

DLO Earnings Call Transcript

Date: 2025-08-13

Quarter: 2

Operator: Thank you for standing by, and welcome to the dLocal Limited Second Quarter 2025 Results Conference Call. I will now hand the call over to the company.

Mirele de Aragao: Good afternoon, everyone, and thank you for joining the second quarter 2025 earnings call today. If you have not seen the earnings release, 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 Stromeyer, SVP of Corporate Development; and Mirele Aragao, 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: Good afternoon, and thank you for joining us today. We delivered another quarter of solid growth and disciplined execution with significant acceleration across key financial metrics. These quarterly results are another testament to our high growth, expanding margin and healthy free cash flow business model. They also demonstrate how we provide substantial value to our merchants. We continue to experience strong momentum across the business, once again setting a record high TPV of \$9.2 billion and achieving our third consecutive quarter of over 50% year-over-year growth. Both revenue and gross profit also reached all-time highs of \$256 million and \$99 million, respectively. Our core markets, particularly Brazil and Mexico, rebounded to deliver solid performance, while the rest of our geographies are growing even faster. All this underscores our increased business diversification and the resilience of our larger markets. Despite our ongoing investment cycle to support our future growth trajectory, we've posted 5 consecutive quarters of improvement in the adjusted EBITDA over gross profit ratio, demonstrating our commitment to investing towards rightsizing our business, but doing so in a disciplined manner. Net income for the quarter totaled \$43 million, negatively impacted by the Argentine pesos devaluation on our bond portfolio. Given the shifting market dynamics, we took the opportunity to expatriate funds more efficiently, reducing our position by over 80% and reallocating to U.S. treasuries. This move reduces the expected volatility and increases our funds available for general corporate purposes. If we exclude these effects, net income would have been \$53 million. These are all very positive outcomes over the long run despite the negative impact on this quarter's bottom line. The business also continues to deliver strong cash generation, with \$48 million in free cash flow this quarter, a clear reflection of the strength of our underlying operations and our solid financial position. During the quarter, we added three new licenses: UAE, Turkey and Philippines, an important milestone

for us in our strategy to offer our merchants the advantages of our growing portfolio of financial services licenses across the global south. Before we go into greater depth on this quarter's results, I'd like to take a few minutes to revisit the broader trends driving these strong results in our business. First of all, we continue to observe a substantial long-term opportunity within the markets where we operate. Our addressable market in terms of total payment volume is valued at trillions of dollars, and because it still exhibits low penetration in digital adoption and card usage is projected to experience double-digit annual growth through 2030. Second, if we look at our current merchants' business in the countries where we operate in, we see significant opportunities to grow our share of wallet with those merchants. This will happen as we expand with them into new countries, as we integrate additional APMs and unlock new lines of businesses that we do not yet serve. The third growth vector is the addition of new merchants. One way to think about the potential growth in that merchant base is that we are still in the early stages of the S-curve of digital merchants adopting emerging markets payment localization. This growth we've observed follows an identifiable pattern. Merchants will typically start by launching their businesses in developed markets. And then as they expand into emerging markets, do so using only international acquiring. This nets them initial access to only a portion of the population, delivers lower conversion rates and a generally poor user experience, ridden with hidden costs and friction. Eventually, the size of these businesses across EMs reach a scale that demands the localization of payments to solve for those barriers to adoption. And finally, they initiate a phased expansion into other emerging and frontier markets, repeating the cycle. dLocal is able to accompany them through that journey. So as we move up the S-curve with these merchants, we build a more diversified, stickier and less volatile business that serves more merchants across more countries and in a greater number of payment methods. We see this playing out in our numbers. We now serve nearly 760 merchants. If we consider the top 50 clients, they operate with us on average in 11 countries and using 48 payment methods. This is up from 8 and 35 only 18 months ago. Our geographic diversification has increased as a consequence with our top 3 markets now representing less than 50% of revenues, down 8 percentage points since 2023. The revenue in the rest of our markets are growing almost 3x faster if we look at the last 4 quarters. And so as we increase our merchant base and move up the S-curve with them, we expect merchant diversification to increase as well going forward. As I've highlighted in the past quarters, we continue to increase our pace of investment in product innovation. I'd like to share some of the highlights from the last 3 months of these deployments. Just last week, we launched SmartPix in Brazil. This first-in-the-market groundbreaking solution redefines the Pix experience and replicates most of the functionalities and convenience of card-on-file payments for merchants. SmartPix is already live with clients and demonstrates our commitment to being leaders in the alternative payment method space throughout the global south. During the second quarter, we also launched multiple Buy Now Pay Later integrations in several markets where we integrate market-leading BNPL solutions to our global merchants checkouts. Following our installment offerings in Brazil and Argentina, this is another important step towards enabling our merchants to benefit from the massive demand for credit that exists throughout emerging markets. It is important to note that we are not taking credit risk ourselves, but are able to revenue share on the credit yields being made by our BNPL partners. We also continue to make progress on our stablecoin solutions, where we believe we are uniquely positioned to take advantage of some of the opportunities arising. With our broad EM presence, highly developed payout and pay-in infrastructure, local FX liquidities and capabilities and years of experience with stablecoins, we are a perfect on-ramp and off-ramped provider for stablecoin players and merchants looking to leverage the advantages of this emerging technology. Our partnerships with Circle and BVNK are some examples of the advances we are making in this space. Before I turn it over to Jeff to give you a detailed breakdown of our P&L; for the quarter, I'd like to make a few comments regarding the operating leverage in our financial model. As you know, and as we've been very clear, we've been in an investment cycle focused on product, tech, operations and compliance capabilities. Yet despite this investment cycle, we've turned a corner and continued to deliver higher revenues per employee that are increasing and that are better than many of our public company best-in-class peers, all of whom, by the way, process more TPV than we do. This reflects that despite smaller scale, we have a very lean and efficient culture. Furthermore, we believe there are efficiency and scalability gains ahead of us from our ongoing AI and automation initiatives, which are a

core part of where the technology resources from our investment cycle are being allocated. Great. So with that introduction, I'll now hand it over to Jeff to provide a more detailed review of our second quarter results.

Jeffrey K. Brown: Thank you, Pedro. Good afternoon, everyone. I'll walk you through the main figures for the quarter. We had another strong quarter, building on the positive trends we have seen since mid-2024. By consistently executing our strategy, we have once again hit record numbers in TPV, revenue, gross profit and adjusted EBITDA, all while maintaining disciplined cost management and continuing our geographic expansion. Consequently, in the second quarter of 2025, our TPV surpassed \$9 billion for the first time, growing 53% year-over-year and 14% quarter-over-quarter. In constant currency terms, TPV would have grown by 65% year-over-year. Growth was particularly strong in remittances and commerce, followed by SaaS, delivery, streaming and ride-hailing, slightly offset by weaknesses in advertising. Our TPV growth was broad-based. We saw strong quarter-over-quarter and year-over-year growth across cross-border, local-to-local, pay-in and payout flows. This reaffirms our leadership across a variety of solutions in our markets. Revenues reached \$256 million in the second quarter and grew 50% year-over-year or 63% on a constant currency basis. This follows from the strong volume growth with a recovery in Brazil and Mexico, important growth in Argentina and notable contributions from Turkey, South Africa and Pakistan. On a quarter-over-quarter basis, revenue was up 18%, exceeding TPV growth, given a high share of pay-ins. This positive result was partly offset by Egypt, where we experienced a partial volume loss due to a large merchant implementing redundancies in the market in addition to lower FX spreads as a result of the currency devaluation. Moving to gross profit dynamics. During the quarter, gross profit reached a record of \$99 million, up 42% year-over-year or approximately 55% on a constant currency basis. This volume was driven by volume growth in Argentina, Brazil, Egypt and Mexico and growth in other markets, particularly Bolivia, South Africa and Turkey. This is a demonstration of the continued globalization of our business with profits from both larger and smaller economies. On a quarter-over-quarter basis, gross profit increased by 17%, primarily driven by performance in Brazil, given a higher share of installment payments and the recovery of one-off processing costs from the previous quarter, Argentina's strong performance driven by higher volumes and increases in advancements, fully offsetting the impact of lower FX spreads and performance in other Africa and Asian markets, particularly in South Africa due to volume growth and lower processing costs. This positive result was offset by Egypt, as previously mentioned, and other LatAm markets that despite volume growth across various countries, were adversely affected by retry costs invoiced during this quarter in Chile and Colombia. Excluding Chile and Colombia, these markets grew 9%. Our net take rate showed an improvement of almost 3 basis points quarter-over-quarter, largely due to higher share of pay-ins and a recovery of processing costs from the previous quarter. These positive effects were partially offset by lower FX fees in Argentina as a result of spread compression. As you can see, a number of mix shifts impact the evolution of our take rate quarter-to-quarter. We continue to demonstrate operational leverage this quarter with careful expense management. Accordingly, for the second quarter, our total operating expenses were \$43 million, representing a 10% increase quarter-over-quarter and a 9% increase year-over-year. On a quarterly basis, the increase in OpEx is primarily linked to increases in headcount, especially in tech and higher third-party services. Adjusted EBITDA reached \$70 million, up 21% quarter-over-quarter and 64% year-over-year. The ratio of adjusted EBITDA to gross profit for the quarter was 71%, up 2.7 percentage points versus the first quarter, marking this the fifth consecutive quarter of improvement. Although we anticipate a growth in OpEx in the second half of the year as we continue with our investment cycle, these results highlight our company's frugal culture and our built-in leverage in our business model. As Pedro mentioned previously, net income totaled \$43 million for the quarter, impacted by the Argentine peso devaluation and expatriation costs from our Argentine bonds. We took advantage of a window to significantly lower our exposure to Argentine securities, which is expected to reduce volatility in our finance results going forward. Our effective income tax rate ended the quarter at 16% compared to 10% in the first quarter of 2025 as a result of higher local-to-local share of pretax income. As you may recall, the effective tax rate in Q1 was favorably impacted by a one-off cost in Brazil. Finally, our free cash flow for the quarter, defined as net cash from operating activities, excluding merchant funds, less CapEx was \$48 million, a significant 22% increase from the first quarter. We

ended the period with a robust liquidity position with corporate cash and cash equivalents at approximately \$254 million. The decrease versus the prior quarter reflects the payment of dividends in June. With this, I'll pass it back to Pedro for his concluding remarks.

Pedro Arnt: Thanks, Jeff. Moving on, I wanted to give you an update on guidance. On TPV and revenue, we expect to end the year around the upper limit of the guidance we shared at the beginning of the year. And on gross profit and adjusted EBITDA, we believe we are likely to exceed the previously stated upper limit. This is due to the strong performance in the first half of the year and the sustained momentum we expect across our businesses. We've provided new ranges for your benefit, but we do want to also highlight some risks to keep in mind as you evaluate them. One, the evolving macroeconomic and trade landscape globally and its potential impact on emerging market consumers. Second, the recent increases in tariffs on cross-border e-commerce in Mexico, along with potential regulatory changes in other markets. Third, shifting fiscal regimes in Brazil. And finally, the potential for currency devaluation and changes in capital controls in the markets where we operate. Despite the inherent risks, we remain optimistic on H2 2025. It is precisely in these environments of volatility that our key differentiators, a disciplined approach to scaling our business, deep local expertise and a steadfast commitment to delivering value to our merchants prove their worth. We're confident in our ability to navigate these challenges if and when they emerge and seize the significant opportunities that lay ahead. I have a final set of announcements that we think are perhaps the most relevant even on the back of such strong quarterly numbers. After a full review carried out by our Board of Directors on our corporate governance and structure and practices, we would like to announce a series of important decisions. First, on the people front. We are pleased to announce that Guillermo López Pérez will be joining us as our new CFO. Guillermo has 20 years of experience in the payments industry, first at American Express and more recently at Visa. At Visa, he was the CFO of Continental Europe and more recently, has held positions at Tink, a leading European open banking provider and at Featurespace, a U.K.-based fintech specializing in real-time fraud detection and risk management. Guillermo brings with him deep expertise in fintech as well as a clear track record of scaling businesses. We're all very excited to welcome him on board. I also want to thank Jeff for his dedication and leadership throughout this transition period. We're also pleased that Christopher Stromeier had joined us in June as the SVP of Corporate Development. Chris brings with him years of experience at Bain across North and Latin America, and most recently served as Chief of Staff and Head of Strategy at the Latin American fintech Ualá. Some of you have already met Chris. He also leads our Investor Relations team as a part of his remit. We are committed to transitioning to a majority independent Board. Our current independent directors are fully committed to continuing to serve in their roles, and we have begun the search for additional independent directors who will possess complementary backgrounds and skill sets. Of the remaining nonindependent directors, General Atlantic has agreed to remain on the Board as did I. The remaining seats will be held by members of the founding team. As we complete the new Board, we will also constitute nominating and corporate governance and compensation committees to further strengthen oversight and align with corporate best practices. In addition, we will cancel the treasury shares currently held on our balance sheet. This action underscores our ability to deliver strong underlying business growth while returning excess capital to shareholders, whether through dividends or buybacks and reflects alignment with corporate governance best practices. We've covered a lot of ground today, strong business momentum and a lot going on here at dLocal, just as we always expected. Thank you all for your trust and partnership, and we can now open the call for questions.

Operator: [Operator Instructions] Our first question comes from the line Tito Labarta from Goldman Sachs.

Daer Labarta: Congratulations on the strong results and the higher guidance. I guess just on the higher guidance, just to understand, what drove sort of the, I guess, the better-than-expected results? I mean you saw volume growth. I mean, Brazil and Mexico were strong. But did anything sort of surprise you from compared to when you gave your initial guidance? And I guess, how do you think about the sustainability of this sort of 50-ish percent TPV growth? Just to think about how eventually that could decelerate. I mean, I think the long-term potential is still very strong, but just to think about how that could moderate over time. And yes, what was sort of like better than expected that you're getting more volumes than maybe initially thought?

Pedro Arnt: Thanks, Tito. So very strong results, obviously, given the level of the raise that we are giving on our guidance. We see the business with a much stronger momentum than we were seeing when we entered the year. I think it's fairly spread across the board. We saw Brazil rebound very quickly. Mexico was up again after a weak quarter. With the exception of Egypt, the rest of Africa and Asia also doing really well. And other, LatAm, as we mentioned, Colombia with negative impact on gross profit from -- retries from prior quarters. But other than that, a lot of strength there as well. So it's really across the board. As we've said, we think that part of the shifting landscape geopolitically has shined a greater light and greater relevance on emerging markets as a venue for growth for global merchants. And when you look at the S-curve explanation that we were giving during the prepared remarks, I think what we're trying to say is that we see a pickup in interest in localizing payments from global merchants. We're seeing them take on more markets with us, more local payment market methods in markets where they were already operating. So again, always hard to predict across EM what's going to happen 24, 36 months out. But we feel that this surprise to the upside for us in how the first half of the year has played out seems to be something that we will continue to see into the back half of the year. There are risks that we've outlined. So we're being somewhat cautious on the guidance. But in general, we've seen the business enter the third quarter with the same kind of positive momentum that it exited the first half.

Daer Labarta: Great. That's helpful. Maybe just a follow-up to that. When you think about maybe the breadth of this growth relative to your merchants, is it coming from maybe a few particular merchants? Are you seeing it across the board, all of your merchants? Just to think, I mean, given the wallet share you have, there is a lot of room to grow. But how do we think about sort of the breadth of increased volume from all of your merchants across? Or is it concentrated in a few merchants?

Pedro Arnt: Yes. So if you look at the concentration of revenue over merchants, you'll see that, that number hasn't started to diversify as much as well. So I think it's fair to say that this increased push into emerging markets and the really deep localization of payments continues to be more prevalent among the very large global players. Now that does not mean that the strong results are driven by one or two merchants. I would characterize this as being driven by the top 20 merchants. And so I think that's also good news.

Daer Labarta: Congrats again on the strong results.

Operator: And our next question comes from the line of Guilherme Grespan from JPMorgan.

Guilherme F. Grespan: Good luck to Guillermo, Chris and Will that joined the Board. Pedro, two questions on my side. The first one is related to Brazil. You mentioned the one-off processing costs as a gain. And just a clarification. I remember you had this one-off cost last quarter. I just want to understand if it was a reversal. So it was a billable positive this quarter that's going to be a one-off and won't repeat next quarter? Or it's simply adjusting for the fact that there was a one-off last quarter that doesn't repeat? So just to be clear, if it was a reversal or only the fact that you didn't have this cost. And then my second question, I'm going to take the opportunity to ask about stablecoins. To be honest, 90% of my discussions on the local has been on this topic. And I think it's not obvious. A lot of people, they have the view that this is a threat to the business, but I think you do have some use cases as an opportunity. So just to share your view, a few minutes sharing your view on how you see stablecoins impacting your business, and if there is anything in the short term that is happening with your clients.

Pedro Arnt: Okay. So first of all, on Brazil, a part of this is a reversal, not all of it is a reversal. And I think more importantly, what you're looking for is we don't see this as something that generates as much quarterly -- quarter-on-quarter sequential headwinds that we think Brazil will then decelerate significantly moving into the third quarter. But there is an element of this, not -- there's a part of the result that is a consequence of a reversal. Notwithstanding, Brazil has actually rebounded well and to the best of our current knowledge, should sustain that momentum in terms of gross profit into the third quarter at least and ideally for the remainder of the year and in the future as well. So the accounting reversal isn't enough where we think it generates a significant enough sequential comp that then we see Brazil pulling back again next quarter, at least to the best of our knowledge through August 13. Stablecoins, interesting. I think there is somewhat of a misconception that this is only a threat to us. We actually think that we're uniquely positioned to take advantage of stablecoin adoption as it begins to

grow. A couple of reasons for that. I think, first of all, we have been involved in the space for a few years now. I think in the past, that was a bit of a no-no, but that knowledge and that experience, I think, is an advantage now. When you think about how stablecoins are increasingly being adopted, there is still enormous need for the on-ramps and the off-ramps, and really on-ramps and off-ramps from fiat to stable and from stable to fiat, we are uniquely positioned to offer that service. They are about local liquidity and attractive FX rates, both of which are strengths of dLocal because of our pay-ins and payouts businesses across multiple, multiple emerging markets. We also already offer our merchants the ability to settle to us or from us in stablecoin so as to accelerate settlement times of cross-border flows. And so if you think about it that way, our belief is that some of the hardest parts to build within the stablecoin value chain, which is the shift from fiat to stable and then back from stable to fiat and also where a lot of the margin in stablecoin lies because of FX is exactly where dLocal plays and participates. So very specifically, we have a vertical sales force and a vertical product team focusing on this, and we actually think that there's an opportunity for us to capture. More conceptually, if you think about what we do, we essentially solve merchants' needs for different ways to pay and to settle money cross-border. And so unless you're an absolute maximalist and you believe that fiat will altogether go away or local currencies will altogether go away and all of global trade all of a sudden happens in U.S.-denominated stablecoins, which we certainly do not believe is the case, then that generates all sorts of merchant needs around their stablecoin infrastructure that dLocal and its partners are really -- that's what we do. That's what we're all about. So we currently see stablecoin as an opportunity much more than a threat.

Guilherme F. Grespan: That's clear, Pedro. And congrats for the quarter.

Operator: And our next question comes from the line of Jamie Friedman from Susquehanna International Group.

James Eric Friedman: I was wondering what your updated messaging might be about take rates, Pedro. So you had an improvement here. It sounds like you're calling out pay-in and payout mix and some processing-related stuff. But when you step back really longer term, how are you structuring your thoughts about the trajectory of take rates?

Pedro Arnt: Thanks, Jamie. It remains unchanged. I think even if you look at the guidance, we continue to see our merchants significantly growing their volumes with us, potentially hitting new pricing tiers. I think in general, we continue to exert downward pressure on our acquirers and processors, but we also see merchants exerting downward pressure on the cost of processing payments on us. So we still believe that the general trend is a downward trend. Now what we've been saying for some time now, and I think the last few quarters have validated is that, that erosion in take rate is gradual, that as we offer more frontier markets and mix shift moves away from some of the larger markets. And more importantly, as we accelerate our go-to-market of new products and new value-added services such as Buy Now Pay Later, those are also potentially higher take rate products. And so that all in, although we still think take rates will continue to decline, we probably have a more constructive view in both the pace of that decline and also what the bottom may be.

James Eric Friedman: Okay. And then when you were describing the vectors of growth and the S-curve of adoption, you also talked about new products. And then you referenced them -- introduced the Pix functionality parcel out of the Pix expanded solution. I'm just wondering, what are you excited about in terms of new product introductions? What are the merchants asking you about? And what's your time frame for delivery on those?

Pedro Arnt: Yes. So the products mentioned are all live. I think if I had to answer your question, I would probably answer that we see significant merchant interest in credit offerings and the ability to offer credit to their consumers across emerging markets without necessarily want to underwrite credit themselves. Hence, the Buy Now Pay Later Fuse platform, which allows them to offer the best-in-market buy now, pay later players and gives us leverage to rev share with the buy now, pay later players because we're giving them massive distribution into some of the world's largest digital companies. So that's one area that we're focused on, and we see things moving at a fast pace. SmartPix is a quite unique way to access Pix, combining the open banking framework available in Brazil as well as the Pix rails, and that allows us to build features for Pix that make it more feature resembling credit cards and tokenized payment methods, which has also shown a lot of interest in our

merchants. And then the third area we mentioned is the stablecoin and crypto space. So I think those are probably the three areas that we're looking at the most in this cycle of product innovation. A fourth one is potentially beginning to also offer solutions for off-line global merchants. And those four, I think, are the areas of new product launches that most of our engineering resources are being allocated to.

Operator: And our next question comes from the line of Neha Agarwala from HSBC.

Neha Agarwala: Congratulations on the numbers. First, can I ask about -- you mentioned tariff as a risk and cross-border as well. Can you elaborate a bit on that? How do you see the impact of tariffs? And where do you see the biggest risk for dLocal coming from that? My second question is -- was on the product innovation. And can you double-click on the offline piece that you mentioned that's still upcoming? Previously, dLocal had mentioned that offline is not as fast growing as online, and therefore, you don't want to have capabilities on the offline side. So it seems that, that has changed. If you can please explain what is your thinking on that. And my last question is on costs. I think you did a great job this quarter, better than expected on the cost front. Should we expect to see more controlled cost growth in the second half of this year and you've turned the corner on the cost side? Or were there any one-offs which might kind of not be there in the second half?

Pedro Arnt: Thanks, Neha. So tariffs, I think there's two things we need to monitor closely. And in a way, they're related to the rapidly shifting tariff wars or tariff being used as a central part of geopolitics. So for example, Mexico has recently increased the de minimis on imports of e-commerce. And obviously, that's something that potentially could impact our merchants. We haven't seen any negative impact so far, but that's something to monitor closely. And what we highlight as a potential risk is simply as there's greater clarity on how the U.S. starts imposing tariffs on trade partners, are there retaliatory measures, how does the Brazil-U.S. issue end up, I think it's still unclear. So I think this is a potential risk, not a risk that we are calling out because of any headwinds that we have seen so far in our business.

Neha Agarwala: So just potentially in terms of GMV slowdown could happen if there's no noise around tariffs. So that could be [looked] to GMV?

Pedro Arnt: Correct.

Neha Agarwala: Not take rate?

Pedro Arnt: No, not really. I think the more immediate risk is simply that these tariffs could hinder cross-border commerce, which is the largest category we service. Or if the concept of digital taxes were to emerge, that could also impact many of our digital merchants. And again, just to stress, this is a risk given the uncertain trade environment, nothing that we have been seeing in our numbers. Offline, look, offline is still by far the largest market in terms of where payments occur in the emerging world. And what we began to see is that we were being approached by digital companies, but who somehow serviced the offline world. So either ISVs or payment companies who had smart POSs or SMB ERPs tied to POSs and that we're looking for a technology partner that could help them with payments and expatriation on those hardwares that served physical commerce. And as a consequence of these specific merchant contracts, we've began to develop the capabilities at dLocal to not only process payments online, but also to process payments at POSs in the physical world. So it's early stages. There are already contracts tied to this that once they go live, we will announce. But that has been the thinking behind trying to also offer solutions for offline merchants. It's really been a reaction to specific RFPs we won and contracts that we've signed. Jeff, I don't know if you want to take the one on OpEx for the second half of the year?

Jeffrey K. Brown: On OpEx, I think the answer is we continue to expect to increase OpEx over the next few quarters. We're going to be doing more hiring, want to hire into product technology operations. I think some of these comments were made in our recorded remarks, expansion expenses into new markets and new products. And then we still have some third-party expenses in our budget that we expect to spend in the second half of the year. So to answer shortly, we expect OpEx to continue to increase, and I think that's implicit in our guidance.

Operator: And our next question comes from the line of Matt Coad from Truist.

Matthew Robert Coad: Pedro, I wanted to go back to the net take rate discussion. Just kind of wanted to make sure we have all the moving pieces right here, particularly on the 18-point headwind from the tighter FX spreads in Argentina, the 15-point tailwind from the processing cost recovery. Could you

provide a little bit of color on like what you expect for 3Q, right? Like what impacts here were onetime and we should adjust for them versus like what impacts are ongoing as we look forward?

Pedro Arnt: Yes. Let me start with the second part of the question, which perhaps is the more relevant one. If you look at the midpoint of guidance, there's a slight reduction in take rate. And so we do expect, as I said earlier, that the trend is slightly down. The Argentina impacts, as you realize, they kind of offset each other. So when there's a compression in spreads between official and parallel rates, it reduces our revenue, but it also lowers our costs somewhat in line. And so those kind of offset each other. So for the remainder of the year, to the best of our current knowledge, we have take rates that are slightly down, almost flat, getting us to a full year take rate that at the midpoint is still above 100 basis points. It's hard to predict this because it depends a lot, as you can see here from the drivers of what the final mix between pay-ins and payouts, local to local and cross-border country and merchant mix are. So I'm not being coy here. It's that genuinely, we understand the drivers very well. It's not really in our control how these different drivers necessarily play out. What's implied at the midpoint of guidance again is a slight continued reduction in take rates, which is consistent with the answer I gave earlier.

Matthew Robert Coad: That's super helpful. I understand that there's a lot of moving pieces. And then for my follow-up, I wanted to go back to the point on the top 10 merchants, right? Revenue growth with these merchants is still really strong, up 49% year-over-year. I was hoping you could touch -- kind of like break down that growth for us a little bit. I'm curious how much of that growth is kind of coming from these merchants using dLocal in more countries. And then as we think about growth from this growth vector going forward, what does the pipeline look like now in terms of these companies using dLocal in even more countries compared to, say, 12 months ago?

Pedro Arnt: Yes. Look, as a general trend, and you see that in the data points we shared, not of top 10 merchants, but of top 50 merchants, we do see a consistent increase in the number of markets we serve for our merchants across most of the larger merchants. I'd say that trend is even more marked in the top 10. So if I think of the top 3 or 4 merchants, a significant portion of the growth is from new markets, in addition to most of them also growing their TPV with us in existing markets, either because their businesses grow or because we gain share of wallet. There are a few top 10 merchants where growth has been more about simply gaining share of wallet in existing markets and less so about more markets. So it's hard to give you a blanket answer. In general, yes, the average number of markets we serve for top 50 merchants, you have the data. And for top 10, that growth is even more noticeable in terms of the number of markets that we serve for the top 10 merchants.

Operator: This does conclude the question-and-answer session as well as today's program. Thank you, ladies and gentlemen, for your participation. You may now disconnect. Good day.