

Sérgio Sérgio:

Good morning. Welcome to the earnings video conference on first quarter, 2026.

I'm Sérgio Sérgio and here with me we have our CFO, Maia, to present our quarter highlights. And by the end we'll have a Q&A session.

Before starting, it's important to remind that forecast on TOTVS's performance are based on current assumptions. They are risks, uncertainties and many factors can change the company's results that may differ from the expectations presented here.

Now I give the floor for Dennis on the **slide 3**, that will start the presentation.

Dennis Herszkowicz:

Okay. Thank you, Sérgio. Well, good morning, everyone.

Well, TOTVS's performance on this quarter, as in the previous one and during the full year of 2025 reinforced a practical contradiction when we have an imbalance between expectations and reality. Since February 2nd, our future has been fitted in the same bin of the "software market" in the whirlwind of the "SaaSocalypse". With the ongoing records on new sales, revenue, EBITDA and basically any other financial indicator, operational indicator that is relevant. They keep showing quarter after quarter that we are and will keep being quite far from that situation.

TOTVS has never had a peer. It has always carved its own path and created its own unique DNA.

As we like to say here, we have always stayed the same by always being unique. It's not and it will not be different with AI.

To show our highlights for this another strong quarter on TOTVS, I will give the floor to Maia that will go with the presentation with **slide 4**. Maia, please.

Maia:

Thank you, Dennis. Good morning, everyone.

Before starting, I want to give you a reminder. With Linx's acquisition on February 27, the consolidated balance for this first quarter includes Linx's results only for March. So to ensure comparability with previous quarters, the consolidated's results and the Management's results that we will present exclude Linx's March figures. That said, let's talk about the consolidated results.

As it was mentioned by Dennis, we started 2026 with a performance confirming our consolidation of the business. Our consolidated net revenue achieved R\$1.6 billion, a 16% growth year over year and a 6% growth quarter over quarter. An important sequential growth when facing the 3.3% of the fourth quarter. Another important investment was the SaaS revenue that speeded up its growth 24% against the 22% of the fourth quarter.

The first indicators results show that our clients' demands are still robust and they confirm our excellency on execution.

Adjusted EBITDA grew 24% year over year and 11% quarter over quarter, totalizing R\$ 455 million. The EBITDA margin reached a record of 28.5%, an important growth on 200 basis points year over year and 140 basis points quarter over quarter, with an operational leverage coming from the recurring revenue that today represents more than 91% of our revenue. The adjusted net income achieved R\$252 million with an EPS growing more than 21% year over year.

Now going to the Management's results excluding Linx's figures, **slide 5**. Growing demand and amazing sales engineering conversion rate capacity brought organic net revenue reaching R\$236

million for the quarter, highlighting the cost additions that grew more than 30% year over year, compensating the price adjustment on contracts due to the reduction on the interest rates.

The net revenue grew 16% year over year, suppressing R\$1.4 billion boosted by the size revenue that grew 25% year over year.

As a consequence of this performance on cost efficiency and expenses efficiency, our EBITDA margin increased 200 basis points year over year and 140 basis points quarter over quarter, reaching 30.2%, our quarter record overcoming this barrier of 30% of margin for the first time ever.

Now talking about RD station, as we can see on **slide 6**, our ARR advanced 22% year over year and 7% quarter over quarter, reaching R\$689 million. So, the SaaS revenue grew 21%, an acceleration facing the 18% growth in the previous quarter, contributing to a 15% growth on net revenue and 240 basis points on EBITDA margin, closing the period of 14.4%.

This strong trend on RD recovery shows our operational and financial discipline, and our synergy materialization. TOTVS's entry in this market in 2019 represented a big bet not only on the borders that we had, but our conviction that we are sure that putting those fronts together will bring great synergy, and even better results to our clients, mainly on SMB business. 6 years after this strategic movement, we've reached a very intense level of product interaction and a strong focus on go-to-market, putting together digital inbound and outbound sales. What allows starters to extract more value from this operation.

Now let's talk about techfin, **slide 7**, in spite of the challenging scenario the credit market, the credit production reached 3.3 billion, what became stable in the funding revenue, and the net funding revenue grew 11% year over year, reaching R\$98 million, highlighting 34% growth, showing the growing adoption on the cash management services by our SMB clients. In summary, we kept our rigorous focus on risk management and portfolio quality, what took us to a result close to the break even of the adjusted income.

Now **slide 8**, please. As we always reinforce, Linx's is a unique asset. And with the acquisition by the end of February, we've consolidated our undeniable leadership on Brazilian retail. What we could see on the first two months of integration confirms our original perspective of complementarity on a customer base that finds a perfect strategic fit.

Specifically on this quarter we present Linx's figures segregated, so that we bring total transparency to the transition process. But the integration plan is running fast, and consequently, from the next quarter Linx's results will be a 100% contemplated on the Management's results.

After ending the acquisition, we did a rigorous work on accounting adjustments. And the current adjustments were expected, and they were centered on three points: (i) strong reduction on intangible assets on software development (software CAPEX). Consequently, increase on research and development for OPEX; (ii) provisions reinforcement for expected losses; and (iii) reinforcement provisions for contingencies. Those adjustments are already reflected on the quarter Linx's results and they will be used to present data with TOTVS from the next quarter, so that we can compare them and measure our organic development.

Aside from the recent performance of Linx's below pre-pandemic results, what was expected, after two months of Management, we could ensure that our essence, our retail expertise, customer base, products and assets are the same intact. So, our trust on the ability to generate value increased. Results show a starting recovery on EBITDA and a small nominal grow on the recurring revenue for 2025. This trend speeded up on 2026. The March analysis shows an important recovery.

So, analyzing our Linx's financial involvement, we evolve from R\$40 million on 2023 for more than R\$105 million on 2025. And the oscillations that we can see on the fourth quarter of 25 and this first quarter, they reflect specific changes on the post signing transaction and they do not compromise the financial health, nor operational efficiency and cash flow.

We are here just in the very beginning. There's no barrier for Linx to come back to the historic levels close to what we are delivering today as TOTVS. And now, within a structure that is much more scalable, this synergy will take these operations for another level of profitability.

Now we go back to Dennis, so that he can finish his message from **slide 9**.

Dennis Herszkowicz:

Okay. Thank you, Maia.

So, to close our presentation, I come back to release message. We need to imagine reality on 2030. It's not that far, right? So, basically the first five year cycle on trillions of investment for computing capacity that was starting 2025 was successful, but it was uneven. After an initial period of decoordinated consumption, on trial and failures, the last three years consolidated the corporate consumption integrated and secure. On the critical process management, linked to the ERP, this change was a game changer between success and failure. At Brazilian SMB, our work as trusted advisors allowed to implement thousands of agents that run the most range of tasks, increasing efficiency to a new level and allowing entrepreneurs to focus 100% on their car businesses. Through the T-Cloud universalization, our clients ensure data sovereignty and security continuously generating value.

It's important to comment the context and the path this 2030 reality will build based on. To understand the AI economy, we use on **slide 10** the concept of five layers from Jensen Huang. The first base layers — energy chips, data centers and LLMs models — represent what we call "infrastructure offer". The AI initial impact was there, but for that investment to bring the expected return, it's necessary that the top layer, I mean the applications layer, especially the corporate ones, to grow consistently. And it will grow by agents. For the first time, software will not be only a human tool, but now it will perform tasks. There is a real opportunity to replace a relevant part of this expense by AI agents.

Who will conquer this market? Well, we analyze this context in the software management world on **slide 11**. So as we can see by criticity, agents demand accuracy above 99.9% on most cases, maximum security all the time expertise and massive access to sectorial data and evolution capacity, and of course, competitive costs. When we assess the capabilities, we see that clients trying to develop internal solutions, what they call DIY ("Do It Yourself"), they do not have it for SMB; startups are facing challenges for massive access to data, and of course, scale as well; and the owners of LLM models, they do not focus on the industry and they do not have expert data as they are based on "AGI", The Generative AI. The dominant software players like TOTVS itself, they have data — the fuel for accuracy — expertise on security and governance, total focus on ongoing evolution and the necessary scale to keep those competitive costs. Still on TOTVS's context, there are two important elements: (1) the more critical a task is, the slower will be the replacement for AI agents; and (2) in the same line, SMB is slower than large enterprises.

There is a final point here: there are two types of AI Native revenue in the enterprise application layer, which today, according to researchers, there's a total ARR of only U\$12 billion. The revenue which we call "the middle", linked to the development of tools, and the revenue that we call "end", linked to the actual consumption by agents. Currently, only 25% of this small ARR, or 0.2% of the total global software market comes from the "end" model, which is where management software operates. This is where the narrative is far ahead of reality.

Finally, on **slide 12**, we reanalyze the TCO and TAM figures. If the original addressable management market represented a value of 1x, T-Cloud has already expanded it to 4x by absorbing the environment. Now with LYNN, we are advancing to the task layer, which expands our TAM from 4x to up to 19x at the end of this process, with the TCO, obviously dropping, from 25 to 19x.

There is also a connection between the 3 TCO and TAM circles. This is important to address a market concern: that the central circle of the application may decrease in size due to the eventual reduction

in the number of users. It's important to say that at TOTVS we have different billing models in the application and in the cloud, which go far beyond the number of users. Even more importantly, any eventual reduction in the application circle, which is worth 1x would only occur if AI replaces human users with agents, which in turn results in a significant increase in the TAM, which is worth 15x within the task layers. LYNN is the foundation on which we are building the entire agent offering. It is where the scenario up to 2030 is materializing, starting today.

Strategically, TOTVS is already much larger than it was six months ago. The integration of Linx has added R\$1.2 billion in revenue and an additional R\$200 million in EBITDA with clear synergies while we divested assets where this alignment did not exist, such as Dimensa. Today, we are taking this opportunity at this moment to also announce the official launch of our IaaS ("Infrastructure as a service") offering on T-Cloud. This is another market expansion and a new tool to increase our take rate. Our customer base is eager for cloud and AI solutions that simplify their operations. We build unique differentiators in product pricing and go-to-market. The IaaS will be yet another driver for the universalization of T-Cloud, the main AI enabler at TOTVS.

With that, we would like to open the floor for questions. Sérgio.

SESSÃO DE Q&A

Sérgio Sérgio:

Thank you, Dennis.

Guys, as always, we will have our Q&A session now. If you wish to ask a question, all you need to do is use the button on the zoom to raise your hand. We will call for your name and enable your audio and after that you are good for your question.

The first question that we have comes from Felipe Cheng, from Santander. Felipe, go ahead.

Felipe Cheng (Santander):

Thank you and congratulations for the results, Dennis, Maia and Sérgio.

My first question is relating to the software as a Management margin, which was the element that most positively surprised me for this result. We're seeing that despite several different headwinds related to the impact of the mismatching of IGPM and IPCA, and the corporate model that might even cooperate a bit less this year compared to last year, you are still showing an expansion ratio of margin that is quite significant. I think you're able to break that 30% margin of EBITDA. So, I wanted to understand a little bit when it comes to its sustainability going ahead to try to understand a little bit what were some of the drivers behind this strong expansion they were able to see last year. So, is there any AI contribution going on internally TOTVS here? Has that been a driver for the expansion of this margin? If yes, so are we to continue to see this rate of margin expansion going ahead towards the future? That's my first question.

The second question is related to the launch of the IaaS. As you have just mentioned, Dennis. If you can go over a little bit more about the size of the market and eventually if there are some investments that are going to be made here to be able to make this operation work.

Dennis Herszkowicz:

Thank you, Cheng.

So, let's go bit by bit. First, relating to the margin here of Management and, Maia, if you want to chat, feel free to do. So, in terms of that margin, that is a type of movement that has been going for quite some time. As the growth remains strong, especially a growth that is focused on the revenue,

which is the recurring revenue. Within our business model, this type of growth creates an operational leverage that is extremely important. So, it is quite normal that as we continue and we keep the growth, we have the margin expansion. As we do not see the ARR standard changing, now at least currently on our control panel we're not seeing that, so I would say that yes, this type of margin dynamic of growing margins in relation to last year is showing all the elements to continue to move forward. So, we are very confident that such a dynamic is going to remain strong.

Now, if there is an AI as a driver here behind this expansion? I'll say that of course there's definitely AI here. Both from the point of view of revenue and we have, since last quarter, commented a little bit on what you usually call the "AI enablers" as the consumption of AI agents, which is something that is still very incipient. But AI has its enablers and that has a very concrete impact in growing revenue, which is the main expansion driver for the growth of margin. But it's not only that, within the expenses we are also seeing the concrete impact of AI. It is an impact that is changing the curve? I wouldn't go that far. It doesn't really affect the curve that much, but there is a lot happening right now. We already have, for example, agentic squads within our P&D, we already have an AI insertion, for example, within the customer support, which is a very relevant expense for the company at a large scale. We even have, as it was said to the press earlier, the use of AI in order to reduce TCO, especially within the implementation processes that happen for the customers most of the time helping to reduce in 40 up to 50% in the necessary time for executing some tasks. We also have AI inserted within our commercial activity, not only to create more efficiency and productivity, but also to sell more. We have a huge product portfolio. So, when you are aware and you're consistent, and you have a good standard applied for what we're calling the "offer funnel" of products, it makes a huge difference in our commercial execution. So, yeah, I'll definitely say the AI is very much present and it is a presence that is going to be growing even more.

Now, in regards to your second question, regarding the IaaS, we don't have an expressive number when it comes to the TAM expansion, but we do believe that it is quite significant and I'll tell you why. Our cloud offer up until this point is an offer that is regarded to PaaS, our Platform as a Service, which means that it is an offer which are very specific purpose focused on our applications. But what we've seen in the past few years, especially with larger customers with a better sophistication level, is that although they loved PaaS and they do recognize the differentiators competitive wise in regards to our application, they still wanted to have different loads happening alongside PaaS. And we didn't have that availability in order to accept that. We have been saying for quite some time that we are seeing that demand from the customer side of things, but we were still looking for an angle. A format in which we could have a competitive edge that was similar to some of the things that we have built along these years with PaaS. So, we finally reached the point in where we found those differentiators and we were able to find and combine themes like personification, catalog, the go-to-market, the profile of some of the customers that we're going to work with and we were able to launch this. And the amount of loads that the customer can have with us eventually would be even larger than the loads related to PaaS. So, again, it's a huge opportunity. We will continue to leverage this opportunity right now and it does have an aspect to it that is also quite interesting that we mentioned, which is that for those larger customers with a better sophisticated leverage, sometimes they ended up not migrating to our PaaS offer precisely because we do not have that IaaS and they had to break some of the loads. When we are now offering the IaaS, we are now basically able to reach and have the opportunity to truly universalize T-Cloud within our customer base. Always keeping in mind that that is the main AI enabler. So, as you can see, it's many different pieces in which we are trying to gather and collect them all at once. So, from the commercial point of things and from the strategic point of things, is definitely something that is really interesting.

Felipe Cheng (Santander):

Perfect. Crystal clear. Thank you Dennis. Once again, congratulations on the great results.

Sérgio Sérgio:

Thank you, Cheng. Next question, Livea Mizobata from JP Morgan. Livea.

Livea Mizobata (JP Morgan):

Hello, everyone. Good morning. Maia, Dennis, Sérgio, thank you so much for opening up for the questions.

I have two. First, regarding to the Management's gross level here that you mentioned. If you can mention about the drivers, that was very strong for the first quarter, and how much we can see within those numbers coming from Cloud, from LYNN and also from the tax reform. Because we also had an impression throughout the release that by adding new customers also improved a lot. So, if you could also tell us about the proportion of sales between existing clients and new customers, and how it has evolved so far.

And my next question is regarding Linx. We see that the margin for March has a good expansion trajectory, so we grew 4.2 percent in quarter over year and even has a very relevant gain regarding to the full first quarter. So, it was very interesting for us to be able to see the growth trajectory here. So, what do you imagine going forward? Where do you think that we will be at the end of 2026? If you believe in the convergence deal with margin with TOTVS and how fast you believe that it's possible to converge with the Management segment. And, if you could also maybe share a little bit of the expectation of the growth curve for Linx now that is rolling out within the TOTVS's platform. I know that in March you had a good number so far, but if you could give us a bit more details about the next of the year, that would be great. Thank you.

Dennis Herszkowicz:

Thank you for your question.

I will start with the first one with the gross and Maia will comment on Linx.

Well, the gross edition was excellent on this first quarter. We've reached all revenue, overcame all records on the company's history. And the fourth quarter is always a seasonally more challenging quarter on the new sales perspective, because there is a lower amount of work in business days, we have carnival here in Brazil. So, for the sales process itself, it's always a more challenging quarter. Where does it come from? Well, it comes from a combination of all the elements that we've been mentioning for a while and, as I said during the message, it seems that on February 2 people thought that those elements were not there anymore. That's why we want to reinforce that they are there. Robust demand from the market and clients. Clients' lives keep demanding that they evolve on their management systems. They keep having tons of things to do and almost everything they do goes through our systems. It didn't change and we are pretty sure that it will not change. So, in one hand we have demand and, of course, competitive strong differentials. A portfolio that's always growing, we've just launched IaaS, a great business. A unique distribution platform, there's nothing similar to this TOTVS's sales engine, and the sales engine is changing a lot on the last periods. Adding this digital inbound capacity that the RD and business performance is bringing. Adding, as I said, AI within the processes, generating not only cost efficiency, but a sales conversion rate that is also higher. And then I link to your second question. Well, you're sure new names are becoming more and more relevant. They will not be as relevant as cross-sell and up-sell sales, mainly because of our size. But the new clients are becoming more relevant for a simple reason: we work every day for so long to reduce TCO, the "Total Cost of Ownership" on our own solutions. What direct impacts, not only new sales, but mainly those new sales for new brands. The more we have an implementation process being lean and less costly, we will be more competitive with those new sales mainly for new brands.

So, everything is connected, linked to keeps, you know, full steam ahead. All the elements that we've mentioned for several quarters, they are there intact. There is no element, not a single one that shows that anything like that will change now or in the future.

But, please, Maia. About Linx.

Maia:

Well, Livea. As for Linx, when we look to 2026, so we have the first quarter and March opening when we started. So by exclusion you have visibility on how January, February were. And then comparing to March, it shows clearly that March was a stronger month both in top and bottom-lines. This is a reality in our market. Usually January and February are weaker months comparing with March, because it's the beginning of the year. In the retail industry it's even stronger the situation. So March ends being quite different from January and February.

In general, as you said, the first quarter shows an advancement when comparing with the fourth quarter of 2025. Well, March was our first month managing it. But we can not think that there was too much interference, we did what we could do in the first month, of course. What I could tell is that April was even better than March in the commercial dynamics. As I said, we are just in the very beginning. Only two months managing the operation, but there is a very important aspect and is important to reinforce: the very nature of Linx's operations is like TOTVS's Management operations. The core of the business is the same, the business model is quite similar. So, everything is quite similar to what we've been doing for Management. So, integration is going fast due to these similarities. We talk the same language, you know, we know what we do. Well, Linx brings some expertise and a deep knowledge on some verticals, some expertise that we didn't have. So, of course there is a great benefit on both sides, Linx operations together with TOTVS, and acknowledgment that our portfolio how it grows with Linx. And, as it was said, we have a sales engine that is amazing, unique in the market. So, as we work that this sales engine helps to have this sales path and top-line growth on that operation, so having something similar to the market potential, we will see it converging to what we already do at TOTVS. It's a natural path. So, when you see the Linx's P&L, we have a lack of operational leverage. OPEX cost, for example, demands some improvement. When you compare TOTV's Management, you can see that they are all more elevated and the main factor is related to revenue growth. So, as we are able to extract benefits from that portfolio and increase revenue, the cost dilution will happen. And coverage to what we already do at Management is a natural path.

Livea Mizobata (JP Morgan):

Okay, perfect. Thank you very much.

Sérgio Sérgio:

Thank you, Livea. Next question from Maria Clara from Itaú. Maria Clara, please.

Maria Clara (Itaú):

Good morning, Dennis, Maia, Sérgio. Thank you for the opportunity.

I also have two questions. So, Livea asked about Linx. So, Maia, you've mentioned that April had a better Linx's commercial dynamics. Could you share with us what are the adjustments being made so we can understand better how to think the evolution of Linx throughout the year with those adjustments?

The second question is related to capital allocation. I would like to know from you how is your strategy from now on, taking into account the rebuy, the IaaS release, and future perspectives for M&A?

Dennis Herszkowicz:

Well, I start with Linx. Maia will comment on allocation.

First thing on the Linx's commercial performance. Well, it may seem small, but it is very important: energy. You can not have a commercial performance that is a good commercial performance without a high energy degree or level. And Linx on the latest years has been a low energy company, so to

say. Simple like that. And with that, when you visit Linx's clients, clients mention, among other things, a low level of energy, of trust on the future, a low level of trust on where they will go. So, TOTVS has this energy to give to Linx and we already brought that to Linx. Linx today, two months later, it is a completely different company on the level of trust, of energy, on clarity, of its own future. It directly impacts the commercial results, but not only on those commercial results. When we've added on the results release that the shape of the results from now on probably will be more aligned to March performance than last year's performance, or even the first quarter, or consolidated performance. Trust comes from this extra energy that we are putting.

Linx, once again, didn't lose its core, quite the opposite. I said, since the very first minute when we've assessed the company that, if in a given moment we understood that this core from Linx was lost due to these five last five years, we wouldn't close the deal on any condition because it wouldn't be a good asset to bring to TOTVS. So, the fact that we did it, it's proof that we were assured that the core was there, the essence was there, what we needed to bring was an understanding on the business energy, attention. And through those elements we've been able to build every day all the product changes, all the incentives, all the commercial practices. We are adjusting everything that we need to adjust. And there are a lot of things to be adjusted, actually. But we are quite sure that core is there, essence is there, leadership is there and that Linx within TOTVS will get where it was in the past, because this is important detail here. We can not forget that before 2020, Linx's performance was a robust growth on revenue and at the margin. That was quite similar to TOTVS's Management margins delivered today. There's no reason that will prevent us to get closer or to bring Linx's performance closer to its past.

Okay, Maia.

Maia:

Well, about capital allocation, Maria Clara. It's important to say that, it's not good to talk about only one quarter. But when we look at the first quarter, it's confirming what we saw on previous quarters. Among different characteristics, we see a high conversion on cash generation. This quarter we've built a strong cash and, once the company is able to convert cash, capital location right now, even with a net debt that was presented, we see a capacity of deleveraging. So, it keeps showing important capacity on doing what needs to be done, whether it is M&A, or investments, or purchasing shares, as it was announced. Some of you reported already to the market that we've been running our buyback.

As for IaaS is another load that we bring, not directly connected to our applications, but something that will bring for the T-cloud with the same rationale we apply for the others. So, in this structural perspective, there's no different flow on investments that would be required for IaaS that would be in the next growing curve for PaaS. So, the operations framework is exactly the same configuration that we work for PaaS. So, the cloud business behavior, we can call it a "business" alone, with IaaS, it keeps the same behavior as what we've observed on PaaS. We already have infrastructure on what we call the "availability zones", that are provisioned for IaaS and they are already working with that. So, as the sales performance goes on, we will have an investment aligned with the operation growth.

Maria Clara (Itaú):

Crystal clear. Thank you so much.

Sérgio Sérgio:

Thank you, Clara. Next question from Silvio Doria from Safra. Silvio, go ahead.

Silvio Doria (Safra):

Thank you. Thank you for taking my question.

I have two questions regarding the RD station.

First, regarding the top-line we saw in this quarter, the good performance in top-line from RD station. So, if you could maybe give us a little bit of delay ahead for the future for this year, if we should be continuing to see an acceleration for growth throughout the year.

And another question regarding retention for RD, which fell to 94.6, it was something very marginal in terms of its decrease. But it's the first decrease after a few quarters, at least that I remember of this indicator, which seemed to be quite stable. So, if you could add some further comments, if it was something specific that happened.

Dennis Herszkowicz:

Perfect. Thank you, Silvio.

Regarding RD, first of all, it's important to say that for the past, I think two quarters, maybe the third or fourth quarter last year. We were already signaling that our vision was that the acceleration process that happens, especially right at the end of 2024 and at the first quarter of 2025, had reached its lowest point. And we were seeing very clear signs of recovery, both by adding ARR and also, obviously, even from the mechanic point of view. Everything would be translating into the re-acceleration of the top-line and revenue, and was precisely what happened in the first quarter of 2026. We think that the dynamic remains solid. And all the changes that we have made throughout last year for the RD operation, for the most part they showed quite successful and there's definitely still room to grow and to continue to see results from everything that was adjusted. On top of other changes that we were doing it, because this is something that had quite an interesting dynamic that is always creating, generating new opportunities, so we always need to be "on the move" here at all times. But again, I feel like the dynamic is quite positive.

However, there is another thing that is worth mentioning here: we made sure on the earnings release to say that this process of getting the back and front offices closer were becoming more prominent. Especially when we talk about SMBs, and by consequence, when we're talking about TOTVS's dynamic as a whole. Because we are seeing more and more value being extracted by having this offers closer. It could be by the sector and segments expertise that TOTVS has in Management, and applying it to the R&D portfolio — that is definitely a differentiator that no other CRM or digital marketing, or conversational company has. That is something that is unique from us that we were bringing for the RD's products. And, as well the fact that the RD brings the entire digital inbound expertise for the go-to-market for the sales processes, not only for its own products, but also for the Management's products. And keeping in mind that today the sales processes are processes that are extremely hybrid. You already have elements of digital inbound and field sales for pretty much all sales that you are doing. So, this conversion is something that has generated more and more value for us, and there's also a very heavy strategic aspect to it that is very important for the company.

And to wrap it up when it comes to retention. There's nothing really special on that, Silvio. These are fluctuations that are quite seasonal. There really isn't anything different happening for those 20, 30 basis points decrease. Eventually on the next quarter is something that can eventually be recovered. So, there really isn't any specific cohort, or any item or a product in particular that has had that impact.

Silvio Doria (Safra):

Perfect. Thank you.

Sérgio Sérgio:

Thank you, Silvio. Our next question comes from Luis Chagas from XP. Luis.

Luis Chagas (XP):

Hello. Good morning, everyone. Thanks for taking my question and congratulations for the result.

So, I have two questions. First, regarding Linx. When do you expect to be able to capture the fiscal benefit from goodwill?

And the second one is regarding Techfin. Giving the credit market scenario, what's the perspective that you have for Techfin for this year and what's your appetite for risk within Techfin? Thank you.

Maia:

So Luis, regarding the benefit from Linx, that is something that naturally materializes as we start to incorporate Linx. What I can tell you now is that that is not going to happen this year, in 2026. And this was something that was already overseen in our plan, because there are several requisites, even in terms of internal operational that we need to address to be able to get to the point in which we're ready for that step. So, that won't be happening this year and we need still to assess if this will happen throughout next year. Obviously, we want to do it as early as we can to be able to convert all that into benefit.

In regards to Techfin, it's pretty much what I said at the beginning. As it has always been, this is a business that will continue to prioritize the system and the quality of the portfolio that you have. Obviously, there's always a challenge in you having a model and the ability to be able to self adjust as fast as possible to the market reality. Since the wallet portfolio has a short term, it kind of contributes towards that. But that doesn't mean that you're always completely immune to any shift happening in the market. So, it's something that we adjusted to models in terms of practices, and I need to say that we have tightening up some of the limits and the concession rate for some of the transactions were narrowed down a little bit. Which it compromised on one hand the ability of growth of the operation, but on the other hand it helps to preserve always the quality of the wallet. So, caution always comes first. And I do not see Techfin, the Techfin team changing their mindset, pulling growth on top of the quality of the portfolio.

Dennis Herszkowicz:

Yeah, I think you pretty much nailed it. And despite of all that, as you've seen, we were able to keep the R\$3.3 Billion in terms of the origins. So, yeah, we always said that the quality of the portfolio will be a priority, but I feel like we have been able to balance things quite well so far when it comes to both things. Unless of course there's a very worsening happening in the market, I do believe that we will continue to have another very well balanced year along those lines.

Maia:

And it's important to remember here that, first of all, in a traditional credit business it's very natural for you to see some changes. And when you see an instability in the context in itself is a positive aspect.

Secondly, and we have said that in the release. Despite the provision reinforcements, when we compare the delinquency level of the wallet, we are still very below the standards for some of those things in the market. Which reinforces the quality level and the model that has been operated with some of the closed loops and the array of elements that are happening with some of the partnerships in order to help you to effectively mitigate the delinquency positions. And as it was said before, despite of all of that, we have always also found a balance in terms of results. It is a self sufficient operation and it's also self sufficient in terms of investments and developing portfolios. I think you have seen last year that we had a structured reinforcement and a very important level of investments to be able to have all the new developments, to have Techfin's solutions happening and using TOTVS's systems. Then that happened and that has happened quite a lot. And we will have even more new things related to that later on which will, of course, contribute to the company's plan and for Techfin as a whole. Obviously, we would like to have an environment that is more favorable

for developing the business at a short term, but that does not compromise our meaning to long term at all.

Luis Chagas (XP):

Thank you. Congratulations for the result, once again.

Sérgio Sérgio:

Thank you, Luis. Now, going towards the end of our Q&A session, we have one last question from Lucca from Bank of America. Lucca, go ahead.

Lucca Brendim (BofA):

Good morning, Dennis, Maia, Sérgio.

I only have one question from my side of things. Regarding a follow-up from a previous question regarding margin. Margin has been a positive surprise in this quarter. It's no different. And I wanted to understand what can you think in terms of a long term where it could get looking at the Management's margin, which has gone above 30%. And most of the time this has always seen as a long term target or limited, that it could be reached by the market. And you are already very close to that, especially when we look at the consolidated what we could reach. So what can you say about this evolution? How far do you think this margin can go? Thank you.

Dennis Herszkowicz:

Thank you, Lucca, for the question.

Honestly speaking, there isn't a limit that we could give here. What I can tell you is what I already said. That is, while we remain with the growth of the revenue and the recurring revenue, our model is a model that is extremely, extremely scalable. I always say that the marginal costs of a real additional of recurring revenue is quite low. So if we, for example, continue with this performance with the revenue, it's only natural that the margin will expand.

And we here traditionally have that discipline when it comes to costs. For example, regarding the investments that we make for AI. We have said in the last quarter, and we will repeat that for this quarter, that it's millions instead of billions. We chose our place to act for AI and we are quite clear of what we want to build. So, all of that, again, it grants us a discipline of execution that translates also to a discipline regarding cost that is very important. When we get an operation like Linx, which only helps to strengthen our client base and our revenue base, we then see an infinity of reasons to pretty much dilute the costs that Linx has.

And lastly, it was asked before regarding the AI impact as well, when it comes to the margin. Yeah, I would say the AI is just getting started here. We have definitely advanced quite a lot and have seen very good and clear signals of how much value AI can give us when it is correctly applied within our internal systems, particularly speaking in terms of Research and Development. I've always said, people think that the vibe coding thing makes the life easier for a customer to develop at home applications. People who say that have no idea what they're talking about. The biggest beneficiary of vibe coding, in terms of reducing the cost in development, is a company like TOTVS, a company that has coding development as one of its main inputs of its work, not for those who do not have that. So, it is only evident that we have more room to evolve with the margin. And you reminded us something that is very important, because I remember that in the past this 30% margin was almost a mirage. Something that was always seen very distant, almost impossible to be achieved. And look, we got there and we are not seeing this as the end line. Definitely not. We think that this is only another now milestone that will be part of a journey that will be extended for the future.

Lucca Brendim (BofA):

Crystal clear. Thank you for your answer.

Sérgio Sérgio:

Thank you, Lucca. And I would like to thank all the questions.

And before giving the word for Dennis, just like to reinforce our request as we finish the call, there will be a succession survey. So I kindly ask your participation because it's always very important to keep innovating, improving this moment with you.

So now...Dennis.

Dennis Herszkowicz:

Okay, great. So, beforehand, I would like to thank you for your attendance, thank and congratulate TOTVS team, including the Linx team that's now is part of the company.

Another strong quarter, results that show all the differentials that TOTVS built on the more than 40 years of history. And I'd like to reinforce that, all those differentiators are still intact. There is a statement that we've added to the release that I would like to close using it. For us AI is upside, it's not downside. I can not understand where did come from this perception that we need to defend against something. We are where we always have been, attacking on the sense of transforming any new technology, any new cycle, into a huge opportunity. It is not and it will not be different for AI.

Thank you very much. See you on the next quarter. Bye bye.