



# Consumer Goods & TMT Pitch

March 11<sup>th</sup>, 2024

# Weekly Meeting Agenda



**01**

## **Consumer Goods Pitch: Unilever**

Consumer Goods will pitch Unilever, a Global Conglomerate

**02**

## **TMT Pitch: Mercado Libre**

TMT will pitch Mercado Libre, an Online Marketplace Operator



# Thank You!



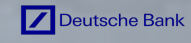
## Asset Management Competition



MARCH 11 - MAY 3



PARTNERING WITH **Nordea**



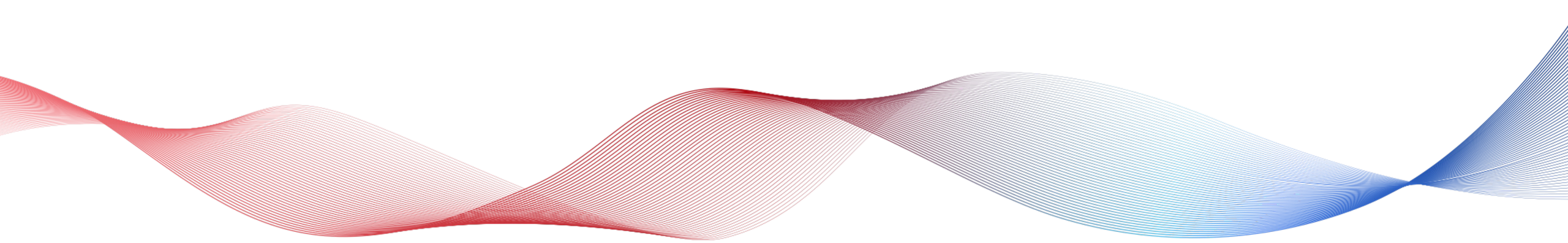


Consumer Goods

---

**Σ**igma  
Investments

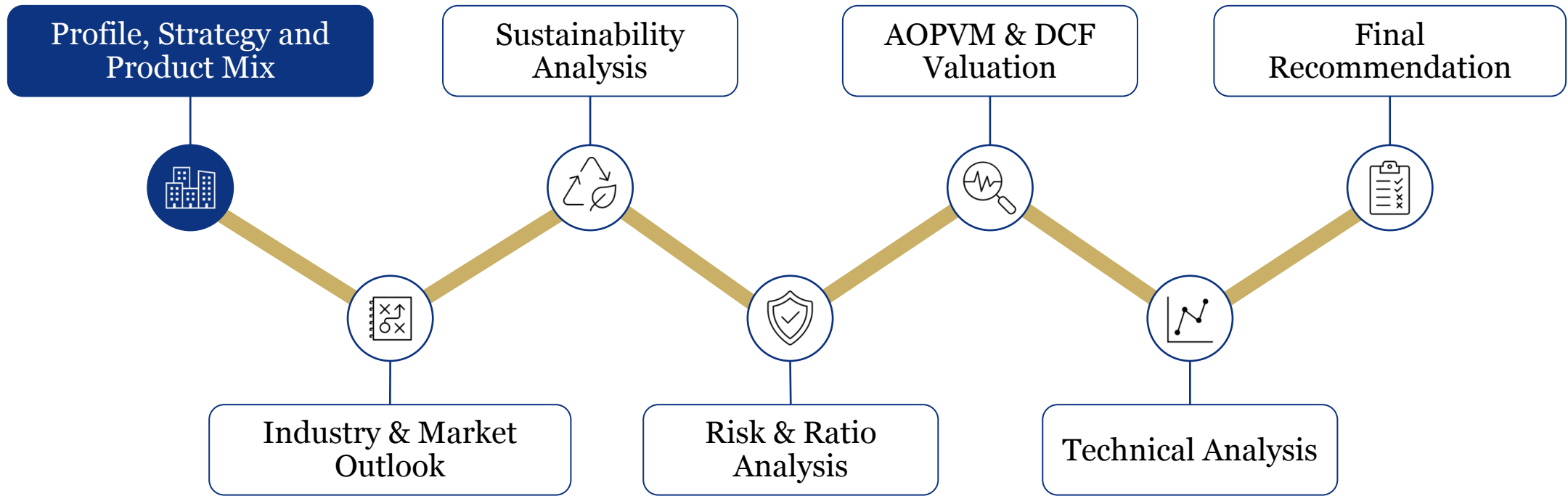




Unilever

---

**Σ**igma  
Investments



# Company Overview



Unilever is among the market leaders in the manufacturing and sale of fast-moving consumer goods.

## Profile:

Unilever is a **British-Dutch multinational corporation** active in various segments.

The **five business groups**:

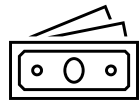
- Beauty & Wellbeing
- Personal Care
- Home Care
- Nutrition
- Ice Cream

Operating in more than **190 countries** and serving **3.4 bn people a day**.

Owns **14 brands in the top 50** most chosen FMCGs globally.



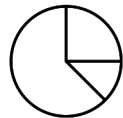
Market Cap  
€ 119.5 bn



P/E Ratio  
17.71

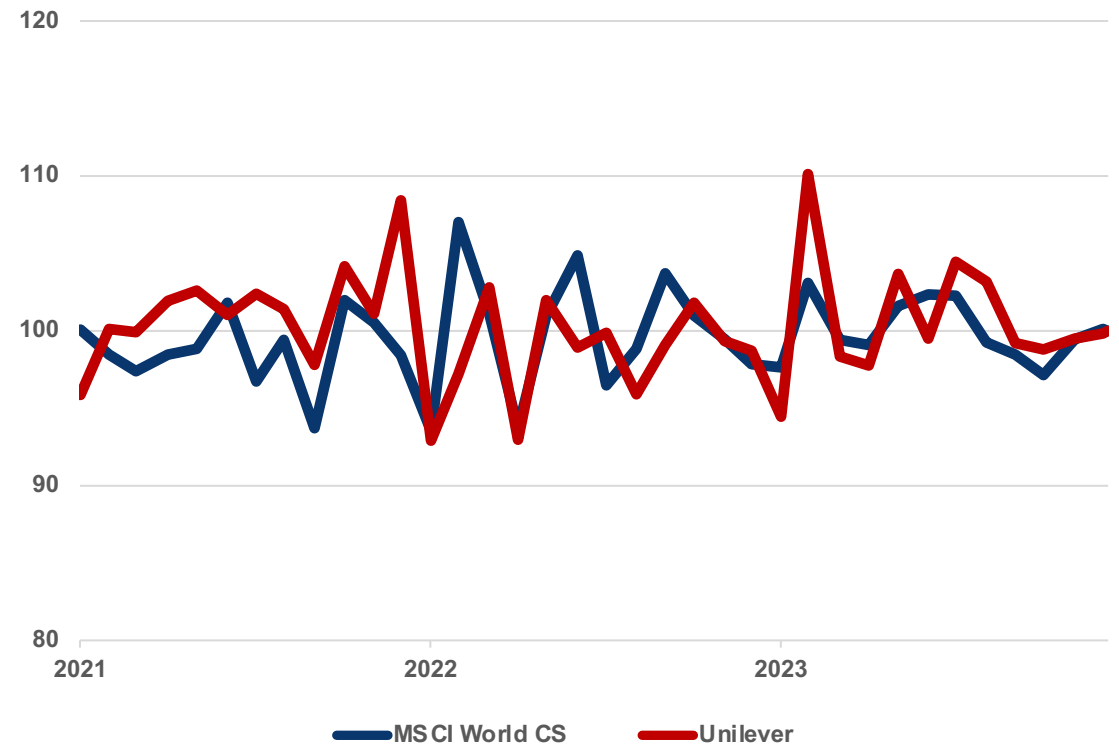


Beta  
0.36



Dividend Yield  
3.8%

## Unilever indexed on MSCI World Consumer Staples:





# Company Strategy



It seems to be all about sustainability for Unilever.

## Key Facts:

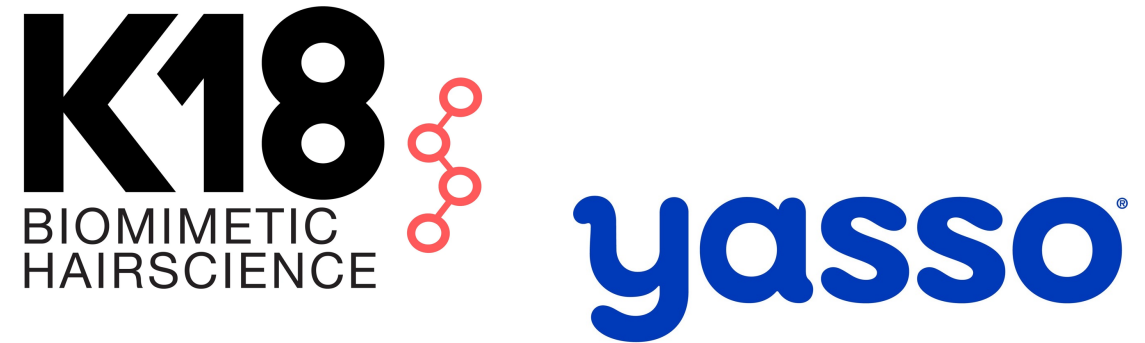
**Unilevers Mission:** *“Our Purpose is to make sustainable living a commonplace”.*

**Unilevers Vision:** *“Deliver winning performance by being the global leader in sustainable business”.*

### The Four Pillar Plan:

1. Build a **high-growth portfolio** across the business groups  
(constant M&A and aggressive marketing).
2. **Take action on issues** our stakeholders care about  
(zero emissions in value chain by 2039).
3. Accelerate in key **growth markets**  
(USA, India, China & leverage of EM strength).
4. Lead the **channels of the future**  
(accelerate eCommerce and shopper insights).

## Recent M&A Activity:



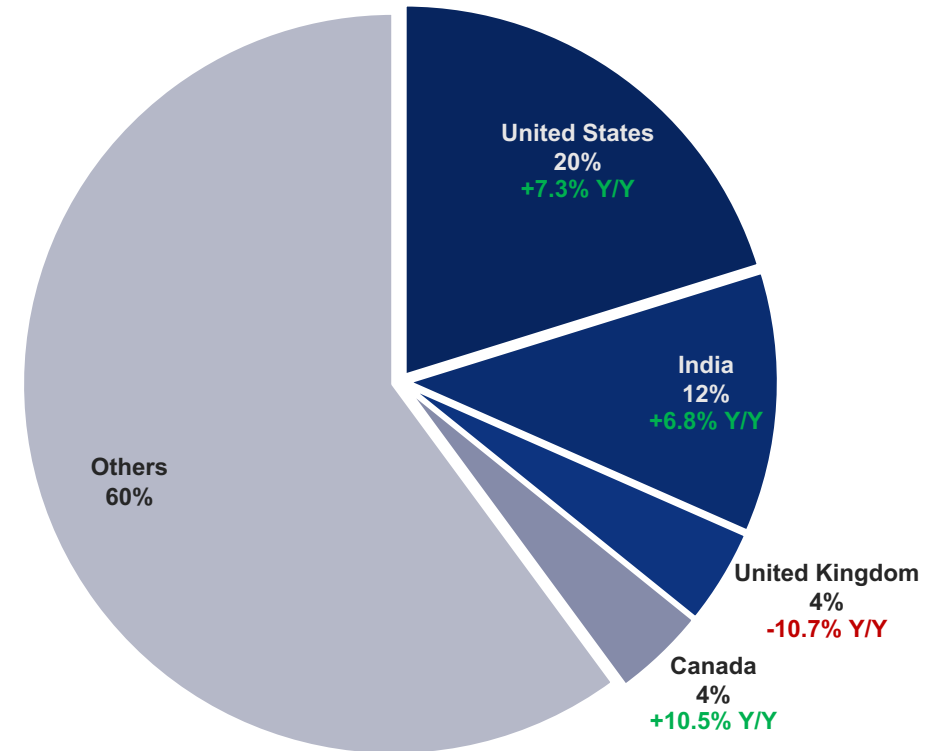
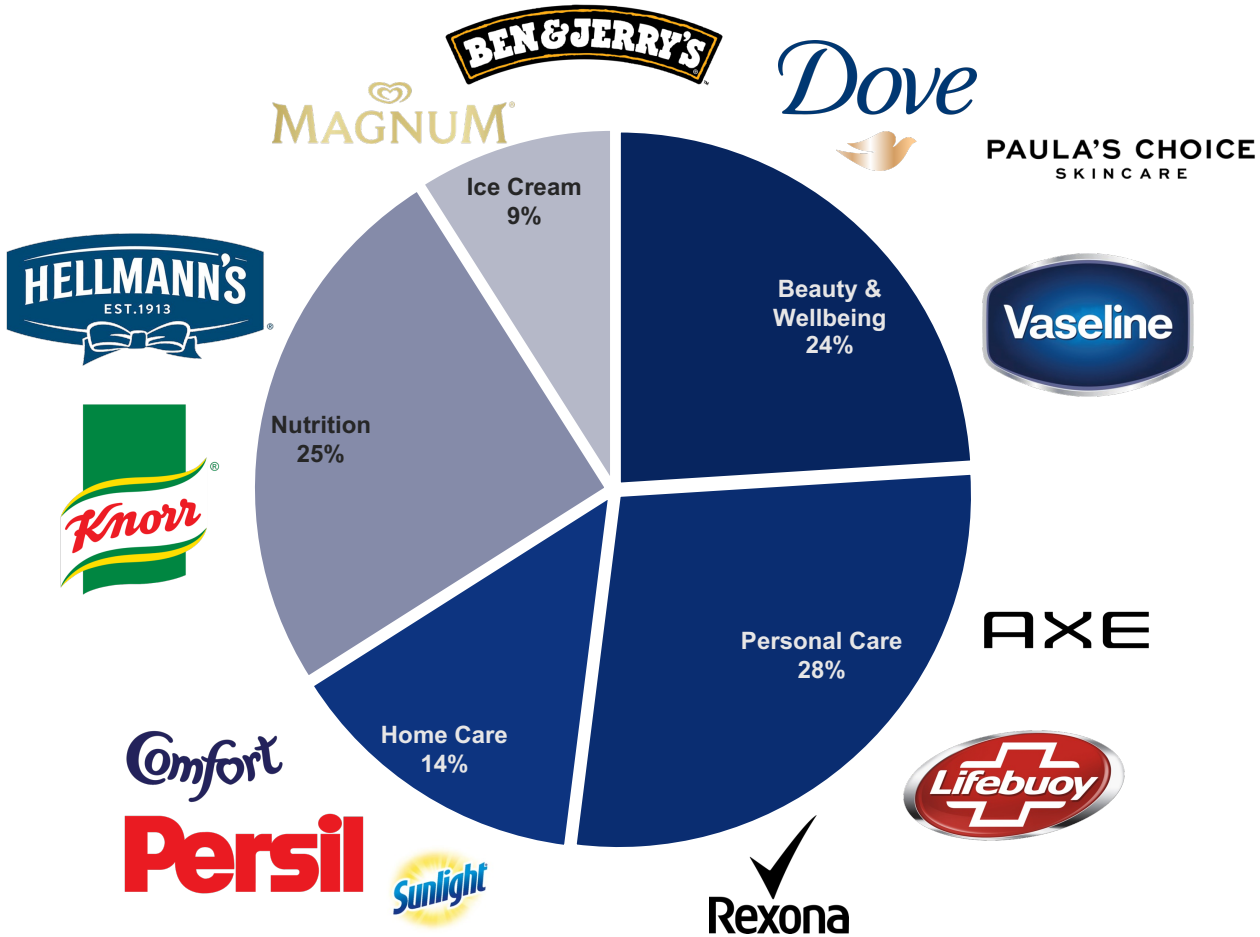
# Products and Geographics

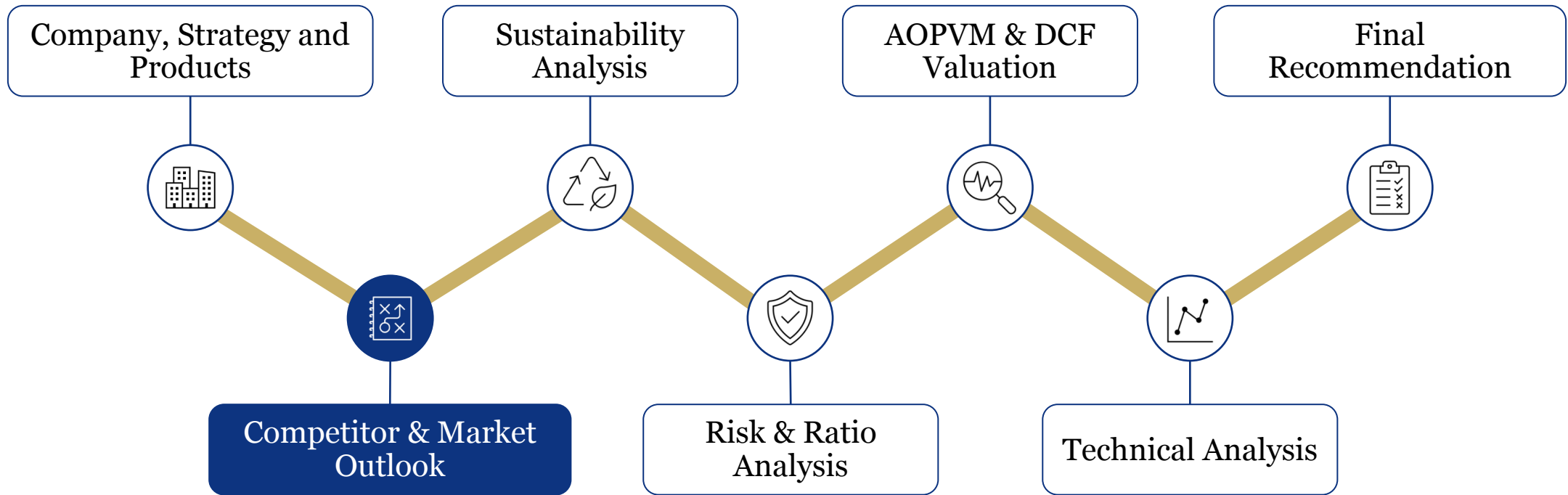


A well diversified brand portfolio all around the globe.

## Operating Profit by Business Groups:

## Revenue by Country:







# Industry Overview

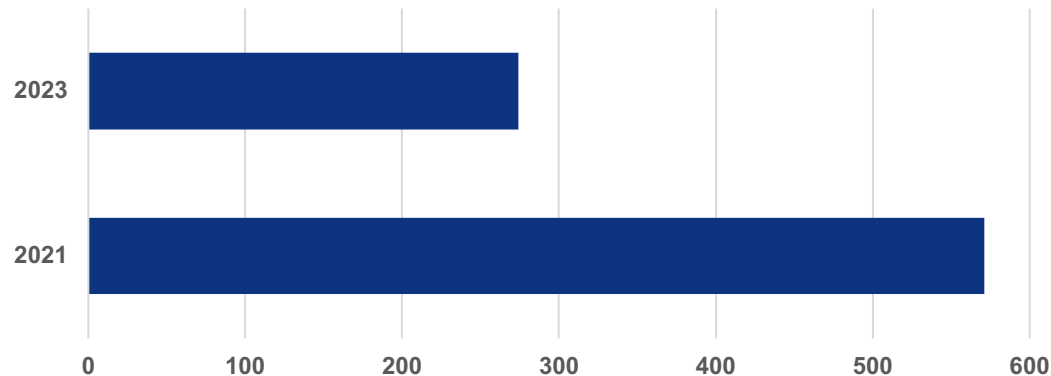


2024 is expected to be a difficult year for the industry

## Industry Considerations:

- 2023: Revenue remained stable as losses in volumes were compensated by **higher prices** (- 17% volumes compared to 2021).
- 2024: Demand recovery process through **lower pricing** (e.g. Walmart).
- M&A activities remain low due to high cost of capital.
- Focus on operational efficiency (e.g. AI).

Value M&A Consumer Goods



Dow Jones U.S Consumer Goods Index YTD



# Competitor Analysis



Unilever compared to the main industry players



Market Cap. (bn €)	112,73	343,87	65,60	27,77	252,48	205,61
Revenue (bn €)	59,604	78,432	17,997	21,514	95,722	84,605
Net Profit Margin	10.88%	17.87%	11.82%	6.12%	12.05%	9.92%
Dividend Yield	3.86%	2.36%	2.21%	2.91%	3.25%	3.12%
52-Week Beta	0.36	0.33	0.27	0.34	0.77	0.34

Exchange rates: 0.92€/\$, 1.04€/CHF, 1.17€/£

# Food and Refreshment Market



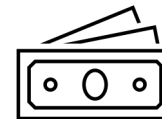
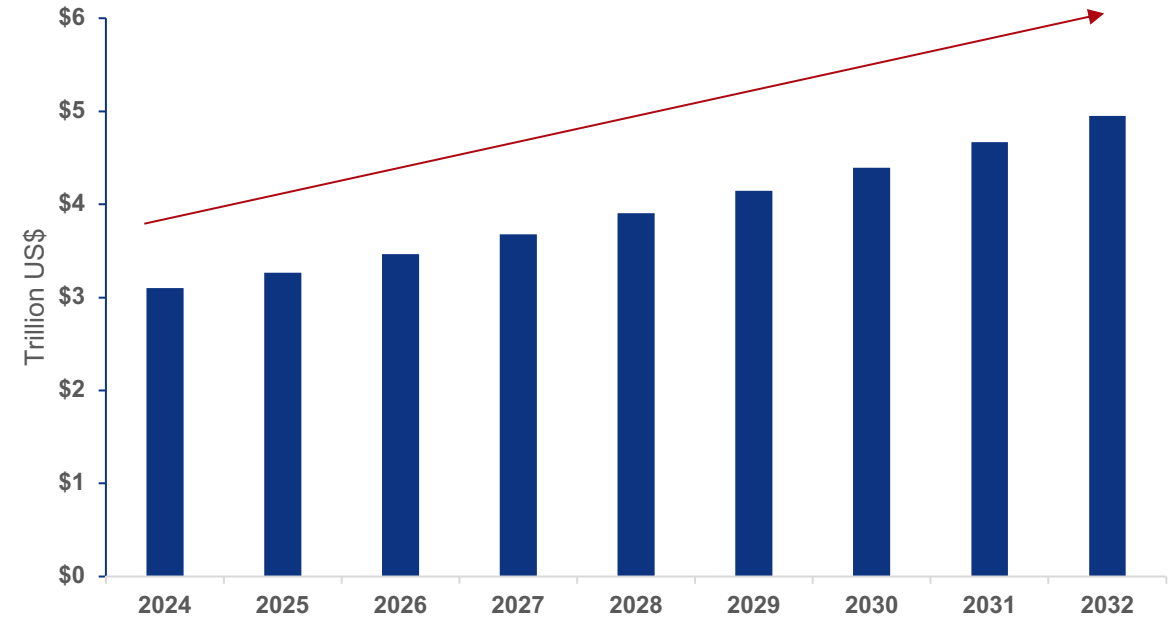
Mature Market with high potential in EM

- **Population** growth drives sales up.
- Growth in **emerging markets** due to: rising middle class, urbanization, western habits adoption.
- Revenue growth backed by **volume** growth.
- Stronger focus on **healthy** food in developed markets.

## Unilever

- High investments in EM, through: M&A and local partnerships, product tailoring.
- Key markets: India, Nigeria, China, Indonesia

Market Value



Revenue CAGR:  
5.32%



Volume CAGR:  
4.1%



Emerging Markets



# Personal Care Market

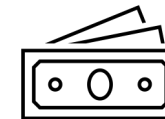
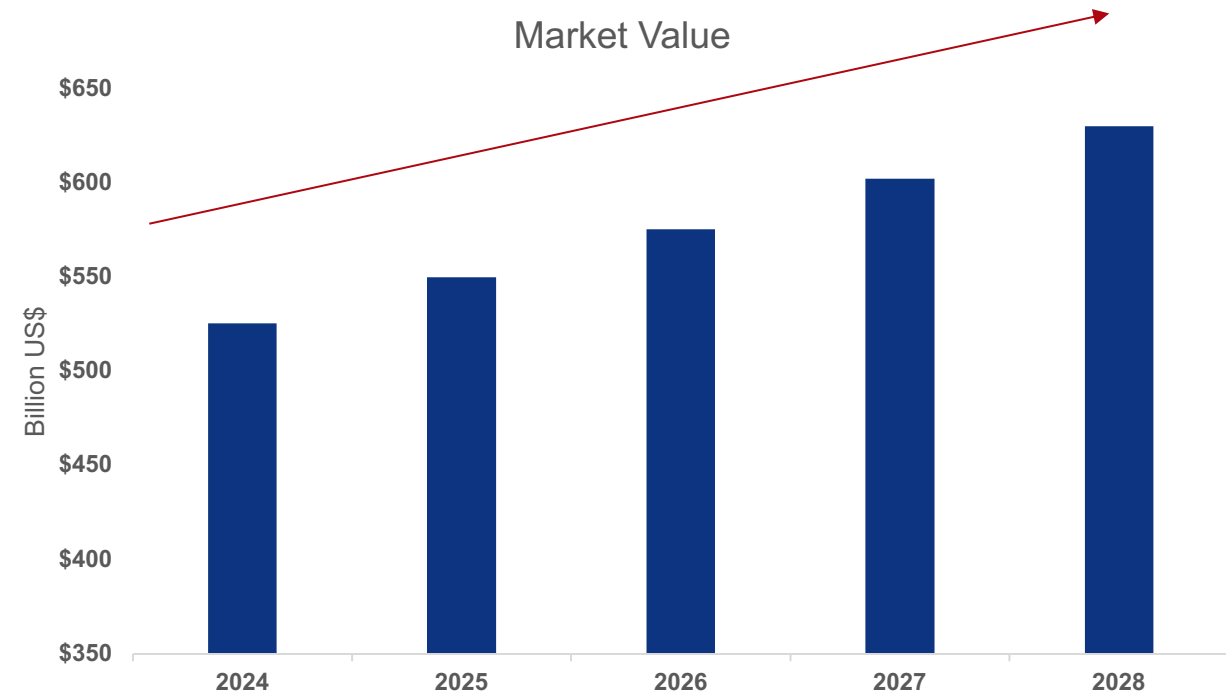


Dynamic Industry which requires keeping up with customer needs

- High influence of **social media** and beauty trends.
- High focus on M&A and **innovation** to remain competitive and follow new trends.
- Increasing demand for **natural** and organic products.

## Unilever

- Chemical-free products and brands: Love beauty & planet, Simple, Dove.
- Hindustan (Indian subsidiary) is forecasted to become the largest subsidiary.



Revenue CAGR:  
4.64%



APAC

# Directors' Deals: Strategy refresh



Unilever's new CEO Hein Schumacher is reluctant on new M&A deals. "No major or transformational acquisitions"

## Primary focus on Top 30 brands:

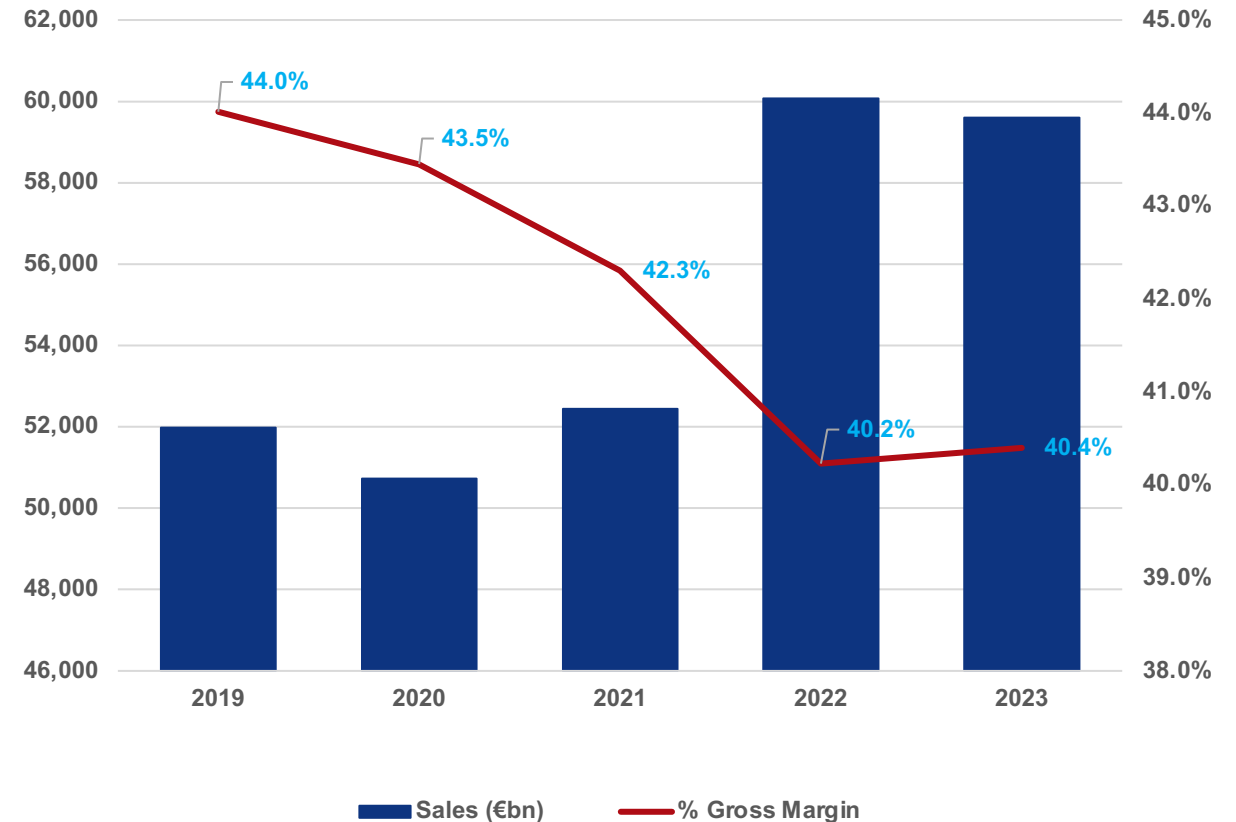
- M&A misadventures
- Failed £50bn bid for GSK's consumer healthcare arm, Haleon
- Divestment from the recent deal of Dollar Shave Club, acquired for £800mn in 2016
- "Do fewer things better with greater impact"

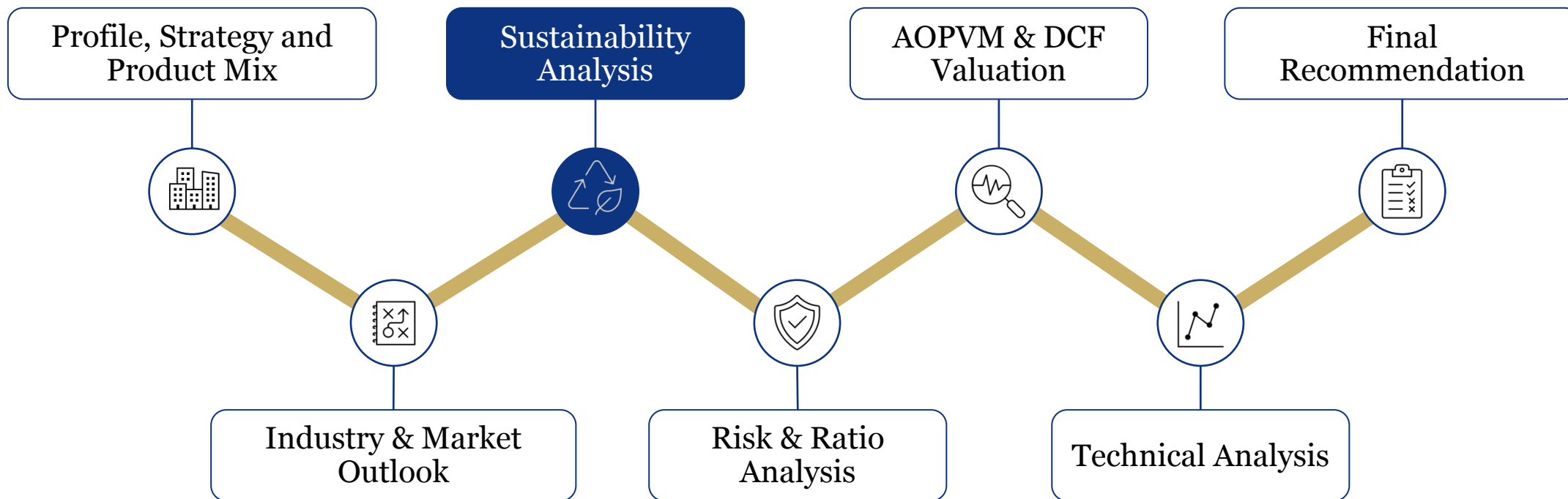
## Unilever is naturally diversified:

- Already 10 major M&A deals in 9 years 2013
- 31 brands across 5 business groups

## Key strategy elements:

- Premiumization
- Impactful innovation
- Cost savings
- GOAL. Restore volumes and increase gross margin
- € 1.5 bn buyback programme planned from Q2 2024



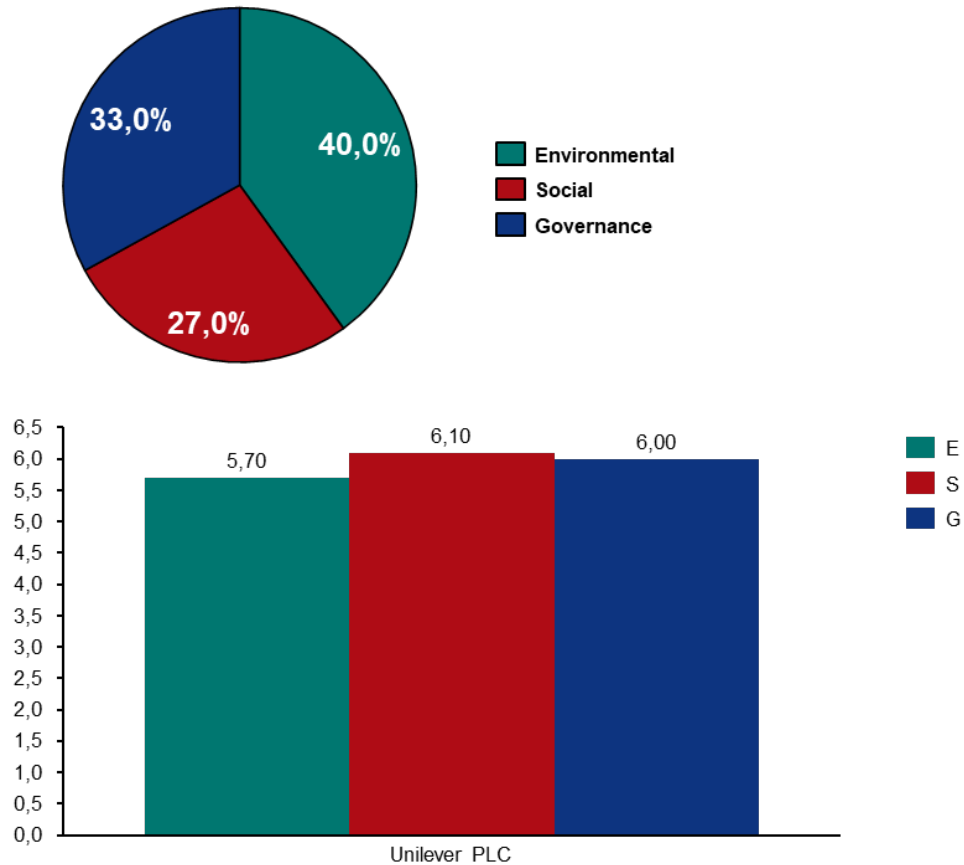


# Sustainability Analysis

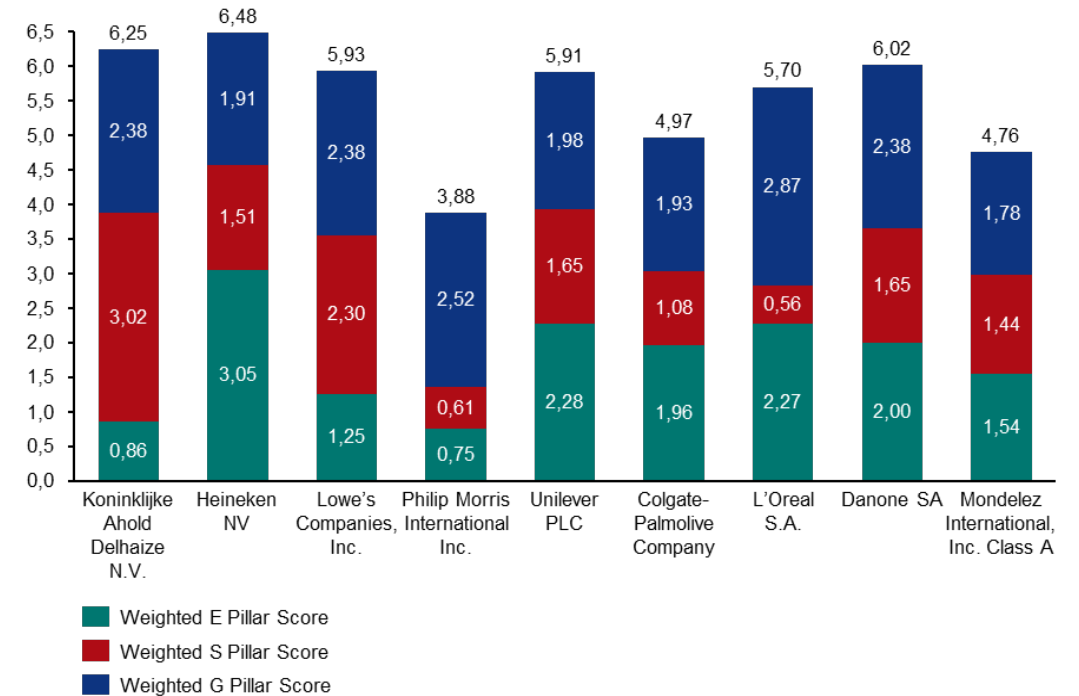


## Quantitative View

### ESG Pillar Weights



### ESG Scores & Portfolio Benchmark



# Sustainability Analysis



## Qualitative View



### Environment

#### Initiatives, but mostly expected

**Achieve net zero emissions across their value chain by 2039.**

**Help protect and regenerate 1.5 million hectares of land, forests and oceans by 2030**

- Helped protect and regenerate 0.2 million hectares of land, forests and oceans by 2022.

**Reach zero emissions in their operations by 2030.**

- Reduce emissions across their operations by 68% in 2022.

**50% virgin plastic reduction by 2025**

- 13% reduction in our virgin plastic footprint since 2019.



### Social

#### Mixed performance across factors

**Ensure that everyone who directly provides goods and services to Unilever will earn at least a living wage or income by 2030**

**Take action through our brands to improve health and wellbeing**

Advance equity and inclusion, reaching 1 billion people per year by 2030

**5% of our workforce to be made up of people with disabilities by 2025**

#### Critics:

- Pursue business as usual in Russia
- Unclear Statements
- Profits doubled in 2022



### Governance

#### Recent improvements, to be pursued

**Addressed issue about Board of directors' lack of independence due to a high proportion of executive directors**

- More non-executive directors added

**Audit committee's effectiveness under scrutiny for transparency and independence**

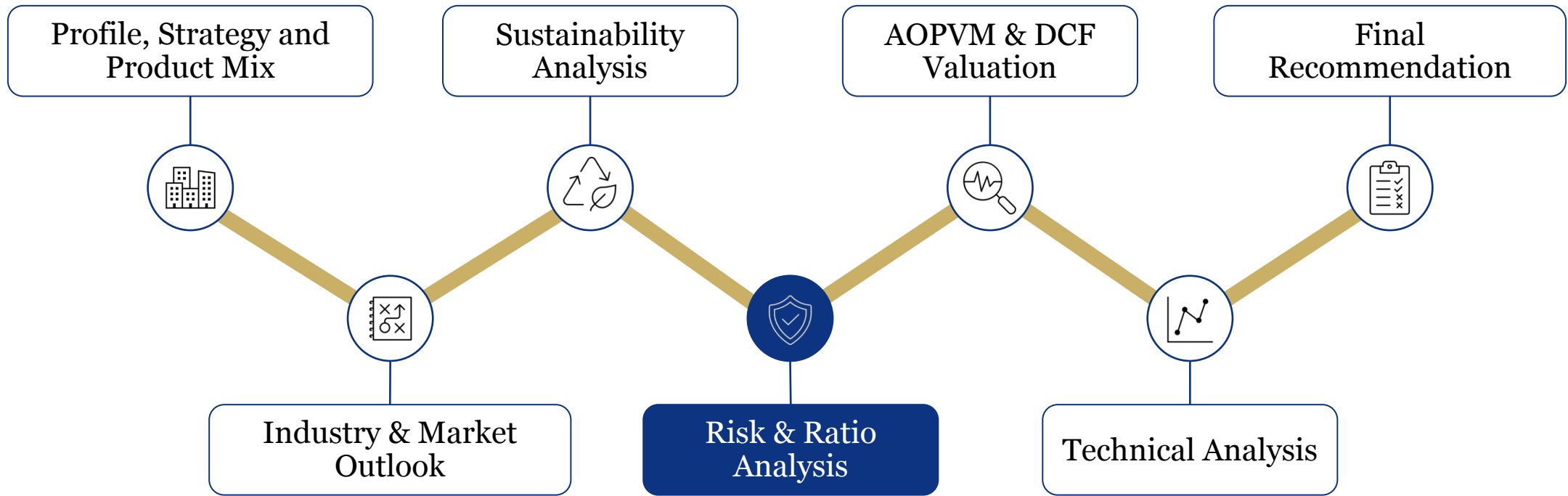
- Recently Reformed

**Criticisms of limited transparency and disclosure about corporate governance practices**

**Dual-class share structure criticized due to disproportionate voting power.**

**CEO's pay seen as excessive and misaligned with shareholder interests**

- One of the best CEO pay in the UK, despite bad performance





# Balance Sheet Health



Debt Coverage, Interest Coverage and Credit Risk

**Unilever aims to be resilient against economic and financial uncertainty while ensuring liquidity**

## Bond Maturity Profile:

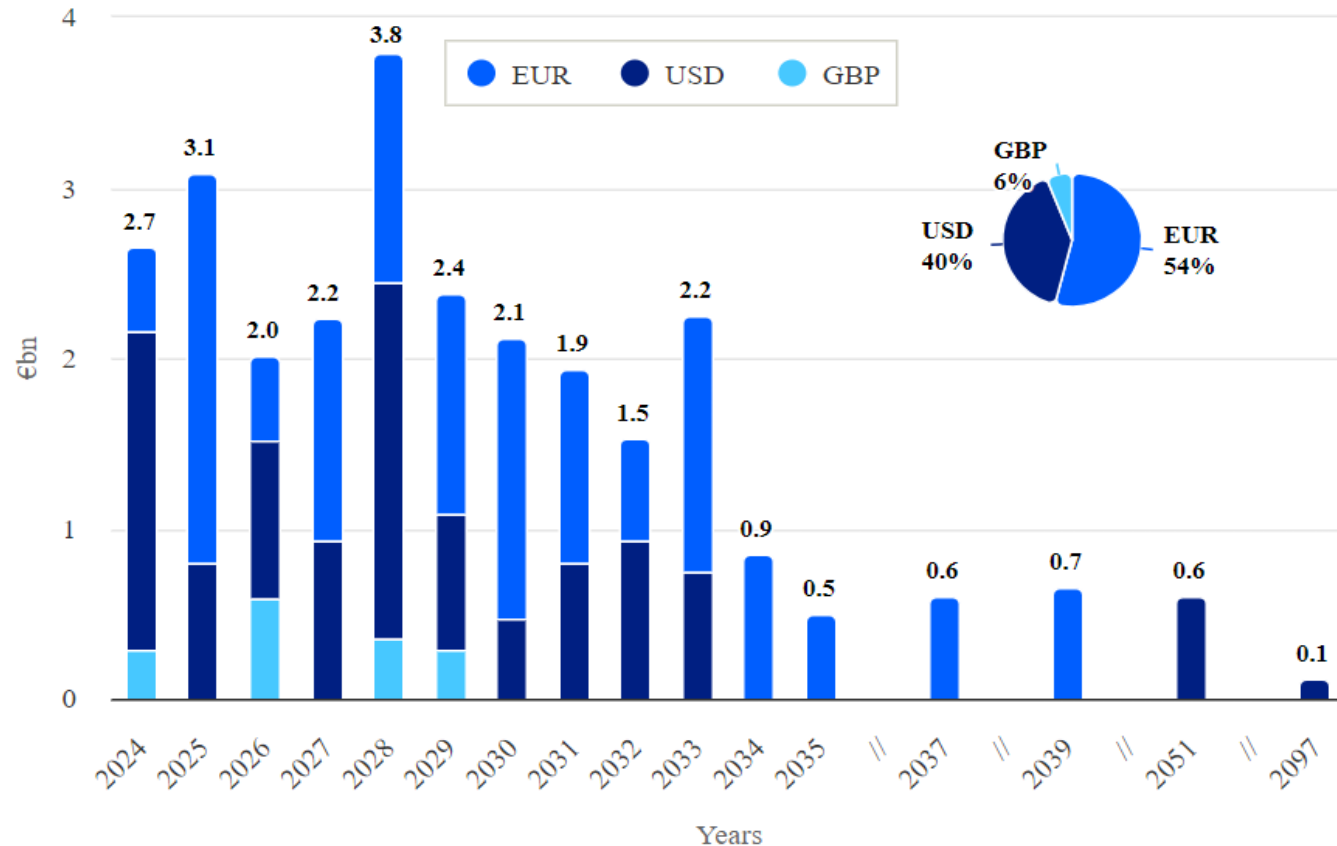
- Total outstanding: €27.3bn
- Average years to maturity: 6.0 years
- Average issuance rate: 2.41%
- Corporate Credit Ratings: A+ (S&P), A1 (Moody's)

## 2023 recap:

- A total of €2.65bn with an average of 1.075% fixed rate notes were repaid.
- A total of €3.75bn with an average of 3.72% fixed rate notes were issued.

## Monitor:

- Overvalued debt at rising interest rates.
- Undrawn bilateral credit facilities (SWAPS).



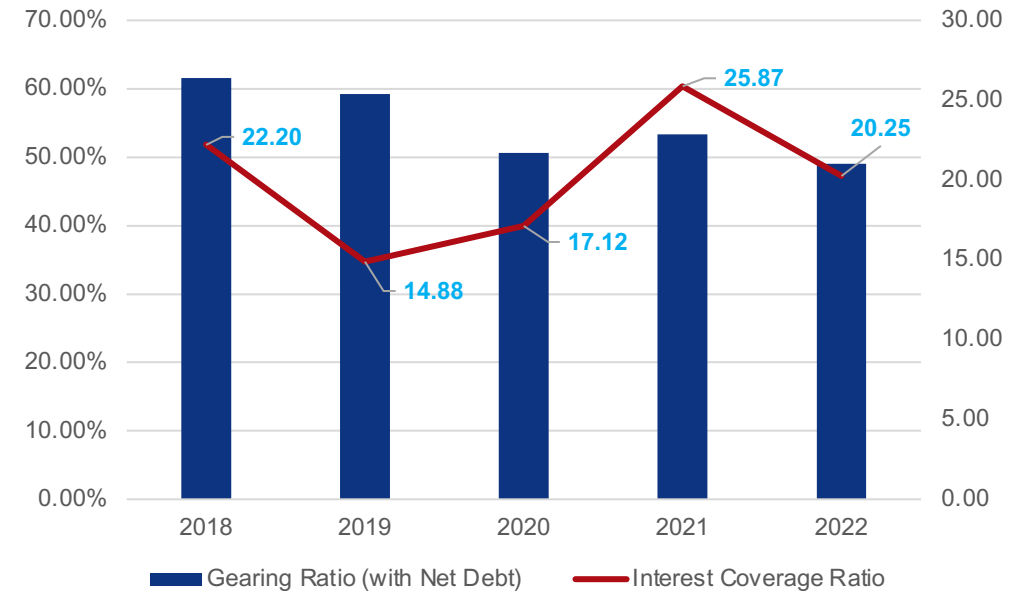
# Balance Sheet Health



Debt Coverage, Interest Coverage and Credit Risk

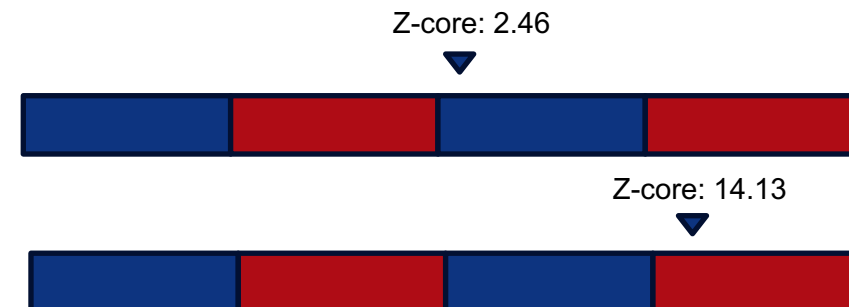
## Solvency Ratios analysis:

- Unilever's debt profile is healthy.
- High **Gearing ratios** indicate that a substantial part of the firm's equity is financed through debt.
- The reliance on debt financing can be a concern if Unilever faces difficulties in meeting its debt obligations in the future, and if interest rates will continue to increase.
- High **Interest Coverage Ratio** suggests that the company generates significantly more earnings than needed to cover its interest expenses.
- Resilience due to **Improved Operational Efficiency, Debt Restructuring**, and a shift in Unilever's Business Model after the 2021 pandemic.



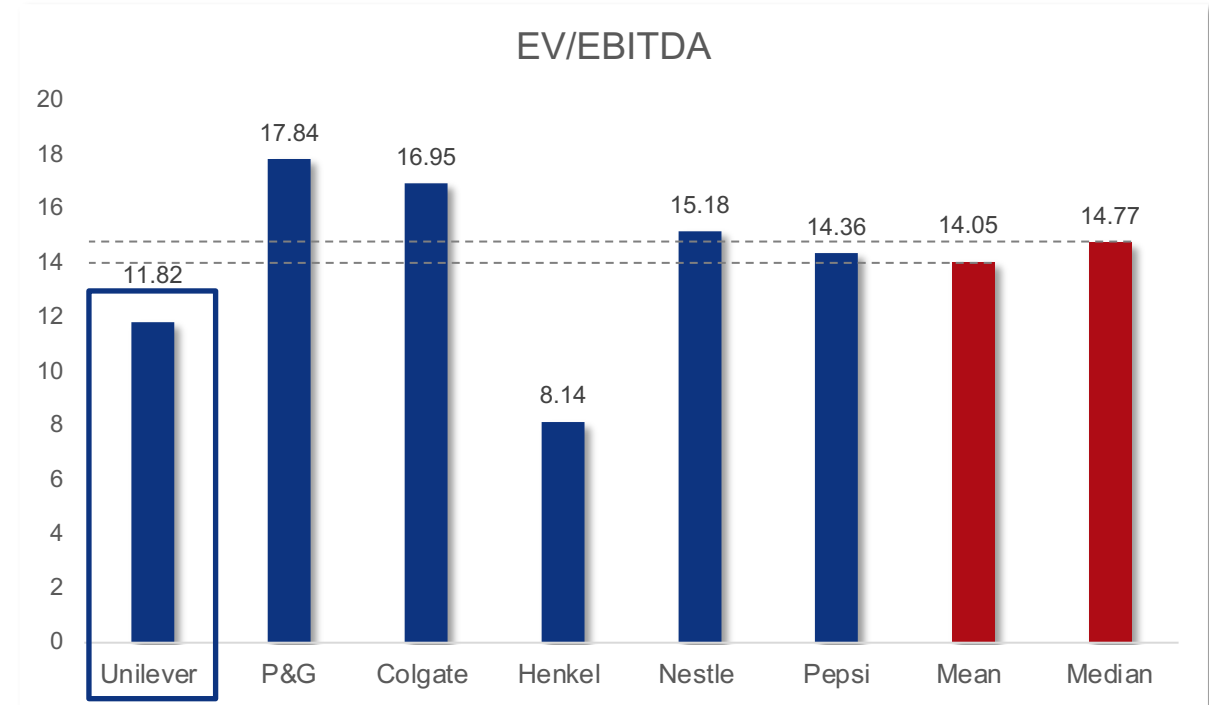
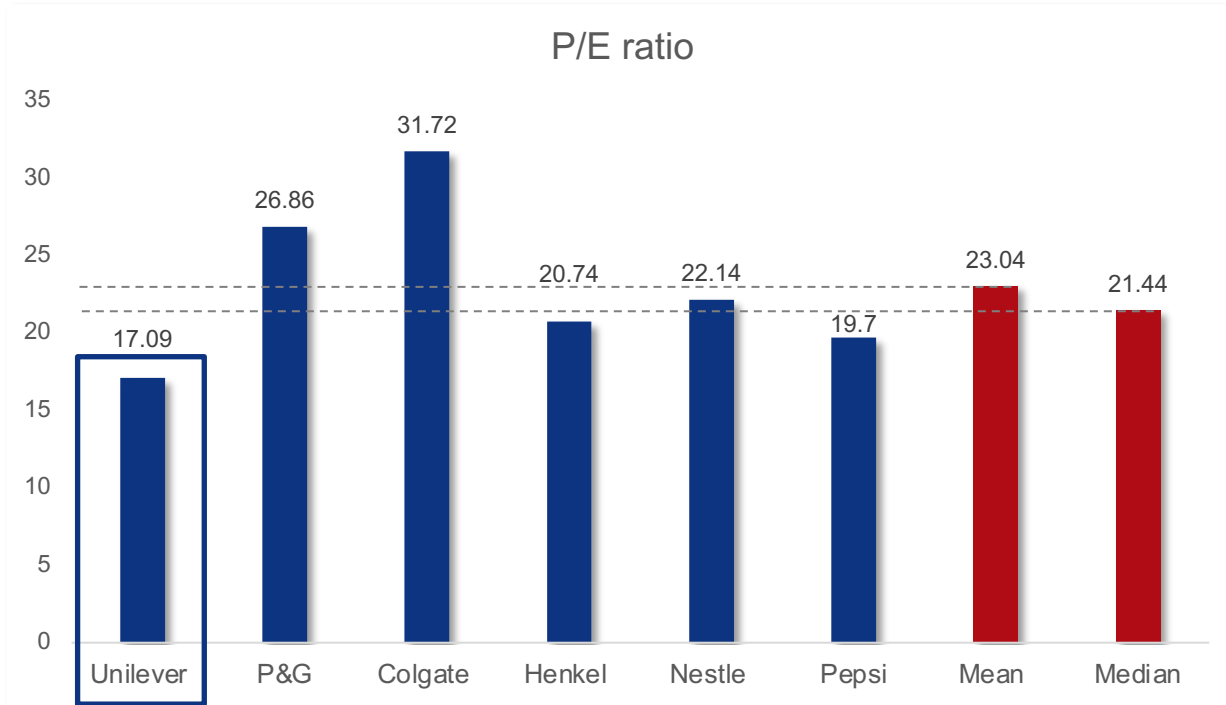
## Z-scores: Solvency and liquidity

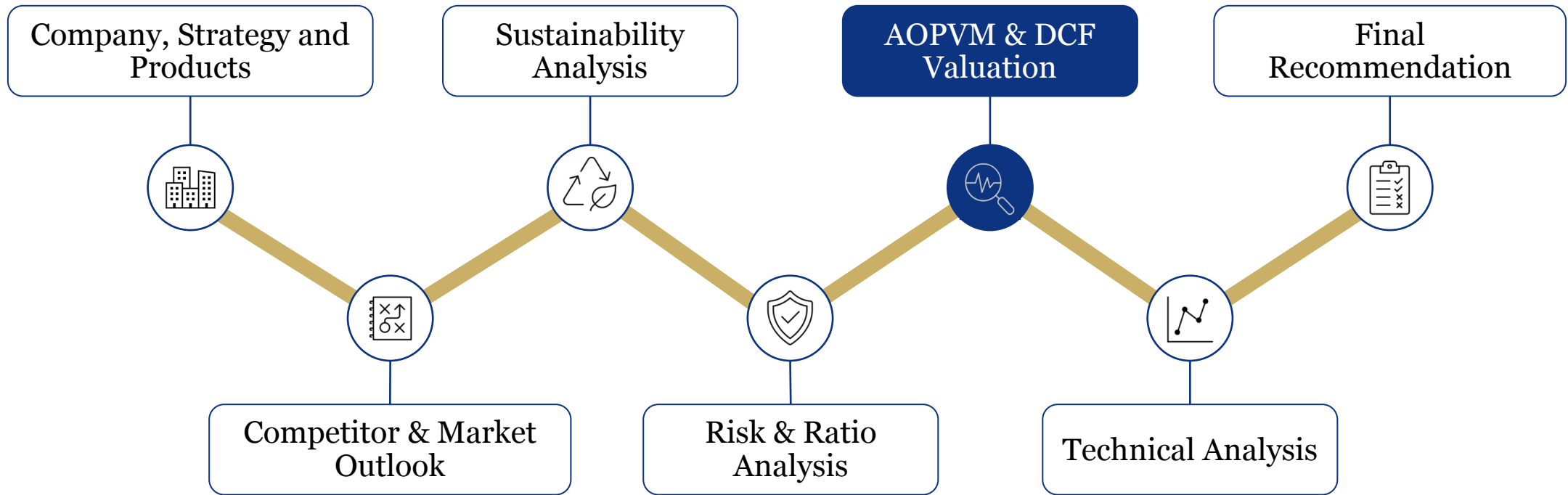
- **Altman z-score:** A value below 1.8 signals that the company is likely headed for bankruptcy.
- **Taffler's z-score:** "solvency thermometer", 0 Solvency Threshold.



# Comparable Analysis

Unilever trumps its competitors





### Having a closer analysis of operational performance

	<b>Equity Valuation</b>	<b>Firm Valuation (E+D)</b>
<b>Cash Flow based valuation models</b>	Dividend Discount Model (DDM)	Discounted Cash Flow (DCF) ✓
<b>Profit based valuation models</b>	Abnormal Earnings Valuation Model	Abnormal Operating Profit Valuation Model ✓

#### **AOPVM:** Enterprise Value

- Measures the value of operations, which is a good proxy for enterprise value.
- Highlights RNOA and growth in book value of operating assets as determinants of business value.

#### **AEVM:** Value of Equity

- Highlights ROE and growth in book value of operating assets as determinants of business value.
- Accounting complexity.

# AOPVM

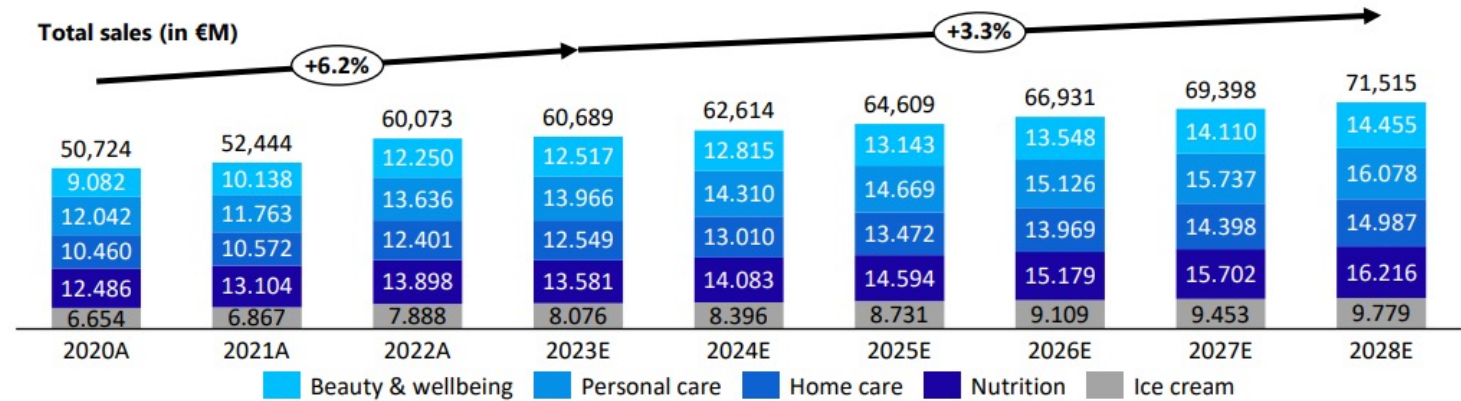


## Abnormal Operating Profit Valuation Method

$$V_0^E = NOA_0 + \frac{AOP_1}{1 + \rho_F} + \frac{AOP_2}{(1 + \rho_F)^2} + \frac{AOP_3}{(1 + \rho_F)^3} + \dots + \frac{AOP_t}{(1 + \rho_F)^t} + \frac{CV_t}{(1 + \rho_F)^t} - V_0^D$$

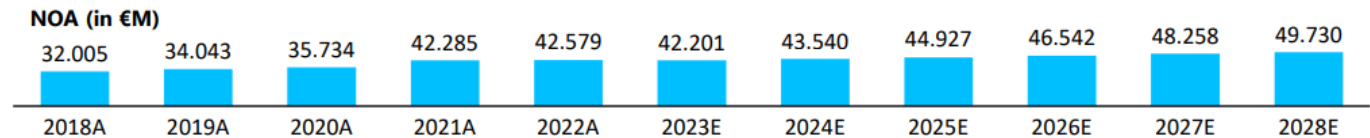
### Sales Forecast:

- For each segment market shares are calculated based on **historical sales** and **estimated** for the future to derive sales per segment.



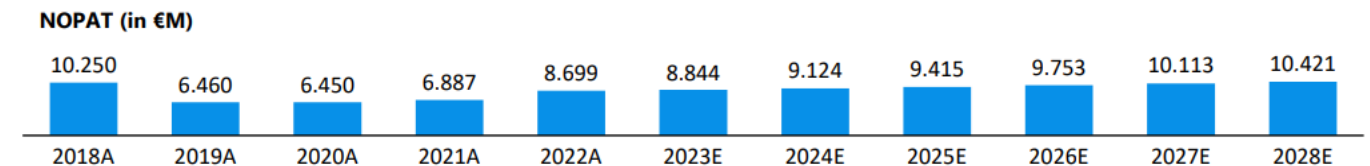
### NOA & ATO:

- Net Operating Assets (NOA)** are forecasted using the average **Asset Turnover (ATO)** of the past 5 years.
- ATO is relatively stable.



### NOPAT & AOP:

- Net Operating Profit After Tax** is forecasted using a 5-year average of Unilever's Net Operating Profit Margin.
- Abnormal Operating Profit** was derived from  $AOP_t = NOPAT_t - \rho_F NOA_{t-1}$





# AOPVM

## Abnormal Operating Profit Valuation Method



### Final Valuation:

Terminal Value	
TGR	2.5%
WACC	6.59%
$NOA_0$	<b>42,579.0</b>
PV of AOP	<b>29,250.1</b>
PV of CV	<b>91,218.2</b>

<b>Enterprise Value</b>	<b>163,047.3</b>
(-) Net Debt	(20,878.0)
(-) Minority Interest	(2,680)
<b>Equity Value</b>	<b>139,489.3</b>
NOSH	2,499.0
Implied Share Price	<b>€55.82</b>

\*Amounts presented in the table are in €M

### Comments:

- We believe that this value reflects the intrinsic value of Unilever and incorporates the long-term strategic ambitions of the company.
- Compared with the current market price, our **price target implies a medium-term upside** potential of **>20%**
- Valuation based on 2022 financials.
- DCF will be based on “*Preliminary 2023*”.

# DCF Valuation



Revenue is expected to stabilize

	Historical					Projection				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	51.980	50.724	52.444	60.073	59.604	61.988	64.467	67.046	69.728	72.517
Growth Rate	n/a	-2,42%	3,39%	14,55%	-0,78%	4,00%	4,00%	4,00%	4,00%	4,00%

## Assumptions:

- *Mature industry, high growth cannot be expected.*

# DCF Valuation



Operating margin's growth is the main focus

	Historical					Projection				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
EBIT	9.947	9.367	9.636	9.683	10.010	9.918	10.959	12.068	13.248	13.778
% Margin	19,14%	18,47%	18,37%	16,12%	16,79%	16,00%	17,00%	18,00%	19,00%	19,00%

## Assumptions:

- *CEO's goal of bringing margin to pre-pandemic period.*
- *Focus will be moved to high growth premium space.*

# DCF Valuation



The focus will be moved to efficiency and effectiveness.

	Historical					Projection				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
CAPEX	1.526	1.021	1.340	1.709	1.745	1.115	1.160	1.206	1.255	1.305
% Revenue	2,94%	2,01%	2,56%	2,84%	2,93%	1,80%	1,80%	1,80%	1,80%	1,80%

## Assumptions:

- *Reduction of M&A deals.*
- *Investments in new products (premium segment) and AI lab to foster operational efficiency, growth and innovations.*



# WACC Estimation

## Breakdown

<b>Debt</b>	<b>Debt</b>	<b>29.622</b>
	% Debt	18,22%
	Cost of Debt	3,55%
	Tax Rate	25%
<b>Equity</b>	<b>Equity</b>	<b>133.000</b>
	% Equity	81,78%
	Cost of Equity	7,34%
	Risk Free rate	3,50%
	Beta	0,70
	Market Risk Premium	5,48%

## Key Considerations:

- A future decrease in interest rates may decrease the WACC.
- Consider possible changes in the financing mix and capital restructuring in the future.

## Cost of Capital

**6,48%**

# DCF Valuation



Summary & Value per share

FCF	2024	2025	2026	2027	2028
<b>Unlevered</b>	6.694	7.342	8.139	8.987	9.347
<b>PV</b>	6.287	6.475	6.741	6.990	6.827

<b>TGR</b>	<b>2,50%</b>
------------	--------------

Current Share Price

€ 45,12

Implied Share Price

€ 54,42

Implied Upside

**+20,00%**

## Model Assumption

- CapEx will decline as Unilever is in a mature stage and will reduce M&A.
- Operating margin will increase due to company's focus on operational efficiency.



# DCF Sensitivity Analysis



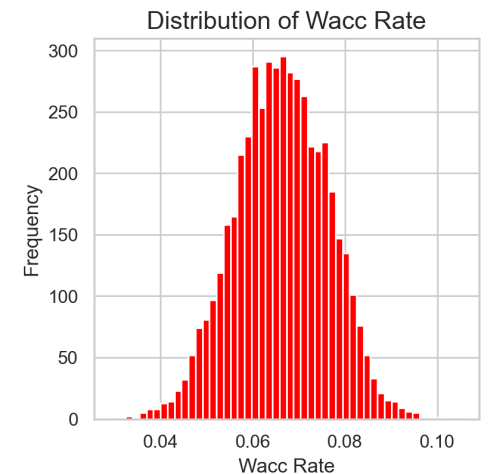
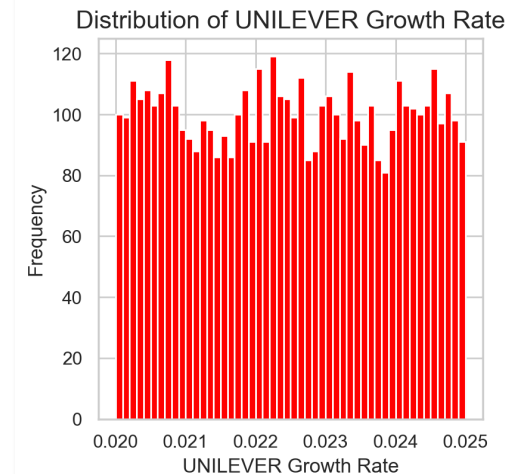
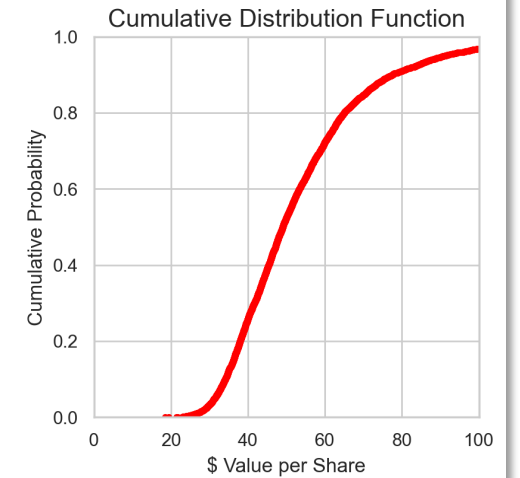
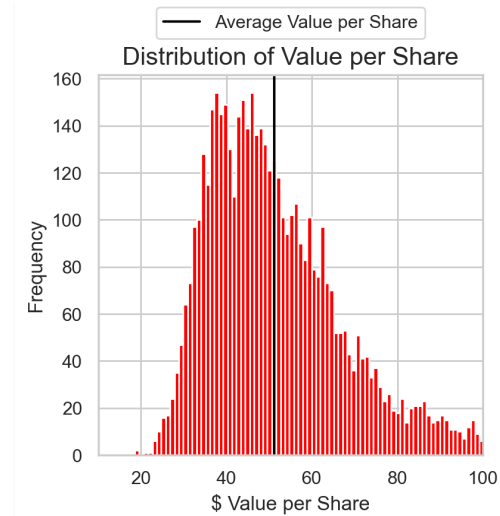
Monte-Carlo Simulation

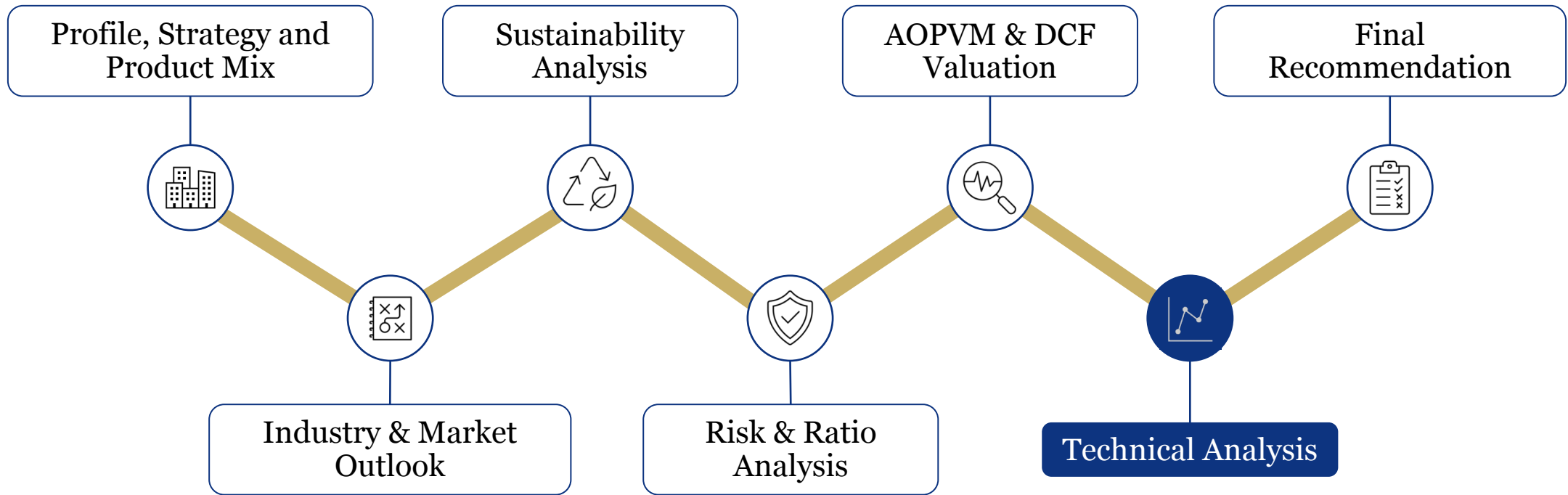
## Assumptions & Comments:

- 2 Inputs (Wacc and TGR), which were the most important and uncertain assumptions.
- TGR was simulated using a uniform distribution. Whereas the Wacc rate was simulated using a normal distribution.
- The simulation was executed using the 'xlwings' library, which facilitates the integration between Python and Excel.

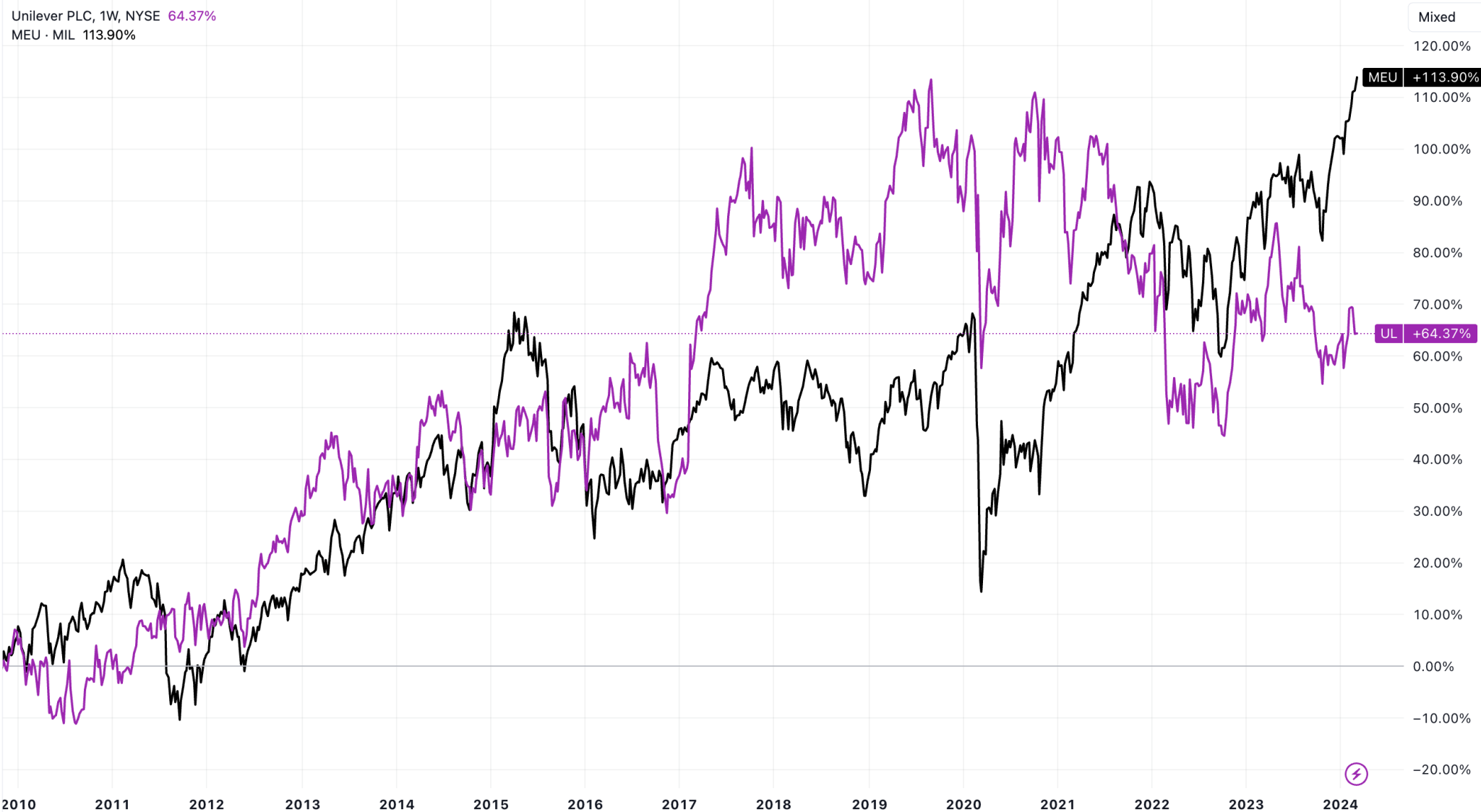
## Simulation Results:

	Growth Rate	Wacc Rate	Share Price
<b>Count</b>	5000	5000	5000
<b>Mean</b>	2.25%	6.62%	<b>€53.21</b>
<b>Std</b>	0.15%	1.00%	€21.24
<b>25%</b>	2.12%	5.94%	<b>€39.71</b>
<b>50%</b>	2.23%	6.62%	<b>€49.04</b>
<b>75%</b>	2.50%	7.33%	<b>€61.76</b>

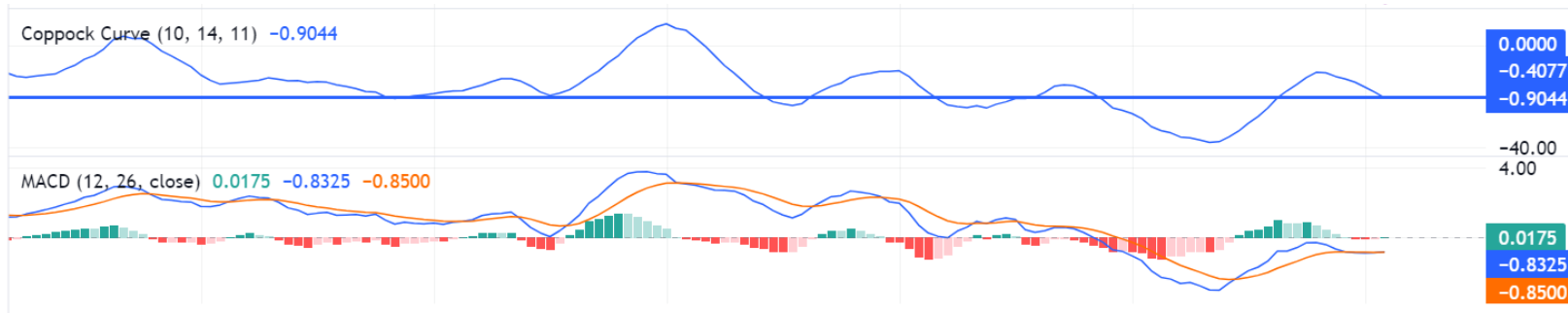




# Comparison with MSCI Europe Index

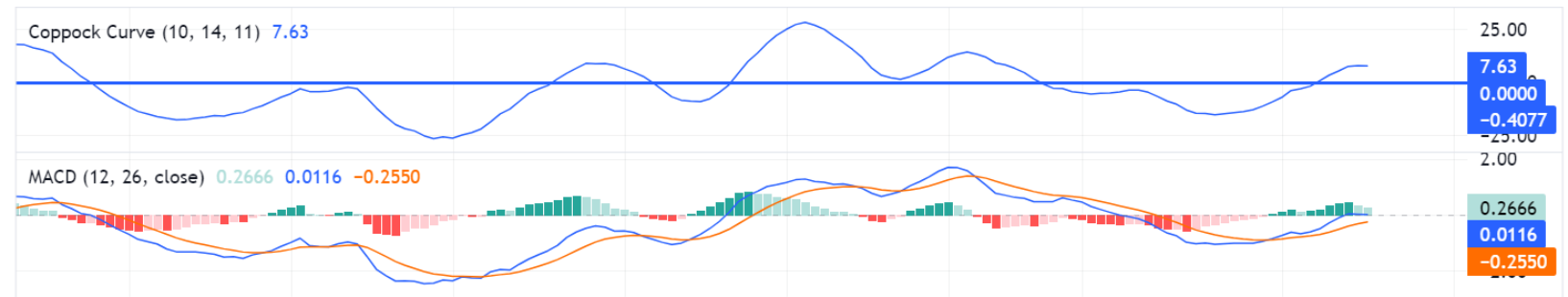


# Coppock Curve: Monthly vs. Weekly

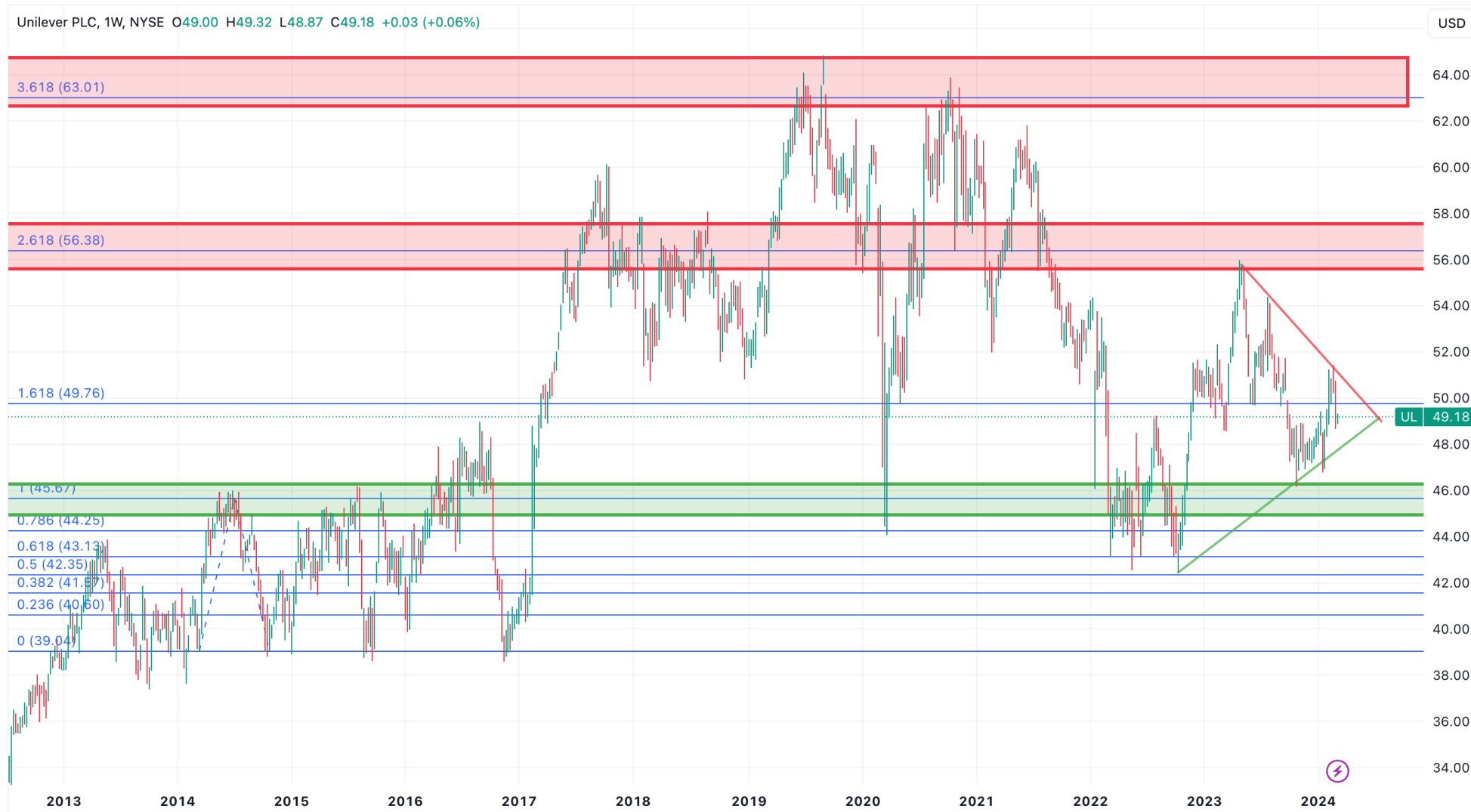


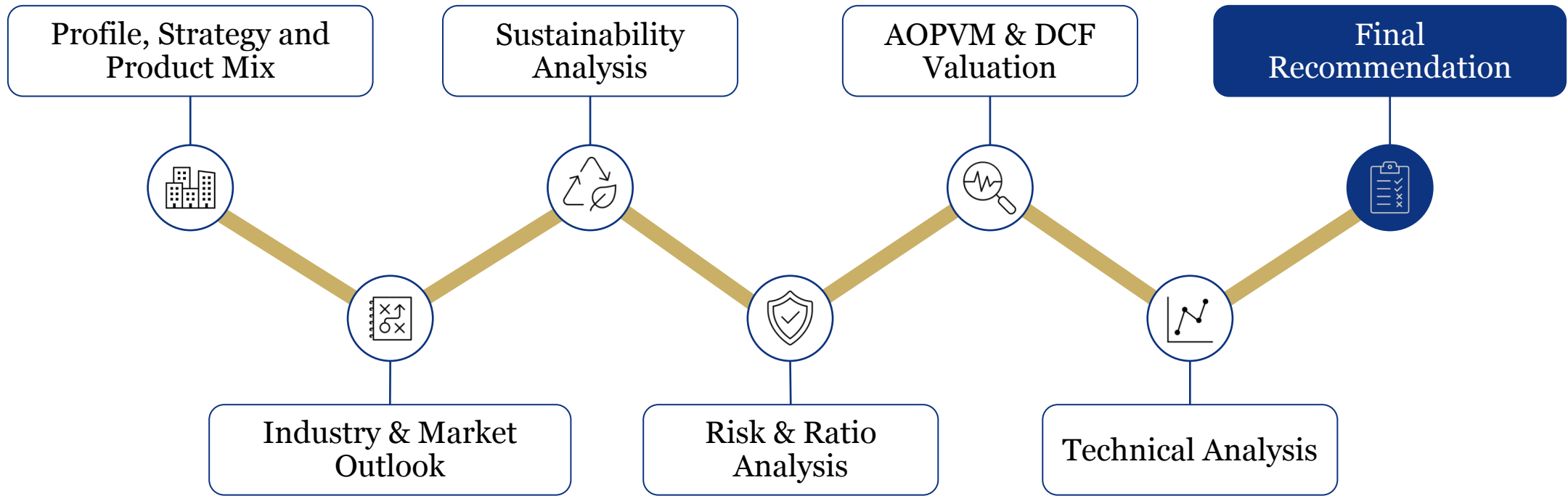
Monthly

Weekly



# Support and Resistance





**Σigma**  
Investments



# Final Recommendation



## Overview

### Summary:

#### Business Strategy

Strong business groups & natural diversification.  
Healthy financials.

#### Risks

Overvalued debt.  
Currency depreciation, emerging foreign exchange fluctuations.  
Commitment to refinancing debt mix.

### Shareholders should also consider:



**MONITOR:** Medium-term that could translate into a **BUY**

**STRONG DIVIDEND YIELD: 3.78%**

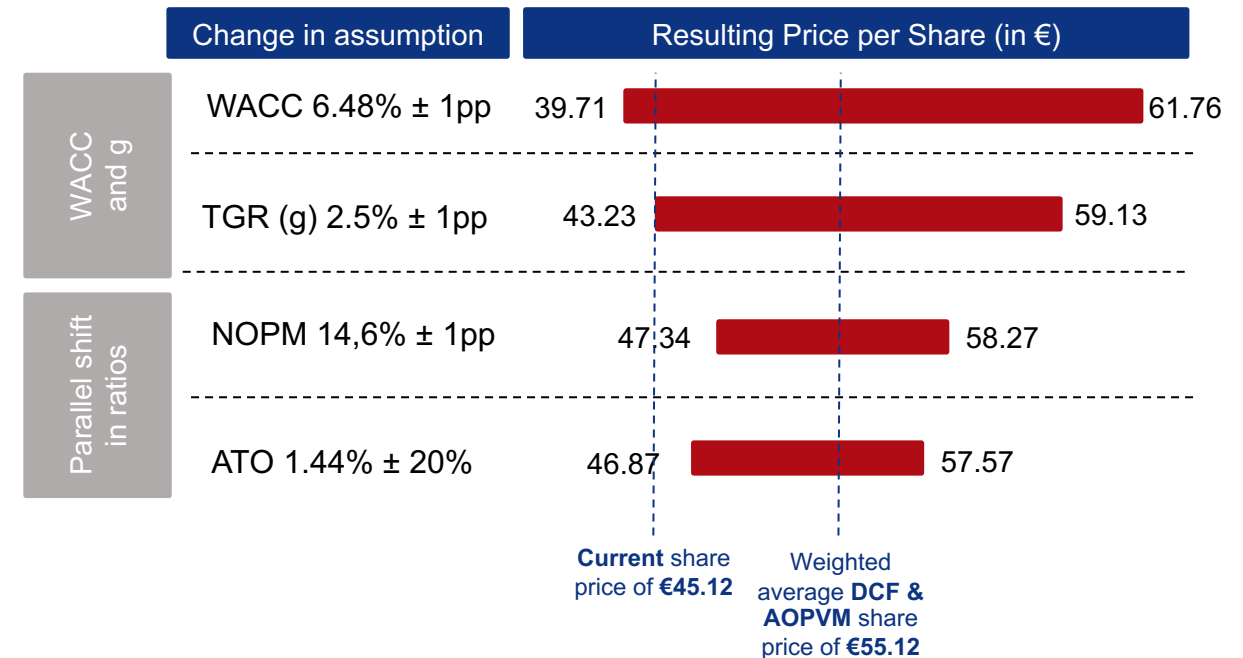
**ADAPTABILITY:** to the rapidly changing CG sector

### Forecasted Share Price Development:

Valuation suggests an implied upside of  $\geq 20\%$

Valuation is highly sensitive to all assumptions made.

Reinforced by sensitivity analysis.





Technology, Media & Telecommunications

---

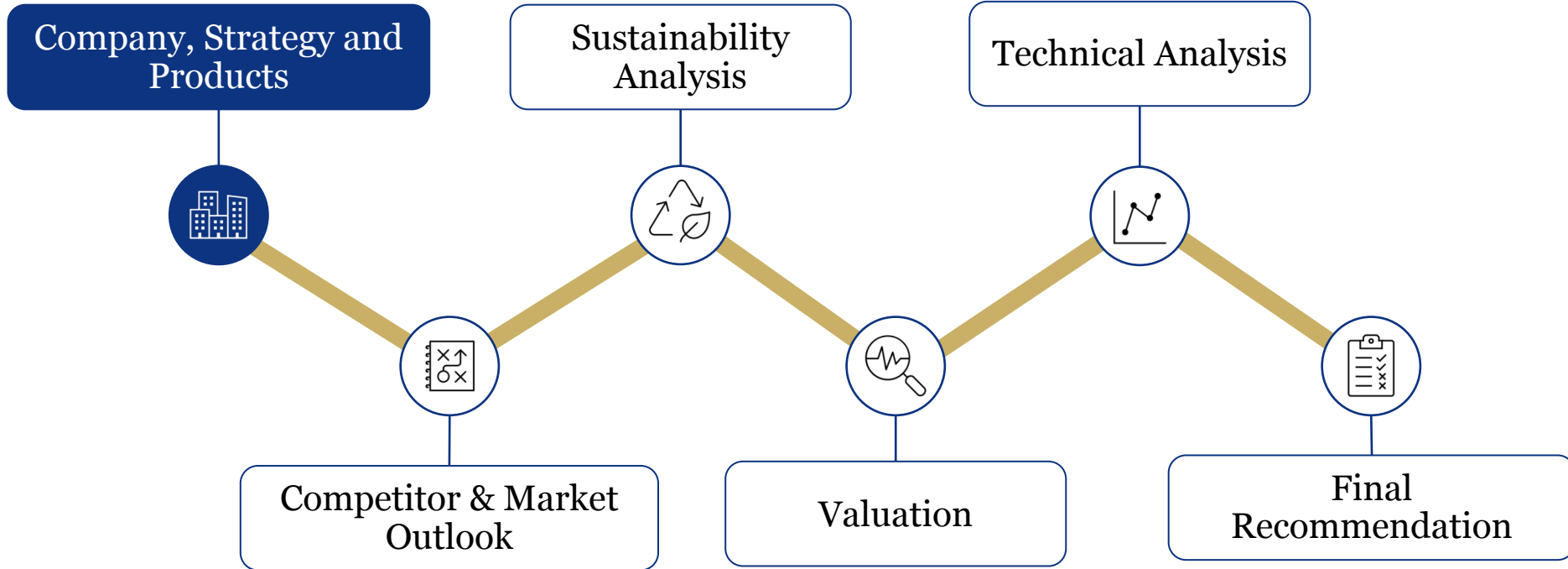
**Σ**igma  
Investments



**mercado  
libre**

---

**Σigma**  
Investments



# Company Overview



The South American Amazon?

## Profile

Mercado Libre is an Argentinian company headquartered in Montevideo, Uruguay, which engages in the provision of an online commerce platform

Core services include their flagship e-commerce business, Mercado Libre, and their fintech branch, Mercado Pago

They operate in 4 geographical segments: Brazil, Argentina, Mexico, and Other Countries

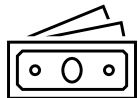
Market leader in Latin America, with 100+ million active users in over 18 different countries

Its stocks trade on the Nasdaq exchange

'Skin in the game' by founder and CEO Marcos Galperin (7%)



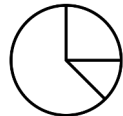
Market Cap  
\$ 76.68 bn



P/E ratio  
80.03

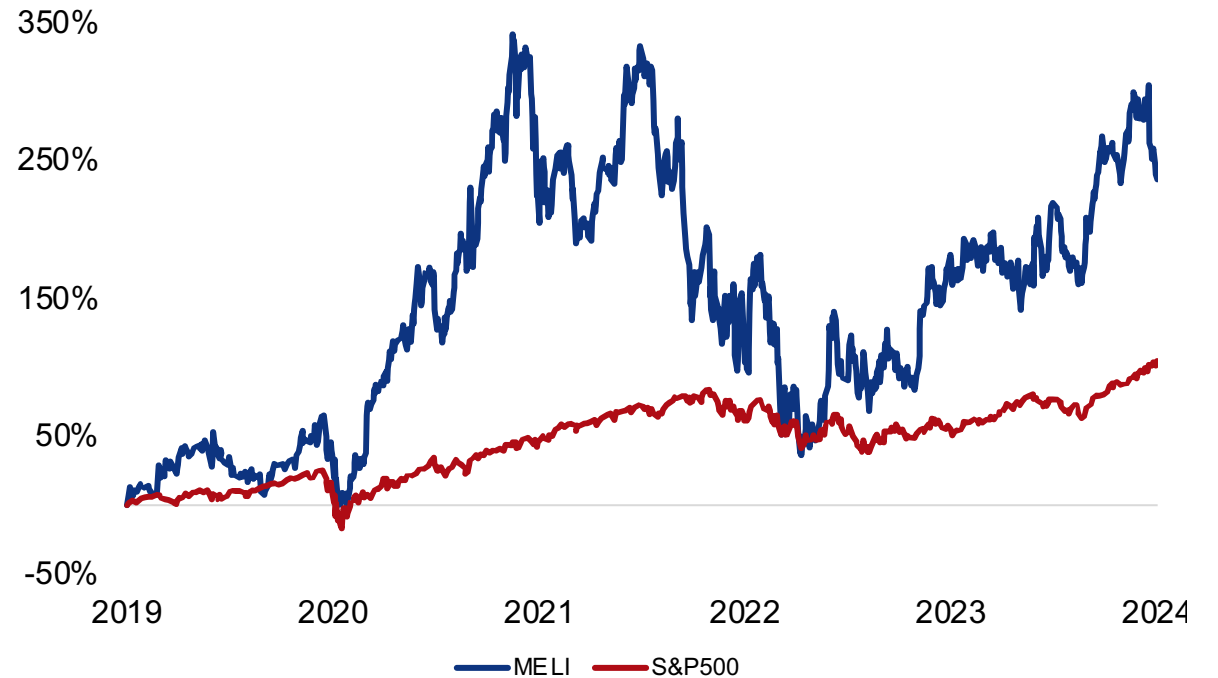


1 Year Beta  
1.51



Dividend yield  
0.0%

## Total Return comparison (in %)



## Current events:

Gross margin declined by 270 bps due to higher first-party revenue  
Net income fell short \$200 million due to one-off tax expenses in Brazil

# Company strategy



Accelerated growth with a focus on the organic growth of the company

## Approach and vision

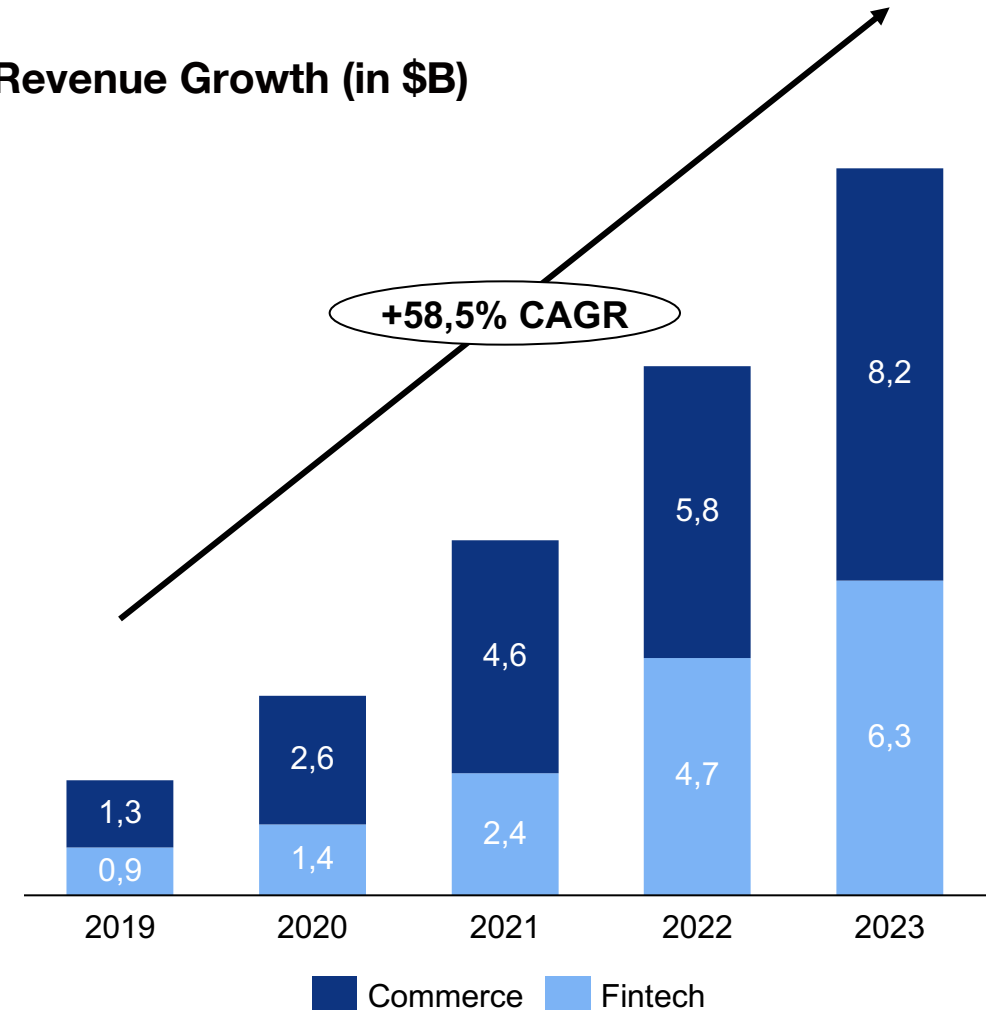
- Mercado Libre's purpose is to democratize commerce and financial services to transform the lives of people in Latin America
- With this objective, the company has created an ecosystem of different services with its online commerce platform at the centre
- Company culture is to be "in continuous beta"; permanently focused on innovating to offer the best experience and extend competitive advantages

## Services:



- Acquisition of Redelcom (2021)
- Acquisition of Kangu (2021)

## Revenue Growth (in \$B)



# Commerce branch



Marketplace Mastery in Latin America

## Variety of services are a part of their commerce portion

### Marketplace:

- An e-commerce platform that allows users to buy and negotiate the purchase of a range of products and services

### Mercado Envíos:

- Logistics system from within the company to optimise delivery times and ensure a good customer experience

### VIS (Vehículos, Inmuebles y Servicios):

- Vehicle, property, and services section where they allow sellers an exclusive section to sell these on the platform

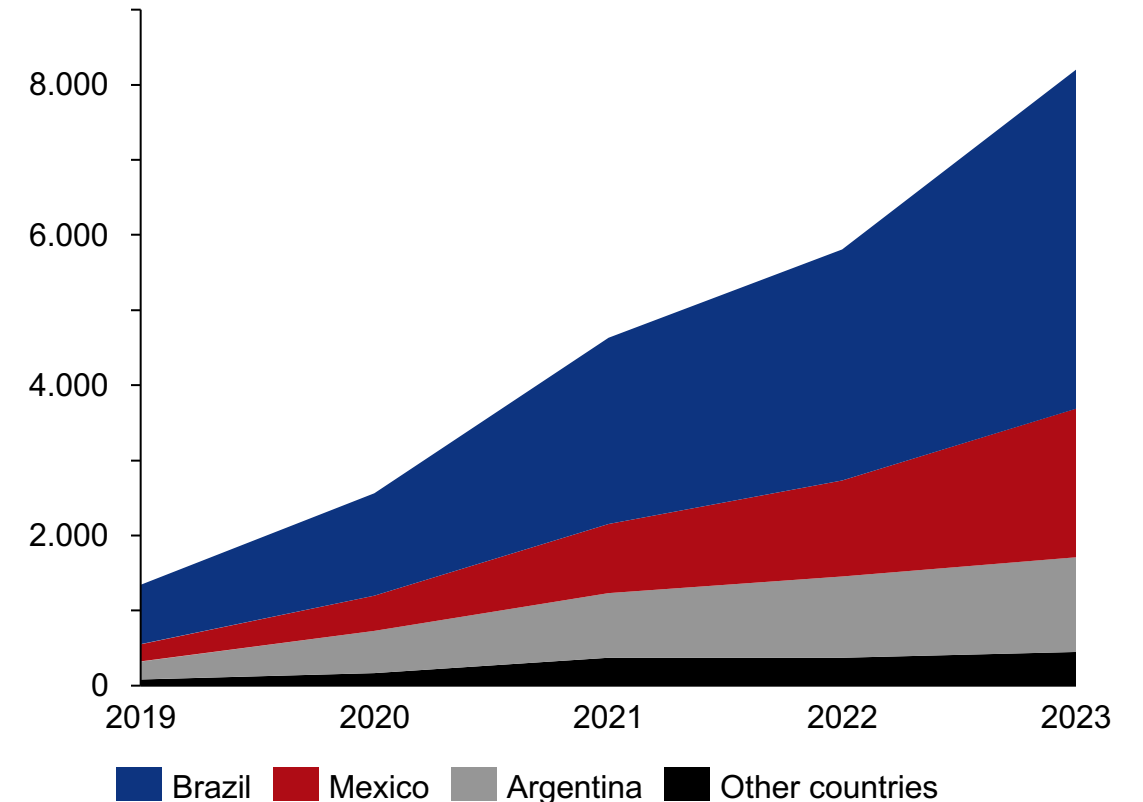
### Mercado ADS:

- Offer advertising solutions that allow sellers and brands to promote their products on the platform

### Mercado Shops:

- Tool that allows shops to create their own online shops within the Mercado Libre ecosystem

## Commerce revenue by country (in \$m)



# Financial Services



Fintech revenue grows >50% yearly

## Revenue sources

- **Fintech Services** including credit & debit card fees, insur-tech revenues, off-platform revenue commission, revenues from instalment-payment offering
- **Credit Revenues** including interest earned in loans and advances to merchants and consumers, interest earned on credit card transactions
- **Fintech Product Sales** including mobile point of sales devices

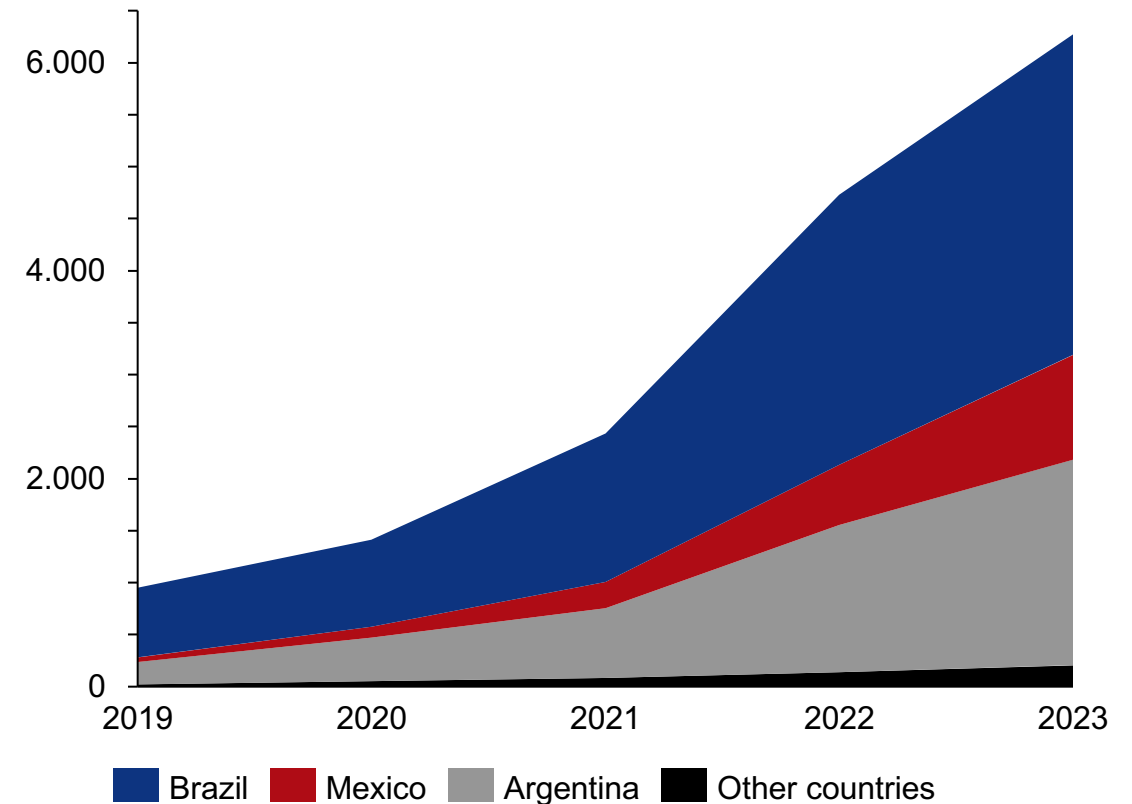
## Mercado Pago as a solution to solve underbanking

- Growth has been driven by unbanked population
- Smartphone penetration is expected to reach >90% by 2030
- Mercado Pago offers mobile wallet and payment via QR-code
- Wallet offers automatic index investment to cover for inflation

## Mercado Pago revenue drivers

- Initially created as payment offering integrated into e-commerce, off-platform payments account for the majority of earnings
- Wallet is used as inflation hedge
- Mercado Pago launched in Chile late 2023

## Fintech revenue by country (in \$m)

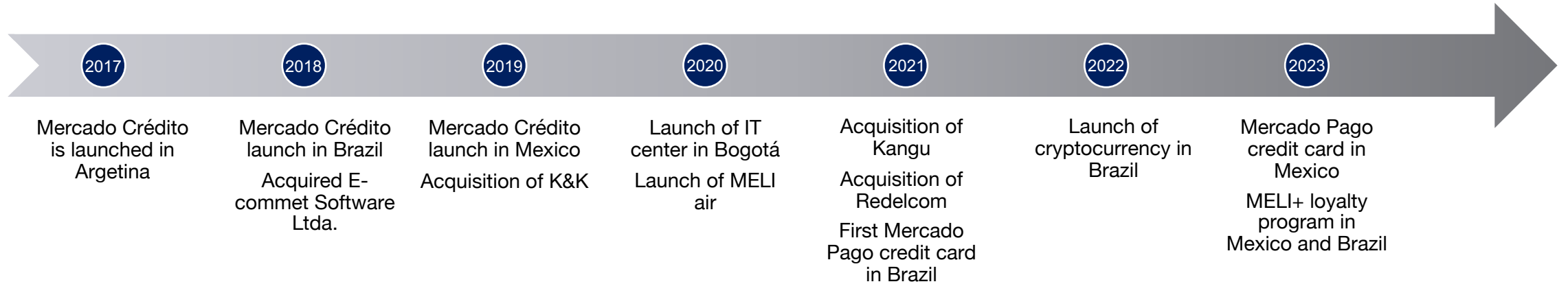




# Developments and expansion of services



New exposure in Latin American region

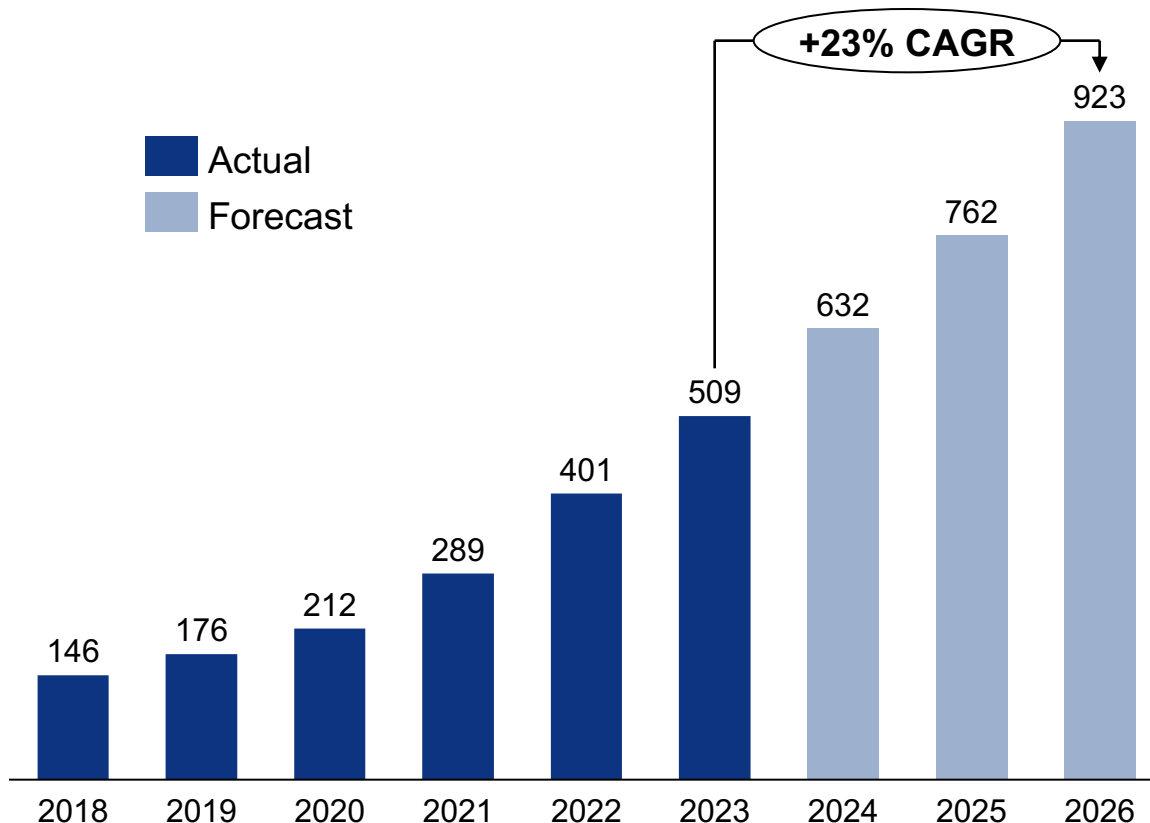


Country	Marketplace	Mercado Pago	Mercado Envíos	Mercado Crédito
Argentina	✓	✓	✓	✓
Brazil	✓	✓	✓	✓
Mexico	✓	✓	✓	✓
Uruguay	✓	✓	✓	
Colombia	✓	✓	✓	
Chile	✓	✓	✓	✓
Peru	✓	✓	✓	
Venezuela, Costa Rica, Dominican Republic, Panama, Bolivia, Guatemala, Paraguay, Nicaragua, Honduras, El Salvador	✓			

# Market Outlook E-commerce Industry



## E-commerce market in Latin America (\$ Bn)



### Industry Trends

- After the high growth experienced during Covid-19 growth will stabilize around a 20% increase YoY
- Increasing internet penetration and smartphone usage trends will be key to sustain this growth
- Cross-border e-commerce is on the rise, with improved shipping options and availability of various products

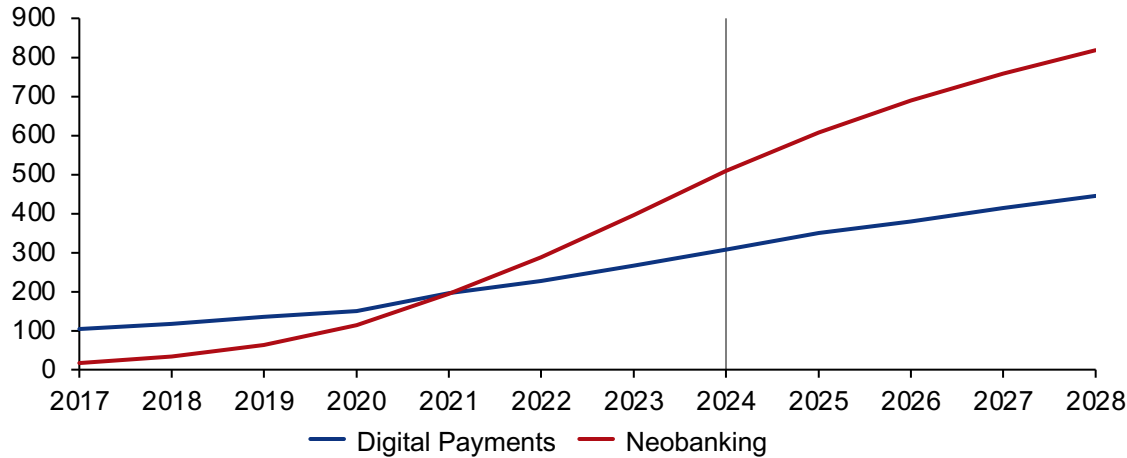
### Future Outlook

- Latin America is projected to be the fastest growing region in the e-commerce market, with a CAGR of 23% for the 2023-2026 period
- The industry will continue developing in a region of unstable inflation and growth

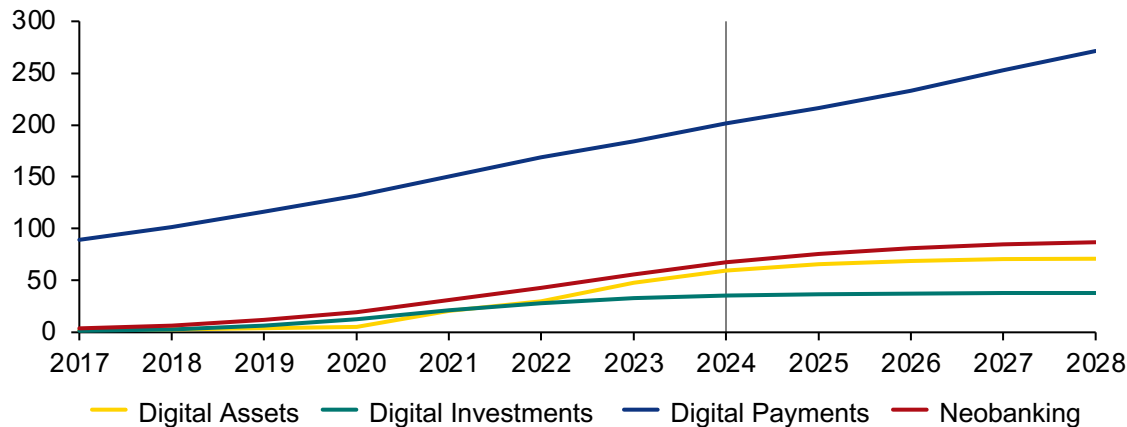
# Market Outlook Financial Service Industry



Transaction volume in billion \$ (B to C)



Users by segment in million (B to C)

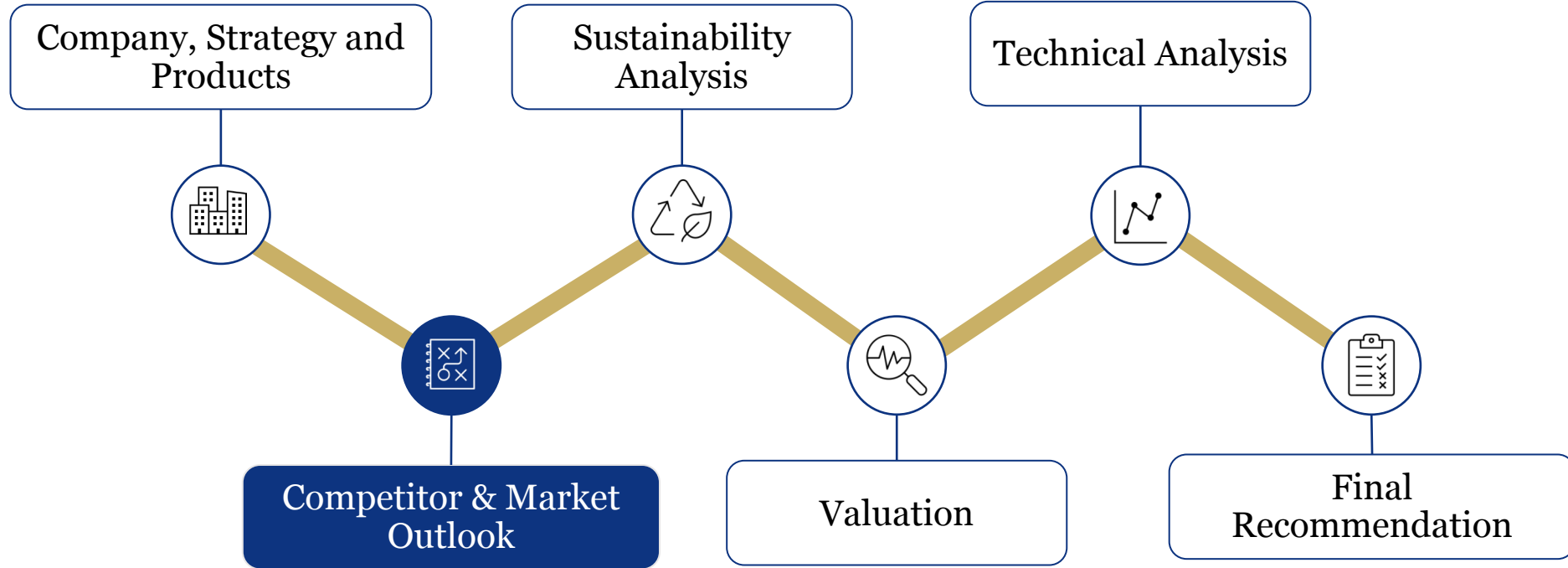


## Industry Trends

- Sao Paulo, Mexico City and Bogota emerge as fintech hubs with talent, capital and innovation leading to creation of fintech eco systems
- Due to the diverse economies in LatAm there is a wide array of opportunities and challenges
- LatAm fintechs raised a record \$14 billion in 2021

## Future Outlook

- Due to forecasted favourable conditions, transaction value and users are predicted to grow consistent over the next years
- Key areas include: Digital banking, e-commerce integration, insurtech, remittances, lending and payment



# Competitor Analysis



Competition also offers a variety of services



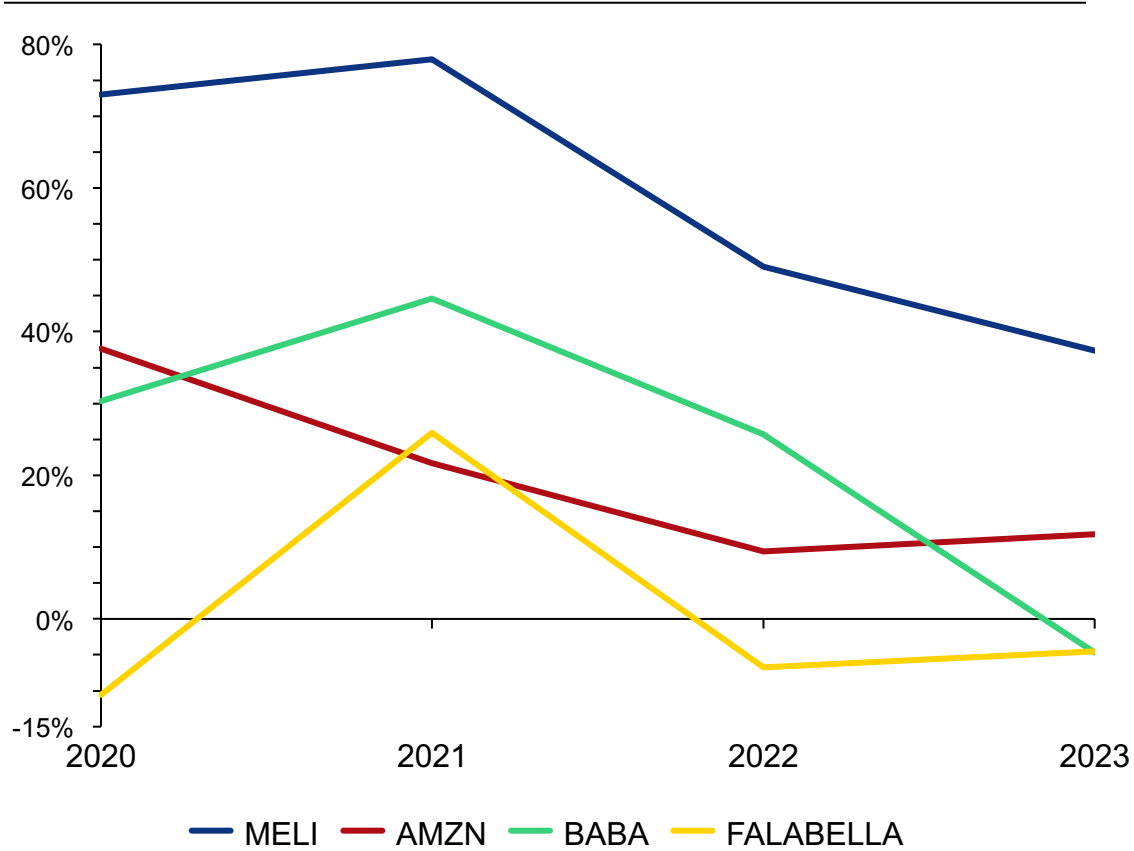
Market Cap. (bn \$)	77.5	1,821.4	185,4	6.3
Revenue (bn \$)	14.47	574.8	127	11.8
Net Profit Margin	6.8%	4.3%	8.3%	0.5%
Dividend Yield	0%	0%	1.4%	3.6%
Employees	58,313	1,525,000	219,260	83,414

# Ratio Analysis

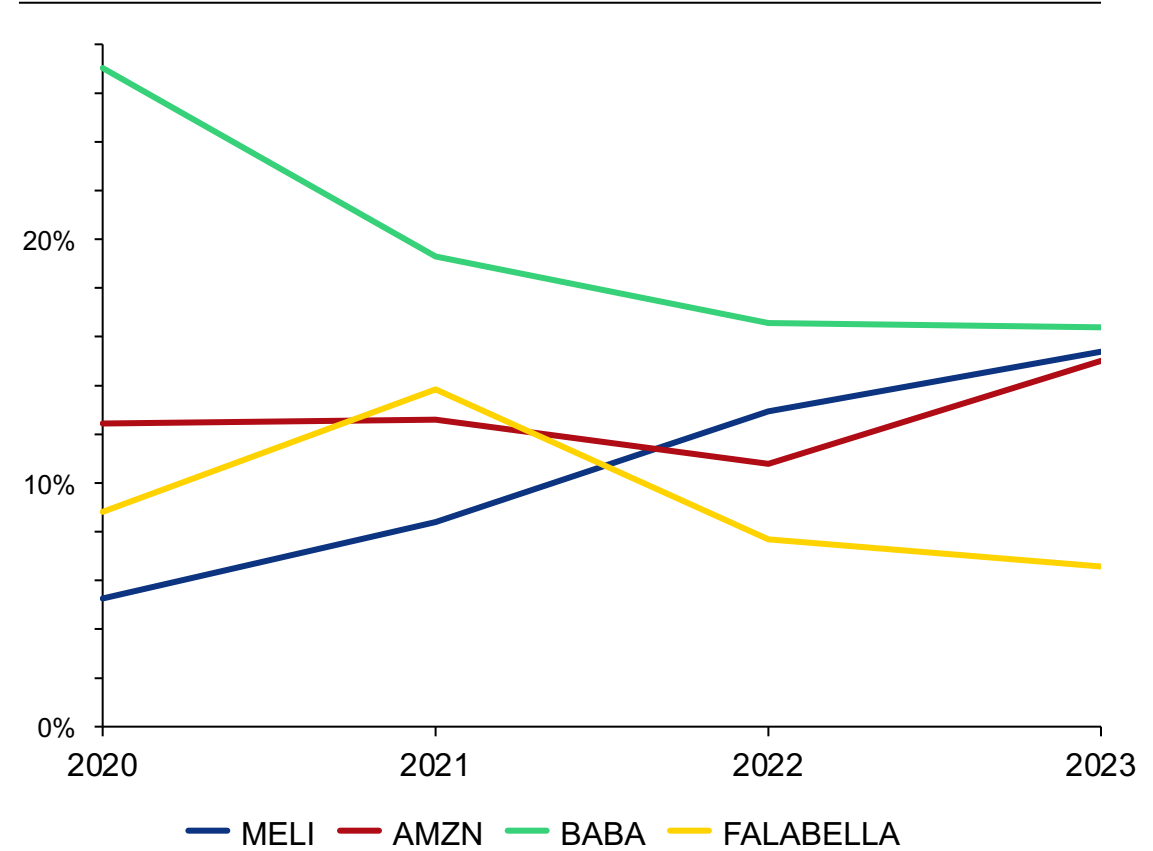


Rising EBITDA margin and strong growth in sales

### Sales Growth in %



### EBITDA margin in %



# Catalysts



Demographics, politics and economic development in Latin America facilitate Mercado Libre's growth story

**Favorable adjustments to fintech regulation across countries**

- Across LatAm economies >120 million are believed to be unbanked
- Regulators embrace the positive effect of fintech and constantly deregulate

**Young population**

- 48.5% of the population in LatAm is under 30 years
- They are can adapt faster to online services offered by Mercado Libre

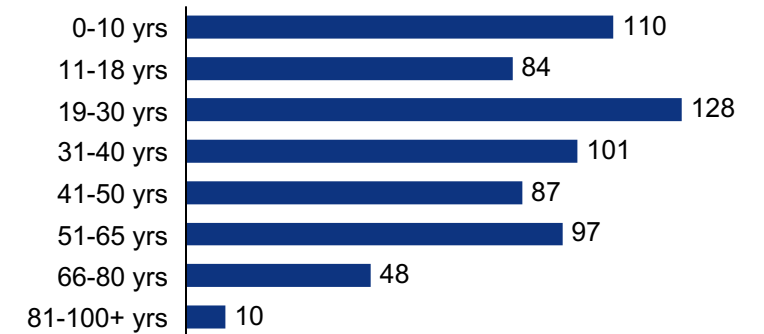
**Internet access**

- Both commerce and digital financial services require availability and reliability of internet in LatAm
- The preceding 20 years were characterized by steady growth, 90% usage is predicted by 2030

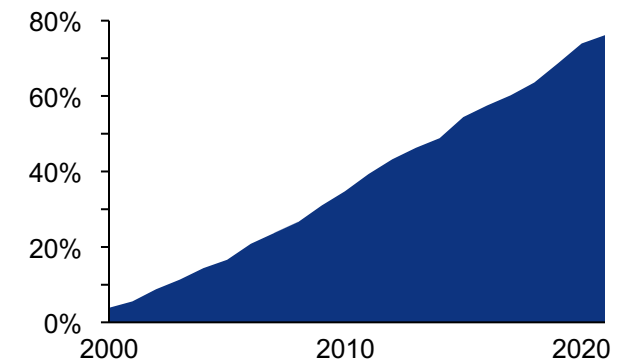
**Political changes Argentina (3rd biggest market)**

- Javier Milei elected president of Argentina
- Positive sentiment for economic stabilization after change from rather left to libertarian president

**Population (in m) in Latin America by age (2023)**



**Individuals using the Internet (% of population)**



# Risks & Mitigations



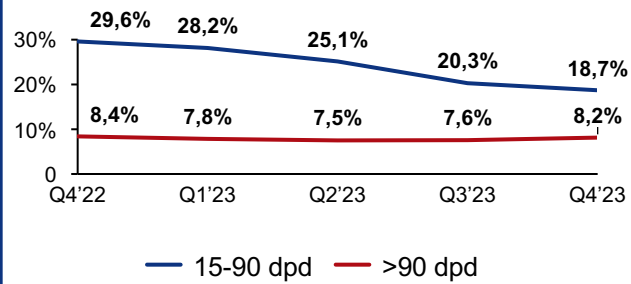
Key risks which are incorporated into the valuation of Mercado Libre

## Credit Risk

### Risks

- Mercado Credito is exposed to credit risk of consumers and merchants

### Mitigation



## Adaption

### Risks

- Business depends on steady growth of e-commerce and digital financial services, which depends on internet availability in LatAm

### Mitigation

- Expand supporting services to increase influence on adaption
- Growth outlooks are stable with large upside

## Competition

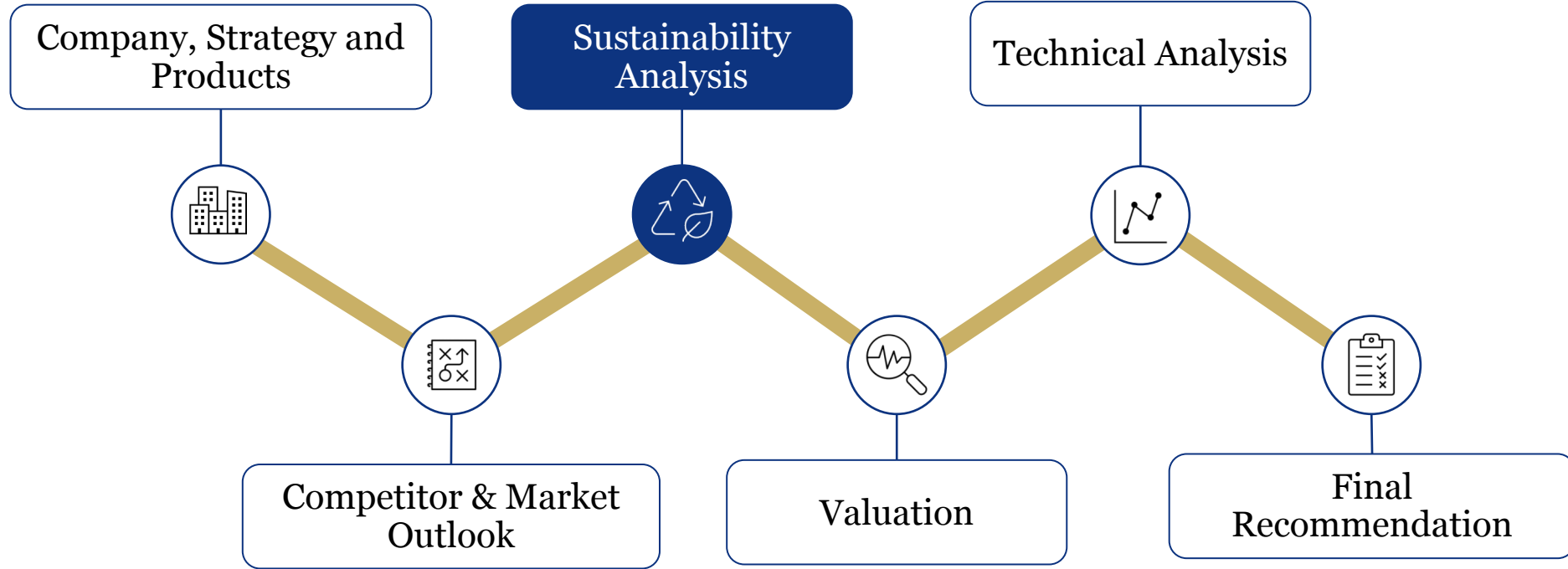
### Risks

- With low barriers to entry, the market is rapidly evolving and highly innovative. MELI needs to maintain leadership in different segments

### Mitigation

- Monitoring competitors and approach competition authority in case of illegal practices



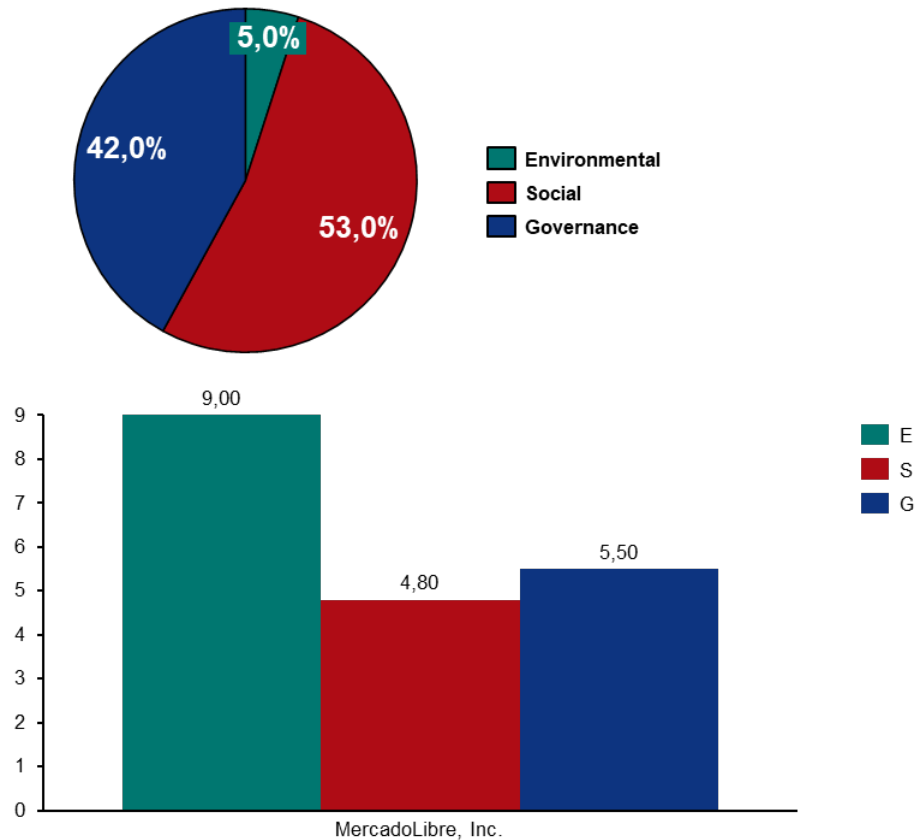


# Sustainability Analysis

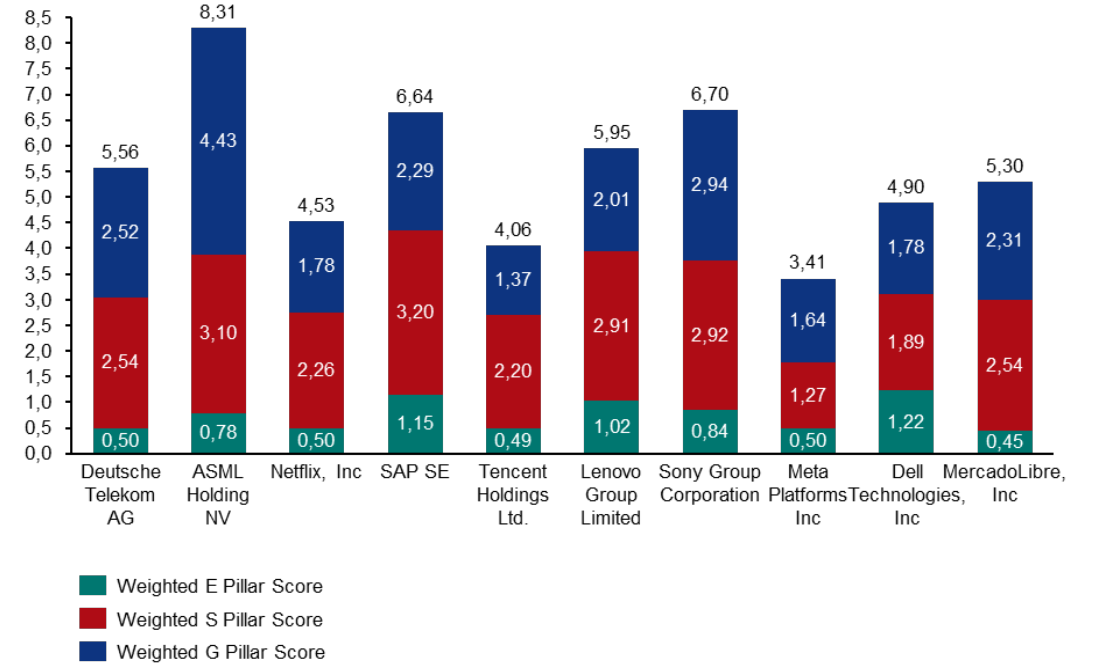


## Quantitative View

### ESG Pillar Weights



### ESG Scores & Portfolio Benchmark



# Sustainability Analysis



Qualitative View

## ESG Factors

### Environmental:

- Sustainability bond
- Committed to Science Based Target initiative (SBTi)
- Targets still to be defined

### Social:

- Positive impact programs
- Aims for financial inclusion in South America
- Afro and female entrepreneurship

### Governance:

- 22.2% women in board of directors
- 100% men in executive team
- CFO left company in August 2023 after 24 years

## Controversies

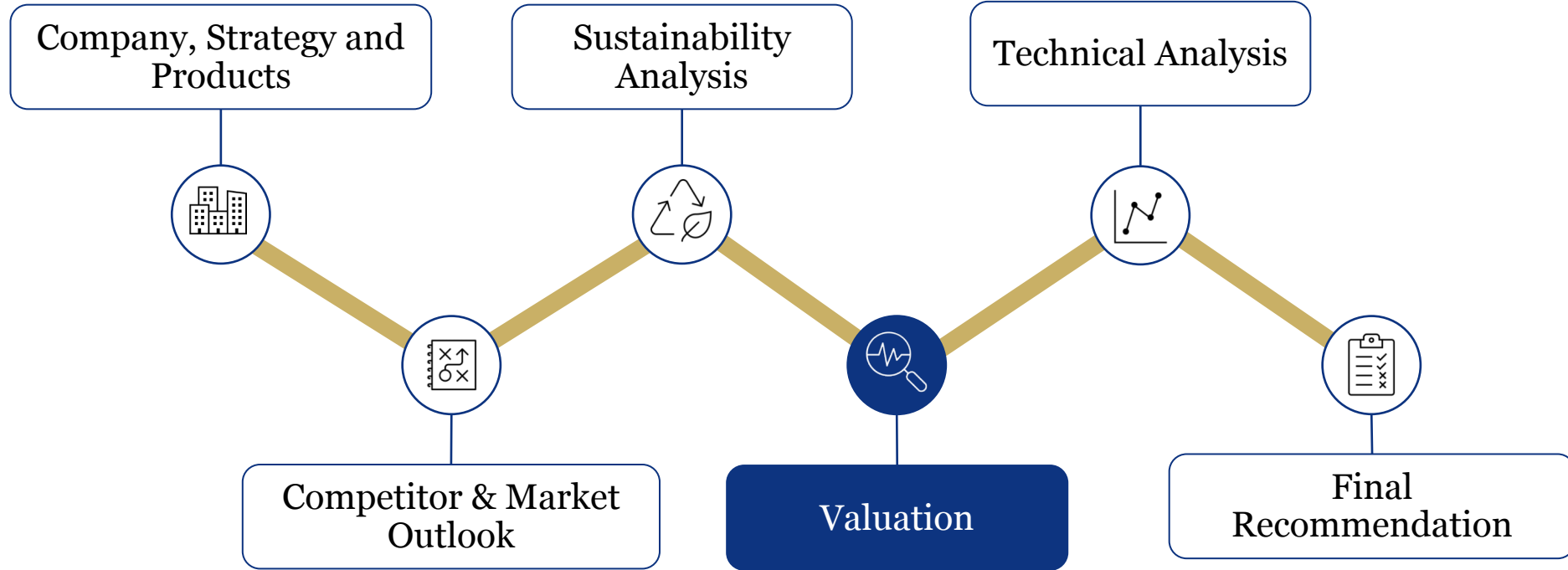
### MercadoLibre charged with fraud in Argentina

by Léo Siqueira | Feb 6, 2020 | [Marketplaces](#)

- CEO and other top executives
- Trade of treasury bonds before extension of due date
- Central bank credit line with help of President

### Argentina: MercadoLibre announces data breach affecting 300,000 users

- Customer account data were leaked
- No critical information included
- Intransparent communication





**Σigma**  
Investments

# NLP Sentiment Analysis



Positive Sentiment for Mercado Libre

## NLP Model



**RoBERTa**

- **Base model** trained on ~124M tweets
- Possible outcome:
  - 0 -> **Negative**
  - 1 -> **Neutral**
  - 2 -> **Positive**

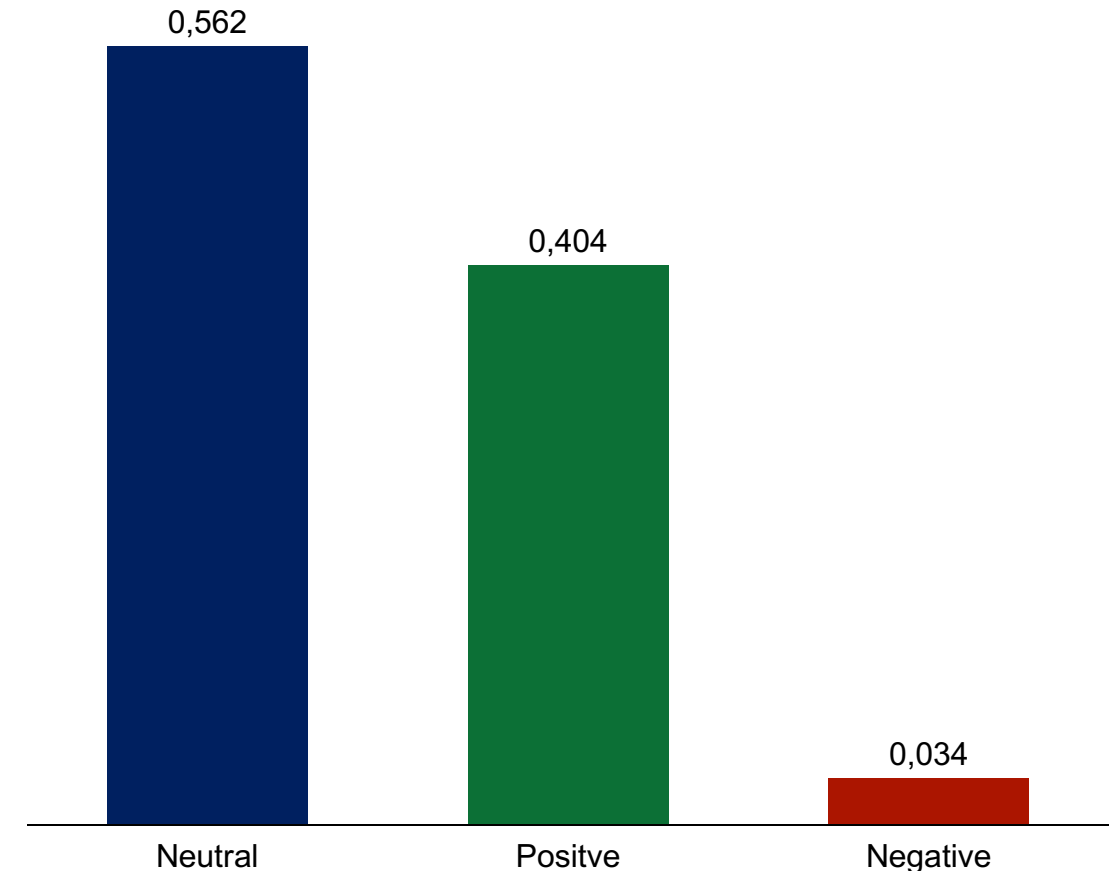
### Predictive Power of Sentiment:

- Emotional events (e.g., negative comments on social media or news) can drive fear or excitement, affecting stock prices.
- A tweet by Kylie Jenner caused a 7% drop in the share price of SNAP

### Search Criteria:

- Looking for the ticker "\$MELI"
- 7098 Tweets were made in the last 6 weeks
- Roughly 52% contain the word "Discord" -> they were excluded in the analysis

## Mercado Libre Stock Sentiment

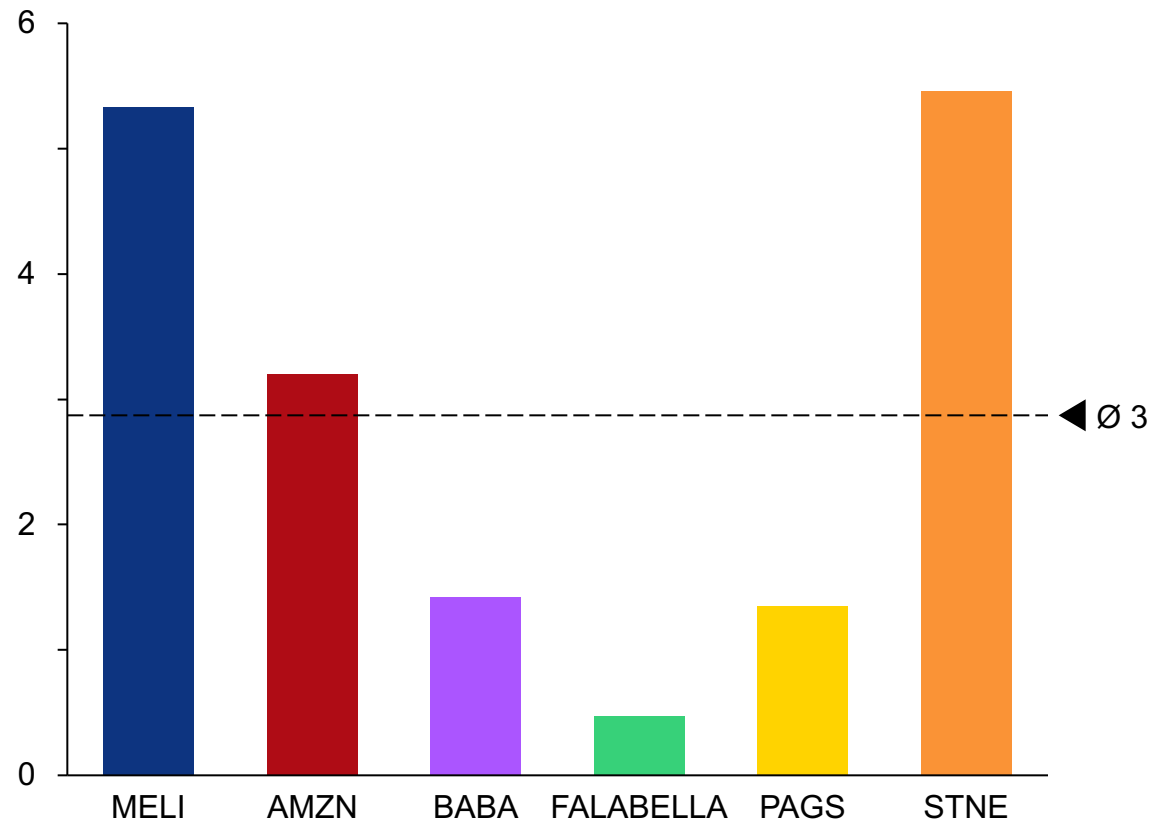


# Multiple Valuation

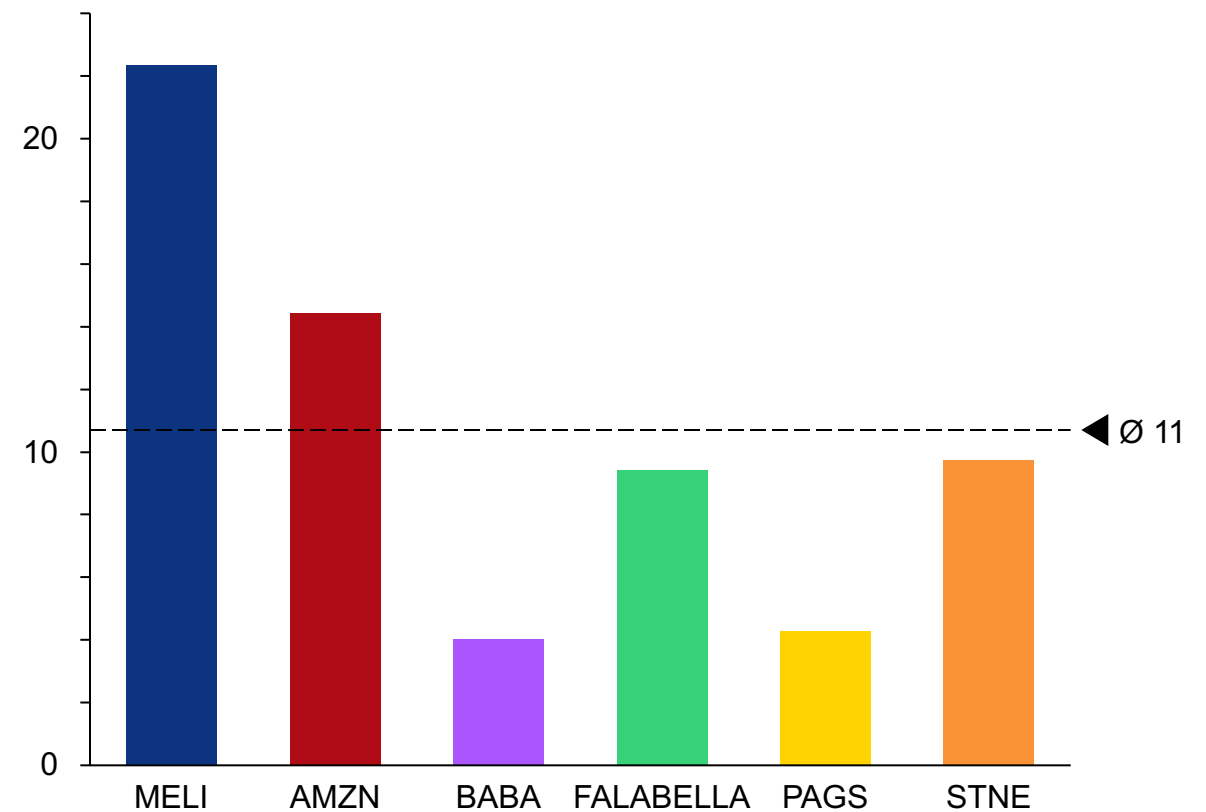


Mercado Libre is valued high based on the market

## P/S Ratio



## EV/EBITDA Ratio

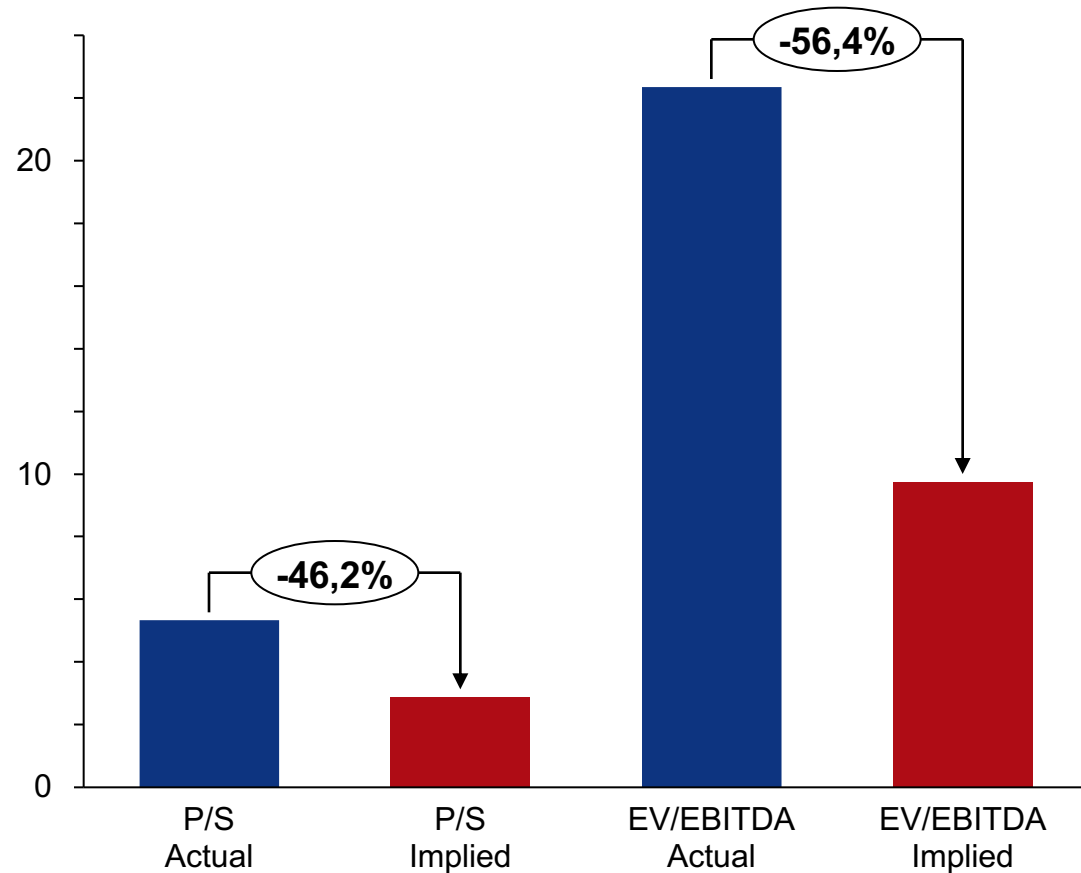


# Multiple Valuation



Mercado Libre is valued high based on the market

## Implied Share price Calculation



	P/S
<b>Ratio</b>	5,3x
<b>Sales (\$m)</b>	14,473
<b>Equity Value (\$m)</b>	41,577
<b>Net Debt (\$m)</b>	(903)
<b>Enterprise Value (\$m)</b>	42,480
<b>FD Shares O/S (mm)</b>	51,7
<b>Implied Share Price</b>	<b>\$ 804.19</b>

# DCF Valuation



Model specifics and driving assumptions

DCF		2020	2021	2022	2023	2024	2025	2026	2027
Revenue % growth	Conservative					17,342 20.0%	20,817 20.0%	24,907 20.0%	30,063 21.0%
	Base	3,973 73.0%	7,069 77.9%	10,537 49.1%	14,473 37.4%	17,631 21.82%	21,517 22.04%	26,175 21.65%	32,117 23.0%
	Optimistic					17,776 23.0%	21,871 23.0%	26,825 23.0%	33,183 24.0%

EBIT % margin	Conservative					2,614 15.07%	3,457 16.60%	4,529 18.18%	5,862 19.50%
	Base	128 3.2%	449 6.4%	1,055 10.0%	1,823 12.6%	2,745 15.57%	3,680 17.10%	4,891 19.68%	6,423 20.00%
	Optimistic					2,946 16.57%	3,960 18.10%	5,280 19.68%	6,968 21.00%

\*All figures in millions



# DCF Valuation



Model specifics and driving assumptions

DCF		2020	2021	2022	2023	2024	2025	2026	2027
Tax % EBIT	Conservative					993 38.0%	1,313 38.0%	1,721 38.0%	2,228 38.0%
	Base	81 32.9%	145 23.8%	309 67.9%	404 79.4%	1,005 36.6%	1,347 36.6%	1,790 36.6%	2,351 36.6%
	Optimistic					1,005 36.6%	1,347 36.6%	1,790 36.6%	2,351 36.6%

D&A % of CapEx	Conservative					661 87.0%	759 84.0%	744 85.0%	1,048 85.0%
	Base	81 32.9%	145 23.8%	309 67.9%	404 79.4%	616 90.0%	719 87.0%	694 88.0%	1017 88.0%
	Optimistic					593 93.0%	697 90.0%	662 91.0%	996 91.0%

\*All figures in millions

# DCF Valuation



Model specifics and driving assumptions

DCF		2020	2021	2022	2023	2024	2025	2026	2027
CapEx % sales	Conservative					764 4.4%	906 4.4%	875 3.5%	1233 4.1%
	Base	247 6.2%	609 8.6%	455 4.3%	509 3.5%	688 3.9%	829 3.9%	788 3.0%	1,156 3.6%
	Optimistic					641 3.6%	777 3.6%	727 2.7%	1095 3.3%

NWC % of sales	Conservative					(520) (3.0%)	(624) (3.0%)	(747) (3.0%)	(-902) (3.0%)
	Base	(838) (21.1%)	129 1.8%	(616) (5.8%)	(1,167) (8.1%)	(705) (4.0%)	(861) (4.0%)	(1,047) (4.0%)	(1,285) (4.0%)
	Optimistic					(800) (4.5%)	(984) (4.5%)	(1,207) (4.5%)	(1,493) (4.5%)

\*All figures in millions

# Sensitivity Tables



Impact of different TGR and WACC assumptions on the Share price

\$	1,795.89	2.00%	2.25%	2.50%	2.75%	3.00%
9.5%	1984.13	2031.23	2081.69	2135.89	2194.26	
10.0%	1840.20	1880.03	1922.52	1967.93	2016.59	
10.5%	1724.82	1759.28	1795.89	1834.88	1876.49	
11.0%	1611.84	1641.41	1672.73	1705.96	1741.27	
11.5%	1511.33	1536.88	1563.86	1592.38	1622.60	

Share Price Sensitivities with varying WACC and TGR rates

\$	1,795.89	2.00%	2.25%	2.50%	2.75%	3.00%
9.5%	1984.13	2031.23	2081.69	2135.89	2194.26	
10.0%	1840.20	1880.03	1922.52	1967.93	2016.59	
10.5%	1724.82	1759.28	1795.89	1834.88	1876.49	
11.0%	1611.84	1641.41	1672.73	1705.96	1741.27	
11.5%	1511.33	1536.88	1563.86	1592.38	1622.60	

Conditional formatting for visualisation

# WACC Estimation



TMT team WACC build up in line with street estimates

Debt	4
% Debt	5.1
Cost of Debt	10.0%
Tax Rate	36.6%

Equity Value	81
% Equity	94.9
Cost of Equity	10.7
Risk Free Rate	4.2
Beta	1.47
Market Risk Premium	4.4%

## Cost of Capital

10.45%

### Key Assumptions:

- Own (unlevered) beta calculation relative to the S&P modeled with slope function in excel
- Rather pessimistic tax rate, because high revenue exposure to "low tax" countries

# Valuation Summary



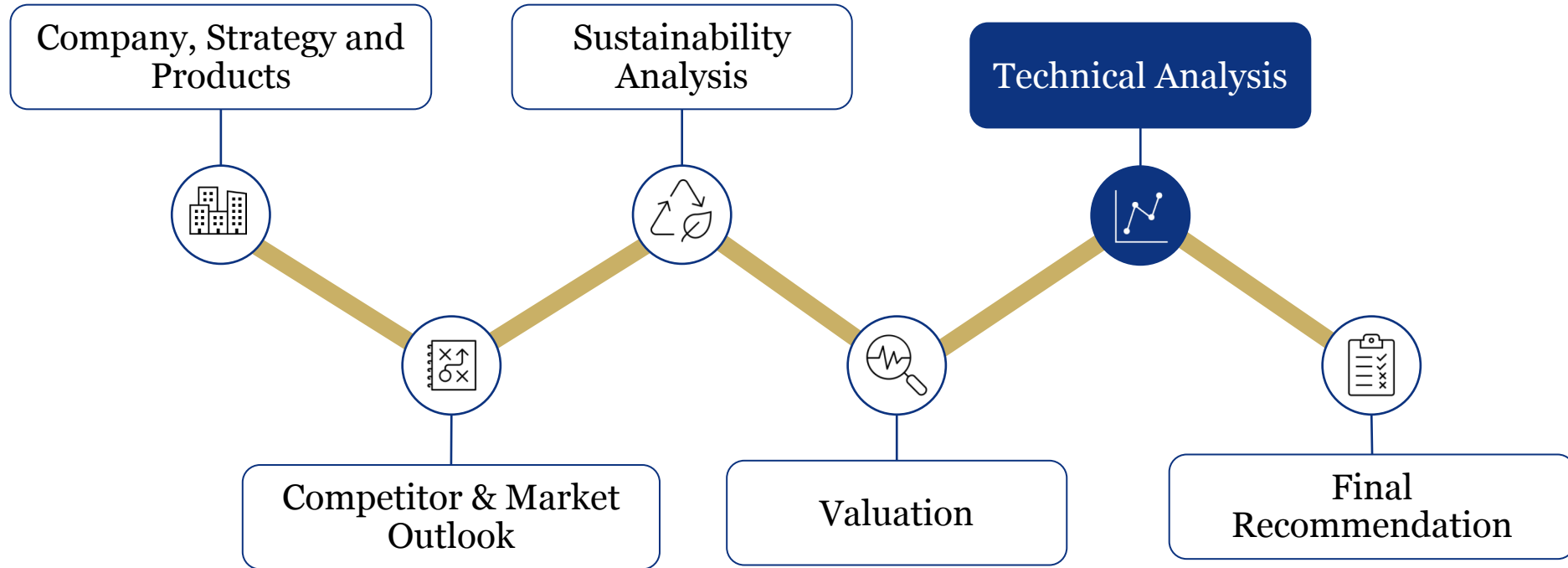
Upside of 19% in implied share price (base case)

FCF	2020	2021	2022	2023	2024	2025	2026	2027
Nominal Value	718	(293)	1.227	2.316	2.124	2.725	3.549	4.502
Present Value	718	(293)	1.227	2.316	1.914	2.211	2.595	2.966

DCF	Conservative	Base	Optimistic
WACC	11.0%	10.5%	10.2%
TGR	2.0%	2.5%	3.0%
Implied share price	\$1,265.97	\$1,795.89	\$2,230.91
Probability	30%	50%	20%
Implied share price	\$1,811.22		

## Model Assumptions

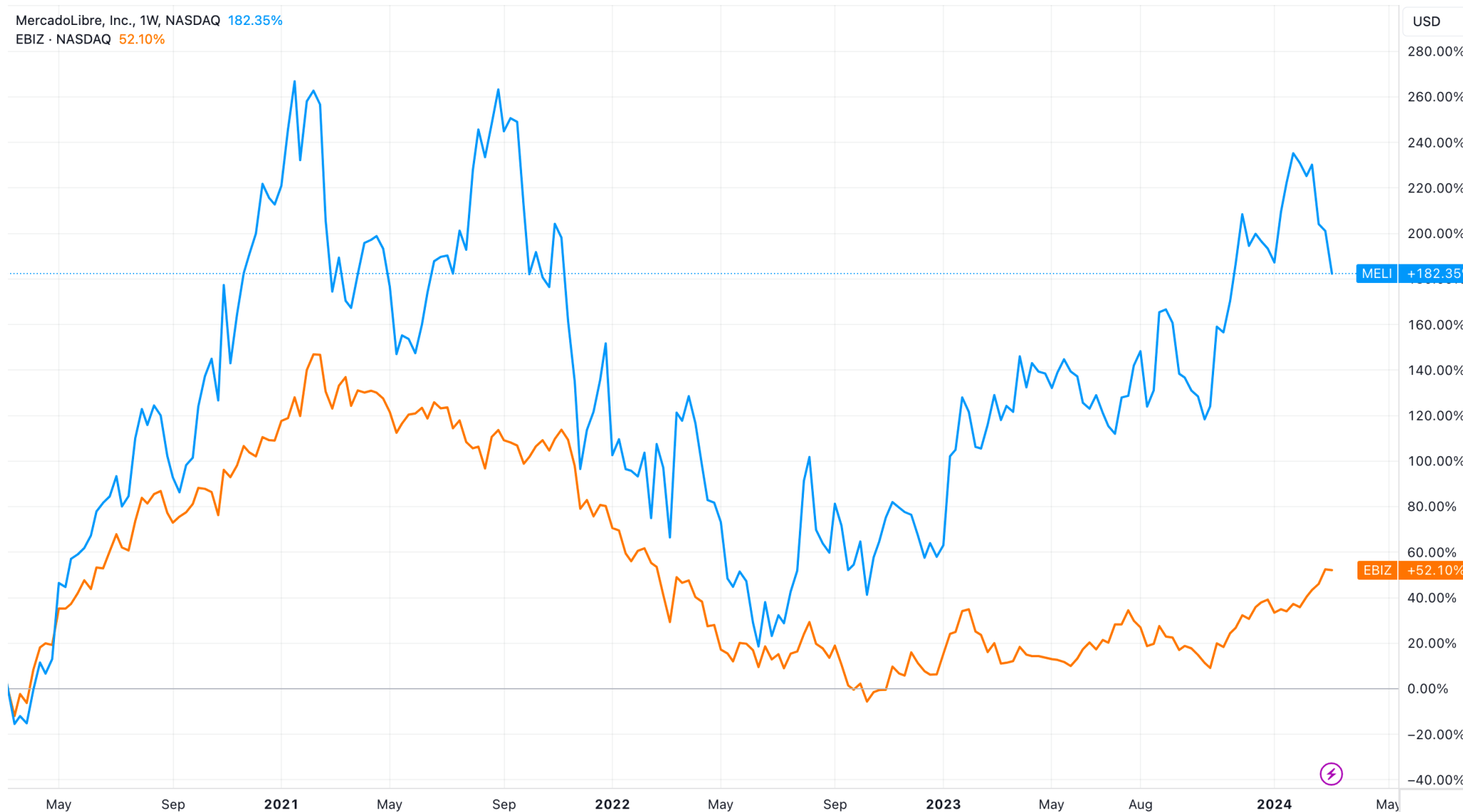
- Excessive YoY growth in sales figures will go back in short to mid-term
- Increase in efficiency reflected in increasing future EBIT margins



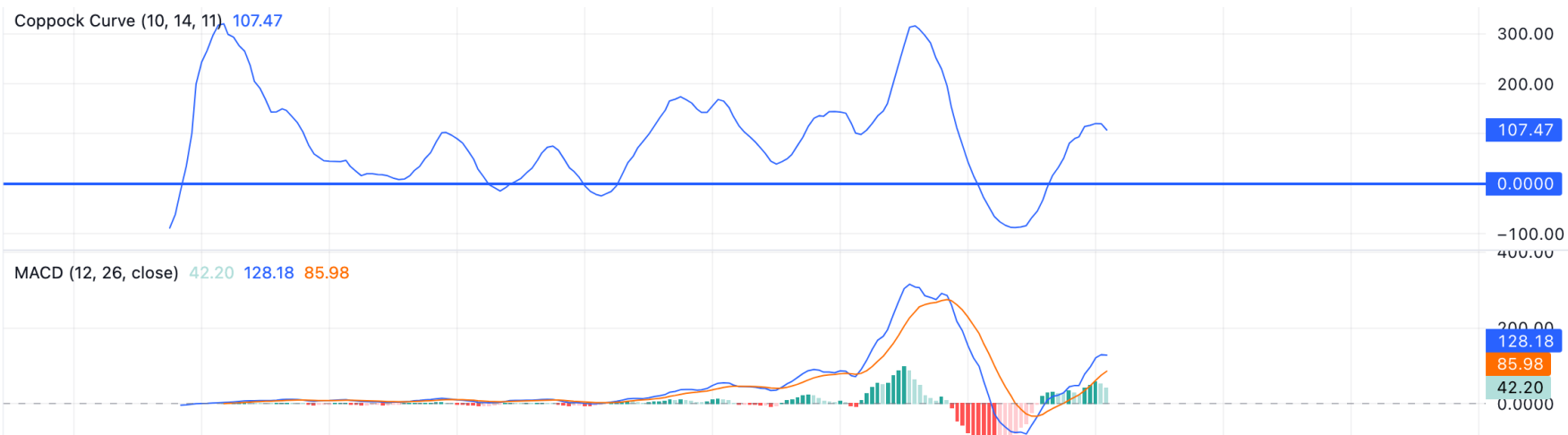
# Comparison with Global E-Commerce ETF



MercadoLibre, Inc., 1W, NASDAQ **182.35%**  
EBIZ · NASDAQ **52.10%**

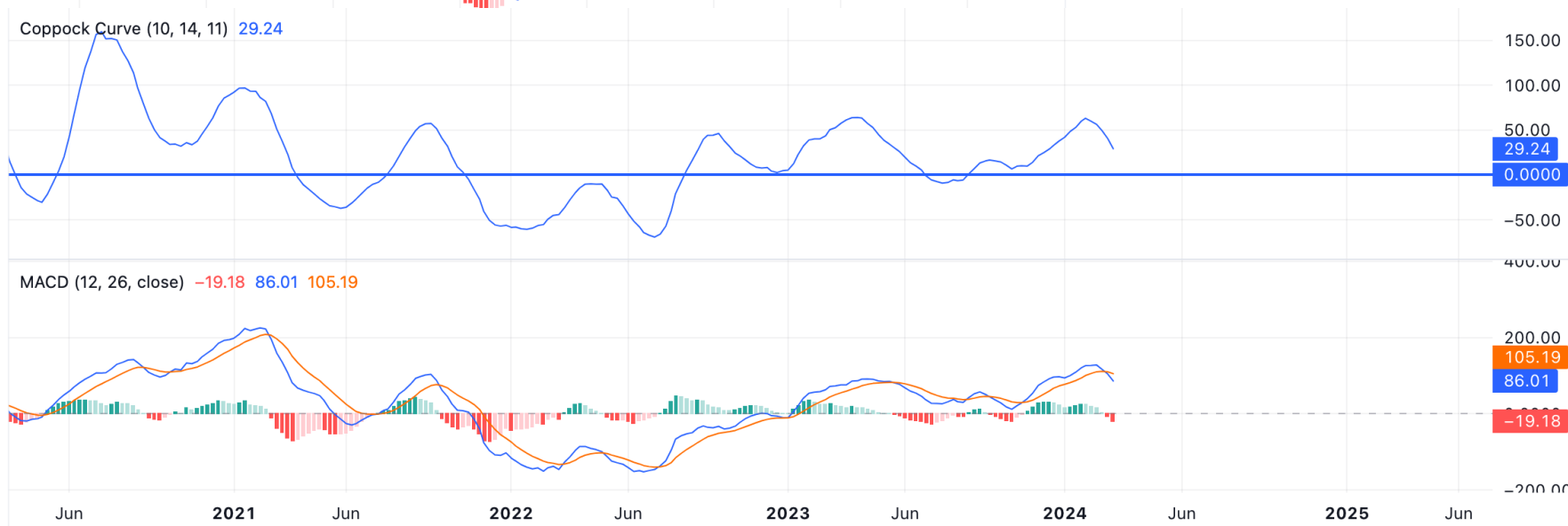


# Coppock Curve: Monthly vs. Weekly



Monthly

Weekly





# RSI & MACD



MercadoLibre, Inc., 1W, NASDAQ, Heikin Ashi O1669.17 H1669.17 L1504.22 C1560.04 -60.80 (-3.75%)

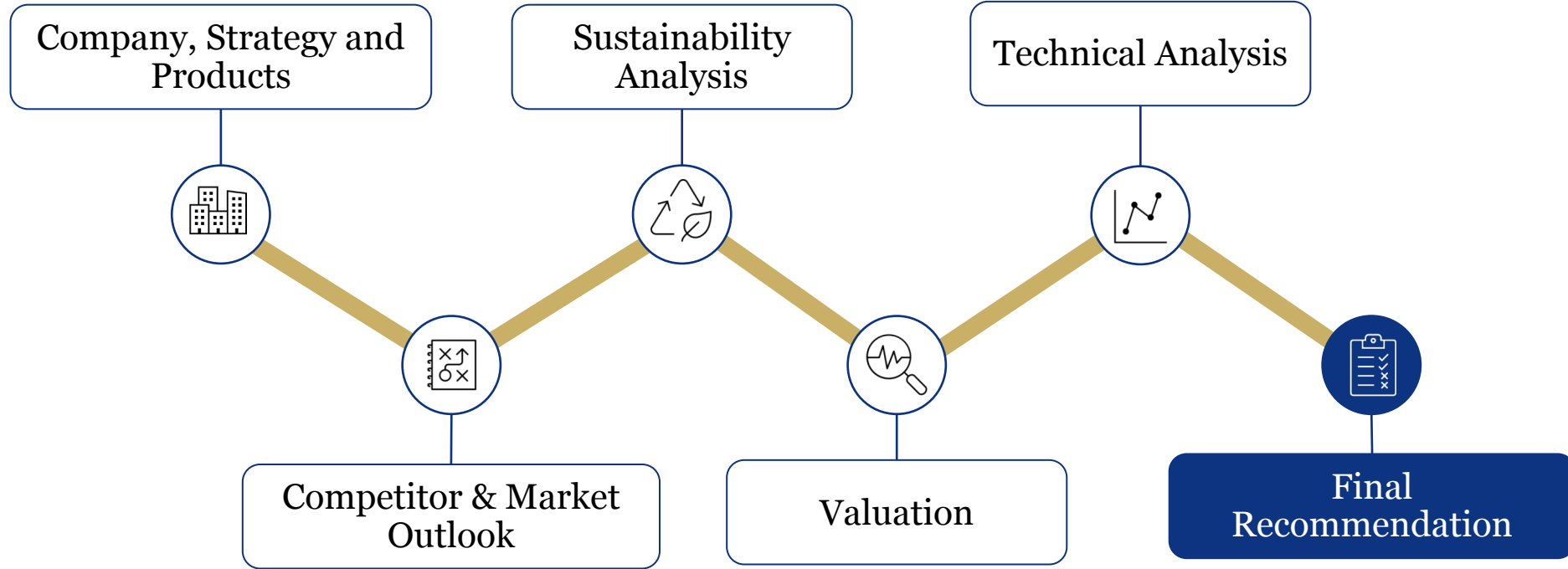


# Channel, Fibonacci



MercadoLibre, Inc., 1D, NASDAQ, Heikin Ashi O1540.54 H1552.99 L1511.51 C1526.25 -4.84 (-0.32%)





# Final Recommendation



Our valuation indicates a 19% upside

## Summary

### Business Outlook

Strong Revenue outlook  
Market Leader in Latin America  
Diverse Business model

### Risks

Valuation relies on strong revenue growth YoY  
Currency exposure

## Strong intrinsic performance with inflated multiples:

DCF valuation indicates strong intrinsic value with growth estimates

Multiples are inflated due to high growth expectation

**Recommendation: Buy**

## Forecasted Share Price Development

DCF Valuation suggests implied upside of 19%



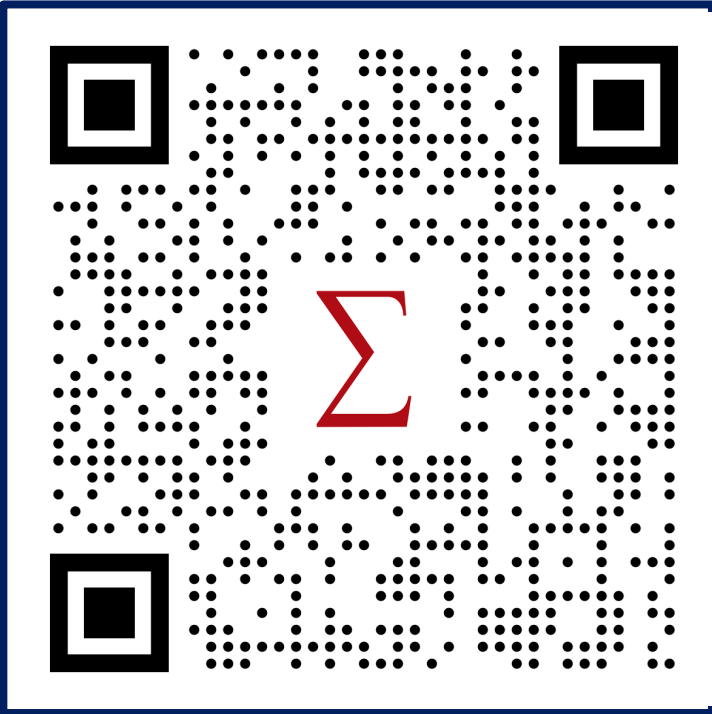
# Attendance and Voting!



Attendance



Voting



# Greenhill

plenum 





# Join us for some drinks at Tribunal!

