

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

_____, Individually and on Behalf of All Others
Similarly Situated,

Plaintiff,

vs.

DLOCAL LIMITED, SEBASTIAN
KANOVICH, and DIEGO CABRERA
CANAY,

Defendants.

Index No.

CLASS ACTION

COMPLAINT FOR VIOLATIONS
OF THE SECURITIES ACT OF 1933

DEMAND FOR JURY TRIAL

Plaintiff _____, individually and on behalf of all others similarly situated, brings this action against Defendants DLocal Limited (“DLocal” or the “Company”), Sebastian Kanovich, and Diego Cabrera Canay. Plaintiff’s allegations are based on personal knowledge as to himself and his own acts, and upon information and belief as to all other matters based on the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of press releases, media reports, websites, and other publicly available reports and information about Defendants. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein, after a reasonable opportunity for discovery. Plaintiff hereby alleges as follows:

INTRODUCTION

1. This is a securities class action on behalf of a class consisting of all persons and entities other than Defendants (defined herein) that purchased or otherwise acquired DLocal securities pursuant and/or traceable to the Offering Documents (defined herein) issued in connection with the Company’s initial public offering conducted on or about June 22, 2021 (the “IPO” or “Offering”), seeking to recover compensable damages caused by Defendants’ violations of the securities laws and

to pursue remedies under Sections 11 and 15 of the Securities Act of 1933 (the “Securities Act”). The claims in this action arise from DLocal’s materially misleading Offering Documents issued in connection with the IPO.

2. DLocal purports to be an online payments manager in emerging markets facilitating currency conversions.

3. On May 5, 2021, DLocal filed a registration statement on Form F-1 with the Securities and Exchange Commission (“SEC”) in connection with the IPO, which, after amendment, was declared effective on June 2, 2021 (the “Registration Statement”).

4. On June 4, 2021, DLocal filed a prospectus on Form 424B4 with the SEC in connection with the IPO, which incorporated and formed part of the Registration Statement (the “Prospectus” and, together with the Registration Statement, the “Offering Documents”).

5. On or about that same day, DLocal conducted the IPO pursuant to the Offering Documents, issuing 29,411,765 Class A common shares of the Company’s securities to the public at the Offering price of \$21.00 per share, of which approximately \$87,088,241 went to the Company as proceeds before expenses and after applicable underwriting discounts and commissions.

6. The Offering Documents were negligently prepared and, as a result, contained untrue statements of material fact or omitted to state other facts necessary to make the statements made not misleading and were not prepared in accordance with the rules and regulations governing their preparation. Specifically, the Offering Documents were false or misleading or failed to disclose that: (1) DLocal was misrepresenting its Total Processing Volume (“TPV”); and (2) DLocal misrepresented its foreign currency receivables.

PARTIES

7. Plaintiff acquired DLocal securities pursuant and/or traceable to the Offering Documents issued in connection with the IPO and suffered damages as a result of the securities law

violations and false or misleading statements or material omissions alleged herein.

8. Defendant DLocal is incorporated under the laws of the Cayman Islands with its principal executive offices located in Uruguay. DLocal's Class A ordinary shares trade on the NASDAQ exchange under the symbol "DLO."

9. Defendant Sebastian Kanovich ("Kanovich") was the Company's Chief Executive Officer ("CEO") at all relevant times.

10. Defendant Diego Cabrera Canay ("Canay") was the Company's Chief Financial Officer ("CFO") at all relevant times.

11. Defendants Kanovich and Canay are sometimes referred to herein collectively as the "Individual Defendants."

12. As directors, executive officers and/or major shareholders of the Company, the Individual Defendants participated in the solicitation and sale of DLocal securities in the IPO for their own benefit and the benefit of DLocal. The Individual Defendants were key members of the IPO working group and executives of DLocal who pitched investors to purchase the shares sold in the IPO, including in IPO road shows.

13. DLocal and the Individual Defendants are sometimes collectively, in whole or in part, referred to herein as "Defendants."

JURISDICTION AND VENUE

14. The claims alleged herein arise under Sections 11 and 15 of the Securities Act, 15 U.S.C. §§ 77k and 77o, and this Court has original subject matter jurisdiction of those claims.

15. This Court also has jurisdiction over the subject matter of this action pursuant to Section 22 of the Securities Act. Section 22 of the Securities Act expressly prohibits removal of this action to federal court. *See Cyan, Inc. v. Beaver Cty. Emps. Ret. Fund*, 138 S. Ct. 1061, 1075 (2018).

16. The Court has personal jurisdiction over the Defendants under C.P.L.R. §§ 301 and

302, and venue is proper in this County pursuant to § 22 of the Securities Act and C.P.L.R. § 503. The Defendants conducted business in this County, disseminated the statements alleged to be false and misleading herein into this County, and solicited purchasers of DLocal securities in this County. In sum, the situs of this action lies within this County, Defendants' tortious acts occurred in this County and caused injury to the purchasers of the shares traded in this County, and each of the Defendants and members of the Class (defined herein) would foreseeably expect any case or controversy stemming from the IPO to be adjudicated in this County.

FACTUAL ALLEGATIONS

Materially False and Misleading Statements Issued in the Offering Documents

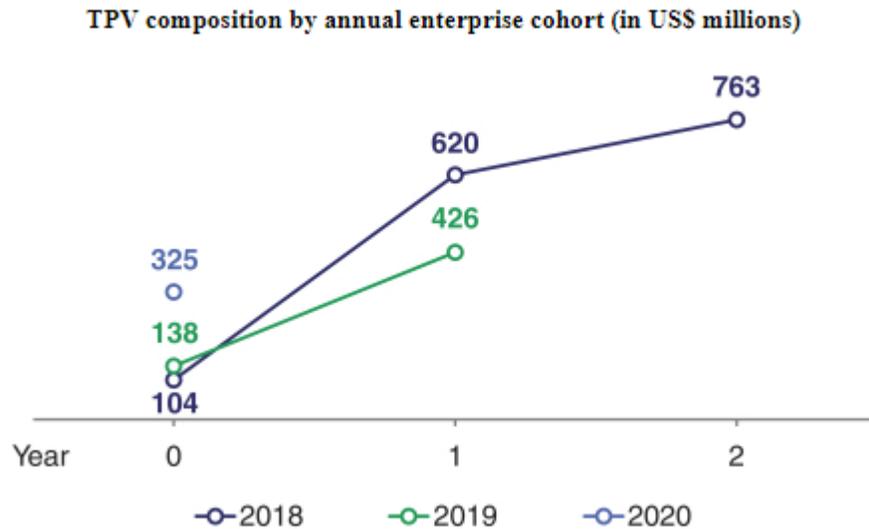
17. On May 5, 2021, DLocal filed a registration statement on Form F-1 with the SEC in connection with the IPO, which, after two amendments, was declared effective on June 2, 2021. On June 4, 2021, DLocal filed a prospectus on Form 424B4 with the SEC in connection with the IPO. On or about that same day, DLocal conducted the IPO pursuant to the Offering Documents, issuing 29,411,765 shares of the Company's securities to the public at the Offering price of \$21.00 per share for approximate proceeds of \$87,088,241 to the Company before expenses and after applicable underwriting discounts and commissions.

18. In the Registration Statement, the Company defined TPV as the "total payment volume, which is an operating metric of the aggregate value of all payments successfully processed through our payments platform[.]" The Registration Statement described TPV, in pertinent part, as follows:

“TPV

We believe that TPV is an indicator of the success of our global merchants, the satisfaction of their end users, and the scale and growth of our business. As our global merchants increase their transaction volume on our platform, our TPV will also grow. Our revenue depends significantly on the total value of transactions processed through our platform.”

19. The Registration Statement contained the following graph purportedly establishing TPV for each cohort year of 2018, 2019, and 2020:



According to the Registration Statement, the TPV from the 2018 cohort in year 0 was \$104 million, the 2019 cohort in year 0 was \$138 million, and the 2020 cohort in year 0 was \$325 million. As shown in the above graph, the TPV from the 2018 cohort grew to \$620 million in year 1 and \$763 million in year two. Similarly, the 2019 cohort grew to \$426 million in year 1.

20. The Registration Statement said the following, in relevant part, regarding the TPV cohorts:

*“Our annual enterprise cohort for the year 2020 (which represents global merchants that during that year surpassed for the first time the US\$6 million TPV threshold) had an **initial TPV that was over three times the size of our annual cohort for 2018. We believe this demonstrates our ability to scale our new merchant’s growth capability year after year. Also, each of the 2018 and 2019 cohorts have significantly grown year after year, which demonstrates our ability to increase our share of wallet of our merchants.**”*

(Emphasis added.)

21. The Registration Statement also contained conflicting measures of the Company’s Net Monetary Position. On page 107 of the Registration Statement, DLocal’s Net monetary position is listed as \$45,566,000.

	As of December 31,	
	2020*	2019*
Cash and cash equivalents	8,543	6,441
Trade and other receivables	37,023	25,331
Net monetary position	45,566	31,772
Exchange rate change	10.0%	10.0%
Impact on profit before tax	4,557	3,177

* Exposure is presented in thousands of U.S. dollars and relates to monetary items in foreign currency of each entity of dLocal, considering each individual functional currency.

However, on page F-75, the Company's Net Monetary Position is listed as \$49,777,000.

	2020	2019
Cash and cash equivalents	8,543	6,441
Trade and other receivables	41,234	25,331
Net monetary position	49,777	31,772
Exchange rate change	10.0%	10.0%
Impact on profit before tax	4,978	3,177

Exposure is presented in thousands of U.S. Dollars and relates to monetary items in foreign currency of each entity of the Group, considering each individual functional currency.

There was no explanation given for this discrepancy in the Registration Statement.

22. On May 2, 2022, the Company filed its form 20-F annual report for the fiscal year ended December 31, 2021 ("2021 20-F"). Attached to the 2021 20-F were certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") signed by Defendants Kanovich and Canay attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting and the disclosure of all fraud.

23. The 2021 20-F also included a graph purporting to show the Company's TPV cohorts. The values in this graph did not comport with the values previously presented in the Registration Statement.

TPV composition by annual cohort (in US\$ millions)



These figures are not the same as those presented in the Registration Statement. The differences between the two graphs are displayed in the below tables:

2018 Cohort		
Year	Registration Statement	2021 20-F
0	\$104 million	N/A
1	\$620 million	\$36 million
2	\$763 million	\$548 million
3	N/A	\$954 million
4	N/A	\$2,514 million

2019 Cohort		
Year	Registration Statement	2021 20-F
0	\$138 million	N/A
1	\$426 million	\$56 million
2	N/A	\$158 million
3	N/A	\$386 million

24. The 2021 20-F described the cohorts, in pertinent part, as follows:

“Our 2021 cohort (which includes all merchants that began processing TPV in that period, regardless of volume of TPV processed) had an initial TPV that was over eight times the size of our annual cohort for 2018. *We believe this demonstrates our ability to scale our new merchant’s growth capability year after year. Also, each of the 2018, 2019 and 2020 cohorts have significantly grown year after year, which demonstrates our ability to increase our share of wallet of our merchants.*

As we have continued to expand our footprint and gain scale, the average number of discreet countries in which our merchants use our products has also expanded over time. On average, *our global enterprise merchants (which represents global*

merchants that during that year surpassed for the first time the US\$6 million TPV threshold) used dLocal's platform in nearly seven different countries and 67 payment methods in 2021, in six different countries and 44 payment methods in 2020 and in five countries and 35 payment methods in 2019. Such merchants comprised 96% of our TPV in 2021 and 92% in 2020."

(Emphasis added)

25. The 20-F provided no explanation as to why the cohort TPV valuations were different from those in the Registration Statement. Indeed, the 20-F did not even draw attention to the fact that its TPV valuations were different from those figures in the Registration Statement.

The Truth Emerges

26. On November 16, 2022, market researchers Muddy Waters Capital published an article titled "DLO: History Never Repeats Itself, but it Does Often Rhyme" (the "Muddy Waters Report"). The Muddy Waters Report alleged, *inter alia*, that "DLO has repeated disclosures about its TPV and accounts receivable that flatly contradict one another", the existence of "a contradictory discrepancy between two key subsidiaries' accounts payable and accounts receivable", conflicting receivable disclosures, an ex post cover-up of the facts surrounding the Company lending \$31.5 million to Defendant Kanovich and Company president Jacobo Singer, and accounting discrepancies that gave "rise to the concern that DLO possibly dipped into client funds for extra cash to pay insiders."

27. On this news, DLocal's share price fell \$10.76 per share, or over 50%, from the previous closing price to close on November 16, 2022 at \$10.46.

28. Then, on December 1, 2022, Muddy Waters published a second report ("Second Muddy Waters Report") stating that DLocal held calls with clients from several banks, stressing that it had separated client funds from its own. The Second Muddy Waters Report also said that DLocal's calls with clients were "non-specific" and "sweet-talking," and that "all [the Company] needed to do to address this issue was provide an explanation as to how the cash flows reconcile."

29. On this news, DLocal's stock price fell \$2.21 per share, or 15%, to close at \$12.39 per share on December 1, 2022.

30. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of DLocal's securities, Plaintiff and other Class members have suffered significant losses and damages.

CLASS ALLEGATIONS

31. Plaintiff brings this action as a class action on behalf of a class consisting of all persons other than Defendants who purchased or otherwise acquired DLocal securities in the IPO, or purchased DLocal securities thereafter in the stock market pursuant and/or traceable to the Company's Offering Documents issued in connection with the IPO, and were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of DLocal, members of the Defendants' immediate families and their legal representatives, heirs, successors or assigns and any entity in which the officers and directors of DLocal have or had a controlling interest.

32. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds, if not thousands, of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by DLocal or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions, including being given an opportunity to exclude themselves from the Class.

33. Plaintiff's claims are typical of the claims of the members of the Class, as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

34. Plaintiff will fairly and adequately protect the interests of the members of the Class

and have retained counsel competent and experienced in class and securities litigation.

35. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- a) whether Defendants violated the Securities Act;
- b) whether statements made by Defendants to the investing public in the Offering Documents misrepresented material facts about the business and operations of DLocal; and
- c) to what extent the members of the Class have sustained damages and the proper measure of damages.

36. A class action is superior to all other methods of fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

CAUSES OF ACTION

FIRST CAUSE OF ACTION

For Violation of Section 11 of the Securities Act Against All Defendants

37. Plaintiff repeats and incorporates each and every allegation contained above as if fully set forth herein, except any allegation of fraud, recklessness, or intentional misconduct.

38. This Cause of Action is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k, on behalf of the Class, against all Defendants.

39. This Cause of Action does not sound in fraud. Plaintiff does not allege that

Defendants had scienter or fraudulent intent, which are not elements of a Section 11 claim.

40. The Offering Documents for the IPO were inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and omitted to state material facts required to be stated therein.

41. The Defendants named in this Cause of Action are strictly liable to Plaintiff and the Class for the misstatements and omissions.

42. None of the Defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Offering Documents were true and without omissions of any material facts and were not misleading.

43. By reason of the conduct herein alleged, each Defendant named herein violated, and/or controlled a person who violated, Section 11 of the Securities Act.

44. Plaintiff acquired DLocal securities pursuant and/or traceable to the Offering Documents for the Company's IPO.

45. Plaintiff and the Class have sustained damages. The value of DLocal securities has declined substantially subsequent to and because of Defendants' violations.

46. At the time of their purchases of DLocal securities, Plaintiff and other members of the Class were without knowledge of the facts concerning the wrongful conduct alleged herein and could not have reasonably discovered those facts prior to the disclosures herein. Less than one year elapsed from the time that Plaintiff discovered or reasonably could have discovered the facts upon which this Complaint is based to the time that Plaintiff commenced this action. Less than three years elapsed between the time that the securities upon which this Cause of Action is brought were offered to the public and the time Plaintiff commenced this action.

SECOND CAUSE OF ACTION

For Violation of Section 15 of the Securities Act

Against the Individual Defendants

47. Plaintiff repeats and incorporates each and every allegation contained above as if fully set forth herein, except any allegation of fraud, recklessness, or intentional misconduct.

48. This Cause of Action is brought pursuant to Section 15 of the Securities Act, 15 U.S.C. § 77o, on behalf of the Class, against the Individual Defendants.

49. The Individual Defendants each were control persons of DLocal by virtue of their positions as directors and/or senior officers of DLocal at the time of the IPO. The Individual Defendants each had a series of direct and/or indirect business and/or personal relationships with other directors and/or officers and/or major shareholders of DLocal.

50. The Individual Defendants had a financial interest in conducting the IPO, and the Individual Defendants were each critical to effecting the IPO, based on their signing and/or their authorization of the signing of the Offering Documents, by participating to execute the IPO, and by having otherwise directed through their authority the processes leading to execution of the IPO, including obtaining underwriters, registration, qualification, authorization, pricing, offering to the public, and issuance and sale of the shares in the IPO.

51. By reason of such wrongful conduct, the Individual Defendants are liable pursuant to Section 15 of the Securities Act.

PRAYER FOR RELIEF

52. On behalf of himself and the Class, Plaintiff requests relief as follows:

- a) Determining that this action is a proper class action and certifying Plaintiff as class representative under N.Y. C.P.L.R. art. 9, *et seq.*, and certifying Plaintiff's counsel as Class Counsel;
- b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

- c) Awarding Plaintiff and the other members of the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees;
- d) Awarding rescission or a rescissory measure of damages; and
- e) Awarding such equitable/injunctive or other relief as the Court may deem just and proper, including permitting any putative Class members to exclude themselves by requesting exclusion through noticed procedures.

JURY TRIAL

53. Plaintiff respectfully demands a trial by jury for all claims.