



# INSTITUTIONAL PRESENTATION



/ Investor Relations

○ May/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>



13.1%  
Recurring Software Revenue  
Growth (1Q20)<sup>1</sup>



78.2%  
of Recurring Revenue  
(1Q20)<sup>1</sup>



68.8% of New Sales  
are SaaS  
(1Q20)<sup>1</sup>



98.5%  
Client Renewal Rate  
(1Q20)<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:

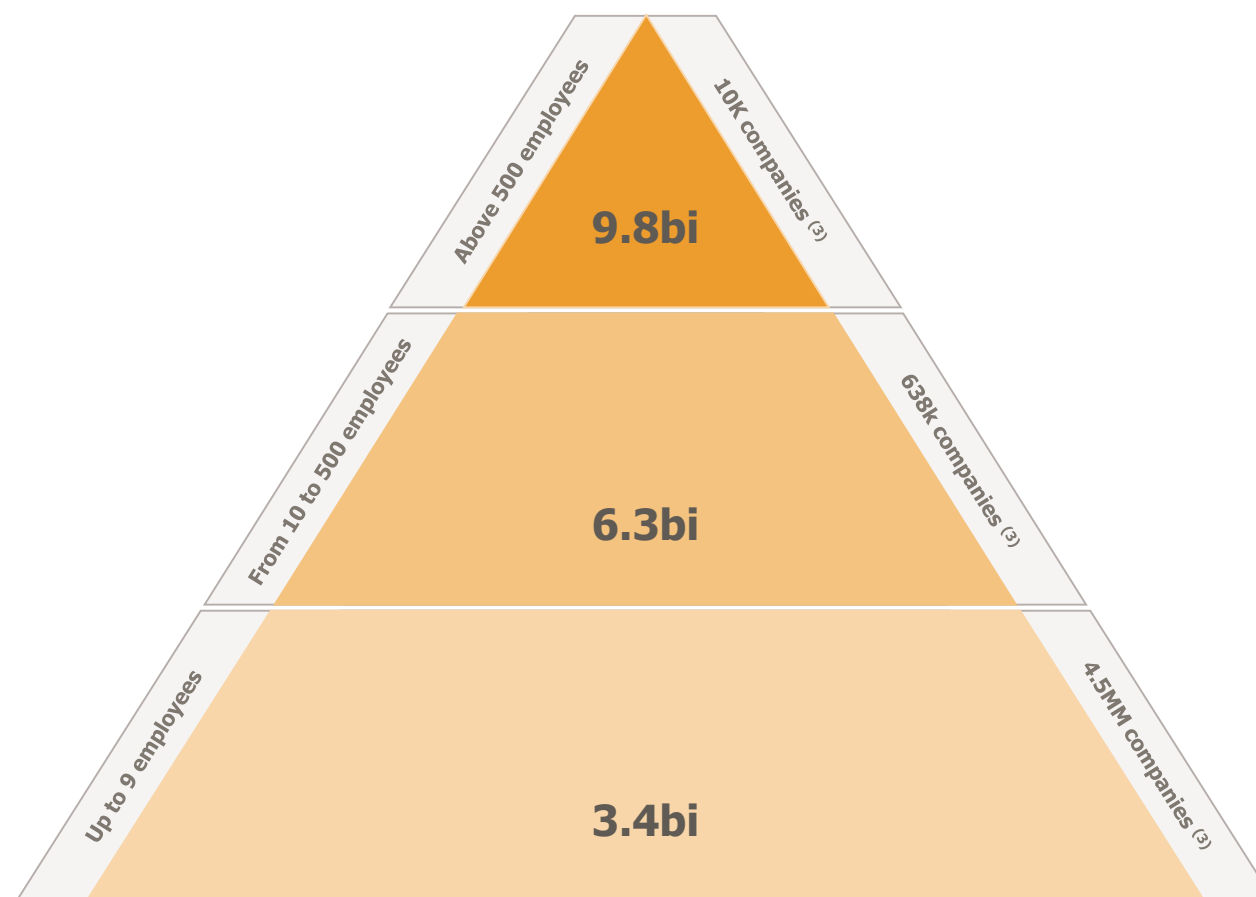
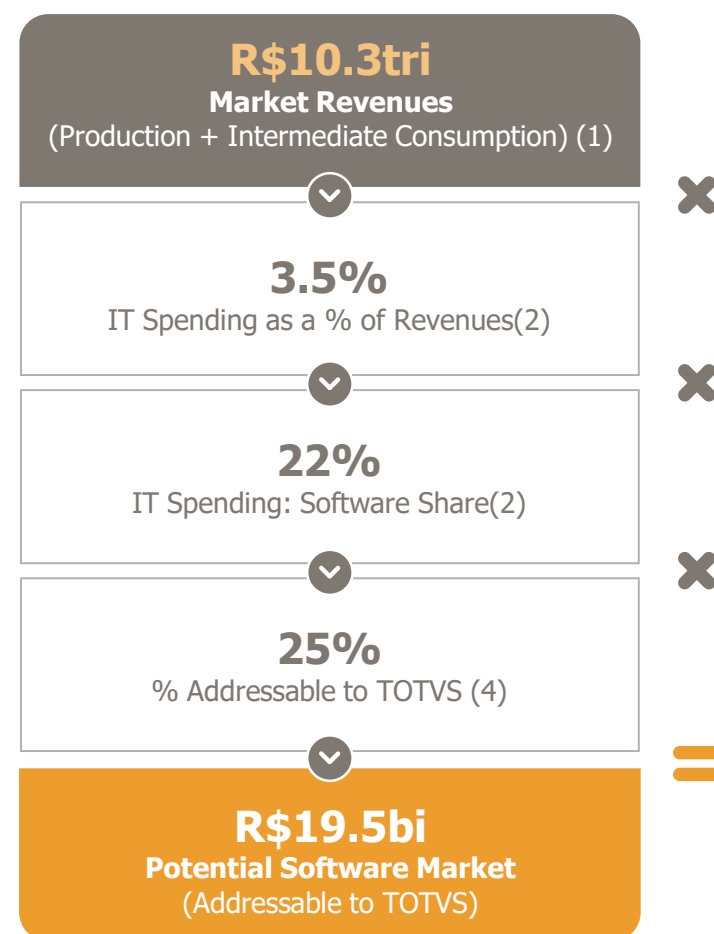
(1) Company Filings, 1Q20

(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



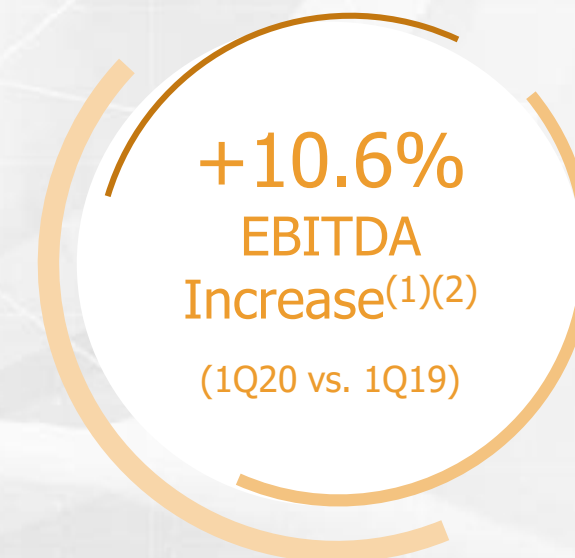
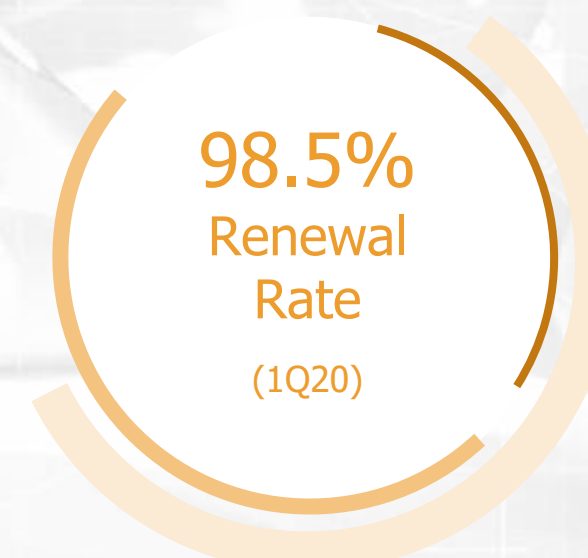
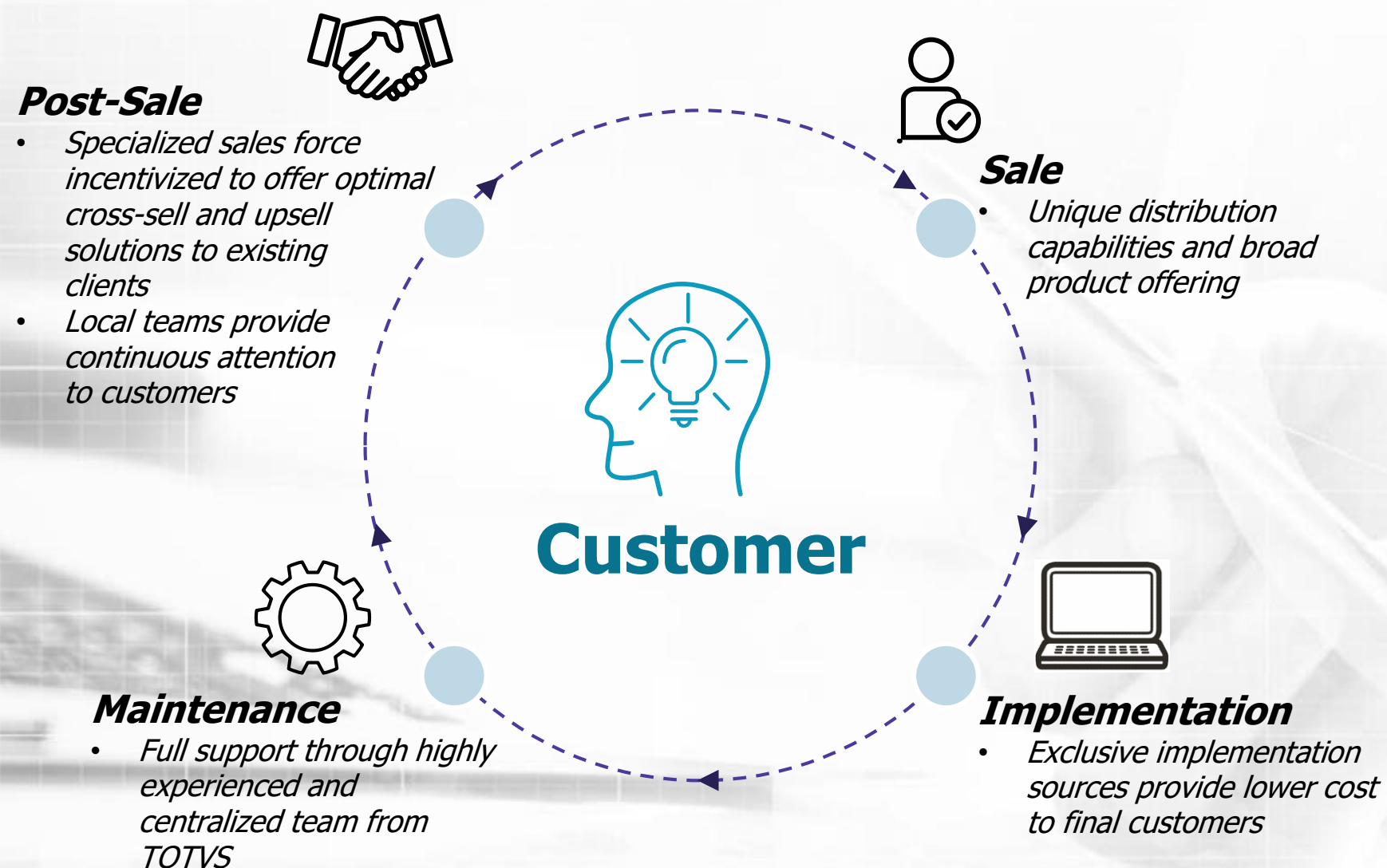
Cloud



On-premise

## Across media









## INTEGRATED PORTFOLIO APPROACH ACROSS VERTICALS



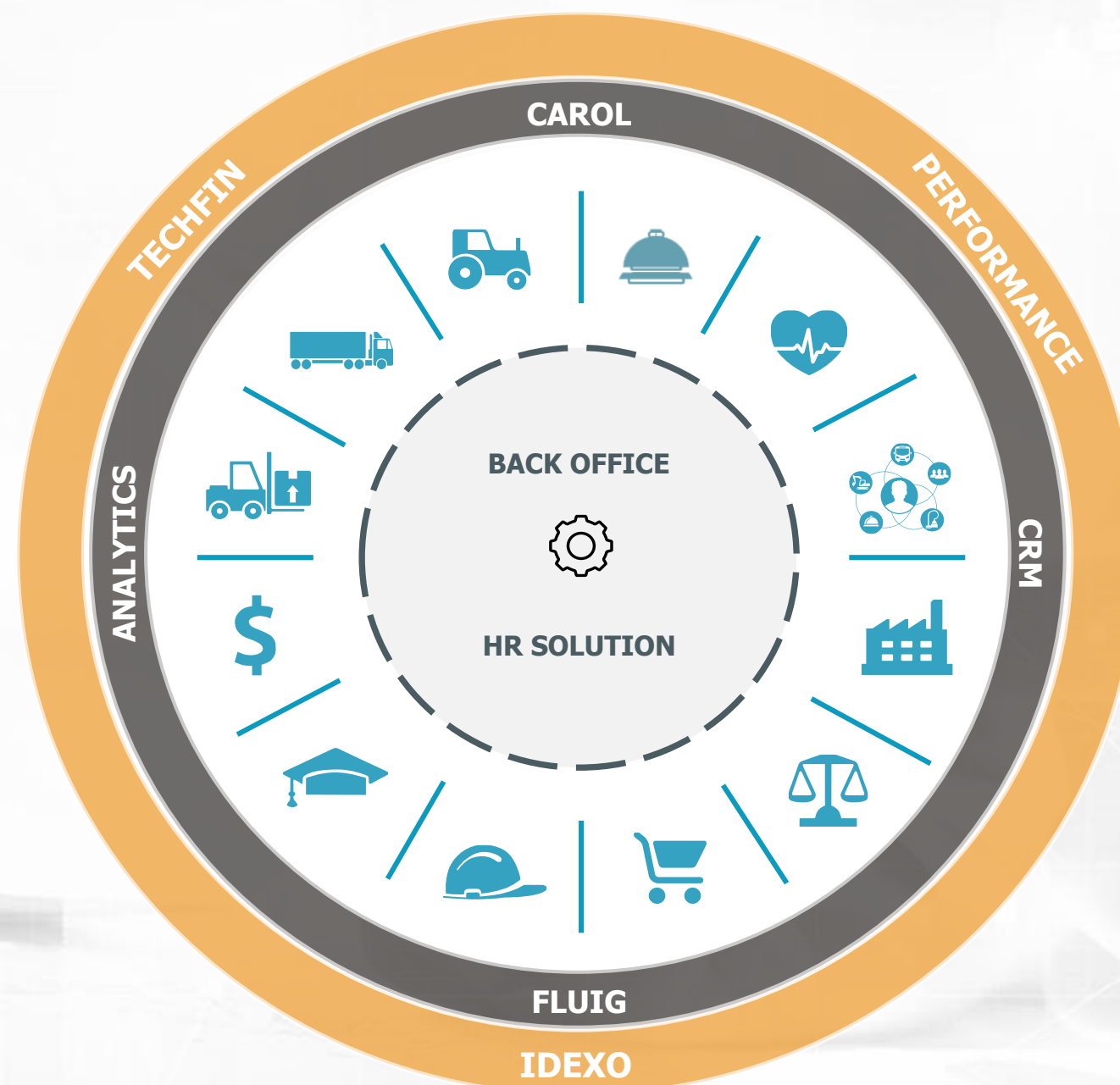
### CORE (ERP / HR SOLUTION)

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**

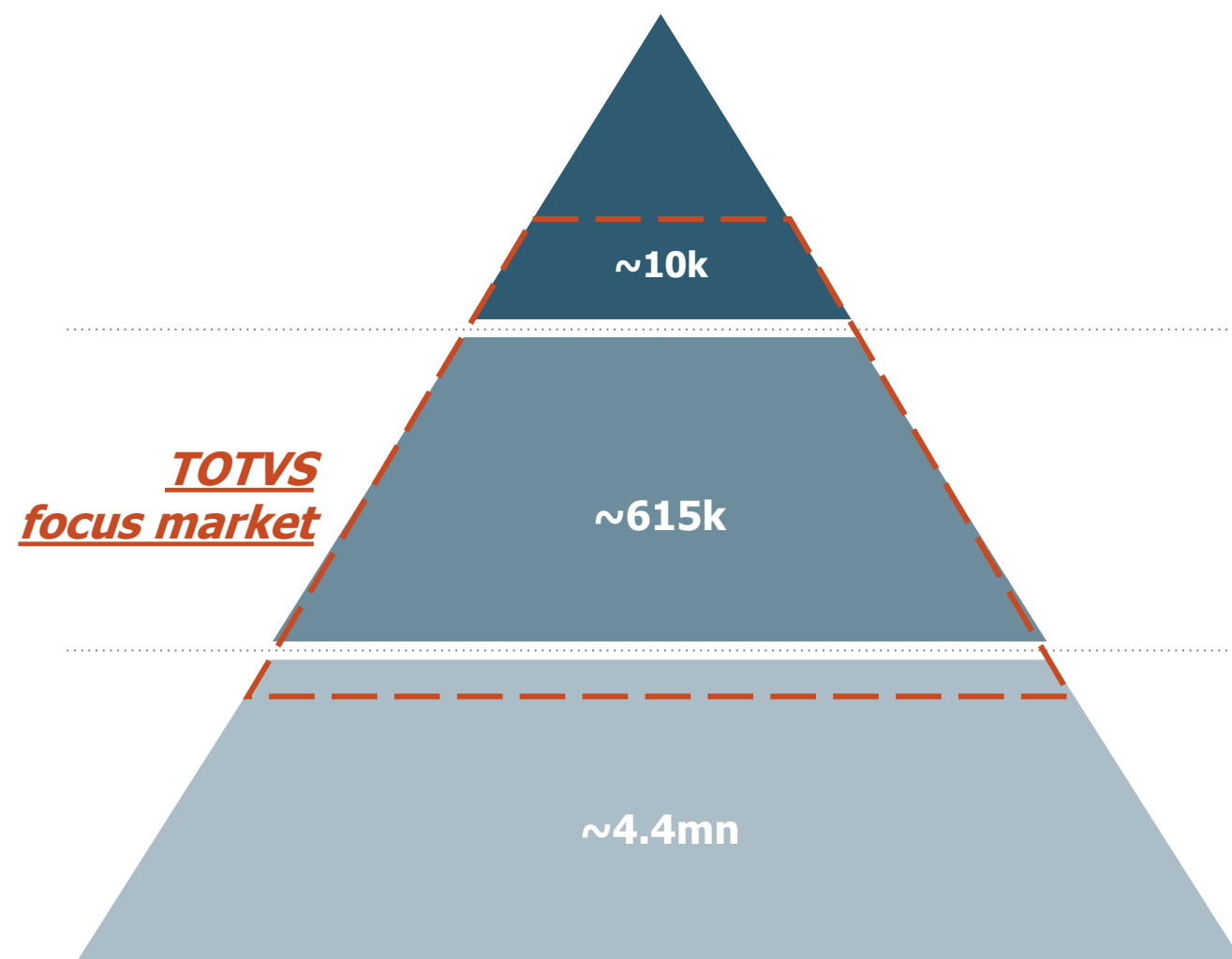
**NET REVENUE IN ONE YEAR CORRESPONDS TO 25% OF BRAZILIAN GDP (R\$1.6 TRILLION)<sup>1</sup>**

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



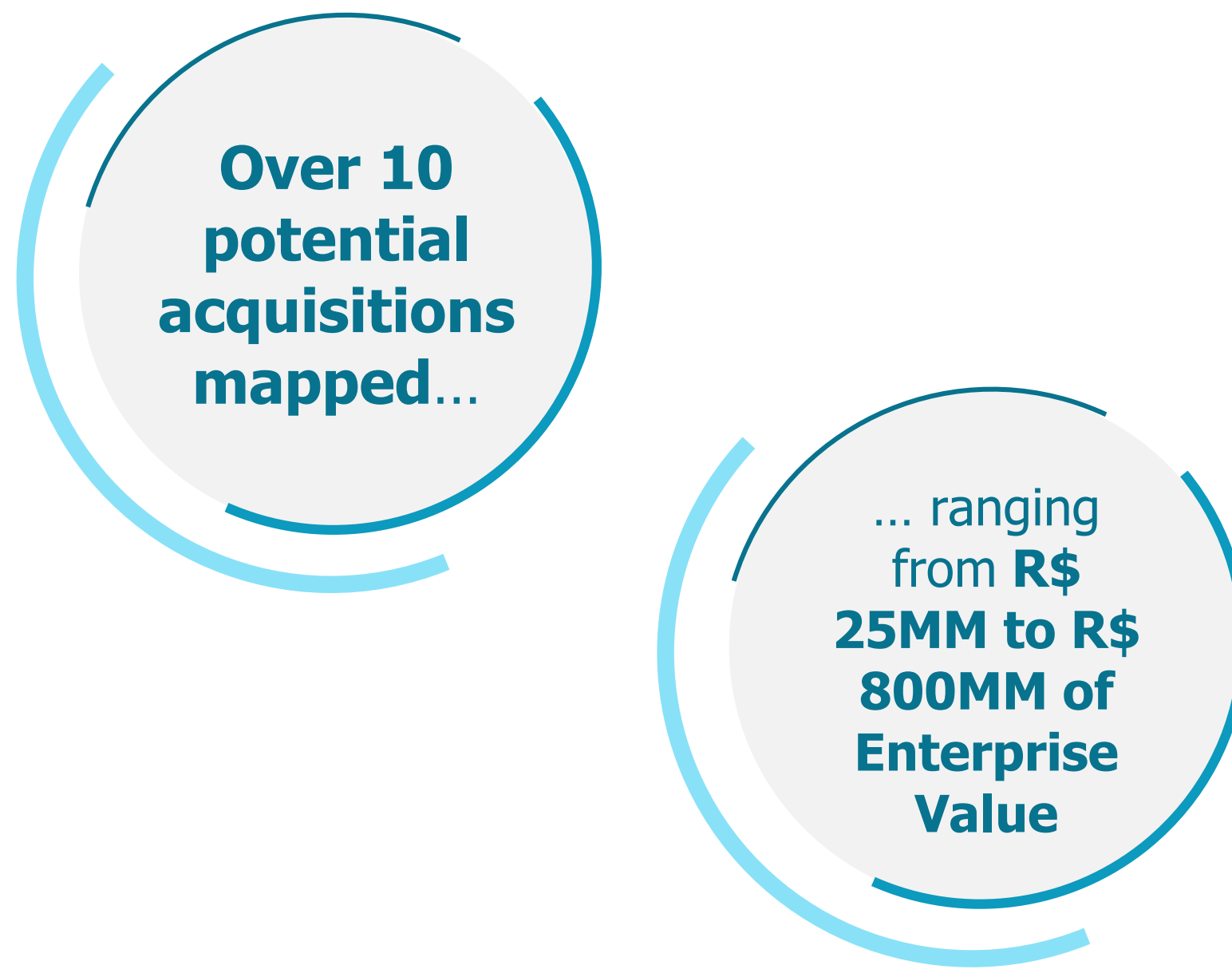


## RENEWED FOCUS AND REDEFINED M&A STRATEGY BASED ON FOUR KEY PILLARS TO DELIVER GROWTH AND SHAREHOLDER VALUE

### UNIQUE PLAYBOOK BASED ON FOUR KEY PILLARS



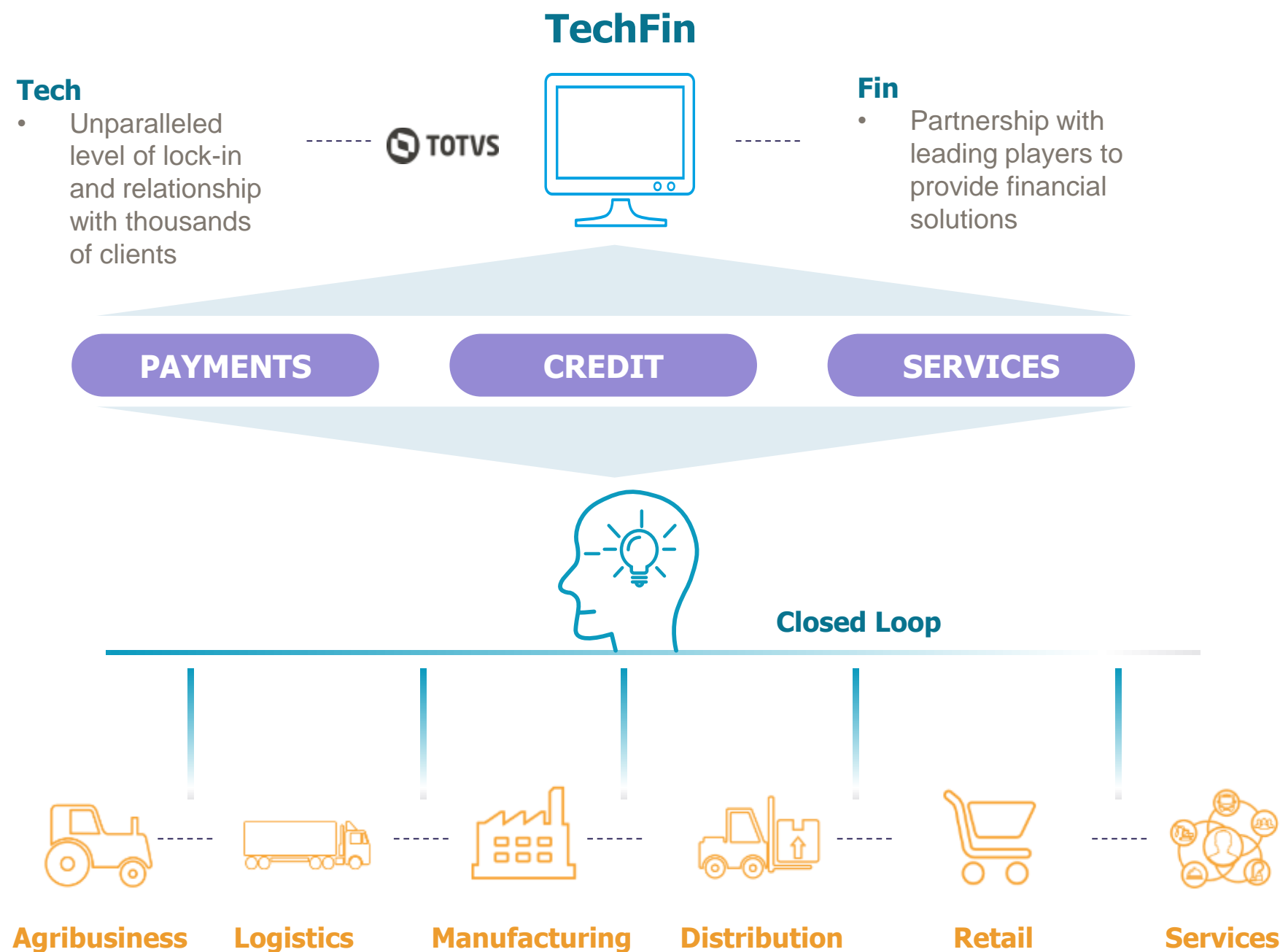
### STRONG PIPELINE OF VALUE-ADDITIVE OPPORTUNITIES



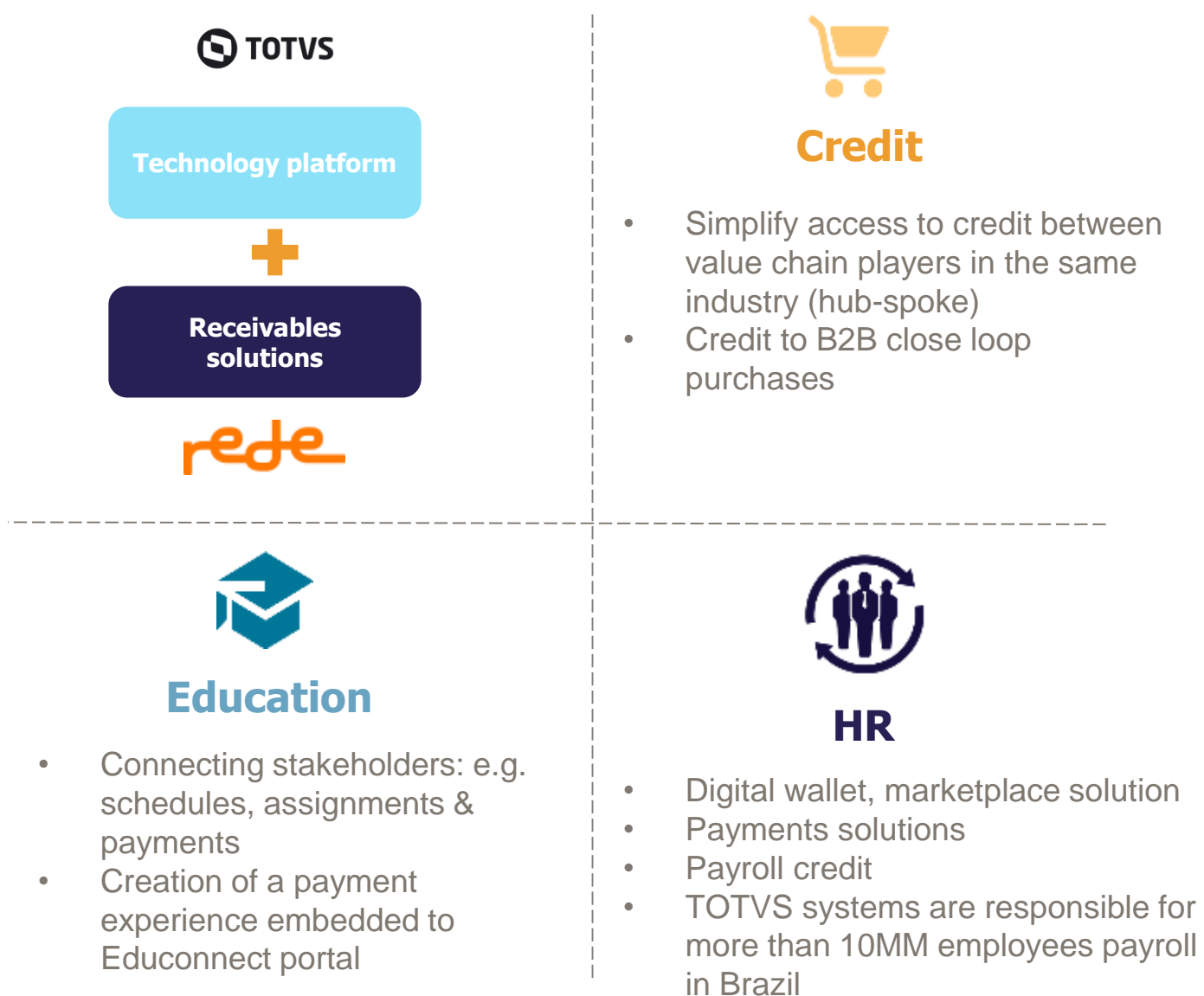


**WE ARE UNIQUELY POSITIONED TO TAKE ADVANTAGE OF THE INTEGRATION BETWEEN TECH AND FIN AND UNLOCK VALUE THROUGH OUR INNOVATIVE TECHFIN APPROACH, SIMPLIFYING AND EXPANDING ACCESS TO CREDIT AND OTHER FINANCIAL SOLUTIONS WHILE LOWERING COST OF ACCESS FOR TOTVS CLIENTS**

## THE TECHFIN OPPORTUNITY



## SHORT-TERM TECHFIN SOLUTIONS

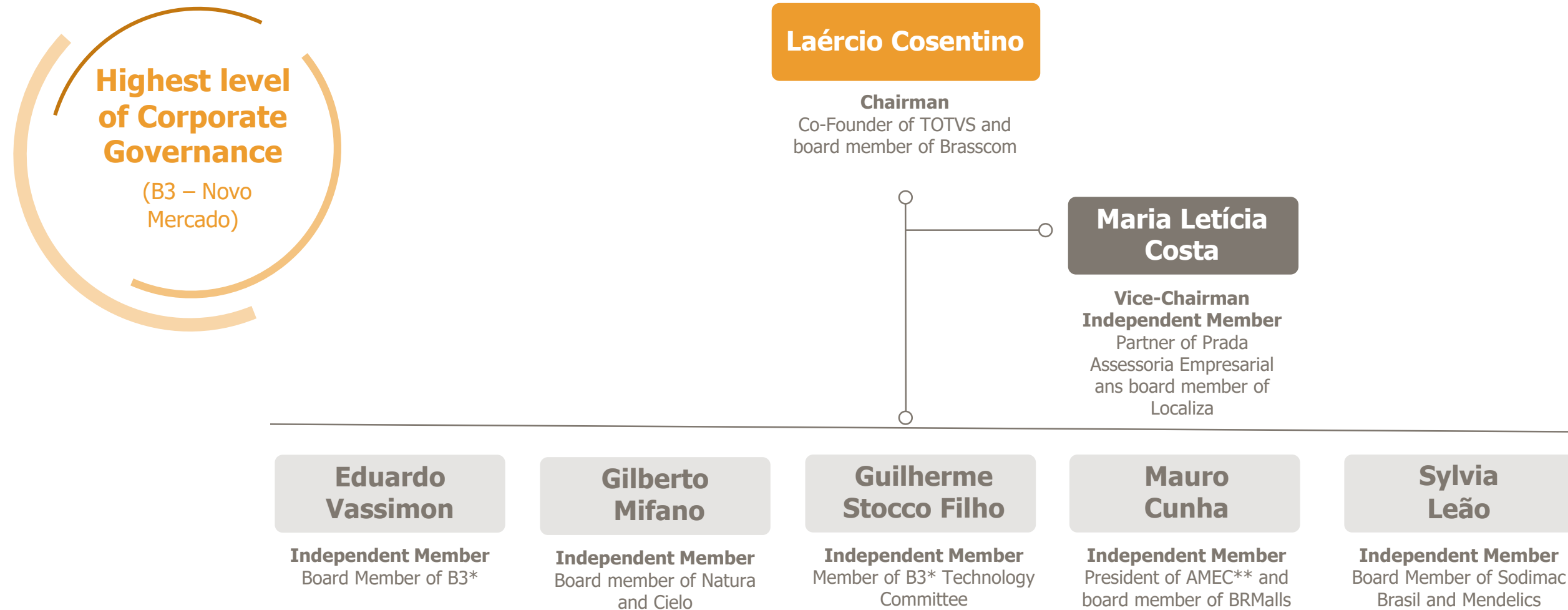




# CORPORATE GOVERNANCE







## 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

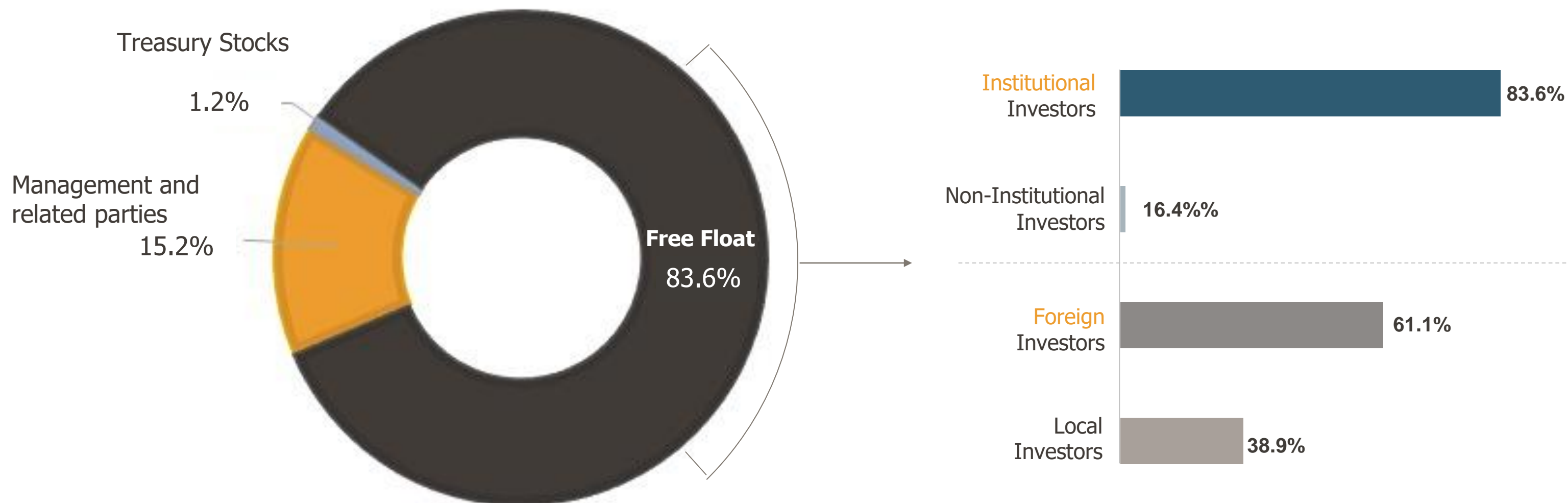
### Governance and Nomination

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

**6 out of 7 board members are independent**

\*B3 – Brazilian Stock Exchange

\*\*Associação dos Investidores do Mercado de Capitais



\*As of March 31, 2020.

- **83.6%** of free-float held by **institutional investors**
- **61.1%** of free-float held by **foreign investors**




# FINANCIAL PERFORMANCE 1Q20





## CONCLUSION OF SUPPLIER ACQUISITION

Important pillar in our strategy, Supplier begins its journey in TOTVS as a FINTECH, with the objective to become a TECHFIN:



ATTRIBUTES	TRADITIONAL	FINTECH	TECHFIN
Capital-intensive	✓	✗	✗
Marketplace integrated with ERPs	✗	✗	✓
Use of Big Data	✗	✗	✓
Credit Policy Definition	✓	✓	✓
Credit Approval	✓	✓	✓
Credit Origination	✓	✓	✓
Carry Credit Risk	✓	✗	✗
High-level of ROE	✗	✓	✓

### MAIN FEATURES:

- **Low historic of Losses** – high levels of recurrence and customer loyalty combined with the dispersion of the number of customers, low average ticket, average term of less than 60 days, extensive use of credit insurance, with the principle of prioritizing the quality of credit granted versus portfolio growth.
- **Fintech Model** – low need for equity with credit risk essentially limited to the subordinated quota of the FIDC.
- **Techfin Model** - frictionless experience, through the integration of ERPs in the SUPPLIER platform and the use of artificial intelligence and big data for the continuous evolution of credit algorithms.

## **ACQUISITION OF WEALTH SYSTEMS**

As part of the execution of the Business Performance strategy, the acquisition of 100% of the capital of WEALTH SYSTEMS for R\$27.0 million, aims to expand the offer of solutions aimed at generating opportunities and converting customer sales and adding even more value to chains already served by TOTVS 'Management and Techfin solutions.

## **ANNUAL AND EXTRAORDINARY SHAREHOLDERS MEETING**

With the participation of 67.75% of the capital stock, the Annual and Extraordinary Shareholders Meeting approved all the matters proposed by management, notably: (i) the change in the number of members of the Board of Directors from 9 to 7; (ii) the election of members for a new term of 2 years; and (iii) the Stock Split in the ratio of 1 to 3 shares.

## **2<sup>nd</sup> ISSUE OF DEBENTURES**

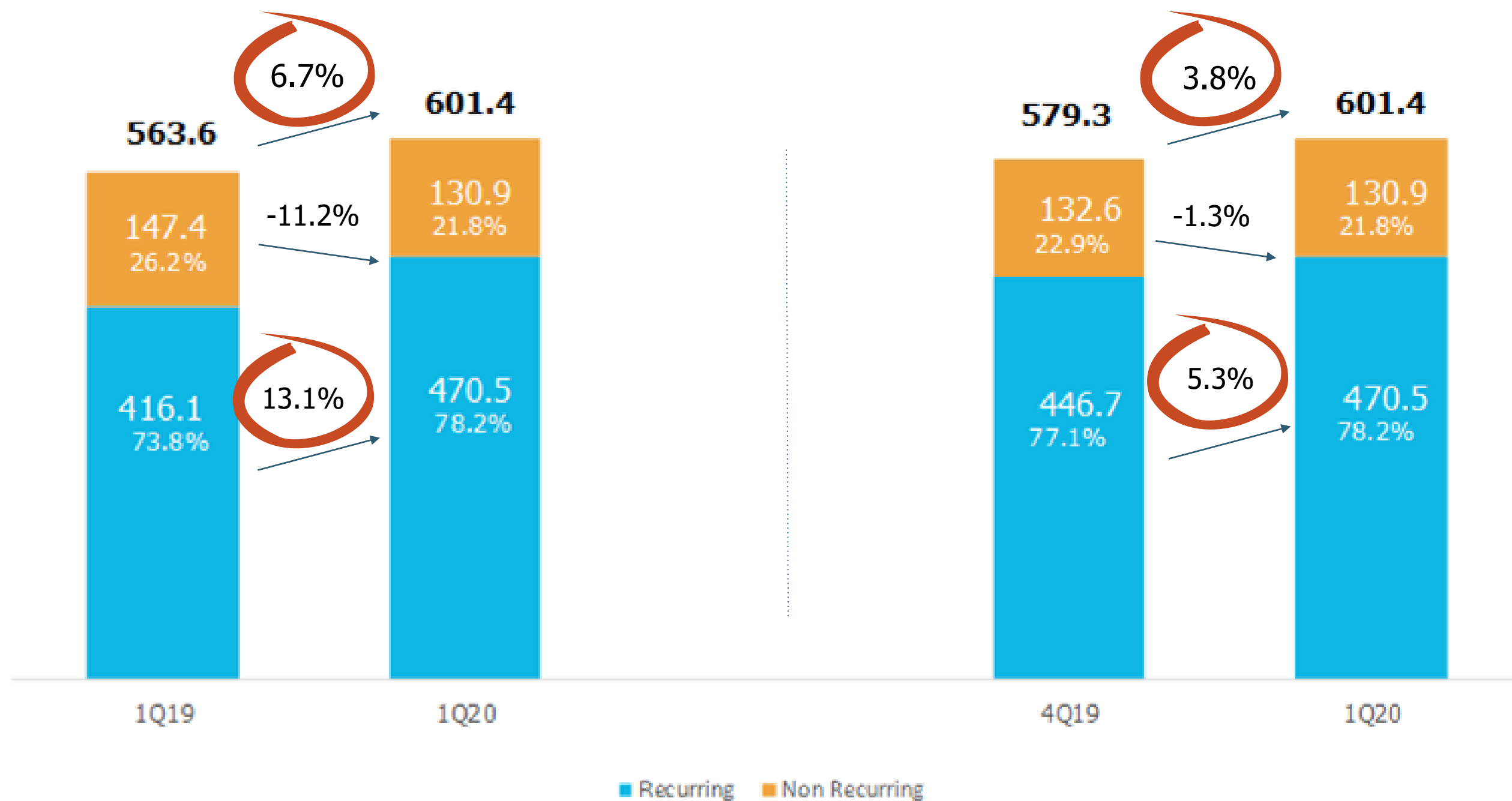
Issuance of R\$200 million in Debentures to maintain the company's strong position of solidity and liquidity, seeking a balance between the health of short-term performance and the preservation of the ability to execute medium and long-term strategies.



## TOTAL REVENUE (R\$ MN)

17

CORRESPONDING TO OVER 78% OF TOTAL REVENUE  
**RECURRING REVENUE MAINTAINED DOUBLE-DIGIT GROWTH**





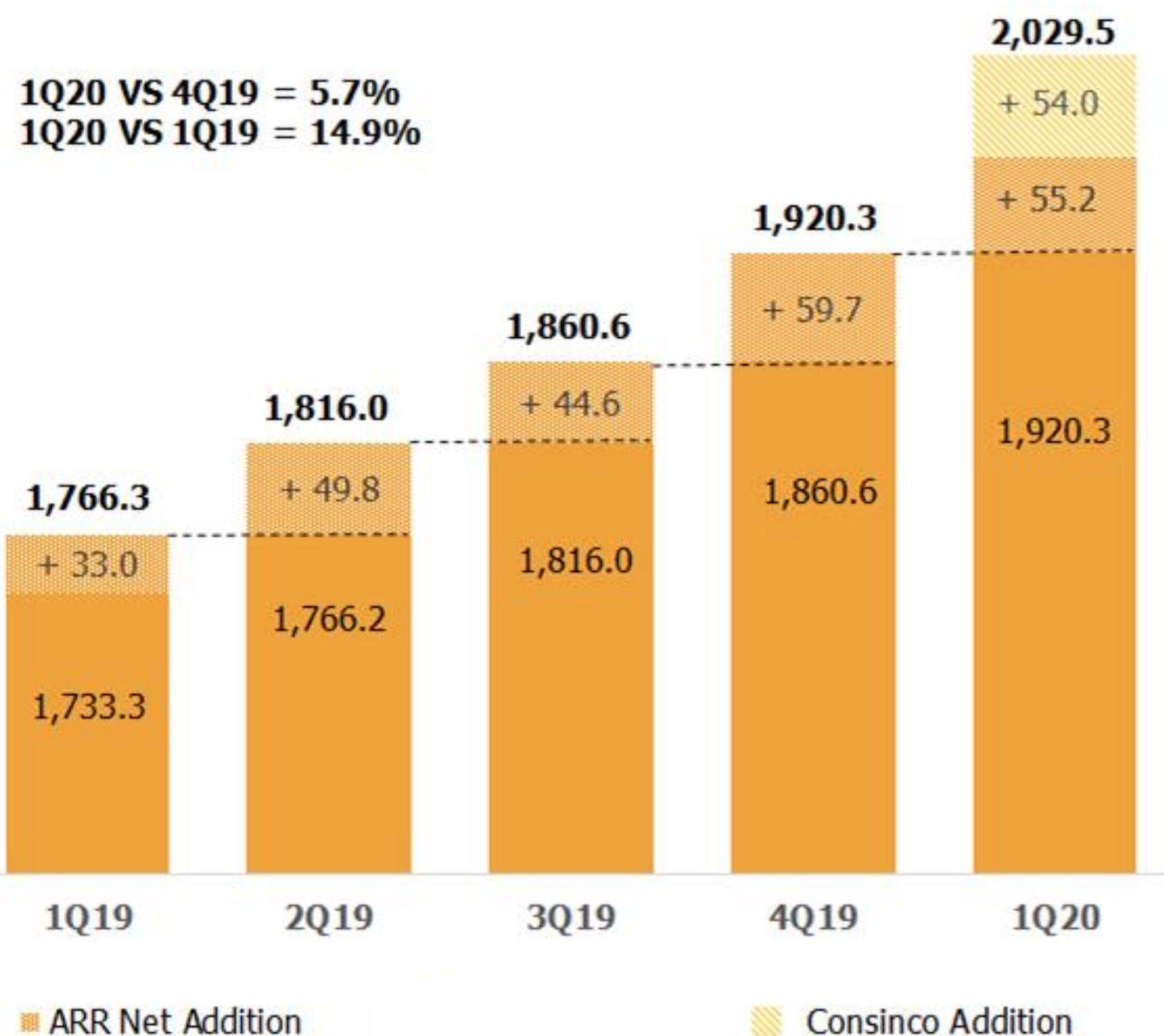


## RECURRING REVENUE (R\$ MN)

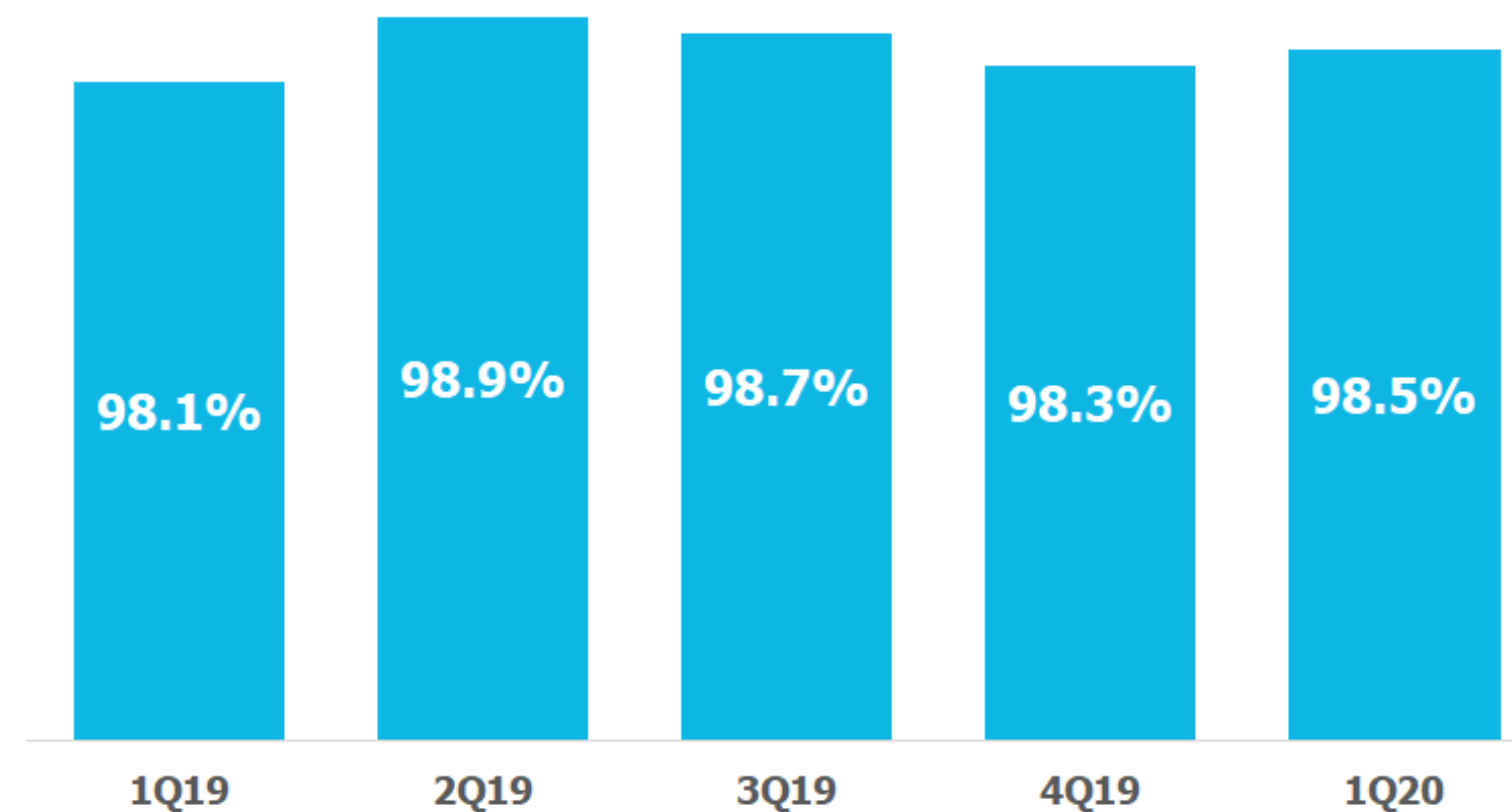
18

RENEWAL RATE ABOVE 98%, STRONG SALES VOLUME AND CONSOLIDATION OF CONSINCO  
LED ARR TO SURPASS R\$2.0 BILLION

### ANNUALIZED RECURRING REVENUE (ARR)



### CLIENT RENEWAL RATE

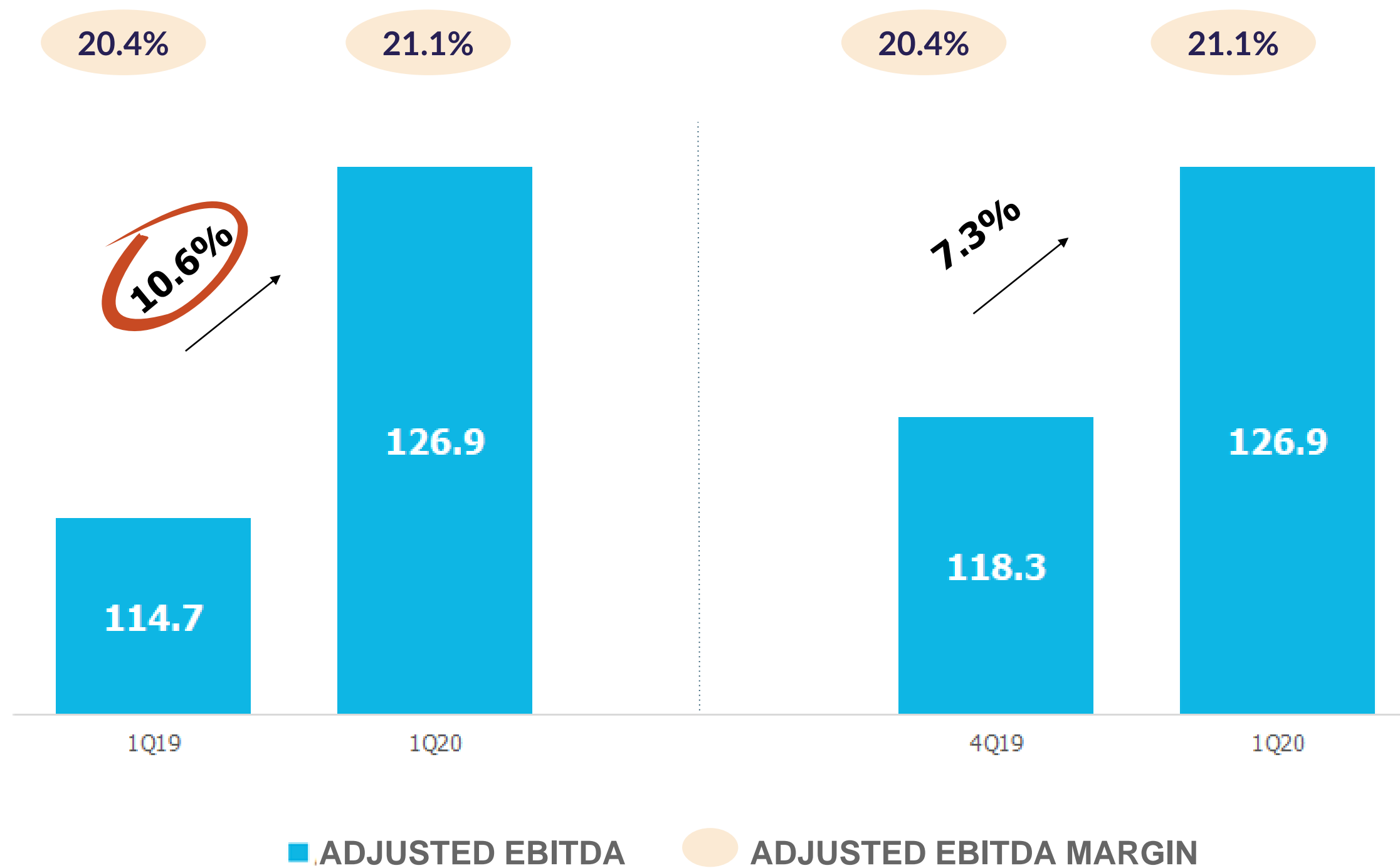




## ADJUSTED EBITDA (R\$ MN)

19

CONTINUOUS GROWTH OF RECURRING REVENUE AND OPERATIONAL EFFICIENCY  
LED TO FURTHER EBITDA GROWTH

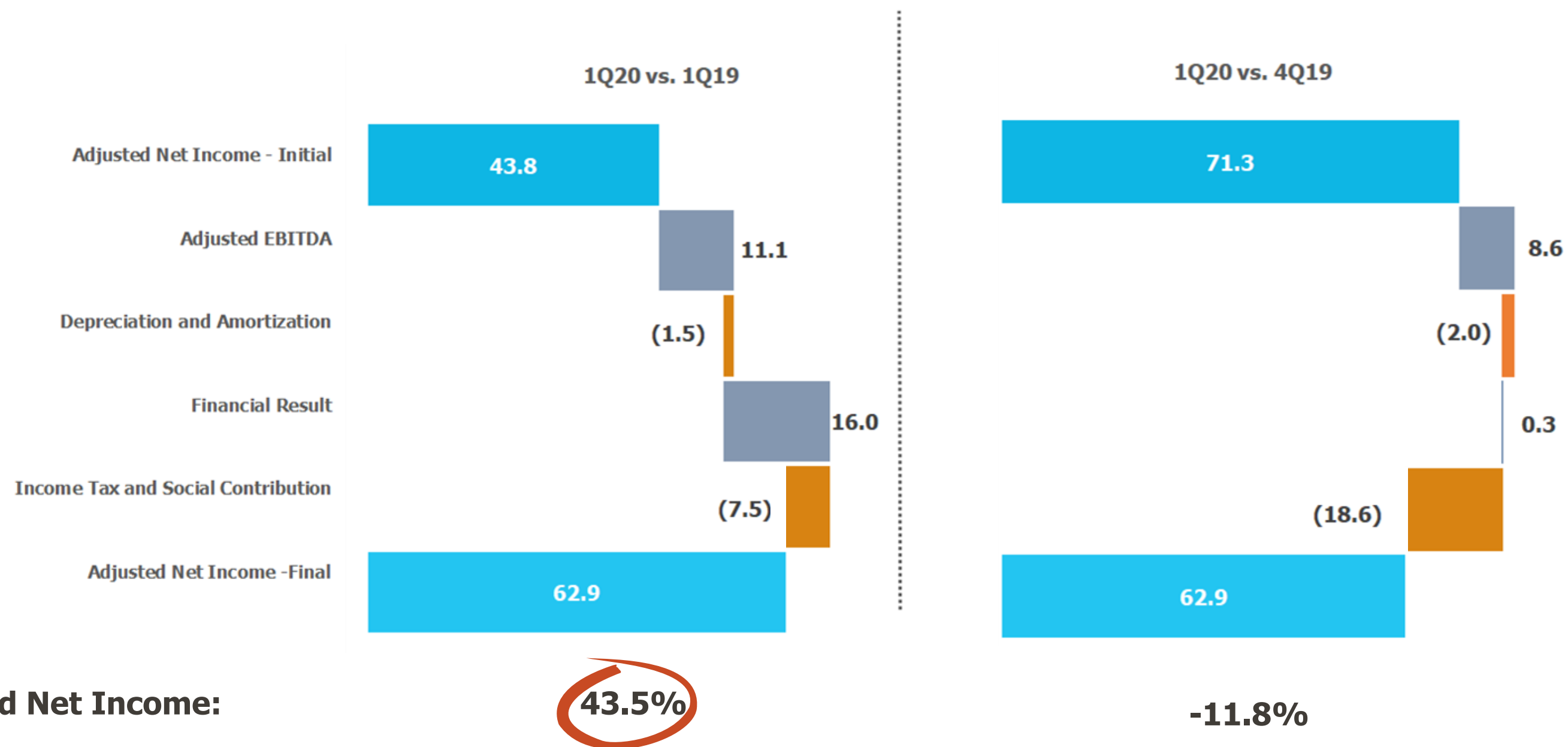




# ADJUSTED NET INCOME (R\$ MN)

20

YEAR-ON-YEAR NET INCOME GROWTH REFLECTED  
**EBITDA GROWTH COUPLED WITH PROGRESS IN FINANCIAL RESULT**







## CASH FLOW AND DEBT (R\$ MN)

21

THE NET INCOME BEFORE TAXES EXPANSION AND THE CHANGE IN WORKING CAPITAL WERE THE MAIN FACTORS FOR THE GROWTH OF THE FREE CASH FLOW, EXCLUDING THE PAYMENT FOR THE CONSINCO ACQUISITION

	1Q20	1Q19	Δ	4Q19	Δ
<b>Net income before taxes</b>	<b>93.9</b>	<b>67.6</b>	<b>38.8%</b>	<b>78.3</b>	<b>20.0%</b>
Non-cash items	65.6	76.7	-14.5%	69.1	-5.1%
Change in working capital	(49.7)	(78.7)	-36.9%	(18.7)	166.0%
Interest paid	(8.3)	(13.5)	-38.8%	(3.6)	130.5%
Income tax and social contribution paid	(10.8)	(17.2)	-37.2%	(8.7)	24.9%
Assets and Liabilities Change from Discontinued Operation	-	6.6	-100.0%	1.0	-100.0%
<b>Net operating cash flow</b>	<b>90.7</b>	<b>41.5</b>	<b>118.5%</b>	<b>117.5</b>	<b>-22.8%</b>
<b>Net cash used in investing activities</b>	<b>(203.5)</b>	<b>(10.7)</b>	<b>1809.5%</b>	<b>(1.6)</b>	<b>13002.3%</b>
<b>Net cash used in financing activities</b>	<b>(60.0)</b>	<b>(60.0)</b>	<b>0.0%</b>	<b>(65.5)</b>	<b>-8.4%</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(172.8)</b>	<b>(29.1)</b>	<b>492.9%</b>	<b>50.5</b>	<b>-442.5%</b>
Cash and cash equivalents at the beginning of the period	1,538.2	452.8	239.7%	1,487.7	3.4%
<b>Cash and cash equivalents at the end of the period</b>	<b>1,365.4</b>	<b>423.7</b>	<b>222.3%</b>	<b>1,538.2</b>	<b>-11.2%</b>
Gross Debt	498.8	685.6	-27.2%	466.7	6.9%
<b>Net debt (Cash)</b>	<b>(866.5)</b>	<b>262.0</b>	<b>-430.8%</b>	<b>(1,071.4)</b>	<b>-19.1%</b>
<i>Net debt (Cash) / LTM Adjusted EBITDA</i>	-1.8	0.7	-2.5	-2.3	0.5
<b>Free cash flow</b>	<b>(107.3)</b>	<b>39.8</b>	<b>-369.9%</b>	<b>118.3</b>	<b>-190.7%</b>
<b>Free cash flow Ex M&amp;A</b>	<b>89.7</b>	<b>39.8</b>	<b>125.5%</b>	<b>118.3</b>	<b>-24.2%</b>

- **Advance in the development of the 3 dimensions of the Ecosystem.**

Closing the acquisition of Supplier is an important pillar for Techfin's dimension. The acquisition of WEALTH SYSTEMS fits our purpose in Business Performance and adds even more value to the chains already served by the solutions in the Management and Techfin divisions.

- **Focus on the expenses discipline and financial and liquidity strength.**

The 2nd issue of debentures aims to give us flexibility in the face of the Covid-19 crisis. We will continue to focus on strong discipline in the management of costs and expenses, in order to preserve the ability to execute medium and long-term strategies.

- **COVID-19**

We continue to work to minimize possible impacts from the pandemic. Serving our customers, the continuity of our operations and the safety of TOTVERS are our priorities. We remain attentive and assessing the potential impacts arising from the evolution of Covid-19 in order to adopt additional measures that prove necessary.



## 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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