

1Q17 EARNINGS RESULTS

TOTVS – All Rights Reserved

May 4, 2017

DISCLAIMER

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.

MAIN RECENT EVENTS

SHAREHOLDERS' MEETING HELD ON APRIL 20, 2017

Shareholders representing 75.7% of the voting capital attended the meeting, with 35.2% of the voting capital (181 votes) via remote voting form

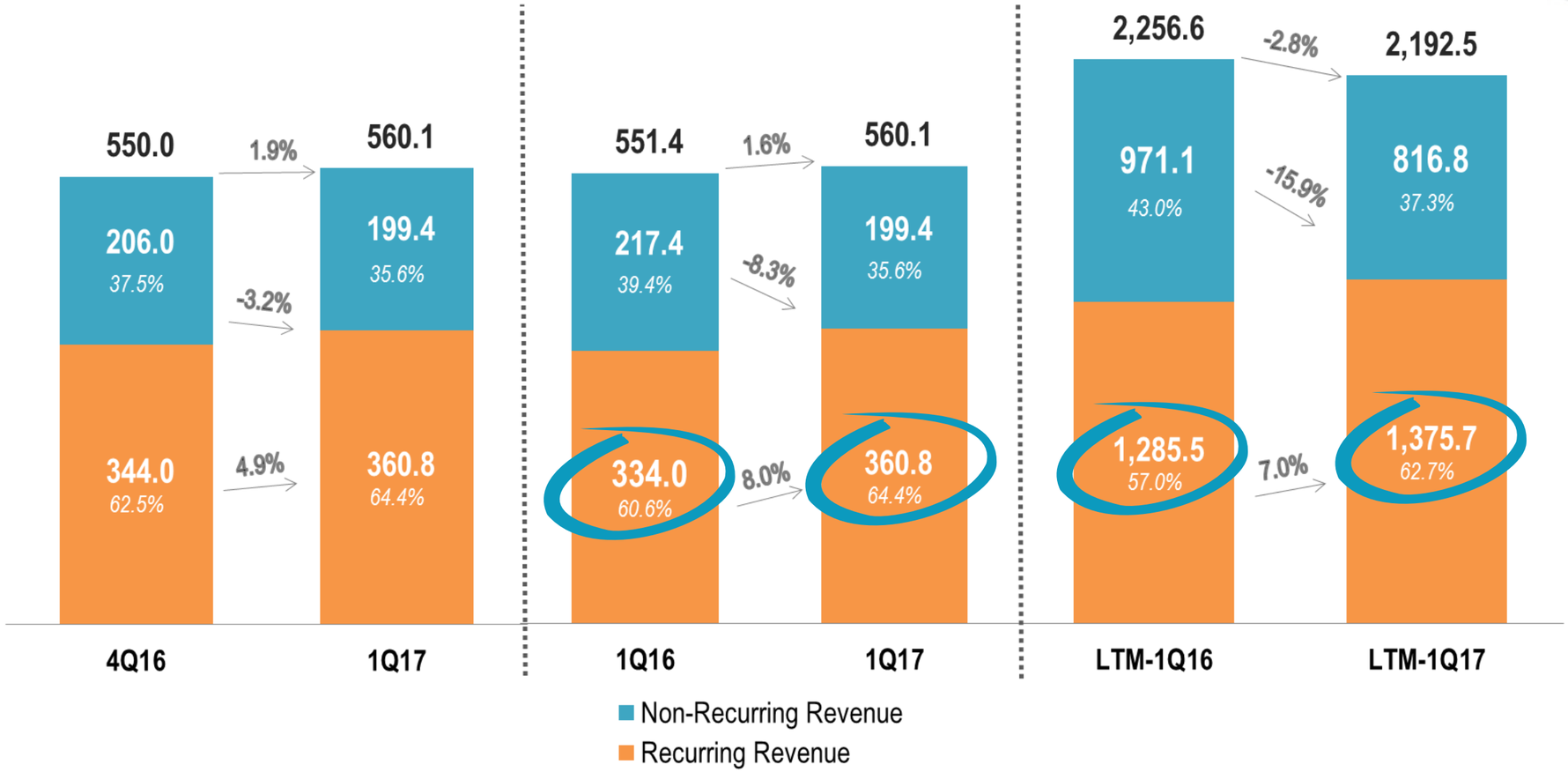
- Dividends distribution in the amount of R$7.375 million (R$0.045 per share) approved by unanimous vote
- Management annual global compensation for the fiscal year of 2017 approved by unanimous vote
- Approved, by the majority of the voting capital, the election of ***Gilberto Mifano***, ***Maria Letícia de Freitas Costa*** and ***Henrique Andrade Trinckquel Filho*** as new Board Members

NEW CAMPUS IN SÃO PAULO

- TOTVS has finished its move to the new campus in the city of São Paulo, where nearly 3,000 people, previously spread across seven different locations in São Paulo, are gathered together

NET REVENUE (R$ MM)*

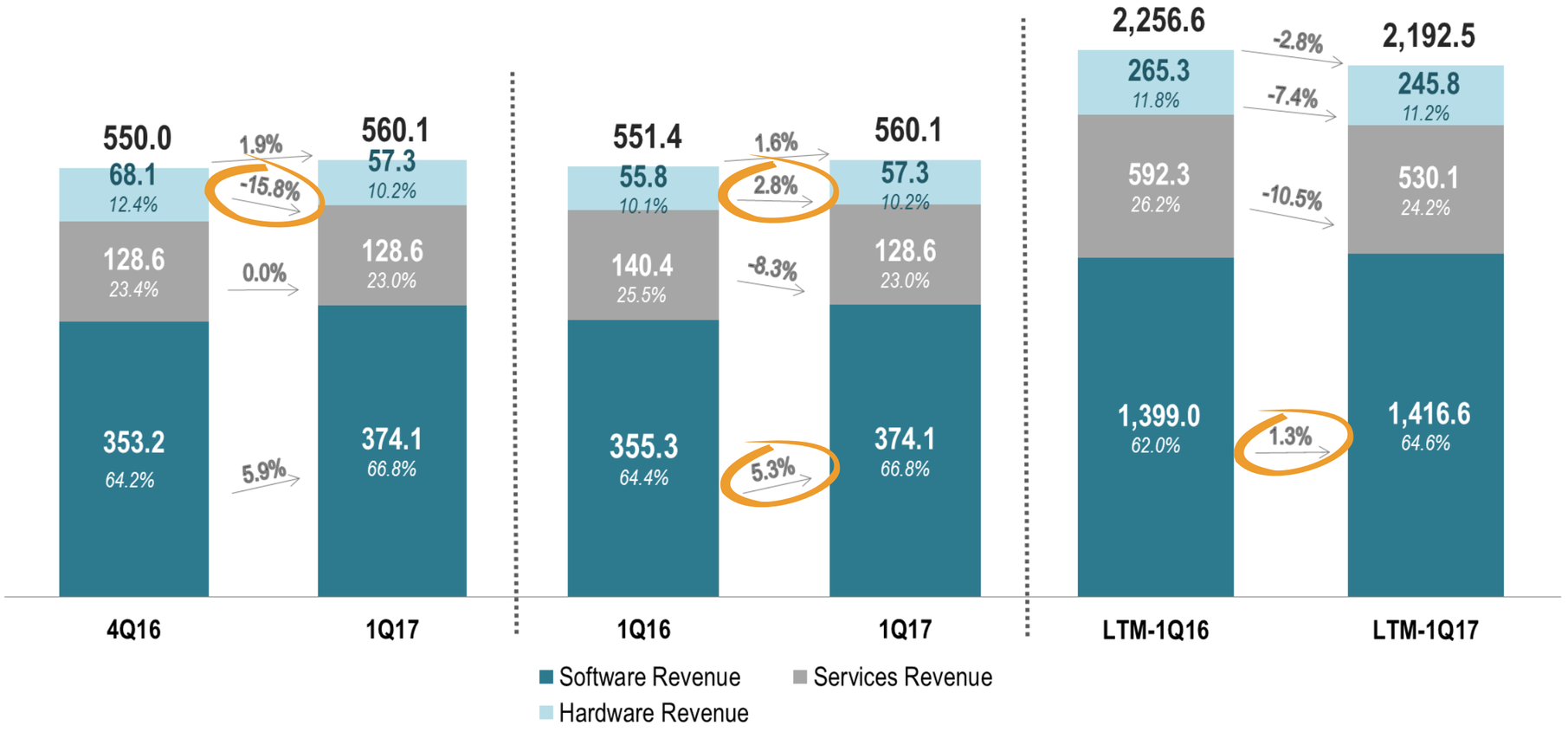
IN THE LAST 12 MONTHS, TOTVS INCREASED THE PARTICIPATION OF RECURRING REVENUE OVER NET REVENUE AT **5.7 PERCENTAGE POINTS**



* Pro-forma information for the periods of LTM-1Q16, since they include the results of Bematech

NET REVENUE (R$ MM)*

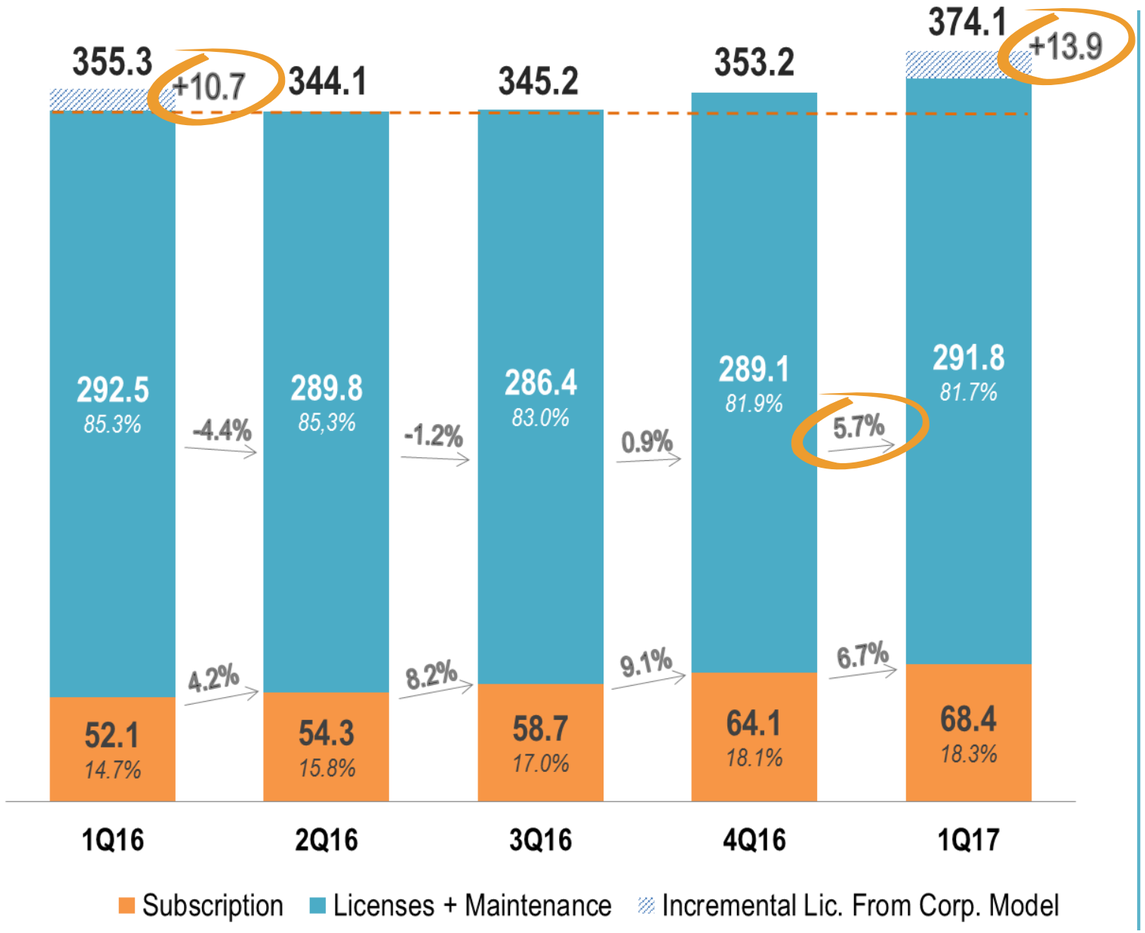
NET REVENUE GREW IN THE QUARTER, DRIVEN MAINLY BY THE GROWTH OF SOFTWARE REVENUE

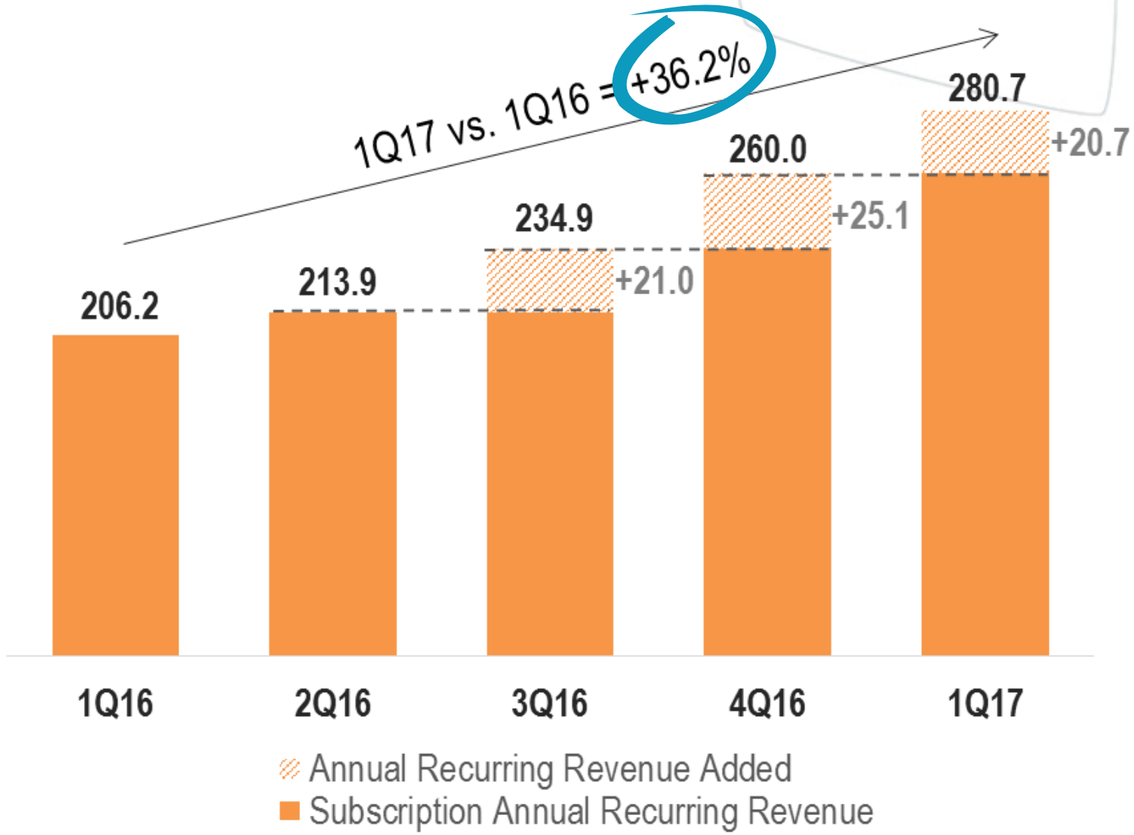


* Pro-forma information for the periods of LTM-1Q16, since they include the results of Bematech

SOFTWARE (R$ MM)

THE GROWTH OF SUBSCRIPTION AND THE INCREASE IN THE CORPORATE MODEL BOOSTED THE SOFTWARE REVENUE GROWTH





The Annual Recurring Revenue (ARR) is a metric widely used in the SaaS model to measure the growth of recurring revenue for the next 12 months referring to contracts already signed up to the end of the current period, excluding cancellations already requested.

SOFTWARE (R$ MM)

1,073 BEMACASH UNITS WERE SOLD IN 1Q17, DESPITE THE NEGATIVE SEASONAL EFFECT OF THE QUARTER



Fly01 by TOTVS

bematech by TOTVS



RETAIL TRADE



FASHION



BAR & RESTAURANT



FOOD TRUCK

SOFTWARE (R$ MM)*

	4Q16	1Q17	1Q/4Q	1Q16	1Q/1Q	LTM-1Q16	LTM-1Q17	LTM/LTM
SOFTWARE REVENUE	**353.2**	**374.1**	*5.9%*	**355.3**	*5.3%*	**1,399.0**	**1,416.6**	*1.3%*
COST OF SOFTWARE	(19.3)	(20.8)	*7.8%*	(17.5)	*19.0%*	(81.4)	(80.6)	*-0.9%*
COST DE SUPPORT	(33.8)	(32.5)	*-4.1%*	(31.7)	*2.5%*	(116.2)	(131.3)	*13.1%*
R&D	(88.6)	(83.3)	*-5.9%*	(73.1)	*14.0%*	(291.3)	(325.6)	*11.7%*
SOFTWARE RESULT	**211.4**	**237.5**	*12.3%*	**233.0**	*1.9%*	**910.2**	**879.1**	*-3.4%*
CONTRIBUTION MARGIN	*59.9%*	*63.5%*	*360bp*	*65.6%*	*-210bp*	*65.1%*	*62.1%*	*-300bp*

* Pro-forma information for the periods of LTM-1Q16, since they include the results of Bematech

SERVICES (R$ MM)*

	4Q16	1Q17	1Q/4Q	1Q16	1Q/1Q	LTM-1Q16	LTM-1Q17	LTM/LTM
SERVICE REVENUE	**128.6**	**128.6**	*0.0%*	**140.4**	*-8.3%*	**592.3**	**530.1**	*-10.5%*
COST OF SERVICES	(128.8)	(127.7)	*-0.9%*	(127.8)	*-0.1%*	(545.0)	(506.4)	*-7.1%*
SERVICE RESULT	**(0.2)**	**0.9**	*-628.5%*	**12.5**	*-92.5%*	**47.3**	**23.7**	*-49.9%*
CONTRIBUTION MARGIN	*-0.1%*	*0.7%*	*80bp*	*8.9%*	*-820bp*	*8.0%*	*4.5%*	*-350bp*

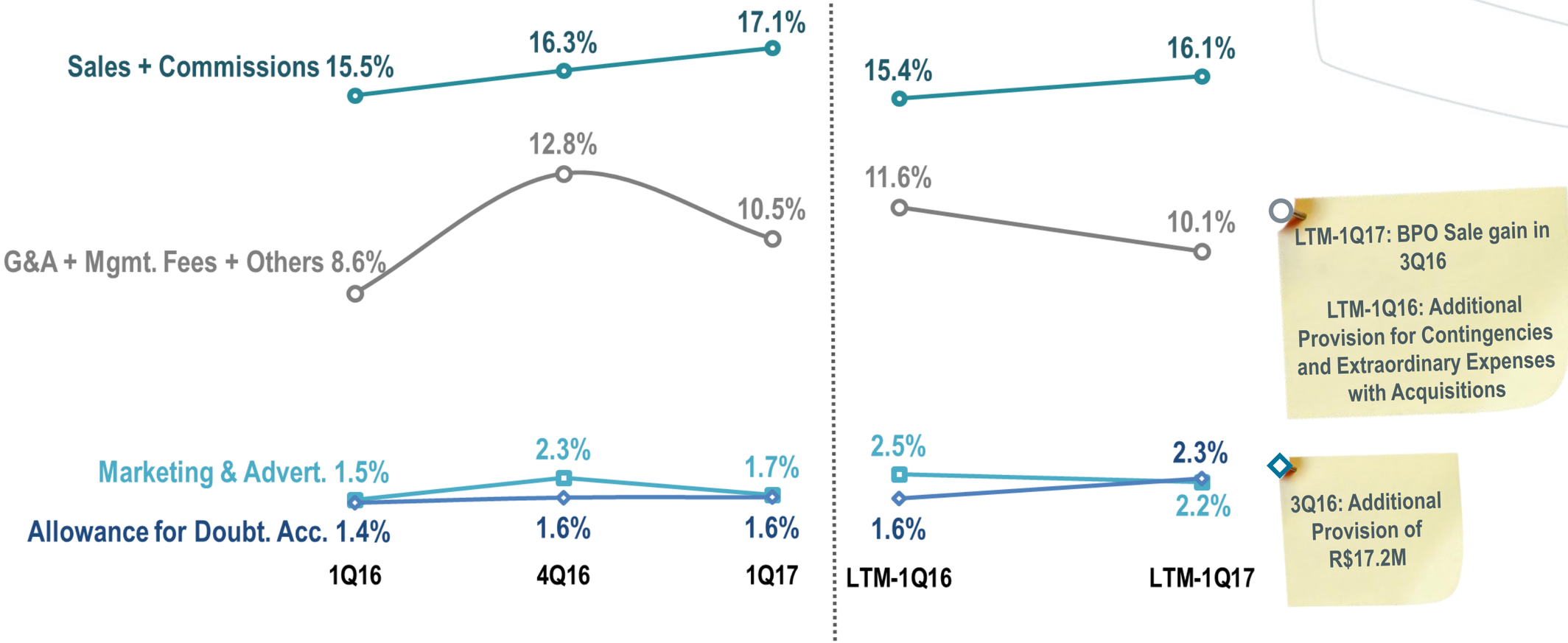
* Pro-forma information for the periods of LTM-1Q16, since they include the results of Bematech

HARDWARE (R$ MM)*

	4Q16	1Q17	1Q/4Q	1Q16	1Q/1Q	LTM-1Q16	LTM-1Q17	LTM/LTM
HARDWARE REVENUE	**68.1**	**57.3**	*-15.8%*	**55.8**	*2.8%*	**265.3**	**245.8**	*-7.4%*
COST OF HARDWARE	(42.6)	(35.9)	*-15.7%*	(38.6)	*-6.9%*	(174.2)	(159.7)	*-8.3%*
P&D	(3.3)	(2.6)	*-22.5%*	(1.7)	*52.0%*	(8.2)	(12.1)	*46.9%*
GOV. SUBSIDIES	3.3	2.6	*-21.0%*	1.7	*54.3%*	12.9	11.6	*-10.7%*
HARDWARE RESULT	**25.5**	**21.5**	*-15.7%*	**17.2**	*24.9%*	**95.8**	**85.5**	*-10.8%*
CONTRIBUTION MARGIN	*37.5%*	*37.5%*	*0bp*	*30.9%*	*660bp*	*36.1%*	*34.8%*	*-130bp*

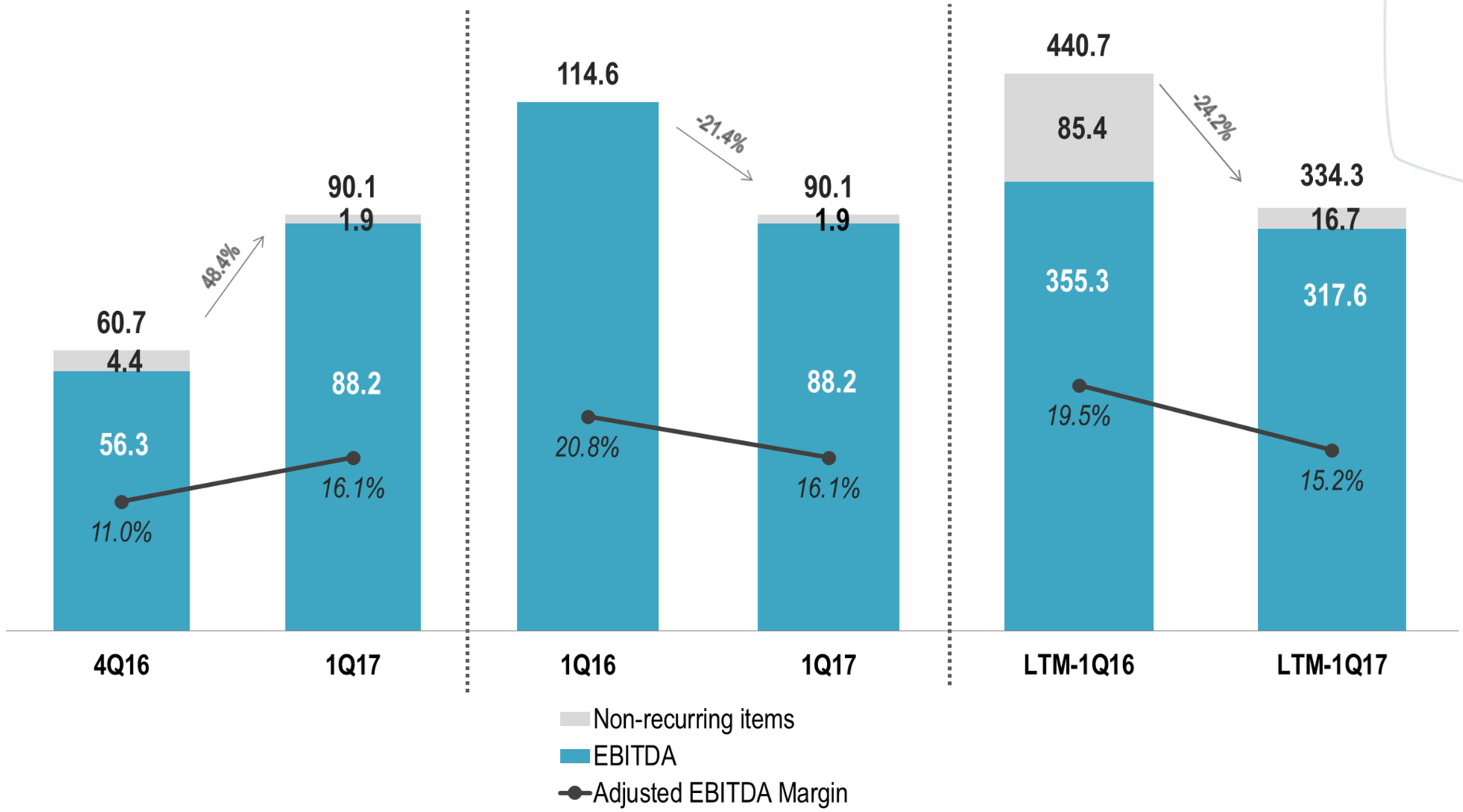
* Pro-forma information for the periods of LTM-1Q16, since they include the results of Bematech

COMMERCIAL AND ADM. EXPENSES (%/NR)*



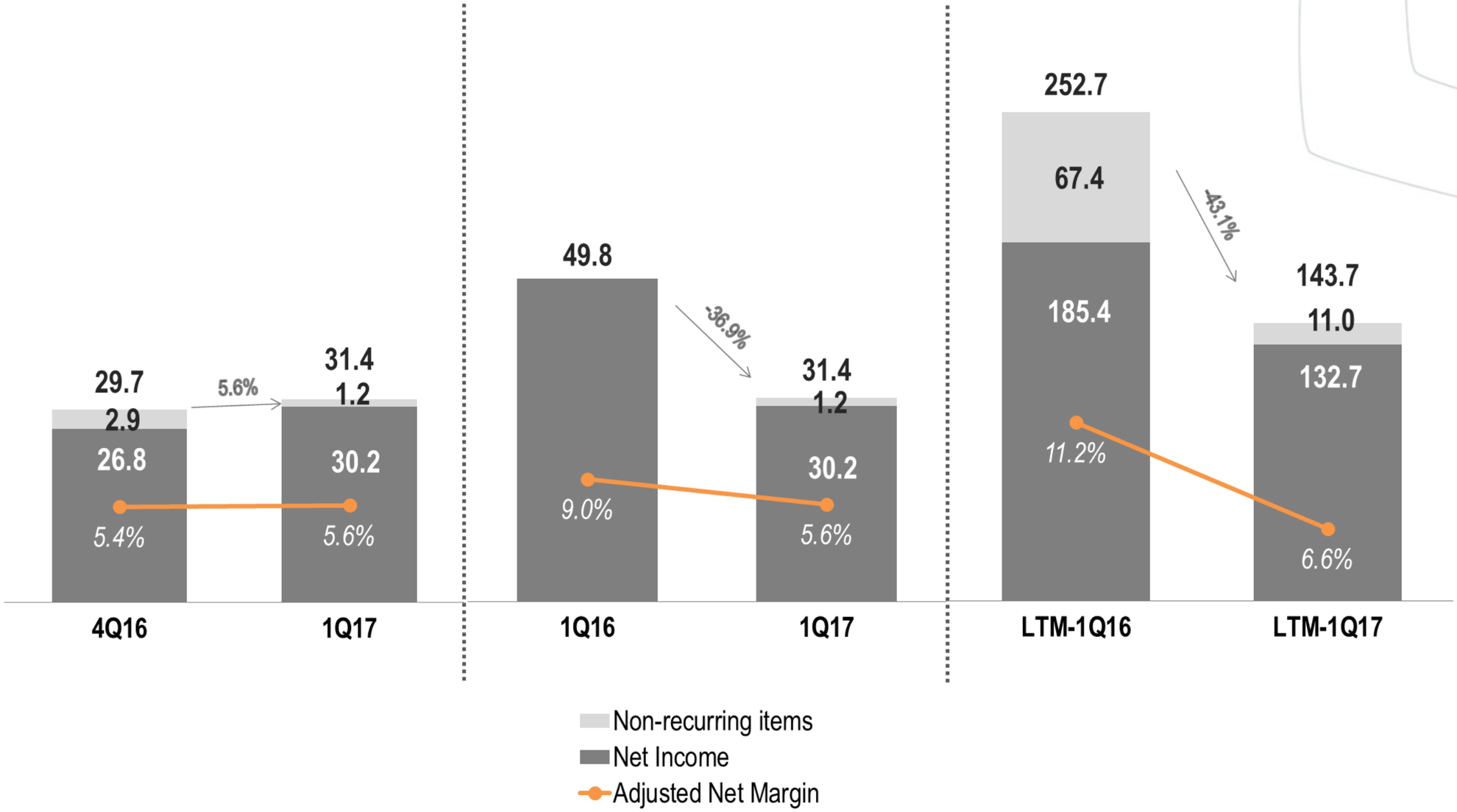
* Pro-forma information for the periods of LTM-1Q16, since they include the results of Bematech

ADJUSTED EBITDA (R$ MM)*



* Pro-forma information for the periods of LTM-1Q16, since they include the results of Bematech

ADJUSTED NET INCOME (R$ MM)*



* Pro-forma information for the periods of LTM-1Q16, since they include the results of Bematech

CASH FLOW AND DEBT (R$ MM)*

	4Q16	1Q17	1Q/4Q	1Q16	1Q/1Q	LTM-1Q16	LTM-1Q17	LTM/LTM
NET INCOME, EXCL. NON-CASH ITEMS	**88.5**	**82.9**	***-6.3%***	**100.2**	***-17.3%***	**438.7**	**367.1**	***-16.3%***
CHANGE IN WORKING CAPITAL	*(20.9)*	*(8.6)*	*-59.0%*	*(72.4)*	*-88.2%*	*(166.1)*	*(60.0)*	*-63.9%*
NET CASH USED IN OPERATIONAL ACTIVITIES	67.6	74.4	*10.0%*	27.8	*167.3%*	272.6	307.1	*12.6%*
NET CASH USED IN INVESTING ACTIVITIES	(22.1)	(14.4)	*-34.9%*	(20.2)	*-29.0%*	(588.1)	(92.9)	*-84.2%*
FREE CASH FLOW	**45.5**	**60.0**	***31.7%***	**7.6**	***690.6%***	**(315.4)**	**214.2**	***-167.9%***
NET CASH USED IN FINANCING ACTIVITIES	(46.8)	(59.1)	*26.3%*	(78.6)	*-24.8%*	(167.2)	(353.9)	*111.7%*
INCREASE (DECREASE) IN CASH	**(1.3)**	**874**	***-169.1%***	**(71.0)**	***-101.2%***	**(482.6)**	**(139.7)**	***-71.0%***
GROSS CASH IN THE BEGINNING OF THE PERIOD	216.0	214.8	*-0.6%*	426.4	*-49.6%*	838.0	355.4	*-57.6%*
GROSS CASH IN THE END OF THE PERIOD	**214.8**	**215.6**	***0.4%***	**355.4**	***-39.3%***	**355.4**	**215.6**	***-39.3%***
GROSS DEBT	694.0	655.5	*-5.5%*	828.9	*-20.9%*	828.9	655.5	*-20.9%*
NET DEBT	**479.2**	**439.9**	***-8.2***	**473.5**	***-7.1%***	**473.5**	**439.9**	***-7.1%***
NET DEBT/LTM ADJUSTED EBITDA	*1.3*	*1.3*	*-*	*1.1*	*0.2*	*1.1*	*1.3*	*0.2*

* Pro-forma information for the periods of LTM-1Q16, since they include the results of Bematech

1Q17 HIGHLIGHTS

- **Software Revenue:** **+5.3% vs. 1Q16** | 3rd consecutive quarter of quarter over quarter growth
- **Subscription Revenue:** **+31.3% vs. 1Q16** | 18.3% of Software Revenue in 1Q17
- **Annual Recurring Revenue of Subscription:** R$280.7 millions in 1Q17 **(+36.2% vs. 1Q16)**
- **Software Recurring Revenue:** **+7.0% vs. 1Q16** | 88.3% of Software Revenue in LTM-1Q17
- **Adjusted EBITDA:** R$90.1 million in 1Q17 | **+48.4% vs. 4Q16**

Investor Relations

+55 (11) 2099-7105

+55 (11) 2099-7773

+55 (11) 2099-7097

+55 (11) 2099-7089

ri@totvs.com.br

Technology + Knowledge are our DNA

The success of our client is our success

We value competent people who are nice people

totvs.com

company/totvs

blog.totvs.com

#WEARE**TOTVERS**

@totvs

fluig.com

TOTVS