

Q3 2025 Earnings - Transcript

Webcast Presentation Q3 2025

Earnings Call Prepared Remarks November 12, 2025 5:00 pm ET

Good afternoon everyone and thank you for joining the Third Quarter 2025 Earnings Call. 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; Jeffrey Brown, Interim Chief Financial Officer; Christopher Stromeier, 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.

We delivered another record quarter, the first time with TPV above \$10B and gross profit that surpassed \$100M; yet another example of our strong growth and continued diversification, all of which underscore the potential and resilience of our business model.

TPV, and I would like to remind you, is the key metric we continue to manage the business to, trusting that long term scale and market share are the critical elements behind our investment thesis. TPV grew nearly 60% year-over-year in USD and 66% on a constant currency basis. This marks the fourth consecutive quarter of TPV growth above 50% compared to the prior year, a testament to the favorable secular trends in Emerging Markets and to our track record of execution with our merchants as they grow into new markets and new payment methods.

Gross Profit reached \$103 million, up roughly 32% year-over-year and 36% for the first nine months of 2025. The quarter's result was driven by strong volume growth across the business with particular strength in Brazil, Colombia and other LatAm and Other Africa & Asia segments, partially offset by the

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volatile macro situation in Argentina, temporary cost pressure in Mexico, potentially also headwinds from tariffs in that market, and a full quarter's effect of the share of wallet losses in Egypt, that we had already referenced in Q2.

As anticipated, our investment cycle increased headcount expenses; however, our disciplined expense management sustained healthy operating leverage, with Adjusted EBITDA reaching \$72 million, representing 70% of Gross Profit.

We delivered a robust net income growth, primarily due to lower finance costs following a significant reduction of our exposure to Argentine Peso denominated bonds during 2Q25.

Finally, Adjusted Free Cash Flow to Net Income conversion remains at healthy levels, reinforcing the cash-generative nature of our model.

Our strong results reflect our continued ability to navigate the fragmentation and complexity inherent in emerging markets financial infrastructure so we can deliver value to our shareholders and growth to our investors.

This complexity and fragmentation across the global south is not waning, but rather we would argue increasing. In Brazil, local payment methods, driven by Pix already account for more than half of e-commerce volume.

We see these trends across all emerging markets, local payment methods represent the majority of e-commerce volumes and are expected to reach nearly 60% by 2027. BNPL, one of our newer focus areas, is smaller today but growing faster than the overall market, and we believe have enormous potential.

Crypto corridors through stablecoins are rapidly emerging as relevant in the payment infrastructure mix as well, opening up new business opportunities and positioning dLocal as the key provider of on and off-ramps between stables and fiat across the 40+ markets we operate.

In the face of this ever increasing complexity and fragmentation, our core value proposition - "One dLocal" - does nothing but increase in value to our merchants. Being able to abstract all the complexity away to a single partner, who has the widest and deepest coverage (and by that I mean the most EM countries and the largest number of payment methods per country) is fundamental. That is why our value proposition for merchants is to be the one-stop shop for emerging markets financial infrastructure needs, offering all the card-based and local payment methods in any given country.

Last quarter we shared our view on the S-curve of digital merchants adopting payment localization in emerging markets.

As you can see here, our growth is broad based with TPV contributions throughout the S-Curve. We add new merchants, deepen our share of wallet with existing merchants, add payment methods and accompany them into new countries.

And throughout, we benefit from secular trends of digitalization and economic growth in our markets and the desire of the world's preeminent brands to expand where growth is - which is across emerging markets.

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Most of our growth results from existing merchants, a testament to the strength and size of our current merchant base. For example, our clients include six of the Mag-7.

The strong volume growth with our key merchants, coupled with our value proposition results in customer loyalty that we are very proud of.

We have leading net revenue retention compared to most peers in the payments and software industry, reflecting durable upsell and cross-sell across geographies, payment methods, and flows. Since 2020, our NRR has always been above 100%, and this past quarter increased to 149%.

We continue to partner with best-in-class players from a commercial and capabilities perspective to solve their financial infrastructure challenges in our markets.

Some examples of high profile, recent, integrations include:

- Supporting Western Union's pay-ins across Latin America as they digitize their business
- Expanding checkout options for the ride-hailing service Bolt across Africa, Asia, and Latin America
- Leveraging our unique position to offer on- and off-ramps for stablecoins with Fireblocks for their global Payments Network.
- Partnering with Google on their Agent Payments Protocol (AP2) as we jointly explore the opportunities AI brings to commerce.

As we continue to scale, and increase breadth, depth, and quality of service, our business becomes stickier, as we saw by the NRR data I just shared, and more importantly, ever more diversified.

Last quarter we highlighted how our country/market concentration is decreasing. Our top three markets continue to grow very healthily, but at a slower pace than the rest, creating diversification and thus reducing the impact of the inherent volatility of any individual Emerging Market.

Top-merchant concentration, defined simply as the top 10 merchants on any given quarter, remains broadly in line with historical levels. But, as we deepen our share with existing merchants and onboard new large ones, the composition of the top 10 merchants rotates from quarter to quarter. On a cohort basis, the top 10 of any given quarter loses share as time goes on, and not because they shrink, but because others grow more in most cases. The importance of this is that actual merchant diversification is actually increasing on a name by name basis and our dependence on single merchants decreases over time.

Our product innovation roadmap also remains a top priority as we look to diversify our revenue base and drive increased Average Revenue per Merchant. We wanted to provide two updates this quarter.

Our APM on-file capabilities now cover 27 of these local payment methods across 16 countries, and is growing quickly. Replicating card-on-file convenience to reduce checkout friction and lift conversion, while allowing merchants to benefit from cost, speed and adoption of leading Local Payments Methods. For example, after rolling out tokenization for Yape, a top APM in Peru, conversion rates on that payment methods rose by a whopping 34 percentage points.

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Second: two weeks ago we launched BNPL Fuse, our proprietary aggregator for buy-now-pay-later solutions. It's now live in six countries with two more to follow shortly across Latin America, Africa, the Middle East, and Asia. This is an important step towards enabling our merchants to benefit from the massive demand for credit in our markets. Although still in its infancy, we are seeing initial signs of product market fit with 2.5x growth in volumes quarter-over-quarter. We deploy it via a revenue-share model with local partners, taking no credit risk, and generating a higher take rate payment volume on these transactions.

To wrap up this section, this quarter clearly consolidates the positive trends we have seen over the last nine months: sustained growth, an improving business mix, a disciplined cost posture, and continued strong cash generation.

And with that, let me pass on the call to Jeff, who will walk you through a detailed analysis of our third quarter performance.

Jeffrey Brown, Interim Chief Financial Officer

Thank you, Pedro. Good afternoon, everyone. I'll now take you through a detailed look at the numbers and the main drivers of our performance this quarter.

We delivered another strong quarter, again setting records across TPV, revenue, gross profit, Adjusted EBITDA, and net income, while keeping operating leverage at healthy levels despite continued investment.

Our TPV reached \$10.4 billion, representing significant growth of 59% year-over-year and 13% quarter-over-quarter. In constant currency terms, TPV would have grown by 66% year-over-year, despite being impacted negatively by the depreciation of the Argentine peso. This strong result was particularly visible in remittances, e-commerce, on-demand delivery, and SaaS verticals. Weakness in advertising is explained by Egypt, as mentioned by Pedro.

Performance proved to be broad-based across all flows and products, with each one achieving a new record high. This consistency powerfully validates the value proposition we offer our merchants.

Cross-border grew 13% quarter-over-quarter and 75% year-over-year, while local-to-local grew 13% sequentially and 46% year-over-year. Once again this shows the staying power of our cross border offering. Pay-ins grew 12% quarter-over-quarter and 55% year-over-year, while pay-outs grew 14% quarter-over-quarter and 70% year-over-year.

Revenue was \$282 million, up 52% year-over-year or 63% on a constant currency basis. On a quarter-over-quarter basis, revenue was up by 10%, driven by volume growth.

Moving to gross profit, during the quarter, gross profit reached a record of \$103 million, up 32% year-over-year, or approximately 41% on a constant currency basis. This performance was primarily driven by volume growth, with notable contributions year-over-year from Brazil, Argentina and Colombia.

On a quarter-over-quarter basis, gross profit increased by 4%, primarily driven by:

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- Volume growth across frontier markets, with strong performance in Colombia, Bolivia, and Nigeria; and
- Brazil's solid growth across streaming, e-commerce and advertising coupled with higher share of pay-ins.

This positive result was offset by:

- Egypt, as previously discussed;
- Argentina, reflecting lower interest-rate spreads and a temporary increase in processing costs; and
- Payment mix shift towards an APM with temporary margin pressure in Mexico, as well as a slowdown in TPV growth likely driven by increased tariffs on imports, as we had cautioned in our last guidance update.

The quarter was also impacted by a non-cash IFRS inflation adjustment in Argentina.

Our net take rate was down sequentially explained mainly by lower share from Egypt, volatility in Argentina and payment mix shifts in Mexico. It is important to note that take rates in our business can be volatile quarter to quarter given the many mix shifts by which they are affected.

We continue to demonstrate operating leverage and careful expense management.

Our total operating expenses were \$48 million for the quarter, representing a 10% increase quarter-over-quarter and a 28% increase year-over-year. On a quarterly basis, the increase is driven mostly by salaries and wages, especially in sales & marketing and tech, and offset by a \$1M decrease in impairment losses on financial assets. It is important to note that the increase in salaries and wages includes an almost \$2M increase in non-cash share-based payments.

Adjusted EBITDA reached approximately \$72 million, up 2% quarter-over-quarter and 37% year-over-year. The ratio of Adjusted EBITDA to Gross Profit for the quarter was approximately 70%.

Our revenue per employee had a second quarter of strong growth as we realised gains from our investment cycle, and to reap initial returns on our automation and AI projects.

As Pedro mentioned previously, net income totaled \$52 million for the quarter, explained by lower finance costs following the reduction of our exposure to Argentine peso denominated bonds. Over the next few months we will fully diversify away from the entire portfolio of Argentine securities, generating less volatility from financial results on an ongoing basis.

Our effective income tax rate for the quarter was 15%.

Finally, our free cash flow for the quarter was \$38 million.

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

Pedro Arnt, Chief Executive Officer

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Thank you, Jeff.

Before concluding, we want to give you an update on guidance. We reiterate our guidance numbers, given where we see the business tracking as of today. However, there continue to be important risks to consider that we want to call out.

We currently expect TPV to exceed the high-end of the range we shared during the 2Q25 earnings call. Market share and merchant traction remain very strong. And once again, this for us is the most important metric. Revenue is tracking around the upper limit for the year, while Gross Profit and Adjusted EBITDA are likely to be between the midpoint and upper level.

When interpreting guidance for the remainder of the year, it is important to take into account the following, which constitute downside risk to the indications just provided.

First, fourth quarter results are highly sensitive to seasonal performance during the peak shopping period in the year. Any aggressive discounting by competitors, or softness by our merchants, can have an impact on projected numbers which we will only begin to see over the next three to four weeks.

Second, the outcomes of our financial numbers have sensitivity to the path of the Argentine peso and inflation due to the full-year adjustments we are required to make under IFRS IAS 29 rules. This is important to note, this quarter, given the still fragile macro economic situation in the country.

Third, as highlighted last time around, it is important to consider the evolving global macro, currency, and trade landscape throughout EMs. Specifically:

- The recent increase in tariffs in Mexico for low-value goods that have already caused a slowdown in our Mexican business as witnessed this quarter. That along with potential trade barriers in other markets, should be followed closely.
- Shifting fiscal and tax regimes in Brazil, as we also had already called out last Q.
- And finally, the potential for currency devaluations and/or changes in FX regimes beyond Argentina, such as Egypt or Bolivia.

Now, with that, let me wrap. As a team we are squarely focused on continuing to execute on the massive opportunity before us, confident we are building the leading emerging market financial infrastructure company over the next decade and beyond.

Thanks everyone for your trust and partnership. We'll now open the line for questions.