

## **Q2 2025 Earnings - Transcript**

### **Webcast Presentation Q2 2025**

#### **Earnings Call Prepared Remarks August 13, 2025 5:00 pm ET**

Good afternoon everyone and thank you for joining the Second Quarter 2025 Earnings Call. If you have not seen the Earnings Release, a copy is posted in the Financials section of the Investor Relations website. On the call today, you have Pedro Arnt, Chief Executive Officer; Jeffrey Brown, Interim Chief Financial Officer; Christopher Stromeyer, SVP of Corporate Development; and Mirele Aragão, Head of Investor Relations.

A slide presentation has been provided to accompany the 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](https://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 dLocal. Thank you.

#### **Pedro Arnt, Chief Executive Officer**

Good afternoon everyone, and thank you for joining us today.

We delivered another quarter of solid growth and disciplined execution, with significant acceleration across key financial metrics. These quarterly results are another testament to our high growth, expanding margin and healthy FCF business model. They also demonstrate how we provide substantial value to our merchants.

We continued to experience strong momentum across the business, once again hitting a record-high TPV of \$9.2 billion and achieving our third consecutive quarter of over 50% year-over-year growth.

Both revenue and gross profit reached all-time highs of \$256 million and \$99 million, respectively. Our core markets, particularly Brazil and Mexico, rebounded to deliver solid performance, while the rest of our geographies are growing even faster. This underscores our increased business diversification, and the resilience of our larger markets.

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Despite the ongoing investment cycle to support our future growth trajectory, we have posted five consecutive quarters of improvement in the adjusted EBITDA over gross profit ratio, demonstrating our commitment to investing towards right sizing our business, but doing so in a disciplined manner.

Our net income for the quarter totaled \$43 million, negatively impacted by the Argentine peso's devaluation on our bond portfolio. Given the shifting market dynamics, we took the opportunity to expatriate funds from Argentina more efficiently, reducing our position by over 80% and reallocating to US treasuries. This move reduces the expected volatility and increases our funds available for general corporate purposes. Excluding these effects, our net income would have been \$53 million. These are all very positive outcomes over the long run, despite the negative impact on this quarter's bottom line.

Our business also continues to deliver strong cash generation, with \$48 million in free cash flow this quarter – a clear reflection of the strength of our underlying operations and our solid financial position.

During the quarter we added three new licenses, UAE, Turkey, and Philippines, an important milestone for us in our strategy to offer our merchants the advantages of our growing portfolio of financial services licenses across the global south.

Before we go into greater depth on this quarter's results, I'd like to take a minute to revisit the broader trends driving these strong results in our business.

First, we continue to observe substantial long-term opportunities within the markets where we operate. Our addressable market, in terms of Total Payment Volume (TPV), is valued at trillions of dollars, and because it exhibits low penetration in digital adoption and card usage, is projected to experience double-digit annual growth through 2030.

Second, if we look at our current merchants' businesses in the countries we operate in, we see significant opportunities to grow our share of wallet with those merchants. This will happen as we expand with them into new countries, integrate additional APMs, or unlock new lines of business we do not yet serve.

The third growth vector is the addition of new merchants. One way to think about the potential growth of our merchant base, is that we are still in the early stages of the S-curve of digital merchants adopting emerging markets payment localization. This growth follows an identifiable pattern.

Merchants typically start by launching their businesses in developed markets, and then expand into emerging markets using only international acquiring. This nets them access for only a portion of the population, low conversion rates and a poor user experience due to hidden costs and friction. Eventually, the size of those businesses reach a scale that demands localizing payments, to solve for those barriers to adoption. Finally, they then initiate a phased expansion into other emerging and frontier markets repeating the cycle.

As we move up the S-Curve with our merchants we build a more diversified, stickier and less volatile business that serves more merchants, across more countries and in a greater number of payment methods.

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We see this playing out in our numbers. We now serve almost 760 merchants. Considering our top 50 clients, they operate with us, on average, in 11 countries and 48 payment methods. This is up from 8 and 35 only 18 months ago.

Our geographic diversification has increased, with our top 3 markets now representing 47% of revenues, down 8 p.p. since 2023. The revenue in the rest of our markets are growing almost 3x faster over the last four quarters.

As we increase our merchant base and move up the S-Curve with them, we expect merchant diversification to increase as well.

As we have highlighted in past quarters, we continue to increase our pace of investment in product innovation. Let me share some of the highlights from the last three months of deployments.

Last week we launched SmartPix in Brazil. This first in the market ground breaking solution redefines the Pix experience and replicates most of the functionalities and convenience of card on file payments for merchants. SmartPix is already live with merchants and demonstrates our commitment to being leaders in the Alternative Payment Methods in the global south.

This last quarter we also launched multiple Buy Now Pay Later integrations in several markets, where we integrate market leading BNPL solutions to our merchants' checkouts. Following our instalment offerings in Brazil and Argentina, this is another important step towards enabling our merchants to benefit from the massive demand for credit in our markets. It is important to note that we do not take credit risk ourselves, and are able to revenue share on the credit yields made by our BNPL partners.

We continue to make progress on our stablecoin solutions, where we believe we are uniquely positioned to take advantage of the opportunity. With our broad EM presence, highly developed pay out and pay in infrastructure, local FX capabilities, and years of experience with stablecoins, we are a perfect on- and off-ramp provider for stablecoin players and merchants looking to leverage this technology. Our partnerships with Circle and BVNK are some examples of the advances we are making in this space.

Before I turn it over to Jeff to give you a detailed breakdown of our P&L for the quarter, I'd like to make some comments regarding the operating leverage in our financial model.

As you know, we have been in an investment cycle focused on our product, tech, operations and compliance capabilities.

Despite this investment cycle, we have turned a corner and continue to deliver higher revenues per employee than many of our public company best-in-class peers, all of whom process more TPV than we do. This reflects our lean and efficient culture.

Furthermore, we believe there are efficiency and scalability gains ahead of us from our ongoing AI and automation initiatives, which are a core part of where the technology resources from our investment cycle are being allocated.

With that introduction, I will now hand it over to Jeff to provide a more detailed review of our second quarter results.

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### Jeffrey Brown, Interim Chief Financial Officer

Thank you, Pedro. Good afternoon, everyone. I'll walk you through the main figures for the quarter.

We had another strong quarter, building on the positive trends we have seen since mid-2024. By consistently executing our strategy, we have once again hit record numbers in TPV, revenue, gross profit, and Adjusted EBITDA, all while maintaining disciplined cost management and continuing our geographic expansion.

Consequently, in the second quarter of 2025, our TPV surpassed \$9 billion for the first time, growing 53% year-over-year and 14% quarter-over-quarter. In constant currency terms, TPV would have grown by 65% year-over-year.

Growth was particularly strong in remittances and commerce, followed by SaaS, delivery, streaming, and ride hailing; slightly offset by weakness in advertising.

Our TPV growth was broad based. We saw strong quarter-over-quarter and year-over-year growth across cross-border, local-to-local, pay-in, and pay-out flows. This re-affirms our leadership across a variety of solutions in our markets.

Revenues reached \$256 million in the second quarter and grew 50% year-over-year, or 63% on a constant currency basis. This follows from the strong volume growth, with a recovery in Brazil and Mexico, important growth in Argentina and notable contributions from Turkey, South Africa, and Pakistan.

On a quarter-over-quarter basis, revenue was up by 18%, exceeding TPV growth, given a higher share of pay-ins. This positive result was partly offset by Egypt, where we experienced a partial volume loss due to a large merchant implementing redundancies in the market in addition to lower FX spreads as a result of the currency devaluation.

Moving to gross profit dynamics, during the quarter, gross profit reached a record of \$99 million, up 42% year-over-year, or approximately 55% on a constant currency basis. This volume was driven by:

- Volume growth in Argentina, Brazil, Egypt and Mexico; and
- Growth in other markets, particularly Bolivia, South Africa and Turkey.

This is a demonstration of the continued globalization of our business with profits from both larger and smaller economies.

On a quarter-over-quarter basis, gross profit increased by 17%, primarily driven by:

- Performance in Brazil, given a higher share of installment payments and the recovery of one-off processing costs from the previous quarter;
- Argentina's strong performance, driven by higher volumes and increase in advancements, fully offsetting the impact of lower FX spreads; and
- Performance in other Africa & Asia markets, particularly in South Africa, due to volume growth and lower processing costs.

This positive result was offset by:

- Egypt, as previously mentioned; and

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- Other LatAm markets, that despite volume growth across various countries, were adversely affected by retry costs invoiced during this quarter in Chile and Colombia. Excluding Chile and Colombia, these markets grew 9%.

Our net take rate showed an improvement of almost 3 basis points quarter-over-quarter, largely due to higher share of pay-ins and a recovery of processing costs from the previous quarter. These positive effects were partially offset by lower FX fees in Argentina as a result of spread compression. As you can see a number of mix shifts impact the evolution of our take rate quarter to quarter.

We continue to demonstrate operational leverage this quarter with careful expense management.

Accordingly, for the second quarter, our total operating expenses were \$43 million, representing a 10% increase quarter-over-quarter and a 9% increase year-over-year. On a quarterly basis, the increase in OPEX is primarily linked to increase in headcount, especially in tech, and higher third party services.

Adjusted EBITDA reached \$70 million, up 21% quarter-over-quarter and 64% year-over-year. The ratio of Adjusted EBITDA to Gross Profit for the quarter was 71%, up 2.7 p.p. versus the first quarter, marking this the fifth consecutive quarter of improvement.

Although we anticipate a growth in OPEX in the second half of the year as we continue with our investment cycle, these results highlight our company's frugal culture and the built-in leverage of our business model.

As Pedro mentioned previously, net income totaled \$43 million for the quarter, impacted by the Argentine peso devaluation and expatriation costs from our Argentine bonds. We took advantage of a window to significantly lower our exposure to Argentine securities which is expected to reduce volatility in our financial results going forward.

Our effective income tax rate ended the quarter at 16% compared to 10% in the first quarter 2025, as a result of higher local-to-local share of pre-tax income. As you may recall, the effective tax rate in 1Q was favorably impacted by a one-off cost in Brazil.

Finally, our free cash flow for the quarter, defined as net cash from operating activities excluding merchant funds, less CAPEX, was \$48 million, a significant 22% increase from the first quarter. We ended the period with a robust liquidity position, with corporate cash and cash equivalents at approximately \$254 million. The decrease from the prior quarter reflects the payment of dividends in June.

With this, I'll pass it back to Pedro for his concluding remarks.

**Pedro Arnt, Chief Executive Officer**

Thanks, Jeff.

Before concluding, we wanted to give you an update on guidance.

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On TPV and revenue, we expect to end the year around the upper limit of the guidance we shared at the beginning of the year.

On gross profit and adjusted EBITDA, we believe we are likely to exceed the previously stated upper limit.

This is due to the strong performance in the first half of the year and the sustained momentum we expect across our business.

We have provided new ranges for your benefit, but we do want to highlight some risks to keep in mind as you evaluate them.

- The evolving macroeconomic and trade landscape globally and its potential impact on emerging market consumers.
- The recent increase in tariffs on cross border e-commerce in Mexico, along with potential regulatory changes in other markets.
- Shifting fiscal regimes in Brazil.
- The potential for currency devaluation and changes in capital controls in the markets where we operate.

Despite these inherent risks we remain optimistic on H2 2025. It is precisely in an environment of volatility that our key differentiators - a disciplined approach to scaling our business, deep local expertise, and a steadfast commitment to delivering value to our merchants - prove their worth. We are confident in our ability to navigate these challenges and seize the significant opportunities ahead.

One final set of announcements, that we think are perhaps the most relevant even on the back of such strong quarterly numbers.

After a full review, carried out by our Board of Directors, on our corporate governance structure and practices, we would like to announce a series of important decisions.

First, on the People front.

We are pleased to announce that Guillermo Lopez Perez will be joining us as our new CFO.

Guillermo has 20 years of experience in the payments industry, first at American Express, and more recently at Visa. At Visa he was the CFO of Continental Europe. More recently he has held the CFO position at Tink, a leading european open banking provider, and at FutureSpace, a UK-based fintech specializing in real-time fraud detection and risk management.

Guillermo brings with him deep expertise in fintech as well as a clear track-record of scaling businesses. We are excited to welcome him onboard.

I also want to express my gratitude to Jeff for his dedication and leadership throughout this transition period.

We are also pleased that Christopher Stromeyer joined us in June as SVP of Corporate Development. Chris brings with him years of experience at Bain & Company across North and Latin America, and most recently served as Chief of Staff and Head of Strategy at the Latin American Fintech Ualá.

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Some of you have already met Chris — he also leads our Investor Relations team as part of his role.

Second, on our Board composition.

We are committed to transitioning to a majority independent Board. Our current independent directors are fully committed to continuing to serve in their roles, and we have begun the search for additional independent directors who possess complementary backgrounds and skill sets. Of the remaining non-independent directors, General Atlantic has agreed to remain on the board, as did I. The remaining seats will be held by members of the founding team.

As we complete the new Board, we will also constitute Nominating & Corporate Governance and Compensation Committees to further strengthen oversight and align with best practices.

In addition, we will cancel the treasury shares currently held on our balance sheet. This action underscores our ability to deliver strong underlying business growth while returning excess capital to shareholders — whether through dividends or buybacks — and reflects alignment with corporate governance best practices.

We have covered a lot of ground; strong business momentum and a lot going on here at dLocal. Just as we expect it.

Thank you all for your trust and partnership. We'll now open the call for questions.