

## Stock story: MercadoLibre

April 2024

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Investment manager Lawrence Burns explains how MercadoLibre is ushering in an ecommerce and finance revolution in Latin America, providing affordable access for the region's vast 'unbanked' population.

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**Lawrence Burns:** In most countries in Latin America, you will find an oligopoly with three or four banks controlling 80 per cent of the market and charging some of the highest fees in the world. If you go to a bank branch, your experience is unlikely to be pleasant. You will probably have to pass through a security airlock, or a metal detector, and be seen as more of a threat than as a customer.

However, even that treatment isn't available for everyone. Because as many as 30 per cent of the people in Brazil, and as many as 60 per cent in Mexico, do not even have bank accounts. Even fewer have credit cards or access to investment opportunities and the ability to get insurance.

MercadoLibre is a company that is trying to change this through the application of technology. It started as an ecommerce platform and today is the largest in the region, shipping over 400 million packages a year, most of which are delivered through its own logistics network and arrive within just 48 hours.

The region's banks cannot offer financial services, such as credit, to many of these customers because they don't have data on them. After all, you need to know the likelihood someone will repay a loan before you give them that loan. However, because MercadoLibre has been serving millions of buyers and sellers for over two decades, it has accumulated a treasure trove of data through those ecommerce transactions.

Even if the traditional banks had data on these customers to help them lend, they would not be able to afford to serve many of them. Their cost structure, with thousands of branches, a hundred thousand employees, and an outdated technology stack, is simply too expensive to serve much of the population.

By contrast, MercadoLibre can serve its customers through an app at a fraction of the cost. So even if you don't need a large loan or have a lot of money to invest, MercadoLibre can profitably address your needs.

In doing so it is ushering in a revolution, not just in ecommerce but in finance as well, providing payments, credit, savings and insurance to millions – broadening access, improving service and lowering the cost.

Latin America is a region of 650 million people with an economy worth \$6tn. MercadoLibre is on a mission to democratise two of the largest and most important parts of that huge economy – retail and finance. And that journey is only just beginning.

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