
Sérgio Sérgio:

Good morning, welcome to TOTVS's Second Quarter 2025 Earnings Video Conference. I'm Sergio Serio. I'm pleased to be here today with Dennis, our CEO; and Maia, our CFO.

As usual, we'll present the main highlights of the quarter, and at the end, we'll open for Q&A. If you want to ask any questions, simply click on the Raise Hand button at the bottom of the platform or use the Q&A button submitted in writing. The IR Relations team will address written questions afterwards.

And before continuing, it's important to note that forward-looking statements regarding TOTVS's futures performance are based on current information and assumptions. They involve risks and uncertainties and may cause many factors, actually may cause results too different from those expressed here.

And I turn it over to Dennis.

Dennis Herszkowicz:

Thank you very much, Sergio. Good morning, everyone.

We've been using this opening message to spark reflections that go beyond the numbers. This time, we chose to write about an illusion, that sophistication and simplicity don't go hand in hand. But in reality, as Leonardo da Vinci said, arguably the most famous polymath in history once said, simplicity is the ultimate sophistication.

We believe so strongly in this that we've defined our strategy in a single sentence. We want to increase our relevance to our clients. That may sound complex, expanding the ecosystem year after year with an increasingly comprehensive portfolio, but in practice, it's very simple to remain a trusted advisor for SMBs.

We're now living through a moment when practicing this sophisticated simplicity is especially important to our clients, the tax reform. For companies, over the next few years, it'll bring added complexity to the business environment and require more investment in digitalization, and we will benefit with more efficient management and greater technology readiness.

For TOTVS, this means greater proximity to clients, more competitive differentiation, and a new cycle of growth. On July 22, we announced the acquisition of Linx. We've always believed that its place was here at TOTVS, and we've always said we would remain disciplined. We see many opportunities and a company that will fit in very well. TOTVS is everything, everyone. That's why we welcome Linx with open arms.

Moving on to the results. **Slide 4** shows a strong second quarter. And once again, ARR additions were solid, growing 25% year-over-year, driving the accelerated growth of management SaaS revenue and RD. This resulted in recurring revenue, our most valuable and profitable revenue, accounting for over 91% of total consolidated revenue.

Looking at operations efficiency our numbers continue to improve robustly. The 23% year-over-year EBITDA growth with a 120 basis point margin. And an impressive over 50% growth in adjusted net income are clear examples of our disciplined execution and operational leverage. Another example is the 350 basis point year-over-year increase in ROIC.

And now, I turn over to Maia. She will comment on the different business units. Starting on **slide 5**.

Gilsomar Maia:

Good morning, everyone.

The ARR for the management unit reached BRL5.4 billion in Q2 with net additions of BRL191 million, 30% higher than the second quarter of 2024, and once again, driven by strong new sales volume to both existing and new clients.

In addition to high NPS levels and TCO optimization, portfolio expansion continues to be one of the main drivers of sales growth. This quarter, we launched TOTVS Tax Intelligence, a cloud-based solution that helps companies identify potential impacts of the tax reform on their operations and also plan management.

This new solution contributed approximately BRL20 million to the net ARR additions for the quarter, and this is a first step by TOTVS in supporting its clients on topic of tax reform. Recurring revenue for the quarter grew 20% year-over-year, driving a 17% increase in net revenue from management unit over the same period.

And once again, we highlight the combined demand for SaaS and T-Cloud solutions, which led to a 25% increase in revenue this quarter. The operational leverage resulting from this revenue growth led to a 20% increase in EBITDA and a 7 basis point year-over-year expansion in the EBITDA margin, which closed the quarter at 26%.

And now, moving to RD Station on **Slide 6**. The 19% year-over-year growth in net revenue reflects, for the most part, ARR additions from recent quarters, which continue to be driven primarily by strong sales performance. This progress in our strategy to migrate to a more robust multi-project model has shown promise and was reflected in the rebound in retention rate this quarter. This is the first positive result for this new approach, which is likely to lead a structural and sustained improvement in future periods.

Quarterly EBITDA more than doubled year-over-year, representing a significant gain in operational efficiency with a 560 basis point expansion in EBITDA margin. This performance mainly reflects these gains from revenue growth, as well as progress in integrating acquired operations with TOTVS itself.

Moving on to Techfin on **Slide 7**, this year-over-year growth in net funding revenue is mainly tied to the performance of credit production, which grew 60% over the same period. On the other hand, the increase in funding cost above revenue growth is mainly due to the higher share of third-party capital in the funding structure as part of the ongoing optimization process.

In Q3, Techfin will take another step in optimizing its funding structure by settling suppliers' original FIDC and replacing it with a new private FIDC, along with the exclusive FIDC with Itau and other instruments. This will provide Techfin with a more flexible and optimized funding structure to support its growth.

Adjusted net income in Q2 '25 was 2.8x higher than in the second quarter of '24 for the YTD and it was 4.5x higher than the first half of '24. This performance was driven primarily by revenue growth and reinforces the consistent pathway of improved profitability, even as we continue investing in building new offerings.

Now I turn over to Sergio for the Q&A session.

QUESTION AND ANSWERS SESSION**Sérgio Sérgio:**

Well, thank you very much, Maia.

I would like to remind you of the recommendations we made at the start of the call. If you would like to ask a question, please keep your hand raised by clicking the button at the bottom of the Zoom and then open your microphone.

So, the first question today is from Gustavo Farias.

Gustavo Farias (UBS):

I have two questions on Techfin. I wanted to discuss a little bit about the changes in the funding structure, as you commented in the beginning, what will be launched, what has been done thus far. Could you comment a little bit more about it?

And number two, since we're talking about this, I would like you to comment on new Techfin and integration launches. Thank you very much.

Gilsomar Maia:

Starting with the funding structure, I'd like to remind you that since the JV creation, the Techfin team has been working with this optimization. If we go back in time, we will see that with the Techfin creation, this led to greater capacity and flexibility. We have some commitments. And in the case of Itau, it's also part of Techfin, and this has somehow addressed funding in a more definitive manner, and enabled Techfin to work with other alternatives that we didn't have in the past.

So, we have different windows, and there's always some level of mismatch in terms of volume and funding volume for the credits we make. So, we have some level of inefficiency. As we have more access to Itau's funding, we have more alternatives, and we've discussed different situations that we've been exploring, we have explored specific situations where we anticipated the end of some periods and we count on partners from Techfin.

And now with the FDIC, which has been closed, and I think we've been working with it for some three years now. We will be working with approximately BRL1 billion in the original supply, and this will enable us to have better rates. And also give more possibilities for Techfin in terms of funding, and it also counts on other instruments.

We have the floating debt results from the receipt date, and then the time debt we pass it on to our partners, and it enables us to optimize our capital. In the third quarter, we will not be able to capture all of our efficiency, but it will become clearer to us all.

Dennis Herszkowicz:

Wonderful, Gustavo.

Regarding the adoption of new products, it's moving very well. We can see growth in these new offers in a very consistent manner with products that were created since the end of last year, as for instance, the intra-chain and the relaunch receivables. We've had significant growth, and our launching schedule for new products is very intense, especially now in the second half of the year and in '26 as well.

Techfin now has an execution plan for the launching of these new products, including digital

accounts, and it's all very clear, and the level of execution is following everything that we had imagined. It's important to note that, the context of the launching of these products is a new one. It is different, and the history of the financial panel, for example, it's changed. And what we are developing in terms of these new products includes contextualized journeys, as we call them, with a lot more intensity and volume for these journeys.

Today, we are very confident that this is the right way to go for the RD banking that we are creating and everything is going fine as anticipated according to what's already been launched.

Gustavo Farias (UBS):

Well, thank you very much.

Sérgio Sérgio:

Next question from Tomita, from Goldman Sachs. Tomita, your mic is open.

Vitor Tomita (Goldman Sachs):

Good morning, everyone. Thank you for taking these questions.

I have questions regarding RD. This quarter you had a good recovery and renewal rate of RD, but could you talk a little bit more about it and how the expansion to multi-channel is going to take place and how this has evolved? And the second question would be on the RD market, how do you see the evolution in terms of general demand, competition, how are you positioned here?

Thank you very much.

Dennis Herszkowicz:

So, thank you, Vitor, let's start. So, let's start with the renewal rate. We insisted on highlighting this point. We had two quarters where we saw oscillations in the renewal rate. During the past quarter, we said that although this was not desirable, it was something expected when you're within a transformation process which is significant, and the RD is undergoing this moment and we're going towards the best moment.

We no longer depend on one product, on one I see the ideal customer profile and unique go-to-market. Therefore, one only distribution platform to multi-product. RD has a great amount of products available for customers, our customers, our partners' customers.

We have over one ICP and one of the new ICPs is the average ICP from TOTVS. And we, in reality, have a new go-to-market that is also based on TOTVS field sales. So, this is an extremely robust and prepared RD, and we will grow even more than what it has grown, and it is more sustainable and more profitable. Therefore, I believe that with the recovery of the renewal rate, the RR went back to BRL30 million. This is a good signal, actually.

Now, we may see other fluctuations throughout this process. We insist on saying this is a good signal, but it's just the first signal. We do know that throughout this journey, we may see certain oscillations, mainly when we analyze the different quarters, but we are extremely reassured that this is a sound RD and everything that we are building is extremely sound.

Now, regarding the market, the market is favorable. We see a low level of penetration of the solutions, the RD market, what was called business performance in the past, everything that

is connected to helping the customer to sell more. This is a market that is more fluid than the management market, so changes take place at a greater pace for the good and for the bad.

So, what we've seen is things are going towards the good. We've been able to spearhead something that we call new waves of product development. The conversation waves based on WhatsApp. Well, this accelerated growth significantly, so what are we doing now?

What's the new wave? It's a combination of AI executing tasks for our customers, but also mainly we build journeys within a context. Like I mentioned in Techfin, there's a context according to segments. TOTVS management knows what the dynamics of each segment of the economy are like. We are very savvy in this. This knowledge did not exist within the RD.

Today, we're combining the sectorial knowledge with the RD portfolio solutions, and in our view, we see a new wave of demand, of growth, and this is very important. So we are extremely reassured and excited. We know that there's a big market and a lot of space to grow within RD.

Vitor Tomita (Goldman Sachs):

Thank you very much, Dennis.

Sérgio Sério:

Thank you, Tomita. Our next question, Silvio Doria, from Safra. Silvio, you have the floor.

Silvio Dória (Safra):

My question, if you could elaborate on the expectations of the new product launched during this quarter, TOTVS Tax Intelligence, the ARR expectation, and in the BILCAS [ph] headline, you spoke about the Dimensa profitability. Could you share with us what your view is regarding this business?

This would be, we would be very thankful.

Gilsomar Maia:

Now, starting with TOTVS, Tax Intelligence, as I said, this is step number one. This is going to follow the enterprises of our customers for 10 years, because this is a transition period.

So, during the first moment, this helps all the enterprises, and the customer will be able to identify how they will be impacted in their operation. And based on this, they will start seeing what they can do in terms of operational changes and even in terms of pricing.

So, yes, it is a product that was extremely welcomed by our customers. There is still a period where the enterprises are digesting what is new in the tax reform. And this is something where we harness the TOTVS universe to pay attention to the tax report, and through TOTVS, through this product, we've shown demos of these products to our customers, and the reception was excellent.

And throughout the quarter, there were a number of trials, and now it is becoming an ARR in the turnaround of the quarter. So, right now, we don't want to do any type of projections, but we are very reassured in terms of what will happen. Because this way, we can be close to our customers and help them.

Dennis Herszkowicz:

Just an add-on here, the tax reform, as Maia just stated, it is a major opportunity in the broad sense. It's not only launching TOTVS Tax Intelligence, all products here, an acronym. This is TIT, but the reform is a great driver of enterprise digitalization.

In our quarter's message, we insisted in highlighting this point, that it's a cycle of years. During the first years, we will see additional complexities, because we will have two models operating simultaneously, then we will simplify this, which will be positive for the country.

But until we reach this point, we will have a lot of complexity. But for us, this is a great opportunity for business. But not only this, but because we will become the trusted advisor of our customers.

Now when we talk about Dimensa, we are highly satisfied with the performance of Dimensa. I believe that during Q4 of 2023, we saw the lowest point of the operation, and then we performed a number of adjustments. This was over a year and a half ago. We said that we were reassured that the business would rebound, and this is exactly what we saw. The performance of the business is positive, with growth, profit, with cash generation, executing extremely valuable M&As.

The last two Dimensa M&As, Quiver and Agger, well, they spearheaded a segment that is the Insurance segment, capturing different moments of the journeys within the insurance market. So Dimensa is thriving. The new CEO is a person with lots of experience in innovation. He is savvy in the market and customers were highly satisfied and confident.

On the other hand, Dimensa was a spin-off from TOTVS because this was an operation that didn't have any type of synergy with the rest of the company. This is why we had this spin-off. This has not changed.

Dimensa continues being an excellent business with an excellent value, but with no synergy with the rest of the company. This is why it operates as an autonomous, independent enterprise. This is why we have a partner in this business.

Silvio Dória (Safra):

So, this was clear. Thank you very much for answering my question.

Sérgio Sérgio:

Our next and last question, Bernardo from XP.

Bernardo Guttman (XP Investimentos):

Thank you very much. Good morning, Dennis, Maia, Sergio.

I have a question regarding Linx, but I want to connect it to the business management. I believe that the closing will take some time because of the regulatory process, but I want to see what has changed at TOTVS in the short run from the organizational, commercial point, and efforts in products.

And thinking about M&As, what is your pipeline throughout this period? Is there a certain appetite? Is there any financial benefit? Is there any financial reason why you will not go to new investments?

Dennis Herszkowicz:

Let me start with your last question. Well, limits, we always have limits. TOTVS as any enterprise has a financial limit and an execution limit, but I would say that the acquisition of Linx did not touch either the financial or operational limit.

So, what we do here with M&A, it is as intense as it was in the past. Therefore, we have a number of important opportunities ahead of us, so I don't see Linx as a hurdle, although it is a relevant transaction for us.

Now, regarding what can change, what has changed, very little, actually. We initiated a process that came from some time ago. This didn't appear from day to night. We were aware that if we would have Linx, our Linx within the retail market would be different. We would have something that would complement the retail subsegments.

And naturally, from this new opportunity stemming from JV, Techfin, we always said that if we didn't have a relevant presence in retail payments, we wouldn't be as relevant. The day that Linx is part of us, well, this will gain additional relevance.

In the same way, RD, we've seen a fit or a match within all these solutions. There's a great match. So, yes, certainly when Linx is part of our company we will have new developments that will focus more on the retail market. When we think about management, I don't see major changes here.

What I see is a major opportunity in synergies, like in costs in our back office, but mainly from the revenue point of view. We do know that Linx has products that complement the TOTVS product, but Linx has a distribution platform that is not as sturdy and disseminating as TOTVS. So bringing this to our distribution will create a number of opportunities.

We also have a portfolio at TOTVS that goes beyond ERP. This is only speaking about management, so we see our human capital management. When we see a product like Fluig that is a workflow, when we analyze, for instance, all the cloud opportunities and AI, TOTVS is in the forefront when we compare it to Linx.

And there is no doubt that the Linx customers, as soon as the antitrust agency approves this, there is no doubt that these products and the integration of these products will provide excellent opportunities to Linx customers which are not available.

Bernardo Guttmann (XP Investimentos):

Thank you, Dennis.

Sérgio Sérgio:

Thank you, Bernardo. We're going to take another question from Cheng. Cheng, your mic is open.

Felipe Cheng (Santander):

Good morning, Dennis, Maia, Sergio. Thank you for taking my questions.

I have two questions. The first one is could you talk a little bit about the dynamics of the working capital, because they were a little bit worse than what we had in the recent past?

So, I would like to understand what the best alternatives are for the second half of the year? And if you think that the working capital will improve.

Also, regarding the margins, we continue seeing a good situation of margins in every segment? And I would like to know if this is going to remain the same for the second half of the year, and if the de-acceleration will affect or not your expectations for the margins in 2025.

Thank you very much.

Gilsomar Maia:

Well, thank you, Cheng. This is Maia.

I will start with a question on the working capital. The working capital was impacted by two aspects. First of all, at the end of the second half of last year, we had a higher concentration in the market and parts of the receivables were seen in the third quarter. It was recovered, but it hasn't been totally recovered yet, but a large part of what went on from the first to the second quarter has already been balanced out.

Also, regarding working capital, and we mentioned that we had payments of contracts related to contracts we made after good negotiations, I would say, especially in technical support. So, we obtained good conditions, but of course, that is also related to payments.

From a financial point of view, an economic point of view, it made a lot of sense to us, but it led to anticipated payments. And that affected the working capital in the beginning of the year.

From a structural point of view, I don't really see any changes in the company that will make us look at them in terms of closed year and the working capital of the company. This type of payment related to infrastructure have these levels, and sometimes there are specific aspects, but they do not affect the working capital.

Dennis Herszkowicz:

Regarding the margins, I think that this is really what we've seen. And last year, we'd already been discussing that according to the dynamics of the inflation rates. And if they were solved, and they were, we could sustain the growth levels that we had, and this margin would expand.

And once again, since the second quarter of last year, this is what we've seen. And today, there's nothing in my panel that will show us that this dynamic is going to change looking into the future. But naturally, this is not a guidance or an indication, but the dynamics we see and the mismatch of inflation, if it doesn't happen, and it's streaming the other way around, according to what we've seen and according to IPCA, the ARR has also been very healthy.

We have a very good pricing capacity and the combination of all this, along with a very disciplined management, the math seems reasonable, simple in this case.

Felipe Cheng (Santander):

Well, thank you, Dennis, thank you, Maia.

Sérgio Sérgio:

Thank you, Cheng.

I would like to thank you all for your questions and before turning over to Dennis for his final words, I have a request to make you. At the end of this video conference, we're going to have a satisfaction survey, which will appear on your browser immediately and we would just like to have very quick feedback, so that we can improve our communication with you.

I thank you for your participation and now I turn over to Dennis for his final words.

Dennis Herszkowicz:

Well, thank you very much, Sergio.

I would like to wrap up by thanking you all. This first quarter had good results, undoubtedly, and I hope that we can keep the same pathway in the future.

Thank you very much and I see you in November.