Webcast Presentation Q2 2026
Earnings Call Prepared Remarks August 13, 2026 5:00pm ET

Good afternoon, and thank you all for joining our earnings call today. If you have not seen the Earnings Release, as always a copy is posted in the Financials section of the Investor Relations website. On the call today, you have Pedro Arnt, Chief Executive Officer; Guillermo Lopez Perez, 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. 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. Thank you for joining us today.

Our results for the second quarter of 2026 are yet another proof point of our continued traction and execution. There are four main trends I'd like to kick off with that best summarize the current strength of our business.

TPV reached $17.7B, accelerating to 92% year-over-year, the highest since the first quarter of 2022. We processed more in the second quarter than what we did in all of 2023.

Our net revenue retention was 153%, the fifth straight quarter above 140% as we continue to deepen our relationships with merchants.

Our gross profit hit $127 million, up 29% year-over-year. We hit an annualized rate of more than $500 million in gross profit.

Our operating leverage is improving, with Operating Profit as a percentage of Gross profit up 6 p.p. quarter-over-quarter to reach 50%. As messaged previously, we expect further operating leverage improvements to kick in during the next two quarters as we benefit from the deployment of automations and AI we have been investing in, and spending in key areas that was front loaded to the first semester this year.

On TPV, the metric that reflects market share, growth was extraordinary this quarter, but more importantly has been consistently strong.

TPV growth has remained above 50% year-over-year for seven consecutive quarters, with the last three quarters at or above 70%. Furthermore, growth has accelerated over the past five quarters, reaching its highest year-over-year rate in four years.

Although the pace and scale of this growth will naturally create more demanding comparisons as we move through the second half of the year and into 2027, what we are seeing today reflects the positive returns on investments we have made in our platform and our portfolio of licenses. It serves as a testament to the trust merchants place in us as they build and grow across emerging markets.

This trust is a direct result of the execution of our value proposition. Through a single integration, our merchants access the locally relevant payment methods, local card schemes and the financial infrastructure they need to operate and grow across more than 60 emerging markets. Our licenses, local teams and operating expertise help them navigate complexity and improve performance in each country, ultimately increasing substantially their chances of a successful go to market deployment in the places they partner with us.

Today, more than 760 leading global merchants trust dLocal. This includes four of the largest ride-hailing companies operating in emerging markets, five of the ten largest e-commerce platforms, the top five video streaming platforms and seven of the ten largest remittance companies, amongst many other of the world's best businesses. We are now also starting to serve some of the world's pre-eminent AI companies and digital asset exchanges.

The trust that these merchants place in us is translating into deeper relationships over time, as they add countries, payment methods and products. Our TPV retention rate of 188% this quarter demonstrates this.

This quarter, several Tier 0 merchants had significant ramp ups in some of our largest markets such as Brazil, Mexico and Argentina, demonstrating that the opportunity remains substantial even in more established markets. We also continue to see our merchants expand into new geographies at a rapid pace.

Across our portfolio, we continue to gain both share of wallet and market share across emerging markets. Share of wallet increased by 2 percentage points year-over-year in the first half to the low teens and we now estimate our share of EM digital payments in the low single digits. Despite our growth, the opportunity to deepen relationships across our merchant base and capture more merchants remains massive.

Asia-Pacific is a clear example and one we are increasingly excited about. It is a large, fast-growing and highly fragmented region with a significant untapped opportunity. It has become one of our strategic priorities, and we have been expanding our presence and investments in the region.

The growth we are seeing today reflects the investments we have made in our platform over the last several quarters and years. Those investments are delivering tangible results, and they continue to strengthen the foundation for our next phase of growth.

Our focus remains on three areas. First, we continue to broaden our offering and invest in performance through our optimization capabilities. In the end, the performance and breadth of our One dLocal offering is the most important factor for our continued growth and success.

Second, we are embedding AI and automation across the business. This is already increasing our development capacity, with meaningfully higher monthly deployments and shorter lead times, and we expect the positive impact on our cost structure from our automation efforts to become increasingly visible in the second half of the year across different areas of the company.

Third, we are expanding the value-added services we offer merchants, creating additional opportunities over time. We will soon launch dMORE, our Merchant of Record solution through which dLocal acts as the legal seller on behalf of the merchant, allowing us to offer our clients a more comprehensive go to market solution. And our BNPL offering continues to expand and improve, and is now live in 8 markets.

We will continue to invest with discipline behind these priorities and others as we scale the business.

With that, let me turn it over to Guillermo to walk you through our quarterly financial results.

Guillermo Lopez Perez, Chief Financial Officer

Thank you, Pedro. Good afternoon, everyone.

Let me start by briefly summarizing the key financial highlights for this record quarter.

As Pedro mentioned we had an exceptional quarter in volume growth which translated into another quarter of record gross profit.

Operating profit improved 22% sequentially and we also began to see operating leverage improvements emerge during the quarter, with operating profit as a percentage of gross profit up 6 percentage points sequentially.

Net income increased 28% year-over-year and roughly 30% sequentially, and EPS also benefited from the execution of our share repurchase program.

And cash generation remained strong, with adjusted free cash-flow conversion of 86% of net income in the first half of the year.

Let me now dive into the details, beginning with volume performance.

Volume reached $17.7 billion in the second quarter, up 92% year-over-year. First-half growth was exceptional, broad-based across our merchants and verticals, and helped by favourable FX.

Ride-hailing was the largest contributor to sequential growth. One large global merchant was an important driver. But the growth wasn't concentrated just there. Several ride-hailing and on-demand delivery merchants expanded meaningfully too. Travel, remittances, e-commerce, SaaS and advertising also contributed to growth. Financial services were down modestly, mostly seasonality at some travel-related merchants in LatAm.

Our business mix continues to evolve. Local-to-local flows hit 61% of TPV, up six percentage points from the first quarter. The increase in local-to-local mix was primarily driven by the growth of ride-hailing and on-demand delivery, which are inherently local-to-local businesses.

This volume growth translated into another record quarter of gross profit. Gross profit reached $127 million, up 29% year-over-year and 7% quarter-over-quarter.

Brazil and Argentina were the primary drivers. In Brazil, gross profit reached a record $40 million, supported by the ramp-up of ride-hailing and travel merchants, alongside sustained e-commerce growth.

Argentina also delivered record gross profit with $20 million, driven by broad-based growth across e-commerce, ride-hailing and on-demand delivery, as well as lower advancement costs.

Elsewhere in Latin America, gross profit grew 6% sequentially and 32% year-over-year.

Mexico kept growing volume well. Gross profit was modestly lower sequentially, though. The mix shifted to local-to-local, and some large merchant ramp-ups reached their final pricing tiers.

In Africa and Asia, gross profit was down sequentially. That's mainly due to a lower share of higher-spread markets like Mozambique and Vietnam, where the first quarter had gains that don't necessarily recur, as we flagged last quarter.

Turning to expenses, total operating expenses were $63 million, up 46% year-over-year and down 4% sequentially. The year-over-year increase reflects three factors: the annualization of investments made in the second half of 2025; higher average salaries, driven by the annual merit cycle and a limited number of senior strategic hires; and higher marketing spend, concentrated in the first half around our World Cup campaign and large merchant events. Sequentially, the reduction reflects, in part, the absence of the $4.4 million non-recurring prior-year tax item recorded in Opex in the first quarter.

Headcount remained broadly stable sequentially, while gross profit per employee increased. From here we don't expect material increases in headcount this year .

As a result, operating profit reached $64 million, up 15% year-over-year and 22% sequentially. Operating profit represented 50% of gross profit, an increase of 6 percentage points from the first quarter.

As Pedro mentioned, we have invested heavily in automation. As those initiatives deploy, and as we annualize our second-half 2025 investments, we expect operating leverage to become increasingly visible during the rest of the year

Finally, below the operating line, net income reached $55 million, up 28% year-over-year.

Diluted EPS was $0.18, supported by earnings growth and helped by the execution of our share repurchase program. Under the $300 million program authorized in March, up to the end of Q2, we have repurchased approximately 6.9 million Class A shares for $86 million. All of these shares have been cancelled.

The reported effective tax rate for the quarter was approximately 16%. Excluding the non-recurring prior-year tax adjustment, the normalized effective tax rate for the first half was 15%. As we have discussed, the effective tax rate can vary quarter to quarter based on country and business mix.

Adjusted free cash flow was $69 million, up 41% year-over-year, with adjusted free cash flow conversion of 125% of net income.

Cash flow from operations before working-capital changes increased to $83 million, reflecting higher operating profit. But Free cash flow also benefited from a partial reversal of last quarter's temporary working-capital effects, partly offset by higher income tax paid.

With that, I will hand it back to Pedro.

Pedro Arnt, Chief Executive Officer

Thank you, Guillermo.

Following the strength we have seen in the first half, we are updating our annual guidance.

Looking ahead, we continue to see strong momentum across multiple verticals and geographies. This strength is broad-based and gives us the confidence to raise our TPV growth guidance to 60%–70% year-over-year.

It is worth reinforcing why TPV remains such an important metric for us. Payments is ultimately a scale business. As our volumes grow, we gain greater leverage with downstream providers, deepen our FX liquidity, and generate more data to improve performance. These dynamics reinforce one another over time and are central to the long-term value creation of our business model.

Following the strength in volumes and the continued ramp-up of several large merchants, we are raising our gross profit growth guidance to 25%–30% year-over-year.

We are maintaining our operating profit growth guidance of 27.5%–32.5% year-over-year only because, as Guillermo discussed, annual operating profit will be dragged down by the non-recurring prior-year tax item, and FX headwinds that we did not expect in the original forecast.

As always, our outlook is subject to the inherent volatility of the emerging markets in which we operate. That said, we believe this guidance best reflects what we see in the business today.

With that, I'll hand it over to Chris to lead us through some questions on the quarterly results.

Management fireside chat

Christopher Stromeyer, SVP of Corporate Development

Hello everyone, from a wintry but sunny day here in Montevideo, Uruguay.

As we did last quarter, we wanted to take a few minutes here to cover the key themes that we think will be relevant to investors from this quarter.

Pedro and Guille, thank you so much for being here with us again.

Christopher: Pedro, let me start with you. We delivered another spectacular quarter in terms of TPV growth with evident share of wallet gains across our portfolio. As we move into tougher comps going forward, what gives you confidence that we can keep delivering high growth in the medium term?

Pedro: So big picture, the growth we're seeing is a reflection of two things. The market opportunity, which is still enormous and will continue to be enormous, but also the returns on the investments we've been making to improve performance, broaden product offering and strengthen our competitive positioning. And so those are trends that we feel comfortable will sustain themselves in time.

Looking at it a little bit shorter term, the first half of the year also benefited from a ramp up of some large global merchant expansion deals, both into existing geographies and new markets. So for example, the largest tier zero merchant that Guillermo discussed previously, that ramp up across key markets is already completed. And the headwinds from the tiered pricing impact as they ramped up, which have been significant factors over recent quarters, becomes less pronounced going forward.
One interesting data point is if we exclude this one very large merchant relationship, and a few currency volatility effects, net take rate would have been very close to flat, quarter over quarter, despite TPV growth, that still would have been in excess of 65% year on year.

So even as we enter these tougher year on year comps from these ramp ups that were already been behind us, we really don't see any signs of the overall growth model slowing down, and we continue to expect share of wallet gains across the existing merchant base, expansion into new merchants, going into new geographies, and then as always continue to offer more payment methods and new products.

So the investment thesis is one of a durable growth opportunity, again, supported by size of market and an overall secular trend towards digitalization of emerging market economies globally.
So as we continue to execute, we feel very, very enthusiastic about the mid to long-term opportunities of this business.

Christopher: Great, Guillermo, going over to you, turning from growth to profitability. Operating expenses decline modestly quarter over quarter, but I think more importantly, our full year guidance implies further and important improvements in operating leverage in the following quarters. What gives you confidence in that trajectory?

Guillermo: There are a few things that are coming together to give me some confidence.

The first one, I would say the big one is timing. There's a lot of investments we made in the second half of last year. They are now fully in our numbers in the first half, so I think that headwind will fade in the second half. We also have front-loaded marketing into the first half, so we have the World Cup campaign. We have a large merchant event, and that happened in the first half of the year, and that shouldn't repeat in the second half.

It's also worth saying that the first half carried one off costs that we don't expect to happen in the second half. So we have higher credit loss provisions that we expect there. We have high operational losses. We have the prior year tax adjustments. So we don't expect that level of one off us in the second half, although it must be said that those are always difficult to predict.

And also finally, headcount, as you can see in the earnings script, has been broadly flat. There's a salary step-up that was really the merit cycle that we do every year and a few senior hires that we did, and now that's embedded into our base. And there's the automation program that Pedro mentioned that we should still roll out to all the organizations and help us see some of that leverage in the second half of the year.

One thing I would mention and that I would flag is that if you take some combinations of our guidance ranges, you come back into an opex cut that's bigger than what we have currently planned. So cost-discipline always carries some risk. So we'd rather hold the operating profit guidance as it is and let the gross profit upside and the cost normalization play out. I think that's the way we are balancing the near-term with the long-term investments that we need in this growing business.

Christopher: So following up on what Guillermo said about automation, which is what's actually happening operationally in the company. Pedro, can you give us some color on how we're seeing our AI efforts and where we are in that trajectory?

Pedro: So we're really seeing AI as a core enabler across the company as we increasingly embedded across engineering, compliance, operations, commercial, customer support. And there are tangible results already, although we expect more to come, especially in the back half of the year.

So as we've said previously, over 60% of code is already AI generated. That's led to nearly doubling of engineering deployments year over year and a significant reduction of lead times in our software development cycle. And that's how we're supporting volume growth that is over 80% for H1 with headcount, as Guillermo just said, which is really broadly stable overall. That goes well for the long-term operational leverage of the business model.

When I look ahead, I see further efficiency opportunities through AI and automation, and more of a medium term look as we expand our product portfolio and cover more and more countries, we expect to be able to selectively add headcount, but primarily feet on the ground and localization, while at a centralized and overall middle and back office level, which is always relevant in a payments company, we expect to be able to really push the envelope in terms of automation and high operational leverage there.

Christopher: Turning to taxes, where investors have seen some volatility in the last few quarters in terms of our effective tax rate, how should they think about the tax rate going forward?

Guillermo: Quarter to quarter, the tax rate will keep moving, and it depends on the country and the business mix. So there's going to continue to be that volatility in coming quarters.

Now looking ahead, and based on the legislation currently enacted, we do expect some upward pressure on our ETR, particularly in jurisdictions that are implementing the OECD's pillar two framework, which we are expected to impact as it starts in 2027. It's important to say that there are still regulatory developments under discussion across several of the countries in which we operate.

So it's too early for us to quantify the ultimate impact, but we continue to evaluate these changes with our external advisors and we will provide updates as appropriate. That said, more on this year, excluding the quarter to quarter volatility that I discussed and the prior year tax adjustments, our normalised effective tax rate for the first half provides a reasonable reference point for the remainder of the year.

Christopher: Great, and one last one Pedro, before we open the line, let me just come back to you. From everything we've covered during the earnings presentation, during this conversation, for you, what are the most important takeaways that you'd like to leave our investor community with?

Pedro: So first of all is the strength of the execution, and the kind of growth that it has delivered, but more importantly, that it should continue to deliver. And all of this is supported by the fact that our relationships with global merchants are increasingly deeper and stickier. You see that in the retention rates we mentioned during the prepared remarks. And we're seeing merchants adding countries, adding payment methods, and now beginning to add products that they use from us.

So that generates the kind of positive cycle where we can continue to invest in platform, in product and innovation, and we see the returns of those investments, allowing us to capture what is a sizable market opportunity going forward.

Second, and this is somewhat related to scale, somewhat related to AI, and somewhat inherent to the business model, is the operating leverage long-term. You're going to see some of that in the second half as the business continues to scale, and the automation initiatives that we've mentioned get deployed.

And longer term, the balancing act becomes one of making sure that we find that right equilibrium between continued deliverance of operating leverage while at the same time investing to keep that flywheel going. This is a highly attractive cash-generated financial model, and that gives us the ability to continue investing, to carry out that flywheel, yet consistently return value to shareholders. So really, we think the company is in a really strong position right now, and we just need to continue executing on our strategic plan.

Christopher: Great. Thank you very much, Pedro, Guillermo. This concludes our conversation, and we'll now open the line of questions.