

MERCADOLIBRE INC

Form 8-K

August 05, 2011

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 1, 2011

MercadoLibre, Inc.

(Exact name of registrant as specified in its charter)

Delaware

001-33647

98-0212790

(State or other jurisdiction  
of  
incorporation)

(Commission File  
Number)

(IRS Employer  
Identification No.)

Arias 3751, 7th Floor

Buenos Aires, C1430CRG, Argentina

(Address and zip code of principal executive offices)

Registrant's telephone number, including area code: 011-54-11-4640-8000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240-14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

### Executive Compensation Program

On August 1, 2011, the board of directors (the “Board”) of MercadoLibre, Inc. (the “Company”), upon the recommendation of the compensation committee of the Board, finalized the Company’s executive compensation program for 2011 by (i) establishing the performance criteria applicable to determine eligibility for annual cash bonuses for 2011 and (ii) adopting the 2011 Long-Term Retention Plan (the “2011 LTRP”).

The following table includes the 2011 base salary, annual cash bonus range and 2011 LTRP target bonus of each named executive officer effective January 1, 2011.

|   | Annual<br>Salary (1), | 2011 Annual<br>Bonus Range<br>(1) | Target 2011<br>LTRP Bonus<br>(2) |
|---|-----------------------|-----------------------------------|----------------------------------|
| Marcos Galperin<br>President and Chief Executive Officer              | \$ 568,038            | \$ 393,437 –<br>\$ 655,729        | \$ 1,950,468                     |
| Pedro Arnt<br>Executive Vice President and Chief Financial Officer    | \$ 196,059            | \$ 132,692 –<br>\$ 221,153        | \$ 943,775                       |
| Stelleo Tolda<br>Executive Vice President and Chief Operating Officer | \$ 306,441            | \$ 211,933 –<br>\$ 353,221        | \$ 943,775                       |
| Osvaldo Giménez<br>Senior Vice President — Payments                   | \$ 209,185            | \$ 64,394 –<br>\$ 128,788         | \$ 471,887                       |
| Marcelo Melamud<br>Vice President and Chief Accounting Officer        | \$ 137,223            | \$ 31,681 –<br>\$ 63,363          | \$ 61,013                        |

(1) For 2011, base salary and annual bonus compensation for each of Messrs. Galperin, Arnt, Giménez and Melamud has been fixed in Argentine pesos and base and target compensation for Mr. Tolda has been fixed in Brazilian reais. Accordingly, the salary and bonus range in U.S. dollars are approximations based on prevailing exchange rates during June, 2011.

(2) See the section entitled “2011 LTRP” below for a detailed discussion of the payment methodology under the 2011 LTRP. Actual cash amounts to be paid under the 2011 LTRP may be more or less than the target amount shown in the table.

### Annual Cash Bonuses

A portion of each executive’s annual bonus will be based upon the Company’s achievement of pre-set goals for performance in each of the following (the “General Company Performance Objectives”):

- net revenues minus bad debt, defined as the Company’s net revenues for 2011, determined in accordance with U.S. generally accepted accounting principles (“GAAP”), less the portion of the Company’s bad debt that is uncollectible and after adjustments for unusual items as determined by the compensation committee;
- net income, defined as the Company’s net income in 2011, determined in accordance with GAAP and after adjustments for unusual items as determined by the compensation committee; and
- adjusted free cash flow of the Company, defined as the net increase in the Company’s cash and cash equivalents and short-term and long-term investments in 2011 over 2010 adjusted to add (a) the difference between the

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MercadoPago accounts receivable balance at December 31, 2010 versus December 31, 2011 and (b) the difference between the MercadoPago accounts payable balance at December 31, 2010 versus December 31, 2011.

With respect to the General Company Performance Objectives, as described in further detail below, a portion of each executive's annual bonus will be based on the Company's 2011 operations excluding its Venezuelan operations and a portion will be based on the Company's Venezuelan operations.

In addition to the General Company Performance Objectives, a portion of each executive's annual bonus will be based upon individual performance as determined by a 360-degree qualitative assessment carried out on the executive officer (each, an "Individual Qualitative Assessment").

For Mr. Giménez, in addition to the General Company Performance Objectives and the Individual Qualitative Assessment, a portion of his bonus will be based upon the 2011 operations of the Company's MercadoPago business.

As in 2010, to determine each executive's 2011 annual bonus, each performance metric is determined by multiplying the percentage of each objective actually achieved by the weight of each element. Each metric is then added together to equal an executive's total performance tally. The following table describes the components of each named executive officer's 2011 annual bonus and the percentage weight of each element:

2011 Annual Bonus Components

|                 | MercadoLibre<br>net revenues<br>minus bad<br>debt (1) |   | MercadoLibre<br>net income<br>(1) |   | MercadoLibre<br>adjusted<br>free<br>cash flow<br>(1) |   | MercadoPago<br>operations<br>(2) |   | Individual<br>performance |   |
|-----------------|---|---|-----------------------------------|---|--|---|----------------------------------|---|---------------------------|---|
| Marcos Galperin | 47.5  | % | 23.75                             | % | 23.75  | % | -                                |   | 5                         | % |
| Pedro Arnt      | 42.5  | % | 21.25                             | % | 21.25  | % | -                                |   | 15                        | % |
| Stelleo Tolda   | 42.5  | % | 21.25                             | % | 21.25  | % | -                                |   | 15                        | % |
| Osvaldo Giménez | 30  | % | 15                                | % | 15   | % | 25                               | % | 15                        | % |
| Marcelo Melamud | 42.5  | % | 21.25                             | % | 21.25  | % | -                                |   | 15                        | % |

(1) Subject to satisfaction of the Minimum Eligibility Conditions (described below), 95% of Mr. Galperin's 2011 annual bonus will be based on the General Company Performance Objectives. Within that 95%, 89% will be based on the Company's 2011 operations excluding its Venezuelan operations and 6% will be based on the Company's 2011 Venezuelan operations. For Messrs. Arnt, Tolda and Melamud, subject to satisfaction of the Minimum Eligibility Conditions, 85% of each such executive's 2011 annual bonus will be based on the General Company Performance Objectives. Within that 85%, 80% will be based on the Company's 2011 operations excluding its Venezuelan operations and 5% will be based on the Company's 2011 Venezuelan operations. For Mr. Giménez, subject to satisfaction of the Minimum Eligibility Conditions, 60% of his 2011 annual bonus will be based on the General Company Performance Objectives. Within that 60%, 56% will be based on the Company's 2011 operations excluding its Venezuelan operations and 4% will be based on the Company's 2011 Venezuelan operations.

(2) Subject to satisfaction of the Minimum Eligibility Conditions, 25% of Mr. Giménez's 2011 annual bonus will be based on: (a) 2011 MercadoPago penetration, which is defined as Total Payment Volume divided by Gross Merchandise Volume; (b) 2011 MercadoPago off-platform net revenues; and (iii) 2011 MercadoPago Total Payment Volume off-platform.

For an executive officer to be eligible to receive any bonus in 2011, the following conditions must be satisfied (the "Minimum Eligibility Conditions"):

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- the Company must achieve at least 80% of the target General Company Performance Objectives in 2011;
- the subject executive must score at least 80% on his Individual Qualitative Assessment; and
  - the executive's total performance tally must equal at least 80%.

In addition, Mr. Giménez will not be entitled to receive a bonus for 2011 if the MercadoPago business does not achieve at least 70% of target net revenues.

Once the Minimum Eligibility Conditions are met, each executive officer's annual bonus equals a percentage of his annual base salary within the dollar ranges described above, based upon his total performance tally, consistent with the Company's 2011 annual cash bonus program. For example, when an officer's performance tally equals 80%, the officer would receive the minimum bonus according to his seniority, or 69% of base salary in the case of Messrs. Galperin, Arnt and Tolda, 31% of base salary in the case of Mr. Giménez and 23% of salary in the case of Mr. Melamud. If the performance tally equals 90%, then the officer would receive the mid-point of the bonus range according to his seniority, or 92% of base salary in the case of Messrs. Galperin, Arnt and Tolda, 46% of base salary in the case of Mr. Giménez and 35% of base salary in the case of Mr. Melamud. If the performance tally equals 100% or higher, the officer would receive the maximum annual bonus detailed above, or 115% of base salary in the case of Messrs. Galperin, Arnt and Tolda, 62% of base salary in the case of Mr. Giménez and 46% of base salary in the case of Mr. Melamud. Actual annual bonus amounts are based on a number of monthly salaries thus percentages are approximate.

### 2011 LTRP

In order to receive an award under the 2011 LTRP, the executive must satisfy the Minimum Eligibility Conditions applicable to determine eligibility for annual cash bonuses. If these Minimum Eligibility Conditions are satisfied, the executive will, subject to his continued employment as of each applicable payment date, receive the target amount of his 2011 LTRP bonus described in the above table, payable as follows:

- the officer will receive a fixed cash payment equal to 6.25% of his or her 2011 LTRP bonus once a year for a period of eight years starting in 2012 (the "Annual Fixed Payment");
- on each date the Company pays the Annual Fixed Payment to an officer, he will also receive a cash payment equal to the product of (i) 6.25% of the applicable 2011 LTRP bonus and (ii) the quotient of (a) divided by (b), where (a), the numerator, equals the Applicable Year Stock Price (as defined below) and (b), the denominator, equals the 2010 Stock Price (as defined below). For purposes of the 2011 LTRP, the "2010 Stock Price" shall equal \$65.42 (the average closing price of the Company's common stock on the NASDAQ Global Market during the final 60 trading days of 2010) and the "Applicable Year Stock Price" shall equal the average closing price of the Company's common stock on the NASDAQ Global Market during the final 60 trading days of the year preceding the applicable payment date for so long as the Company's common stock is listed on the NASDAQ.

The maximum amount of each executive officer's 2011 LTRP bonus will depend on the Company's stock price for the last 60 days of the applicable fiscal year. To the extent the Company's stock price exceeds \$65.42 for one or more applicable periods, the amount of the executive's 2011 LTRP bonus will exceed 6.25% of the amount in the above table. To the extent the Company's stock price is less than \$65.42 for one or more applicable periods, the amount of the executive's 2011 LTRP bonus will be less than 6.25% of the amount in the above table. Thus, total cash payments under the 2011 LTRP over the life of the plan may be more or less than the target amount listed in the above table.

For full details of the 2011 LTRP, please see the copy of the plan filed as Exhibit 10.1 to this current report, the contents of which are incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

10.1 2011 Long-Term Retention Plan

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MERCADOLIBRE, INC.  
(Registrant)

Date: August 5, 2011

By: /s/ Pedro Arnt  
Pedro Arnt  
Executive Vice President and  
Chief Financial Officer