 2026) and Business Wire release: 2024–2025 income statement, adjusted free cash flow, NIMAL, credit portfolio, merchant book. Form 10-K for 2025.
4. Prices: Nasdaq close November 4, 2026 via Motley Fool; after-hours move via Yahoo Finance; October 21, 2026 initiation price via InvestSMART; earnings history via AlphaQuery.
5. Itaú Unibanco Q2 2026 via Finsee; Grupo Financiero Banorte 2T26 via B×+ (Ve por Más, July 2026).
6. Brazil e-commerce market shares: UBS BB via Money Times (2026). Mexico investment and banking licence: This Week in Fintech (June 2026). XEM3 hub: Mexico Business News (June 2026).
7. Thesis, scorecard and benchmarks: Motomeru Strategies Inc., *Rails and Relationship Banks* white paper (October 2026). Smith, *Lectures on Jurisprudence* (1763).
8. Approximate: 2021–2023 financials, dates before 2019, Brazil 2015–16 macro figures, credit-to-GDP ratios, and the country premium. The NIMAL split in the stress test is my estimate.

ABOUT THE AUTHOR

Jordan Hiebert, CFA, analyzes private real estate and credit vehicles for investment dealers and has worked extensively with lower-middle-market companies focused on real assets. Motomeru Strategies Inc. is the author's independent research practice; the views here are not those of any employer. This report was prepared with AI-assisted research from public sources available on November 5, 2026. The company's Q2 2026 and Q4 2025 releases were reviewed directly; Q3 2026 figures and other figures come from public summaries. Figures marked EST are the author's estimates.

DISCLOSURE OF INTERESTS, AS OF NOVEMBER 5, 2026

The author, Jordan Hiebert, personally holds MercadoLibre (MELI). Motomeru Strategies Inc. holds no position. Readers should assume the author may benefit from a rise in the share price. Neither the author nor Motomeru Strategies Inc. receives compensation from the company.

HURDLE PRICES AND STATUSES ARE NOT RECOMMENDATIONS

The expected returns, hurdle price and status in this report come from a valuation model applied the same way to every company in the series. They show whether the price, on the author's assumptions, meets or falls short of an estimated required return. They are not recommendations to buy, sell or hold any security, do not consider any reader's circumstances, and change with the assumptions. Motomeru research is sold on the same terms to all subscribers and is not personalized. Neither the author nor Motomeru Strategies Inc. is registered with any securities regulator as an adviser or dealer.

This report is general information. It sets out views as of its date, is not tailored to the circumstances of any reader, and is not investment, tax, accounting or legal advice, or an offer or solicitation to buy or sell any security. Company figures come from public sources believed reliable and from the author's estimates, which may be wrong. Readers should do their own research or consult a registered adviser before making investment decisions.