



# EARNINGS RESULTS 1Q20



/Investor Relations

May/2020



The information contained in this presentation and any forward-looking statements that may be made during the conference call, 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.

## 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)

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



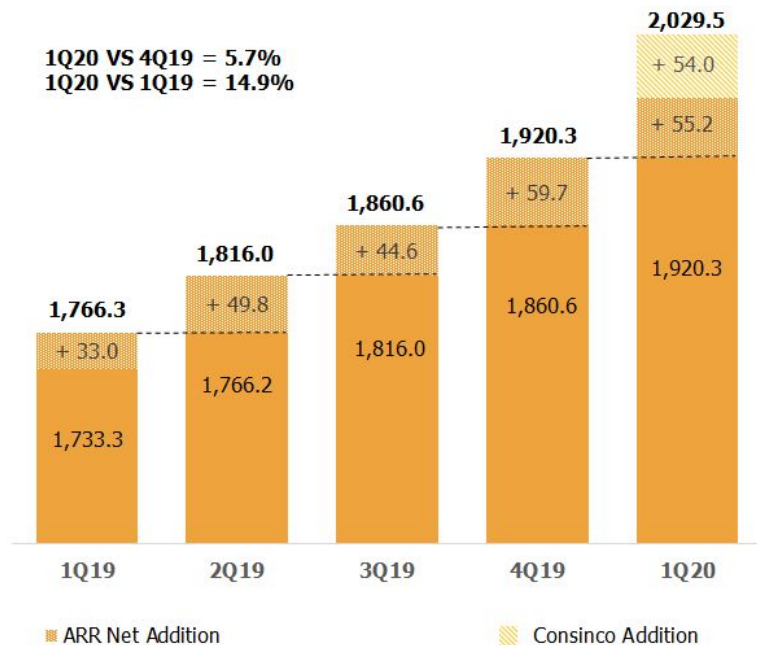


## RECURRING REVENUE (R\$ MN)

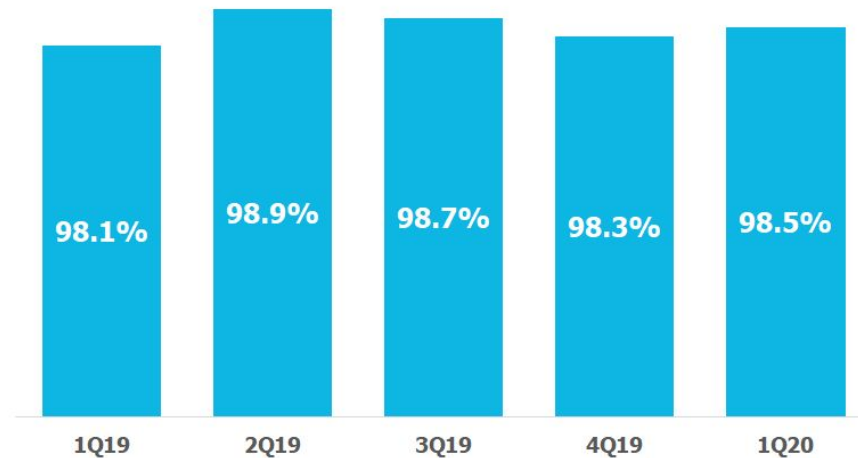
6

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

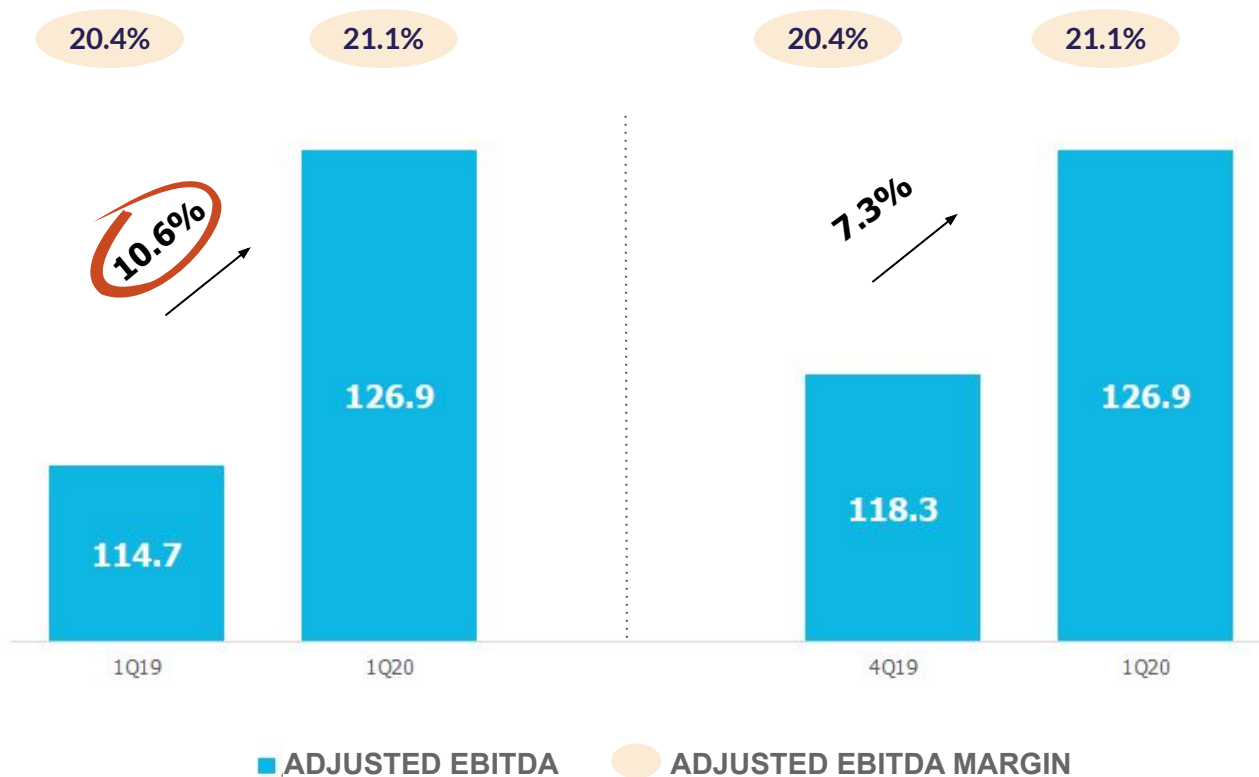




## ADJUSTED EBITDA (R\$ MN)

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

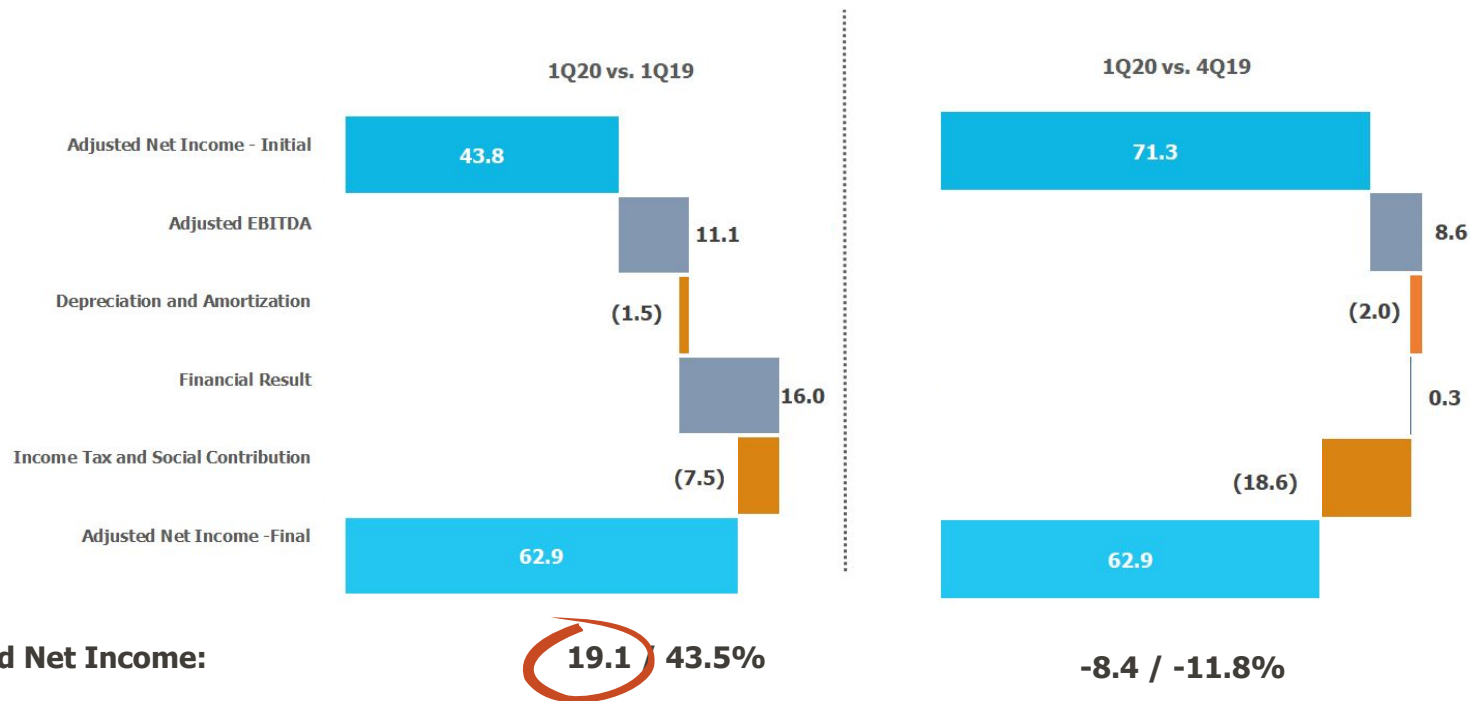




## ADJUSTED NET INCOME (R\$ MN)

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







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

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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.

# THANK YOU



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- The success of our client is our success
- We value competent people who are nice people



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