ERG

Initiating Coverage:

dLocal Limited

Financial Technology Subsector

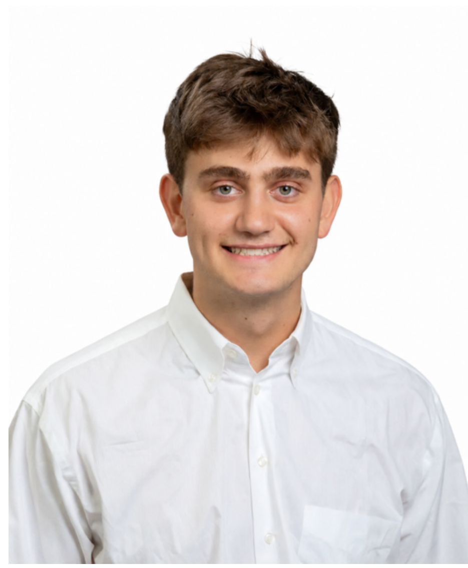
Isaac Toffel

President

Fintech Subsector Lead

Financials Industry

Third Year



Isaac Toffel is the Founder and President of ERG, where he oversees the organization's research strategy, analyst development, and publication process. He works closely with sector and subsector leads to strengthen investment theses, financial models, valuation work, industry research, and final reports while maintaining consistent standards across ERG's coverage. He also leads ERG's coverage of dLocal (NASDAQ: DLO), focusing on the company's cross-border payments platform, emerging-market exposure, revenue growth, profitability, competitive position, and valuation. His research evaluates the key catalysts and risks shaping dLocal's long-term investment outlook.

Letter from the *Executive Board*

We are proud to present ERG's Summer 2026 equity research publication, a collection of student-led reports built through detailed company research, financial modeling, valuation work, and investment thesis development.

ERG was founded with a simple goal: to give students a serious environment to learn how to think like investors. Our analysts do not only summarize companies. They build views, test assumptions, compare businesses across sectors, and defend their conclusions through evidence. This publication reflects that process.

This semester, our members worked across multiple sectors and subsectors, covering businesses through both company-specific analysis and broader industry research. Each report required analysts to form a clear recommendation, support it with valuation work, identify key risks, and communicate the thesis in a way that is useful to readers.

We are especially grateful to our sector leads, subsector leads, analysts, and executive board members who helped bring this publication together. Their work strengthened the quality of each report and helped establish the standards ERG will continue to build on.

As a student-led organization, we are still growing, but this publication represents an important step forward. It shows the type of research culture we want to create: rigorous, collaborative, independent, and grounded in thoughtful analysis.

Thank you for reading and supporting ERG.

Sincerely,
The Executive Board
Equity Research Group at Northeastern

Table of Contents

Executive Summary

dLocal is a technology-first payments platform that enables global enterprise merchants to accept and disburse payments across 40+ emerging markets through a single API. The core debate is not growth, as TPV has reaccelerated and enterprise-merchant retention has held, but whether the governance and fraud discount remains appropriately sized based on what is observable from outside the company. Our view is that niche EM infrastructure, reaccelerating Total Payment Volume (TPV), and stabilizing take-rate economics support a re-rating toward our $20.76 price target, while preserving downside scenarios for FX-accounting and audit-relationship outcomes. Key risks include aggressive FX accounting, renewed governance scrutiny, an audit-relationship event, and further take-rate compression. Key catalysts include unqualified audit opinions through additional reporting cycles, take-rate stabilization, and a larger Africa and Asia contribution to gross profit. Since the original price date, dLocal reported Q1 2026 results with TPV up 73% year over year, revenue of approximately $336M, and gross profit of approximately $119M, broadly supporting our FY26E revenue and gross profit forecast. However, Q1 2026 GP/TPV of 0.84% came in below our FY26E full-year assumption of 0.93%, making take-rate stabilization the key near-term thesis monitor.

Trading Data and Recent Price Movement

Metric	Value
Price ($)	$12.17
Date of Price	June 2026
52-Week Range ($)	$9.03 - $15.83
Market Cap ($M)	3,590
Adjusted Enterprise Value, using corporate cash ($M)	3,257
Fiscal Year End	December
Shares O/S (M)	295
Float (M)	177
Avg. Daily Volume	1.6M shares
Price Target	$20.76
Upside %	+70.6%
2025 TPV ($B)	40.8

Recent Price Movement

Over the last year, dLocal outperformed both the broader market and FINX, a global fintech ETF used here as a proxy for the financial technology sector, suggesting the market has begun to re-rate the stock relative to general equities and fintech peers. Despite this rally, the share price remains below the $20.76 price target, leaving further upside if execution continues. Additionally, short interest has declined from its late-2025 peak, indicating bearish positioning has moderated, though skepticism remains.

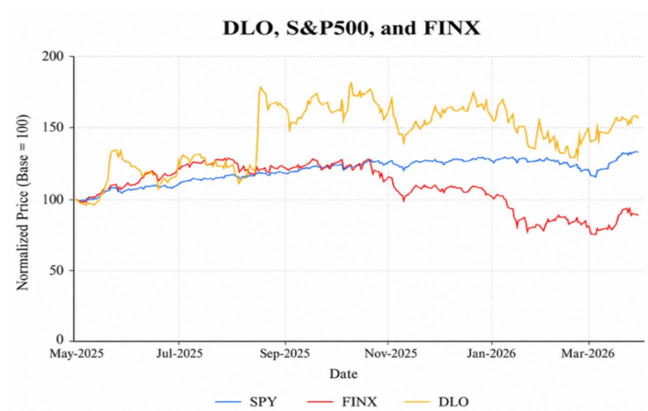


Figure 1 – DLO share price vs. price target (12 month prior to report). Source: Yahoo Finance; ERG estimates.

Business Overview

dLocal enables enterprise merchants — including those publicly identified in dLocal's FY2025 investor presentation and company website, such as Amazon, Microsoft, Uber, Spotify, and Netflix — to process local payments and payouts across Latin America, Africa, and Asia. Through this single integration, dLocal solves a real infrastructure gap in markets where banking rails are fragmented, card penetration is low, and merchants need local licensing, FX, compliance, and settlement handled in one place. The stock matters now because the core business is still compounding while the market continues to price a residual fraud and governance overhang.

Business Model

Revenue is earned on Total Payment Volume (TPV) by connecting merchants to 900-plus local payment methods across 40-plus countries (per dLocal's FY2025 investor presentation and company website) while providing the compliance, FX conversion, settlement, and local banking connectivity required to operate across these corridors. The platform is primarily transactional rather than subscription-based, but the API integration and corridor-by-corridor operational complexity create lasting enterprise relationships. Unit economics are driven by TPV growth, net take rate, mix by corridor, and operating leverage. Positioned between global enterprise merchants and fragmented local payment rails, the platform acts as the infrastructure layer that consolidates local complexity into one enterprise workflow.

Product	% of Revenue	FY Growth	Key Partners	Notes
Latin America Payments	~62%	50%	Pix, Boleto, OXXO	Largest corridor base; lower take rate but scale anchor
Africa payments	~23%	80%	M-Pesa, mobile-money rails, AZA	Highest-rate region and fastest growth
Asia payments	~15%	60%	Local bank-transfer and APM rails	Adds diversification and cross-border depth
FX conversion	Embedded	Structural	Merchant treasury / settlement	Represents a durable economics layer in EM flows
Value-added services	Embedded	n/a	Fraud, compliance, settlement	Supports retention and switching costs

Sources: dLocal FY2025 results, investor presentation, and company website.

Management & Governance

Management credibility carries unusual weight at dLocal. The bear case is not primarily about growth or unit economics. Instead, it is about whether reported numbers, FX accounting treatment, and related-party disclosures can be relied upon. That puts finance leadership, the audit relationship, internal controls, and capital-allocation discipline at the center of any narrowing in the credibility discount.

CEO Pedro Arnt: Former Mercado Libre CFO and an architect of Mercado Pago. The relevant signal for dLocal is operating experience in emerging-market payments at scale and prior accountability for institutional-grade financial reporting at a US-listed firm. His tenure to date has been short relative to a full reporting cycle, so the read remains preliminary.

CFO Mark Ortiz: Former Mastercard and Western Union finance executive. The hire is targeted at the market's principal concern — finance and controls credibility — but the test is execution over multiple reporting cycles, not the appointment itself. Investors should look for visible evidence in disclosure quality, audit-committee activity, and consistency between operating metrics and cash conversion.

Management track record: Following the Muddy Waters Research short report (November 2022) and dLocal's response (December 2022), the company's subsequent disclosures describe an independent forensic review, refreshed finance leadership, reduced concentrated Argentina exposure, and continued enterprise-merchant retention (per dLocal's 2025 Annual Report / Form 20-F, FY2025 results release, and related company communications). These are the actions investors would expect from a management team taking the allegations seriously; they do not by themselves resolve the underlying questions, and the residual investor skepticism reflected in short interest and the trading multiple is rational until more reporting cycles confirm the pattern.

Capital Allocation: With a net-cash balance sheet, capital has been deployed across reinvestment in licenses, integrations, and regional scale, a $100 million buyback, and the AZA Finance acquisition. The mix is consistent with a build-and-densify strategy rather than capital return. The AZA integration and the trajectory of compliance and product spend will be the clearest near-term signals of whether capital is producing the intended corridor density and unit-economic stability.

Guidance and near-term priorities: AZA Finance integration, increasing Africa and Asia as a share of gross profit, defending take-rate durability, and converting TPV growth into cash conversion. Governance-side, the watch items are continued unqualified audit opinions, stability in the audit relationship and jurisdiction, and absence of regulatory escalation. Each successive clean reporting cycle narrows but does not eliminate the residual discount.

Industry Overview and Moat Analysis

Industry Analysis

The global payments industry enables merchants, platforms, and financial institutions to move money across borders, payment methods, and currencies. Within that broader market, dLocal operates in cross-border merchant payments infrastructure, focused on regions where payment behavior is fragmented, regulation is complex, and local payment methods are often required for transaction completion.

The industry is structurally attractive because digital commerce, mobile wallets, and online marketplaces continue to expand into underpenetrated regions. However, these markets are difficult for global merchants to serve directly: each country requires separate integrations for local cards, bank transfers, wallets, FX conversion, compliance, tax handling, and settlement. As a result, merchants prefer a single payments partner that connects them to multiple regions through one platform.

The addressable opportunity is not the entire global payments market, but the narrower segment of rising cross-border payment volume in hard-to-serve regions. This niche remains fragmented and heavily regulated, creating barriers to entry for new competitors. dLocal's moat comes from its localized payment network, existing merchant relationships, regulatory knowledge, and ability to simplify complex market entry for multinational customers. The competitive advantage is strongest when merchants value speed, local coverage, and operational simplicity more than the brand of a larger global processor with shallower local depth.

Comparable Companies Analysis

Company [Ticker]	**Market Cap ($M)**	**EV ($M)**	**Rev. Growth**	**EV/ Revenue**	**EBITDA Margin**	**Key Differentiator**
dLocal [DLO]	3,590	3,257	47%	3.0x	25%	EM-only cross-border platform
Adyen [ADYEN]	45,000	43,000	20%	12.0x	45%	Global processor with shallow EM depth
Shift4 [FOUR]	7,000	9,000	30%	4.5x	18%	US commerce and enterprise focus
Toast [TOST]	12,000	11,500	25%	3.5x	12%	Restaurant software and payments
BILL [BILL]	7,500	6,500	12%	4.5x	18%	AP automation / B2B payments
Peer Average	17,875	17,500	22%	6.13x	23.3%	Higher quality DM comps, but less EM depth

Sources: Peer company filings, Koyfin/TIKR/Yahoo Finance/public market data.

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Moat Analysis

The moat is rooted in switching costs, regulatory complexity, and efficiency scaling. The core customer pain point is not simply payments acceptance; it is local market execution across dozens of frustrating corridors. Replacing dLocal entails rebuilding local method integrations, reworking settlement flows, revalidating compliance, and re-testing treasury operations market-by-market. dLocal also benefits from intangible assets — licenses, mutually beneficial banking relationships, compliance know-how, and operating history in target markets. Competitors such as Adyen and Stripe have comparatively large scale, but their emerging-market depth is shallower, and their economic focus remains elsewhere. Regional players can match depth in one geography, but not dLocal's cross-border breadth. The moat is not fully unassailable over a decade-long horizon, but it is durable and well-defended over our 12–18-month investment window.

Key Drivers & KPIs

Primary operating metrics include TPV growth, net revenue / gross profit take rate, net revenue retention, client concentration, and geographic gross profit mix. These KPIs are critical for evaluating scale, pricing power, customer retention, revenue quality, and the durability of dLocal’s unit economics.

KPI Analysis

KPI	FY23A	FY24A	FY25A	FY26E	FY27E	Impact
TPV ($B)	--	26.0	40.8	52.0	65.0	Primary volume driver
GP take rate (% of TPV)	--	1.13%	0.99%	0.93%	0.90%	Primary driver of unit economics
Top client % of TPV	25%+	15–20%	<18%	<15%	<15%	Lower concentration de-risks thesis
Africa % of Gross Profit	--	--	~20%	~25%	~30%+	Higher-rate mix offsets Latin American pressure
EBITDA margin (%)	24%	25%	25%	25%	25%	Scale supports cash generation

Sources: dLocal FY2025 results, 20-F, investor presentation.

Revenue Build

Revenue is forecast bottom-up using the formula: Volume × Take Rate = Revenue. TPV is built by region (Latin America, Africa, Asia), and each region is multiplied by its own net revenue take rate, which declines gradually as enterprise pricing pressure and competitive dynamics compress economics. Africa and Asia carry structurally higher take rates than Latin America, so their faster volume growth supports the blended rate even as each regional rate compresses — the mix-shift dynamic central to Thesis 2. The regional builds are detailed in the Bottom-Up Revenue Build tables below. GP take rate (gross profit as a % of TPV) is disclosed by dLocal and serves as the primary unit-economics metric; net revenue take rate (revenue as a % of TPV) is higher because it includes pass-through payment costs that flow through both revenue and COGS.

Revenue Model

Segment / TPV ($B)	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E
Latin America	18.5	27.0	33.5	40.0	46.0	51.5	56.0
Africa	4.0	8.5	11.5	15.5	20.0	25.0	30.0
Asia	3.5	5.3	7.0	9.5	12.5	16.0	20.0
Total TPV	**26.0**	**40.8**	**52.0**	**65.0**	**78.5**	**92.5**	**106.0**
YoY Growth %	--	57%	27%	25%	21%	18%	15%
Net Revenue Take Rate (%)							
Latin America	2.54%	2.32%	2.23%	2.12%	2.05%	2.00%	1.96%
Africa	3.81%	3.48%	3.35%	3.18%	3.07%	3.00%	2.95%
Asia	3.55%	3.25%	3.13%	2.97%	2.87%	2.80%	2.75%

Bottom-Up Revenue Build

Revenue & Gross Profit Build	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E
Revenue – Latin America ($M)	470	626	748	850	943	1,031	1,098
Revenue – Africa ($M)	152	296	385	493	614	750	885
Revenue – Asia ($M)	124	172	219	282	359	448	550
Consolidated Revenue ($M)	746	1,094	1,352	1,625	1,916	2,229	2,533
GP Take Rate (% of TPV)	1.13%	0.99%	0.93%	0.90%	0.88%	0.87%	0.86%
Gross Profit ($M)	295	403	484	585	691	805	912
GP Margin (% of Revenue)	40%	37%	36%	36%	36%	36%	36%

Sources: dLocal FY2025 results, 20-F, investor presentation, analyst estimates.

Margin Bridge

Payment processing margins are shaped by two competing forces: enterprise pricing pressure and durable EM take-rate economics. On the headwind side, larger enterprise volumes blend down the take rate and require ongoing compliance investment. On the tailwind side, mix shift into higher-take-rate Africa and Asia corridors, combined with fixed-cost leverage as product, legal, and G&A scale slower than volume, supports EBITDA growth and margin stability. Assuming continued mix shift and operating discipline, the result is stronger EBITDA dollars even as reported margins improve gradually. We hold EBITDA margin near 25% through FY29E because enterprise pricing pressure and elevated control/compliance spend are offset by TPV scale, higher-rate Africa and Asia mix, and fixed-cost leverage across product, legal, and G&A.

Margin Driver	Impact (bps)	Explanation
Enterprise pricing / volume tiers	(20)	Higher scale pressures blended take rate
Africa and Asia mix shift	+35	Higher-rate regions partially offset Latam mix
Fixed-cost leverage	+250	Compliance, product, and G&A scale slower than GP
Governance / control investment	(50)	Audit, legal, and compliance spend stays elevated

Note: We do not model this net expansion; the income statement conservatively holds EBITDA margin flat at 25%, leaving the bridge's net upside unrecognized.

Investment Theses

The bull case on dLocal rests on three interconnected theses. First, dLocal occupies a structurally advantaged position in EM payments infrastructure that scaled competitors cannot quickly or cheaply replicate. Second, take-rate compression — the market's primary concern — is real but bounded; structural EM economics create a floor, and Africa/Asia mix shift is accelerating toward it faster than consensus expects. Third, the residual governance discount, a legacy of the 2022 Muddy Waters short report, overstates the probability of a tail outcome that three years of clean audit opinions, strong cash conversion, and merchant retention have progressively made less likely. Together, these theses support a 12-to-18-month re-rating toward $20.76.

1) dLocal holds a uniquely scaled EM payments position that is hard to replicate economically or operationally.

Among scaled platforms, dLocal is uniquely positioned: 40-plus countries and 900-plus local payment methods (per dLocal's FY2025 investor presentation and company website), accessible through a single enterprise API. That matters because global merchants do not want a separate provider for Brazil, Nigeria, India, and other key corridors. Stripe and Adyen have brand scale, but their EM offerings remain either shallow or strategically non-core. Local players can match depth at home but not cross-border breadth. The mechanism to value creation is straightforward: durable client relationships and corridor density support strong TPV growth, defend unit economics, and justify a narrower discount to global peers.

2) Take-rate compression has a structural floor the market underestimates.

Why rates are compressing: Enterprise pricing pressure is real. As dLocal's top merchants (Amazon, Uber, Spotify, Netflix) scale TPV, they negotiate volume-tiered rebates that mechanically lower the blended take rate. Competitive dynamics amplify this: Stripe, Adyen, and local EM processors increasingly compete for large merchant wallets, forcing dLocal to defend relationships through pricing. The decline from 1.13% in FY24A to 0.99% in FY25A reflects this transition, a 14-bps compression in a single year.

Where the floor is: Three structural revenue layers resist this compression. First, FX conversion is embedded in every EM transaction and commands a durable spread regardless of merchant size. Second, local payment-method integration (Pix, Boleto, M-Pesa, mobile-money rails) requires country-by-country licensing and regulatory infrastructure that pure-price competition cannot easily displace. Third, Africa and Asia corridors structurally carry higher take rates than Latin America — regulatory complexity, thinner competition, and shorter settlement chains support economics that cannot simply be priced away. Based on DLO's disclosed segment mix and the take rate trajectory, we model a structural floor in the 0.82–0.88% range, at which point further compression would require either a fundamental change in EM payment rails or deliberate competitive subsidization neither dLocal nor its competitors appear willing to sustain.

Are we nearing the floor now? We model a gradual approach: FY26E ~0.93%, FY27E ~0.90%, FY28E ~0.88%, FY29E ~0.87%, FY30E ~0.86%. The pace of compression slows materially after FY27 as Africa mix shift (modeled at ~25% of gross profit by FY27E, rising to ~30%+ by FY29E) increasingly offsets Latin America enterprise pricing pressure. This is not a floor we believe has already been reached — there are two to three more years of incremental pressure — but the remaining compression is modest relative to the TPV growth that will more than offset it in absolute revenue terms. The entry point thesis is that the market is still pricing dLocal as if take-rate erosion is open-ended, when the trajectory in the disclosed data points toward stabilization.

3) **Residual fraud risk has narrowed since 2022 but is not resolved; the stock prices a tail outcome we do not view as the base case.**

The valuation discount is the core of the idea. We are not claiming fraud risk is zero. Outsiders rarely can prove the absence of fraud ex ante. What we can observe is the direction of evidence over three years (per dLocal's 2025 Annual Report / Form 20-F and FY2025 results release): unqualified audit opinions through the most recent reporting cycle, continued cash conversion from operations, ongoing enterprise-merchant retention and expansion, and, to our knowledge based on public disclosures, no regulatory escalation or whistleblower emergence has been reported. None of these are individually conclusive. Together they describe a track record that, while not eliminating the risk, is harder to reconcile with the original Muddy Waters scenario than with a more ordinary set of governance and FX-accounting questions.

The live watch items remain real: the audit relationship and jurisdiction (PwC Uruguay), the FX-accounting treatment in countries with parallel rates, and related-party disclosures — any of which could re-tighten the discount if they deteriorate. Our view is that the balance of probabilities now sits closer to governance discount slowly compresses than to undisclosed misstatement emerges, but we hold that view with calibrated, not high, confidence, and the position-sizing implication is to participate in the re-rating without betting the book on it.

Financial Models

Income Statement

($M unless noted)	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E
Revenue	746	1,094	1,352	1,625	1,916	2,229	2,533
YoY Growth (%)	31%	47%	24%	20%	18%	16%	14%
COGS	451	691	868	1,040	1,225	1,424	1,621
Gross Profit	295	403	484	585	691	805	912
Gross Margin (%)	40%	37%	36%	36%	36%	36%	36%
Other OpEx	160	146	179	212	240	248	279
EBITDA	189	274	338	406	479	557	633
EBITDA Margin (%)	25%	25%	25%	25%	25%	25%	25%
D&A	15	20	25	30	35	40	45
EBIT	174	254	313	376	444	517	588
EBIT Margin (%)	23%	23%	23%	23%	23%	23%	23%
Interest Expense	0	0	0	0	0	0	0
Other Income/(Expense)	0	0	0	0	0	0	0
Pre-Tax Income	174	254	313	376	444	517	588
Tax Expense	18	56	75	90	107	124	141
Effective Tax Rate (%)	10%	22%	24%	24%	24%	24%	24%
Net Income	156	197	238	286	337	393	447
Net Margin (%)	21%	18%	18%	18%	18%	18%	18%
Diluted EPS ($)	0.53	0.67	0.81	0.97	1.14	1.33	1.52
Diluted Shares (M)	295	295	295	295	295	295	295

Sources: dLocal FY2025 results, company filings, earnings releases, and analyst estimates. FY24A and FY25A reflect reported actuals; FY26E onward reflects analyst estimates. Later forecast columns are held conservative where line-item detail is not disclosed.

Quarterly EPS Estimates

	FY25A	**FY26E/A**
Q1	0.15	0.14A*
Q2	0.14	0.19E
Q3	0.17	0.23E
Q4	0.18	0.25E
FY	**0.67**	**0.81**

**Note: Q1 2026A Diluted EPS of $0.14 reflects a $9.7M one-off, prior-years tax adjustment; excluding this impact, normalized Q1 2026 EPS was $0.17, matching initial consensus expectations.*

Sources: dLocal Limited SEC filings, quarterly earnings releases, investor relations presentations, and analyst estimates. FY25A and Q1 2026A reflect reported actuals; Q2 2026E onward reflects ERG consensus baseline estimates required to meet the full-year target of $0.81.

Balance Sheet Snapshot

	FY24A	FY25A	FY26E
Cash & Equivalents	604	700	820
Corporate Cash	333	333	333
Net Debt	(541)	(637)	(757)
Net Debt / EBITDA	(2.9)	(2.3)	(2.2)
Current Ratio	2.5	2.6	2.7
Total Equity	1,200	1,400	1,650
Debt Maturity Schedule:	Minimal	Minimal	Minimal
- Near-term (0-2 yr)	None disclosed	None disclosed	None disclosed
- Medium-term (2-5 yr)	None disclosed	None disclosed	None disclosed

Sources: dLocal FY2025 results, company filings, earnings releases, and analyst estimates. FY24A and FY25A reflect reported actuals; FY26E onward reflects analyst estimates.

Free Cash Flow Build

($M unless noted)	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E
EBITDA	189	274	338	406	479	557	633
(-) Cash Taxes	18	57	75	90	107	124	141
(-) Capex	10	15	20	25	30	35	40
(-) Change in Working Capital	20	25	32	38	45	52	55
Unlevered Free Cash Flow	141	177	211	253	297	346	397
UFCF Margin (%)	18.9%	16.2%	15.6%	15.6%	15.5%	15.5%	15.7%
(-) Interest Expense (tax-adjusted)	0	0	0	0	0	0	0
Levered Free Cash Flow	141	177	211	253	297	346	397
FCF Yield (% of mkt cap)	3.9%	4.9%	5.9%	7.0%	8.3%	9.6%	11.1%

Sources: dLocal FY2025 results, company filings, earnings releases, and analyst estimates. FY24A and FY25A reflect reported actuals; FY26E onward reflects analyst estimates.

Per Share Data

Per-Share Metrics	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**	**FY29E**	**FY30E**
Diluted EPS ($)	0.53	0.67	0.81	0.97	1.14	1.33	1.52
Revenue / Share ($)	2.53	3.71	4.58	5.51	6.49	7.56	8.59
FCF / Share ($)	0.48	0.60	0.72	0.86	1.01	1.17	1.35

Sources: dLocal FY2025 results, company filings, earnings releases, and analyst estimates. FY24A and FY25A reflect reported actuals; FY26E onward reflects analyst estimates.

Valuation Methods

Comparable Company Analysis

Company	Ticker	EV/Revenue	EV/EBITDA
Adyen	ADYEN	12.0x	35.0x
Shift4	FOUR	4.5x	22.0x
Toast	TOST	3.5x	25.0x
BILL	BILL	4.5x	22.0x
Pag Seguro	PAGS	1.5x	6.0x
Peer Median		**4.5x**	**22.0x**
dLocal	**DLO**	**3.0x**	**12.0x**
Premium/ (Discount) to Median		(33%)	(45%)

Sources: Company filings and investor materials for Adyen, Shift4, Toast, BILL, Pag Seguro; Koyfin/TIKR/Yahoo Finance.

Implied Valuation

Metric	dLocal Current	Peer Median	Implied EV ($M)	Implied Price ($)
EV / FY26E Revenue	3.0x	4.5x	6,084	22.78
EV / FY26E EBITDA	12.0x	22.0x	7,436	27.37

Note: dLocal should trade at a discount to developed-market fintech peers given its emerging-market exposure and historical governance concerns. However, we believe the current discount is excessive given its strong institutional growth, improved transparency, and net cash balance sheet. Implied prices are calculated as (Implied EV + FY25A net cash of $637M) / 295M diluted shares. This differs from the DCF, which conservatively adds back only $333M of corporate cash.

WACC Build up

Component	Value	Source/Assumption
Risk-Free Rate (%)	4.3%	U.S. 10-year Treasury
Equity Risk Premium (%)	7.0%	4.5% mature market ERP (Damodaran, Jan 2025) + 2.5% blended EM country risk premium
Beta (levered)	1.35	2-year weekly regression
Cost of Equity (%)	13.8%	CAPM: 4.3% + 1.35 × 7.0%
Pre-Tax Cost of Debt (%)	6.0%	Estimated borrowing cost / yield on debt

Component	Value	Source/Assumption
Tax Rate (%)	24.0%	Effective tax rate per reconciled forecast income statement
After-Tax Cost of Debt (%)	4.6%	6.0% × (1 - 24.0%)
Equity Weight (%)	98.3%	Market cap $3,590M / Total Capital $3,653M
Debt Weight (%)	1.7%	Total debt ~$63M / Total Capital $3,653M
WACC (%)	**13.7%**	**Market-value-weighted average of cost of equity (13.8%) and after-tax cost of debt (4.6%); see note below**

WACC Note: *The 13.7% WACC is the market-value-weighted average of the cost of equity (13.8%) and after-tax cost of debt (4.6%), using equity and debt weights derived from a market capitalization of $3,590M and total debt of $63M per the FY2025 Annual Report (Form 20-F). This is a standardized WACC applied consistently across reports and is not adjusted on a case-by-case basis for company-specific risks, which are instead reflected in the beta, the EM country risk premium, and the scenario probability weighting. The 13.7% WACC is used in all DCF projections below.*

Sources: U.S. Treasury market data; Damodaran NYU implied equity risk premium and country risk premium data; dLocal 2025 Annual Report / Form 20-F; DLO public market data as of June, 2026; analyst estimates.

Discounted Cash Flow Projection

($M)	FY26E	FY27E	FY28E	FY29E	FY30E	Terminal
Revenue	1,352	1,625	1,916	2,229	2,533	--
Revenue Growth (%)	24%	20%	18%	16%	14%	3.0%
EBITDA	338	406	479	557	633	--
EBITDA Margin (%)	25%	25%	25%	25%	25%	--
(-) Cash Taxes	75	90	107	124	141	--
(-) Capex	20	25	30	35	40	--
(-) Change in Working Capital	32	38	45	52	55	--
UFCF	211	253	297	346	397	--
Discount Factor	0.938	0.825	0.725	0.638	0.561	0.561
PV of UFCF	**198**	**209**	**215**	**221**	**223**	**2,144**

Sources: Analyst estimates.

Conservative DCF Case

Terminal Year UFCF ($M)	397
Terminal Growth Rate (%)	3.0%
Terminal Value — Perpetuity Growth ($M)	3,822
PV of Terminal Value ($M)	2,144
Sum of PV(UFCF) ($M)	1,066
Enterprise Value ($M)	3,210
Add: Corporate Cash ($M)	333
Equity Value ($M)	3,543
Diluted Shares Outstanding (M)	295
Implied Share Price ($)	12.01

Primary DCF Case

Terminal Year EBITDA ($M)	633
Exit Multiple (x)	12.0x
Terminal Value — Exit Multiple ($M)	7,596
PV of Terminal Value ($M)	3,997
Sum of PV(UFCF) ($M)	1,066
Enterprise Value ($M)	5,063
Add: Corporate Cash ($M)	333
Equity Value ($M)	5,396
Diluted Shares Outstanding (M)	295
Implied Share Price ($)	18.29

Sources: Analyst estimates. Exit EBITDA multiple range of 11x–13x reflects EM fintech peer trading multiples in June 2026; 12.0x base is the mid-point and is consistent with Pag Seguro and comparable EM payment processors, applied to FY30E terminal-year EBITDA. WACC of 13.7% applied throughout.

The base DCF at our standardized 13.7% WACC implies $12.01 per share under the perpetuity-growth methodology (3.0% terminal growth rate). The perpetuity framework provides downside support and is treated as the conservative case. Under the exit EBITDA multiple methodology at 12.0x FY30E EBITDA, the implied price is $18.29. Note — Discounting Convention: Explicit-period unlevered free cash flows (FY26E–FY30E) are discounted using a mid-year convention ($1 / (1.137)^{(n-0.5)}$). The two terminal-value methodologies utilize distinct discounting bases to reflect their economic nature: the perpetuity-growth value is discounted as a continuing stream (mid-year, 0.561), while the exit-multiple value is discounted as a point-in-time terminal sale at the end of FY30E (end-of-year, 0.527). The blended DCF range across both methodologies spans approximately $12–$18 depending on WACC sensitivity and terminal value approach. The 13.7% WACC is standardized and applied consistently across reports; it reflects the market-value weighted cost of equity (13.8%) and after-tax cost of debt (4.6%) using actual capital structure weights from the FY2025 Annual Report.

Note: All figures in $M; EV reflects corporate cash; for full merchant float reconciliation, see p.12.

Sensitivity Analysis

WACC vs. Terminal Growth Rate

WACC ↓ / g →	2.0%	2.5%	**3.0%**	3.5%	4.0%
12.5%	12.6	13.1	13.5	14.0	14.6
13.0%	12.1	12.5	12.9	13.4	13.9
13.7%	11.4	11.8	12.1	12.5	12.9
14.0%	11.2	11.5	11.8	12.2	12.6
14.5%	10.7	11.0	11.3	11.7	12.0

Sources: Analyst estimates.

Sensitivity Analysis

WACC vs. Exit Multiple

WACC ↓ / x →	10x	11x	**12x**	13x	14x
12.5%	16.8	18.0	19.2	20.4	21.6
13.0%	16.5	17.7	18.9	20.0	21.2
13.7%	16.1	17.3	18.4	19.5	20.6
14.0%	16.0	17.1	18.2	19.3	20.4
14.5%	15.7	16.8	17.9	18.9	20.0

Sources: Analyst estimates.

At our base case of 13.7% WACC and a 12–13x exit multiple, the exit-multiple frameworks imply $18.4–$19.5 per share, while the perpetuity-growth framework implies $11.4–$12.9 per share across the 2.0%–4.0% terminal growth range. The DCF therefore brackets a range of roughly $11–$21 per share depending on terminal methodology; the perpetuity case anchors the conservative end and the exit-multiple case provides the upside reference for the blended price target.

Probability-Weighted Scenarios

Scenario	Prob. (%)	NTM EPS ($)	Multiple (x)	Implied Price ($)	Weighted ($)	Key Assumptions
Bull	15%	1.05	33x	34.70	5.21	Fraud fully clears; Africa scales faster
Base	50%	0.96	25x	24.00	12.00	Gradual re-rating toward ~5x EV/Revenue and mid-20s P/E
Bear	35%	0.70	16x	11.20	3.92	Governance overhang persists; take rates disappoint
Probability-Weighted PT	100%	--	--	--	**21.13**	Left-tail risk pulls EV below base case

Note: Scenario prices apply forward target multiples to next-twelve-month EPS.

ESG Assessment

Dimension	Assessment
Environmental	**Neutral** - light direct footprint typical of software / payments infrastructure
Social	**Positive** - enables digital commerce and financial inclusion across underbanked markets
Governance	**Negative but improving** - still the key watch item due to audit location and legacy allegations

Notes: Environmental exposure is limited, social impact is positive through financial inclusion, and governance remains the primary debate.

Valuation Summary

Method	Implied Price ($)	Weight (%)	Contribution ($)
Comparable Company Analysis	22.78	50%	11.39
DCF (perpetuity $12.01, exit-multiple $18.29)	15.15	20%	3.03
Probability-Weighted Scenarios	21.13	30%	6.34
Price Target	**20.76**	**100%**	**20.76**

Our $20.76 price target reflects a conservative blended approach across valuation methodologies, incorporating comparable companies, a downside-supported DCF, and probability-weighted scenarios. Comparable-company analysis receives the highest weighting because the thesis is primarily a multiple re-rating story rather than a pure intrinsic-value story. The DCF receives a lower weighting because terminal assumptions dominate the output and governance risk is more likely to affect the market multiple than near-term cash-flow mechanics. Probability-weighted scenarios receive a meaningful weighting because they explicitly incorporate the left-tail governance and FX-accounting risks that a single base-case valuation may understate.

Note: Enterprise Value (EV) reflects "Corporate Cash" (333M) as defined in DCF bridge. "Net Cash" (637M) used for Implied Share Price calculations accounts for additional merchant float. See p.12 for reconciliation.

Ownership & Short Interest

The ownership structure is constructive but does not fully dispel market skepticism. Institutional and insider ownership are both material; short interest, however, remains unusually high for a company with strong reported growth and cash generation. In practice, the stock can re-rate rapidly on clean execution, but bears remain credible, which reinforces the need for disciplined position sizing.

Metric	Value (%)
General Atlantic	~28.1%
Unsal Holdings	~8.8%
Alberto Azar (Insider)	~3.4%
Bank Of America	~2.4%
CRIA, Inc.	~2.4%
Ribbit Capital	~2.3%
Other Institutional Holders	~13–15%
Total Institutional Ownership	~55–60%
Total Insider Ownership	~15%
Short Interest (% of Float)	~10–15%

Sources: dLocal 2025 Annual Report / Form 20-F; Nasdaq short interest data; Yahoo Finance, Koyfin, TIKR, and other public market-data sources as of June, 2026; analyst estimates.

Catalysts and Timelines

Catalyst	Timeline	Thesis Link	Mechanism
Quarterly print showing TPV growth, take-rate stability, and cash conversion	Next 1–2 quarters	Thesis 2 / 3	Confirms operating momentum, supports the structural-floor take-rate thesis, and chips away at the governance overhang
Africa and Asia become a larger profit mix	2027	Thesis 2	Higher-rate corridors de-risk the gross-profit mix
Visible short-interest unwind or sell-side upgrades	2026	Thesis 3	Narrative shift can accelerate multiple expansion
Continued unqualified audit opinions and stable audit relationship	Ongoing	Thesis 3	Each successive reporting cycle narrows, but does not eliminate, the residual valuation overhang

Risks and Mitigants

Risk	Probability	Impact	Mitigant
Fraud / material misstatement	10-15%	Severe	Multiple unqualified audit opinions, persistent cash conversion, and ongoing enterprise-merchant retention reduce — but do not eliminate — the residual probability
Aggressive FX accounting	20-25%	High	An aggressive but technically compliant FX-accounting outcome would cut fair value to the low teens; an outcome requiring restatement would force a wider re-rating and is the bear-case anchor
Take-rate compression below 0.80%	15%	High	Would challenge the structural-floor thesis and force estimate cuts
Client concentration / large logo loss	10%	High	Top-client exposure has fallen, but concentration still matters
Competition from Adyen / Stripe	15%	Medium	EM depth and licensing moat protect near-term thesis, not forever

Sources: dLocal 2025 Annual Report / Form 20-F risk factors; Muddy Waters Research short report, November 2022; dLocal response to short-seller report, December 2022; Reuters coverage; analyst estimates.

Thesis Invalidation Triggers

1. Audit-relationship event: a change of auditor, qualified or emphasis-of-matter opinion, or material delay in filing audited statements.
2. Formal SEC, CVM, or other securities-regulator investigation, or credible whistleblower disclosure.
3. Net revenue retention falls below 120 percent for two consecutive quarters.
4. A top five client exits the platform publicly.
5. Any financial restatement, or expansion of related-party transactions beyond their current scope and disclosure.
6. GP take rate falls below 0.80 percent without offsetting TPV acceleration.
7. Short interest rises above 35 percent of float, particularly if accompanied by specific new disclosures or analyst commentary.

Conclusion

dLocal is a contested name in EM payments where, in our view, the governance and fraud discount has overshot what the observable record supports. Operational expansion and enterprise-merchant retention have continued, cash conversion from operations has been consistent, and the post-2022 governance response — forensic review, refreshed finance leadership, reduced Argentina concentration — has been substantive even if not, by itself, dispositive. The base case supports a $20.76 price target and a BUY rating over a 12-18 month horizon. Governance, audit-relationship, and FX-accounting risks remain the principal watch items, and the right approach is to participate in the potential re-rating while still respecting the downside cases.

Rating: BUY | **Price Target:** $20.76 | **Upside:** 70.6% | **Time Horizon:** 12–18 months

Appendix

Key Monitoring Points

The investment theses are supported by continued TPV growth, improving geographic mix, and stabilization in take rates, with upside driven by multiple expansion as perceived risk declines. Execution against key operating metrics remains critical to validating the theses.

The most important indicators to monitor include:

- TPV growth sustained above 25% near term, with durable double-digit growth through FY30E, signaling continued demand and market share gains
- GP/TPV stabilizing in the mid-to-high 80 bps range, with upside if Africa and Asia mix shift moves the rate back toward 90 bps.
- Net revenue retention above 120%, reflecting strong client expansion and stickiness
- Top client concentration declining below 15%, reducing single-customer risk
- Africa gross profit mix trending toward 30%+, supporting higher-margin contribution
- Short interest declining below ~20%, indicating improving market sentiment

Selected Sources

- dLocal FY2025 Results Release
- dLocal 2025 Annual Report / Form 20-F
- dLocal investor presentations, including the November 2025 Investor Presentation
- dLocal SEC-filed earnings materials, investor relations releases, and company website
- Muddy Waters Research short report on dLocal, November 2022
- dLocal response to short-seller report, December 2022
- Reuters coverage of the Muddy Waters / dLocal dispute and related governance concerns
- McKinsey Global Payments Report
- BCG Global Payments Report
- World Bank Global Findex Database
- Worldpay Global Payments Report
- Financial Stability Board / G20 cross-border payments roadmap materials
- Damodaran NYU implied equity risk premium and country risk premium data
- U.S. Treasury market data
- Nasdaq short interest data
- Company filings and investor materials for Adyen, Shift4, Toast, BILL, Pag Seguro, and selected peers
- Yahoo Finance, Koyfin, TIKR, and other public market-data sources as of June 2026

Disclosures

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The analyst and/or members of Equity Research Group at Northeastern do not hold a position in dLocal Limited as of the publication date.

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