

DLO: High-Return, High-Cash Conversion Business Trading Below Historical Multiples

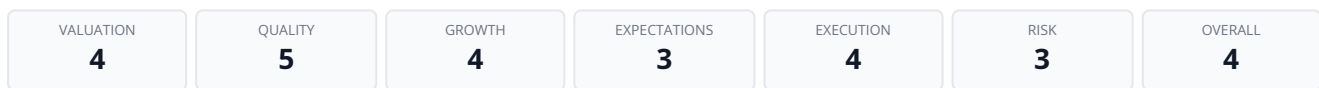
DLO | FY 2025 | 2026-06-07T11:52:00.333Z

EV/EBITDA of 15.0x and EV/FCF of 9.1x imply moderate growth durability, yet Revenue Growth of 46.6% and Free Cash Flow Growth of 861.1% combined with ROIC of 28.8% suggest the market may be discounting sustainability rather than current performance.

SIGNALCORE VIEW	SIGNAL SCORE	PRIMARY DEBATE
Mixed but researchable candidate	58/100	Free Cash Flow Growth of 861.1% and ROIC of 28.8% support the current EV/FCF of 9.1x, while 2024 Free Cash Flow Growth of -120.1% highlights historical volatility; the debate is whether current cash generation represents a durable base or a cyclical rebound.



SCORECARD



KEY METRICS



EXECUTIVE SUMMARY

Investable Debate	Free Cash Flow Growth of 861.1% and ROIC of 28.8% support the current EV/FCF of 9.1x, while 2024 Free Cash Flow Growth of -120.1% highlights historical volatility; the debate is whether current cash generation represents a durable base or a cyclical rebound..
Valuation	Valuation appears discounted relative to operating performance.
Growth	Growth is accelerating versus medium-term averages.
Cash Conversion	Cash conversion improved in 2025, as Operating Cash Flow Growth of 1393.8% translated into Free Cash Flow Growth of 861.1%, avoiding a conversion shortfall.
Execution	Execution history supports credibility.

WHY NOW?

— 46.6% revenue growth	— 861.1% FCF growth (key variable)
— 28.8% ROIC (quality anchor)	— 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 combines Revenue Growth of 46.6%, Net Income Growth of 63.4%, EPS Growth of 71.8%, and Free Cash Flow Growth of 861.1% with capital efficiency metrics including ROIC of 28.8% and ROE of 34.6%. Despite this operating momentum, the stock trades at EV/EBITDA of 15.0x versus a 3Y average of 20.2x and EV/FCF of 9.1x versus a 5Y average of 32.7x. The central tension is whether current profitability and cash generation represent a new structural level or a temporary spike following volatile prior periods such as 2024, when Free Cash Flow Growth was -120.1% and Operating Cash Flow Growth was -111.2%. With Free Cash Flow Yield at 10.1% versus a 3Y average of 4.6% and Capex/Revenue at 0.2% versus a 3Y average of 2.0%, valuation appears to assume normalization rather than continuation of peak cash metrics. The thesis therefore hinges on whether recent cash conversion and earnings acceleration can persist over the next 12–24 months.

INVESTABLE DEBATE

Free Cash Flow Growth of 861.1% and ROIC of 28.8% support the current EV/FCF of 9.1x, while 2024 Free Cash Flow Growth of -120.1% highlights historical volatility; the debate is whether current cash generation represents a durable base or a cyclical rebound.

MARKET EXPECTATIONS

EV/Sales of 3.5x and EV/EBITDA of 15.0x imply the market expects continued profitability but not extreme growth persistence relative to Revenue Growth of 46.6% and EPS Growth of 71.8%. An Earnings Yield of 4.7% combined with a Free Cash Flow Yield of 10.1% suggests valuation is anchored more to current cash generation than to aggressive forward earnings expansion. Compared with a 5Y average EV/EBITDA of 41.7x, the current 15.0x multiple implies the market assumes lower sustained growth or higher risk than in prior periods when 5Y Avg Revenue Growth was 64.5%.

VALUATION

Valuation appears discounted relative to operating performance. EV/EBITDA of 15.0x is below the 3Y average of 20.2x and far below the 5Y average of 41.7x, while ROIC has improved to 28.8% versus a 3Y average of 27.3%. EV/FCF of 9.1x compares favorably to a 5Y average of 32.7x, and Free Cash Flow Yield of 10.1% exceeds the 3Y average of 4.6%. This combination of lower multiples and higher cash yield suggests valuation embeds normalization of Free Cash Flow Growth from 861.1% toward historical 3Y average growth of 268.5%.

QUALITY

Quality metrics are elevated. ROE of 34.6% exceeds the 3Y average of 30.6%, and ROIC of 28.8% exceeds the 3Y average of 27.3%, indicating sustained capital efficiency. Net Debt/EBITDA of -3.1x indicates a net cash position, while a Current Ratio of 1.5 supports liquidity. A Cash Conversion Cycle of -255.6 days reflects favorable working capital dynamics, and Free Cash Flow to Firm of \$405394420.14 supports a Free Cash Flow Yield of 10.1%. These figures indicate strong capital efficiency and balance sheet flexibility relative to valuation.

GROWTH

Growth is accelerating versus medium-term averages. Revenue Growth of 46.6% exceeds the 3Y average of 38.8% but is below the 5Y average of 64.5%, indicating partial deceleration from peak historical levels. EPS Growth of 71.8% is well above the 3Y average of 28.7% and above the 5Y average of 59.7%, while Net Income Growth of 63.4% exceeds the 3Y average of 27.1%. Operating Income Growth of 58.1% outpacing Gross Profit Growth of 36.7% suggests operating leverage in the latest period. The implication is that current growth is above medium-term averages, supporting credibility of near-term forecasts if sustained.

CASH FLOW & CONVERSION

Latest Operating Cash Flow Growth of 1393.8% and Free Cash Flow Growth of 861.1% materially exceed the 3Y averages of 452.3% and 268.5%, respectively, indicating a sharp acceleration in cash generation in 2025. Capex Growth of 89.9% compares with a 3Y average of -560.3%, reflecting normalization of investment after prior contraction. The cash flow profile is therefore improving versus both 3Y and 5Y averages, but it follows a volatile 2024 when Free Cash Flow Growth was -120.1%.

Cash conversion improved in 2025, as Operating Cash Flow Growth of 1393.8% translated into Free Cash Flow Growth of 861.1%, avoiding a conversion shortfall. However, the prior year 2024 saw Operating Cash Flow Growth of -111.2% and Free Cash Flow Growth of -120.1%, demonstrating volatility. Capex Growth of 89.9% in 2025 did not outpace Operating Cash Flow Growth of 1393.8%, limiting capex drag. Stock-Based Compensation Growth of -100% compared with Net Income Growth of 30.3% reduces dilution risk in the latest year.

VISUAL ANALYSIS



CHART INTERPRETATION

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EXPECTATIONS AND EXECUTION

Next Revenue Estimate of \$3416900000 sits between the Revenue Bull Case of \$3515129768 and Revenue Bear Case of \$3271225747, with Revenue Dispersion of 7.1% across only 2 analysts. Given Revenue Growth of 46.6% versus a 3Y average of 38.8%, the implied forward revenue appears reasonable rather than demanding. EPS Estimate is 0 with 0 analysts covering EPS, which limits precision in earnings expectations and increases uncertainty relative to EPS Growth of 71.8%.

Execution history supports credibility. Over 8 quarters, EPS Beat Rate is 87.5% with an Average EPS Surprise of 21.6%, and Revenue Beat Rate is 75.0% with an Average Revenue Surprise of 2.3%. In the most recent quarter on 2026-05-14, EPS was 0.17 versus 0.16 estimated, a 6.3% surprise, while revenue was \$335.90M versus \$331.20M estimated, a 1.4% surprise. This pattern indicates consistent outperformance versus consensus over multiple periods.

Given EPS Beat Rate of 87.5% over 8 quarters and Revenue Beat Rate of 75.0%, historical execution supports the credibility of the Next Revenue Estimate of \$3416900000. However, limited Revenue Coverage of 2 analysts and EPS Coverage of 0 reduce forecast robustness, even as Revenue Dispersion remains contained at 7.1%.

BULL / BASE / BEAR SCENARIOS

BULL CASE	BASE CASE	BEAR CASE
If Revenue Growth remains near 46.6% and Free Cash Flow Growth sustains above the 3Y average of 268.5% while ROIC holds	If Revenue Growth moderates toward the 3Y average of 38.8% and Free Cash Flow Growth normalizes toward 268.5% while	If growth reverts toward the 2024 pattern where Free Cash Flow Growth was -120.1% and Operating Cash Flow Growth was

<p>at or above 28.8%, then EV/EBITDA could remain supported at 15.0x or higher given a Free Cash Flow Yield of 10.1% and Net Debt/EBITDA of -3.1x.</p> <ul style="list-style-type: none"> Revenue Growth 46.6% Free Cash Flow Growth 861.1% ROIC 28.8% Free Cash Flow Yield 10.1% Net Debt/EBITDA -3.1x 	<p>ROIC remains near 27.3%–28.8%, then EV/EBITDA of 15.0x and EV/FCF of 9.1x appear consistent with stable high-return operations.</p> <ul style="list-style-type: none"> 3Y Avg Revenue Growth 38.8% 3Y Avg Free Cash Flow Growth 268.5% Latest EV/EBITDA 15x Latest EV/FCF 9.1x ROIC 28.8% 	<p>-111.2%, and Revenue Growth falls below the 3Y average of 38.8%, then the current EV/FCF of 9.1x may prove demanding despite a 10.1% Free Cash Flow Yield.</p> <ul style="list-style-type: none"> 2024 Free Cash Flow Growth -120.1% 2024 Operating Cash Flow Growth -111.2% 3Y Avg Revenue Growth 38.8% EV/FCF 9.1x Free Cash Flow Yield 10.1%
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SCENARIO PROBABILITY MATRIX



12–24 MONTH OUTLOOK

If revenue meets or exceeds the Next Revenue Estimate of \$3416900000 and Revenue Growth remains above the 3Y average of 38.8%, then current EV/Sales of 3.5x may remain supported.

If EPS Growth remains near 71.8% and Net Income Growth remains above the 3Y average of 27.1%, then the Earnings Yield of 4.7% may reflect expanding earnings power.

If Free Cash Flow Yield remains near 10.1% and ROIC holds above the 3Y average of 27.3%, then EV/EBITDA of 15.0x would appear aligned with capital efficiency.

If EPS Beat Rate remains near 87.5% and Revenue Beat Rate near 75.0%, then consensus estimates with 7.1% dispersion may prove achievable.

If Free Cash Flow Growth sustains above the 3Y average of 268.5% while valuation remains below the 3Y average EV/EBITDA of 20.2x, the narrative would center on durable high cash returns versus prior volatility.

THEESIS MONITOR

<p>TRACK QUARTERLY</p> <ul style="list-style-type: none"> Can Free Cash Flow Growth remain above 268.5%? Will ROIC stay above 27.3%? Can Revenue exceed \$3.52B? 	<p>THEESIS CHANGES IF</p> <ul style="list-style-type: none"> Free Cash Flow Growth falling below 268.5% ROIC declining below 27.3% Revenue Growth dropping below 38.8% 	<p>THEESIS WEAKENS IF</p> <ul style="list-style-type: none"> Free Cash Flow Growth turning negative Operating Cash Flow Growth turning negative ROE declining below 30.6%
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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 include "dLocal Reports First Quarter 2026 Financial Results" and "dLocal Limited Announces Dismissal of New York State Securities Class Action." The earnings releases align with the 2026-05-14 quarter showing EPS of 0.17 versus 0.16 estimated, a 6.3% surprise, while the legal dismissal does not present quantified financial impact in the supplied data. Recent news does not materially alter the thesis.

INVESTMENT VIEW

RATING

Outperform

CONVICTION

High

RISK LEVEL

Moderate

EXP. OUTCOME

Favorable

CORE THESIS

EV/EBITDA of 15.0x and EV/FCF of 9.1x imply moderate growth durability, yet Revenue Growth of 46.6% and Free Cash Flow Growth of 861.1% combined with ROIC of 28.8% suggest the market may be discounting sustainability rather than current performance.

PRIMARY RISK

Revenue Dispersion 7.1%

MONITOR

Can Free Cash Flow Growth remain above 268.5%?

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