SIGNALCORE RESEARCH

DLO — High-Return Compounder Priced for Sustained Cash Conversion

DLO | | | FY 2025 | 2026-06-08T10:31:41.133Z

> *FCF Growth of 861.1% and ROIC of 28.8% support EV/FCF of 9.1x, while a 5Y average EV/EBITDA of 41.7x versus 15.0x today raises the question of whether recent cash flow acceleration is durable enough to justify a structural re-rating.*

SIGNALCORE VIEW	SIGNAL SCORE	FUNDAMENTAL QUALITY	EXPANSION POTENTIAL	THESIS RISK
Interesting research candidate	**68 / 100**	**0 / 100**	**0 / 100**	**0 / 100**

> **PRIMARY DEBATE —** FCF Growth of 861.1% supports a 9.1x EV/FCF multiple, while the 2024 FCF Growth of -120.1% highlights volatility; the debate is whether 2025 marks a durable cash inflection or a cyclical rebound.

SCORECARD

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

KEY METRICS

EV/EBITDA	EV/FCF	REVENUE GROWTH	EPS GROWTH	FCF GROWTH	ROIC	EPS BEAT RATE	REVENUE BEAT RATE
15x	9.1x	46.6%	71.8%	861.1%	28.8%	87.5%	75%

EXECUTIVE SUMMARY

Investable Debate	FCF Growth of 861.1% supports a 9.1x EV/FCF multiple, while the 2024 FCF Growth of -120.1% highlights volatility; the debate is whether 2025 marks a durable cash inflection or a cyclical rebound.
Market Pricing	At EV/EBITDA of 15.0x and EV/FCF of 9.1x with an Earnings Yield of 4.7% and FCF Yield of 10.1%, the market is embedding sustained double-digit cash returns but not peak historical growth implied by a 5Y average EV/EBITDA of 41.7x.
Valuation	EV/EBITDA of 15.0x versus a 3Y average of 20.2x indicates valuation compression despite ROIC improving to 28.8% from a 3Y average of 27.3%.
Growth	Latest Revenue Growth of 46.6% exceeds the 3Y average of 38.8% but is below the 5Y average of 64.5%, indicating partial re-acceleration.
Cash Flow	Latest Operating Cash Flow Growth of 1393.8% and FCF Growth of 861.1% both exceed 3Y averages of 452.3% and 268.5%, indicating accelerating cash momentum.
Execution	Over 8 quarters, EPS Beat Rate of 87.5% and Revenue Beat Rate of 75.0% with Avg EPS Surprise of 21.6% indicate consistent execution.

THESIS DRIVERS

SUPPORTING DRIVERS

1	FCF Growth	**861.1%**
2	EPS Growth	**71.8%**
3	Revenue Growth	**46.6%**
4	EPS Beat Rate	**87.5%**
5	Revenue Beat Rate	**75%**
6	ROIC	**28.8%**

HEADWINDS

1	Analyst Coverage	**2 analysts**

INVESTMENT THESIS

DLO exhibits characteristics of a Compounder, with ROIC of 28.8% versus a 3Y average of 27.3% and FCF Yield of 10.1% versus a 3Y average of 4.6%, indicating improving capital efficiency and cash generation. Latest Revenue Growth of 46.6% exceeds the 3Y average of 38.8% but trails the 5Y average of 64.5%, suggesting growth has re-accelerated versus recent history but remains below earlier expansion phases. EPS Growth of 71.8% versus a 3Y average of 28.7% and Net Income Growth of 63.4% versus 27.1% indicate operating leverage is expanding. At EV/EBITDA of 15.0x versus a 3Y average of 20.2x and 5Y average of 41.7x, the current valuation reflects compression relative to history despite higher ROIC and stronger FCF Yield, implying the market is pricing durability risk rather than peak performance. With Net Debt/EBITDA of -3.1x and FCF To Firm of $405.4M against a Market Cap of $4.2B, balance sheet strength reinforces optionality. The core tension is whether the 1393.8% Operating Cash Flow Growth and 861.1% FCF Growth in 2025 represent a sustainable inflection or a normalization after prior volatility, given 2024 FCF Growth of -120.1%.

INVESTABLE DEBATE

FCF Growth of 861.1% supports a 9.1x EV/FCF multiple, while the 2024 FCF Growth of -120.1% highlights volatility; the debate is whether 2025 marks a durable cash inflection or a cyclical rebound.

MARKET EXPECTATIONS

At EV/EBITDA of 15.0x and EV/FCF of 9.1x with an Earnings Yield of 4.7% and FCF Yield of 10.1%, the market is embedding sustained double-digit cash returns but not peak historical growth implied by a 5Y average EV/EBITDA of 41.7x. Relative to Revenue Growth of 46.6% and EPS Growth of 71.8%, the current multiples imply moderation rather than continuation of 60%+ earnings expansion. Given FCF Yield of 10.1% versus a 5Y average of 3.6%, the price appears aligned to slightly behind current fundamentals if cash conversion proves durable.

VALUATION

EV/EBITDA of 15.0x versus a 3Y average of 20.2x indicates valuation compression despite ROIC improving to 28.8% from a 3Y average of 27.3%. EV/FCF of 9.1x versus a 5Y average of 32.7x and FCF Yield of 10.1% versus 4.6% (3Y average) suggest the market is discounting sustainability of 861.1% FCF Growth. EV/Sales of 3.5x against Revenue Growth of 46.6% implies the market is not pricing hypergrowth but continued scaling with margin support. The tension is that quality metrics are above historical averages while multiples are below them.

QUALITY & CAPITAL EFFICIENCY

ROE of 34.6% versus a 3Y average of 30.6% and ROIC of 28.8% versus 27.3% demonstrate improving capital efficiency. Net Debt/EBITDA of -3.1x indicates net cash, supporting resilience. Income Quality of 2.2 and Cash Conversion Cycle of -255.6 days indicate strong working capital dynamics, reinforced by Working Capital of $454.8M. These metrics justify EV/EBITDA of 15.0x given capital returns exceed 28.0%.

GROWTH TRAJECTORY

Latest Revenue Growth of 46.6% exceeds the 3Y average of 38.8% but is below the 5Y average of 64.5%, indicating partial re-acceleration. EPS Growth of 71.8% versus a 3Y average of 28.7% and Net Income Growth of 63.4% versus 27.1% show margin leverage. FCF Growth of 861.1% is the strongest in the hierarchy and exceeds the 3Y average of 268.5% and 5Y average of 190.7%, confirming acceleration in cash generation.

CASH FLOW & CONVERSION

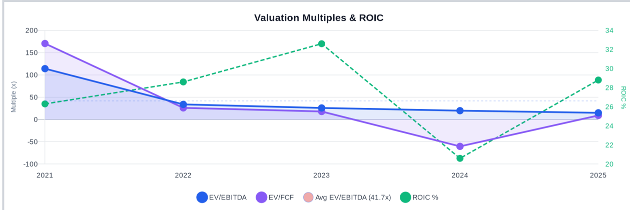
Latest Operating Cash Flow Growth of 1393.8% and FCF Growth of 861.1% both exceed 3Y averages of 452.3% and 268.5%, indicating accelerating cash momentum. Capex Growth of 89.9% versus a 3Y average of -560.3% suggests reinvestment has normalized, while SBC Growth of -100% versus Net Income Growth of 30.3% reduces dilution risk. Cash Flow Quality is classified as mixed despite strong headline growth due to prior volatility.

Operating Cash Flow Growth of 1393.8% converting into FCF Growth of 861.1% indicates positive conversion in 2025, avoiding the 2024 pattern where Operating Cash Flow Growth was -111.2% and FCF Growth was -120.1%. Capex Growth of 89.9% did not outpace Operating Cash Flow Growth of 1393.8%, indicating no capex drag. The improvement from 2024 FCF Growth of -120.1% to 861.1% underscores volatility risk.

VISUAL ANALYSIS

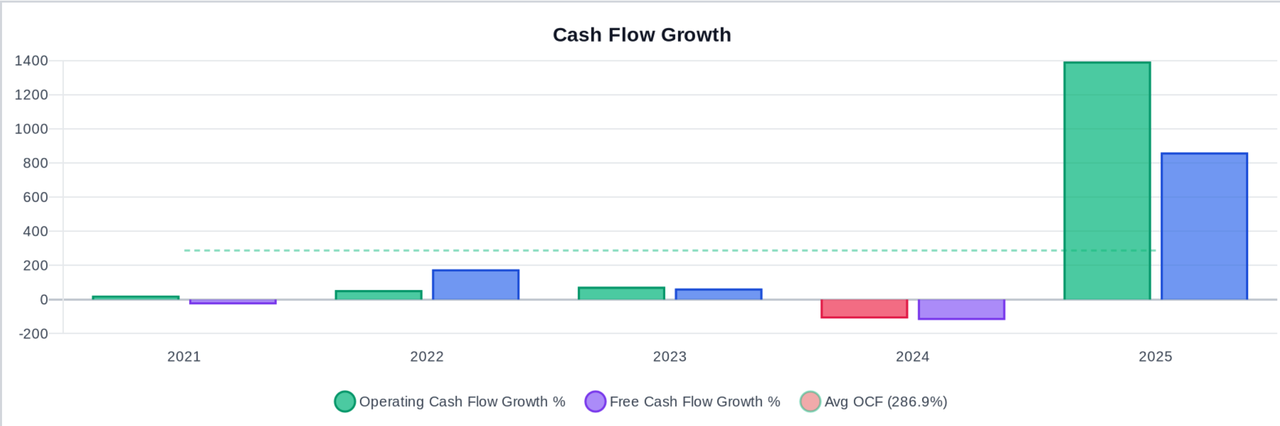
GROWTH TRENDS — REVENUE, EPS & OPERATING INCOME

Latest Revenue Growth of 46.6% exceeds the 3Y average of 38.8% but is below the 5Y average of 64.5%, indicating partial re-acceleration.



VALUATION MULTIPLES & ROIC OVERLAY

EV/EBITDA of 15.0x versus a 3Y average of 20.2x indicates valuation compression despite ROIC improving to 28.8% from a 3Y average of 27.3%.



CASH FLOW GROWTH — OCF & FCF TRENDS

Latest Operating Cash Flow Growth of 1393.8% and FCF Growth of 861.1% both exceed 3Y averages of 452.3% and 268.5%, indicating accelerating cash momentum.

EXPECTATIONS & EXECUTION

Next Revenue Estimate of $3.42B versus Revenue Growth of 46.6% suggests moderation relative to recent growth, while Revenue Dispersion of 7.1% across 2 analysts indicates limited coverage. With EPS Estimate at 0 and EPS Coverage at 0, forward earnings expectations lack transparency. Given 3Y Avg Revenue Growth of 38.8%, consensus appears reasonable rather than demanding.

Over 8 quarters, EPS Beat Rate of 87.5% and Revenue Beat Rate of 75.0% with Avg EPS Surprise of 21.6% indicate consistent execution. Recent quarter EPS of 0.22 versus 0.18 estimate delivered 22.2% surprise, reinforcing earnings credibility.

Given EPS Beat Rate of 87.5% and Net Income Growth of 63.4%, historical execution supports credibility of revenue estimates of $3.42B, though absence of EPS forward estimates limits earnings visibility.

BULL / BASE / BEAR SCENARIOS

BULL CASE

If Revenue Growth sustains above 46.6% and FCF Growth remains above 268.5% (3Y average) while ROIC holds above 28.8%, then EV/EBITDA could revert toward the 3Y average of 20.2x, supported by continued EPS Growth above 71.8%.

Revenue Growth 46.6% | **FCF Growth 861.1%** | **ROIC 28.8%**

BASE CASE

If Revenue Growth moderates toward the 3Y average of 38.8% and FCF Yield remains near 10.1% with ROE above 30.6%, then EV/EBITDA sustains near 15.0x and cash generation supports steady compounding.

Revenue Growth 46.6% | **FCF Yield 10.1%** | **ROE 34.6%**

BEAR CASE

If FCF Growth reverts toward negative territory similar to -120.1% in 2024 and Revenue Growth falls below 38.8% while ROIC declines below 27.3%, then EV/FCF of 9.1x would embed overly optimistic cash durability assumptions.

FCF Growth -120.1% | **3Y Avg Revenue Growth 38.8%** | **3Y Avg ROIC 27.3%**

SCENARIO PROBABILITY MATRIX

BULL	BASE	BEAR	EXP. VALUE
35%	**50%**	**15%**	**69 / 100**

12–24 MONTH OUTLOOK

If revenue reaches or exceeds the estimate of $3.42B and dispersion remains near 7.1%, then growth durability would be confirmed over 12 months.

If EPS continues to beat at a rate near 87.5% and Net Income Growth remains above 30.3%, then earnings leverage would support current valuation over 24 months.

If FCF Yield remains above 4.6% (3Y average) and ROIC stays above 27.3%, then EV/EBITDA of 15.0x would appear sustainable.

If average EPS Surprise remains above 21.6% across the next 4 quarters, then execution credibility would remain intact.

If Operating Cash Flow Growth remains above 452.3% (3Y average) and FCF Growth exceeds 268.5%, then the narrative would center on durable cash scaling rather than volatility.

THESIS MONITOR

TRACK QUARTERLY	THESIS CHANGES IF	THESIS WEAKENS IF
Is 861.1% FCF Growth repeatable?	FCF Growth falls below 268.5%	FCF Growth turns negative
Can ROIC remain above 28.8%?	ROIC declines below 27.3%	Revenue Growth falls below 27.1%
Will Revenue Growth exceed 38.8%?	FCF Yield drops below 4.6%	ROE declines below 29.4%

RISK ASSESSMENT

DIMENSION	SCORE (1–5)	LEVEL
Valuation Risk	2 / 5	Low
Growth Risk	2 / 5	Low
Execution Risk	2 / 5	Low
Forecast Risk	3 / 5	Moderate
Quality Risk	1 / 5	Low
Overall Risk	3 / 5	Moderate
Composite Risk Score	**2.2 / 5**	

- 2024 FCF Growth -120.1%
- 5Y Avg Revenue Growth 64.5%
- 3Y Avg EV/EBITDA 20.2x

NEWS NARRATIVE

The headline "dLocal Limited Announces Dismissal of New York State Securities Class Action" aligns with Net Debt/EBITDA of -3.1x and Cash End Growth of 70.5%, suggesting no evident balance sheet stress. Earnings-related headlines such as "dLocal Reports First Quarter 2026 Financial Results" correspond with an EPS Beat Rate of 87.5% and Revenue Beat Rate of 75.0%, confirming consistency with reported execution metrics.

INVESTMENT VIEW

RATING	CONVICTION	RISK LEVEL
Outperform	**High**	**Moderate**

Core Thesis: *FCF Growth of 861.1% and ROIC of 28.8% support EV/FCF of 9.1x, while a 5Y average EV/EBITDA of 41.7x versus 15.0x today raises the question of whether recent cash flow acceleration is durable enough to justify a structural re-rating.*

Primary Risk: Cash Flow Quality mixed

Monitor: Is 861.1% FCF Growth repeatable?