

# Webcast Presentation

Q4'22 Earnings Call Prepared Remarks April 5, 2023, 8:00 am ET

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Thank you very much operator. Good morning everyone and thank you for joining our Fourth Quarter 2022 Earnings Call today. If you have not seen our Earnings Release, a copy is posted in the Financials section of our Investor Relations website. On the call today, I am joined by Sebastian Kanovich, our Chief Executive Officer; Jacobo Singer, our President and COO; Diego Cabrera Canay, our Chief Financial Officer and Maria Oldham, VP of Corporate Development and Investor Relations.

We are providing a slide presentation to accompany our prepared remarks.

This event is being broadcast live via webcast and both the webcast and presentation may be accessed through dLocal's website at [investor.dlocal.com](http://investor.dlocal.com). The recording will be available shortly after the event is concluded.

Before proceeding, let me mention that any forward-looking statements included in the presentation or mentioned in this conference call are based on currently available information and dLocal's current assumptions, expectations and projections about future events. While the Company believes that our assumptions, expectations and projections are reasonable given currently available information, you are cautioned not to place undue reliance on those forward-looking statements. Actual results may differ materially from those included in dLocal's presentation or discussed in this conference call for a variety of reasons, including those described in the Forward-looking Statements and Risk Factors sections of dLocal's filings with the Securities and Exchange Commission, which are available on dLocal's Investor Relations website.

Now I will turn the conference over to Seba. Thank you.

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Good morning, everyone. Thanks for joining the call today. We will discuss our business and our results for FY22 and 4Q 22. I want to start by thanking our key stakeholders, it was a challenging quarter, in which we were under unwarranted attack and I could not be more grateful for the following:

- **Our customers** - true long-term partners, who we know choose carefully whom to trust with their volumes. The record TPV of 10.6 billion dollars in 2022, including 3.3 billion dollars in Q4, up 21% QoQ is a testament to the trust they place in our solution and our business strength.
- **Our team** - who continue to work very hard and remain committed to delivering against our long-term ambitions. We were tested and passed the test - our operations continue to run smoothly and better than ever.
- **Our long-term investor partners** - as you can see in the regulatory filings, our main shareholders continue to support us, recently increasing their positions, showing their confidence in and excitement about the future value-creation potential of dLocal. We strongly believe in the business we are building and we are continuing our share buyback program, in accordance with our trading policy.

This was our second year as a public company. We have over-delivered on our initial expectations since we went public and 2022 was no exception.

Before we deep dive into the results, I want to remind everyone why we started dLocal back in 2016 and how this drives everything we do up to today. We founded dLocal because we saw a very clear pain point - accessing and doing business in emerging markets is very difficult. Emerging markets in general have much more fragmented payment systems and methods than

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developed markets. They also have more unstable and complex regulatory environments, as well as different tax rules and different consumer behaviors.

So even for large global companies with relevant resources, it is very time-consuming and frustrating to set up just a single new payment method in a single market. When you extrapolate that to the multitude of payment methods across the many emerging markets, it is a problem that is highly resource-intensive to solve; especially when you consider it is non-core for almost all businesses.

This is where dLocal comes in. By doing all the hard work of integrating over 900 payment methods across 40 emerging markets and making them all available through a single API, we are able to help companies avoid all this hustle. And because we support many hundreds of merchants, we benefit from economies of scale from combining their volumes.

Just to emphasize here: through our one dLocal model - we provide a seamless experience for our merchants - one contract, one platform, one API, one source of support. So from the perspective of our merchants, whether they are receiving Brazilian Reais through PIX, a local instant payment method, or they are paying out Nigerian Naira via a local bank transfer, they have only one integration.

We believe the growth of the company over the past 7 years is a testament to the attractiveness of this proposition for merchants. Today we serve some of the largest and best-known companies in the world such as Microsoft and Meta. We allow them to access over 2 billion customers across 40 markets via more than 900 payment methods, for both local-to-local and cross-border transactions, both paying-in and paying-out. And the exciting thing is that there is so much more to come - many more merchants to onboard, new markets to expand to, new products to launch, and new payment methods to onboard.

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I often get asked, "if the problem dLocal is solving is really so hard, then how did merchants operate in emerging markets before dLocal existed?" The fact is that these merchants managed to get by, but only by expending a great amount of resources and time and by accepting that many customers would be left behind.

Before working with us, if a global merchant wanted to do business in, let's say, 10 markets, they would have needed to integrate with at least 10 different providers, sign at least 10 contracts, and handle at least 10 different partner relationships. Even then, they would often write-off some markets or some payment methods altogether, because the burden of serving them was just too high - meaning they were leaving many customers behind.

We are very proud to say that now once a merchant connects to dLocal, they are able to immediately increase their reach to 40 countries and more than 2 billion users and have everything they need to operate in all the markets we offer. Our merchants benefit from rapid expansion in reach; reduced costs and complexity and other benefits of the dLocal solution, including higher acceptance and conversion rates, reduced friction, support for regulatory and tax compliance and FX translation and fraud prevention. We believe that for companies that want to sell across multiple emerging markets, going with dLocal's solution rather than doing their own integrations is a no-brainer.

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We are proud to share with you that we partner with and serve some of the largest and most successful enterprise global merchants and marketplaces, including Meta, Microsoft, Shopify, Spotify, Salesforce, Deel, Wish, Expedia Group, among many others. We partner with other world-leading names that we cannot share with you as well due to their disclosure restrictions. Together with the largest players operating out of the US and Europe, we also serve leading companies born in emerging markets such as Shein, Tencent, Telegram, Rappi, Didi and PedidosYa. We believe this is a testament to the value our solution delivers - even companies from emerging

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markets that have local knowledge find it way more convenient to leverage our solution, rather than create their own integrations.

Our ability to bring onboard the world's top companies and retain them as loyal clients, whilst consistently growing our business with them, is powered by our technology and highly customer-centric approach, which also drives our continuous and rapid product innovation pipeline. Our sales teams are highly responsive and get to know our clients' businesses in depth, allowing us to understand our clients' challenges and solve them together. This often results in the creation of new products and features that are useful to our broader merchant base, continually increasing the value that our platform provides.

Now I will share a couple of examples of our partnerships with large global enterprise merchants.

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Our first example is Salesforce, a customer we recently onboarded.

Through our close partnership with Salesforce, we came to learn of a problem they were facing. Processing payments and expatriating funds in emerging markets is complex due to local regulations, macro volatility, and currency fluctuations. We worked together with Salesforce to develop a new solution for B2B cross-border payments.

This solution solves the complexity of B2B payments, managing currency volatility, enabling local payment options, and assuring the processing, expatriation and settlement of funds. With this solution dLocal enables B2B payments that typically have a higher average ticket. Merchants such as Salesforce can rely on dLocal's infrastructure to access different payment methods and FX markets, ensuring success in payment processing, expatriation, and improving the reconciliation process.

Without our solution, Salesforce would have eventually stopped taking payments in this market. We have now expanded the service to other global markets and have several of our largest clients using this new solution.

### **Slide 8**

The case study shows the power of our solution, allowing Meta to access a broad range of payment methods across many markets. We have been working with them for more than 4 years, and now we serve them across multiple geographies and products.

Through our close relationships with large global enterprise clients such as Meta, we came to learn the challenges of receiving and sending payments via non-traditional payment methods. Companies were finding that they were losing conversion given their inability to receive non-traditional payments or through high-friction user experience for these payment methods.

By integrating non-traditional payments methods such as mobile money transfer, and cash alike payments, we enabled Meta to deliver a smooth and frictionless payments experience in Africa. Taking mobile money as an example, this non-traditional payment method has been growing rapidly, reaching 346 million monthly active users in 2021 globally across all payment providers. In markets such as Kenya, mobile money transfer has a 60% penetration versus 6% for credit cards. We opened up these payment methods to Meta to allow them to increase their customer reach in these markets.

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Now moving to the financial results, let me give you a quick overview of 2022. Last year was an exceptional year for dLocal. Our TPV grew 75% year over year and surpassed 10 billion dollars. Our revenue grew largely in line, growing by 72% year over year and reaching 419 million dollars.

We have over delivered against our ambitious NRR target, with NRR of 165% in 2022, We continue to focus on growing our absolute gross profit and EBITDA dollars. Gross profit grew by 55% year over year to reach 202 million dollars and Adjusted EBITDA grew by 54% year over year to reach 153 million dollars.

Despite the noise caused by the short seller report, we continued to grow the business in Q4, delivering strong TPV growth of 78% YoY and 21% QoQ. We believe this demonstrates the consistent support of our existing clients as they continue to grow their business with us, as well as our continued ability to sign up new merchants. Revenues grew 55% YoY and 6% QoQ, with the slower revenue growth relative to TPV driven by geographic and product mix.

We reached a gross profit of 202 million dollars in 2022 and 55 million dollars in Q4. We continue to focus on absolute dollar profit growth even with lower margins in the short-term.

Now Maria will discuss our operations and performance in 2022.

### **Slide 10**

Thank you Seba. Hi everyone.

Our key axes of growth are threefold: 1) Products; 2) Merchants; and 3) Markets. Regarding the first, Products, our solution enables pay-ins and pay-outs, both cross-border and local-to-local. The broader the payment method coverage we have, the more value accretes to our platform, as these methods become available to all current and future customers, and the wider our moat.

As Seba mentioned earlier in the call, one great benefit of dLocal's solution is the ability to allow merchants access to non-traditional payment methods. In 2022, 67% of our TPV came from non-credit card payment methods, including non-traditional payment methods such as local debit cards, bank transfers, digital wallets, mobile payments and cash-like methods. Examples of these payment methods include PIX and Boletão in Brazil, mobile money in South Africa, UPI in India and Oxxo in Mexico. Many of these payment methods have vastly higher penetration than credit cards, for example, in Nigeria only 3% of the population have a credit card according to Statista.

Focusing on cross-border volume, the weighting of non-credit card payment methods is higher, accounting for 72% of our total cross-border transactions in 2022. Credit card volume, including local schemes as well, accounted for the remaining 28% of our cross-border volume in 2022.

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Now moving on to the merchant axis of growth. Our solution is industry-agnostic. This allows us to onboard merchants from diverse businesses, providing us with a robust natural hedge for business cycles and seasonality.

Currently, no single vertical accounts for more than 20% of our TPV. Our largest vertical in 2022 was financial services. In this vertical we mainly serve payment service providers that use our rails to reach emerging markets and remittance companies. We also serve wallets, with 1% of our total TPV, and crypto, with 0.2% of our total TPV. Other important verticals include commerce and advertising, streaming and on-demand delivery. In 2022, we drove growth across every single vertical, with the fastest growth rates observed being in travel, commerce and on-demand delivery.

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During 2022, we continued onboarding new merchants to our platform. We have more than 600 enterprise merchants on our platform and we currently actively manage more than 200 key accounts.

We work extremely closely with merchants to help unlock new payment methods and new markets for them, besides continued enhancement in our platform. During 2022, our enterprise merchants on average processed payments in 8 countries compared with 6 countries in 2020. In 2022 they accepted on average 79 payment methods with us, compared with 44 payment methods in 2020, an 80% increase.

We are very excited about our sales pipeline in 2023 and we hope to share more about great new partnerships soon.

The growth of our business with our top 10 merchants has been significant. In 2022 our revenue coming from our top 10 merchants amounted to 211 million dollars versus 138 million dollars in 2021. At the same time, we continue to diversify our revenues with respect to our merchant base. Our top 10 client concentration has been decreasing YoY, dropping to 50% of our total revenues in 2022, compared to 56% in 2021 and 64% in 2020.

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Moving on to the third axis of growth, geographies. Since our inception, we harbored global ambitions. We dream big. We started with a single, very localized payment method in Brazil. Our early success encouraged us to expand to other emerging markets and our highly scalable solution allowed us to do so rapidly. This has enabled us to grow our operations to 40 countries across Latin America, Africa and Asia, with the latest addition being Honduras in Q4 2022.

In 2023 we will continue to pursue our expansion strategy based on two factors: 1) the needs of our merchants and 2) the attractiveness of potential new markets. In addition, we will continue to balance the demands of adding new countries with deepening our presence in the countries in which we already operate. All this drives towards our goal of being the partner of choice for our global merchants across emerging markets in which they wish to operate.

Now I will pass on to Jaco to discuss our achievements in the different geographies.

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Thank you Maria. Africa and Asia have been a key engine of growth for us. Our merchants continue to signal strong demand for our solution in these geographies and these markets also have attractive economics. The results of our push into these regions speak for themselves - revenues in Africa and Asia in 2022 grew by 259% YoY, reaching 74 million dollars in 2022, with significant opportunities ahead of us.

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In 2021 Africa & Asia revenue represented 8% of our total revenue; in 2022 this grew to 18% of total revenues. In Q4 revenues increased by 5 times YoY and grew 4% QoQ, reaching 26 million dollars. This is more than the 21 million dollars revenue we recorded for the twelve months of 2021. We were able to further grow revenues in the region in Q4 despite the hard comparison of 80% QoQ growth in Q3. This geographic diversification complements our business vertical diversification as well as accreting more value to our platform for current and future customers, widening our moat.

It is still early days for us in these regions and we are very excited about what we believe to be a significant opportunity ahead. In Africa we are seeing strong traction in Nigeria, South Africa, Egypt, Morocco, Turkey and Kenya in particular, meanwhile in Asia, we are seeing strong traction in India, Indonesia, Malaysia, Pakistan and Philippines to name a few. We are excited to see how these regions continue to grow as we both cross-sell to merchants that originally started their relationship with us in Latin America, as well as onboard new merchants that are based in Africa and Asia.

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Among those regions, I would like to call out Nigeria. We experienced higher than expected growth in Nigeria, which already accounts for 12% and 8% of our revenue in Q4 and FY 2022 respectively. We are very positive about the growth opportunity there. From the perspective of our merchants, it is a market that is large, but complex to operate in. We believe they can benefit strongly from our solution there. Growth in Nigeria is accretive to dLocal, albeit with lower gross profit margin. Over the medium to long-term as we go deep in the region, developing more integrations and payment methods and gaining more efficiency in accessing the FX markets, we believe the gross profit margin will expand. We look forward to keeping you updated on our growth in the region over the following periods. As we always emphasize, we focus on absolute dollar profit growth, even with lower margins in the short-term - maximizing absolute dollar profit will create the most valuable business in the long run.

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Moving on to Latin America, we continued to see solid growth across the region in 2022, with revenue growing by 54% YoY to 345 million dollars in 2022.

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Going into more detail, In Q4 2022; revenue grew by 30% YoY and by 6% QoQ to 93 million dollars. We continue to be very excited about our growth prospects in the region as we onboard new merchants and cross-sell to our current base.

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Our revenue is well diversified across the markets with no country accounting for more than 20% of total revenue in 2022. Key highlights were very robust revenue growth in Mexico of 104% and growth of 44% in Other Latam markets, mainly from Peru and Colombia.

Despite the challenges accessing foreign exchange markets in Argentina, we delivered strong revenue growth of 55% YoY. The situation has largely normalized, and we have been able to operate with no major problems.

Important to highlight that the revenue distribution by market is a result of our merchants' strategy. Our commercial teams are internally organized by merchant, and we do not optimize for targets by geography. We have global agreements with our merchants and we offer them access to all of the emerging markets in which we operate, supporting them in the markets in which they wish to grow.

### Slide 19

We continue to invest thoughtfully in expanding our global team. We have hired new talent, particularly in the areas of Sales & Marketing, Tech & Product and Operations, to pursue the opportunities we see in the market and to drive towards our long-term objectives. Tech-related roles continue to represent around 40% of our FTEs, supporting our rapid innovation of new products.

In 2022 we grew our team by 191 FTEs, or by 36% YoY to 726 employees, while our gross profit grew 55% over the same period of time. Our headcount has significantly expanded outside of the Americas, as we focus on hiring locally to leverage on-the-ground knowledge and develop deep understanding of local market idiosyncrasies. We reached 159 FTEs in Africa and Asia by the end of the year 2022, representing 22% of our workforce.

We will continue to invest in talent in a disciplined way, staying lean and always ensuring that we onboard talent that has a strong cultural fit. We are proud of our team and believe it is as strong as ever.

Diego will now review our financial highlights.

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### FINANCIAL HIGHLIGHTS

#### Slide 21

Thank you Jaco. Hi everyone. We continue to scale our business rapidly. We saw record TPV during 2022, surpassing the 10 billion dollar mark, increasing 75% YoY.

In Q4 2022, we saw strong growth in our TPV, reaching 3.3 billion dollars, up by 78% YoY, and a strong 21% QoQ. Our cross-border and local-to-local volumes showed solid growth YoY and QoQ. Following the trend seen in Q3, in Q4 we also experienced high growth in local-to-local TPV, increasing by 125% YoY and 30% QoQ due to the strong performance of some of our merchants. Cross-border volume increased by 50% YoY and by 13% QoQ.

Cross-border accounted for 53% of our total TPV in Q4 2022 and 58% for the FY 2022, driven by the ramp-up of recently onboarded merchants with a high mix of local-to-local. We have seen that large merchants tend to have a combined strategy. 55% of our top 20 merchants use both local-to-local and cross-border services.

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During 2022 we drove growth both in pay-ins and pay-outs increasing by 91% and 39% respectively.

We have seen a steady increase in TPV quarter after quarter. Specifically, in Q4 2022 pay-ins increased by 65% YoY and by 14% QoQ.

In Q4 2022 pay-outs increased by 119% YoY and 40% QoQ.

We are product agnostic - all our products bring incremental profit and when we combine them, they bring synergies both for our merchants and for us. Depending on which customers we onboard and their strategy in the quarter, the share of pay-ins vs. pay-outs may vary. We see product diversification as one of the strengths of our business. Going forward we are very positive about the continued growth of our products. Pay-ins accounted for 71% of our total TPV in Q4 2022 and 75% for the full year 2022.

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Revenues also reached a new record high of 118 million dollars during Q4 2022 and 419 million dollars for the year 2022, having grown 55% and 72% YoY, respectively.

Compared to Q3 2022, revenues increased by 6%. Our revenues over TPV, or gross take rate, was 3.6% during the quarter, compared to 4.1% in Q3. Fluctuations from quarter to quarter are mainly driven by changes in the business mix. In Q4 2022 we had a combination of 1) higher local-to-local pay-outs, 2) some large global retail merchants, with lower than average take rate growing faster, and 3) a decrease in revenue in Argentina, with higher than average take rate.

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Zooming in on our revenue, we continued delivering strong revenue growth both from our existing customers and from our new customers.

During 2022 of the 72% YoY revenue growth, 65% or 158 million dollars came from existing merchants and 7% or 17 million dollars came from new merchants. For Q4 2022, of the 55% YoY revenue growth, 46% or 35 million dollars came from existing merchants and 9% or 7 million dollars came from new merchants.

We delivered strong NRR, reaching 165% for the full year versus our expectation of NRR of 150% plus. This is the result of having almost no churn (less than 1%), the organic growth of our merchants in emerging markets and our ability to continue bringing them to new countries, products, payment methods and to increase share of wallet.

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Moving on to slide 25, we remain focused on growing gross profit dollars. During the year we were able to scale our gross profit to 202 million dollars, up by 55% YoY. In Q4, our gross profit reached 55 million dollars, up 42% YoY and 2% QoQ.

We continue our focus on incremental gross profit dollar amounts, as we have been consistently delivering on.

From a gross profit margin perspective, we maintained healthy margins at 47% in Q4 and 48% for the twelve months of 2022. Particularly in Q4, our gross margin was impacted by higher volumes from global merchants in certain geographies and a decrease in revenues in Argentina. Some of the decrease in gross take rate is mirrored in lower cost take rate, but not all. We expect further optimization of our costs to be realized over the coming periods.

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We also remain focused on growing our EBITDA. During the year we were able to scale our Adjusted EBITDA to 153 million dollars, up 54% YoY. Our Adjusted EBITDA was 40 million dollars for the fourth quarter of 2022, increasing by 39% YoY.

Compared to Q3 2022, Adjusted EBITDA dropped by 3%, as a result of continued investments in expanding our team, marketing and travel expenses related to two main annual commercial events and higher legal fees.

As a result, our Adjusted EBITDA margin was 34% in Q4. For the year 2022, our Adjusted EBITDA margin was 37% and delivering on our expectations for the year of 35%+.

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Before handing the call back to Seba for the closing remarks, I will briefly touch on our net income and liquidity.

Reported net income totalled 109 million dollars during the year, compared to 78 million dollars in FY 2021, an increase of 40% YoY. Reported net income in Q4 2022 totaled 19 million dollars.

During Q4, we incurred expenses of 8 million dollars related to FTX loss provision of 5.6 million dollars, short-seller related legal and advisory expenses of 2 million dollars.

Excluding these expenses that we believe are non-recurring in nature, net income would have been 116 million dollars in 2022, an increase of 49% YoY, and 27 million dollars in Q4, 2022. Besides non-recurring items, net income in Q4 2022 was impacted by net financial losses of 3 million dollars mainly driven by negative exchange differences, and higher income taxes in the quarter. The annual tax rate was 10%, in line with previous years.

Regarding our cash position, in Q4, we took extraordinary short-term measures, to bring additional comfort to our merchants and partners, using our own funds. As we have constantly maintained a healthy balance sheet, we had the flexibility, and could comfortably absorb this short-term impact with our own funds. This resulted in an increase in Other Assets of 53 million dollars, which mainly includes 19 million dollars in cash collateral for standby credit letters required by merchants, 20 million dollars in cash collateral for credit lines with banks, 13 million dollars in advancements to merchants and an increase of 2 million dollars in guarantees to credit cards and processors. We expect this situation to normalize over the next quarters. As of December 31, 2022, we had consolidated cash of 468 million dollars with 248 million dollars of our own funds.

We believe our strong cash position remains a competitive advantage.

Seba, the floor is yours.



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Thanks Diego. Exceptionally for Q1 2023 I would like to share our expectation based on how the business is tracking. For the first 3 months of 2023 we expect TPV between 3.5 and 3.6 billion dollars, revenue between 135 and 138 million dollars and gross profit between 57 and 59 million dollars.

For the full year 2023 the outlook is: revenue between 620 and 640 million dollars; with an implied NRR between 140% and 150%; and adjusted EBITDA in the range of 200 million dollars to 220 million dollars.

We believe those are solid numbers that show we can keep growing the business rapidly. As we always emphasize, we focus on maximizing absolute dollar profit growth, which will create the most valuable business in the long run.

We are very proud of what we achieved in 2022 and even more excited with the runway ahead of us. We remain humble and focused on providing the best and most comprehensive solution for our merchants in emerging markets. Big thank you to our global team, our customers, and our investors for their continued support.

I'll now hand back to the operator to open up for questions.