



TOTVS

Welcome to
TOTVS Day 2013

The material that follows is a presentation of **general background information about TOTVS activities** as of the date of the presentation in November 2013. This information is given in summary form and does not purport to be complete. **It is not intended to be relied upon as advice to potential investors.**

This presentation may contain statements that express **management's expectations and/or forecasts about future events.** These expectations and/or forecasts involve risks and uncertainties that could cause actual results to differ materially from those projected in such forward-looking statements. Therefore, the future results of the company may differ from current expectations and **readers must not base their expectations exclusively on the information presented herein.**

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Speakers

**Rodrigo
Caserta**
Sales &
Services

**Alexandre
Dinkelmann**
Finance &
Strategy

**Laércio
Cosentino**
CEO &
Founder

**Marilia
Rocca**
Fluig
Platform

**Vicente
Goetten**
TOTVS
Labs



Event Agenda



TOTVS

1. Who we are
2. Where we are going
3. What we are doing
4. Q&A
5. Cocktail Reception

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TOTVS

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The TOP ERP Player in LatAm



**World's 6th largest
ERP suite provider**

**Leading company
in Brazil & Latin America**



**Absolute leader in the
SMBs with more than 50%
market share in Brazil**

**R\$ 1.6 Billion
Net revenue in LTM-3Q13**



Broad Distribution and Portfolio

Specialized solutions across 10 industries



Broad Distribution and Portfolio

Solutions for
companies of all sizes



Broad Distribution and Portfolio

Unique distribution system

The background features a light blue and white color scheme. On the left, there are intricate circuit-like patterns. On the right, several white arrows of varying sizes point towards the right. A prominent, larger blue arrow points upwards from the bottom center.

Consistent Growth & Innovation

R\$ 715 million in R&D (in the last 5 years)
Among top R&D investors in Brazil

+13% CAGR
for Net Revenue (LTM 3Q09/13)

+14% CAGR
of EBITDA (LTM 3Q09/13)

+22% CAGR
of Net Income (LTM 3Q09/13)



Strong corporate governance & Brand recognition

**+68% free float, a true corporation
with no controlling group**

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

**Ranked 22nd most valuable
Brazilian brand**

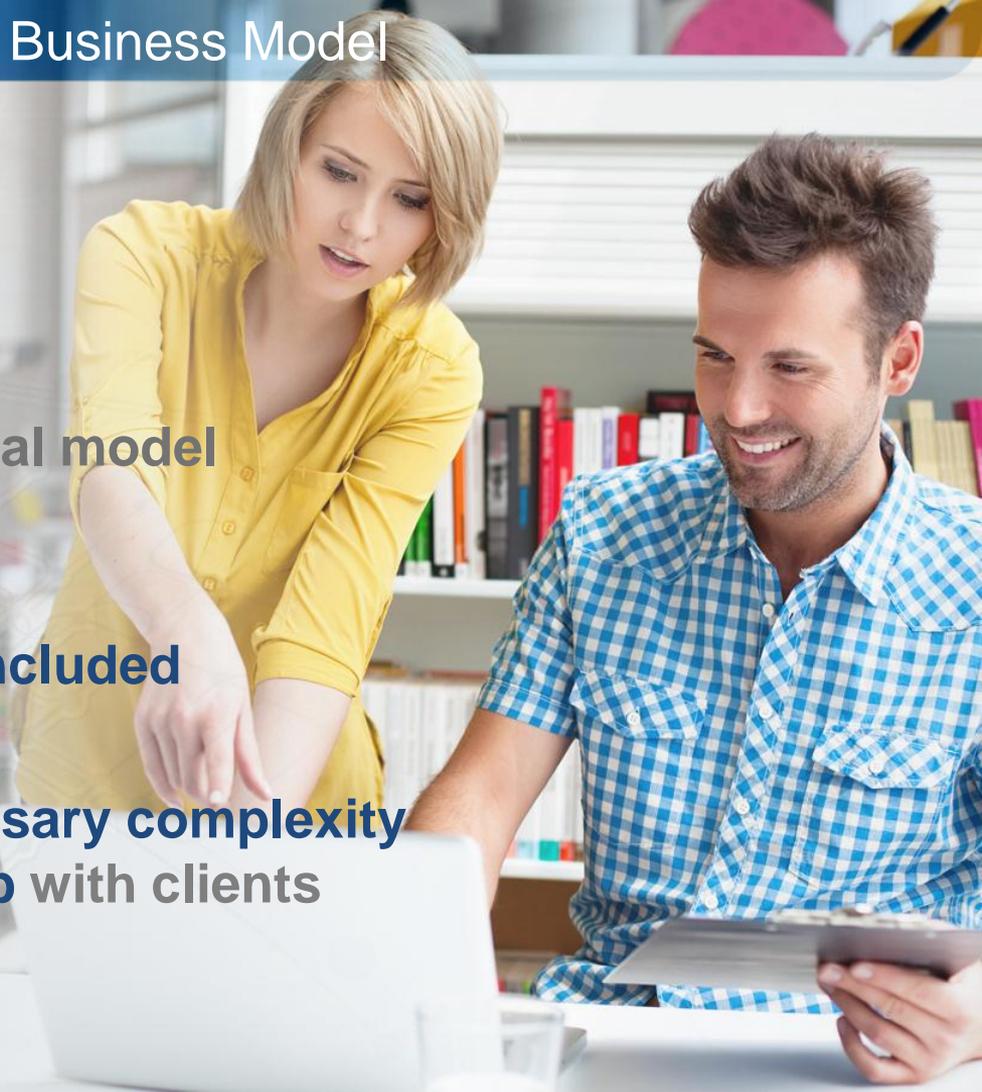


Knowledge of the SMB market

Flexible solutions and commercial model

Monthly subscriptions providing direct support with all updates included

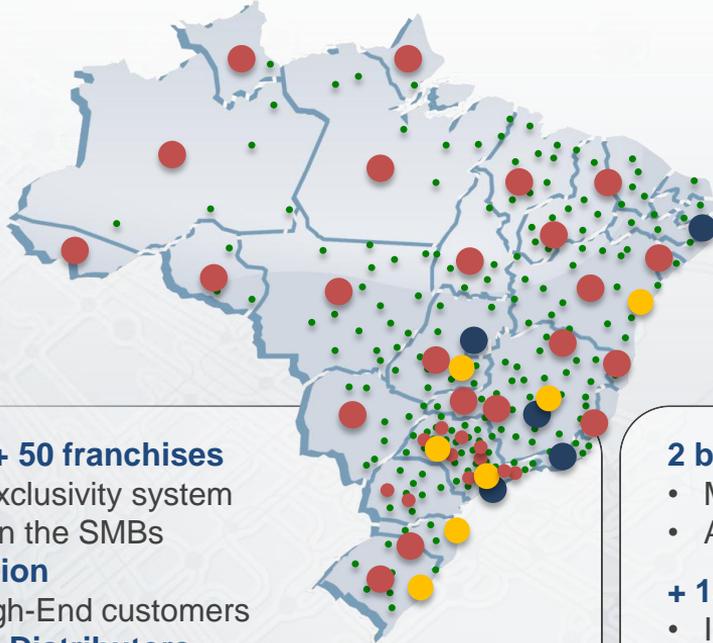
- A model aimed to avoid unnecessary complexity and based on strong relationship with clients





Brazil

- Franchises
- Development Centers
- Branches
- Distributors



5 branches + 50 franchises

- Mutually exclusivity system
- Focused on the SMBs

Private division

- For the High-End customers
- +200 TOTVS Distributors**
- Selling to micro enterprises across the country

7 Development centers

- Structured by vertical expertise
- +3,000 people on development & support

DISTRIBUTION

INNOVATION



Americas

- Active customers ●
- Channels ●
- Branches (MX, ARG, USA) ●



2 branches

- Mexico – North cone hub
- Argentina – South cone hub

+ 15 franchises

- In LatAm

2 Development centers

- TOTVS Labs - California
- Mexico for LatAm localization

DISTRIBUTION

INNOVATION

+3 Million people accessing our solutions every day

The TOP Player in business management applications from Emerging Markets

Distributors (Micro)

+38,000
clinics and
medical offices

+10,000
stores and small
retail shops

+6,500
small industries and
service providers

Branches & Franchises (SMB)

Market **Leader** in Brazil
and LatAm

60% Brazilian sugarcane
harvest

+700 Brazilian
Educational institutions

+1,300 department stores

Present in **39 countries**

Private (Large)

+27%
of all listed companies
in BM&FBovespa*

+46%
of all companies awarded
for corporate governance
excellence in Latin
America**

*Audited by



**Source:
IR Global Rankings



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TOTVS Evolution and Next Steps

Success is an outcome of wisdom and experiences of the past, knowledge and innovation of the present, and boldness to face the challenges of the future.



START UP

- Vision of the meaning of PCs for small and medium companies
- Treaty of Tordesillas - regional distribution through franchises
- Strategic alliances project
- Corporate governance

TOTVS Evolution and Next Steps

Success is an outcome of wisdom and experiences of the past, knowledge and innovation of the present, and boldness to face the challenges of the future.



WARM UP

- Kick-off of a global software
- Siga 3 by 1 project
- International surname - private equity fund
- Internationalization
- Proximity with competitors and market

TOTVS Evolution and Next Steps

Success is an outcome of wisdom and experiences of the past, knowledge and innovation of the present, and boldness to face the challenges of the future.



- Identification of the company's DNA
- A group based on people
- Mission / Vision / Values
- Definition of talent and necessary human capital

TOTVS Evolution and Next Steps

Success is an outcome of wisdom and experiences of the past, knowledge and innovation of the present, and boldness to face the challenges of the future.



NUMBER 1 BRAZIL

- Systems and technology by industry
- IPO project
- R\$ 1 billion project
- Market consolidation
- Customer relationship theory

TOTVS Evolution and Next Steps

Success is an outcome of wisdom and experiences of the past, knowledge and innovation of the present, and boldness to face the challenges of the future.



BE MORE ESSENTIAL

**WHY BE MORE
ESSENTIAL ?**



Being present

Expressing
yourself

Cooperating

Sharing

Global Environment

Influencing

Being perceived

Being unique

What we have to offer:



Connections



Mobility



**Freedom of
expression**



Simplicity



**Freedom of
Choice**



CHALLENGES
for individuals and companies

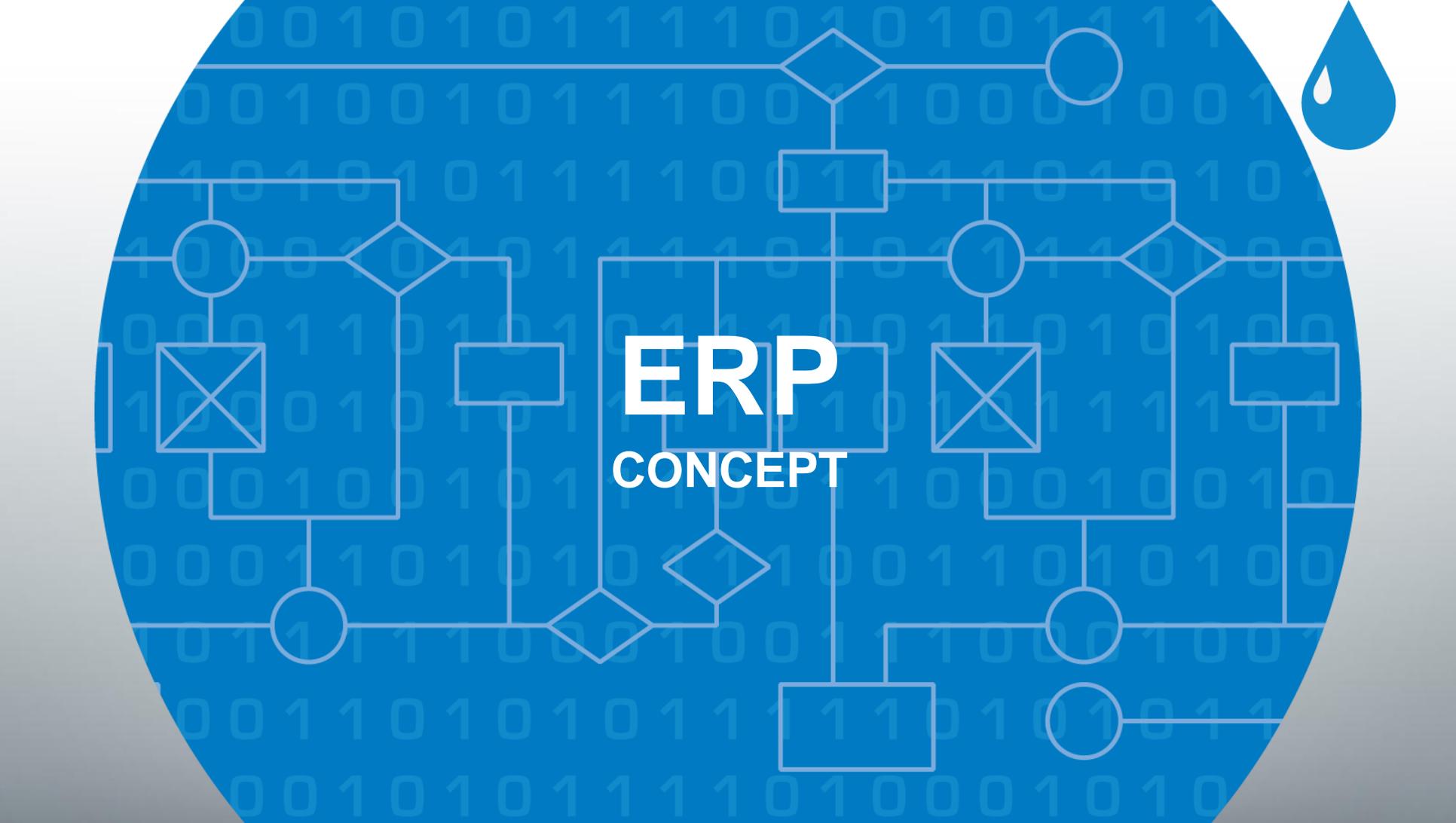


**To be PRESENT with no boundaries
To be more ESSENTIAL**





ERP CONCEPT

The image features a large blue circle containing a white circuit diagram with various components like resistors, capacitors, and diodes. The background of the circle is filled with a repeating pattern of binary code (0s and 1s). In the top right corner, outside the circle, is a blue water drop icon. The text 'ERP CONCEPT' is centered in the circle in a white, bold, sans-serif font.

ERP

CONCEPT

ERP CONCEPT



171.114 33.4 63% *115 63% *115\$ 171.114 33.4



ERP CONCEPT





**OPPORTUNITY:
TO MATCH BOTH
REALITIES...**



TOTVS` 3 concepts



**MATCHING BOTH
REALITIES...**



CLOUD/SAAS

FLUID TECHNOLOGY

Easy to use and deploy, simple and mobile, and which promotes productivity, sharing and cooperation, thus impacting a higher number of individuals and companies.

ESSENTIALITY

Specific offers targeted at the Core Business of each marketing industry with full adherence.

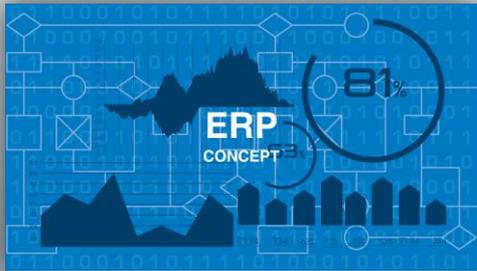
ERP LIGHT

Management Systems that “work out at the gym” to become lighter and naturally focused on their CORE, in CLOUD and MOBILE, providing a natural user interface.

TOTVS` 3 concepts



MATCHING BOTH REALITIES...



FLUID TECHNOLOGY

PRODUCTIVITY AND COLLABORATION PLATFORM

ESSENTIALITY



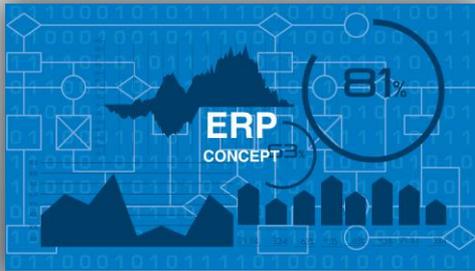
ERP LIGHT

TRANSACTIONAL ENVIRONMENT SYSTEMS

TOTVS` 3 concepts



MATCHING BOTH REALITIES...



PRODUCTIVITY AND COLLABORATION PLATFORM

FLUID TECHNOLOGY

Identity | Document and process management
Integration | Indicators | Business
Collaboration | Portals

ESSENTIALITY



ERP LIGHT

TRANSACTIONAL ENVIRONMENT SYSTEMS

New user experiences and full adherence

TOTVS Evolution and Next Steps

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DNA

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BE MORE ESSENTIAL

- To provide solutions and platforms, that are both global and innovative in their nature, across industries
- To play a key role in our clients' management and operations
- To consolidate and be the leader in strategic industries
- To become a "TOP Americas" player, supporting our clients globally

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More Industries in the game

In the last years **new industries have adopted integrated solutions** to achieve efficiency gains.

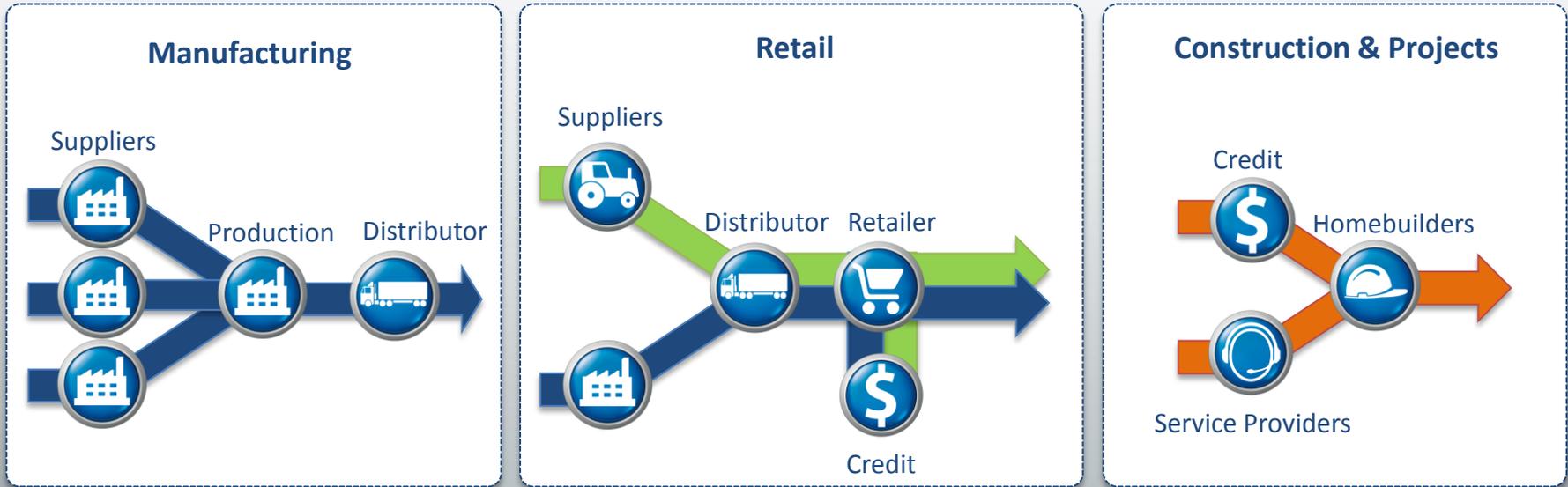
New opportunities in specialization

Both late and early adopters **see more value** in solutions **connected to their core business**. The development roadmap is aligned with client demand, with the goal of increasing the adherence.



ACCRETIVE USE OF SPECIALIZATION

The Company's strong market positioning among several market industries allows TOTVS to be the best player to **integrate value chains** with cross industry solutions, such as:



GROWTH VECTORS BY INDUSTRY

Addressing the industries specific needs. Examples:

VECTOR	OPPORTUNITY	SOLUTION
 Services Brazilian economy becoming more service-oriented	<ul style="list-style-type: none">▪ New companies providing facilities outsourcing services	<ul style="list-style-type: none">➤ TOTVS Services (specific offering for facilities)
 Credit Credit expansion	<ul style="list-style-type: none">▪ To help retailers solving their margin equation	<ul style="list-style-type: none">➤ TOTVS Credit management integrated with TOTVS Retail
 Retail Consumption expansion in C and D classes	<ul style="list-style-type: none">▪ Supermarkets in metropolitan surrounding and/or remote areas▪ Store chains focused on the countryside	<ul style="list-style-type: none">➤ TOTVS Supermarket by RMS➤ New POS boosted by e-fiscal note

EVOLUTION ON THE DISTRIBUTION SIDE

Developing new ways to evaluate the sales potential, measure channel distribution and controls allowing us to capture market opportunities.



- Geographical Intelligence and regional occupation analysis



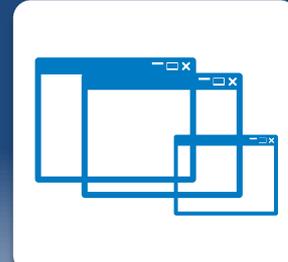
- Industry oriented Channels and Sales goals



- Specialized performance monitoring and support system



- Leads generation and distribution with market specialization



- New CRM and internal controls and processes



Client profile:

- **Over 50-year experience** in the supply of automotive products and services
- **Accredited and authorized reseller of Pirelli**. Also reselling products from Cofap, Bosch, Fremax, Syl, Fabrini, Mangels, among others
- **Several stores in the metropolitan region of São Paulo**, with advanced technology equipment
- **TOTVS's client for over 13 years**



Caçula de Pneus



Solution Landscape:

- The entire operation is controlled by **TOTVS software** (financial, accounting, supply chain, logistics, human resources and tax routines)
- **TOTVS supported the client expansion** that more than **doubled its number of stores** as **tripling its annual revenue**
- **With TOTVS support**, a franchise model was developed in order to **expand Caçula's store network**
- This expansion is **heavily based on the usage of TOTVS solutions**, and further productivity gains are expected as more solutions are adopted



Caçula de Pneus



Client profile:

- Founded in 1971, **is one of the world's largest producers of footwear**. Has **~29,000 employees** and revenues of R\$ 2.4 Bi
- **13 footwear factories, 1 PVC Plant** with a production capacity of **240 million pairs of shoes per year**, and distribution logistics serving **more than 90 countries**
- **Own brands:** Melissa, Rider, Grendha, Ipanema, Ilhabela, Zaxy, Cartago, Pega Forte, Grendene Kids and Baby
- **Third-party brands and licenses:** Gisele Bündchen, Ivete Sangalo, Mormaii, Guga Kuerten, Hot Wheels, Barbie, Hello Kitty, Spiderman and Disney's licenses

Grendene®



Relationship with TOTVS:

- **Grendene has been using TOTVS solution since 2002**, when it first implemented the TOTVS ERP solution from Datasul (a former company brand) to support the manufacturing processes as well as back office financial, accounting, HR and tax processes
- Over the years the relationship between the companies has strengthened and Grendene has become one of **TOTVS's Large Account cases**

Grendene®



Solution Landscape:

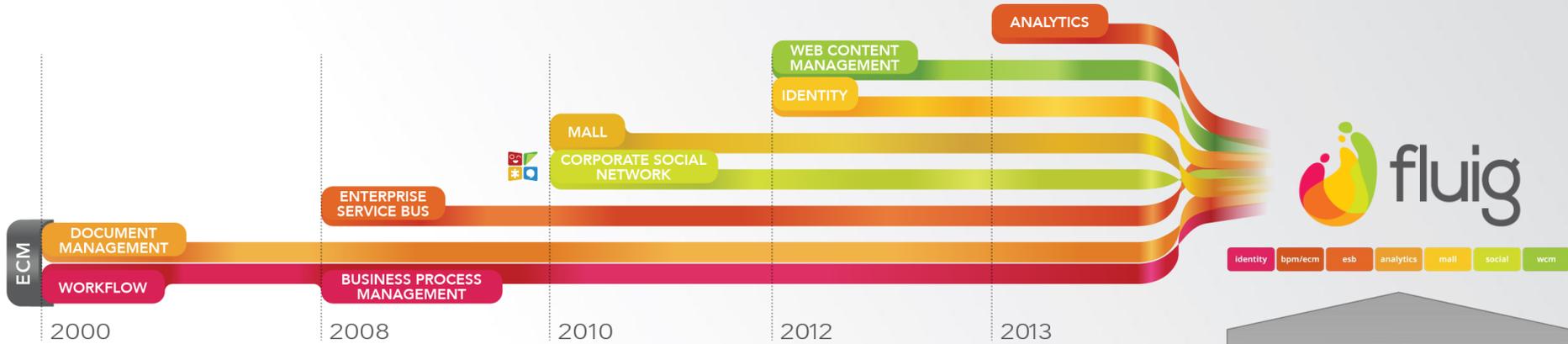
- **All 15 production plants are integrated by TOTVS** solutions along with some satellite solutions
- **2,500 users**, 160 people on the IT team with robust and redundant datacenter and links to all plants Currently **upgrading to the latest version**, IT team rated it as low risk as TOTVS has always respected client legacy and integrations
- **Partner in the development** of Fluig Platform and Fluig Identity

Grendene®





fluig
FLOWING
PRODUCTIVITY



Identity | Document and process management
Integration | Indicators | Business
Collaboration | Portals



TRANSACTIONAL ENVIRONMENT SYSTEMS



An agnostic platform to manage
PROCESSES, DOCUMENTS, IDENTITIES
through a single interface of collaborative communication.



Platform

identity
Id
management

bpm/ecm
Process and
content
management

esb
Systems
integration

analytics
Business
indicators

mall
Stores

social
Colaboration

wcm
Portals

Worldwide

Solutions for any
time, place, or screen

Fast and simple,
or forget it

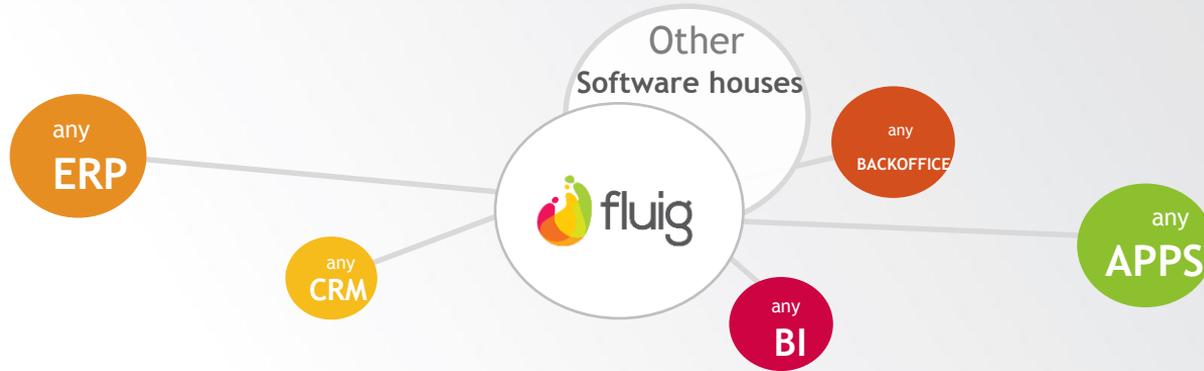
Safety and ownership
for customers

Cloud

Platform and
Ecosystem

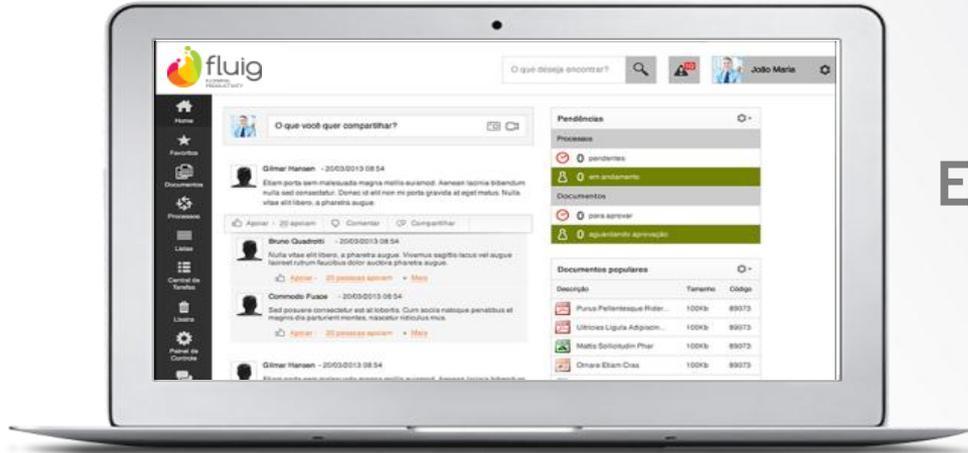
Always
collaborative

Agnostic

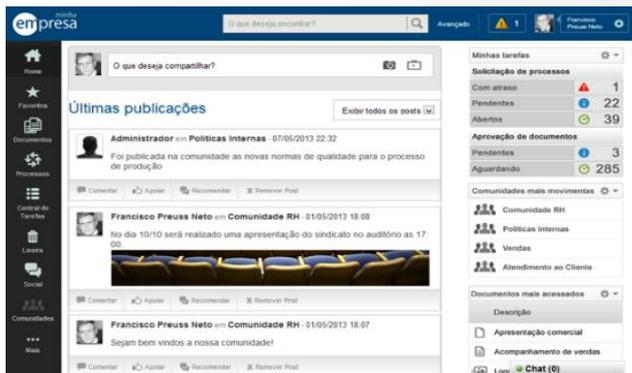


We integrate with any system from any supplier using a Service Oriented Architecture (SOA).

Fluig is an independent platform that can serve other Software Houses and Service Companies.



Everything in a single interface,
quick and fluid.



empresapresa O que deseja encontrar? Avançado

Últimas publicações

- Administrador em Políticas Internas** 07/06/2013 22:32
Foi publicada na comunidade as novas normas de qualidade para o processo de produção
- Francisco Preuss Neto em Comunidade RH** - 01/05/2013 18:08
No dia 10/10 será realizado uma apresentação do sindicato no auditório as 17:00
- Francisco Preuss Neto em Comunidade RH** - 01/05/2013 18:07
Sejam bem vindos a nossa comunidade!

Minhas tarefas

- Solicitação de processos**
 - Com atraso: 1
 - Pendentes: 22
 - Abertos: 39
- Aprovação de documentos**
 - Pendentes: 3
 - Aguardando: 285

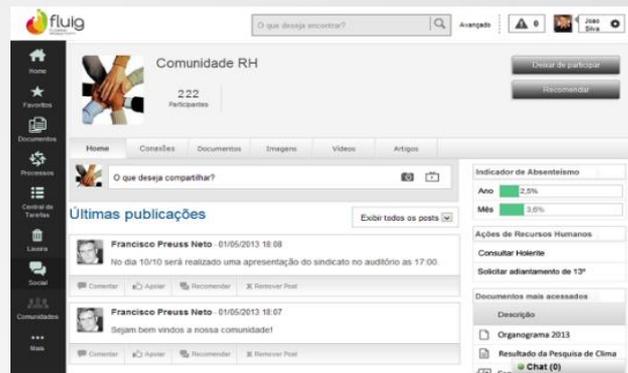
Comunidades mais movimentadas

- Comunidade RH
- Políticas Internas
- Vendas
- Atendimento ao Cliente

Documentos mais acessados

- Descrição
- Apresentação comercial
- Acompanhamento de vendas

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fluig O que deseja encontrar? Avançado

Comunidade RH
222 Participantes

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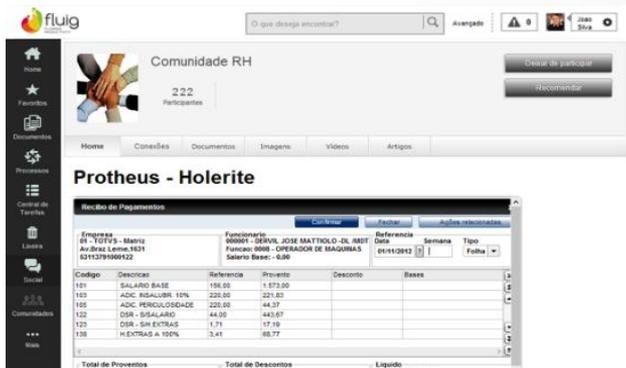
Indicador de Absenteísmo

- Ano: 2.0%
- Mês: 3.0%

Ações de Recursos Humanos

- Consultar Holerite
- Solicitar adiantamento de 13º
- Documentos mais acessados
- Descrição
- Organograma 2013
- Resultado da Pesquisa de Clima

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fluig O que deseja encontrar? Avançado

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Protheus - Holerite

Recibo de Pagamentos

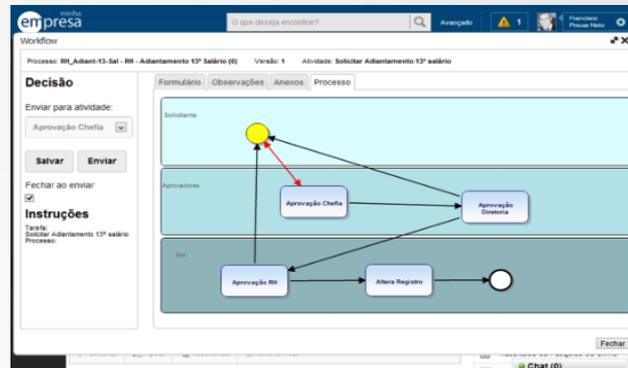
Empresa: 01 - YOFYS - BANCU
Ar: 0001 - LEVIA-1021

Funcionário: 000001 - DERVAL JOSÉ MATTIOLI DE ASSIS
Função: 000 - OPERADOR DE BANCOMATAS
Salário Base: -630

Referência	Semana	Tipo
01/11/2012		Faltas

Código	Descrição	Referência	Prevento	Desconto	Bases
101	SALARIO BASE		1.070,00		
103	ADIC. RESALUBR 10%		220,00	221,03	
105	ADIC. PERICULOSIDADE		220,00	44,37	
102	DIR. - RESALARIO		44,00	443,67	
123	DIR. - SA EXTRAS		1,71	17,19	
135	H. EXTRAS A 100%		3,41	68,77	

Total de Prevento: Total de Desconto: Líquido:



empresapresa O que deseja encontrar? Avançado

Workflow

Processo: RH_Adiant-13 Sal - RH - Adiantamento 13º Salário (0) Versão: 1 Atividade: Solicitar Adiantamento 13º salário

Decisão

Enviar para atividade: Aprovação Chefe

Salvar Enviar

Fechar ao enviar

Instruções

Tarefa: Solicitar Adiantamento 13º salário
Processo:

```

    graph TD
      Start(( )) --> A[Aprovação Chefe]
      A --> B[Aprovação Diretoria]
      B --> C[Aprovação RH]
      C --> D[Alterar Registro]
      D --> End(( ))
  
```

Fechar

Log: Chat (0)

Anywhere,
any time.





MANUFACTURING

- Quality Management: Action Plans, ISO
- Engineering: documentation of technical drawings and item registration



SERVICES

- Contact Centers, Consulting, Franchises
- Efficiency in Human Resources processes
- Events, Traveling, Supply Management Control



FINANCIAL SERVICES

- Credit approval
- Account opening



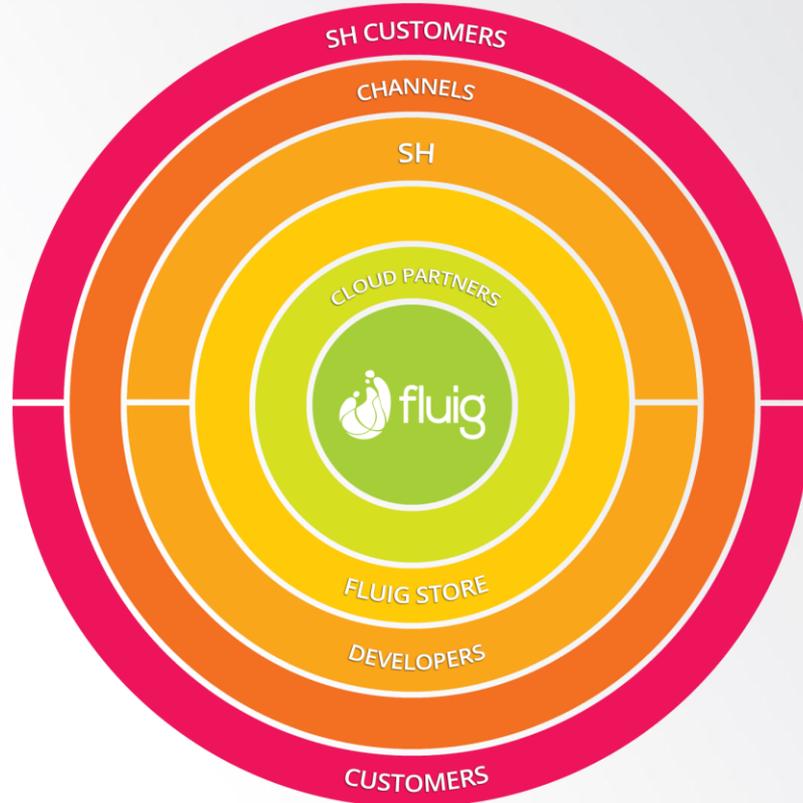
CONSTRUCTION

- Constructions: Contracts, Evidences
- Financial: Project Expenses Control and Approval
- Communities by Projects



EDUCATION

- Scholarship control: Payment / Evaluation
- Patent registration
- Communities by courses
- Student and teacher engagement



Smart process applications with Business Process Management - BPM will become a **US\$34 billion market by 2015**

Smart process apps with BPM will become 10% of the application market by 2015



Fluid Technology

ERP Light

Essentiality

Fundamentals for Organic / Inorganic Investments

Technology

Components and tools that allow the development of new products and services

Solutions

Applications that add value to client's business

Geographies

Reinforce regional presence or are key to reduce geographical barriers

Abilities

Add or Reinforce skills and abilities in certain activities or niches

Strong and predictable cash flow generation

- R\$ 301 Million EBITDA (LTM 3Q13)
- R\$ 287 Million Operating cash flow (IFRS)
 - Including payment of R\$14mm of interest

Strong capacity to support growth

- Net cash position in 3Q13
- R\$ 658.6 Million financing line from BNDES to support current R&D and marketing investments, as well as increasing firepower for future inorganic movements

Consistent Dividends

- R\$ 139 Million in dividends and interest on equity (LTM 3Q13)
 - ~60% dividend payout over the last years

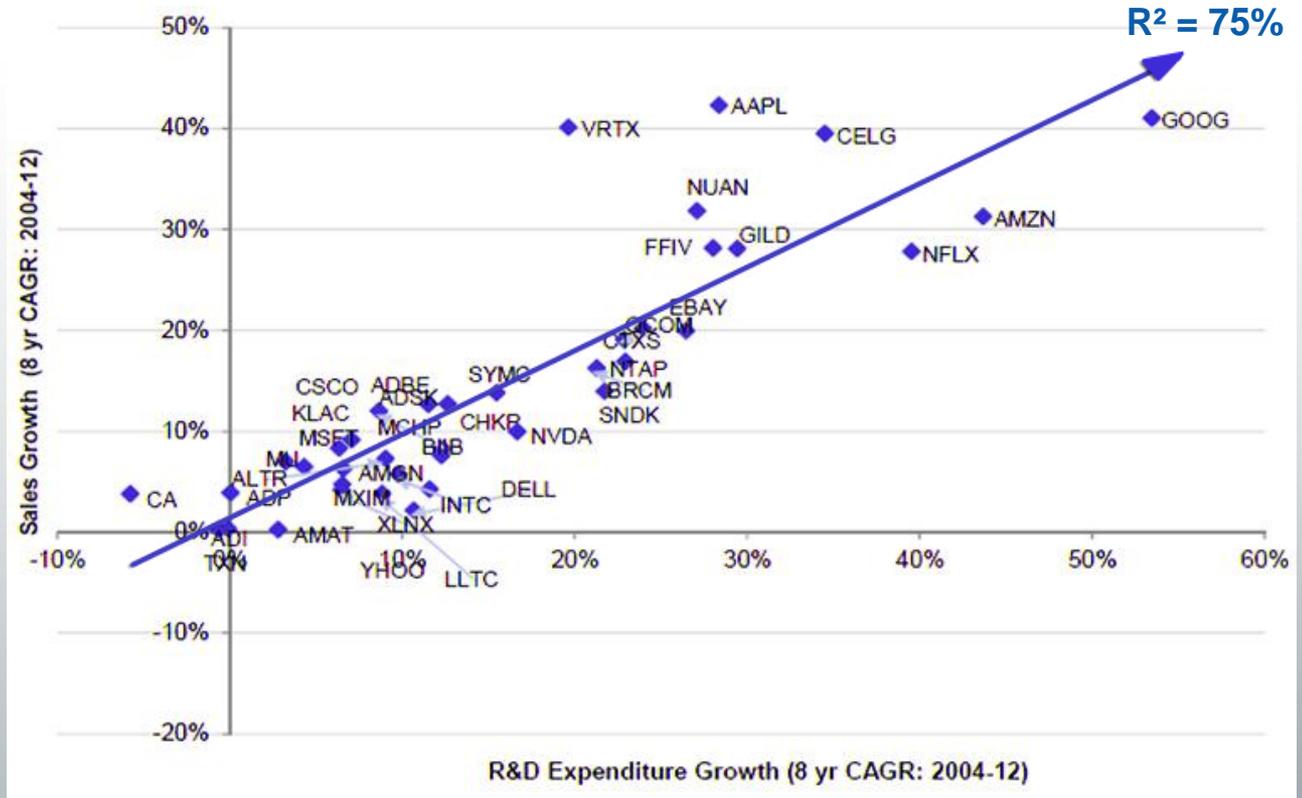
Strong capacity to support growth

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Active M&A Strategy

- R\$ 177 Million in acquisition and venture capital investments (LTM 3Q13)
 - 3 Acquisitions (PC Sistemas, PRX, RMS) in 2013
- 4 Invested companies (Good Data, uMov.me, Zeropaper, Intelie) in 2013

Strong R&D investment is key to long term growth.



TOTVS is the strongest technology player in LatAm

- Among the top R&D investors
- Solutions for 10 industries
- The most comprehensive distribution system in Brazil
- Knowledge of the target market
- Most capable value chain integrator



TOTVS is the strongest technology player in LatAm

We match the new market needs by providing:

- Fluid Technology
- ERP light
- Essentiality



MATCHING BOTH REALITIES...



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Cocktail reception