



TOTVS S.A.

Publicly Held Company

Corporate Taxpayer's Identification (CNPJ) N° 53.113.791/0001-22

Company Registry (NIRE) N° 35.300.153.171

MATERIAL FACT

Guidance Review

A TOTVS S.A. (B3: TOTS3) ("Company" or "TOTVS"), in compliance with the provisions of CVM Ruling No. 358/2002 and to paragraph 4 of Article 157 of the Law 6,404/ 1976, hereby announces to its shareholders and to the market in general the **removal of the Adjusted EBITDA guidance for 2017, originally established between R\$359.0 million and R\$395.0 million.**

This projection of Adjusted EBITDA, published on February 22, 2017, was based on the assumption of costs and expenses dilution as a consequence of the revenue growth, excluding non-recurring revenues, costs and expenses. However, this dilution has been negatively impacted by:

- (i) The accelerated growth in subscription sales, reflected in the 42.2% increase in Annualized Recurring Revenue from Subscription in the third quarter of 2017, which in the short term causes greater growth of selling expenses, not yet compensated by the future flow of subscription revenues;
- (ii) The effects from the economic recession in Brazil on delinquency rates, cancellations and reductions of maintenance contracts and on the increase of provisions for contingencies, besides resulting on a lower services and hardware sales pace; and
- (iii) The IGP-M level (inflation index used to adjust recurring revenues) being significantly lower than costs and expenses inflation in the year.

The Company emphasizes that the removal of this projection does not exclude from its agenda the constant search for operational efficiency.

Nevertheless, the projection of net revenue from software subscription equal to or greater than R\$298.0 million, that is, a growth of 30% or more over the Net Revenues from Software Subscription for the fiscal year of 2016; remains unchanged.

Information regarding business outlook, projections and financial targets are mere forecasts, based on management's current expectations regarding the Company's future. These expectations depend on the technology market conditions and the Brazilian economic scenario. Any change in the perception or factors described above can lead to results that differ from the projections presented. In case of a relevant change in these factors, the projections may be revised.

São Paulo, November 8, 2017

Gilsomar Maia Sebastião

Investor Relations Officer

Investor Relations

Tel.: +55 (11) 2099-7105/7773/7097/7089

ir@totvs.com

ir.totvs.com/