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MERCADOLIBRE INC Form 10-Q November 12, 2008 Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2008

-OR-

" TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-33647

MercadoLibre, Inc.

(Exact name of Registrant as specified in its Charter)

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Delaware (State or other jurisdiction 98-0212790 (I.R.S. Employer

of incorporation or organization)

Identification Number)

Tronador 4890, 8th Floor

Buenos Aires, C1430DNN, Argentina

(Address of registrant s principal executive offices)

011-54-11-5352-8000

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See definition of large accelerated filer, a ccelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer " Accelerated filer

Non-accelerated filer x (Do not check if a small reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes "No x

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

44,296,621 shares of the issuer s common stock, \$0.001 par value, outstanding as of November 1, 2008.

MERCADOLIBRE, INC.

INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION	3
Item 1 Unaudited Condensed Consolidated Financial Statements	3
Condensed Consolidated Balance Sheet As of September 30, 2008 and December 31, 2007 Condensed Consolidated Statements of Income for the three- and nine-month periods ended September 30, 2008 and 2007 Condensed Consolidated Statements of Changes in Shareholders Equity (Deficit) for the nine-month periods ended September 30, 2008 and 2007 Condensed Consolidated Statements of Cash Flows for the nine-months periods ended September 30, 2008 and 2007	3 4 5 7
Notes to Condensed Consolidated Financial Statements (unaudited) Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations	9 31
Item 3 Qualitative and Quantitative Disclosure About Market Risk	47
Item 4T Controls and Procedures	49
PART II. OTHER INFORMATION	50
Item 1 Legal Proceedings	50
Item 1A Risk Factors	54
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	54
Item 6 Exhibits	54

-2-

PART I. FINANCIAL INFORMATION

Item 1 Unaudited Condensed Consolidated Financial Statements

MercadoLibre, Inc.

Condensed Consolidated Balance Sheet

As of September 30, 2008 and December 31, 2007

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,403,585	\$ 15,677,407
Short-term investments	20,489,006	52,300,007
Accounts receivable	5,714,806	3,211,252
Funds receivable from customers	34,893,877	29,162,763
Prepaid expenses	793,683	283,477
Deferred tax assets	3,784,991	3,445,101
Other assets	3,035,568	894,163
Total current assets	79,115,516	104,974,170
Non-current assets:		
Long-term investments	3,057,065	1,323,789
Property and equipment, net	5,874,868	4,143,204
Goodwill and intangible assets, net	80,592,075	23,428,646
Deferred tax assets		269,596
Other assets	485,237	353,395
Total non-current assets	90,009,245	29,518,630
Total assets	\$ 169,124,761	\$ 134,492,800
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Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 18,067,876	\$ 9,278,138
Funds payable to customers	18,983,336	16,418,177
Social security payable	5,227,666	3,778,236
Taxes payable	4,748,841	2,493,749
Loans payable	18,497,771	9,713,227
Provisions	1,012,021	69,979
	, ,	ŕ
Total current liabilities	66,537,511	41,751,506
Non-current liabilities:	00,557,511	11,751,500
Deferred tax liabilities	2,587,639	
Other liabilities	1,129,760	1,068,155
	-,,,,,	-,,100

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Total non-current liabilities	3,717,399	1,068,155
Total liabilities	\$ 70,254,910	\$ 42,819,661
Commitments and contingencies (Note 9)		
Shareholders equity:		
Common stock, \$0.001 par value, 110,000,000 shares authorized, 44,296,621 and 44,226,563 shares issued		
and outstanding at September 30, 2008 and December 31, 2007, respectively	44,297	44,227
Additional paid-in capital	122,172,907	121,890,138
Accumulated deficit	(23,473,353)	(34,363,917)
Accumulated other comprehensive income	126,000	4,102,691
Total shareholders equity	98,869,851	91,673,139
Total liabilities and shareholders equity	\$ 169,124,761	\$ 134,492,800

The accompanying notes are an integral part of these condensed consolidated financial statements.

MercadoLibre, Inc.

Condensed Consolidated Statements of Income

For the three- and nine-month periods ended September 30, 2008 and 2007

	2008	Nine Months Ended September 30, 2008 2007			Three Months Ended September 30, 2008 2007				
	(Unaudited)								
Net revenues \$ 100	3,572,881		58,232,755	\$	(Unau 40.260.643	\$ 22,800,130			
	1,075,044)		(12,369,310)	Ф	(8,153,862)	Ф	(4,882,048)		
Cost of net revenues (2)	1,073,044)	,	(12,309,310)		(0,133,002)		(4,002,040)		
Gross profit 82	2,497,837		45,863,445		32,106,781		17,918,082		
Operating expenses:									
Product and technology development (:	5,218,502)		(3,157,033)		(1,744,608)		(1,154,317)		
Sales and marketing (30	0,905,222)	((19,629,001)		(11,425,168)		(6,982,476)		
General and administrative (18	8,088,234)		(8,970,232)		(7,261,068)		(3,483,918)		
Compensation Cost related to acquisitions (Note 4)	1,919,870)								
Total operating expenses (56	6,131,828)	((31,756,266)		(20,430,844)		(11,620,711)		
Income from operations 20	6,366,009		14,107,179		11,675,937		6,297,371		
Other income (expenses):									
Interest income	1,350,068		872,207		330,139		352,968		
Interest expense and other financial charges (3	3,453,671)		(1,688,275)		(1,132,524)		(700,631)		
Foreign currency loss (5	5,689,938)		(1,806,520)		(2,648,584)		(802,348)		
Other expenses, net	41,874		(3,006,416)		39,587		(960,358)		
Net income before income / asset tax expense	8,614,342		8,478,175		8,264,555		4,187,002		
Income / asset tax expense (**	7,723,778)		(4,107,628)		(2,388,763)		(1,401,528)		
Net income \$ 10	0,890,564	\$	4,370,547	\$	5,875,792	\$	2,785,474		
Accretion of preferred stock			(309,299)				(61,860)		
Net income available to common shareholders \$ 10	0,890,564	\$	4,061,248	\$	5,875,792	\$	2,723,614		
	Nine Months Ended September 30, 2008 2007			, Three Months Ender			ded September 30, 2007		
Basic EPS			2007		2000		2007		
Basic net income per share \$	0.25	\$	0.10	\$	0.13	\$	0.07		
Weighted average shares 44	4,255,985		18,214,978		44,290,540		27,538,652		

Diluted EPS

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Diluted net income per common share	\$	0.25	\$	0.10	\$	0.13	\$ 0.07
Weighted average shares	44	374,124	18	.608.181	44	1,379,682	27,685,028

The accompanying notes are an integral part of these condensed consolidated financial statements.

MercadoLibre, Inc.

Condensed Consolidated Statements of Changes in Shareholders Equity (Deficit)

For the nine-month periods ended September 30, 2008 and 2007

		Commo	n stock	Additional	Preferred		Accumulated other	
	Comprehensive income	Shares	Amount	paid-in capital	stock warrants		comprehensive income	Total
Balance as of December 31, 2006		13,166,982	\$ 131,670	\$ 2,694,404	\$	\$ (44,054,817)	\$ 500,536	\$ (40,728,207)
Shares issued in 2000 and 2001 (1)		204,000	2,040			(2,040))	
Stock options exercised		483,470	4,835	33,744	ļ.	(=,0.0)	,	38,579
Stock-based compensation		Ź	ĺ	20,434	ļ			20,434
Stock-based								
compensation restricted shares				1,977	7			1,977
Accretion of mandatorily								
redeemable convertible								
preferred stock				(309,299	9)			(309,299)
Change in par value of								
common stock			(124,690)	124,690)			
Issuance of common stock		3,000,000	3,000	49,570,239)			49,573,239
Conversion of mandatorily								
redeemable convertible								
preferred stock into common								
stock								