Webcast Presentation Q3 2026
Earnings Call Prepared Remarks November 12, 2026 6:00pm 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.

We delivered another quarter of consistent execution, supported by deepening merchant relationships, improving operating leverage and solid cash generation.

TPV reached $18.3 billion, up 77% year-over-year, marking our 8th consecutive quarter above 50% growth, and our fourth consecutive at or above 70%. Net revenue retention was 140%, reflecting the continued strength of our business with the existing merchant base.

Gross profit grew 28% year-over-year to $132 million, while operating profit increased 37% to $76 million. The strong operating leverage we expected in the second half of the year is materializing.

Looking at what is driving our growth, one of the most important dynamics is how our relationships with merchants evolve over time.

As merchants grow their businesses across emerging markets, we have multiple opportunities to capture a greater share of their payment volumes. That can mean entering additional countries together, expanding into new business verticals within their organizations, or adding payment methods and products within markets where we already operate. Our TPV retention rate was 173% in the quarter, reflecting this continued expansion within existing relationships.

What allows us to capture these opportunities is not simply the breadth of our offering, but our ability to consistently deliver strong payment performance and operational reliability, in markets where neither of these is the standard.

Our merchant-level NPS reached 51, up 5 points versus the second half of 2025, reflecting the trust merchants place in us.

While growth is moderating against demanding previous year comparisons, following significant ramp-ups in previous quarters, we continue to see good momentum and opportunities to deepen existing relationships and win new business. Capturing these opportunities and delivering on them also requires us to build a business that can scale efficiently.

During 2024 and 2025, we invested significantly in the technology, infrastructure, licensing and organizational capabilities needed to support a much larger business and continue to compound growth at scale. Our AI capabilities were a large component of these investments.

We are now seeing those investments translate into greater productivity, while continuing to push the frontier on payment coverage and performance.

Headcount peaked in the second quarter and declined 3% in the third, while Gross Profit per Employee surpassed $100,000 for the first time, a level we believe is consistent with best-in-class productivity. Operating Profit as a percentage of Gross Profit reached 58%, its highest level since 4Q23. These metrics demonstrate the operating leverage potential of our business, though quarterly progress can vary with investment timing and growth mix.

As we look ahead, we'll continue capturing those efficiencies while investing in the capabilities that will drive our next phase of growth, particularly product innovation, payment performance, local market expertise and licensing, all of which are essential to winning and expanding merchant relationships.

On payment performance, we're continuously focused on conversion optimization, with tools that help merchants approve more card payments, recover failed transactions, keep stored cards working and manage fraud. The more volume we process, the better we can optimize performance, ultimately driving higher revenue for merchants.

Beyond cards, we added 11 new local payment method integrations this quarter, while developing additional technology to improve conversion, including a card-on-file-like experience for non card payments such as digital wallets and real time payment networks.

Our regulatory infrastructure is also essential to our ability to operate across emerging markets. Having the right licenses both where our merchants are based and where we collect and disburse payments is a critical and difficult-to-replicate competitive advantage.

During the quarter, we secured two additional Money Transmitter Licenses in the United States, one AML (anti-money laundering) registration in Canada, and one remittance authorization in Tanzania. We now have 42 licenses and registrations, plus 10 regulatory authorizations across 26 markets, with more than 20 active applications.

Taken together, we see a business where deeper merchant relationships drive volume growth, scale supports greater efficiency, and strong cash generation allows us to continue investing behind a significant market opportunity, and managing our capital structure in ways that accrete value to our investors.

With that, I'll hand it over to Guillermo to walk through our financial results.

Guillermo Lopez Perez, Chief Financial Officer

Thank you, Pedro. Good afternoon, everyone.

Let me start by giving a quick overview of our financial performance this quarter.

This quarter, strong volume growth drove gross profit up 28% year-on-year, while cost discipline and automation helped us expand our operating profit margin over gross profit. As a result, operating profit reached $76 million, growing 37% year-on-year and 19% sequentially.

For the first time this year, operating profit grew year-on-year faster than gross profit. We achieved an operating profit over gross profit ratio of 58%. This is the highest level since 2023.

And net income reached $68 million. This is a new record. It grew 31% year-on-year, and 24% quarter-on-quarter.

Finally, adjusted free cash flow reached $99 million. This reflects our strong cash generation, and allows us to keep investing in our growth while returning capital to shareholders.

Let me now walk you through the key details behind these results.

Starting with volumes, TPV reached $18 billion. It grew 77% year-on-year and 4% sequentially.

Growth was broad-based. The largest year-on-year contributions came from Brazil, Mexico, Argentina, Colombia and South Africa.

By vertical, our platform continues to scale across a wide range of industries and use cases. Most of the growth came from verticals such as ride-hailing and on-demand delivery.

Ride-hailing grew sequentially in every region, particularly in Mexico, Brazil, Colombia, South Africa and smaller Latin American markets. This growth came from multiple merchants, and is mostly a local-to-local flow, which represented 62% of TPV this quarter.

Financial services grew strongly in Turkey, Morocco and smaller markets across Latin America, Africa and Asia-Pacific. Remittance growth was concentrated in Latin America. Both are mainly pay-out flows. Pay-outs represented 25% of TPV.

Finally, social media advertising was especially strong in Brazil, driven by election-related activity. We expect this to normalize after the elections. Travel also contributed, reflecting our commercial efforts and our investments in product market fit.

E-commerce was stable quarter-on-quarter. Within e-commerce, social commerce grew strongly, mainly local-to-local in Mexico and Brazil, and offset softer cross-border volumes.

Moving to gross profit, we generated $132 million in the quarter. It grew 28% year-on-year, and 4% sequentially.

Sequential growth was led by Africa and Asia, where volumes grew across most markets. Gross profit also benefited from two items: a one-off cost recovery in Nigeria, and lower FX losses in Mozambique compared with the second quarter.

Argentina also grew, despite softer volumes after a Hot Sale related seasonal peak in the second quarter. But this was offset by lower advancement costs, thanks to a more efficient funding structure and lower interest rates.

These gains were partly offset in other markets. In Brazil, underlying volume growth was offset by payment method shifting toward Pix and Boleto, and by processing costs catch ups.

In Mexico, volume growth slowed after the second quarter. Gross profit was also affected by higher processing costs, including costs catch ups from prior periods.

In Other LatAm, growth came from remittances, on-demand delivery and ride-hailing, mostly local-to-local and payout volumes.

Turning to expenses, total OPEX reached $56 million. It was down 11% sequentially. This was driven mainly by disciplined cost management, particularly lower third-party spend, and lower headcount, as we continue to see benefits from our automation agenda. The comparison also reflects timing, as marketing spend was concentrated in the first half of the year.

As a result, operating profit reached $76 million. It grew 37% year-on-year, and 19% sequentially. Operating profit represented 58% of gross profit. This compares with 50% last quarter, and 54% a year ago.

Looking ahead, we continue to see opportunities to improve efficiency through automation, while keeping the flexibility to continue investing as our business grows.

Moving below the operating line, net income reached $68 million. It grew 31% year-on-year, and 24% sequentially.

Sequential growth reflected higher operating profit and higher finance results. Finance results increased mainly due to higher interest income on our cash balances. This more than offset higher interest expense from the $150 million credit facility we signed in August.

Our effective tax rate for the quarter was 15%. It was broadly flat year-on-year and sequentially.

Diluted EPS reached 23 cents, a record for the company. It grew about 35% year-on-year, faster than net income, thanks to our share repurchase program.

During the quarter, we repurchased approximately $34 million of shares. And year to date, total repurchases reached approximately $120 million. This is approximately 9 million Class A shares, and all of them have already been cancelled. We continue to see our SBB as an integral part of our capital allocation program and a driver of improved EPS going forward.

Finally, turning to cash generation, adjusted free cash flow reached $182 million year to date. This is 111% conversion to net income year to date, and 146% in Q3. This reflects higher operating profit and the reversal of temporary working-capital effects from the first quarter. Part of the working-capital benefit we saw in Q3 is expected to normalize in future quarters.

With that, I'll hand it back to Pedro.

Pedro Arnt, Chief Executive Officer

Thank you, Guillermo.

Before concluding, we want to give you an update on our outlook for the year. In short: we reiterate our guidance ranges, given where we see the business tracking as of today.

Strong volume momentum continues to support TPV growth toward the upper end of our 60%–70% range. As I mentioned earlier, volume growth is moderating as expected against tougher comparisons following the merchant ramp-ups over the previous two semesters.

At the same time, we now expect previously unanticipated FX headwinds in Brazil, Mexico and Argentina in Q4 which we estimate as of today as having 6 percentage points of swing on our year-on-year gross profit growth in the quarter. We are also seeing softer performance in smaller high

take rate markets in Africa & Asia. As a result, we only expect full-year gross profit growth around the midpoint of our 25%–30% range.

As a reminder, fourth quarter results are highly sensitive to seasonal performance during the peak shopping period of the year, which begins in the next few days and could change these expectations in either direction.

Over the past few quarters, we have focused heavily on AI deployment, automation and expense management. With these efforts now generating returns, we saw much of the Opex improvement we expected materialize in 3Q26 as we continue to balance our expense management with our strong volume growth and targeted investments going into next year.

Given the FX headwinds for the rest of the year, our current operating-profit view has moderated toward the lower end of our 27.5%-32.5% year-over-year range.

As always, this guidance reflects what we see in the business today and is subject to the inherent volatility of the emerging markets in which we operate.

With that, let me wrap up and hand it over to Chris to lead us through some questions on the quarterly results.

Management fireside chat

Christopher Stromeyer, SVP of Corporate Development

Chris: Thank you, Pedro. Thank you, Guillermo.

Let's now move to some of the questions that might be top of mind to our investor community as we think about both these quarter results and the trends of the business going forward.

Pedro, growth continues to be driven primarily by our existing merchants as we expand into new markets, into new business units with them. But give us a little bit of color on how our merchant pipeline is going and when we expect some of these wins to ramp up into the future.

Pedro: Yeah. I don't think it's unexpected that the existing merchant base continues to drive a significant portion of the growth. To me, that's a validation of how early stage we still are in emerging market payment localization and the potential that exists with the existing merchant base.

On the new merchants, these sales cycles tend to be fairly long and it's hard to predict when a big ramp up will occur. The recent massive ramp up we had from our largest client is a client that had been with us for over seven years before that happened. I think most importantly, the pipeline looks very strong.

We're seeing very strong growth in some new verticals we've bet in, such as travel, crypto and business banking as a service pipeline looks healthy. And so this is within the ordinary course of business.

We still see substantial potential for many of these merchants that we've won an initial business with. And that's really the hardest piece is how do you get the foot in the door to eventually have a ramp up. It's just hard to predict if that happens when they're still considered new merchants, meaning the first 12 months, or if that happens at a later stage when we no longer consider them new merchants, but they can still be extremely accretive to the business.

Chris: That makes a lot of sense. Guille, turning to you, we saw some diverging trends across markets this quarter, but the overall volume and gross profit trend continues to be strong. So to remove some of the noise here, what are the underlying trends really affecting this quarter?

Guillermo: Yes. Thank you, Chris. So I think first we need to look at the big picture.

And if you look at year-over-year growth, volume is growing, revenue is growing, gross profit is growing. And most of the regions that we look at are growing volume north of 50%. Now, when you look at a quarter's results, especially when you look at specific regions, there's obviously some noise and volatility quarter to quarter.

And if I think about revenue, there was a big impact from Argentina this quarter. So Argentina had a very strong volume growth seasonality in Q2, that didn't repeat in Q3. And if you exclude Argentina, the portfolio overall grew quarter to quarter.

Chris: Yes, those puts and takes are part of our business. Turning to the cost side, Guille, we've talked a lot about OPEX this year.

Operating profit reached 58% of gross profit this quarter as we expected with operating leverage. And this was the highest level since 2023. How should we think about this from here?

Guillermo: Thank you, Chris. I will separate two things. Structural improvements in our cost base and timing.

On the structural side, we invested a lot during 2025. And much of that cost came into our base in the first half of this year. As we mentioned in previous quarters, we did not expect more material headcount increases in the rest of 2026.

In addition to it, automation and cost discipline are starting to show in the results. Operating expenses were down 11% sequentially. And this was the first quarter this year with lower payroll costs sequentially.

On timing, Q3 also had some help. Marketing expense was concentrated in the first half. And one-off expenses were lower than usual.

So, I wouldn't think about this quarter's result as a margin target. And I will be careful about extrapolating from a single quarter to future quarters. On an annual basis, the way we think about it is capacity in the P&L.

On one hand, automation and cost discipline create room in our P&L. And we'll keep using some of that room to invest in growth. Going forward, our expectation is to grow gross profit above OPEX on an annual basis. But quarterly figures could be a bit more lumpy.

Chris: And Pedro finally with you. We're reaching, we're getting closer to the end of the year. So, let's talk a little bit about what comes next and about meaningful growth opportunities going forward. Where do you see the biggest growth opportunities and what investments might be needed to capture them?

Pedro: So, look, this is still very early days for dLocal. And I think this business has the potential to compound growth over many years. And we've talked about the growth vectors and they remain very consistent. So, I'd say there's still a lot of room to grow share of wallet by expanding with existing merchants into new markets, into new products.

There are new merchants, as we addressed in your previous question. We're only scratching the surface of global companies wanting to localize financial infrastructure. Then there's a geographic component, which I think is an important one to highlight.

I'm off to Asia right after this. We're very optimistic on at least the size of that market that will require licenses, it will require deeper local partnerships, which we've really begun to build. And so, we anticipate Asia to become a growing part of our business with an enormous addressable market.

And then there's the new product angle. We've already gone to market with physical payments in Mexico. We're seeing our Buy Now, Pay Later product platform growing nicely.

It has over 15 merchants and continues to add new merchants that are using us to integrate into multiple Buy Now, Pay Later offerings across the global south. Banking as a service and financial infrastructure is also beginning to emerge as an increasingly demand portion of our product portfolio. So, when we put that all together, right, ample room to grow share of wallet with existing merchants, new merchants, new geographies and new products, it really becomes a very strong growth thesis for us if you take a three to five year view.

Chris: Perfect. With that, that ends the prepared part of this webinar and we now open the line of questions.