



# INSTITUTIONAL PRESENTATION



/ Investor Relations

○ February/2020



## DISCLAIMER

The information contained in this presentation and any forward-looking statements that may be made, related to business outlook, operational and financial projections of TOTVS are based on beliefs and assumptions of the Company's management, as well as information currently available. Forward-looking statements are not guarantee of future performance. They involve risks, uncertainties and assumptions as they refer to future events and, hence, depend on circumstances that may or may not occur.

Investors must understand that general economic conditions, industry conditions and other operational factors could affect future performance of TOTVS and could lead to results that differ materially from those mentioned in these forward-looking statements.





## Simplifying the business world



#1 Software  
Company in Brazil<sup>3</sup>



~50% Market share  
(ERP leader in Brazil)<sup>3</sup>



R\$1.6 Trillion produced  
by our clients  
(represented by TOTVS' +30k clients)<sup>1 2</sup>



11.8%  
Recurring Software Revenue  
Growth (2019)<sup>1</sup>



75.8%  
of Recurring Revenue  
(2019)<sup>1</sup>



62.4% of New Sales  
are SaaS  
(2019)<sup>1</sup>



98.3%  
Client Renewal Rate  
(4Q19)<sup>1</sup>



### BUSINESS MODEL

- Recurring Revenue base
- Cloud base



### PORTFOLIO

Diversity, Deepness and  
Flexibility



### DISTRIBUTION

Local and digital presence,  
based on a highly capillary  
distribution model



### M&A

- 25+ M&A
- Main consolidator of Brazilian  
Tech Market



### NEW MARKETS

- Fintech and Performance  
opportunities

Source:

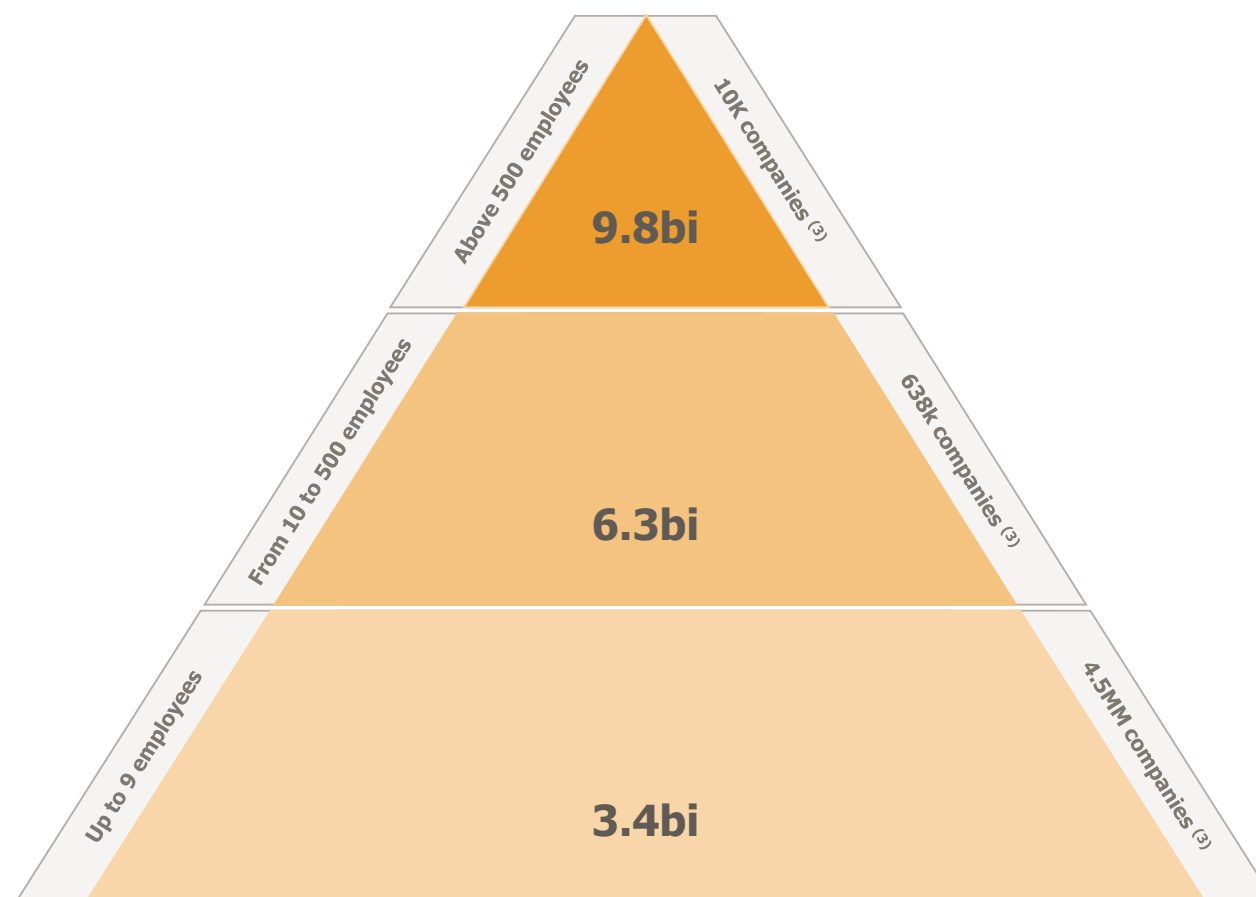
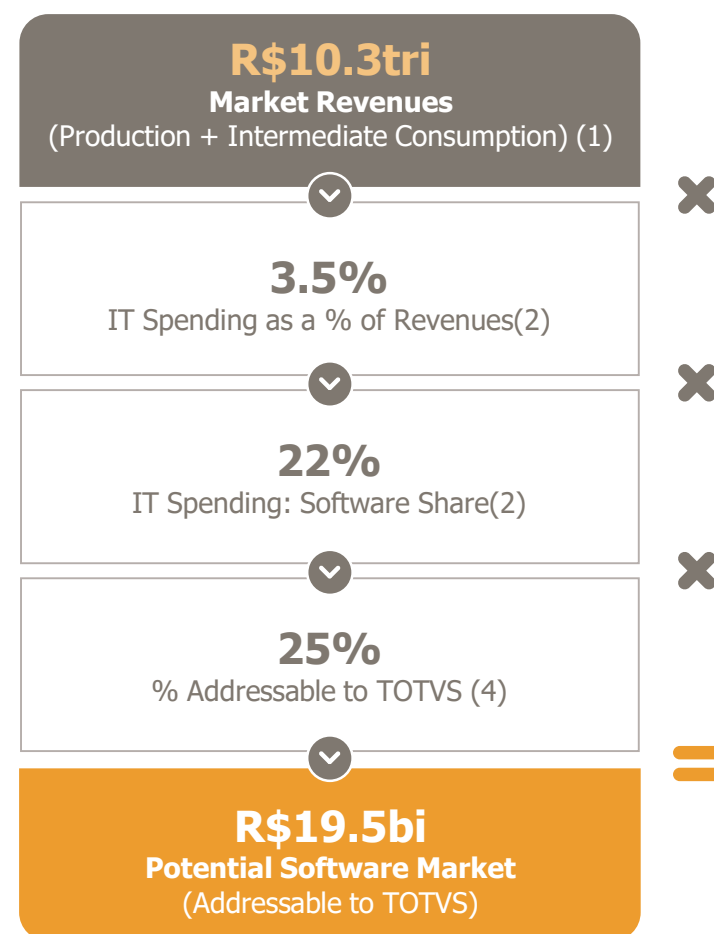
(1) Company Filings, 2019

(2) Company internal estimates

(3) Enterprise Application Software Worldwide 2018 by Gartner.



## ADDRESSABLE MARKET BY COMPANY SIZES (R\$)



Global IT Spending as a % of Revenues(2)  
**2013: 2.6% > 2017: 3.5%**

Global IT Spending Software Share(2)  
**2013: 20% > 2017: 22%**

Enterprise Application Software Growth - Brazil(5)  
**CAGR 17/21: 6.4%**



## Complete horizontal offering

(Estimated Penetration Within TOTVS Client Base)



ESTIMATED  
PENETRATION<sup>(1)</sup>:



UP TO 5%



50% - 70%



+90%

## Distribution Model



Franchisees e Branches



Own sales force



Partnerships

## Across all verticals



Manufacturing



Retail



Services



Distribution



Financial Services

Other Verticals

## Flexibly deployed



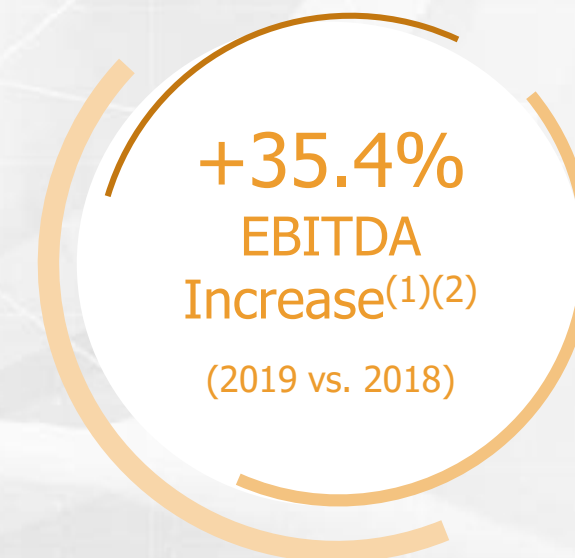
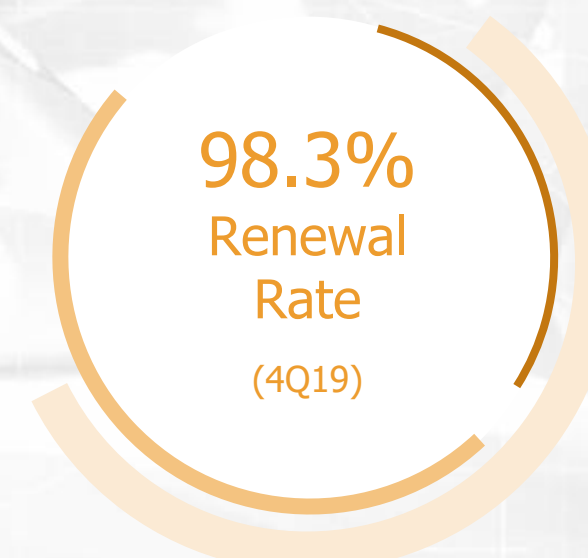
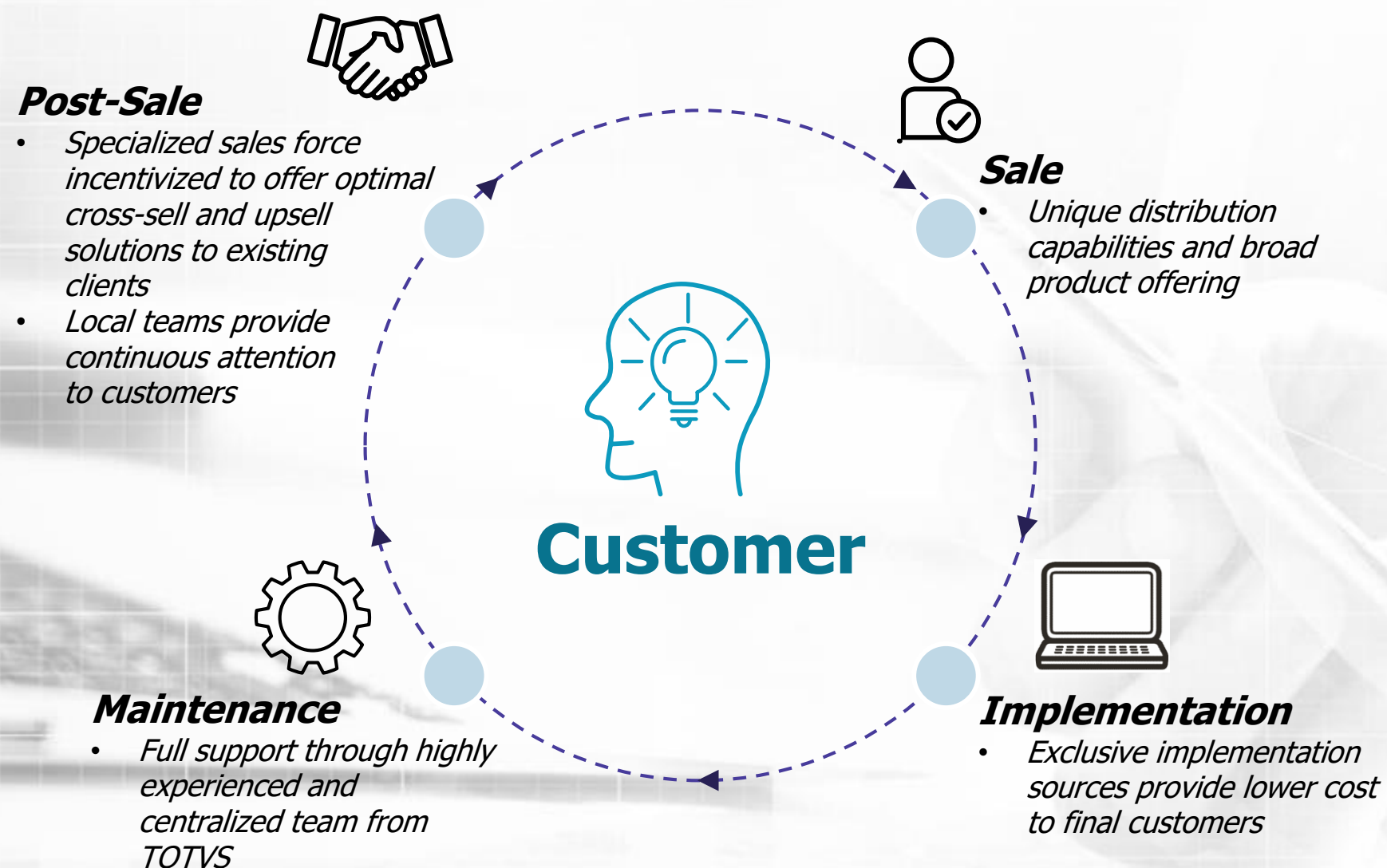
Cloud



On-premise

## Across media





**Notes**

(1) 2019 adjusted EBITDA includes IFRS16 /CPC 06 application which results on R\$44.1MM impact

(2) Without any IFRS16 effect, 2019 vs. 2018 adjusted EBITDA increase would be 22.7%





## INTEGRATED PORTFOLIO APPROACH ACROSS VERTICALS



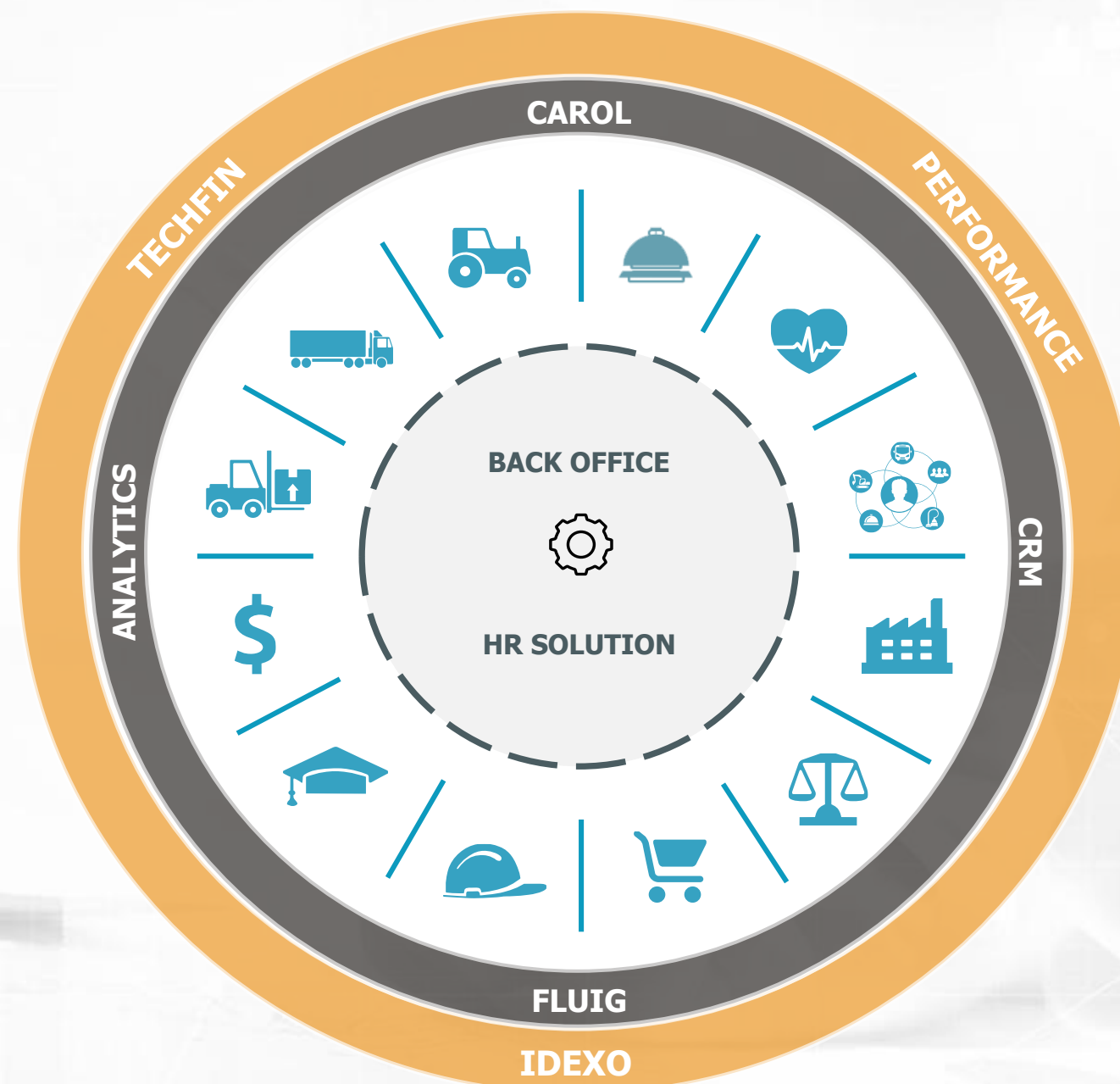
### CORE (ERP / HR SOLUTION)

Ensure the processing of corporate information and comply with business rules, legislation and security > Ensure the management of human resources.



### SEGMENTS (SPECIALIZED SOLUTIONS)

Specialized business solutions for companies of all sizes in 12 business segments, including: Agribusiness, Construction and Projects, Distribution, Education, Financial Services, Hospitality and Tourism, Legal, Logistics, Manufacturing, Health, Services, and Retail.



### CROSS-SELL SOLUTIONS (PLATFORMS)

Intelligent productivity and collaboration platforms, data, artificial intelligence and analytics that add value for the customer by Interpreting data, unifying systems, simplify processes, and exponentially grow productivity.



### NEW MARKETS (TECHFIN / PERFORMANCE / IDEXO)

Based on our strength of being present in almost all segments of the value chain, allowing us to offer new customized and flexible solutions that help our clients to sell more (performance market) and to increase efficiency in the operating activities and financial activities (TechFin market).

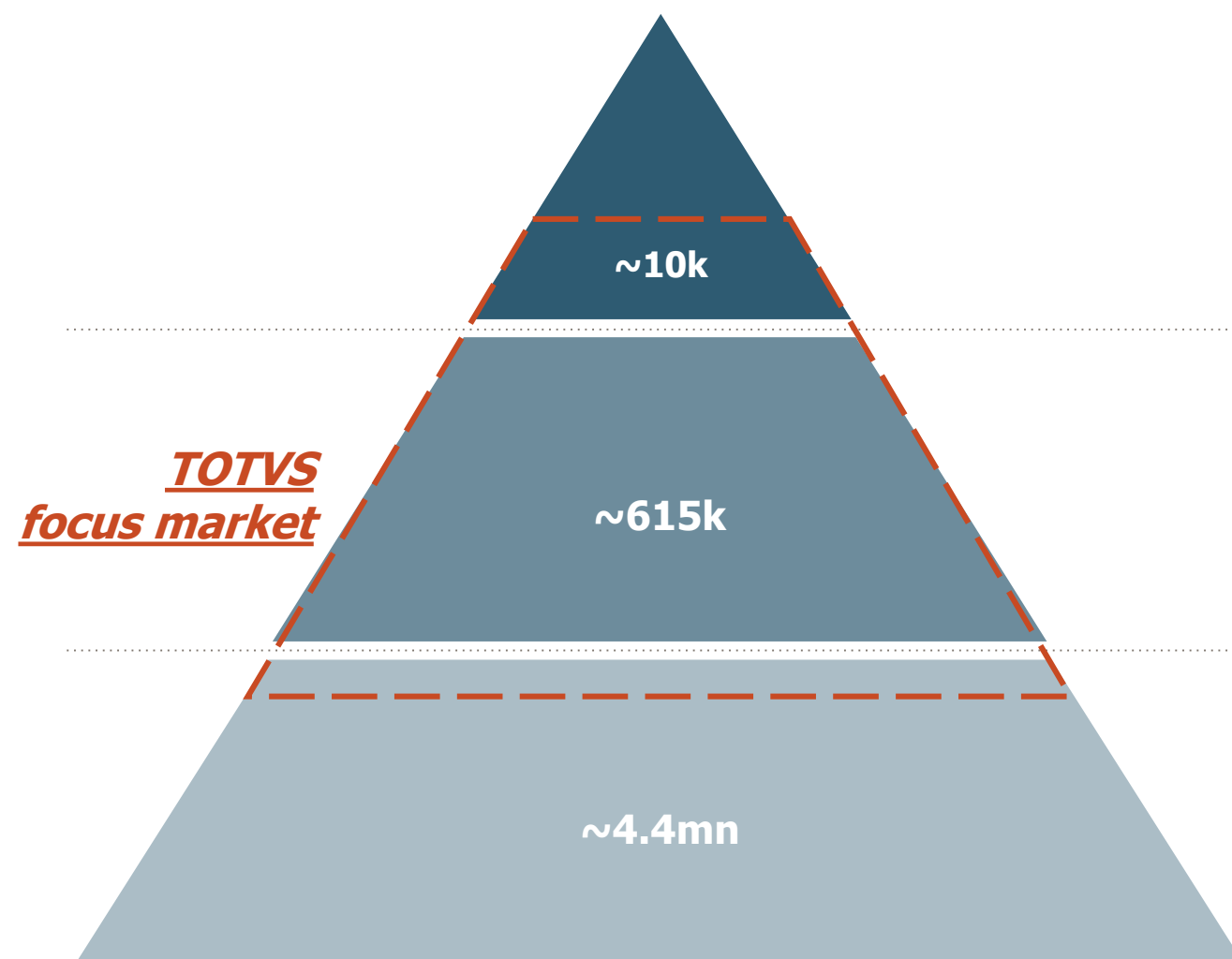
**OUR CLIENTS ARE AMONG THE LARGEST COMPANIES IN BRAZIL**

**NET REVENUE IN ONE YEAR CORRESPONDS TO 25% OF BRAZILIAN GDP (R\$1.6 TRILLION)<sup>1</sup>**

Note:  
(1) Company Filings, 2019



## DISTRIBUTION - PHYSICAL



### COMPANY SIZE

**Large Companies**  
More than 500 employees

**Small and Medium (SMB)**  
From 10 to 500 employees

**Micro Companies**  
Up to 9 employees



### HOW WE RELATE

**Large Enterprise Division**  
Own team with qualified and specialized staff by industry, offering personalized service and consulting support

**52 Franchisees and 5 branches**  
Franchised territories according to industry sector. Local knowledge for SMB customers

**Multichannel**  
Distribution model through partners from a multichannel base that provides TOTVS with unmatched penetration across all regions in Brazil



## DIGITAL CHANNEL – TOTVS STORE

Demand generation and all TOTVS portfolio available in SaaS, cloud and customizable by apps, 100% online purchase



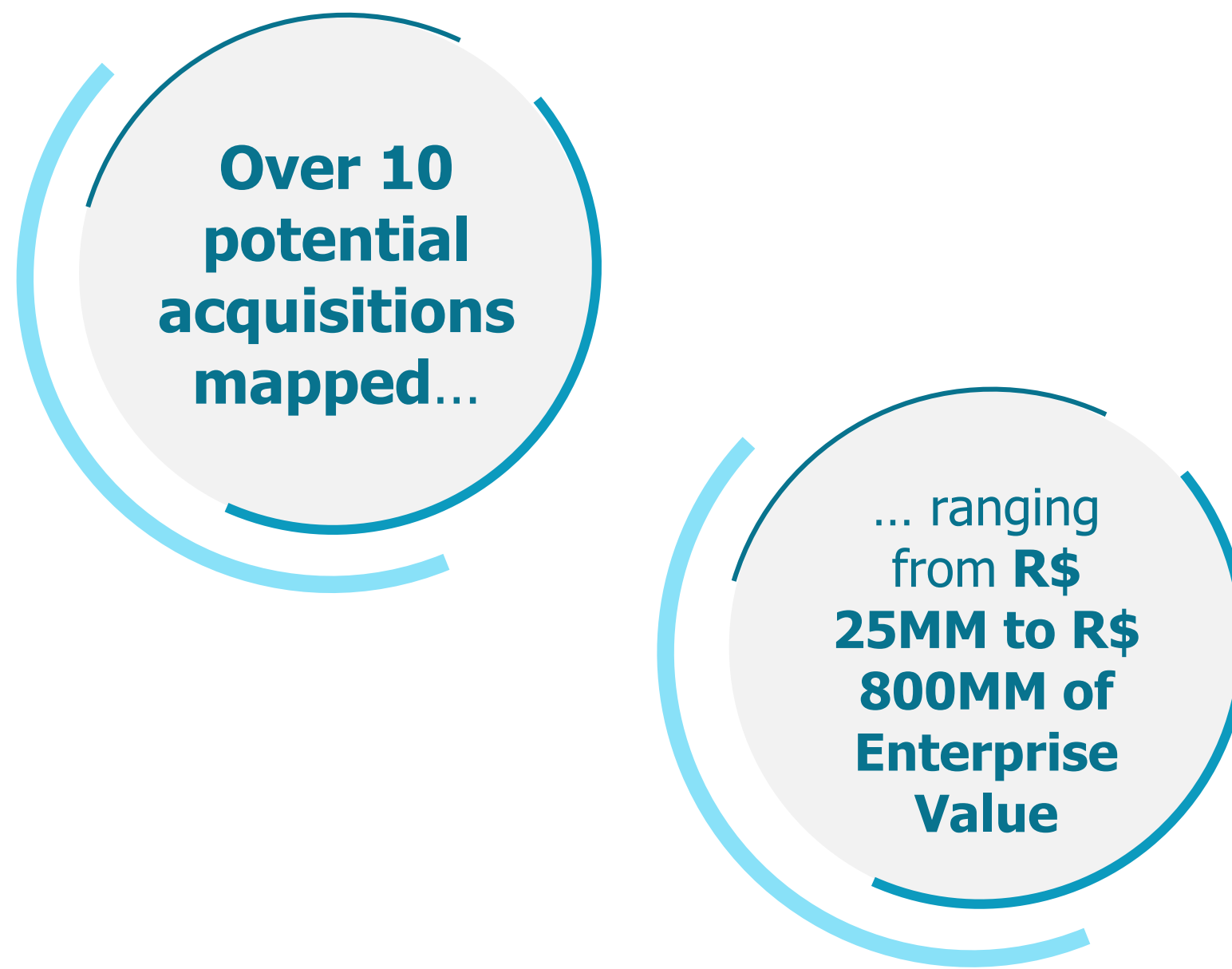


## RENEWED FOCUS AND REDEFINED M&A STRATEGY BASED ON FOUR KEY PILLARS TO DELIVER GROWTH AND SHAREHOLDER VALUE

### UNIQUE PLAYBOOK BASED ON FOUR KEY PILLARS



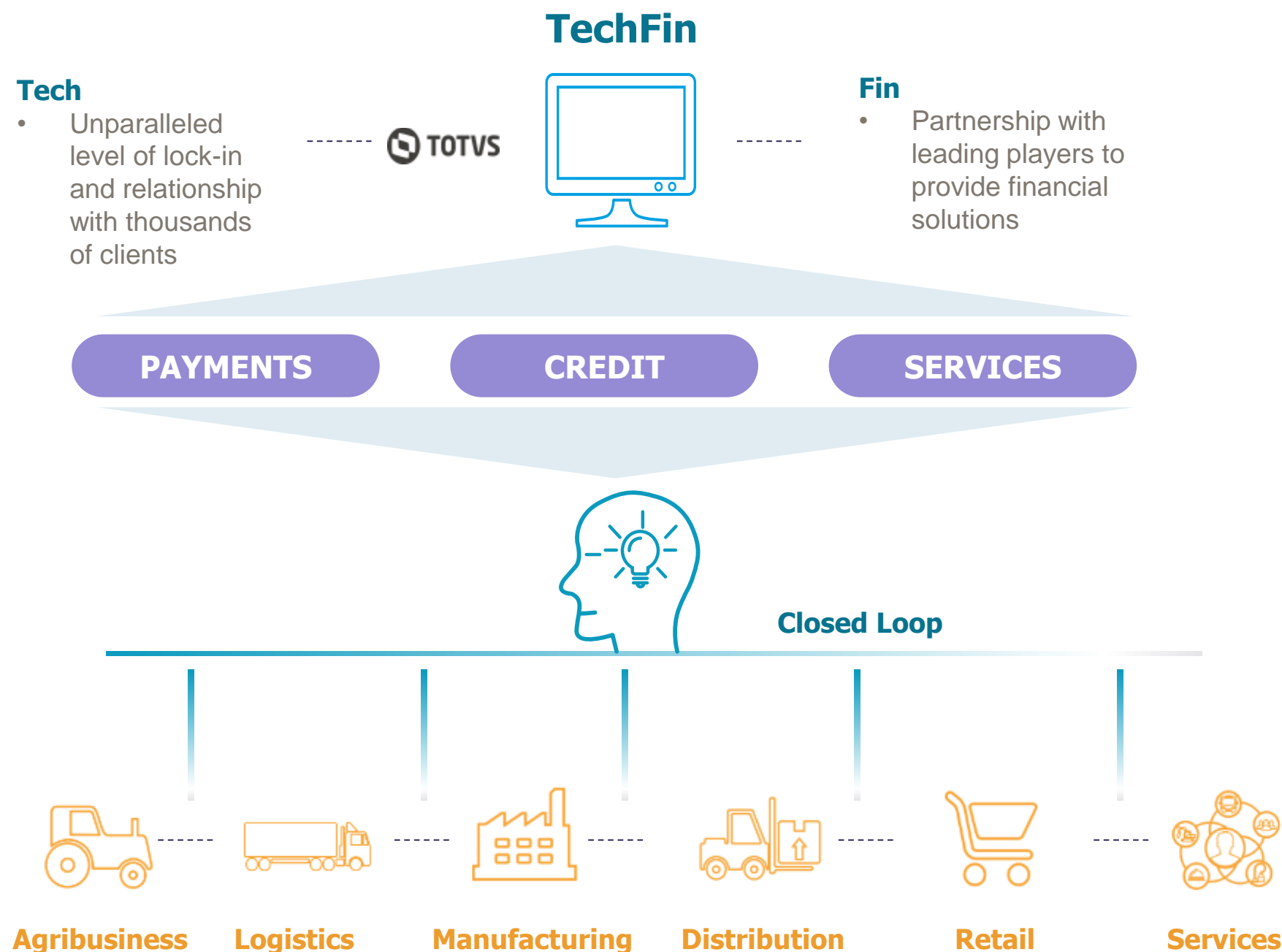
### STRONG PIPELINE OF VALUE-ADDITIVE OPPORTUNITIES



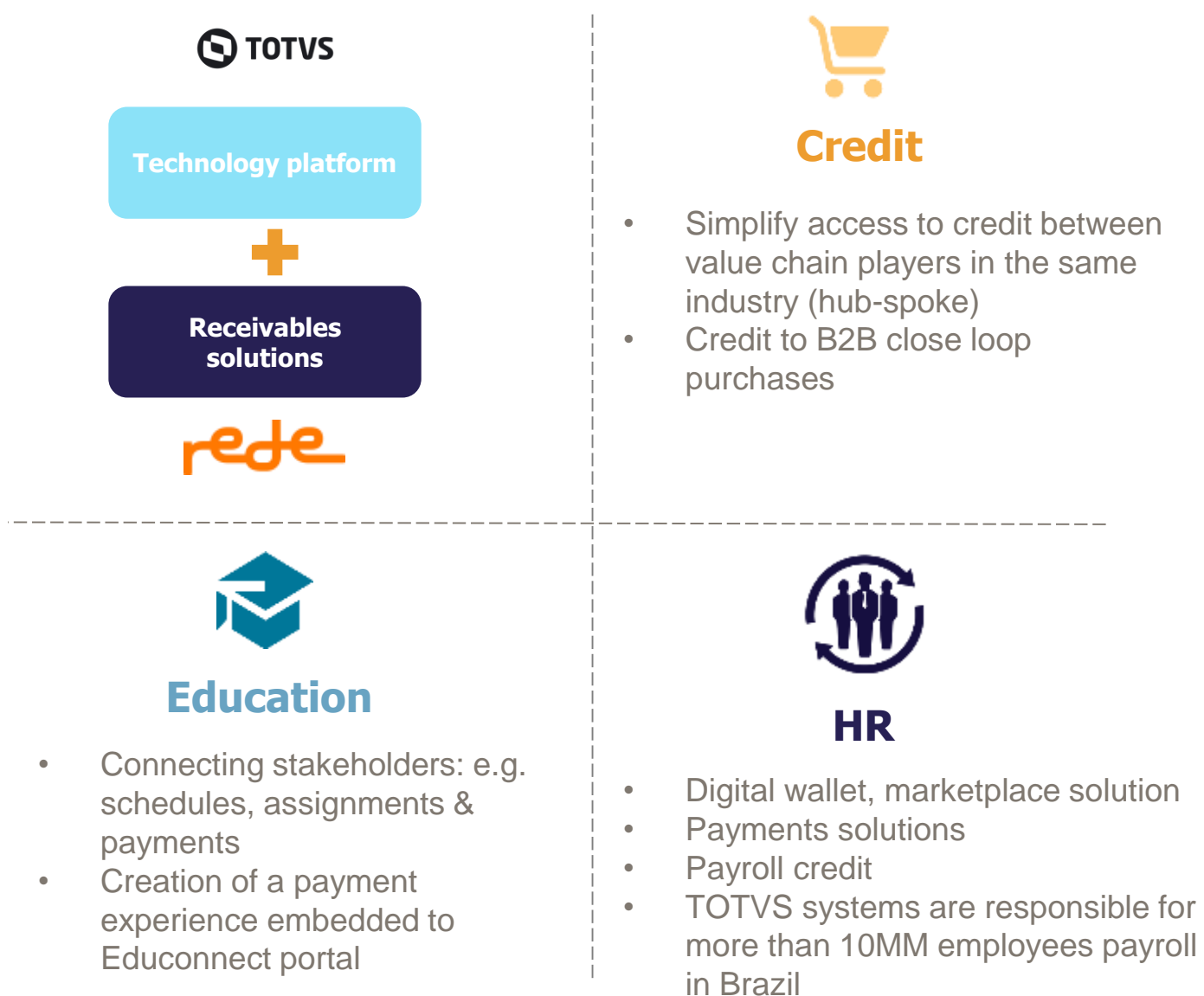


**WE ARE UNIQUELY POSITIONED TO TAKE ADVANTAGE OF THE INTEGRATION BETWEEN TECH AND FIN AND UNLOCK VALUE THROUGH OUR INNOVATIVE TECHFIN APPROACH, SIMPLIFYING AND EXPANDING ACCESS TO CREDIT AND OTHER FINANCIAL SOLUTIONS WHILE LOWERING COST OF ACCESS FOR TOTVS CLIENTS**

## THE TECHFIN OPPORTUNITY



## SHORT-TERM TECHFIN SOLUTIONS





# CORPORATE GOVERNANCE







**Laércio Cosentino**

**Chairman**

Co-Founder of TOTVS and  
board member of Brasscom

**Maria Letícia  
Costa**

**Vice-Chairman  
Independent Member**

Partner of Prada  
Assessoria Empresarial  
and board member of  
Localiza

**Claudia Elisa  
Soares**

**Independent Member**  
Vice President of  
NC Group

**Eduardo  
Vassimon**

**Independent Member**  
Board Member of B3\*

**Gilberto  
Mifano**

**Independent Member**  
Board member of Natura  
and Cielo

**Guilherme  
Stocco Filho**

**Independent Member**  
Member of B3\* Technology  
Committee

**Mauro  
Cunha**

**Independent Member**  
President of AMEC\*\* and  
board member of BRMalls

**Paulo Sérgio  
Caputo**

**Independent Member**  
Co-Founder of  
Ória Capital and board  
member of CSU Card  
System

**Sylvia  
Leão**

**Independent Member**  
Board Member of Sodimac  
Brasil and Mendelics

## ADVISORY COMMITTEES

### Audit

monitors the procedures for compliance with legal provisions, evaluates risk management policies and recommends improvements to internal policies

### Personnel and Compensation

responsible for advising the Board of Directors in establishing the terms of compensation and other benefits

### Strategy

studies, debates, evaluates, proposes and monitors the main guidelines of the corporate and technological strategy

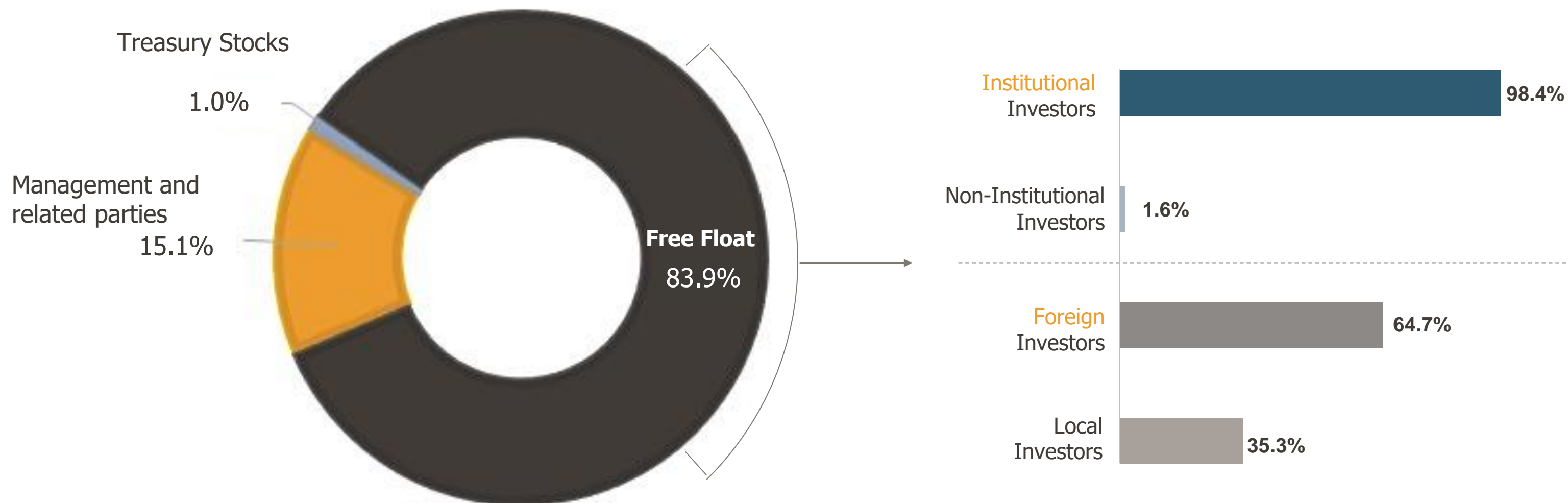
### Governance and Nomination

promotes the development of the Company's corporate governance, evaluates the adoption of good practices and selects members to the Board of Directors and the Executive Board

**8 out of 9 board members are independent**

\*B3 – Brazilian Stock Exchange

\*\*Associação dos Investidores do Mercado de Capitais



\*As of December 31, 2019.

- **98.4%** of free-float held by **institutional investors**
- **64.7%** of free-float held by **foreign investors**



# FINANCIAL PERFORMANCE 4Q19







## CONSINCO ACQUISITION

With the acquisition of 100% of Consinco's capital stock, for the amount of R\$ 197 million, we took an important step to reinforce our position in the Retail segment and our role as Techfin. Consinco is the leading provider of management software for supermarket vertical and self-service wholesalers (Atacarejo) in the Brazilian market, the tip of a long supply chain, which will enable the generation of synergies between operations and the offer of solutions for financial services, such as B2B credit.



## TOTS3 BECOMES PART OF IBOVESPA

Our inclusion in the Ibovespa index made TOTVS the first technology company to figure in Brazil's most important stock market index. This achievement reflects the Company's leadership position in the competitive software market and the recognition of the moment we are going through.



## TOTVS NEW CAMPAIGN

"TOTVS believes in a Brazil that MAKES IT HAPPEN", highlights TOTVS track record as one of the Brazilian Companies that believes and invests in the country, reinforcing our commitment to support our customers to innovate, grow and perpetuate their businesses, contributing to the development of the country.

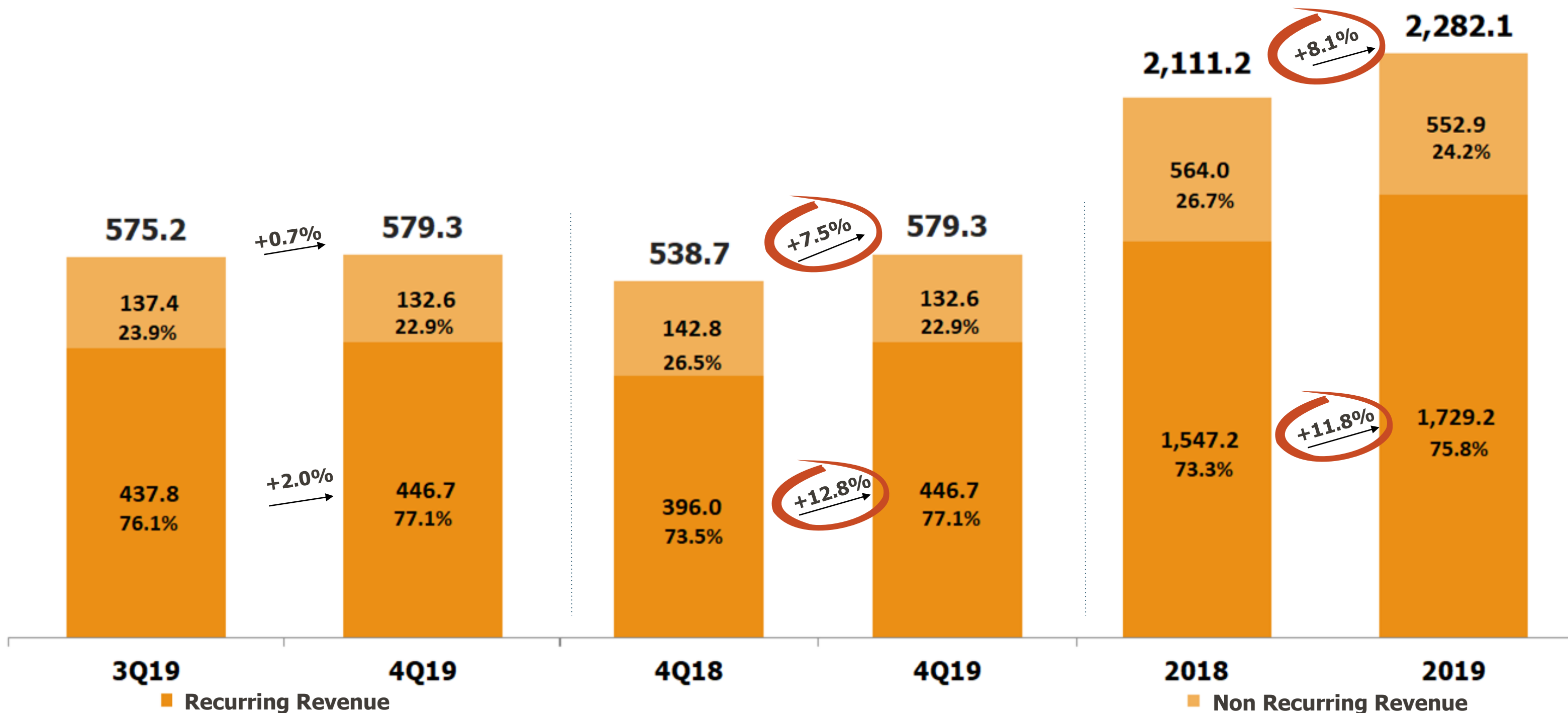


## TOTAL REVENUE (R\$ MN)

16



**2 DIGITS GROWTH OF RECURRING REVENUE IN ALL QUARTERS OF 2019**  
REPRESENTING MORE THAN 75% OF TOTAL REVENUE





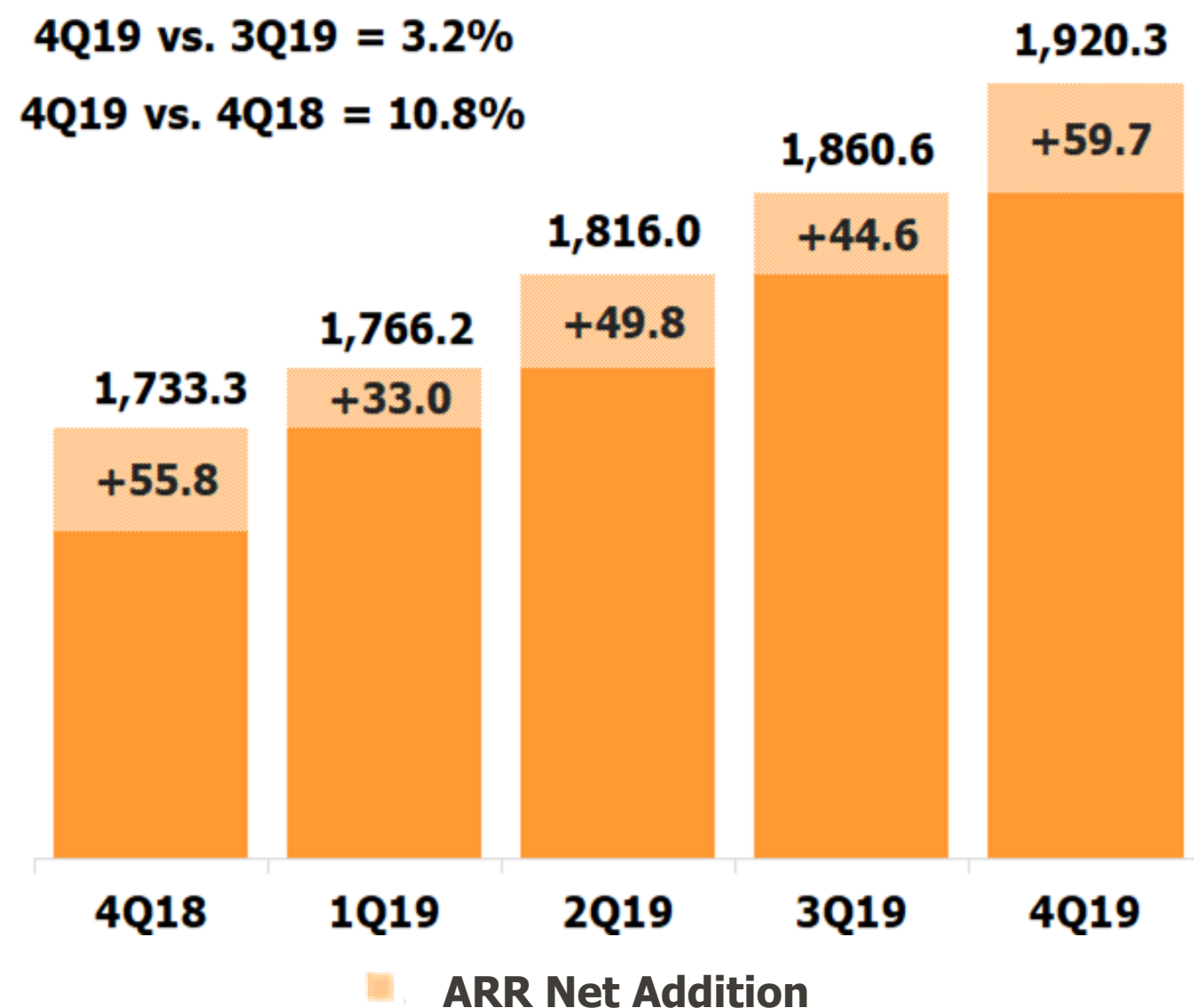
## RECURRING REVENUE (R\$ MN)

17

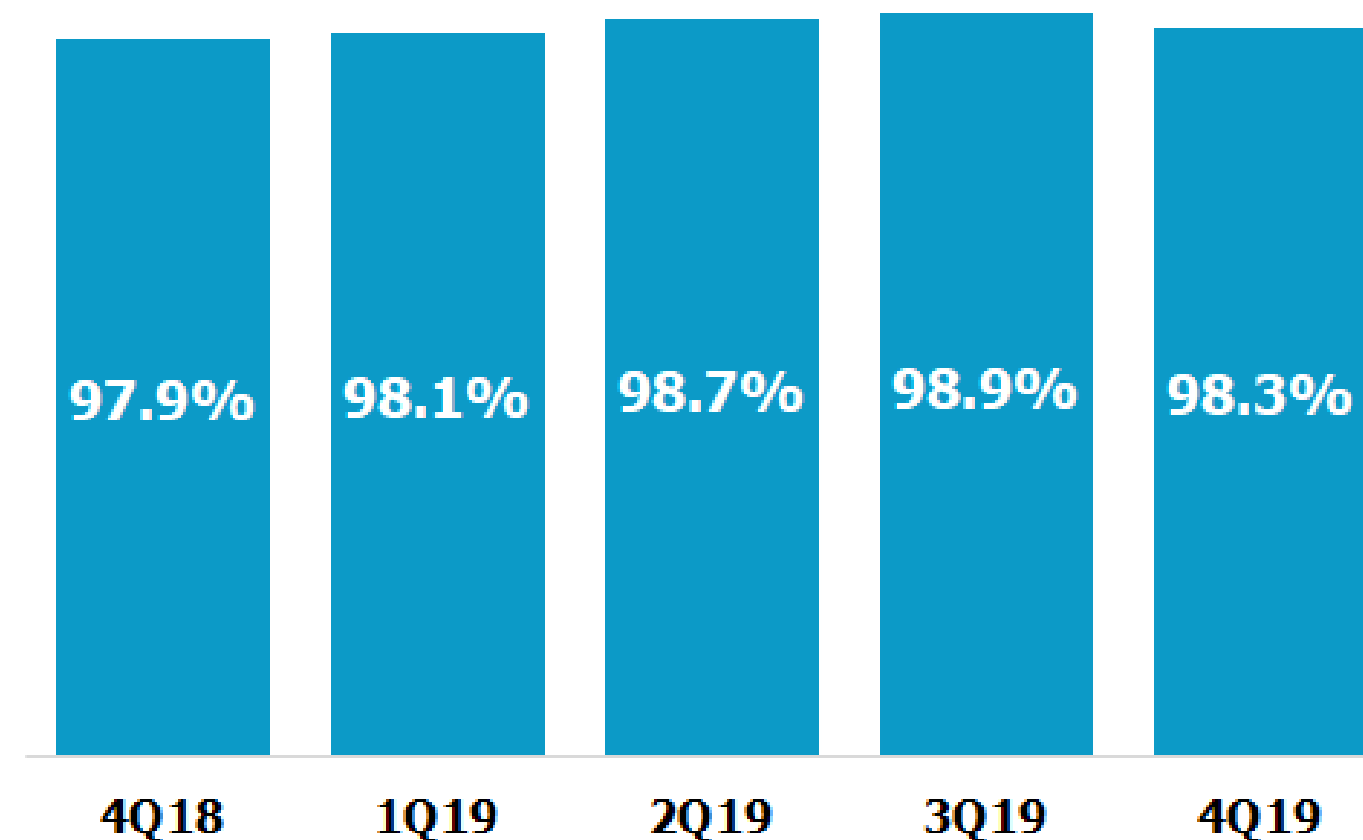


**THE CLIENT RENEWAL RATE MAINTENANCE AND THE STRONG SALES VOLUME**  
RESULTED IN THE R\$1.9 BILLION ARR IN 2019

### ANNUALIZED RECURRING REVENUE (ARR)



### CLIENT RENEWAL RATE





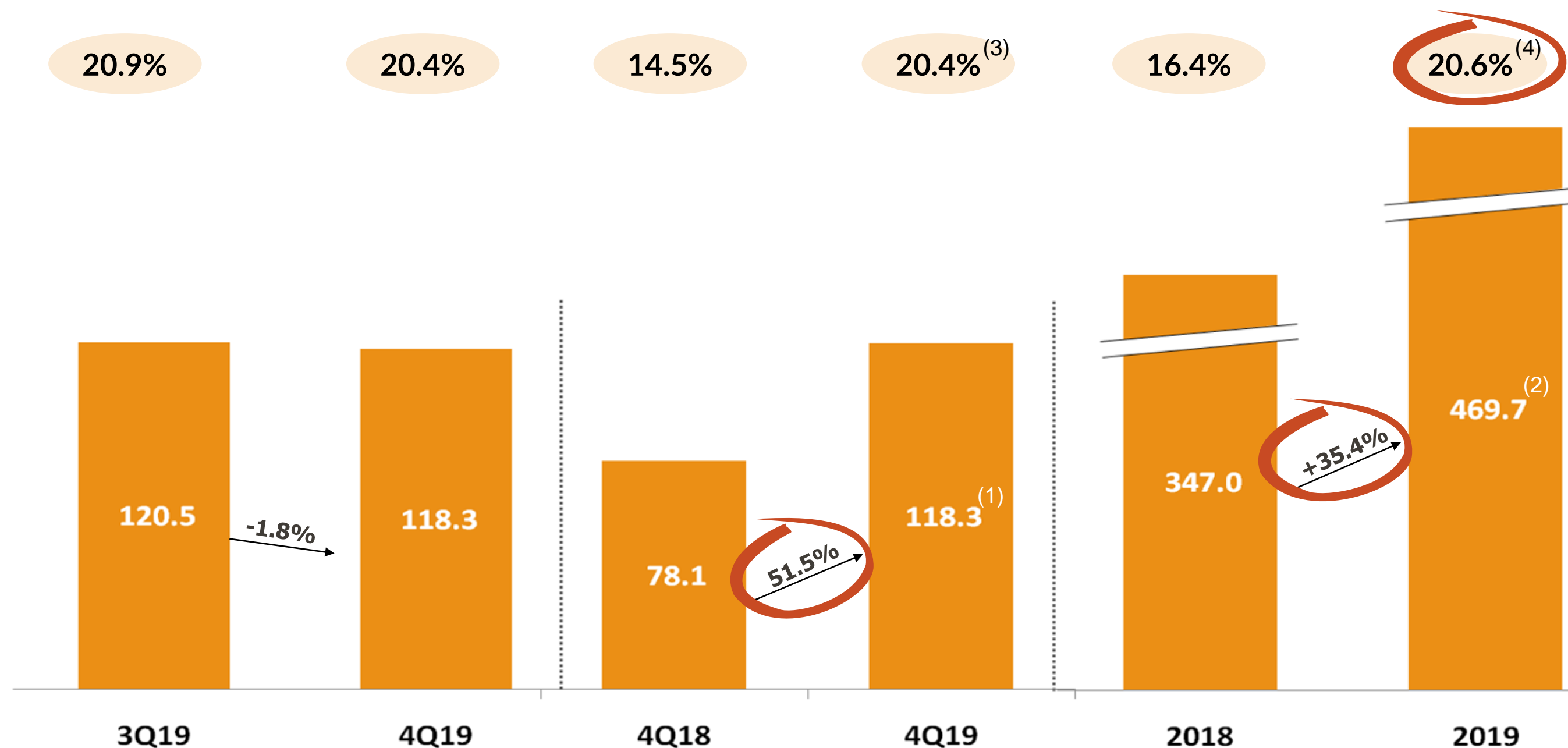


## ADJUSTED EBITDA (R\$ MN)

18



### THE SCALABILITY OF SOFTWARE BUSINESS AND THE DISCIPLINE IN COSTS AND EXPENSES MANAGEMENT LED TO EBITDA EXPANSION IN 2019



(1) Excluding the IFRS16 effect, Adjusted EBITDA should be R\$107.2 million (+37.3% vs. 4Q18)

(2) Excluding the IFRS16 effect, Adjusted EBITDA should be R\$425.7million (+22.7% vs. 2018)

(3) Excluding the IFRS16 effect, Adjusted EBITDA Margin should be 18.5% (+400 bp vs. 4Q18)

(4) Excluding the IFRS16 effect, Adjusted EBITDA Margin should be 18.7% (+230 bp vs. 2018)

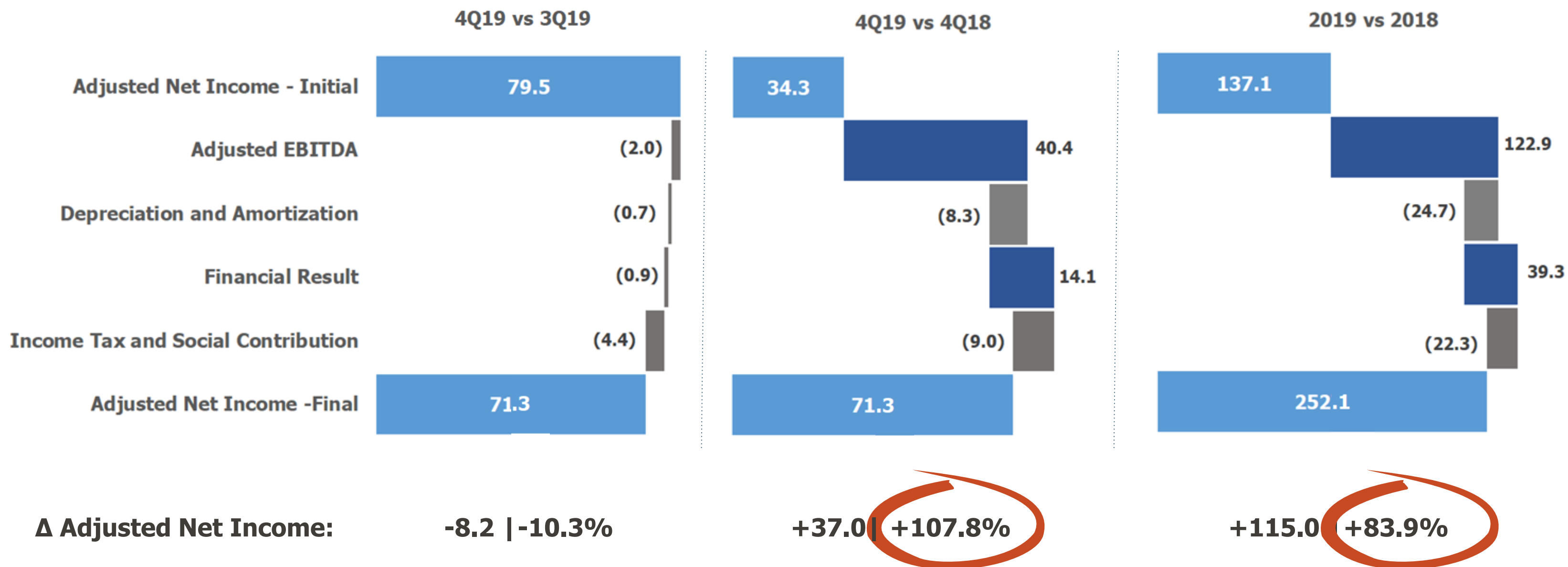


## ADJUSTED NET INCOME (R\$ MN)

19



THE GROWTH IN ADJUSTED EBITDA REFLECTS ESSENTIALLY THE  
**2019 EBITDA GROWTH**





# CASH FLOW AND DEBT (R\$ MN)

20



	4Q19	4Q18	Δ 4Q19/4Q18	4Q19	Δ 4Q19/4Q19	2019	2018	Δ 2019/2018
<b>EBT</b>	<b>78.3</b>	<b>41.0</b>	<b>90.9%</b>	<b>102.9</b>	<b>-23.9%</b>	<b>324.0</b>	<b>184.7</b>	<b>75.5%</b>
Non Cash Items	<b>69.1</b>	<b>61.2</b>	<b>13.0%</b>	<b>65.0</b>	<b>6.4%</b>	<b>282.2</b>	<b>266.0</b>	<b>6.1%</b>
Change in Working Capital	<b>(18,7)</b>	<b>22.9</b>	<b>-</b>	<b>3.4</b>	<b>-</b>	<b>(100.2)</b>	<b>22.8</b>	<b>-</b>
Interest Paid	<b>(3.6)</b>	<b>(5.1)</b>	<b>-29.0%</b>	<b>(93.9)</b>	<b>-96.2%</b>	<b>(116.8)</b>	<b>(39.7)</b>	<b>194.4%</b>
Income Tax Paid	<b>(8.7)</b>	<b>(6.7)</b>	<b>28.3%</b>	<b>(8.7)</b>	<b>-0.7%</b>	<b>(43.9)</b>	<b>(28.7)</b>	<b>52.6%</b>
Assets and Liabilities Change from Discontinued Operation	<b>1.0</b>	<b>1.0</b>	<b>-0.2%</b>	<b>(2.5)</b>	<b>-141.1%</b>	<b>-</b>	<b>12.9</b>	<b>-100.0%</b>
<b>Net Cash from Operational Activities</b>	<b>117.5</b>	<b>114.3</b>	<b>2.8%</b>	<b>66.1</b>	<b>77.7%</b>	<b>345.3</b>	<b>417.8</b>	<b>-17.4%</b>
Net Cash Used in Investing Activities	<b>(1.6)</b>	<b>(28.8)</b>	<b>-94.6%</b>	<b>(6.2)</b>	<b>-75.0%</b>	<b>(36.9)</b>	<b>(94.0)</b>	<b>-60.8%</b>
Net Cash From Financing Activities	<b>(65.5)</b>	<b>(82.3)</b>	<b>-20.4%</b>	<b>(66.8)</b>	<b>-2.0%</b>	<b>776.9</b>	<b>(258.2)</b>	<b>-</b>
<b>Increase (Decrease) in Cash</b>	<b>50.5</b>	<b>3.2</b>	<b>-</b>	<b>(6.9)</b>	<b>-</b>	<b>1,085.4</b>	<b>65.6</b>	<b>-</b>
Gross Cash in the Beginning of the Period	<b>1,487.7</b>	<b>449.6</b>	<b>230.9%</b>	<b>1,494.6</b>	<b>-0.5%</b>	<b>452.8</b>	<b>387.2</b>	<b>17.0%</b>
<b>Gross Cash in the End of the Period</b>	<b>1,538.2</b>	<b>452.8</b>	<b>239.7%</b>	<b>1,487.7</b>	<b>3.4%</b>	<b>1,538.2</b>	<b>452.8</b>	<b>239.7%</b>
Gross Debt	<b>466.7</b>	<b>503.5</b>	<b>-7.3%</b>	<b>488.5</b>	<b>-4.5%</b>	<b>466.7</b>	<b>503.5</b>	<b>-7.3%</b>
<b>Net Debt (Cash)</b>	<b>(1,071.4)</b>	<b>50.7</b>	<b>-</b>	<b>(999.2)</b>	<b>7.2%</b>	<b>(1,071.4)</b>	<b>50.7</b>	<b>-</b>
Net Debt (Cash) / LTM Adjusted EBITDA	<b>-2.3</b>	<b>0.1</b>	<b>-2.4</b>	<b>-2.3</b>	<b>0.0</b>	<b>-2.3</b>	<b>0.1</b>	<b>-2.4</b>
<b>FREE CASH FLOW</b>	<b>118.3</b>	<b>88.8</b>	<b>33.2%</b>	<b>121.9</b>	<b>-2.9%</b>	<b>385.5</b>	<b>350.0</b>	<b>10.2%</b>





- **Operational and financial performance evolution**

Revenues acceleration, associated with software business scalability and strong discipline in costs and expenses management, led to EBITDA Margin expansion.

- **Beginning of a new investment cycle**

With the acquisitions of Supplier and Consinco, we already committed 60% of the Follow-on resources.

- **New markets and advances in customers' value chain**

Development of a solutions ecosystem that aggregates 3 dimensions: Management, Techfin and Business Performance.

- **TOTVS Employer Brand**

Knowing that the attraction and retention are the main ingredients for building a solid company, we have continuously working on strengthening our employer brand.

- **TOTVS believes in a Brazil that makes it happen**

Launch of the new campaign, recovering our media space.



## INVESTOR RELATIONS



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- Technology + Knowledge are our DNA
- The success of our client is our success
- We value competent people who are nice people



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