Webcast Presentation Q4 2025
Earnings Call Prepared Remarks March 18, 2026 5:00 pm ET

Good afternoon everyone and thank you for joining the Fourth 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; 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.

2025 was a year of exceptional execution, one that proved the strength of our business as we continue to build a world-leading financial infrastructure platform for emerging markets. Our business flywheel is accelerating, high growth in a massive and expanding TAM, strong customer loyalty and retention, a growing capacity to innovate, and an asset-light, high-cash conversion financial model.

- We demonstrated the scale of the emerging markets opportunity: TPV reached $41 billion, up 60% year-over-year and accelerating throughout the year. Revenue crossed the important milestone of $1 billion for the first time.
- We continued to deepen our merchant relationships: TPV retention reached 158% and net revenue retention 145%, both strong testaments to the value of the service we offer, and our ability to ride the secular waves of emerging market growth alongside our merchants.

- We continue to advance our developing innovation engine: BNPL Fuse products are now live across 6 countries with solid merchant adoption, we have completed the launch of our full service stablecoin suite (enabling merchants to on and off ramp fiat to stablecoins, settle and be settled in stablecoins, and collect at checkout in stablecoins) and and we continue to add an ever growing portfolio of APM's to our SmartAPM platform.
- And we delivered strong cash generation: adjusted free cash flow was $191 million, up 110% year-over-year, with a 97% conversion ratio.

All this strength in our P&L was driven primarily from our sustained TPV growth with merchants in 2025. Flowing on from TPV growth, gross profit grew 37% year on year, and despite a still active investment year, we expanded adjusted EBITDA as a percentage of gross profit by 5 percentage points, underscoring the operating leverage inherent in our financial model. As a consequence, net income reached $197 million, up 63% year over year.

Taking a step back, it's important to acknowledge the consistency of our TPV growth over our entire history. From 2020 to 2025, TPV has grown at an 82% compound annual growth rate, yet hasn't really decelerated that much when we see 60% plus growth in 2025. At the size we have today, these high levels of growth drive significant incremental dollar volumes. Case in point, in Q4 2025 alone, we added more TPV quarter over quarter than in the prior three quarters combined.

The scale of this is worth pausing to reflect on. In 2025, we processed in a single day what we processed in all of 2016. Over the year, we handled approximately 3.5 billion pay-in transactions, which is equivalent to around 6,700 payments every minute, every hour of every day. On the pay-out side, more than 100 million individuals received a payment through dLocal. Despite it still being the early days for our company, this kind of scale sets us up well for competitive advantages in costs, operating leverage, data accumulation, and organizational knowledge.

We now process payments in 44 markets across the global south, nearly doubling our footprint over the last five years, with an increasing number of markets becoming meaningful contributors to overall volume.

2025 also represented acceleration in financial metrics. When we compare our 2021 to 2024 gross profit, adjusted EBITDA, and net income against our 2025 growth rates, the sustainability of high levels of growth at much larger size is clear across every line. The business continues compounding solid growth, even as it scales.

And there's a reason for this. Merchants are increasingly global, but financial infrastructure remains local and ever more and ever more complex and locally regulated. Emerging markets continue to be defined by fragmented payment infrastructure, regulatory complexity, and rapidly evolving localized consumer behaviors.

The structural challenges are exactly why our platform exists and has such wide adoption among the world's most successful digital companies. We address complex financial infrastructure challenges that our merchants lack expertise in and prefer not to focus on. And there is still room to continue doing this for a very long time.

I'd like to share a few examples of such complexity.

- We now hold 37 licenses across 26 markets, adding four in 2025 alone, including Argentina, Chile, the UAE, and the Philippines, with 16 additional applications in process, including for the United States. Without these, serving customers with the local financial infrastructure that their consumers expect would not be possible.
- Alternative payment methods already account for the majority of e-commerce volumes across EM markets. And our APM volumes continue to grow as we deepen capabilities around tokenization, biometrics, improve regulatory compliance, and increasingly offer instant rails being built across the global south.
- On stablecoins, we offer a full suite of stablecoin solutions for merchants.
- And on AI agents, a possible new frontier for commerce, we are collaborating with Google on the AP2 open standard for interoperable AI agent payments to ensure local payment methods across emerging markets are part of that infrastructure from the ground up.

Most importantly, we simplify and abstract away all this complexity through a single, unified, world-class platform. Our ability to offer one integration covering the widest and deepest footprint across the global south, the most markets, the most payment methods per market, is our durable differentiator. That is the One dLocal proposition. And the more complex the environment becomes, the more valuable it gets.

I think it's worth highlighting a few examples from this last quarter alone that exemplify what I've been talking about.

On stablecoins, we now offer merchants a complete infrastructure suite for digital assets from treasury and FX through on and off ramps, all the way to stablecoin acceptance at checkout and settlements in stable, with leading partners including Circle, BVNK, Fireblocks, and Felix.

On Buy Now, Pay Later, our Fuse product grew 88% quarter on quarter during the fourth quarter, a clear signal that merchant and consumer appetite for installment-based payments is real and rapidly accelerating.

And on alternative local payment methods, we continue expanding depth and intelligence across markets and use cases to deliver improved performance from biometric authentication and tokenized card on file to instant payment rails. DHL Express and OpenEnglish are among the latest merchants to go live with these capabilities. APMs currently account for a significant portion of our quarterly TPV.

The value to our existing merchants of the product and service model we offer becomes clear when looking at our retention metrics. As merchants ride the secular trends in our markets, scale into new geographies, and adopt new payment methods or expand them into new use cases, dLocal grows with them. This is the compounding nature of our model, reflected in our TPV retention rate and net revenue retention.

Equally important to our growth algorithm is the size of the market we are pursuing. Estimates place the total addressable market for digital payments across emerging markets at over $2 trillion and expect it to double by 2030. And we currently hold less than 2% of that market, while our share of wallet with existing merchants is only approximately 10%. We're scaling fast, and yet the runway ahead remains enormous.

This dynamic is also visible in the breadth and depth of our merchant base. Total merchant count reached more than 760 in 2025, and that diversity of that base continues to increase. Revenue concentration in our top three markets has declined, and our top 10 merchants account for a lower share of total revenue than in the prior year, reflecting broader platform adoption across geographies and verticals. And while admittedly concentration remains, the business has become not only increasingly diversified, but also stickier.

Today, we serve our top 50 merchants across an average of 12 countries and 50 payment methods. That multi-country, multi-payment method engagement is the clearest expression of the resilience and compounding nature of what dLocal has to offer.

All along, these results have been delivered with best-in-class efficiency. Our gross profit per employee has improved despite continued investment levels, with AI and automation as growing key enablers. In 2025, AI-driven automation delivered the productivity equivalent of roughly 7% of total headcount, allowing us to scale without proportional cost increases. More importantly, we expect further progress throughout this year.

We have a clear, self-reinforcing logic to our business model. High growth drives scale, scale drives efficiency, and efficiency generates the cash we reinvest to extend our lead or generate greater shareholder returns. This continued our track record of strong cash generation, which positions us to reinvest in technology, product, and commercial capabilities while maintaining sufficient liquidity and returning capital to shareholders.

As previously announced, I'm very pleased to have Guillermo Lopez Perez on board as our new Chief Financial Officer. This will be Guillermo's first earnings call in the role, and we're all very excited to have him leading our finance organization.

And so with that intro, let me hand the call over to him.

Guillermo Lopez Perez, Chief Financial Officer

Thank you, Pedro.

I am thrilled to have joined dLocal and to be part of this team's next chapter. And good afternoon, everyone. As I shared with some of you in London a few weeks ago, the opportunity ahead of dLocal is enormous, and the business this team has built over the past 10 years is exceptional. I look forward to having more conversations with you in the coming months about how we are strengthening and scaling dLocal.

So Pedro walked us through some full-year results. Let me focus on our performance in the fourth quarter.

TPV surpassed $13 billion for the quarter, growing 70% year-on-year and 26% quarter-on-quarter. This is our highest quarterly volume in dLocal's history and our fifth consecutive quarter of above 50% year-over-year TPV growth. A sustained trend that reflects the strength and consistency of our business. As you can see as well, we are exiting 2025 with very strong momentum in TPV growth.

This growth was broad-based across our key markets and verticals. It was particularly strong in Brazil, Mexico, South Africa and Colombia. On the vertical side, on-demand delivery stood out in the quarter, driven by existing merchants ramping up expansion deals across Argentina, South Africa, Mexico and Colombia. E-commerce continued its positive trajectory, delivering a seasonally strong quarter, particularly in Mexico, Brazil and South Africa. And advertising recovered quarter-on-quarter, supported by the partial return of volumes in Egypt.

Q4 was a strong quarter to finish the year as well, from both a revenue and gross profit perspective. Revenue reached an all-time high of $338 million, up 65% year-on-year and 20% quarter-on-quarter, demonstrating that our TPV momentum is translated into very strong top-line performance.

Gross profit reached $116 million. Up 38% year-over-year and 12% over Q3, it reflects the natural margin pressure dynamic of scaling volume with established merchants and into new payment methods, products and countries. But even with that natural margin pressure, we added $32 million of gross profit year-over-year in the quarter, nearly 40% growth.

On a sequential basis, besides higher local-to-local volumes and the typical Q4 e-commerce seasonality, the gross profit story was driven by five main contributors:

- Brazil led the growth, where we saw very strong seasonal e-commerce growth supported by solid trends across streaming, advertising, financial services, and remittances.
- Egypt partially recovered vs Q3, reflecting the return of a large merchant and the ramp-up of new e-commerce, streaming, and ride-hailing merchants.
- Mexico contributed thanks to strong volume growth in e-commerce, on-demand delivery, and ride-hailing.
- And Other Africa and Asia contributed with broad-based growth, with the notable contribution from South Africa where we increasingly operate with more global merchants.
- Argentina, on the other hand, was the primary drag to growth. While underlying volume growth was very strong, gross profit was held back by higher costs amid election-related FX and rate volatility.

Q4 continued to demonstrate the operating leverage inherent in our business.

Total operating expenses were $53 million for the quarter, up 28% year-over-year, driven primarily by our investment-cycle related headcount growth and higher average salaries following our merit cycle.

Adjusted EBITDA reached $78 million, up 38% year-over-year and 9% quarter-over-quarter.

Starting 2026, we are introducing Operating Profit to provide investors with greater transparency into our operating performance. As the business scales, adjustments represent a declining share of revenue, and we believe this metric offers a more standardized basis for comparison with industry peers.

Net income totaled $56 million for the quarter, up 87% year-on-year and 7% quarter-on-quarter. Year-over-year growth reflects a lower effective tax rate in the quarter driven by a more favorable jurisdictional mix and the non-recurrence of a one-time tax settlement recorded in Q4 of last year.

Return on equity reached 35% on a last-12-month basis, up 10 percentage points year-over-year and continuing to increase every quarter. The improvement in ROE reflects both stronger profitability and the effects of our capital return policy, mostly the inaugural dividend payment.

Finally, adjusted free cash flow for the quarter was $65 million, doubling year-over-year, with an adjusted FCF to net income conversion ratio of 117%. The quarterly conversion can fluctuate with items like tax payment timing, but on a full year basis we converted close to 100% of net income into free cash flow. This is a business that converts growth into cash at an exceptional rate.

With that, I'll pass it back to Pedro who will speak to how we are deploying this strength.

Pedro Arnt, Chief Executive Officer

Thank you, Guillermo.

2025 confirmed what we've long believed. The opportunity in emerging markets is massive, our model is the right one to capture it, and our team executes consistently across a complex and dynamic environment. We enter 2026 with a clear strategy, a strong platform, and a proven track record. This year also marks two milestones, five years as a listed company and 10 years since our founding, a reminder of how far we've come in so little time, and how much of the opportunity still lies ahead.

Let me turn to our outlook for 2026.

We expect continued strong growth in the key market share and product market fit measurement that is total payment volume. We currently see TPV growth in the range of 50% to 60% year over year. Greater volume drives pricing leverage with downstream providers, improves FX liquidity, and generates better data that feeds conversion rates. This is the compounding logic that excites me the most about our long-term trajectory in this business.

We're guiding for gross profit growth of 22.5% to 27.5% year over year. As existing merchants grow and large clients continue to scale, we expect more volume-based discounting that is embedded in our long-term customer relationships. At the midpoint, this implies gross profit dollars, what we manage to, of half a billion dollars in the year.

On profitability, we are guiding for Operating Profit growth of 27.5% to 32.5% year-over-year. Following a 2025 investment cycle, which has overhang into early 2026, as salaries and wages spent from 25 hirings gets annualized, we expect operating leverage acceleration to become evident more towards the second half of the year and then flow into the following year.

As a reminder, emerging markets remain inherently volatile, and our projections reflect those uncertainties. These conditions are not new to us. We've built this business to navigate exactly this kind of complexity, and we remain confident in our guidance.

We believe we are only scratching the surface of the opportunity ahead when I take a longer-term view.

So I wanted to leave you with a way of thinking of that opportunity further into the future.

First, the growth of our existing merchants in markets where we serve them today. The world-class companies we serve are riding some of the strongest secular trends, digitization, middle-class income growth, and e-commerce penetration. In many cases, there are entire lines of businesses for which they have not yet localized their payments infrastructure.

Second, geographic expansion with existing merchants. We serve merchants across an average of 12 countries today, but we operate in over 44. Further expansion into Asia, the Middle East, and Africa, where we see increasing merchant interest, will be an even greater growth vector going forward.

These two elements are what will drive increases in our consolidated share of wallet of our existing merchants, and they also explain why we expect continued high TPV retention rates with these merchants.

On top of that, our growth will be powered by new merchants. Our last two years have been predominantly driven by the strength of our existing base. However, we're seeing strong commercial traction with new merchants across priority verticals such as travel, crypto, gaming, and AI as they move further along the emerging market payment adoption curve.

We expect new merchant contributions, therefore, to increase over the medium term.

And fourth is our innovation engine. While near-term P&L impact is still expected to be modest, we see multi-billion TPV opportunities in our wider financial infrastructure bets, such as Buy Now, Pay Later, enhanced merchant of record solutions, virtual accounts, and our soon-to-launch card present offerings.

Finally, and before I close, I'd like to cover capital allocation.

We continue to have enormous confidence in the cash generation capacity of dLocal.

The asset-light nature of the business, negative working capital requirements, and potential for operating leverage ahead of us, gives us a growing free cash flow profile, even under conservative projection scenarios.

In addition, we currently operate with minimal debt, and while we remain disciplined, do not rule out using it in the future as a way to secure additional cash or enhance the efficiency of our capital structure.

Our allocation framework is structured around four priorities. First, invest to sustain high levels of growth that we aspire to. Second, ensure the appropriate liquidity buffers, given the volatility of the markets where we operate. Third, selectively be prepared for M&A if it accelerates our strategy. And fourth, return excess capital to shareholders.

On this last point, through the end of 2025, we have returned 64% of adjusted free cash flow generated since 2022 to our shareholders. We intend to maintain this disciplined approach to capital returns going forward.

Consequently, we're confirming our dividend policy of 30% of the prior year's free cash flow, which this year translates to $57 million.

Additionally, and upon thorough analysis and consultation, we believe that our business will generate sufficient cash in the medium term beyond our minimum liquidity requirements and dividend policy commitments. This allows us to increase returns to shareholders.

As a result, the board has approved a new share repurchase program of up to 300 million of our Class A common shares. The policy is a first step in what should become a multi-year capital allocation model that combines the predictable discipline of our dividend policy with add-on allocations for share buybacks that will prove accretive to EPS.

The precise quantum of these plans will be determined by multiple factors, among them, trading volumes to ensure the adequate liquidity for our shares, continued confidence in excess free cash flow generation, and analysis of the potential for other areas of investment that can generate even higher total shareholder returns.

We trust that these corporate finance decisions and programs highlight our commitment to be prudent allocators and custodians of your capital as shareholders in dLocal.

And now, finally, these are turbulent times. So, to close, I want to highlight what makes our story special and more importantly, durable. We have a business that is growing rapidly, highly profitable on a cash basis, with low leverage and high and increasing return on equity. That combination of growth, profitability, and financial strength is rare.

As a team, we remain fully focused on the long game. Disciplined growth, continued product innovation, and sustainable value creation for our merchants and our shareholders. The opportunity across the emerging market landscape is vast. Our platform is uniquely positioned to capture it, and our track record gives us confidence in our ability to continue to execute against this strategic vision.

Thanks everyone for your continued support, and we can now open the call to take your questions.