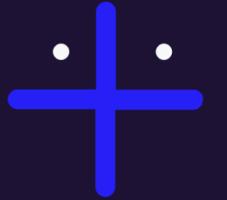


eCommerce Outlook Update



MERCADOLIBRE & SHOPEE

May / 2022



Highlights



+ 01

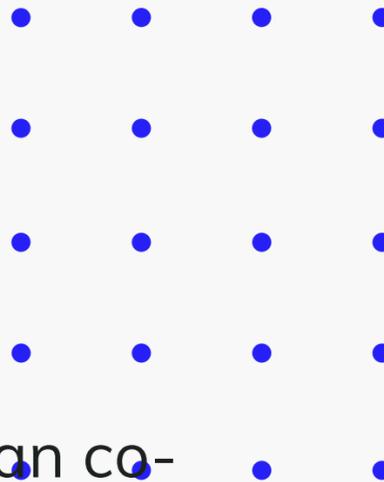
Brazil's retail sales have performed mainly in line, though it presents upside risk due to higher inflation.

+ 02

Shopee and MercadoLibre are the best-positioned players to be positioned in the LatAm eCommerce space.

+ 03

Shopee and Meli can co-exist, without disruption in profitability, as evidence suggests.



Retail Wrap-up

Inflation Drives Upside

- According to IBGE, retail activities grew 14.3% YoY, boosted by office appliances, personal care, and home appliances;
- Deflating the series, real growth was 5.2% YoY;
- We revised our expected growth for retail from 8.6% to 9.6% due to a higher inflationary scenario.



Source: Giro Lino, IBGE, BCB.
 Proprietary Modeling
 research@girolino.com

POWERED BY STRATOSPHERE

POWERED BY

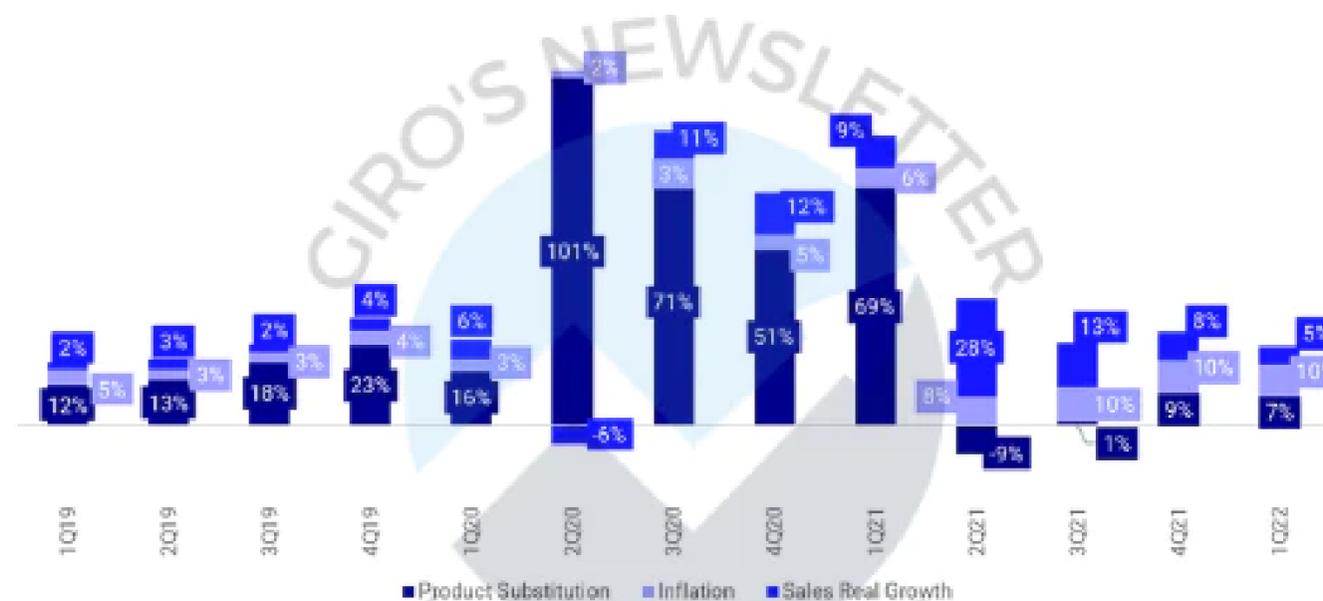


Retail Wrap-up

eCommerce keeps growing

- eCommerce registered a 22.6% GMV growth in the 1Q22 YoY, boosted by an increase in its penetration percentage of retail sales;
- Our thesis that macroeconomic conditions do not change for eCommerce penetration growth keeps proving itself for another quarter.

eCommerce Growth Breakdown (YoY)



Source: Giro Lino, IBGE, BCB.
 Proprietary Modeling
 research@girolino.com

POWERED BY STRATOSPHERE

POWERED BY



Top Players

Shopee and Meli Gaining Momentum

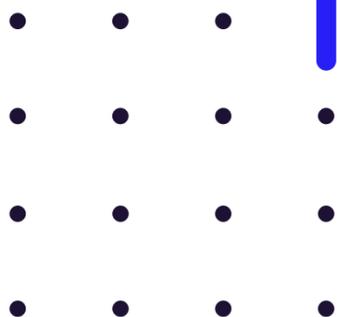
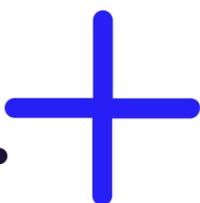
- We see Meli and Shopee as top Brazil eCommerce share gainers;
- For Shopee Brazil, launching its operations in the 2Q19, we estimate a 6% Brazil market share in 2021 and 15% in 2026E.



*Prop estimates and channel checks
 Source: Giro Lino, Companies.
 Proprietary Modeling
 research@girolino.com

POWERED BY STRATOSPHERE

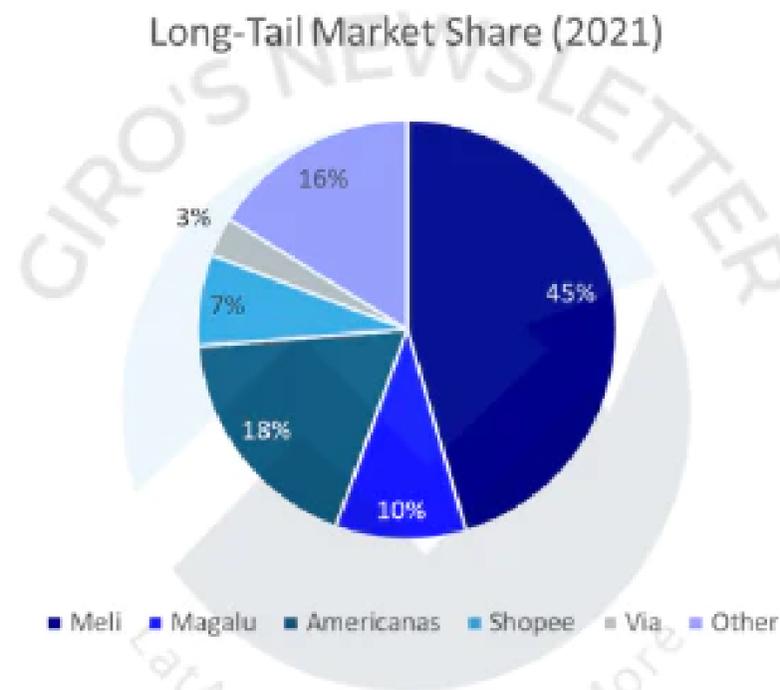
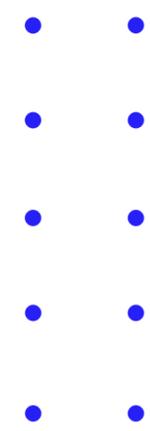
POWERED BY



+ Top Players

Long-tail categories present the highest upside risk

- For Magalu, Americanas, and Via, we forecast they'll lose share in the aggregate between 2021 and 2026, especially Via;
- While we believe current sellers' overlap with Shopee remains low, these platforms are, on average, more exposed to the electronics category, where we see a more mature vertical and, therefore, lower eCommerce growth potential.



*Prop estimates and channel checks
 Source: Giro Lino, Companies.
 Proprietary Modeling
 research@girolino.com

+ Top Players

Shopee stood out in growth

- We estimate that Shopee grew 176% YoY, while Meli grew 23% for the same period;
- With that, Shopee became a more significant player than Via Varejo, which is actually shrinking after a disastrous operational performance;
- We do not believe that Shopee is actually stealing shares. Except for Meli, most players focus on durable goods, a category the Shopee has shown little interest in.

GMV - Top 5 Players	1Q21	4Q21	1Q22	QoQ (%)	YoY(%)
MercadoLibre	14	19	18	-8%	23%
Magalu	9	11	10	-8%	15%
Americanas	9	13	10	-17%	20%
Shopee*	2	6	6	9%	176%
Via Varejo	5	6	5	-13%	7%
Total Top 5	38	54	49	-9%	28%
eCommerce	53	70	60	-15%	13%
Penetration	12%	13%	13%	0,4bps	85,6bps

*Prop estimates and channel checks
Source: Giro Lino, Companies.
Proprietary Modeling
research@girolino.com

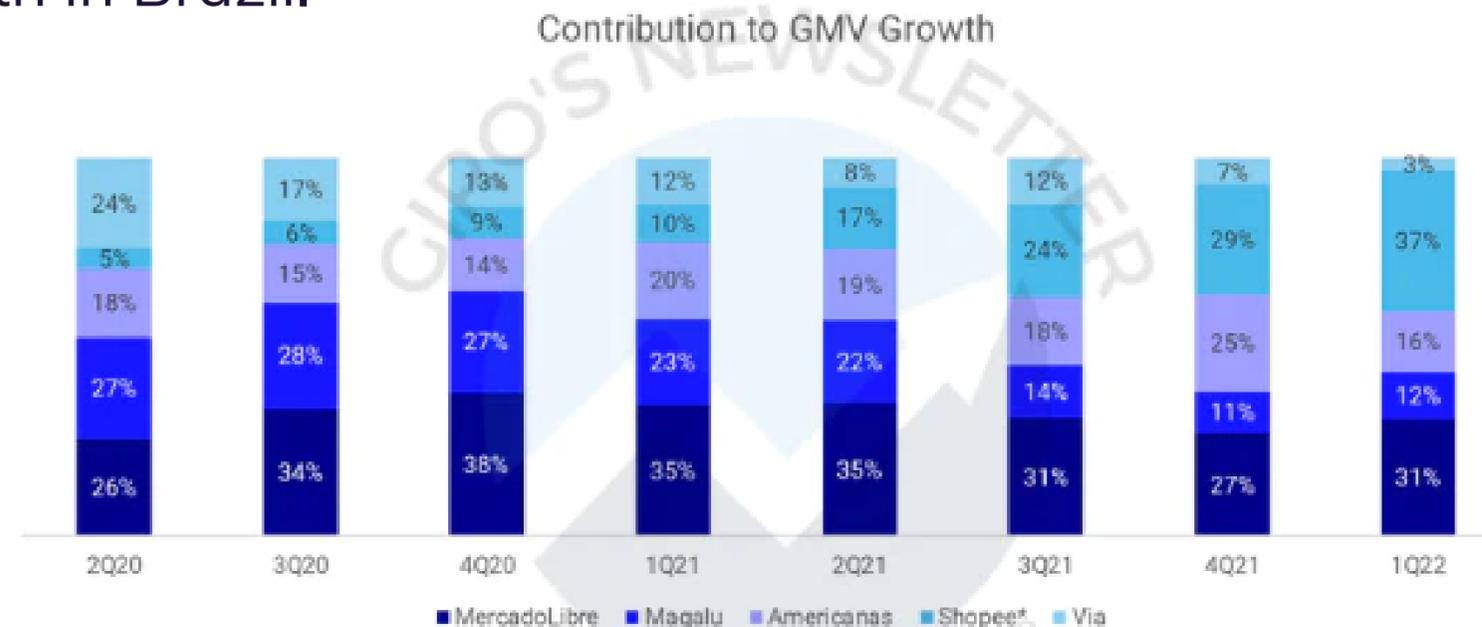
+ Sea Hit the Roof in Brazil

Shopee peaked at variation YoY growth

- Growing 176% YoY from a R\$2bn GMV is much easier than doing it when you already have an R\$18bn GMV;

-So the way we look at it is focusing on the GMV increase, not its variation;

- We believe Shopee will grow at a R\$12bn GMV per year in Brazil, which is roughly US\$2.5bn. However, we think that Shopee could start expanding to different locations, affecting its growth in Brazil.

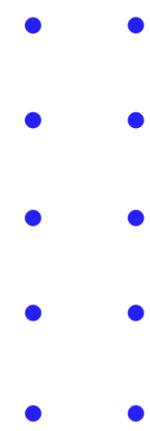


*Prop estimates and channel checks
 Source: Giro Lino, Companies.
 Proprietary Modeling
 research@girolino.com

+ Growth at what cost?

Meli still has a superior operation

- Even though we estimate a similar marketing expense per order for Meli and Shopee, we estimate that Shopee is spending much more money on active clients;
- Sea'll focus on gaining scale, diluting cost, and increasing engagement, not competing against Meli;
- Meli is a cash flow machine while Shopee is burning a lot of cash. We doubt they'll bother Meli.



*Prop estimates and channel checks
 Source: Giro Lino, Companies.
 Proprietary Modeling
 research@girolino.com

Contact Us



research@girolino.com