

Re-Recommendation: MercadoLibre

David Gardner | January 25, 2012

CURRENT PRICE: [MELI](#) \$ 971.44 ↑ \$ 17.67 (1.9%) C̄uñḠ Ȳ B̄ ÁOG'ÁM̄ĀĀ ȳ ÚN̄ Ú

MercadoLibre ([NASDAQ: MELI](#)) joined our scorecard at the bottom of the market's crash three years ago, a truly scary time to invest (see my intro if you've blocked it out of your memory). The intrepid Fools who bought it then have enjoyed six-bagger gains. But its popularity hasn't caught up to its success — it's languishing at 37th in My Scorecard ownership. That's way too low, so today I'm happy to recommend another bid.

You may know MercadoLibre as the so-called eBay of Latin America; it runs an online market for both auctions and fixed-price sales, as well as a payment system (MercadoPago) comparable to eBay's PayPal. It's also the region's No. 1 e-commerce platform, and it operates in a dozen Latin American countries, including Mexico, Argentina, and mighty Brazil.

Yet despite a sixfold increase in value over the past three years, we think MercadoLibre is far from the final gavel. The population it serves is more than half again that of the United States, and its leading market, Brazil, has one of the world's fastest-growing economies and one of the fastest-rising rates of Internet adoption.

At the same time, MercadoLibre is starting at a much lower base: Internet use in Latin America is about 37% (compared with 77% in the U.S.). The inevitable expansion of usage would be enough on its own to drive solid growth. And with that swelling user base comes continuing gains in scale: With the platform in place, it costs next to nothing to add new buyers and sellers. A net margin that ran 11% in 2007 is at 26% today. And consider that the company's \$275 million in revenue over the past 12 months is less than 3% of eBay's sales, its \$3.9 billion market cap less than a tenth of eBay's valuation.

MercadoLibre has prospered in lean times, and we wouldn't hesitate to buy it on strength or weakness. That, its relatively low Risk Rating (7 of 25), easy-to-understand business, and international footprint explain why it's not just a rerecommendation, but also a returnee to our Core (see page 3).

See the team's and David and Tom Gardner's holdings [here](#).

MERCADOLIBRE

- **Recent Price:** \$87.40
- **Risk Rating:** [7 out of 25](#)
- MercadoLibre is only our members' **37th most popular Rule Breakers** stock in My Scorecard.



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Market data provided by FactSet and Web Financial Group.