

MERCADOLIBRE INC  
Form 10-Q  
August 03, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

-OR-

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-33647

**MercadoLibre, Inc.**

(Exact name of Registrant as specified in its Charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**98-0212790**  
(I.R.S. Employer  
Identification Number)

**Arias 3751, 7th Floor**  
**Buenos Aires, C1430CRG, Argentina**  
(Address of registrant's principal executive offices)

**(+5411) 4640-8000**  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

44,150,420 shares of the issuer's common stock, \$0.001 par value, outstanding as of July 30, 2012.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Unaudited Condensed Consolidated Financial Statements**

**MercadoLibre, Inc.**

**Condensed Consolidated Financial Statements**

**as of June 30, 2012 and December 31, 2011**

**and for the three and six-month periods**

**ended June 30, 2012 and 2011**

**Table of Contents****MercadoLibre, Inc.****Condensed Consolidated Balance Sheets**

As of June 30, 2012 and December 31, 2011

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 87,595,730	\$ 67,381,677
Short-term investments	83,016,176	74,928,620
Accounts receivable, net	16,559,972	16,815,087
Credits Cards Receivables	28,021,663	23,855,689
Prepaid expenses	1,940,811	1,269,594
Deferred tax assets	9,366,084	9,131,638
Other assets	7,043,968	6,863,250
Total current assets	233,544,404	200,245,555
Non-current assets:		
Long-term investments	49,571,882	43,933,316
Property and equipment, net	35,103,153	30,877,719
Goodwill, net	61,112,402	62,093,948
Intangible assets, net	7,622,698	6,494,857
Deferred tax assets	5,965,641	6,491,646
Other assets	5,631,553	5,794,395
Total non-current assets	165,007,329	155,685,881
Total assets	\$ 398,551,733	\$ 355,931,436
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 24,303,699	\$ 20,251,313
Funds payable to customers	77,697,708	69,216,185
Salaries and social security payable	14,723,722	13,525,293
Taxes payable	10,346,811	11,633,178
Loans payable and other financial liabilities	146,604	146,194
Dividends payable	4,812,036	3,531,362
Total current liabilities	132,030,580	118,303,525
Non-current liabilities:		
Salaries and social security payable	3,818,275	3,844,172
Loans payable and other financial liabilities	94,093	136,227
Deferred tax liabilities	8,554,494	8,670,606
Other liabilities	2,213,237	1,797,890
Total non-current liabilities	14,680,099	14,448,895
Total liabilities	\$ 146,710,679	\$ 132,752,420

Commitments and contingencies (Note 8)

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Redeemable noncontrolling interest	\$ 4,000,000	\$ 4,000,000
Equity:		
Common stock, \$0.001 par value, 110,000,000 shares authorized, 44,148,720 and 44,142,020 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	\$ 44,149	\$ 44,142
Additional paid-in capital	120,465,461	120,452,032
Retained earnings	171,253,118	135,726,188
Accumulated other comprehensive loss	(43,921,674)	(37,043,346)
<b>Total Equity</b>	<b>247,841,054</b>	<b>219,179,016</b>
Total liabilities, redeemable noncontrolling interest and equity	\$ 398,551,733	\$ 355,931,436

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Table of Contents****MercadoLibre, Inc.****Condensed Consolidated Statements of Income****For the three and six-month periods ended June 30, 2012 and 2011**

	Six Months Ended June 30, 2012		Three Months Ended June 30, 2011	
	(Unaudited)		(Unaudited)	
Net revenues	\$ 172,580,065	\$ 130,837,828	\$ 88,844,059	\$ 69,378,160
Cost of net revenues	(44,989,178)	(31,270,822)	(23,892,881)	(16,939,118)
<b>Gross profit</b>	<b>127,590,887</b>	<b>99,567,006</b>	<b>64,951,178</b>	<b>52,439,042</b>
Operating expenses:				
Product and technology development	(13,719,892)	(10,675,783)	(6,133,819)	(5,518,892)
Sales and marketing	(34,233,040)	(28,865,357)	(16,805,362)	(15,636,413)
General and administrative	(22,822,289)	(19,183,316)	(10,127,077)	(9,732,340)
<b>Total operating expenses</b>	<b>(70,775,221)</b>	<b>(58,724,456)</b>	<b>(33,066,258)</b>	<b>(30,887,645)</b>
<b>Income from operations</b>	<b>56,815,666</b>	<b>40,842,550</b>	<b>31,884,920</b>	<b>21,551,397</b>
Other income (expenses):				
Interest income and other financial gains	6,070,862	4,123,668	2,982,303	2,249,898
Interest expense and other financial losses	(551,617)	(1,509,769)	(474,300)	(880,819)
Foreign currency (loss)/gain	(283,969)	(1,203,369)	749,008	(702,714)
Other (loss) / income, net	(11,263)	260,441	(7,009)	240,097
<b>Net income before income / asset tax expense</b>	<b>62,039,679</b>	<b>42,513,521</b>	<b>35,134,922</b>	<b>22,457,859</b>
Income / asset tax expense	(17,007,817)	(13,635,062)	(9,740,098)	(7,637,033)
<b>Net income</b>	<b>\$ 45,031,862</b>	<b>\$ 28,878,459</b>	<b>\$ 25,394,824</b>	<b>\$ 14,820,826</b>
Less: Net Income attributable to Noncontrolling Interest	18,060		15,632	
<b>Net income attributable to MercadoLibre, Inc.</b>	<b>\$ 45,013,802</b>	<b>\$ 28,878,459</b>	<b>\$ 25,379,192</b>	<b>\$ 14,820,826</b>

	Six Months Ended June 30, 2012		Three Months Ended June 30, 2011	
	(Unaudited)		(Unaudited)	
<b>Basic EPS</b>				
Basic net income attributable to MercadoLibre, Inc. per common share	\$ 1.02	\$ 0.65	\$ 0.57	\$ 0.34
<b>Weighted average shares</b>	<b>44,145,038</b>	<b>44,134,763</b>	<b>44,147,999</b>	<b>44,138,105</b>
<b>Diluted EPS</b>				
Diluted net income attributable to MercadoLibre, Inc. per common share	\$ 1.02	\$ 0.65	\$ 0.57	\$ 0.34
<b>Weighted average shares</b>	<b>44,149,178</b>	<b>44,149,911</b>	<b>44,152,133</b>	<b>44,152,296</b>

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The accompanying notes are an integral part of these condensed consolidated financial statements.



**Table of Contents****MercadoLibre, Inc.****Condensed Consolidated Statements of Comprehensive Income****For the three and six-month periods ended June 30, 2012 and 2011**

	<b>Six Months Ended June 30,</b>		<b>Three Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Net income	\$ 45,031,862	\$ 28,878,459	\$ 25,394,824	\$ 14,820,826
Other comprehensive income (loss), net of income tax:				
Currency traslation adjustment	(6,823,966)	3,720,681	(10,403,113)	2,831,806
Unrealized net gains on investments	870,295	381,435	176,322	399,634
Realized net gain on investments	(924,657)	(45,527)		
Net change in accumulated other comprehensive income (loss), net of income tax	(6,878,328)	4,056,589	(10,226,791)	3,231,440
<b>Total Comprehensive income</b>	<b>\$ 38,153,534</b>	<b>\$ 32,935,048</b>	<b>\$ 15,168,033</b>	<b>\$ 18,052,266</b>
Less: Comprehensive Income (loss) attributable to Noncontrolling Interest	153,736		(148,512)	
<b>Comprehensive income attributable to MercadoLibre, Inc.</b>	<b>\$ 37,999,798</b>	<b>\$ 32,935,048</b>	<b>\$ 15,316,545</b>	<b>\$ 18,052,266</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MercadoLibre, Inc.

**Condensed Consolidated Statements of Changes in Equity**

For the six-month periods ended June 30, 2012 and 2011 (unaudited)

	Common stock		Additional paid-in capital	Retained Earnings	Accumulated other comprehensive loss	Total Equity
	Shares	Amount				
<b>Balance as of December 31, 2010</b>	44,131,376	\$ 44,131	\$ 120,391,622	\$ 73,681,556	\$ (22,399,039)	\$ 171,718,270
Stock options exercised	5,637	6	10,700			10,706
Stock-based compensation LTRP			26,993			26,993
Dividend distribution				(7,061,847)		(7,061,847)
LTRP shares issued	4,694	5	(5)			
Net income				28,878,459		28,878,459
Other comprehensive income					4,056,589	4,056,589
<b>Balance as of June 30, 2011</b>	44,141,707	\$ 44,142	\$ 120,429,310	\$ 95,498,168	\$ (18,342,450)	\$ 197,629,170
Stock options exercised	313		469			469
Stock-based compensation LTRP			22,253			22,253
Dividend distribution				(7,062,721)		(7,062,721)
LTRP shares issued						
Change in redeemable amount of noncontrolling interest				(610,853)		(610,853)
Net income				47,901,594		47,901,594
Other comprehensive loss					(18,700,896)	(18,700,896)
<b>Balance as of December 31, 2011</b>	44,142,020	\$ 44,142	\$ 120,452,032	\$ 135,726,188	\$ (37,043,346)	\$ 219,179,016

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MercadoLibre, Inc.

**Condensed Consolidated Statements of Changes in Equity**

For the six-month periods ended June 30, 2012 and 2011 (unaudited)

	Common stock		Additional paid-in capital	Retained Earnings	Accumulated other comprehensive loss	Total Equity
	Shares	Amount				
<b>Balance as of December 31, 2011</b>	44,142,020	\$ 44,142	\$ 120,452,032	\$ 135,726,188	\$ (37,043,346)	\$ 219,179,016
Stock options exercised	1,600	2	2,398			2,400
Stock-based compensation LTRP			11,036			11,036
Dividend Distribution				(9,624,072)		(9,624,072)
LTRP shares issued	5,100	5	(5)			
Change in redeemable amount of noncontrolling interest				137,200		137,200
Net income				45,013,802		45,013,802
Other comprehensive loss					(6,878,328)	(6,878,328)
<b>Balance as of June 30, 2012</b>	44,148,720	\$ 44,149	\$ 120,465,461	\$ 171,253,118	\$ (43,921,674)	\$ 247,841,054

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Table of Contents****MercadoLibre, Inc.****Condensed Consolidated Statements of Cash Flows****For the six-month periods ended June 30, 2012 and 2011**

	<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
	<b>(Unaudited)</b>	
<b>Cash flows from operations:</b>		
Net income attributable to MercadoLibre, Inc.	\$ 45,013,802	\$ 28,878,459
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Net Income attributable to Noncontrolling Interest	18,060	
Depreciation and amortization	4,057,471	3,305,795
Accrued interest	(2,611,913)	(2,353,234)
LTRP accrued compensation	2,202,842	2,303,542
Deferred income taxes	145,970	1,484,213
<b>Changes in assets and liabilities:</b>		
Accounts receivable	(3,034,916)	(164,556)
Credit Card Receivables	(5,810,748)	(1,779,329)
Prepaid expenses	(730,975)	(393,477)
Other assets	(453,355)	1,067,637
Accounts payable and accrued expenses	5,682,625	(5,766,185)
Funds payable to customers	13,461,760	6,718,843
Other liabilities	548,167	430,606
<b>Net cash provided by operating activities</b>	<b>58,488,790</b>	<b>33,732,314</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(205,377,324)	(200,995,988)
Proceeds from sale and maturity of investments	186,841,187	171,094,260
Purchases of intangible assets	(1,390,738)	(108,823)
Purchases of property and equipment	(8,323,905)	(13,247,416)
<b>Net cash used in investing activities</b>	<b>(28,250,780)</b>	<b>(43,257,967)</b>
<b>Cash flows from financing activities:</b>		
Dividends paid	(8,343,398)	(3,530,510)
Stock options exercised	2,400	10,706
<b>Net cash provided in financing activities</b>	<b>(8,340,998)</b>	<b>(3,519,804)</b>
Effect of exchange rate changes on cash and cash equivalents	(1,682,959)	465,123
<b>Net increase in cash and cash equivalents</b>	<b>20,214,053</b>	<b>(12,580,334)</b>