



EARNINGS RESULTS

4Q18 and 2018



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February
2019



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.



CHANGES IN MANAGEMENT

On November 26, 2018, the Board of Directors elected Dennis Herszkowicz as Chief Executive Officer, to replace the Company's founder, Laércio Cosentino, who was elected Chairman of the Board of Directors.

Dennis will report to the Board of Directors and will be in charge for the growth, operations, results, people management and TOTVS Vice presidencies. As Chairman of the Board of Directors, Laercio will focus on the definition and monitoring of the Company strategy and broaden its presence together with our clients, representing the Board of Directors.

INTEREST ON EQUITY FOR 2H18

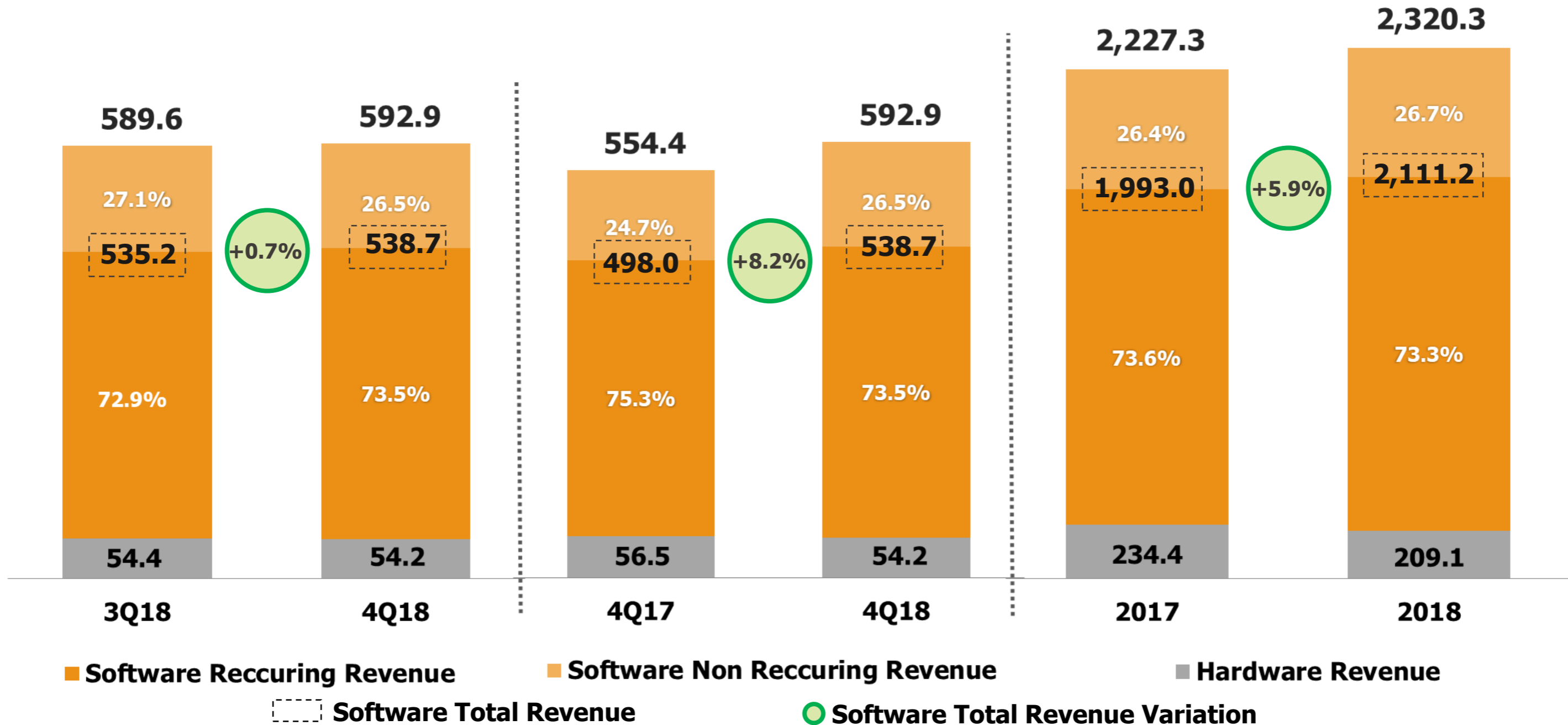
On December 21, 2018, the Board of Directors Meeting resolved on the distribution of Interest on Equity (IOE) for the second half of 2018 (2H18), totaling R\$13,076,130.88, corresponding to R\$0.08 per share. Interest on equity will be paid on May 9, 2019 to shareholders of the Company of record on December 28, 2018.



TOTAL NET REVENUE (R\$ MN)



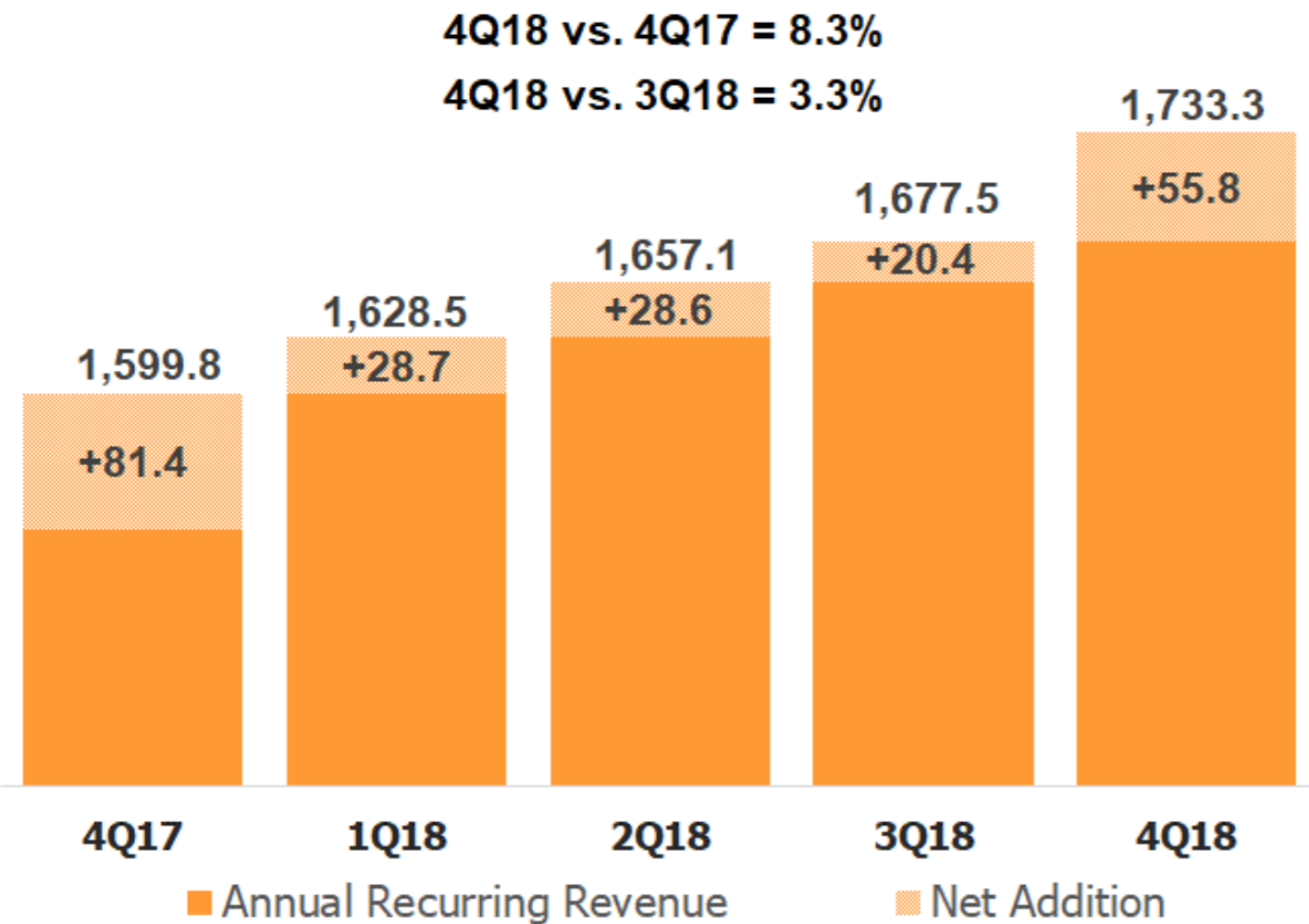
SOFTWARE REVENUES TOOK BACK IT'S ACCELARATION, INCREASING 8.2%, WITH HIGHLIGHT FOR THE RECURRING REVENUES, THAT REPRESENTED 73.5% OF SOFTWARE REVENUE IN THE QUARTER.



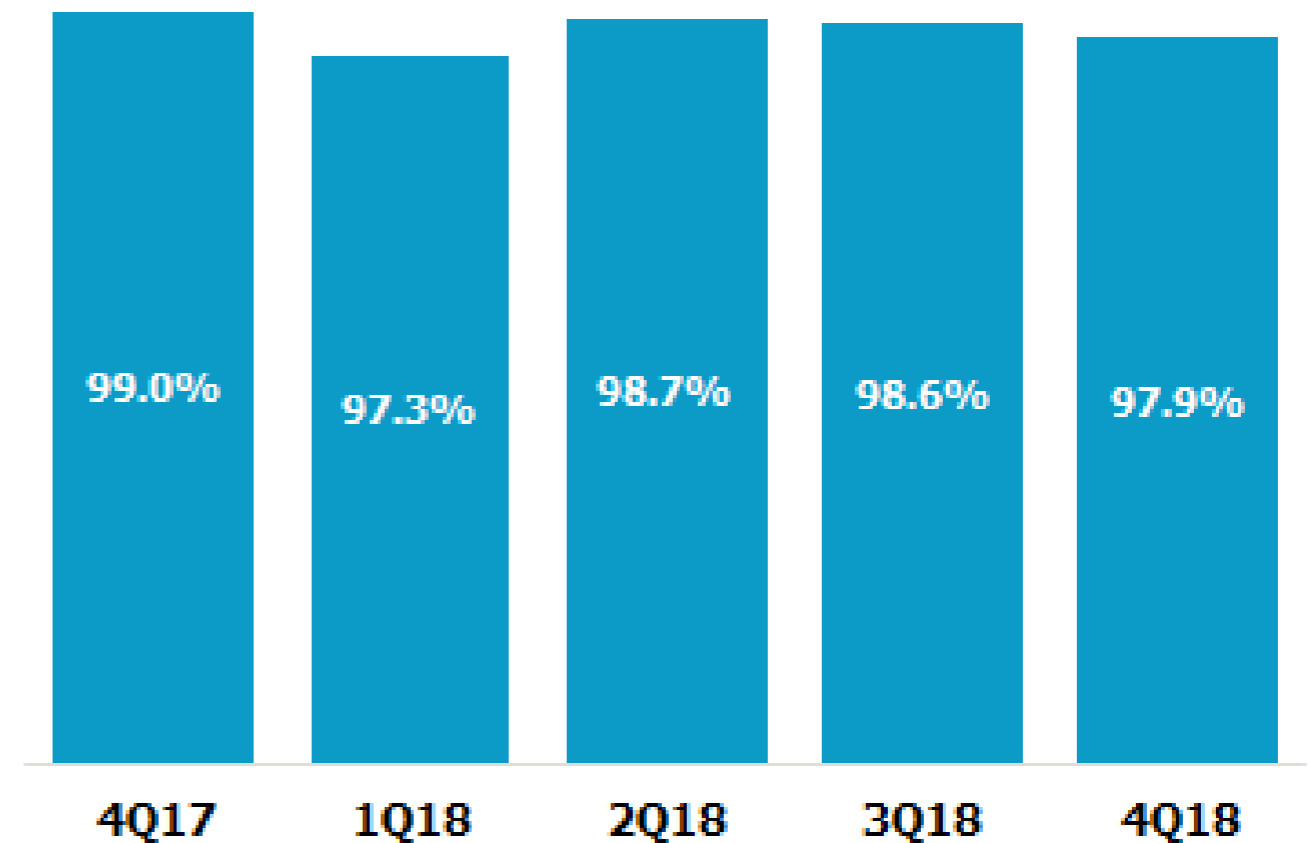


THE EVOLUTION OF THE ARR NET ADDITION IN THE QUARTER, SHOWS A **SOLID BASE OF RECURRING REVENUES** FOR THE COMPANY, PRESENTING A CLIENTS RENEWAL RATE OF 97.9%

ANNUAL RECCURRING REVENUE



CLIENT RENEWAL RATE



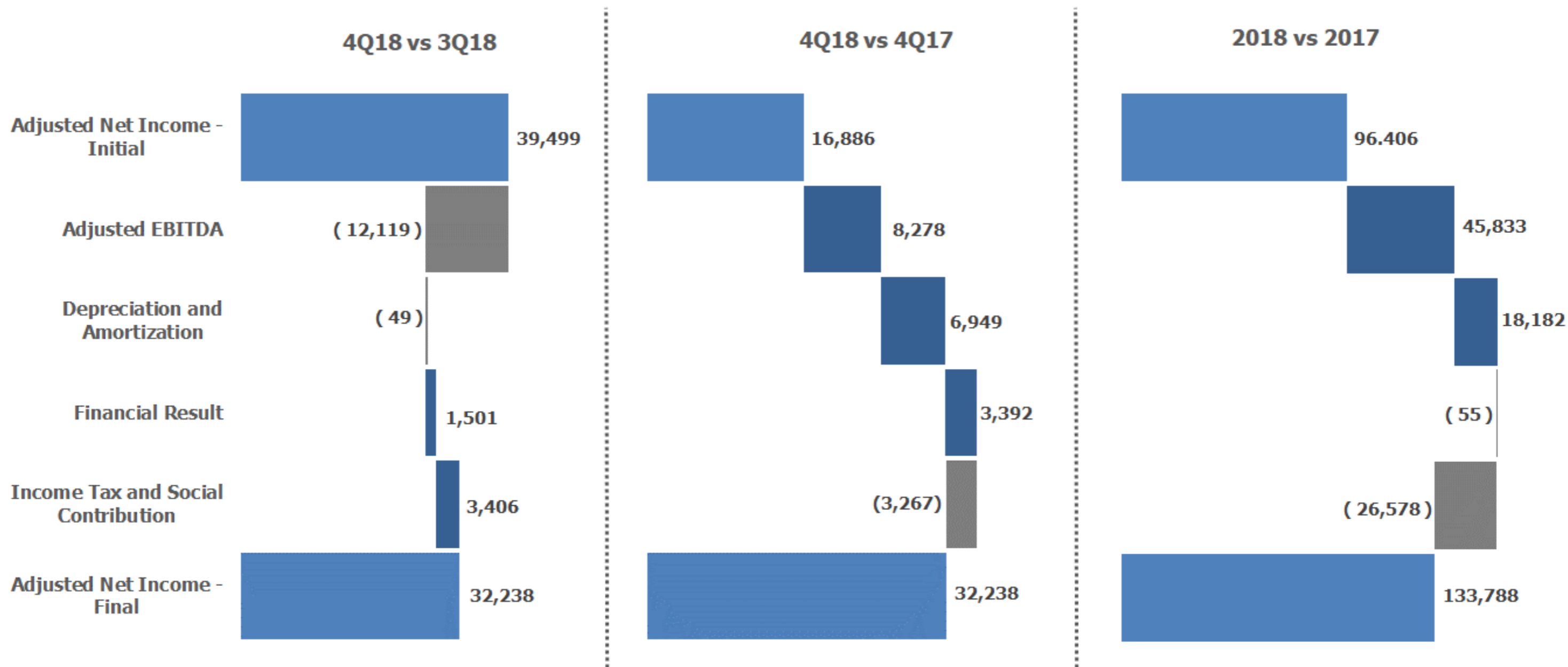


THE RECURRING REVENUES EVOLUTION, ASSOCIATED WITH A HIGHER OPERATIONAL EFFICIENCY,
LED TO SOFTWARE ADJUSTED EBITDA GROW IN 2018

	3Q18	4Q18	Δ 4Q/3Q	4Q17	Δ 4Q/4Q	2017	2018	Δ 17/18
SOFTWARE REVENUE	535.2	538.7	0.7%	498.0	8.2%	1,993.0	2,111.2	5.9%
RECURRING	390.2	396.0	1.5%	375.1	5.6%	1,467.4	1,547.2	5.4%
NON RECURRING	145.0	142.8	-1.5%	122.9	16.2%	525.6	564.0	7.3%
SOFTWARE COSTS	(188.3)	(196.0)	4.0%	(181.0)	8.2%	(715.5)	(739.2)	3.3%
<i>SOFTWARE GROSS MARGIN</i>	64.8%	63.6%	-120 bp	63.6%	0 bp	64.1%	65.0%	90 bp
EXPENSES	(261.1)	(265.0)	1.5%	(256.1)	3.5%	(995.5)	(1,024.0)	2.9%
<i><u>NON RECURRING ITEMS</u></i>	4.3	0.3	-93.2%	10.4	-97.2%	12.3	0.9	-107.6%
ADJUSTED EBITDA	90.0	78.1	-13.3%	71.2	9.6%	294.3	347.0	17.9%
<i>ADJUSTED EBITDA MARGIN</i>	16.8%	14.5%	-230 bp	14.3%	20 bp	14.8%	16.4%	160 bp



NET INCOME GROWTH WAS MAINLY DRIVEN BY THE EBITDA GROWTH AND AMORTIZATION REDUCTION



Δ Adjustes Net Income: (7,261) | -18.4%

15,352 | 90.9%

37,382 | 38.8%



CASH FLOW AND DEBT (R\$ MN)



	3Q18	4Q18	Δ 4Q/3Q	4Q17	Δ 4Q/4Q	2018	2017	Δ 18/17
EBT	43.2	(53.1)	-222.9%	7.1	852.3%	86.7	104.2	-16.7%
Change in Working Capital	46.3	26.4	-43.0%	10.1	160.4%	35.0	(9.6)	-465.8%
Non Cash Items	72.0	153.4	113.2%	84.0	82.6%	372.7	297.0	25.5%
Interest Paid	(13.0)	(5.1)	-61.0%	(8.7)	-42.2%	(39.7)	(43.7)	-9.2%
Income Tax Paid	(4.8)	(6.7)	40.0%	(1.9)	252.1%	(28.8)	(18.1)	59.3%
Net Cash from Operational Activities	143.6	114.9	-20.0%	90.5	26.9%	426.0	329.8	29.2%
Net Cash Used in Investing Activities	(36.6)	(29.4)	-19.5%	(8.6)	242.2%	(102.2)	(50.3)	103.2%
Net Cash Used in Financing Activities	(51.9)	(82.3)	58.5%	(79.2)	3.9%	(258.2)	(107.1)	141.1%
Increase (Decrease) in Cash	55.1	3.2	-94.2%	2.7	17.3%	65.6	172.4	-61.9%
Gross Cash in the Beginning of the Period	394.5	449.6	14.0%	384.4	16.9%	387.2	214.8	80.3%
Gross Cash in the End of the Period	449.6	452.8	0.7%	387.2	17.0%	452.8	387.2	17.0%
Gross Debt	553.3	503.5	-9.0%	709.5	-29.0%	503.5	709.5	-29.0%
Net Debt	103.7	50.7	-51.1%	322.3	-84.3%	50.7	322.3	-84.3%
Net Debt / LTM Adjusted EBITDA	0.3	0.1	-0.2	1.1	-0.9	0.1	1.1	-0.9
FREE CASH FLOW	115.6	88.8	-23.2%	87.7	1.3%	349.9	308.3	13.5%



- ⦿ TOTVS returned to **accelerating Software Revenue** growth
- ⦿ **Greater Operating Efficiency**, led to an **increase** in Software **EBITDA**
- ⦿ **Software** Revenue is TOTVS **priority**
- ⦿ The **Subscription Model** is already consolidated and, **added to Maintenance Revenues**, sets up the Company **solid base of Recurring Revenues**.
- ⦿ The **Financial Position** improvement leave us ready to take advantage of **new opportunities**.
- ⦿ In 2019 we will remain focused on the **Satisfaction and Success of our Clients**.



Investor Relations

+55 (11) 2099-7105

+55 (11) 2099-7773

+55 (11) 2099-7097

+55 (11) 2099-7089

ri@totvs.com

 totvs.com

 company/totvs

 @totvs

 fluig.com

Technology + Knowledge are our DNA
The success of our client is our success
We value competent people who are nice people

#WEARE TOTVERS