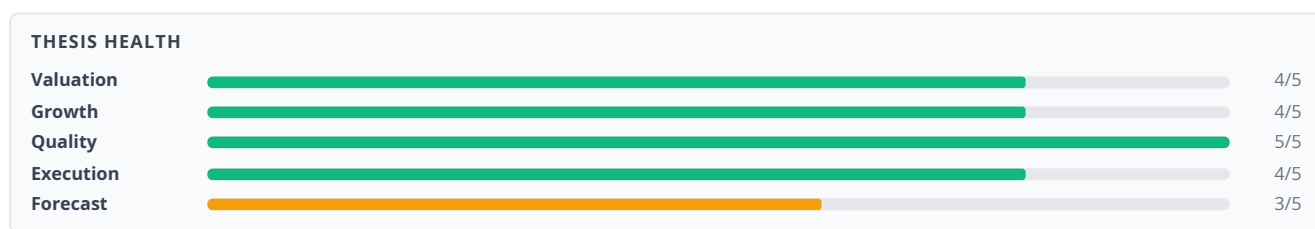


DLO: High Cash Conversion and ROIC Support Mid-Teens Multiples, but Sustainability of 861.1% FCF Growth Is the Core Debate

DLO | FY 2025 | 2026-06-08T07:54:43.386Z

EV/FCF of 9.1x and FCF yield of 10.1% imply moderate growth expectations that appear supported by 861.1% Free Cash Flow Growth and 28.8% ROIC, but the debate centers on whether this cash flow acceleration is durable relative to a 3Y average Free Cash Flow Growth of 268.5%.

SIGNALCORE VIEW	SIGNAL SCORE	PRIMARY DEBATE
Mixed but researchable candidate	58/100	Free Cash Flow Growth of 861.1% supports EV/FCF of 9.1x, while Revenue Growth of 46.6% remains below the 5Y average of 64.5%; the debate is whether current cash generation reflects durable efficiency gains or a temporary spike relative to historical growth.



SCORECARD

VALUATION 4	QUALITY 5	GROWTH 4	EXPECTATIONS 3	EXECUTION 4	RISK 3	OVERALL 4
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KEY METRICS

VALUATION EV/EBITDA 15x	VALUATION EV/FCF 9.1x	GROWTH Revenue Growth 46.6%	GROWTH EPS Growth 71.8%	GROWTH FCF Growth 861.1%
QUALITY ROIC 28.8%	EXECUTION EPS Beat Rate 87.5%	EXECUTION Revenue Beat Rate 75%		

EXECUTIVE SUMMARY

Investable Debate	Free Cash Flow Growth of 861.1% supports EV/FCF of 9.1x, while Revenue Growth of 46.6% remains below the 5Y average of 64.5%; the debate is whether current cash generation reflects durable efficiency gains or a temporary spike relative to historical growth..
Valuation	EV/Sales of 3.5x alongside Revenue Growth of 46.6% implies the market is pricing continued expansion but not peak-cycle growth seen in the 5Y average of 64.5%.
Growth	Revenue Growth of 46.6% exceeds the 3Y average of 38.8% but trails the 5Y average of 64.5%, suggesting stabilization below earlier peak levels.
Cash Conversion	Operating Cash Flow Growth of 1393.8% exceeded Free Cash Flow Growth of 861.1%, but both are strongly positive, indicating effective conversion in the latest period.
Execution	Over 8 quarters, EPS Beat Rate of 87.5% with an Average EPS Surprise of 21.6% indicates consistent outperformance.

WHY NOW?

- **46.6%** revenue growth
- **28.8%** ROIC (quality anchor)

- **861.1%** FCF growth (key variable)
- **87.5%** EPS beat rate

THESIS DRIVERS

POSITIVE DRIVERS

1	FCF Growth	861.1%
2	EPS Growth	71.8%
3	Revenue Growth	46.6%
4	EPS Beat Rate	87.5%

NEGATIVE DRIVERS

1	Analyst Coverage	2 analysts
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INVESTMENT THESIS

DLO trades at EV/EBITDA of 15.0x and EV/FCF of 9.1x while generating Free Cash Flow Growth of 861.1% and EPS Growth of 71.8%. This combination implies the market is embedding continued above-average earnings and cash expansion, but not pricing for extreme reacceleration given the 10.1% FCF yield. The key tension is whether the step-change in cash generation versus a 3Y average Free Cash Flow Growth of 268.5% is structural or cyclical.

Profitability metrics support the current multiples. ROIC of 28.8% exceeds the 3Y average of 27.3%, and ROE of 34.6% exceeds the 3Y average of 30.6%, indicating sustained capital efficiency. At the same time, Revenue Growth of 46.6% exceeds the 3Y average of 38.8% but remains below the 5Y average of 64.5%, suggesting growth has reaccelerated versus recent history but not to prior peak levels.

Cash generation is the most material driver. Latest Operating Cash Flow Growth of 1393.8% and Free Cash Flow Growth of 861.1% both exceed 3Y averages of 452.3% and 268.5%, respectively. Capex / Revenue of 0.2% versus a 3Y average of 2.0% indicates lower reinvestment intensity, contributing to a 10.1% FCF yield versus a 3Y average of 4.6%. The investable question is whether elevated free cash flow is sustainable if capex normalizes toward historical levels.

INVESTABLE DEBATE

Free Cash Flow Growth of 861.1% supports EV/FCF of 9.1x, while Revenue Growth of 46.6% remains below the 5Y average of 64.5%; the debate is whether current cash generation reflects durable efficiency gains or a temporary spike relative to historical growth.

MARKET EXPECTATIONS

EV/EBITDA of 15.0x versus a 3Y average of 20.2x and a 5Y average of 41.7x indicates valuation is below historical norms despite ROIC of 28.8% exceeding the 3Y average of 27.3%. An Earnings Yield of 4.7% and Free Cash Flow Yield of 10.1% suggest the market is embedding continued profitability but not assuming hyper-growth beyond recent Free Cash Flow Growth of 861.1%. The Next Revenue Estimate of \$3,416,900,000 implies continued scale, but with Revenue Dispersion of 7.1% across only 2 analysts, expectations appear narrowly defined.

VALUATION

EV/Sales of 3.5x alongside Revenue Growth of 46.6% implies the market is pricing continued expansion but not peak-cycle growth seen in the 5Y average of 64.5%. EV/EBITDA of 15.0x versus a 3Y average of 20.2x suggests multiple compression despite Latest EPS Growth of 71.8%. EV/FCF of 9.1x versus a 5Y average of 32.7x, combined with a 10.1% FCF yield versus a 5Y average of 3.6%, indicates valuation is materially lower relative to current cash generation. The implication is that sustaining Free Cash Flow Growth above the 3Y average of 268.5% would justify current multiples, while normalization would reduce the margin of safety embedded in a 9.1x EV/FCF.

QUALITY

ROE of 34.6% and ROIC of 28.8% exceed their respective 3Y averages of 30.6% and 27.3%, indicating improving capital efficiency. Net Debt/EBITDA of -3.1x reflects net cash, supporting balance sheet flexibility. A Current Ratio of 1.47x and Working Capital of \$454,847,000 indicate liquidity coverage. A Cash Conversion Cycle of -255.6 days reflects structurally favorable working capital dynamics. Income Quality of 2.16 indicates net income exceeds operating cash flow conversion in some periods, reinforcing the need to monitor sustainability despite Free Cash Flow To Firm of \$405,394,420.

GROWTH

Revenue Growth of 46.6% exceeds the 3Y average of 38.8% but trails the 5Y average of 64.5%, suggesting stabilization below earlier peak levels. EPS Growth of 71.8% materially exceeds the 3Y average of 28.7% and the 5Y average of 59.7%, indicating earnings leverage. Net Income Growth of 63.4% exceeds the 3Y average of 27.1% and the 5Y average of 59.4%, supporting

margin expansion. Gross Profit Growth of 36.7% and Operating Income Growth of 58.1% indicate operating leverage, but the durability of Free Cash Flow Growth of 861.1% remains the dominant variable.

CASH FLOW & CONVERSION

Latest Operating Cash Flow Growth of 1393.8% and Free Cash Flow Growth of 861.1% are both above 3Y averages of 452.3% and 268.5%, respectively, indicating acceleration versus history. Latest Capex Growth of 89.9% contrasts with a 3Y average of -560.3%, reflecting normalization from unusually low reinvestment periods. Latest Net Income Growth of 30.3% is below Latest Operating Cash Flow Growth of 1393.8%, suggesting improved cash realization. Over 5 years, Operating Cash Flow Growth averaged 286.9% and Free Cash Flow Growth averaged 190.7%, both well below current levels, highlighting potential mean reversion risk.

Operating Cash Flow Growth of 1393.8% exceeded Free Cash Flow Growth of 861.1%, but both are strongly positive, indicating effective conversion in the latest period. Capex Growth of 89.9% remains below Operating Cash Flow Growth of 1393.8%, limiting capex drag on Free Cash Flow. Stock-Based Compensation Growth of -100% versus Net Income Growth of 30.3% reduces dilution pressure and supports earnings quality. However, given the 3Y average Free Cash Flow Growth of 268.5%, current 861.1% growth may represent an elevated base rather than steady-state performance.

VISUAL ANALYSIS



CHART INTERPRETATION

Revenue Growth of 46.6% exceeds the 3Y average of 38.8% but trails the 5Y average of 64.5%, suggesting stabilization below earlier peak levels. EPS Growth of 71.8% materially exceeds the 3Y average of 28.7% and the 5Y average of 59.7%, indicating earnings leverage. Net Income Growth of 63.4% exceeds the 3Y average of 27.1% and the 5Y average of 59.4%, supporting margin expansion. Gross Profit Growth of 36.7% and Operating Income Growth of 58.1% indicate operating leverage, but the durability of Free Cash Flow Growth of 861.1% remains the dominant variable.

Operating Cash Flow Growth of 1393.8% exceeded Free Cash Flow Growth of 861.1%, but both are strongly positive, indicating effective conversion in the latest period. Capex Growth of 89.9% remains below Operating Cash Flow Growth of 1393.8%, limiting capex drag on Free Cash Flow. Stock-Based Compensation Growth of -100% versus Net Income Growth of 30.3% reduces dilution pressure and supports earnings quality. However, given the 3Y average Free Cash Flow Growth of 268.5%, current 861.1% growth may represent an elevated base rather than steady-state performance.

EXPECTATIONS AND EXECUTION

The Next Revenue Estimate of \$3,416,900,000 compared with Revenue Growth of 46.6% suggests continued expansion but does not embed acceleration beyond recent trends. Revenue Dispersion of 7.1% across 2 analysts implies contained variability. EPS Estimate of 0 with 0 analysts indicates limited forward earnings visibility. Given Latest EPS Growth of 71.8% versus a 3Y average of 28.7%, revenue expectations appear reasonable relative to historical execution, but earnings expectations lack quantified forward benchmarks.

Over 8 quarters, EPS Beat Rate of 87.5% with an Average EPS Surprise of 21.6% indicates consistent outperformance. Revenue Beat Rate of 75.0% with an Average Revenue Surprise of 2.3% indicates steady top-line delivery. In the most recent quarter dated 2026-05-14, EPS of 0.17 exceeded 0.16 and revenue of \$335,900,000 exceeded \$331,200,900, reinforcing recent execution

consistency.

An EPS Beat Rate of 87.5% over 8 quarters and Revenue Beat Rate of 75.0% support credibility of the Next Revenue Estimate of \$3,416,900,000. However, Analyst EPS Coverage of 0 limits forward earnings benchmarking. The combination of Latest Net Income Growth of 63.4% and 3Y Avg Net Income Growth of 27.1% suggests recent performance has exceeded medium-term averages, supporting forecast credibility if growth remains above 30.0%.

BULL / BASE / BEAR SCENARIOS

BULL CASE	BASE CASE	BEAR CASE
<p>If Free Cash Flow Growth sustains above the 3Y average of 268.5% and ROIC remains above 27.3%, then EV/FCF of 9.1x and FCF Yield of 10.1% would imply continued cash compounding at current reinvestment levels.</p> <p>Free Cash Flow Growth 861.1% ROIC 28.8% FCF Yield 10.1%</p>	<p>If Revenue Growth moderates toward the 3Y average of 38.8% and Free Cash Flow Growth trends toward the 3Y average of 268.5%, then EV/EBITDA of 15.0x would reflect normalized but still above-average profitability with ROE near 30.6%.</p> <p>Revenue Growth 46.6% 3Y Avg Revenue Growth 38.8% EV/EBITDA 15x</p>	<p>If Free Cash Flow Growth declines materially below the 3Y average of 268.5% and capex/revenue rises toward the 3Y average of 2.0%, then the 10.1% FCF yield could compress as free cash flow normalizes from the 861.1% spike.</p> <p>Free Cash Flow Growth 861.1% 3Y Avg Free Cash Flow Growth 268.5% Capex / Revenue 0.2%</p>

SCENARIO PROBABILITY MATRIX



12-24 MONTH OUTLOOK

If Revenue Growth remains above the 3Y average of 38.8% and approaches 46.6%, then revenue should track above the Next Revenue Estimate of \$3,416,900,000.

If EPS Growth sustains near 71.8% and Net Income Growth remains above the 3Y average of 27.1%, then earnings leverage would support maintaining ROE above 30.6%.

If Free Cash Flow Yield remains near 10.1% while ROIC stays above 27.3%, then EV/FCF of 9.1x would reflect stable cash-based valuation support.

If EPS Beat Rate remains near 87.5% and Revenue Beat Rate remains near 75.0%, then forecast credibility would remain intact.

If Free Cash Flow Growth moderates from 861.1% toward 268.5% while Revenue Growth remains above 38.8%, then the narrative would likely focus on normalization rather than deterioration.

THESIS MONITOR

TRACK QUARTERLY	THESIS CHANGES IF	THESIS WEAKENS IF
<ul style="list-style-type: none"> Can Free Cash Flow Growth remain above 268.5%? Will Revenue Growth sustain above 38.8%? Can ROIC remain above 27.3%? 	<ul style="list-style-type: none"> Free Cash Flow Growth falling below 268.5% ROIC declining below 27.3% FCF Yield falling below 4.6% 	<ul style="list-style-type: none"> Operating Cash Flow Growth turning negative from 1393.8% Net Income Growth falling below 27.1% Capex / Revenue rising above 2.0%

RISK ASSESSMENT

Valuation Risk	●●●●●	2/5
Growth Risk	●●●●●	2/5
Execution Risk	●●●●●	2/5
Forecast Risk	●●●●●	3/5
Quality Risk	●●●●●	1/5
Overall Risk	●●●●●	3/5
Composite Risk Score		2.2 / 5

NEWS NARRATIVE

Recent headlines including "dLocal Reports First Quarter 2026 Financial Results" and "dLocal Limited Announces Dismissal of New York State Securities Class Action" align with the 2026-05-14 quarter showing EPS of 0.17 versus 0.16 and revenue of \$335,900,000 versus \$331,200,900. News referencing earnings calls corresponds with an EPS Beat Rate of 87.5% over 8 quarters. Recent news does not materially alter the thesis.

INVESTMENT VIEW

RATING

Outperform

CONVICTION

High

RISK LEVEL

Moderate

EXP. OUTCOME

Favorable

CORE THESIS

EV/FCF of 9.1x and FCF yield of 10.1% imply moderate growth expectations that appear supported by 861.1% Free Cash Flow Growth and 28.8% ROIC, but the debate centers on whether this cash flow acceleration is durable relative to a 3Y average Free Cash Flow Growth of 268.5%.

PRIMARY RISK

Free Cash Flow Growth reverting toward 190.7%

MONITOR

Can Free Cash Flow Growth remain above 268.5%?

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