

PUBLIC MEETING

2016

INVESTOR RELATIONS
NOVEMBER 23, 2016



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Forward-looking statements may be made relating to TOTVS's business prospects, operational and financial estimates and goals, based on the beliefs and assumptions of TOTVS's management and on information currently available.

Forward-looking statements do not guarantee performance. They involve risks, uncertainties, and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions, and other operational factors could also affect TOTVS' future results and could make these results differ materially from those expressed in such forward-looking statements.

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09:30am About TOTVS (Gilsomar Maia)

10:00am Store of the Future Demo (Ronan Maia)

10:35am Bemacash + FLY01 Start Demo (Eros Jantsch)

11:00am Closing Session (Laércio Cosentino)

11:30am Q&A

12:30pm End of the event





By Gilsomar Maia, CFO

WE DEVELOP TECHNOLOGY...

To make companies even more complete and competitive through intelligent, integrated and scaled solutions.



- The ERP leader in Brazil, with more than 50% market share



- #1 in Latin America and one of the largest in the world



- 21st most valuable brand in Brazil, according to Interbrand



- Highest level of Corporate Governance (Novo Mercado)



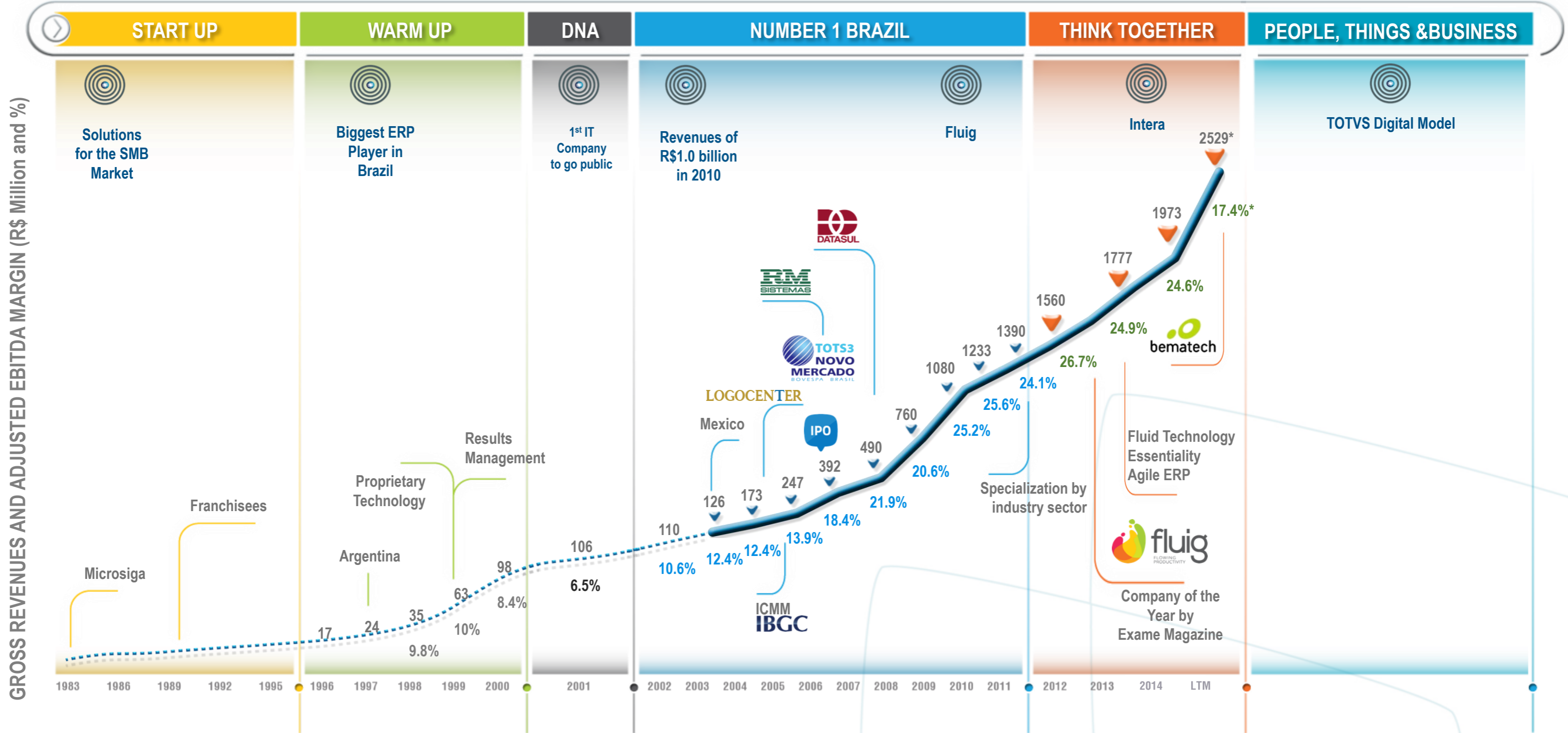
- Clients in 41 countries



- 12,000 TOTVERS, including franchisees



- Sustainable financial results

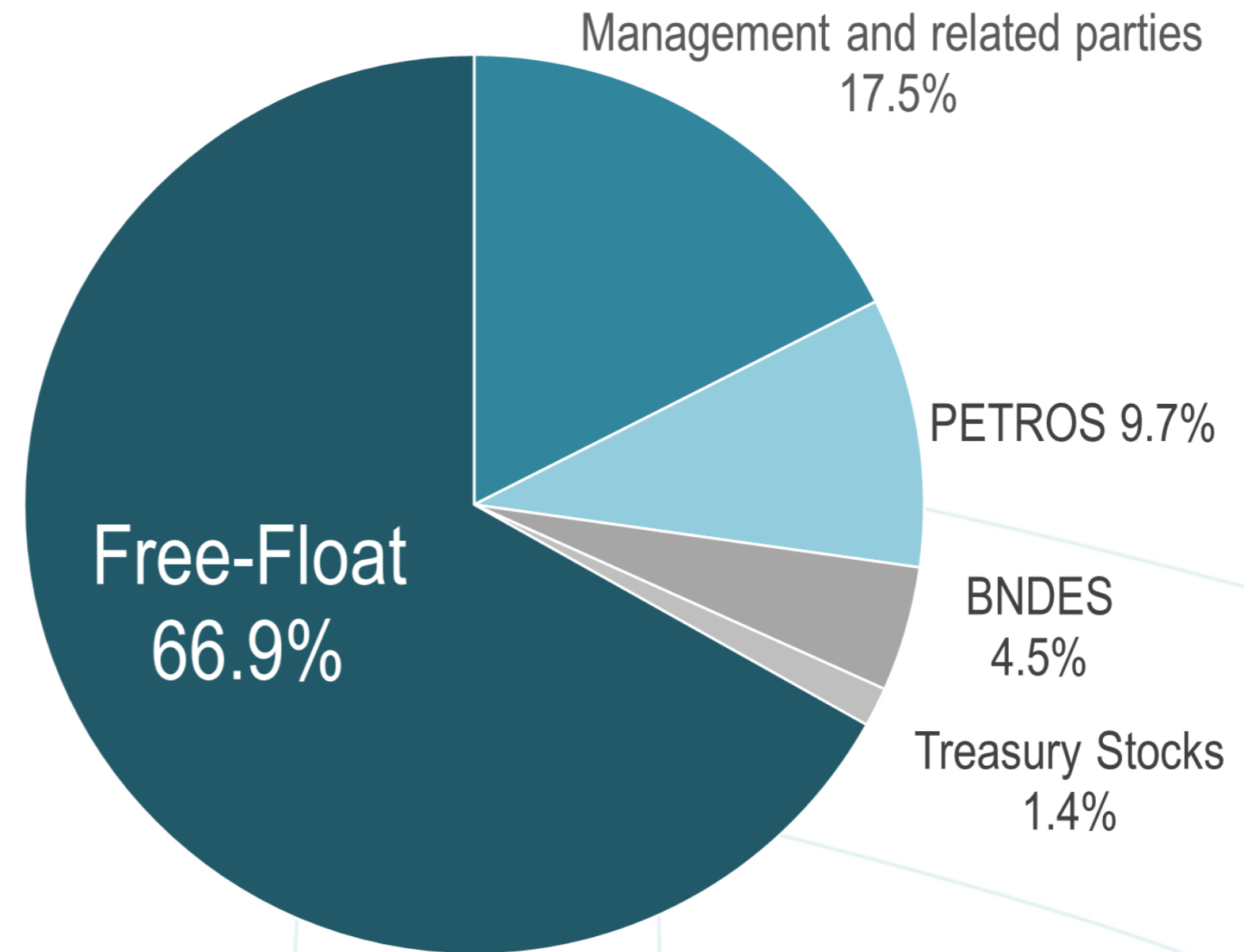


(*) Considers LTM figures of Bematech

OWNERSHIP STRUCTURE

66.9% OF FREE-FLOAT: A CORPORATION WITH NO CONTROLLING GROUP

- 98% of the free-float held by institutional investors
- 95% of the free-float held by non-Brazilian investors



THINK ABOUT TOMORROW, BUT DO IT TODAY

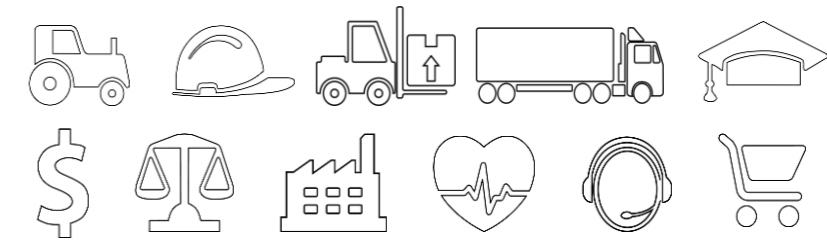
The speed of the changes in the world challenges companies to be prepared for what's new. See how TOTVS works for providing answers to questions still being asked:

Fluid Technology
Fluid Technology easy to use and implement, simple and mobile, promoting productivity, sharing, and collaboration, impacting a greater number of individuals and companies.
Essentiality
Specific offers focused on "Core Business" for each segment with total adherence.
Agile ERP
Lighter Management systems and naturally focused on his/her "CORE", in "CLOUD", and "MOBILE", promoting a natural use interface.



Fluid Technology

PRODUCTIVE AND COLLABORATIVE AGONOSTIC PLATFORM



Essentiality

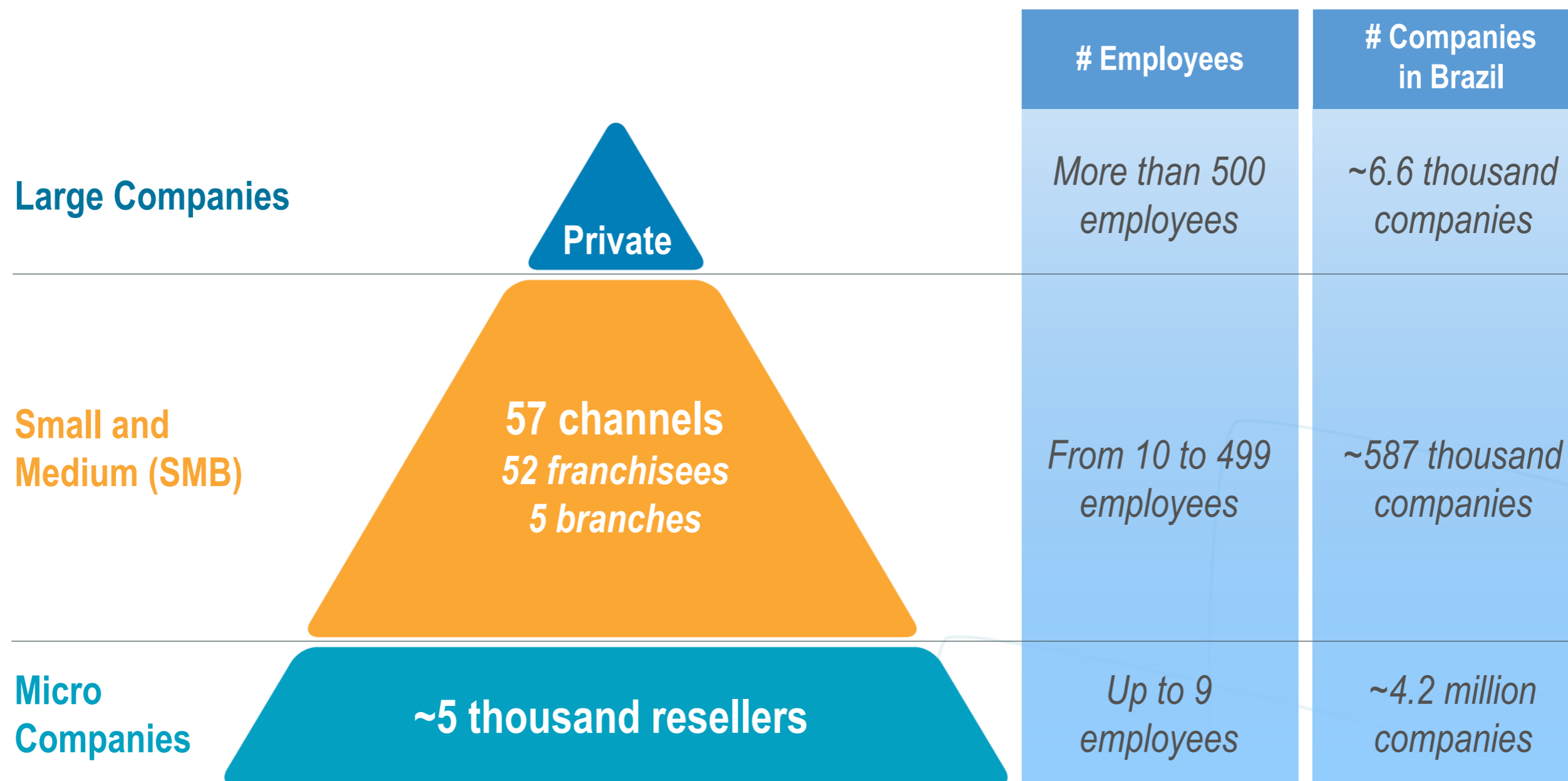
MANAGEMENT SYSTEM BY INDUSTRY SECTOR

TOTVS V12

Agile ERP

New operating experience and complete adherence. Transactional interface of open systems

HOW WE SELL IN BRAZIL



Source: IBGE

MAIN EXECUTIVES



**LAÉRCIO
COSENTINO**
CEO & FOUNDER



**GILSOMAR
MAIA**
CFO
10 YEARS*



**FLAVIO
BALESTRIN**
MARKETING,
CHANNELS &
HR
15 YEARS*



**ALEXANDRE
APENDINO**
SALES
3 YEARS*



**DENIS DEL
BIANCO**
SERVICES
9 YEARS*



**WEBER
CANOVA**
TECNOLOGY
21 YEARS*



**MÁRIO
ALMEIDA**
FLUIG &
MOBILE
1 YEAR*



**GUSTAVO
BASTOS**
HEAD SUPPLY
CHAIN
18 YEARS*



**RONAN
MAIA**
HEAD
CONSUMER
15 YEARS*



**EROS
JANTSCH**
HEAD
MICROENTERPRISES
& HARDWARE
23 YEARS*



**MARCELO
EDUARDO**
HEAD
SERVICES
15 YEARS*

* Time working for TOTVS or acquired companies



NEW CAMPUS IN SÃO PAULO

NEW CAMPUS IN SÃO PAULO

EMPLOYEES

BRAZ LEME: 1,847

MG. TIETÊ: 694

BEMATECH SP: 198

ALPHAVILLE 1: 37

ALPHAVILLE 2: 29

BARUERI: 9

FARIA LIMA: 31

NEW CAMPUS: 2,845



- Installations connected to R&D, sales and delivery centers
- Reinforcement of TOTVS culture
- Innovation environment to mobile and cloud
- Client services area
- Investment of approximately R\$78M

ESTIMATED CAPEX WITH THE NEW CAMPUS

R\$ MILLION	TOTAL	PAID UP TO 3Q16	4Q16	2017	2018	2019	2020
LEASING	37.5	0.1	0.9	10.6	10.6	9.7	5.6
CASH	40.2	7.5	7.5	25.2	-	-	-
TOTAL	77.7	7.6	8.4	35.8	10.6	9.7	5.6

NEW CAMPUS IN SÃO PAULO



NEW CAMPUS IN SÃO PAULO





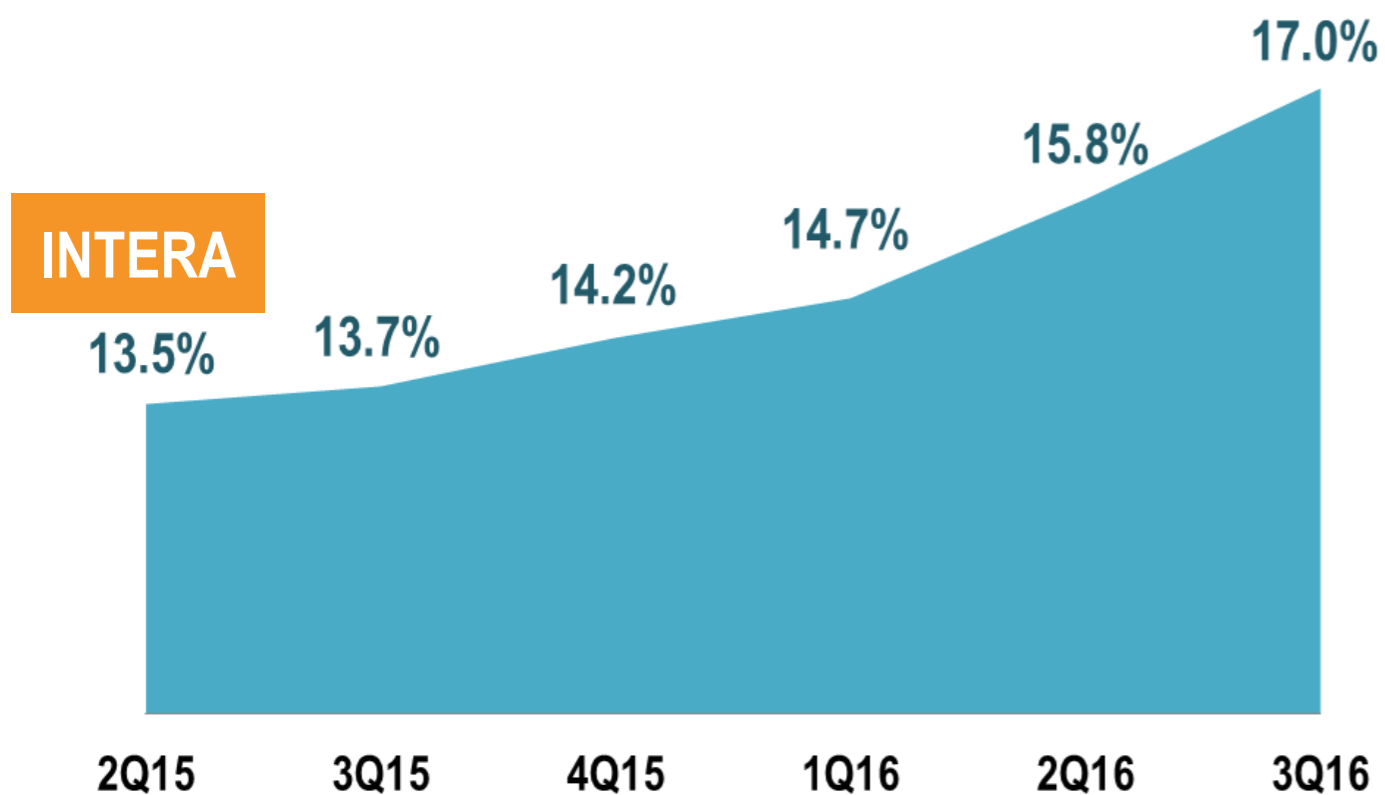
INTEGRATION TOTVS + BEMATECH

	ACCOMPLISHED	NEXT STEPS
SOLUTIONS	<ul style="list-style-type: none"> • Definition of TOTVS + Bematech offerings • Integrated Solutions for Hotels • Bemacash + Fly01 for 4 segments • Fly01 Start with Cielo LIO and SmartRede 	<ul style="list-style-type: none"> • Integration of solutions for Food and People Transportation • Bemacash + Fly01 for new segments • Fly01 Start for new acquirers
SALES	<ul style="list-style-type: none"> • Bemacash sales model • Communication Plan • Beginning of the training of Bemacash resellers • Integration of sales areas 	<ul style="list-style-type: none"> • Training of sales teams of TOTVS and Bematech and Bemacash resellers
G&A	<ul style="list-style-type: none"> • Integration of Corporate Areas (IR, Human Resources, MKT, Channels, Compliance, Audit and Ombudsman) • Integration of corporate targets 	<ul style="list-style-type: none"> • Integration of management systems • Integration of administrative areas



TRANSITION TO SUBSCRIPTION

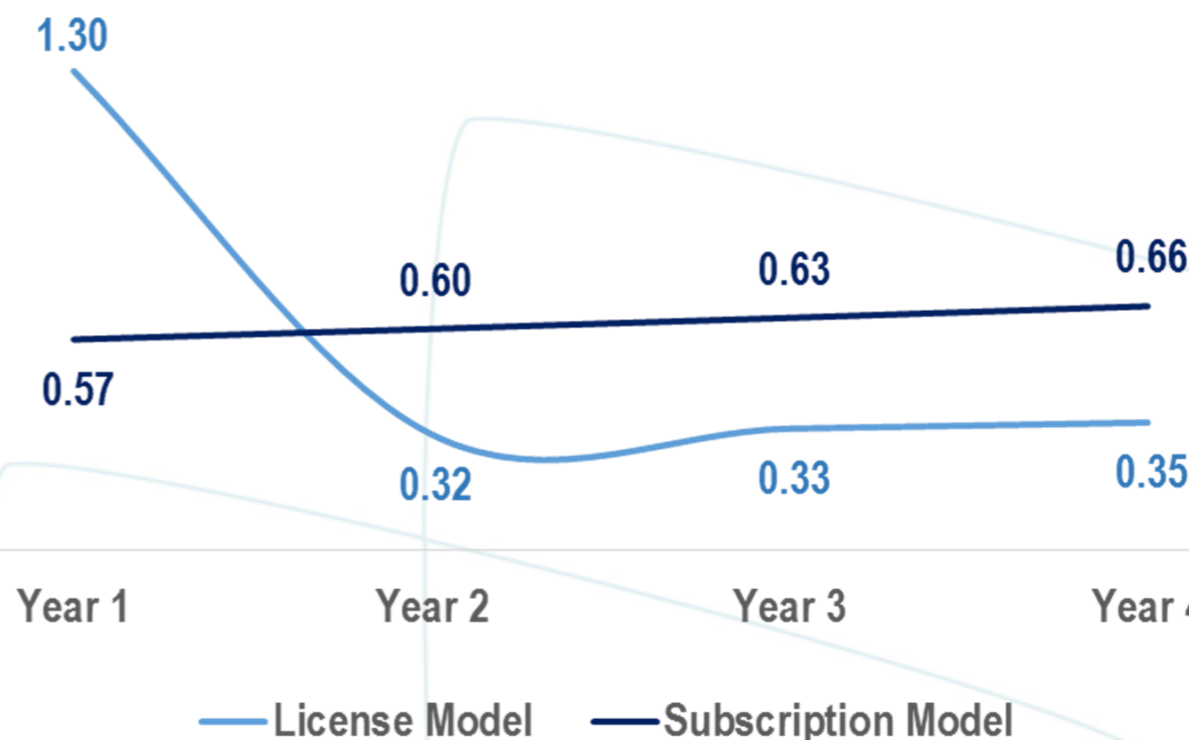
Subscription Model (% / Software)



- 2Q15: Launching of Intera
- 3Q16: +90 thousand Intera IDs

WHY SUBSCRIPTION?

- Lower initial investment by clients
- Shorter sales cycle
- Incentive for Cloud
- Higher return in the medium and long term



Note: 5% p.y. inflation adjustment



RETAIL SOLUTIONS

By Ronan Maia, Business Vice-President for Consumer

RETAIL IN BRAZIL

MACRO
(+10k Companies)

SMB
(+100k Companies)

MICROCOMPANIES
(+3M Companies and +4M Individual Entrepreneurs)

BUSINESS SOLUTIONS



RETAIL LABS



PLATFORMS



MANAGEMENT
SYSTEM BY
SEGMENT



HARDWARE



DISTRIBUTION

PRIVATE

57 CHANNELS
52 franchisees
5 branches

**~1 THOUSAND
RESELLERS +
TOTVS Point of Sales**
(Dec/2017)

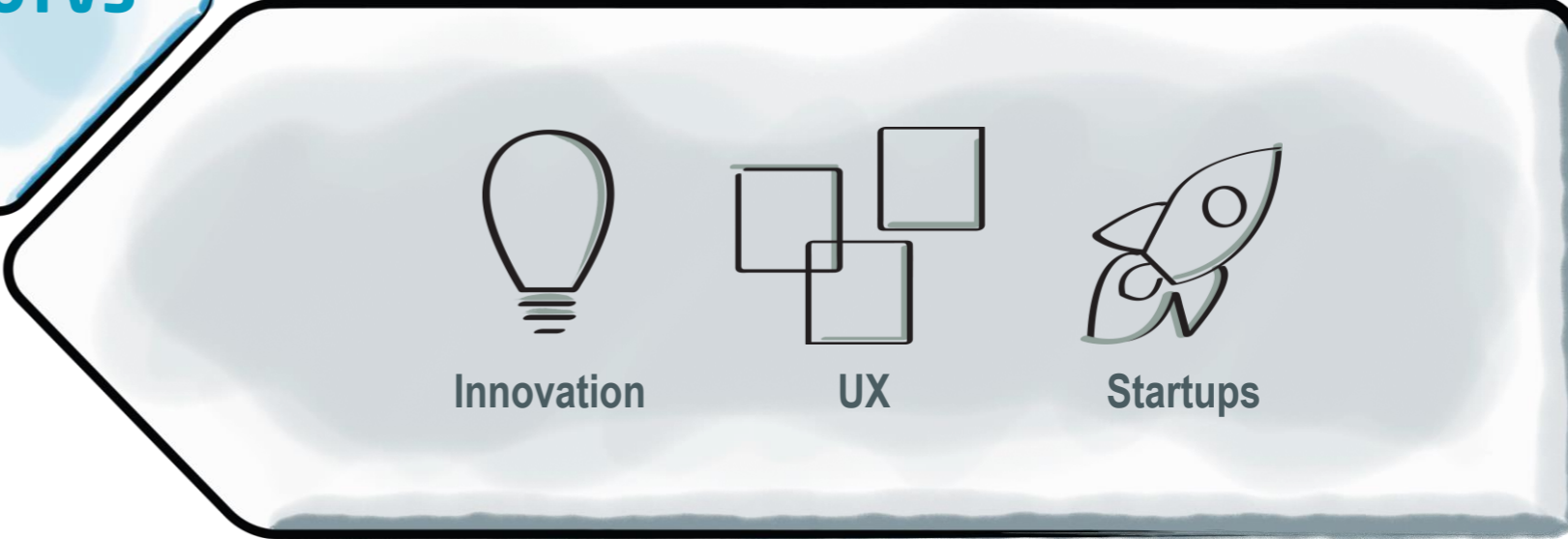
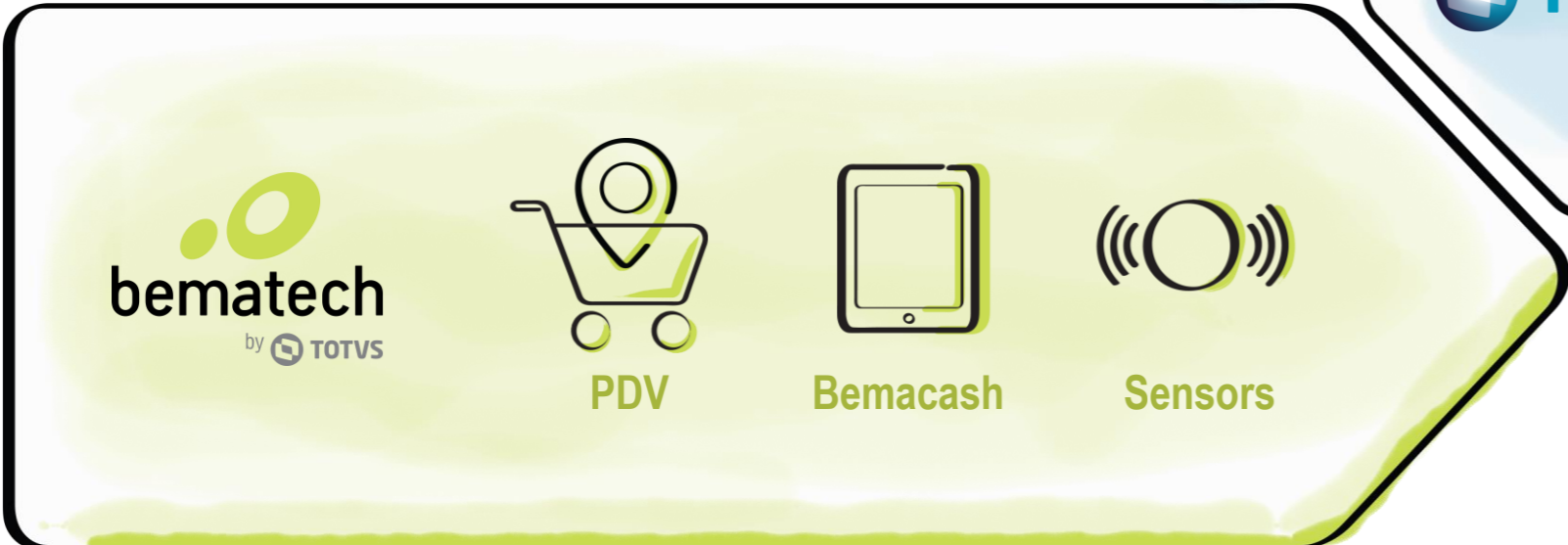
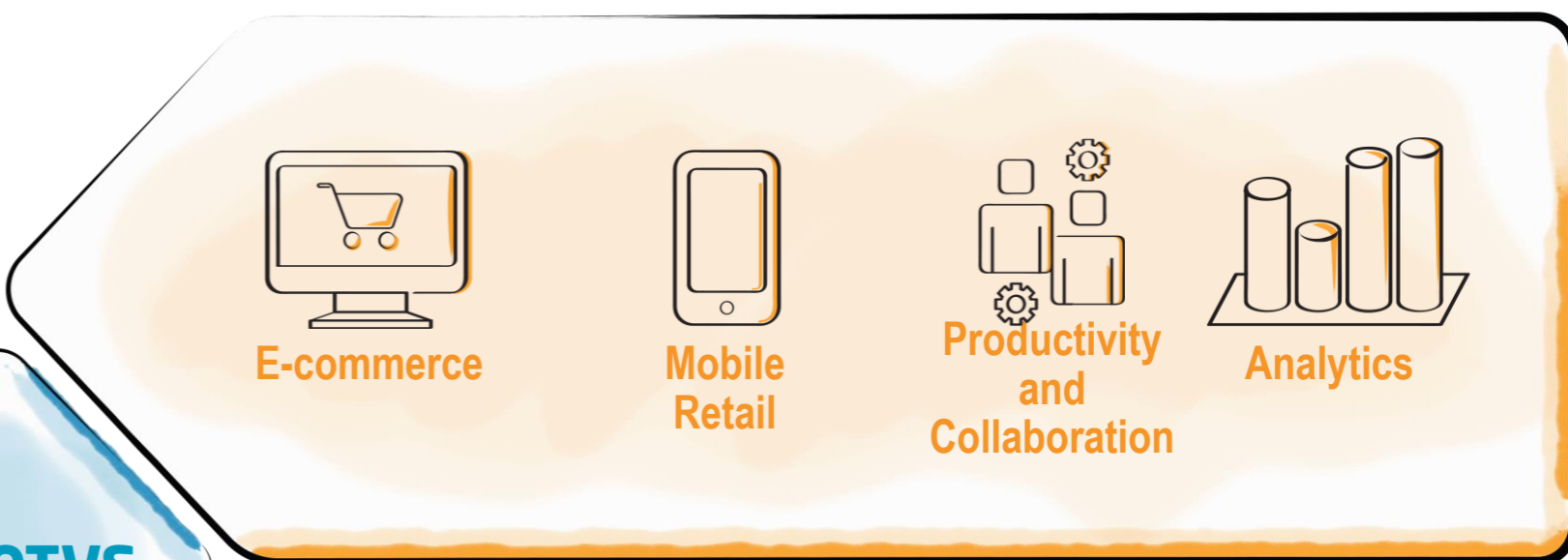
Retail: 23.7% of TOTVS revenue in 2015

THE ONLY PROVIDER IN BRAZIL ABLE TO OFFER A COMPLETE SOLUTION FOR RETAIL

MANAGEMENT SYSTEM BY SECTOR

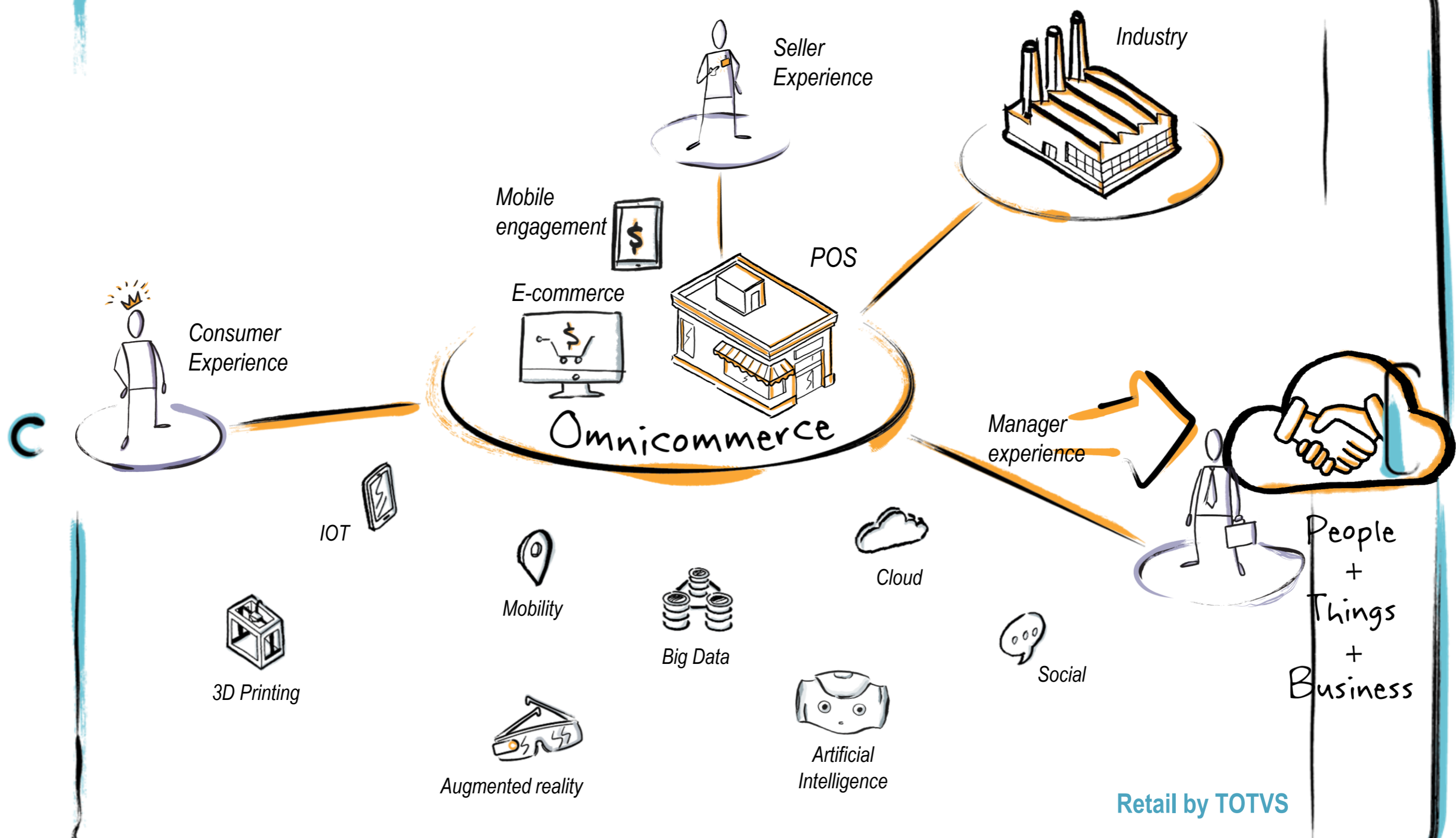


PLATFORMS



HARDWARE

RETAIL LABS





STORE OF THE FUTURE DEMO

By Ronan Maia, Business Vice-President for Consumer



MICRO RETAIL

By Eros Jantsch, Business Vice-President for Small
Companies

MICROCOMPANIES

(+3M Companies and +4M Individual Entrepreneurs)

MICRO RETAILER REALITY

- *Low support for financial and technological decisions*
- *Investment in accordance with the financial capacity*
- *35% technology penetration of to manage the business (excluding individual entrepreneurs)*
- *Seek for solutions to attend tax compliance*
- *Complex process to acquire technology*

PRICE
(R\$/month)

RETAIL "MONOSTORE"

From ~R\$ 220.00
to ~R\$429.00

bemacash



Fly 01
by TOTVS



FUNCTIONALITIES

Tablet-based
Specialized
Fiscal or Management Solution
Optional: EFT or payments via Smart POS

From ~R\$ 169.00
to ~R\$269.00

Fly 01
by TOTVS

PAYMENT TERMINALS
~R\$100.00



FUNCTIONALITY

FUNCTIONALITIES

Payment Terminal

FUNCTIONALITIES

Fly01 Start: Agnostic App for Retail
Management Solution (non-fiscal)
Integrated Payment



FUNCIONALITIES

*Management System
Tablet
Fiscal Solutions
Cash Drawer
Barcode Reader
Printer
Payment Means*

BUSINESS MODEL

*Sales via Resellers
36-month Contract
Monthly Software Subscription
Technical Assistance in Brazil
Fiscal Solutions*

**1K Resellers
Dec/2017**



BEMACASH

By Eros Jantsch, Business Vice-President for Small
Companies



Retail Trade



Fashion

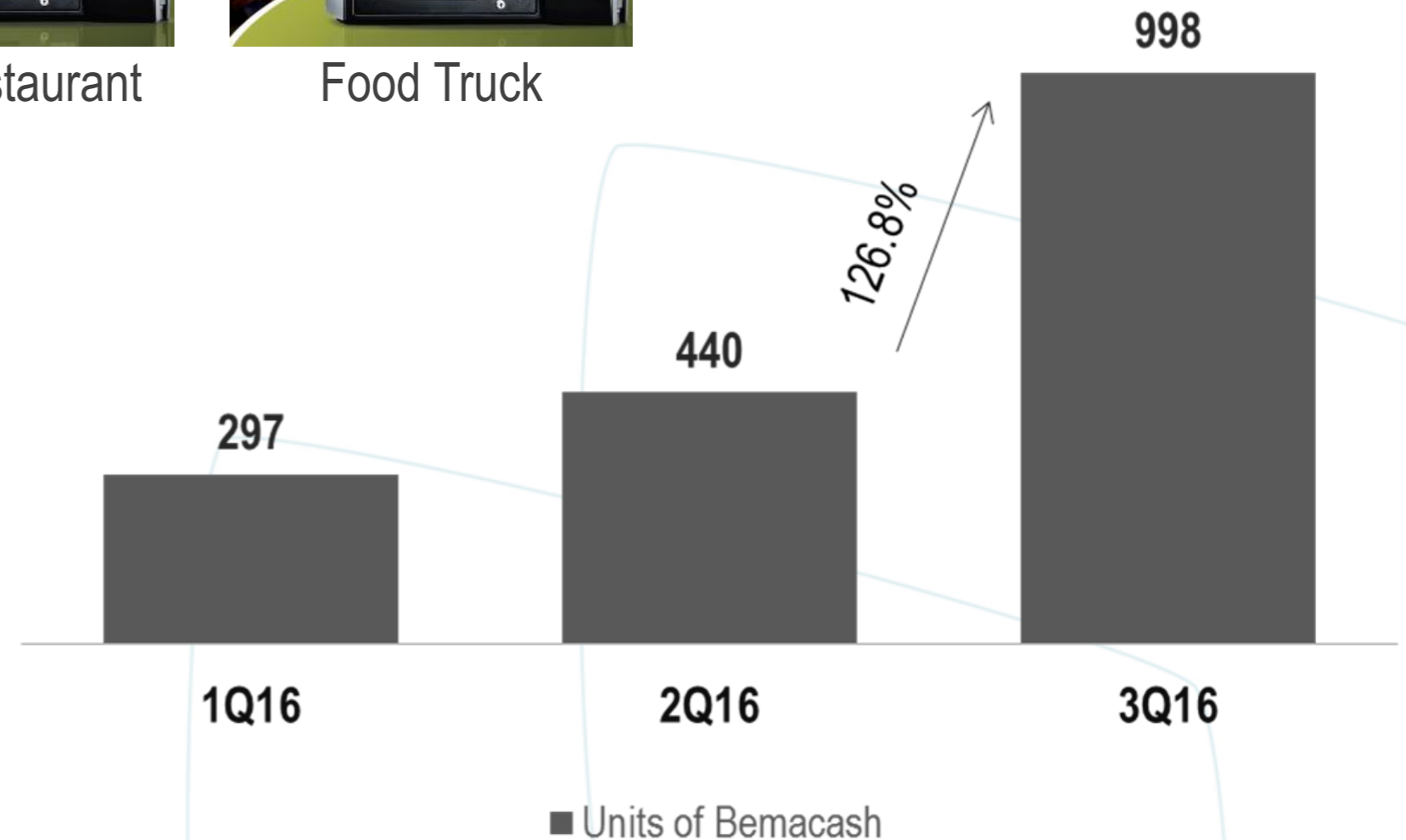


Bar & Restaurant



Food Truck

300 CERTIFIED RESELLERS





SOFTWARE MARKET TRENDS

By Laércio Cosentino, CEO



... everything we did one day can be done in a **DIFFERENT** way when we connect people and things for the business generation



1. **STRATEGY**, not only technology, guides the Digital Transformation



2. Business need to be more **SIMPLE** and **AGILE** to be consumed in connection



3. The **DIGITAL TRANSFORMATION** optimizes and disintermediates the business processes through digital platforms, IOT and learning machines

	TRADICIONAL	INTERA
Development	<ul style="list-style-type: none"> • New versions every 2 / 3 years • Desktop First • On Premises • Solutions for Systems "Users" • Closed, integrated and complex solutions 	<ul style="list-style-type: none"> • Versions based on upgrades (incremental) • Mobile First • Cloud • Solutions for "Identity" connections; People and IOT • Open, simple and specialized solutions
Business Model	<p>Software Licensing</p> <p>Services</p> <ul style="list-style-type: none"> • Implementation • Customization • Training • Cloud • Mgmt. Consulting <p>Software Monthly Services (SMS)</p> <ul style="list-style-type: none"> • Technological Evolution • Technical Support 	<p>Software Subscription</p> <ul style="list-style-type: none"> • Licensing • Technological Evolution • Technical Support • Training • Copilot – Monitoring • Cloud • Content & Information <p>Services</p> <ul style="list-style-type: none"> • Implementation • Customization / APPs • Certification • Monitoring & Efficiency • Consulting on Management and Digital Transformation
Growth & Value Generation	<ul style="list-style-type: none"> • Sale of more Users, SMS and Services with the launching of new versions and / or products • Customizations for customer maintenance 	<ul style="list-style-type: none"> • Connecting of more IDs through information sharing and greater efficiency and productivity • Solutions for the Clients of our Clients, for the Client maintenance (Ecosystem)
Competition	<ol style="list-style-type: none"> 1. Global Software Houses 2. Specialized Software Houses 3. Regional Software Houses 4. Internal Development 	<ol style="list-style-type: none"> 1. Global Platform e/or Solutions Software Houses 2. Startups Software Houses / Application Labs 3. Specialized Software Houses 4. Regional Software Houses
Distribution	<ol style="list-style-type: none"> 1. Certified and Non-Certified Channels • (Franchisees / Resellers / Integrators / Business Agents) 	<ol style="list-style-type: none"> 1. Digital Relationship 2. Certified and Non-Certified Specialized Channels • (Franchisees / Resellers / Integrators / Business Agents)



TOTVS Digital Model *(Single Subscription Company)*

CULTURE

+ essential, +simple e +agile

PORTFOLIO

Hybrid Platform
I. Unique
II. Segmented
III. Open

PROCESSES

Company 100% Digital

QUALITY

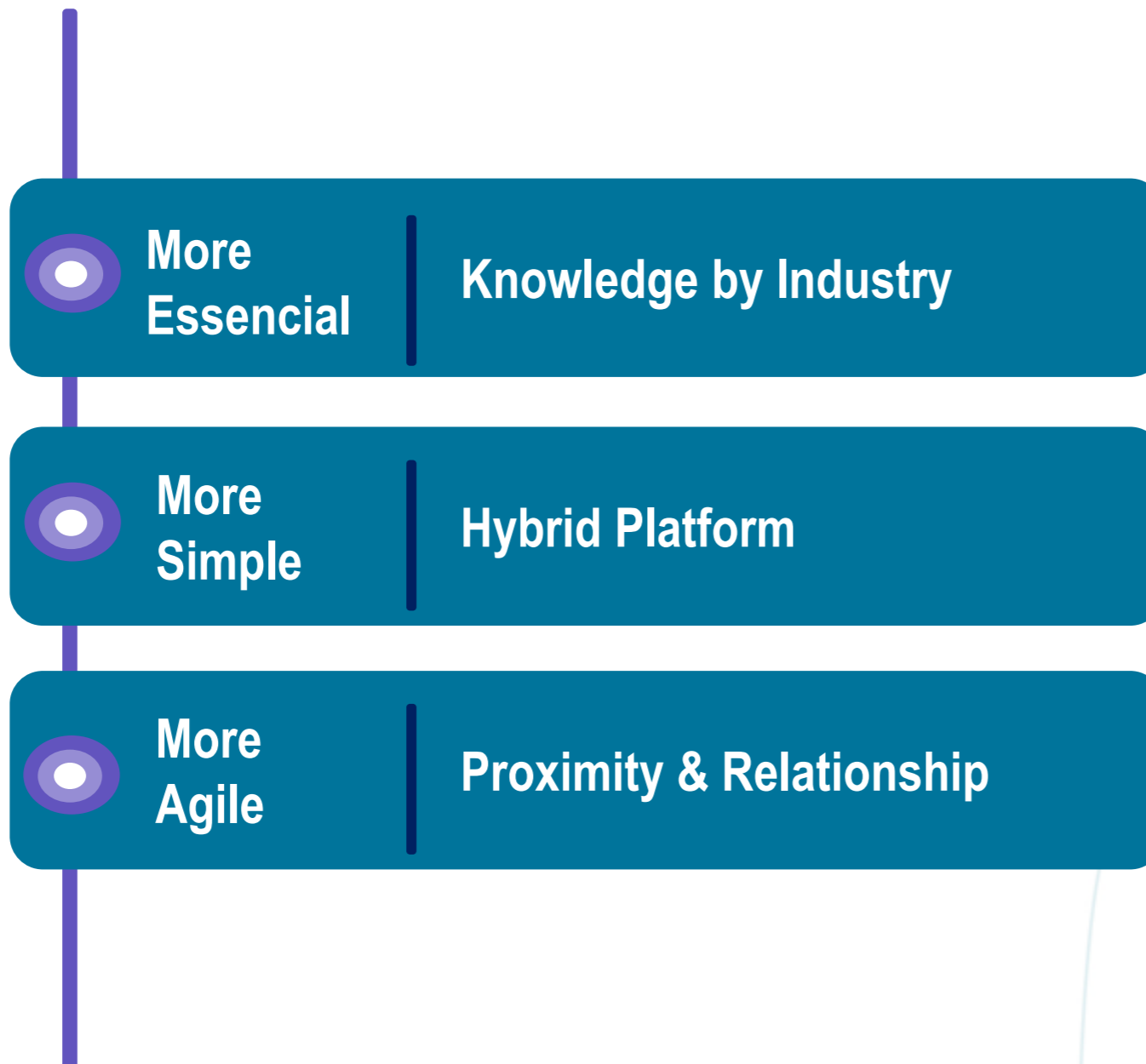
Commitment: 110%

↑ Digital Attitudes
Results: CLIENTS, TOTVERS and
TOTVS

↑ Portfolio Convergence
Technology Standardization
100% Mobile & Cloud
100% API

↑ TOTVS DIGITAL
Digital Strategic Map
UX & Design Thinking
Single PMO & OKRs

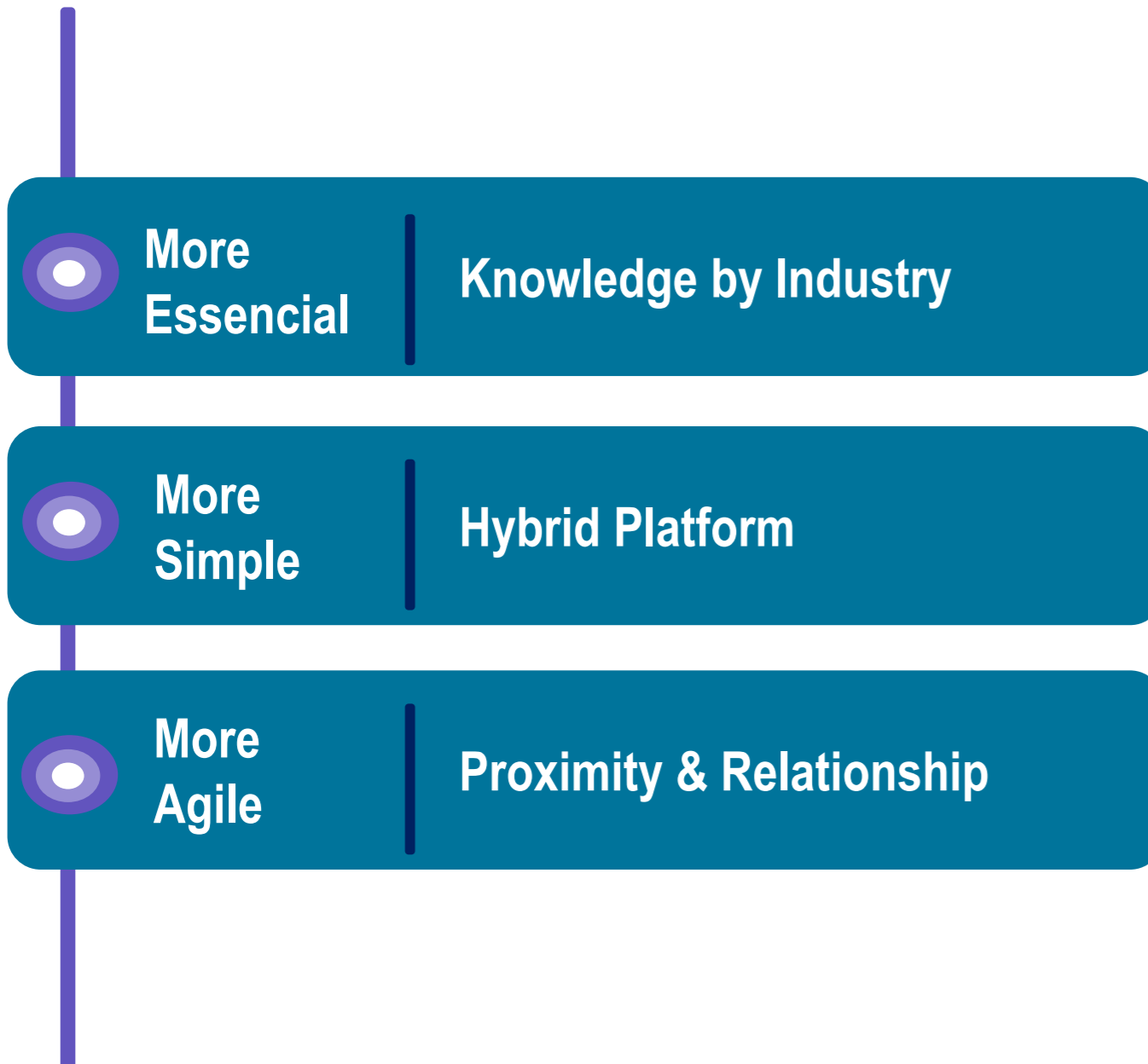
↑ Qualification: TOTVERS &
Clients
Predictive Analysis of Assistance
The Client



Make our clients more competitive in their industries

Today and Always with one single subscription!

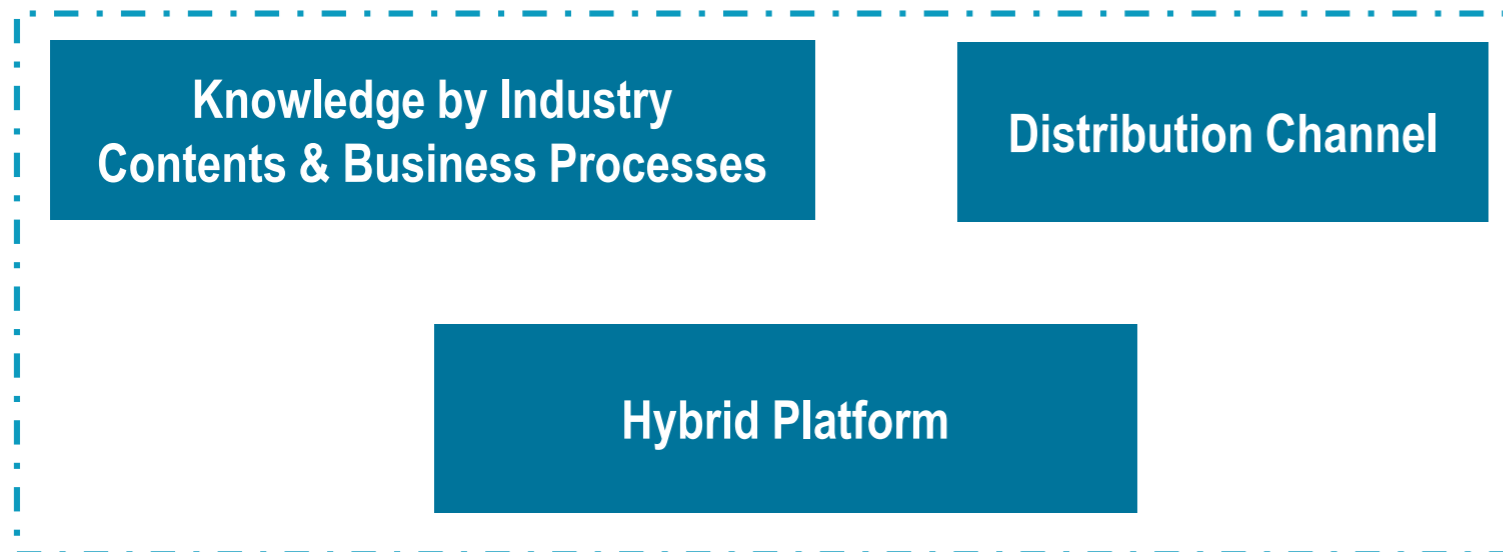




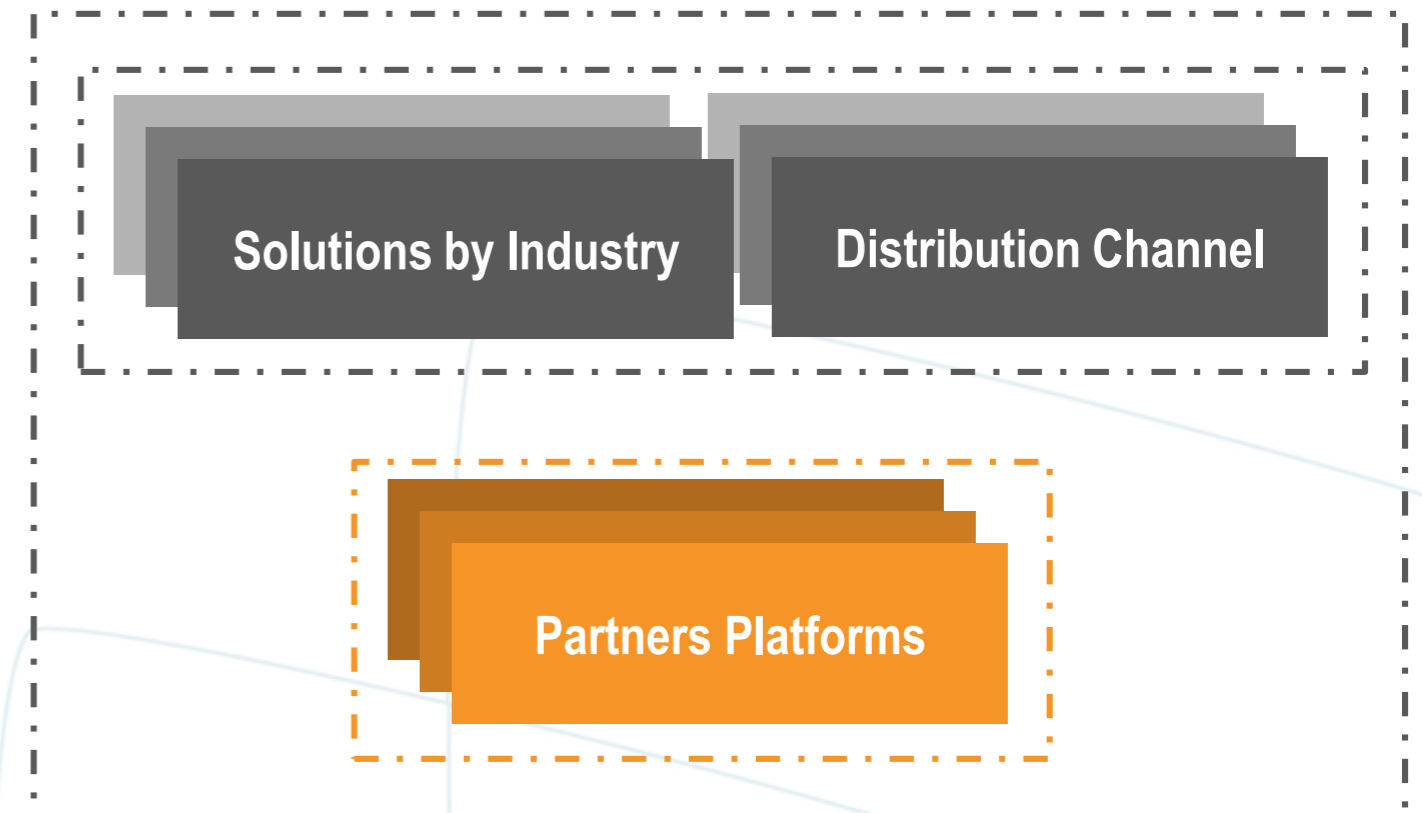
- TOTVS Brand
- Solidity – Client Base
- TOTVS Technology
- Strategy by size of Client and Industry
- Single Offer: Contents, Business Processes and Platform
- Distribution Channel – Huge Capillarity
- TOTVS DIGITAL MODEL (TDM)

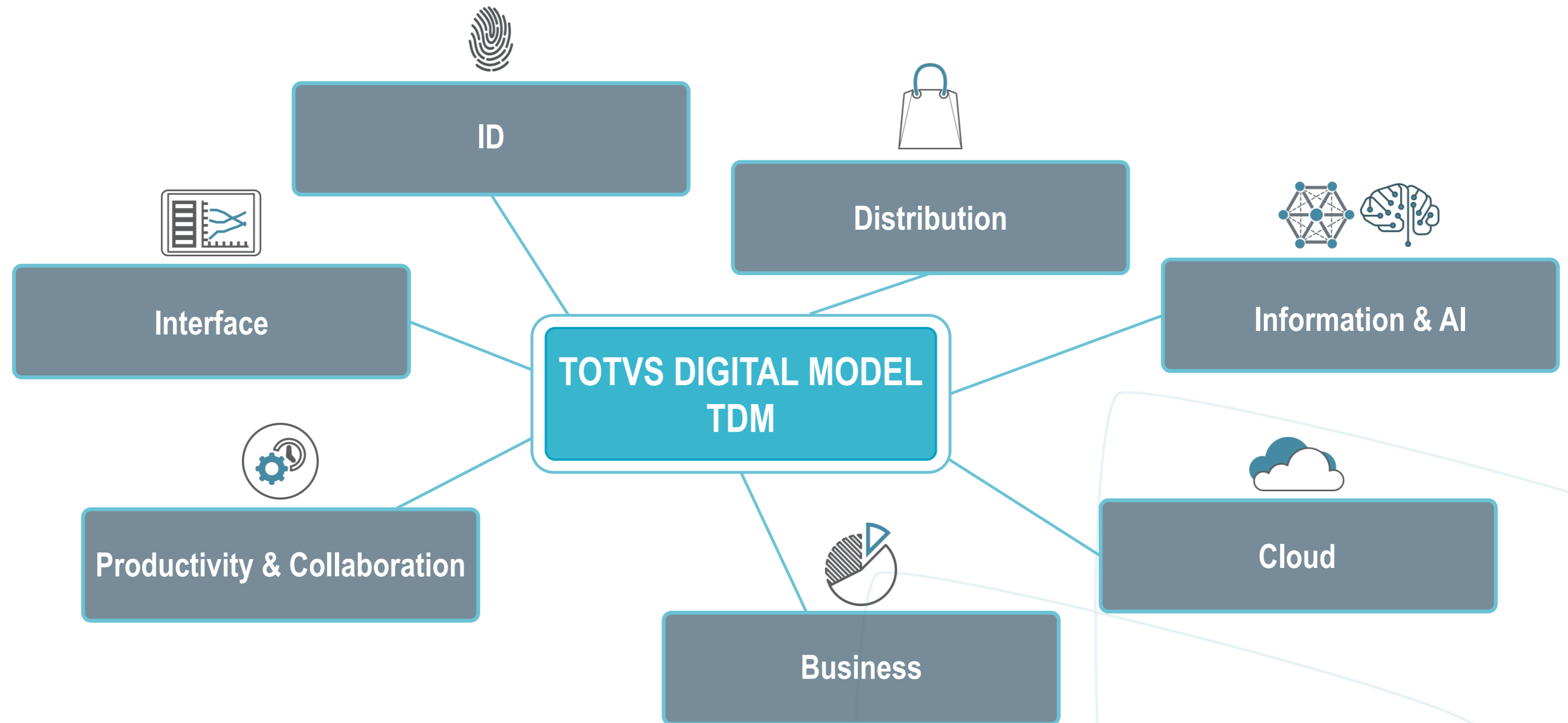
Single Offer: Contents, Business Processes and Platform

TOTVS OFFERING only

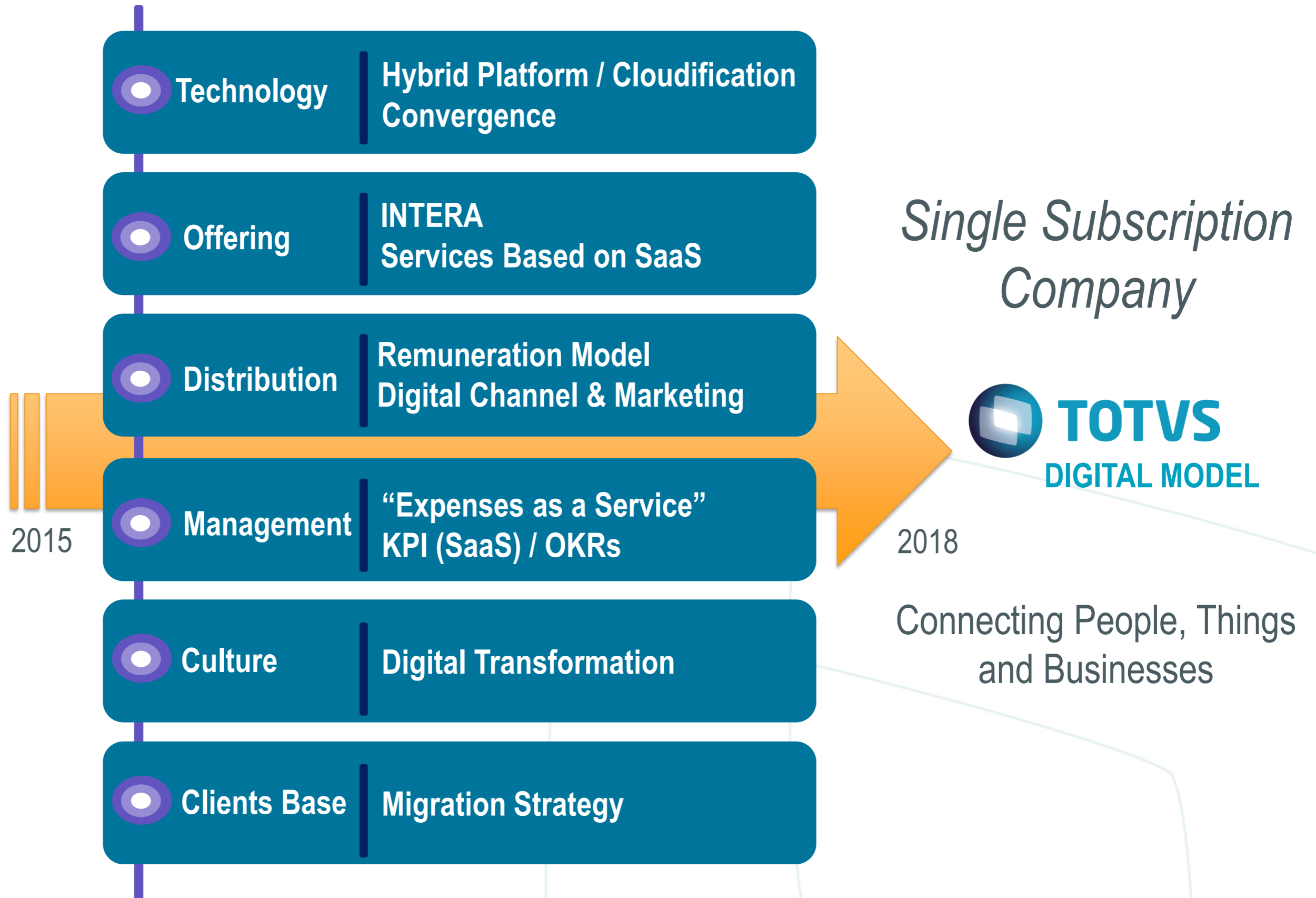


More than a Single Offer for one Solution





 **TOTVS**
LICENSE BASED





Q&A



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Thank You ;)