



TOTVS S.A.

Publicly-held Corporation

Corporate Taxpayer ID (CNPJ/ME) No. 53.113.791/0001-22

Company Registry (NIRE) No. 35.300.153.171

MATERIAL FACT

TOTVS S.A. (B3: TOTS3) (the “Company” or “TOTVS”), aiming at aligning the market as to the Company's expectation on the potential synergies resulting from the business combination with Linx S.A. (“Linx”), and assuming that Linx's shareholders will approve the proposal provided in the draft of the Merger Protocol (*Protocolo de Justificação e Incorporação*) released on this date by TOTVS, TOTVS hereby informs that as of this date it will start to disclose the following projections, as mentioned in the attached presentation:

- ⇒ The business combination between TOTVS and Linx may generate operating synergies currently estimated at a net present value of approximately R\$ 3.2 billion. Such synergies may result in (i) an annual reduction of approximately R\$60 million in OPEX, assuming the capture of 50% of the synergies in the first year, 75% in the second year and 100% in the third year, and (ii) approximately R\$160 million in net revenue in the fourth year after the implementation of the business combination.

The projections above will be added to section 11 of TOTVS's Reference Form and will be available on the website of CVM (the Brazilian SEC) at <http://www.cvm.gov.br/> and also on TOTVS's website at <http://ri.totvs.com/>, within the legal timeframe.

Finally, TOTVS hereby clarifies that the information disclosed in this material fact represents an estimate and involves market factors beyond the control of TOTVS. Therefore, it is subject to changes and does not constitute any promise of performance by TOTVS and/or its managers.

Sao Paulo, October 8, 2020

Gilsomar Maia Sebastião

Chief Financial and

Investor Relations Officer

Investor Relations

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No Offer or Solicitation

This communication is for informational purposes only and is neither an offer to sell nor a solicitation of an offer to subscribe for or buy shares, nor is it a substitute for any offer materials that TOTVS will, if required, file with the U.S. Securities and Exchange Commission (“SEC”). No offer of securities will be made in the United States except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended, or pursuant to a waiver therefrom.

Additional Information and where it can be found

In connection with the proposed business combination, TOTVS will file with the U.S. SEC all relevant materials as required by the required by applicable laws and regulations. INVESTORS ARE URGED TO READ THE SCHEDULE TO, REGISTRATION STATEMENT AND OTHER DOCUMENTS THAT MAY BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BEFORE MAKING ANY DECISION ABOUT THE PROPOSED BUSINESS COMBINATION BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT TOTVS, LINX AND THE PROPOSED BUSINESS COMBINATION AND RELATED MATTERS. All documents filed with the SEC that are related to the proposed transaction will be available when filed, free of charge, on the SEC website - www.sec.gov - and also on the TOTVS investor relations website - <http://ri.totvs.com/>.

Forward-looking Statements

This communication may contain forward-looking statements. Such statements are not historical facts, and are based on TOTVS’ management’s current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words “anticipates”, “believes”, “estimates”, “expects”, “plans” and similar expressions, as they relate to the company or the proposed business combination, are intended to identify forward-looking statements. Statements connected to the statement or payment of dividends, the implementation of the key operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends that could affect the Company’s financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of the Management and are subject to a number of risks and uncertainties. There is no guarantee that such expected events, trends or results will actually take place. Such statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.



TOTVS + Linux: Potential Synergies



● August 2020

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Additional Information and Where to Find It

In connection with the proposed Transaction, TOTVS will file with the SEC all relevant materials as required under applicable laws and regulations. INVESTORS ARE URGED TO READ THOSE MATERIALS CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT TOTVS, LINX AND THE PROPOSED TRANSACTION AND RELATED MATTERS. All materials filed with the SEC in connection with the proposed transaction will be available when filed, free of charge, on the U.S. SEC's website at www.sec.gov and on TOTVS's investor relations website at <http://ri.totvs.com/>.

Forward-Looking Statements

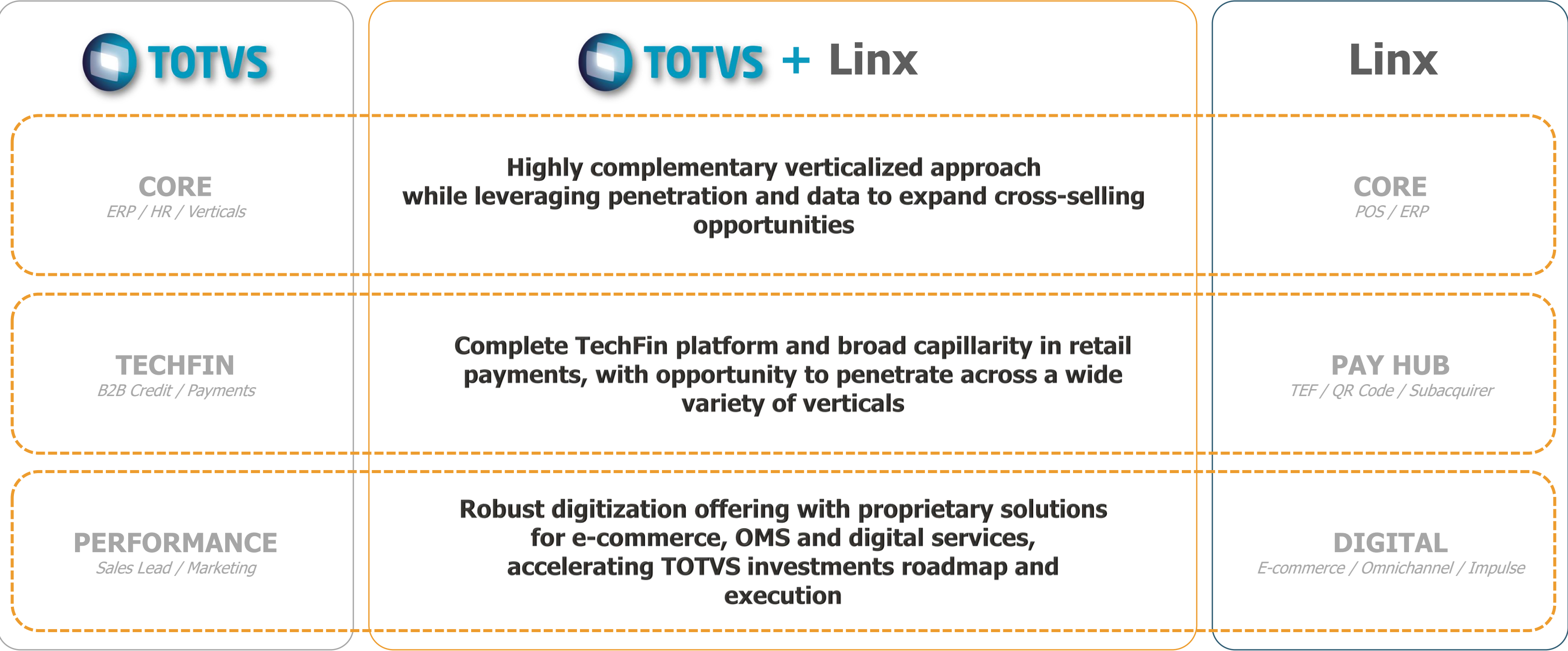
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COMPLETE AND INDEPENDENT PLATFORM WITH COMPLEMENTARY CAPABILITIES



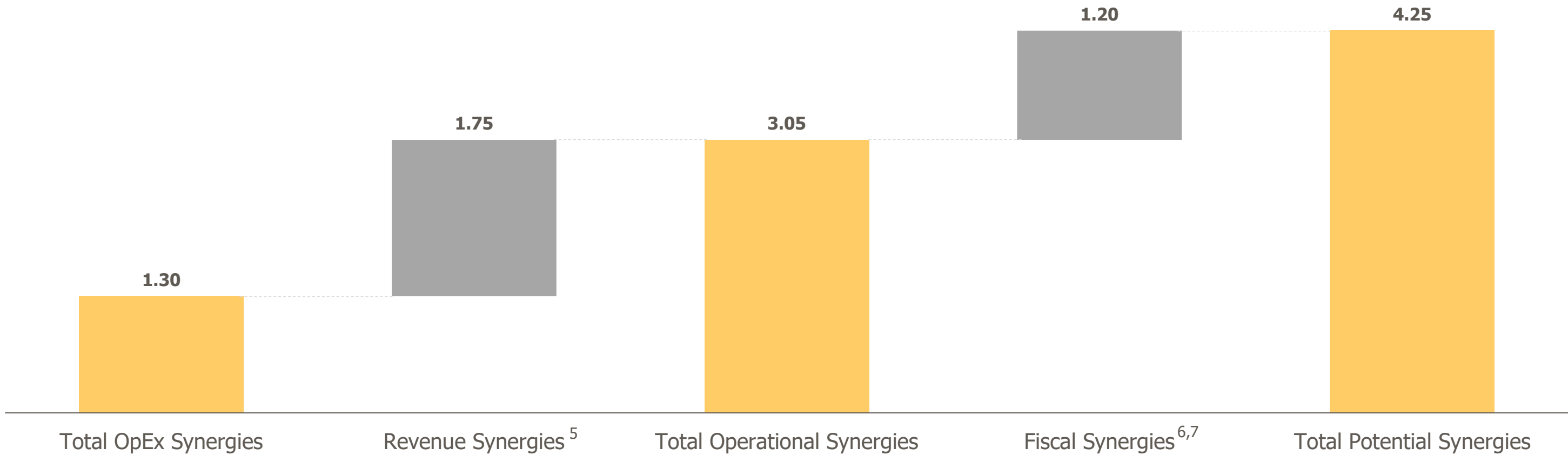
STRENGTHENING OUR 3-DIMENSION ECOSYSTEM: CORE (ERP, HR AND VERTICALS), TECHFIN (CREDIT, SERVICES AND PAYMENTS) AND BUSINESS PERFORMANCE (SALES AND MARKETING)



ADDING SUBSTANTIAL CROSS-SELLING OPPORTUNITIES, ENHANCING THE VALUE PROPOSITION TO CLIENTS AND EXPANDING OUR ADDRESSABLE MARKET

THE ESTIMATED NPV OF POTENTIAL SYNERGIES COULD REACH UP TO R\$4.25 PER SHARE OF THE COMBINED COMPANY⁴

ESTIMATED NPV OF POTENTIAL SYNERGIES^{2,3}
(in R\$ per share⁴ of the combined company)



POTENTIAL SYNERGIES IN R\$ BN				
1.0	1.3	2.3	0.9	3.2

Source: TOTVS analysis based on market estimates

Note:

1 Represents TOTVS' view on potential synergies which may not materialize as expected

2 NPV calculated based on a discount rate (WACC – Weighted Average Cost of Capital) of 10.7%, in R\$, nominal terms

3 TOTVS base case scenario considers 50% of potential annual synergies being realized in the 1st year post-transaction, 75% in the 2nd year and 100% from the 3rd year onwards

4 Considers 179.4mm and 574.9mm shares outstanding for Linx and TOTVS, respectively (fully-diluted basis); Does not consider treasury-held shares

5 Considers revenue synergies to reach ~R\$160 MM in the 4th year after transaction closing

6 Assumes the difference between Linx's economic value (estimated based on the proposed acquisition value) and its book value; Considers an amortization period of 7 years starting from the 2nd year once the transaction is completed

7 Considers transaction price @ proposed terms (1 TOTVS' share + R\$6.20); Considers TOTVS share price as of October 7th, 2020 (R\$26.95)

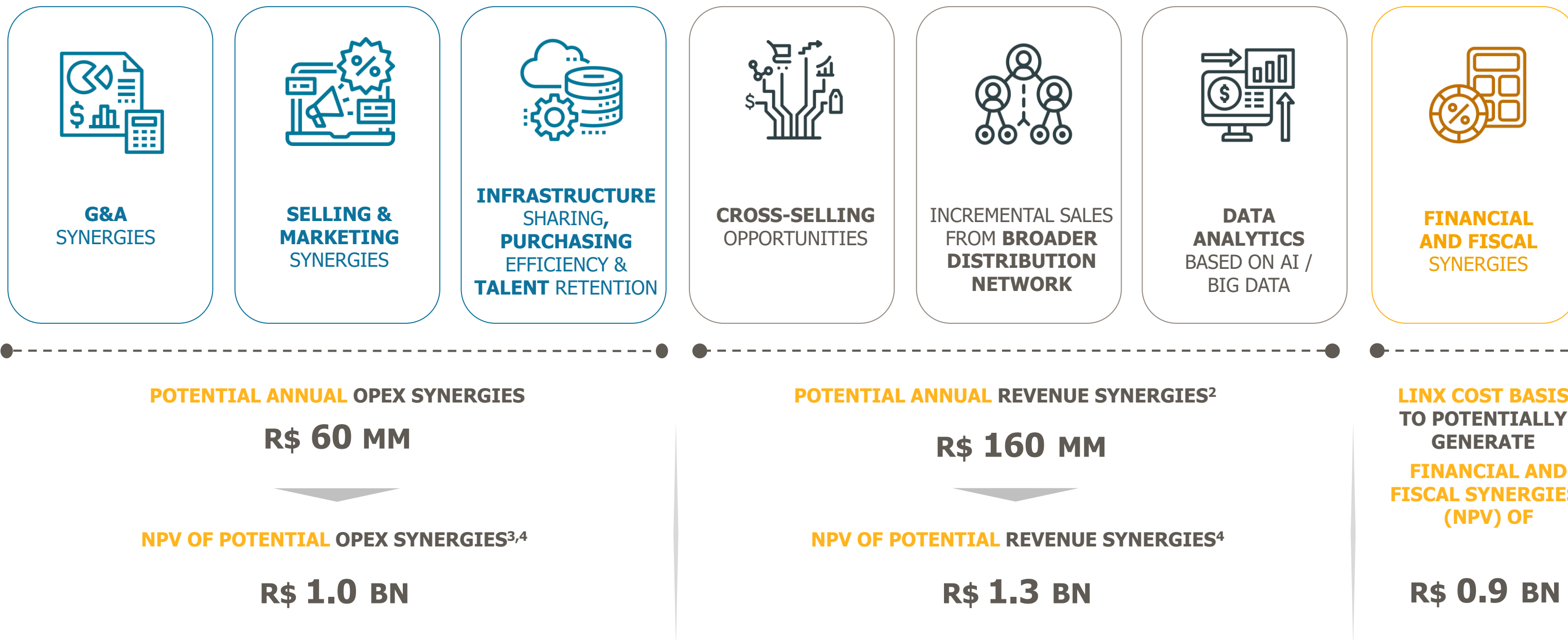


TOTVS + LINX: AN OVERVIEW OF EXPECTED SYNERGIES¹ (CONT'D)

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WE BELIEVE THAT THE COMBINED COMPANY COULD TAKE ADVANTAGE OF R\$3.2 BN (NPV⁵) IN SYNERGIES¹



Source: TOTVS analysis based on market estimates

Note:




- 1 Represents TOTVS' view on potential synergies which may not materialize as expected
- 2 Considers revenue synergies to reach ~R\$160 MM in the 4th year after transaction closing
- 3 TOTVS base case scenario considers 50% of potential annual synergies being realized in the 1st year post-transaction, 75% in the 2nd year and 100% from the 3rd year onwards
- 4 NPV calculated based on a discount rate (WACC – Weighted Average Cost of Capital) of 10.7%, in R\$, nominal terms
- 5 Considers transaction price @ proposed terms (1 TOTVS' share + R\$6.20); Considers TOTVS share price as of October 7th, 2020 (R\$26.95)



POTENTIAL OPEX SYNERGIES¹



TOTAL OPEX SYNERGIES ARE EXPECTED TO EXCEED R\$ 60 MM ANNUAL RUN-RATE WHEN FULLY CAPTURED^{2,3}




SOURCE	SYNERGY DESCRIPTION	ESTIMATED SYNERGIES
 SELLING & MARKETING SYNERGIES	<ul style="list-style-type: none">Product offerings are complementary, which allows to capture S&M synergies by selling different software to the same clients<ul style="list-style-type: none">Salesforce effectiveness and enablementChannel optimizationSupport structure rationalizationEfficiency gains on service implementation	R\$ 60 MM IN POTENTIAL ANNUAL OPEX SYNERGIES ²
 G&A SYNERGIES	<ul style="list-style-type: none">Expense reduction on Linx’s annual G&A expensesCost reduction from consolidating duplicative structures	R\$ 1.0 BN NPV OF POTENTIAL OPEX SYNERGIES ^{3,4}
 INFRASTRUCTURE SHARING, PURCHASING EFFICIENCY & TALENT RETENTION	<ul style="list-style-type: none">Leverage scale and procurement in direct/indirect spendAchieve reduced run-rate on IT infrastructure-related costs	

Source: TOTVS analysis based on market estimates

Note:

1 Represents TOTVS’ view on potential synergies which may not materialize as expected
2 Considers the Annual Run-Rate of expenses reduction
3 TOTVS base case scenario considers 50% of potential annual synergies being realized in the 1st year post-transaction, 75% in the 2nd year and 100% from the 3rd year onwards
4 NPV calculated based on a discount rate (WACC – Weighted Average Cost of Capital) of 10.7%, in R\$, nominal terms

TOTAL REVENUE SYNERGIES ARE EXPECTED TO EXCEED R\$ 160 MM ANNUAL RUN-RATE WHEN FULLY CAPTURED²

SOURCE	SYNERGY DESCRIPTION	ESTIMATED SYNERGIES
<div>  <div> CROSS-SELLING OPPORTUNITIES </div> </div>	<ul style="list-style-type: none"> Linx’s products are complementary to TOTVS and could be potentially marketable to its existing clients <ul style="list-style-type: none"> Linx Core → PoS, CRM, NFe, Connectivity Linx Digital → Commerce, Impulse Linx Core → TEF, Gateway, QRLinx, ContaLinx ...while many TOTVS’ solutions are also well-suited to Linx’s client base <ul style="list-style-type: none"> HR solutions Productivity tools & solutions Credit solutions Industry-focused ERP solutions (e.g: Fashion) 	<div> R\$ 160 MM </div> <div> IN POTENTIAL ANNUAL REVENUE SYNERGIES² </div>
<div>  <div> INCREMENTAL SALES FROM BROADER DISTRIBUTION NETWORK </div> </div>	<ul style="list-style-type: none"> Linx’s distribution channels <ul style="list-style-type: none"> Benefit from TOTVS’ franchises and 3rd-party distribution model TOTVS’ distribution channels <ul style="list-style-type: none"> Benefit from Linx’s retail channels and sales support structure 	<div> R\$ 1.3 BN </div> <div> NPV OF POTENTIAL REVENUE SYNERGIES³ </div>
<div>  <div> DATA ANALYTICS BASED ON AI / BIG DATA </div> </div>	<ul style="list-style-type: none"> Turn robust datasets into actionable business insights to drive new revenue and increase sales efficiency 	

Source: TOTVS analysis based on market estimates
Note:

- Represents TOTVS’ view on potential synergies which may not materialize as expected
- Considers revenue synergies to reach ~R\$160 MM in the 4th year after transaction closing
- NPV calculated based on a discount rate (WACC – Weighted Average Cost of Capital) of 10.7%, in R\$, nominal terms

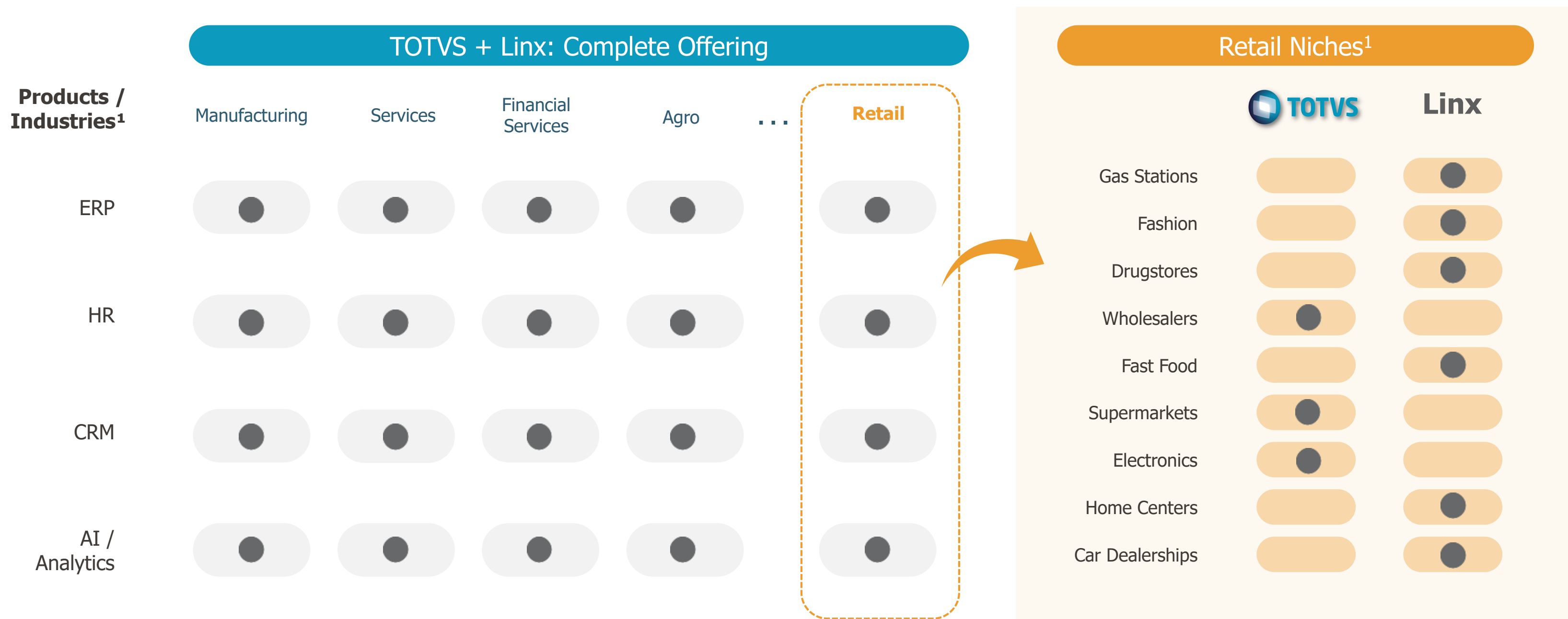


CORE: COMPLETE OFFERING WITH STRONG VERTICAL COMPLEMENTARITY

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ROBUST CLIENT BASE, MULTIPLE SOLUTIONS PORTFOLIO AND HIGH CLIENT STICKINESS AS IMPORTANT PILLARS TO ACCELERATE GROWTH ON NEW VERTICALS AND PRODUCTS (TECHFIN, DIGITAL AND OTHERS)



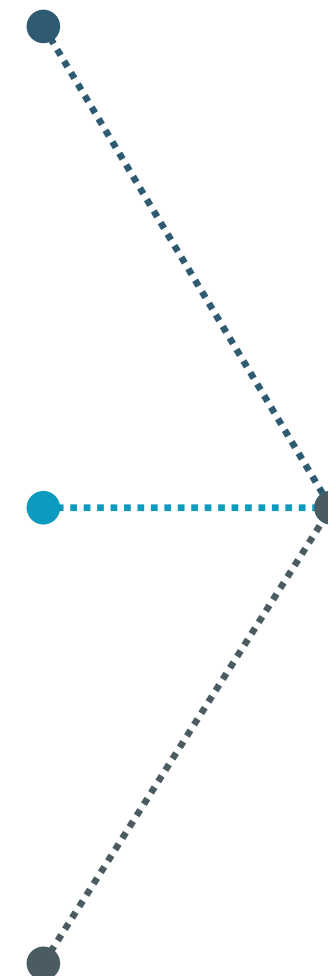
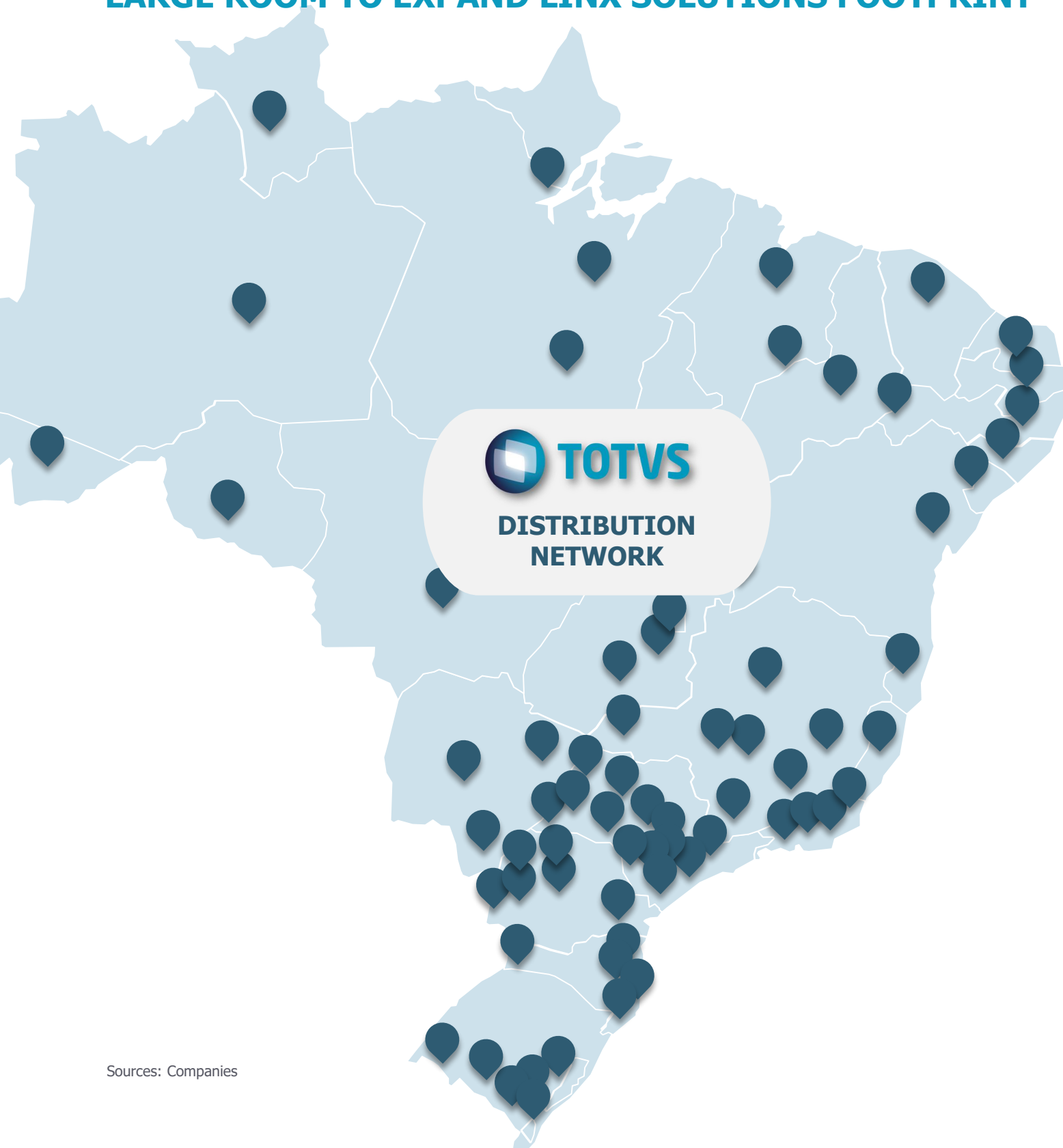
A WIN-WIN SITUATION BENEFITING FROM A LARGER DIVERSIFICATION OF OPERATING SEGMENTS, GREATER RESILIENCE AND A LARGE ROOM FOR CROSS SELLING OPPORTUNITIES



CORE: LINX PORTFOLIO WOULD BENEFIT FROM A SOLID SALES NETWORK



LARGE ROOM TO EXPAND LINX SOLUTIONS FOOTPRINT



Linx

- POS SOFTWARE
- ERP
- BI
- TEF
- MOBILITY
- E-RECEIPT
- CONNECTIVITY



TECHFIN: CREATING A ROBUST, DISRUPTIVE AND INDEPENDENT PLATFORM

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THE NEW COMPANY WOULD COMBINE THE BEST OF LINX'S PAYMENTS SOLUTIONS AND TOTVS'S CREDIT B2B PLATFORM



CREDIT-FOCUSED

ROBUST TECHFIN PLATFORM AIMED AT PROVIDING CREDIT AND FINANCING SOLUTIONS

CORE SOLUTIONS

- B2B Credit / Receivables Financing
- Payroll Loans
- Third-Party Payments Integration

CREDIT ECOSYSTEM

-  **Supplier**
TechFin platform focused on SMEs
-  **"TOTVS Antecipa"**
B2B credit offering to client base
-  **R\$1bn FIDC¹**
Structured approach to push forward lending efforts
-  **Partnerships for Payroll Loans**
Revenue share model with Creditas and Banco BV

Linx





PAYMENTS-FOCUSED

DEDICATED HUB TO DRIVE PAYMENTS INNOVATION IN RETAIL

CORE SOLUTIONS

- TEF / Gateway
- Sub-merchant Acquirer
- Smart POS
- Digital Commerce

PAYMENTS ECOSYSTEM

-  **PinPag**
Payment splitting solution
-  **payhub**
Entire unit dedicated to develop the payments business
-  **QR Code Partnerships**
Partners include MercadoPago, PicPay and Conductor
-  **shopbit**
SMEs solution fully integrated to Linx Pay Hub products

COMBINED

FULL-SERVICE PLATFORM

1

COMPLEMENTARY OFFERING

Benefiting from a robust TechFin platform and broad capillary in Retail payments

2

DIVERSIFIED CLIENT BASE

Opportunity to penetrate across a wide variety of verticals

3

INDEPENDENT AND DISRUPTIVE PLAYER

Agnostic API-based platform with scale to further invest in innovation

+

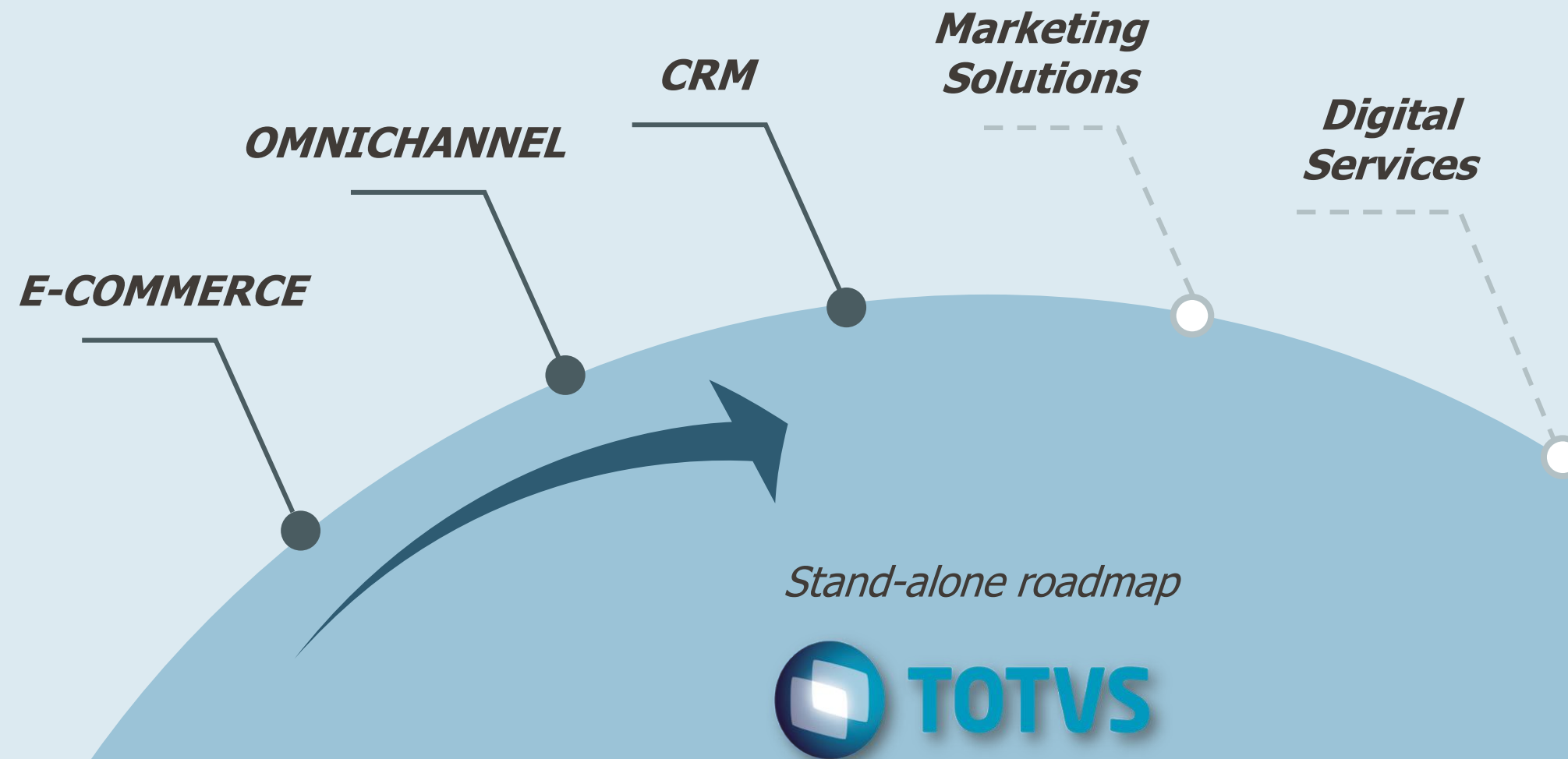
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Source: Companies

Note:

1. Fundo de Investimento em Direitos Creditórios (securitization fund)

BUSINESS PERFORMANCE: ACCELERATING OUR DIGITAL STRATEGY
A MORE COMPLETE DIGITAL OFFERING AT GREATER SCALE AS WE EXPAND OUR ECOSYSTEM



END-TO-END SOLUTIONS



EXPANSION OF TOTVS' DIGITAL ECOSYSTEM



CROSS-SELL OPPORTUNITIES



GREATER CLIENT RELEVANCE



FASTER GROWTH PROSPECTS