[perspectives on latam payments]

mercado libre

TPAC 2024

[agenda]

. introducing mercado libre
. overview on latam
. overview on latam payments
. deep dive on brazil payments
. challenges & opportunities

[introducing mercado libre]

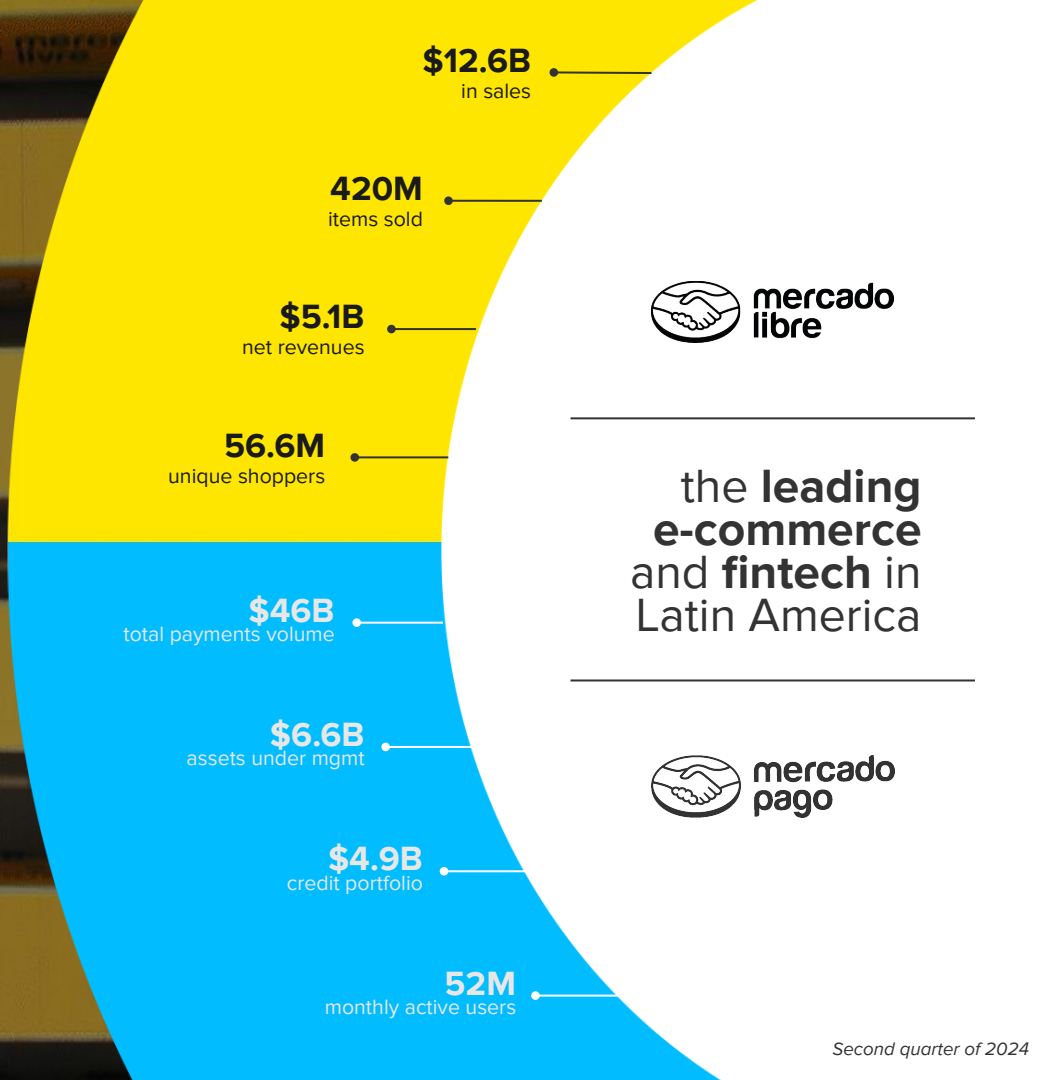[introducing]
Mercado Libre

1999 🎉
foundation year

69K 👩‍💻
employees

$100B 📊
market cap

$12.6B
in sales

420M
items sold

$5.1B
net revenues

56.6M
unique shoppers

$46B
total payments volume

$6.6B
assets under mgmt

$4.9B
credit portfolio

52M
monthly active users

mercado libre

the **leading**
e-commerce
and **fintech** in
Latin America

mercado pago

Second quarter of 2024

[overview on latam]

[overview on latam]

. 42 countries*
. 20 million km2 area
. 664 million people

. top 10 countries, by population

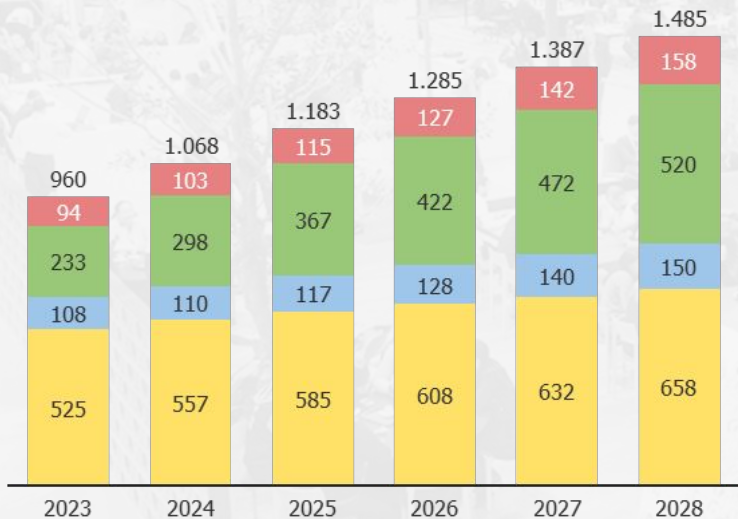| country	population	GDP $ millions	GDP per capita
Brazil	216,422,446	2,173,666	10,044
Mexico	128,455,567	1,788,887	13,926
Colombia	52,085,168	363,540	6,980
Argentina	46,654,581	640,591	13,731
Peru	34,352,719	267,603	7,790
Venezuela	28,838,499	70,140	2,432
Chile	19,629,590	335,533	17,093
Ecuador	18,190,484	118,845	6,533
Guatemala	17,602,431	81,318	4,620
Bolivia	12,388,571	45,850	3,701

[overview on latam payments]

[market size]
LatAm's Digital Payments market is sizeable: $2.5 trillions by 2028

Instore Payments
TPV digital payments (US$ Bn)

Year	Total	Others	Ch	Mx	Ar	Br
2023	960		94	233	108	525
2024	1.068		103	298	110	557
2025	1.183		115	367	117	585
2026	1.285		127	422	128	608
2027	1.387		142	472	140	632
2028	1.485		158	520	150	658

Online Payments*
TPV digital payments (US$ Bn)

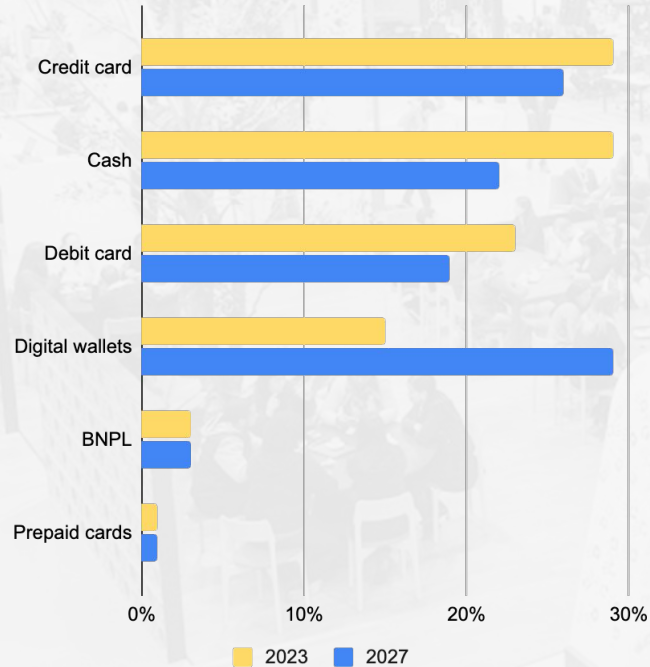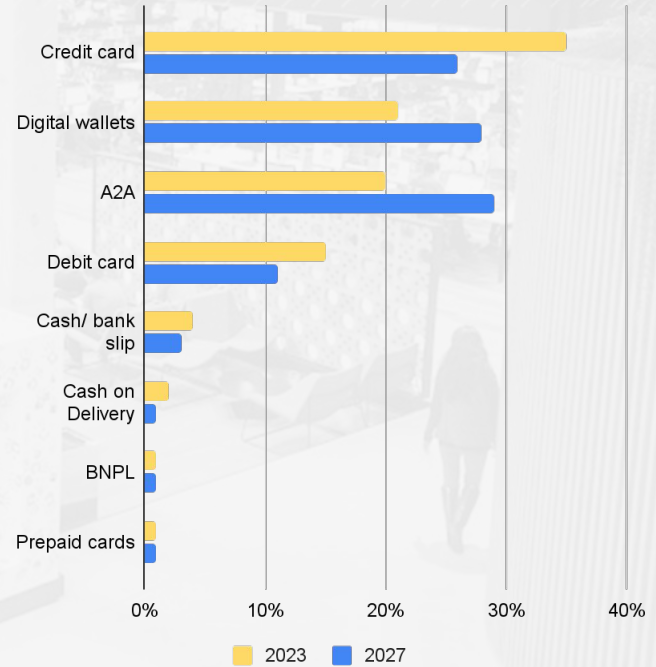| Year	Total	Others	Ch	Mx	Ar	Br
2023	471	47	46	78	67	232
2024	540	55	51	99	63	271
2025	626	64	58	126	64	314
2026	728	75	65	158	69	362
2027	846	87	74	198	74	413
2028	980	101	84	247	81	467
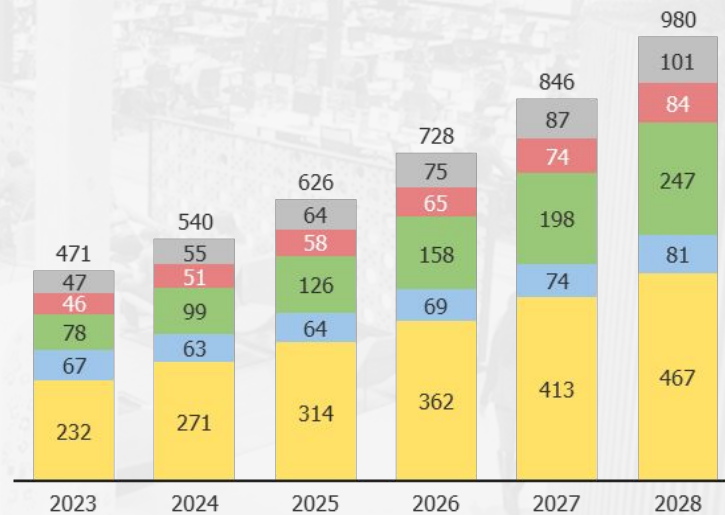
Legend: ■ Others ■ Ch ■ Mx ■ Ar ■ Br

[main payment methods]

Wallets and A2A are on the rise, while cash and cards (as direct interface with merchants) decline
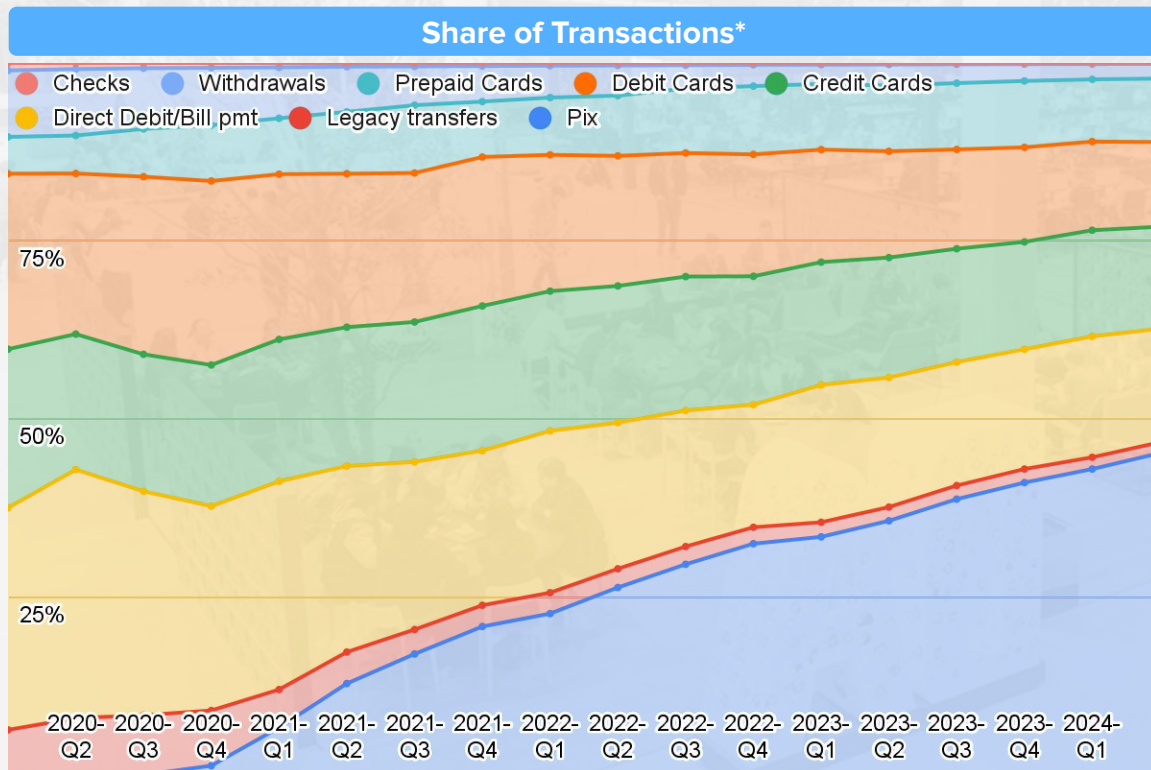

Instore Payments

Categories (top to bottom): Credit card, Cash, Debit card, Digital wallets, BNPL, Prepaid cards

Axis: 0% – 30%

Legend: 2023, 2027

Online Payments

Categories (top to bottom): Credit card, Digital wallets, A2A, Debit card, Cash/ bank slip, Cash on Delivery, BNPL, Prepaid cards

Axis: 0% – 40%

Legend: 2023, 2027

Source: Worldpay

[deep dive on brazil payments]

[state of the union]

Launched in 2020 by BR's monetary authority, the Central Bank, Pix continues to gain market share, replacing primarily cash and boleto, but also taking away from other payment methods

Share of Transactions*

Legend: Checks · Withdrawals · Prepaid Cards · Debit Cards · Credit Cards · Direct Debit/Bill pmt · Legacy transfers · Pix

X-axis: 2020-Q2, 2020-Q3, 2020-Q4, 2021-Q1, 2021-Q2, 2021-Q3, 2021-Q4, 2022-Q1, 2022-Q2, 2022-Q3, 2022-Q4, 2023-Q1, 2023-Q2, 2023-Q3, 2023-Q4, 2024-Q1

Y-axis: 25%, 50%, 75%

. in 3yrs Pix has grown over 700%, becoming BR's biggest B2C pmt mthd

. as of Q2, it accounts for 45% of BR's financial txns count of 34bn

. meanwhile, other methods' share has dropped between 27% (CC) to 68% (withdrawals)

. credit's resilience mostly due to different funding source (credit line) and demographics

[upcoming flows]

The Central Bank is working to release 3 new flows, which have the potential to position Pix as the country's *de facto* only consumer payment method

3 major changes

In-person — Support to NFC / tap to pay

- **Current options**: Scan QR with a payment app, or wire money to an alias
- **New flow**: link your account to your phone wallet, just like you do with cards

At point of sale, you just tap (assuming you made pix your default option)

Web/mobile — Passkey based flows

double click

- **Current options**: Scan QR (if you have 2 devices at hand), or copy paste a wire instruction to use on your payment app (off checkout flow)
- **New flow**: select from a list of accounts bind to device (via passkey)

Pick the account you wanna use, authenticate, and pay (never leaving the flow)

Recurring — Support to pull payments

- **Current options**: Do a push payment whenever your payment is due
- **New flow**: authenticate once, authorize merchant to charge n times

It will be similar to credit cards on file in Europe post PSD2

[double click - QR flow]

This is a fairly functional flow, provided that you have your second device in hand. It still requires several steps on the second device to open bank app and put it in QR scanning mode

merchant checkout flow
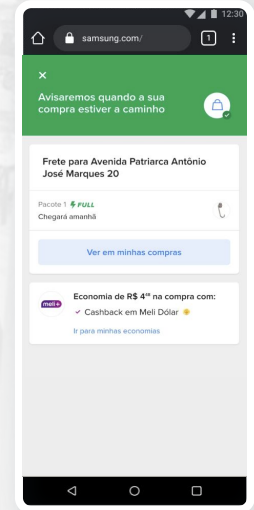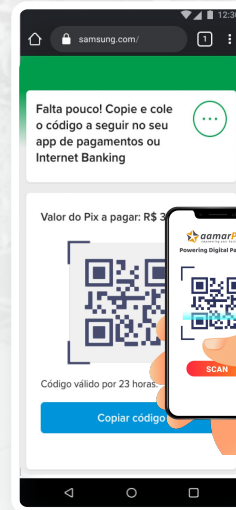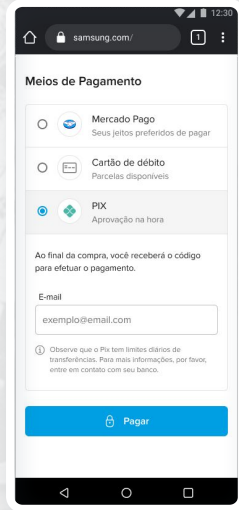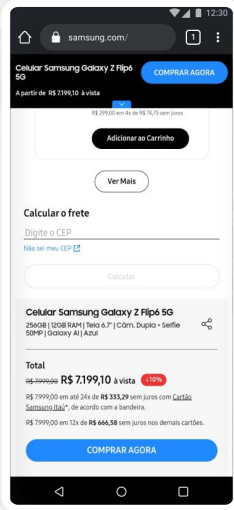
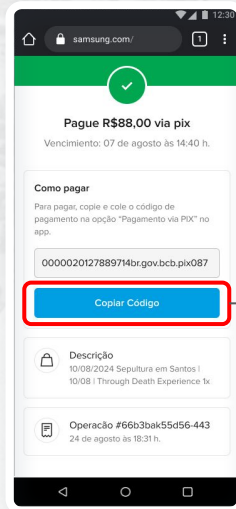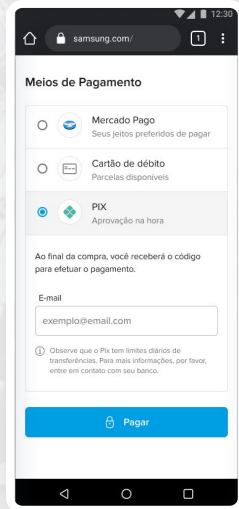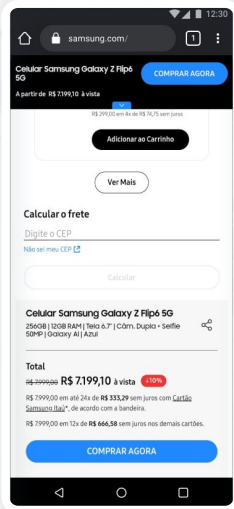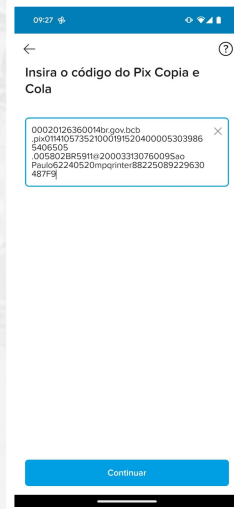| proceeds to checkout | selects pmt method | QR is generated | Scans QR | order complete |

requires a separate device

[double click - copy&paste flow]

High friction flow that requires you to leave the checkout with a pending payment, open your banking app, and paste the payment identifier to complete it

"copy" button

merchant checkout flow

bank app flow

proceeds to checkout - - - - selects pmt method - - - - copies generated code

pastes code and pay - - - - confirms pmt

separate flow on different app

[double click - passkey flow]

Upon selecting pix, the shopper needs to select which account to use, and go through authentication. A major improvement, but not with its set of challenges

merchant checkout flow

| proceeds to checkout | selects pmt method | selects bank account | authenticates | order complete |

concept - not yet live

[challenges & opportunities]

[overview]

We believe we're uniquely positioned in LatAm to create and quickly ramp up a world class payments experience, but to do so, we need to harmonize existing assets with new tech

strengths
. millions of active sessions
. millions of valid pmt credentials
. thousands of merchants
. widely trusted brand

weaknesses
. suboptimal solution to leverage existing sessions inside merchant's context

opportunities
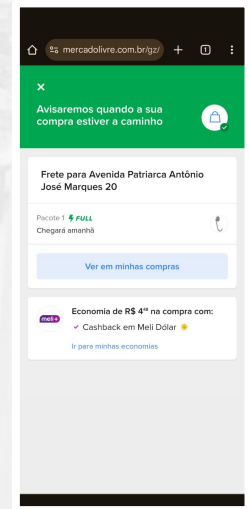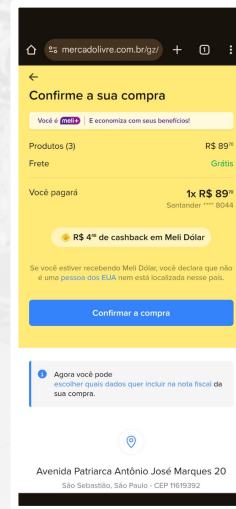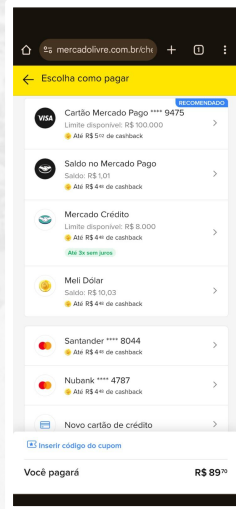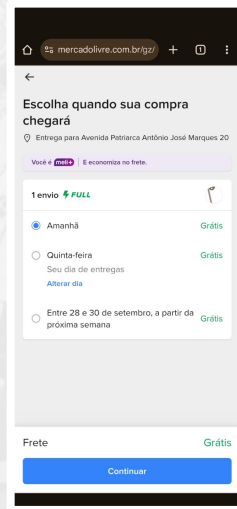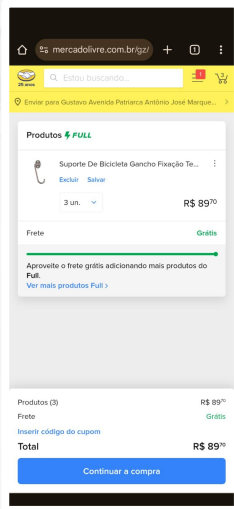. rise of new tech to support online authentication and payments

threats
. fraud
. regulation
. competition

[our current meli flow]

Millions of returning customers are seamlessly identified and see their wallet and favorite payment methods, with no need for a reauth to confirm payment

meli web checkout flow

proceeds to checkout - - - - selects delivery mtd - - - - selects pmt method - - - - confirms order - - - - order complete

no reauth needed on vast majority of cases

[what we hope to achieve]

We want to enable every seller from our ecosystem to seamlessly offer their shoppers the saved payment credentials they have with us as their primary option to pay. To do so, we need three primary questions answered:

. how do we recognize a returning user, no matter what was their original and current sessions (web/native) on that device, or the merchant* they're visiting?

. how do we use that session to later on pick the passkey associated with their Meli account? And/or;

. how do we use that session to later on pick the passkey associated with the payment method they selected (e.g. a pix account)?

provided it's one of our merchants, and they have implemented this hypothetical new flow

[THANK YOU]