

MERCADOLIBRE INC
Form 10-Q
November 08, 2013
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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 September 30, 2013

-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)

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.

44,152,933 shares of the issuer's common stock, \$0.001 par value, outstanding as of October 31, 2013.

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PART I. FINANCIAL INFORMATION

**Item 1. Unaudited Interim Condensed Consolidated Financial Statements
MercadoLibre, Inc.**

Interim Condensed Consolidated Financial Statements

as of September 30, 2013 and December 31, 2012

and for the three and nine-month periods

ended September 30, 2013 and 2012

Table of Contents**MercadoLibre, Inc.****Interim Condensed Consolidated Balance Sheets****As of September 30, 2013 and December 31, 2012**

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 128,096,994	\$ 101,489,002
Short-term investments	91,330,179	93,694,805
Accounts receivable, net	26,621,654	19,837,022
Credit cards receivables, net	37,867,650	35,816,506
Prepaid expenses	4,158,163	2,080,079
Deferred tax assets	14,323,447	11,040,543
Other assets	15,351,008	11,403,218
Total current assets	317,749,095	275,361,175
Non-current assets:		
Long-term investments	69,806,906	85,955,584
Advance for fixed assets	26,167,766	
Property and equipment, net	80,000,110	37,726,222
Goodwill	57,855,465	60,366,063
Intangible assets, net	6,438,684	7,279,865
Deferred tax assets	5,293,222	5,862,247
Other assets	6,009,997	6,118,120
Total non-current assets	251,572,150	203,308,101
Total assets	\$ 569,321,245	\$ 478,669,276
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 33,211,973	\$ 23,976,613
Funds payable to customers	122,286,835	101,472,662
Salaries and social security payable	23,313,366	19,974,463
Taxes payable	16,187,618	19,210,568
Loans payable and other financial liabilities	18,909,134	84,570
Dividends payable	6,313,869	4,812,396
Total current liabilities	220,222,795	169,531,272
Non-current liabilities:		
Salaries and social security payable	8,555,276	3,452,445
Loans payable and other financial liabilities	23,575	59,493

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Deferred tax liabilities	8,535,181	8,975,290
Other liabilities	3,783,877	2,837,150
Total non-current liabilities	20,897,909	15,324,378
Total liabilities	\$ 241,120,704	\$ 184,855,650
Commitments and contingencies (Note 7)		
Redeemable noncontrolling interest	\$ 4,000,000	\$ 4,000,000
Equity:		
Common stock, \$0.001 par value, 110,000,000 shares authorized, 44,152,933 and 44,150,920 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	\$ 44,153	\$ 44,151
Additional paid-in capital	120,491,485	120,468,759
Retained earnings	275,583,588	218,083,844
Accumulated other comprehensive loss	(71,918,685)	(48,783,128)
Total Equity	324,200,541	289,813,626
Total Liabilities, Redeemable Noncontrolling Interest and Equity	\$ 569,321,245	\$ 478,669,276

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

Table of Contents**MercadoLibre, Inc.****Interim Condensed Consolidated Statements of Income****For the nine and three-month periods ended September 30, 2013 and 2012**

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2013	2012	2013	2012
	(Unaudited)		(Unaudited)	
Net revenues	\$ 337,964,538	\$ 269,846,848	\$ 123,055,431	\$ 97,266,784
Cost of net revenues	(93,871,368)	(70,682,782)	(34,144,989)	(25,693,605)
Gross profit	244,093,170	199,164,066	88,910,442	71,573,179
Operating expenses:				
Product and technology development	(31,217,195)	(21,703,194)	(12,074,586)	(7,983,301)
Sales and marketing	(67,336,933)	(52,820,525)	(24,175,448)	(18,587,486)
General and administrative	(44,119,063)	(34,110,996)	(15,261,345)	(11,288,705)
Total operating expenses	(142,673,191)	(108,634,715)	(51,511,379)	(37,859,492)
Income from operations	101,419,979	90,529,351	37,399,063	33,713,687
Other income (expenses):				
Interest income and other financial gains	8,373,112	8,996,775	2,776,791	2,925,913
Interest expense and other financial losses	(1,379,516)	(864,477)	(487,496)	(312,860)
Foreign currency gains (losses)	(1,073,255)	(477,499)	1,575,592	(193,529)
Other losses, net	(44,557)	(190,968)	(42,217)	(179,707)
Net income before income / asset tax expense	107,295,763	97,993,182	41,221,733	35,953,504
Income / asset tax expense	(30,605,467)	(26,893,425)	(12,075,486)	(9,885,607)
Net income	\$ 76,690,296	\$ 71,099,757	\$ 29,146,247	\$ 26,067,897
Less: Net (Loss) Income attributable to Redeemable Noncontrolling Interest	(53,213)	42,864	(137,927)	24,804
Net income attributable to MercadoLibre, Inc. shareholders	\$ 76,743,509	\$ 71,056,893	\$ 29,284,174	\$ 26,043,093

Nine Months Ended September 30, Three Months Ended September 30,
2013 2012 2013 2012

	(Unaudited)		(Unaudited)					
Basic EPS								
Basic net income attributable to MercadoLibre, Inc. Shareholders per common share	\$	1.73	\$	1.62	\$	0.66	\$	0.59
Weighted average of outstanding common shares		44,152,402		44,146,834		44,152,933		44,150,387
Diluted EPS								
Diluted net income attributable to MercadoLibre, Inc. Shareholders per common share	\$	1.73	\$	1.62	\$	0.66	\$	0.59
Weighted average of outstanding common shares		44,152,402		44,153,778		44,152,933		44,157,321

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

Table of Contents**MercadoLibre, Inc.****Interim Condensed Consolidated Statements of Comprehensive Income****For the nine and three-month periods ended September 30, 2013 and 2012**

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2013	2012	2013	2012
	(Unaudited)		(Unaudited)	
Net income	\$ 76,690,296	\$ 71,099,757	\$ 29,146,247	\$ 26,067,897
Other comprehensive (loss) income, net of income tax:				
Currency translation adjustment	(22,423,839)	(8,082,603)	(7,796,679)	(1,258,637)
Unrealized net (losses) gains on available for sale investments	47,848	975,179	290,619	104,883
Less: reclassification adjustment for gains on available for sale investments included in net income	(759,565)	(924,657)		
Net change in accumulated other comprehensive loss, net of income tax	(23,135,556)	(8,032,081)	(7,506,060)	(1,153,754)
Total Comprehensive Income	\$ 53,554,740	\$ 63,067,676	\$ 21,640,187	\$ 24,914,143
Less: Comprehensive (loss) income attributable to Redeemable Noncontrolling Interest	(110,761)	325,499	(178,175)	76,368
Comprehensive Income attributable to MercadoLibre, Inc. Shareholders	\$ 53,665,501	\$ 62,742,177	\$ 21,818,362	\$ 24,837,775

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

Table of Contents**MercadoLibre, Inc.****Interim Condensed Consolidated Statements of Cash Flows****For the nine-month periods ended September 30, 2013 and 2012**

	Nine Months Ended September 30, 2013 2012 (Unaudited)	
Cash flows from operations:		
Net income attributable to MercadoLibre, Inc. Shareholders	\$ 76,743,509	\$ 71,056,893
Adjustments to reconcile net income to net cash provided by operating activities:		
Net (loss) income attributable to Redeemable Noncontrolling Interest	(53,213)	42,864
Net Devaluation Loss in Venezuela	6,420,929	
Depreciation and amortization	8,593,391	6,412,210
Accrued interest	(3,233,243)	(5,713,349)
LTRP accrued compensation	9,997,214	3,338,368
Deferred income taxes	(4,006,615)	(813,538)
Changes in assets and liabilities:		
Accounts receivable	(17,138,968)	(3,824,015)
Credit Card Receivables	(7,559,739)	(18,852,184)
Prepaid expenses	(2,297,492)	(1,022,894)
Other assets	(6,233,513)	(2,092,362)
Accounts payable and accrued expenses	17,978,834	10,869,830
Funds payable to customers	32,479,237	19,984,595
Other liabilities	2,465,012	930,000
Interest received from investments	8,693,109	3,391,720
Net cash provided by operating activities	122,848,452	83,708,138