



# 3Q20

## EARNINGS RELEASE



**Sao Paulo (SP, Brazil), October 29, 2020** - TOTVS S.A. (B3: TOTS3, hereinafter referred to as the "Company"), the leading developer of business solutions in Brazil, discloses today its results for the **Third Quarter of 2020 (3Q20)**. The Company's consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil, which are in line with the International Financial Reporting Standards (IFRS).

## Financial and Operational Highlights

In R\$ thousand	3Q20	3Q19	Δ	2Q20	Δ	9M20	9M19	Δ
<b>Net Revenue</b>	677,766	575,243	17.8%	627,399	8.0%	1,906,583	1,702,832	12.0%
<b>Consolidated Adjusted Ebitda</b>	161,422	120,483	34.0%	137,337	17.5%	425,622	351,525	21.1%
Consolidated Adjusted EBITDA Margin	23.8%	20.9%	290 bp	21.9%	190 bp	22.3%	20.6%	170 bp
<b>Cash Earnings<sup>(i)</sup></b>	96,790	83,311	16.2%	71,283	35.8%	235,614	193,402	21.8%
Cash Earnings Margin	14.3%	14.5%	-20 bp	11.4%	290 bp	12.4%	11.4%	100 bp

(i) Net Income without the effects of expenses with amortization of intangibles arising from acquisitions

**Recurring Revenue:** R\$490.8 million (+12.1% vs. 3Q19 and +1.3% vs. 2Q20)

**ARR:** net addition of R\$56.7 million in the period (+27.1% vs. 3Q19 and +38.0% vs. 2Q20)

**Supplier:** income from credit products returned to the level of 2Q19

**Default of payments:** reduction in levels of delayed payments and provision for Technology and Credit Products – Supplier

**Technology:** new TECHFIN products and partnerships in the retail industry

**Indebtedness:** cash representing 10.9x the Company's short-term debt

**CONFERENCE CALL - PORTUGUESE: October 30, 2020 at 11:00 a.m. (Brasilia time zone, BRT -3)**

Webcast: [click here](#). Telephone: +55 11 3181-8565 or +55 11 4210-1803 (access - TOTVS).

Replay: +55 (11) 3193-1012 or +55 (11) 2820-4012 (access - 7935507 #) until Nov. 5, 2020 or on the [website ri.totvs.com.br](http://ri.totvs.com.br)

**CONFERENCE CALL - ENGLISH (simultaneous translation): Oct. 30, 2020, 11:00 a.m. (Brasilia time zone, BRT -3)**

Webcast: [click here](#). Phone: US Toll Free +1 844 204-8942 | International

+1 412 717-9627 | Brazil +55 11 4210-1803 or +55 11 3181-8565 (access - TOTVS).

Replay: +55 (11) 3193-1012 or +55 (11) 2820-4012 (access - 8917528#) until Nov. 5, 2020 or on the [ir.totvs.com website](http://ir.totvs.com)



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# Recent Events

## NEW TECHFIN LAUNCH: CONSIGNADO

In October we announced the launch of an additional product from the TechFin business division, the so-called TOTVS Consignado, which is a platform that makes the management of private payroll loans by the HR areas of companies easier and simpler, enabling them to perform automatic credit approvals from policies and user profiles that had been previously determined and registered by the company, as well as the automatic registration of discounts to be made on the payroll.

Through the native integration with the TOTVS payroll system, the data of associates who applied for credit are accessed directly by financial institutions, with the associates' prior consent - in the beginning, such financial institutions will be TOTVS TechFin payroll credit partners, BV bank, and Creditas - without any manual intervention by the HR team, ensuring more accuracy and agility through the entire process.

This tool is another novelty of TOTVS Techfin, a business unit that offers solutions to expand the access to smart and customized financial services while making them simpler and cheaper.

For more information on such TOTVS Consignado product, please visit:

<http://totvs.com/techfin/consignado>

## PARTNERSHIPS WITH MERCADO LIVRE

During 3Q20, we entered into partnership with Mercado Livre, one of the major players in the retail market.

The partnership with Mercado Livre will allow TOTVS clients in the retail sector to make their offers, inventories and commercialize their products in a simple and automated way, integrating data between their marketplace and TOTVS Omni by Moddo solution, which starts to have Mercado Livre as its sales channel, at the same time that it starts to act as a distribution center, taking an even greater step towards *omnichannel* experiences.

In the partnership, TOTVS will start to receive a percentage of the sales made.

## LAUNCH OF AN INSTANT PAYMENT MODULE FOR CLIENTS OF TOTVS FINANCIAL SERVICES

In line with the main trends and recent developments in the Brazilian financial sector introduced by the Central Bank of Brazil through the so-called PIX - a new system for payments and transfers - we have developed a new module that will support financial institutions of all types to enter the universe of instant transactions, a movement that will modernize and simplify such transactions in the daily lives of individuals and companies.

The novelty is part of the TOTVS Financial Services Core Banking solution, and can be used both to make and receive an instant payment, messaging between the bank institution and the Central Bank or, in the case of indirect participants, allowing them to operate through a bank. In addition to making payment transactions feasible, this solution manages the access keys of clients/customers who wish to make transactions through PIX, ensuring greater traceability and security in this transaction. It is also possible to generate customized reports, with filters and classifications on all data.



## PROPOSAL FOR A BUSINESS COMBINATION WITH LINX

On August 14, 2020, we sent to the board of directors of Linx S.A. ("Linx") a proposal for a business combination with TOTVS with the purpose of combining the businesses of both companies, by consolidating their shareholding bases in TOTVS, which will continue to be a publicly-held corporation with shares traded on B3's Novo Mercado.

Such business combination has a strong strategic rationale due to the high complementarity of markets, solutions and services, resulting in a substantial value creation for both companies and their corresponding shareholders, clients and associates.

After obtaining favorable statements from the main shareholders of TOTVS, we decided to call on October 27, 2020 a Extraordinary General Meeting of TOTVS, to be held on November 27, 2020, to decide on the proposed business combination, before even submitting the matter to Linx's shareholders. The call of the shareholders' meeting of TOTVS, as another important step towards the consummation of the Transaction, among other objectives, meets the expectations of the independent directors of Linx who, expressed (an unjustified) fear about the firmness of TOTVS' proposal and the approval of the Transaction by TOTVS' shareholders.

For further details, access the EGM related documents available on the section "Corporate Governance" > "Minutes of Meetings" and "Capital Markets Communication" on the Company Investor Relations Website (<http://ri.totvs.com>).



# Financial and operational performance

In this quarter, the data presented in this section consolidate the results for the months of July, August and September 2020 of Supplier S.A., which are shown in the Credit Products segment, as described below:

**Technology Segment:** it represents TOTVS's software businesses. This segment comprises the dimensions of Management, with the solutions of ERP, HR and Vertical, of Business Performance that started to be built with the solutions of CRM, *e-commerce*, among others that will be added to the portfolio, in addition to the Techfin solutions that do not involve the assumption of credit risk and/or the definition and/or application of credit policies, such as partnerships for payroll loans, EFT, Financial Panel, among others that will be added in the future.

**Credit Products Segment - Supplier:** it includes Supplier's businesses that involve, in addition to production, the assumption of some degree of credit risk and/or the definition and/or application of credit policies, such as the products known as "Supplier Card", "Antecipa", and "Mais Prazo". In this segment the results of the subordinated portion of FIDC (Purchase Card Supplier - Receivables' Investment Fund) are also consolidated, to which Supplier currently assigns the credits originated therefrom.

The table below shows the information by segment:

	3Q20		
	Technology	Credit Products	Consolidated
<b>Net Revenues</b>	629,209	48,557	677,766
(-) Costs	(188,895)	(16,313)	(205,208)
<b>Gross Profit</b>	440,314	32,244	472,558
(-) Operational Expenses	(297,278)	(19,332)	(316,610)
<b>EBITDA</b>	143,036	12,912	155,948
<i>EBITDA Margin</i>	22.7%	26.6%	23.0%
Extraordinary Items	5,474	-	5,474
<b>Adjusted EBITDA</b>	148,510	12,912	161,422
<i>Adjusted EBITDA Margin</i>	23.6%	26.6%	23.8%
(-) Depreciation and Amortization	(55,194)	(612)	(55,806)
(-) Financial Results	(10,477)	618	(9,859)
(-) Income Tax and Social Contribution	(7,510)	(3,918)	(11,428)
(-) Taxes on Extraordinary Items	(1,861)	-	(1,861)
<b>Adjusted Net Earnings (Losses)</b>	73,468	9,000	82,468
<i>Net Margin</i>	11.7%	18.5%	12.2%
<b>Cash Earnings<sup>(1)</sup></b>	87,790	9,000	96,790

(1) Net Income without the effects of expenses with amortization of intangibles arising from acquisitions

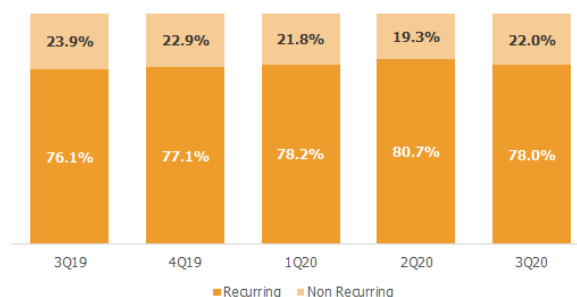
For comparison purposes between the periods of 2020 and 2019, the financial information of Consinco, Wealth Systems and Supplier has been consolidated from the respective acquisition dates.

# Results from Technology

In R\$ thousand	3Q20	3Q19	Δ	2Q20	Δ	9M20	9M19	Δ
<b>Net Revenue</b>	<b>629,209</b>	<b>575,243</b>	<b>9.4%</b>	<b>600,735</b>	<b>4.7%</b>	<b>1,831,362</b>	<b>1,702,832</b>	<b>7.5%</b>
<b>Recurring</b>	<b>490,793</b>	<b>437,819</b>	<b>12.1%</b>	<b>484,704</b>	<b>1.3%</b>	<b>1,446,039</b>	<b>1,282,501</b>	<b>12.8%</b>
<b>Non Recurring</b>	<b>138,416</b>	<b>137,424</b>	<b>0.7%</b>	<b>116,031</b>	<b>19.3%</b>	<b>385,323</b>	<b>420,331</b>	<b>-8.3%</b>
License	63,529	54,174	17.3%	47,111	34.8%	168,920	161,096	4.9%
Services	74,887	83,250	-10.0%	68,920	8.7%	216,403	259,235	-16.5%
Costs	(188,895)	(184,208)	2.5%	(173,577)	8.8%	(543,894)	(552,395)	-1.5%
<b>Gross Income</b>	<b>440,314</b>	<b>391,035</b>	<b>12.6%</b>	<b>427,158</b>	<b>3.1%</b>	<b>1,287,468</b>	<b>1,150,437</b>	<b>11.9%</b>
Gross Margin	70.0%	68.0%	200 bp	71.1%	-110 bp	70.3%	67.6%	270 bp
<b>Total Expenses</b>	<b>(297,278)</b>	<b>(258,855)</b>	<b>14.8%</b>	<b>(290,132)</b>	<b>2.5%</b>	<b>(880,947)</b>	<b>(787,215)</b>	<b>11.9%</b>
Research and Development	(105,532)	(97,229)	8.5%	(105,429)	0.1%	(316,850)	(292,839)	8.2%
Commercial and Marketing Expenses	(118,314)	(108,754)	8.8%	(99,176)	19.3%	(337,313)	(311,579)	8.3%
Allowance for Doubtful Accounts	(7,952)	(6,039)	31.7%	(19,528)	-59.3%	(33,039)	(23,885)	38.3%
General and Administrative Expenses	(57,123)	(44,472)	28.4%	(49,481)	15.4%	(156,523)	(137,430)	13.9%
Provision for Contingencies	(8,302)	(17,128)	-51.5%	(16,793)	-50.6%	(37,957)	(41,554)	-8.7%
Other Revenues (Expenses)	(55)	14,767	-100.4%	275	-120.0%	735	20,072	-96.3%
<b>EBITDA</b>	<b>143,036</b>	<b>132,180</b>	<b>8.2%</b>	<b>137,026</b>	<b>4.4%</b>	<b>406,521</b>	<b>363,222</b>	<b>11.9%</b>
EBITDA Margin	22.7%	23.0%	-30 bp	22.8%	-10 bp	22.2%	21.3%	90 bp
<b>Extraordinary Items</b>								
Expenses with M&A Transactions	5,474	-	-	-	-	5,878	-	-
Earns in Investments Sale	-	(11,697)	-100.0%	-	-	-	(11,697)	-100.0%
<b>Adjusted EBITDA</b>	<b>148,510</b>	<b>120,483</b>	<b>23.3%</b>	<b>137,026</b>	<b>8.4%</b>	<b>412,399</b>	<b>351,525</b>	<b>17.3%</b>
Adjusted EBITDA Margin	23.6%	20.9%	270 bp	22.8%	80 bp	22.5%	20.6%	190 bp

## Net Revenue

The Net Revenue from Technology grew 9.4% compared to 3Q19, mainly due to the 12.1% growth in Recurring Revenues, which represented 78.0% of total revenues in the quarter. Non-recurring Revenues, however, remained stable in the same period, with Revenues from Licenses having increased 17.3% in the period and Revenues from Service having decreased 10.0%, in line with the trend observed in previous quarters.

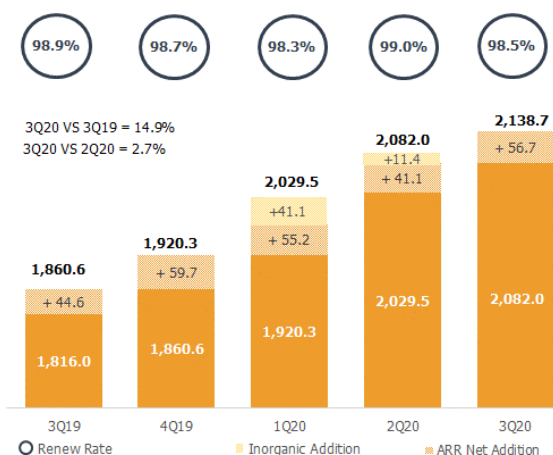


Compared to 2Q20, the 4.7% increase in Net Revenue reflects the 19.3% growth in Non-recurring revenues, especially from Licenses, which reached a strong 34.8% expansion, together with Non-recurring Services that grew 8.7%. In the 9-month period, the 7.5% growth in Net Revenue from Technology is explained chiefly by the 12.8% increase in Recurring Revenue.

## Recurring revenue

The growth of 12.1% year-over-year and 12.8% in 9M20 versus 9M19 in Recurring Revenue reflects: (i) sales growth, both for the existing client base and new clients; (ii) maintenance of the high level of client renewal rate (above 98%); (iii) updates for inflation at rates higher than those applied to contracts in the same period of the previous year; and (iv) the consolidation of Consinco and Wealth Systems results.

Organically, Recurring Revenue grew 8.2% compared to 3Q19. Such growth at a level lower than the 14.9% growth observed in the Annualized





Recurring Revenue (ARR), as shown, is essentially associated with the greater volume of shortfalls granted for new sales made during the Covid-19 pandemic period, part of the important and successful sales strategy, already mentioned in 2Q20, to keep the pace of closing new businesses.

The net increase of ARR reached R\$56.7 million this quarter. This amount exceeded by 38.0% the organic net increase of R\$41.1 million achieved in 2Q20 and by 27.1% the net increase in 3Q19. This strong performance from ARR is an element that contributes positively for the Recurring Revenue in the coming quarters. In addition to sales of cloud solutions and solutions that help clients operate remotely, as noted in the previous quarter, sales of Consinco and Wealth Systems were also highlighted.

## **Non-recurring Revenue**

The 19.3% increase in Non-Recurring Revenue in 3Q20, compared to 2Q20, was mainly due to the strong performance of License sales, which grew 34.8% in the quarter, especially in franchises, indicating a recovery in the economic activity over the different regions of Brazil. Non-recurring Services also increased in the quarter, both from the performance of projects being implemented that are reflected in the 8.7% growth in Service Revenue, and from sales of new projects to be implemented.

In the year-over-year comparison, Non-recurring Revenues remained in line, despite the 17.3% increase in License Revenues, since Non-recurring Service Revenues decreased by 10.0% in the period, in line with the strategy of a greater share of franchises and other channels in the performance of implementation services, as well as the greater share of cloud-based products in the sales mix.

For the same reasons pointed out above, in the accumulated result for the year, even with the 4.9% growth in License sales, the 16.5% drop in Non-recurring Services was the critical factor for non-recurring revenue to show a drop of 8.3% compared to the same period of the previous year.

## **Costs**

Costs grew by 2.5% compared to 3Q19, due in part to the greater share of partner solutions in total sales in the period. However, as the cost structure grew at a slower pace than revenue growth, the Gross Margin increased 200 basis points. Such progress was mainly driven by the reduction in the service structure promoted in 4Q19 and by the greater share of Recurring Revenues associated with cloud-based solutions, which provides greater scalability.

Compared to the previous quarter, Gross Margin decreased 110 basis points, chiefly due to the lower vacation volume of the Service teams when compared to 2Q20. In the 9-month period, the growth in Revenues, together with the reduction in costs, led to the expansion of 270 basis points of the Gross Margin.

## **Research and Development**

Research and Development (R&D) expenses remained in line with 2Q20. This stability was mainly due to the volume of these vacationing teams being slightly above historical levels for this period of the year. Year-over-year, R&D expenses grew 8.5%, notably due to the following factors: (i) consolidation of Consinco and Wealth Systems results; (ii) greater provisioning of Bonuses/profit-sharing distribution due to the achievement of the targets set; and (iii) innovation investments in the period, especially in Techfin areas, which can be seen in the launch of new products and solutions mentioned in the "Recent Events" section. In the 9-month period, R&D expenses represented 21.9% of Recurring Revenue from Technology, compared to 22.8% in the same period of 2019, showing the gain in scale and efficiency in the allocation of R&D resources in the period, which is the result, for example, of the increasingly intense use of insights generated by the telemetry analysis of our solutions.

## **Sales and marketing expenses**

The 8.8% year-on-year growth in Sales and Marketing Expenses resulted mainly from the performance of license sales and the higher share of franchises in the total sales mix in the quarter, in addition of the





consolidation of the results from Consinco and Wealth Systems. These expenses represented 18.8% of Net Revenue from Technology in 3Q20, a reduction of 10 basis points over the same period of the previous year.

License sales and the gradual resumption of marketing investments in the quarter contributed to the Sales and Marketing Expenses increased from 16.5% in 2Q20 to 18.8% of Net Revenue from Technology in 3Q20.

### **Allowance for Doubtful Accounts (PCLD)**

The allowance for doubtful accounts for this quarter represented 1.3% of Net Revenue from Technology, compared to 3.3% in 2Q20. This drop of 59.3% in the allowance for doubtful accounts compared to 2Q20 reflects the lower volume of arrears from clients and the improvement in the perception of credit risk at the moment, calculated based on the history of losses per range of the receivables portfolio, according to the propensity of payment attributed to customers by credit bureaus. However, such an improvement in the credit scenario has not yet been sufficient to bring the allowance for doubtful accounts to 1.0% of Net Revenue from Technology seen in 3Q19.

In the 9-month period, the allowance for doubtful accounts represented 1.8% of Net Revenue from Technology, compared to 1.4% in the same period of 2019. This higher level reflects the increase in the average maturity of securities to mature and the volume of overdue securities in the receivables portfolio, especially in the initial ranges, i.e., those associated with customers with a lower propensity to pay and to sectors/segments most impacted by the Covid-19 pandemic.

### **General and Administrative Expenses and Provision for Contingencies**

General and Administrative Expenses ("DGA"), together with the Provision for Contingencies, represented 10.4% of Net Revenue from Technology in 3Q20, 30 basis points lower than in 3Q19, chiefly due to the reduction in the volume of Provision for Contingencies. The growth in general and administrative expenses is mainly connected to: (i) an extraordinary expense of R\$5.6 million in expenses with M&A transactions, especially those related to the proposed business combination with Linx; (ii) increase in the provision for bonuses and for the long-term incentive plan (ILP); and (iii) consolidation of Consinco's and Wealth Systems's results. These same elements also substantially explain the 13.9% growth in General and Administrative Expenses in the 9-month period.

When compared to 2Q20, even with the effects of extraordinary M&A expenses referred to above, the general and administrative expenses with the Provision for Contingencies, as a percentage of Net Revenue from Technology, remained 60 basis points lower, from 11.0% to 10.4%. Such decrease is partly bound to the reduction in expenses with Provision for Contingencies, as a result of the revision of the loss estimates due to the progress of the lawsuits and the decreasing volume of new lawsuits.

### **Other Operational Income (Expenses)**

The year-on-year reduction in this line is mainly due to the net effect of the sale of CiaShop to VTEX for the amount of R\$11.7 million in 3Q19.

### **Adjusted EBITDA**

Adjusted EBITDA in 3Q20 grew 34,0% over 3Q19, with an expansion of 290 basis points on the EBITDA Margin, which reached 23.8%, showing the Company's operational leverage capacity, as well as the scalability of its business model. In the accumulated result for the year, the EBITDA Margin expansion was 170 basis points, showing discipline in performing the strategy and the resilience of the Company's business model, even in an exceptionally challenging year.

# Result from Credit Products - Supplier

For the sake of comparison, we present below the results achieved by Supplier in the third quarter of 2019. In addition, Appendix I of this document provides a reconciliation between the results for the fiscal year 2019 published by Supplier (prior to the acquisition) and the standard of presentation of TOTVS's results.

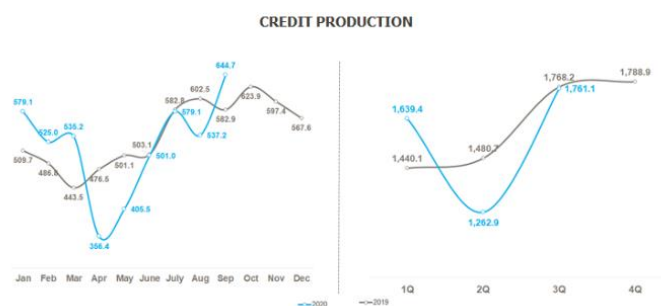
	3Q20	3Q19 (i)	Δ	2Q20 (ii)	Δ
<b>Credit Products Revenue - Supplier</b>	<b>48,557</b>	<b>54,563</b>	<b>-11.0%</b>	<b>26,664</b>	<b>82.1%</b>
(-) Credit Products Costs	(16,313)	(15,175)	7.5%	(9,557)	70.7%
<b>Gross Revenue</b>	<b>32,244</b>	<b>39,388</b>	<b>-18.1%</b>	<b>17,107</b>	<b>88.5%</b>
EBITDA Margin - Supplier	66.4%	72.2%	-580 bp	64.2%	220 bp
(-) Operational Expenses	(19,865)	(18,389)	8.0%	(11,893)	67.0%
(-) Allowance for Doubtful Accounts	533	(2,918)	-118.3%	(4,903)	-110.9%
<b>EBITDA - Supplier</b>	<b>12,912</b>	<b>18,081</b>	<b>-28.6%</b>	<b>311</b>	-
EBITDA Margin - Supplier	26.6%	33.1%	-650 bp	1.2%	2540 bp

(i) Data presented only for comparability purposes not consolidated in TOTVS's 2019 results. Further details are presented in Appendix I.

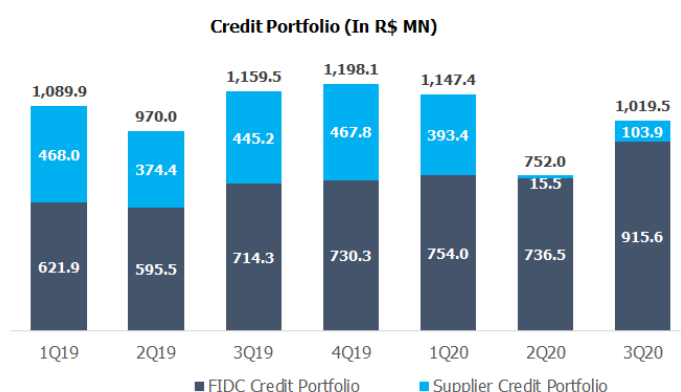
(ii) Results corresponding to the months of May and June 2020 consolidated by TOTVS.

## Credit Products Revenue

Revenue from Credit Products grew 82.1% compared to 2Q20, mainly due to the following factors: (i) consolidation by TOTVS of only 2 months of Supplier results (May and June) in 2Q20; and (ii) the quick and strong recovery in the volume of credit originated, as shown in the chart on the right, exceeding in September the levels reached in 2019. When compared to 3Q19, the 11.0% reduction in these revenues is mainly due to the reduction in the average Selic rate, which decreased from 6.15% in 3Q19 to 2.1% in 3Q20, impacting the nominal formation of the rate practiced in credit products, although the average spread has remained stable.

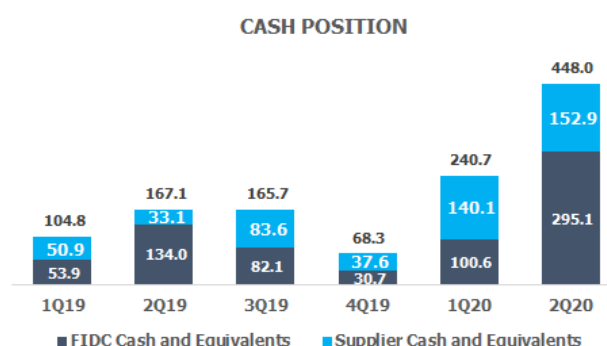


Such recovery in credit production is translating into an increase in the credit portfolio, as shown in the graph on the right, which again exceeded R\$1.0 billion, with 90% of this portfolio having been assigned to the FIDC. This behavior reflects the resumption of economic activities in the chains served by Supplier, as well as the strong gain in penetration in the sales volumes of its affiliates.



## Credit Product Costs

The costs of credit products, composed of the remuneration of senior and mezzanine shares, credit insurance premium and the credit analysis structure, grew by 7.5% in 3Q20 compared to the same period in 2019. This growth is mainly due to the change in Supplier's capital structure, which implied a reduction in own capital and an increase in third-party capital, carried out to meet one of the conditions precedent to close the







acquisition of such company by TOTVS, as already mentioned in the disclosure of 2Q20 results.

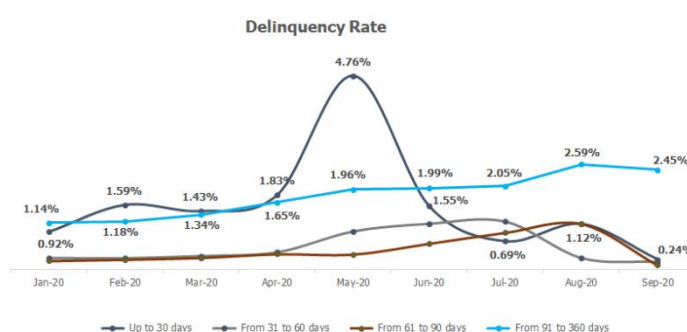
The growth of the loan portfolio mentioned in the previous section, combined with the FIDC's quarterly redemption window, brought the cash position of 3Q20 to a level closer to historical levels, in contrast to the surplus cash in 2Q20, which negatively impacted the results of that quarter.

## Operating expenses

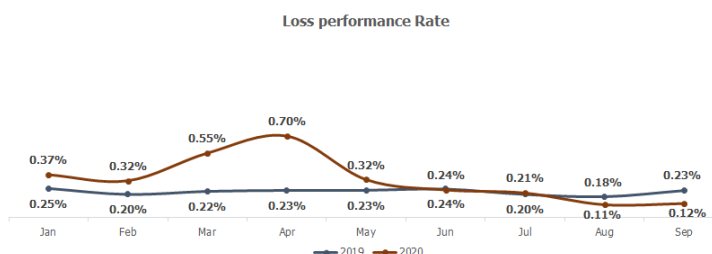
Operating expenses grew 8.0% year over year in 3Q20. These expenses consider the most fixed cost structures of the operation (administrative, technology and sales) and reflect the company's growth.

## Allowance for Doubtful Accounts (PCLD)

The allowance for doubtful accounts in 3Q20 had a positive effect of R\$0.5 million in the result, compared to a negative effect of R\$4.9 million in 2Q20. This behavior of allowance for doubtful accounts resulted from a more conservative posture adopted by Supplier in setting the limits for granting credit since the beginning of the Covid-19 pandemic. Such a position can be seen in the graph on the right, especially in the behavior of the portfolio up to 30 days late, which showed the highest increase in defaults in May and is currently below pre-Covid-19 levels. As already mentioned in 2Q20, Supplier's most valuable asset is the preservation of its credit history. With that clarity in mind, all decisions are made taking into account the best management of said indicator.



Considering the average portfolio term of about 60 days, Supplier has already turned over its portfolio 3 times during the pandemic period and, until this moment, the effective loss rate, which had increased at the beginning of the pandemic, is currently at a level lower than the low historical average of this indicator. This fact reiterates the resilience of Supplier's business model and its good discipline in granting credit.



## Supplier's EBITDA

The EBITDA growth in 3Q20, compared to 2Q20, was basically the result of the following factors: (i) an increase of 220 basis points in the gross margin; (ii) R\$0.5 million positive effect from allowance for doubtful accounts versus R\$4.9 million negative effect in 2Q20; and (iii) consolidation of only of May and June in 2Q20.

In comparison with 3Q19, the 28.6% reduction in EBITDA is mainly due to the change in Supplier's capital structure, with the majority assignment of the credit portfolio to FIDC and the reduction in the representativeness of subordinated quotas in FIDC.

Finally, Supplier's Return on Equity was 16.6% in 3Q20, compared to 7.3% in 3Q19. This increase is a result of the change in the realized capital structure when Supplier was acquired by TOTVS.

# CONSOLIDATED RESULTS AFTER EBITDA

## Depreciation and amortization expenses

In R\$ thousand	3Q20	3Q19	Δ	2Q20	Δ	9M20	9M19	Δ
Depreciation	(25,177)	(22,537)	11.7%	(24,952)	0.9%	(74,033)	(67,975)	8.9%
Amortization	(30,629)	(13,536)	126.3%	(27,706)	10.6%	(73,219)	(42,247)	73.3%
<b>Depreciation and Amortization</b>	<b>(55,806)</b>	<b>(36,073)</b>	<b>54.7%</b>	<b>(52,658)</b>	<b>6.0%</b>	<b>(147,252)</b>	<b>(110,222)</b>	<b>33.6%</b>

The growth in Depreciation expenses, both in the year-over-year comparison and in the 9-month comparison, is due to: (i) the consolidation of the results of Consinco, Wealth Systems, and Supplier; (ii) the greater depreciation in electronic processing equipment and greater depreciation of the right to use the properties, due to contractual updates. The increase in Amortization expenses was due to the beginning of the accounting amortization of intangibles, arising from the acquisitions of Consinco as of February, of Wealth Systems starting in April, and Supplier as of May 2020, which together had an impact of R\$19.9 million in 3Q20 and R\$14.4 million in 2Q20.

## Financial Result

In R\$ thousand	3Q20	3Q19	Δ	2Q20	Δ	9M20	9M19	Δ
Financial Revenues	8,214	25,654	-68.0%	15,193	-45.9%	40,371	51,264	-21.2%
Financial Expenses	(17,779)	(18,874)	-5.8%	(15,553)	14.3%	(44,094)	(58,365)	-24.5%
<b>Financial Result</b>	<b>(9,565)</b>	<b>6,780</b>	<b>-241.1%</b>	<b>(360)</b>	<b>2556.9%</b>	<b>(3,723)</b>	<b>(7,101)</b>	<b>-47.6%</b>

The drop in the Financial Result when compared to 3Q19 was motivated by the reduction in the volume of cash applied, compared to the same period of the previous year, since at that time the Company had a high volume of cash, resulting from the subsequent offering of shares ("follow-on") that took place during 2Q19. As regards 2Q20, the increase in the negative Financial Result was due to the lower average cash applied in the period, combined with the reduction of the Selic rate and the adjustment to present value of the acquisitions of Consinco, Supplier and Wealth Systems that were carried out in 3Q20, due to the completion of the purchase price allocation exercise for these transactions.

In the 9-month period, the lower level of indebtedness during the period resulted in a Financial Expense lower than that presented in the same period of the previous year.

## Income tax and Social contribution

In R\$ thousand	3Q20	3Q19	Δ	2Q20	Δ	9M20	9M19	Δ
<b>EBT</b>	<b>90,283</b>	<b>102,887</b>	<b>-12.3%</b>	<b>84,319</b>	<b>7.1%</b>	<b>268,475</b>	<b>245,769</b>	<b>9.2%</b>
Taxes at combined rate (34%)	(30,699)	(34,982)	-12.2%	(28,668)	7.1%	(91,283)	(83,561)	9.2%
Law 11,196/05 - R&D Incentive	4,988	4,218	18.3%	5,119	-2.6%	12,430	9,578	29.8%
Shares Issue Costs	-	1,164	-	-	-	-	9,840	-100.0%
Interest on Equity	13,448	12,317	9.2%	-	-	13,448	12,317	9.2%
Effect of subsidiaries with differentiated tax	(1,120)	(2,037)	-45.0%	(1,830)	-38.8%	(4,538)	(7,173)	-36.7%
Other	1,955	3,622	-46.0%	(609)	-421.0%	1,260	1,785	-29.4%
<b>Income Tax and Social Contribution</b>	<b>(11,428)</b>	<b>(15,698)</b>	<b>-27.2%</b>	<b>(25,989)</b>	<b>-56.0%</b>	<b>(68,683)</b>	<b>(57,214)</b>	<b>20.0%</b>
Current Income Tax and Social Contribution	(18,278)	(17,967)	1.7%	(29,913)	-38.9%	(56,488)	(51,536)	9.6%
Deferred Income Tax and Social Contribution	6,850	2,270	201.8%	3,924	74.6%	(12,195)	(5,678)	114.8%
% Current Effective Tax Rate	20.2%	17.5%	270 bp	35.5%	-1530 bp	21.0%	21.0%	0 bp
% Total Effective Tax Rate	12.7%	15.3%	-260 bp	30.8%	-1810 bp	25.6%	23.3%	230 bp

The year-over-year reduction in the Effective Rate is essentially connected: (i) to the higher amount of Interest on Equity distributed in 3Q20, given the higher level of taxable profit of the parent company in 2020; and (ii) the increase in R&D projects under tax incentive rules. When compared to 2Q20, the tax benefit on the distribution of Interest on Equity caused the total effective rate to be less than half the one realized in that period. In the first nine months, even with a higher tax incentive on R&D activities and a higher level of Interest on Equity, the tax benefit on expenses incurred in the subsequent issue of shares

(follow-on) in 2019 caused the effective rate in 2020 to be 140 basis points higher than that presented in that period.

## Net Profit and Cash Profit

In R\$ thousand	3Q20	3Q19	Δ	2Q20	Δ	9M20	9M19	Δ
Adjusted EBITDA Technology	148,510	120,483	23.3%	137,026	8.4%	412,399	351,525	17.3%
EBITDA Supplier	12,912	-	-	311	4051.8%	13,223	-	-
<b>Adjusted EBITDA TOTVS</b>	<b>161,422</b>	<b>120,483</b>	<b>34.0%</b>	<b>137,337</b>	<b>17.5%</b>	<b>425,622</b>	<b>351,525</b>	<b>21.1%</b>
<i>Adjusted Net Margin</i>	<i>23.8%</i>	<i>20.9%</i>	<i>290 bp</i>	<i>21.9%</i>	<i>190 bp</i>	<i>22.3%</i>	<i>20.6%</i>	<i>170 bp</i>
Depreciation and Amortization	(55,806)	(36,073)	54.7%	(52,658)	6.0%	(147,252)	(110,222)	33.6%
Financial Results + Equity Pickup	(9,859)	6,780	-245.4%	(360)	2638.6%	(4,017)	(7,231)	-44.4%
Income Tax and Social Contribution	(11,428)	(15,698)	-27.2%	(25,989)	-56.0%	(68,683)	(57,214)	20.0%
Taxes on Extraordinary items	(1,861)	3,977	-146.8%	-	-	(1,999)	3,977	-150.3%
<b>Adjusted Net Income</b>	<b>82,468</b>	<b>79,469</b>	<b>3.8%</b>	<b>58,330</b>	<b>41.4%</b>	<b>203,672</b>	<b>180,835</b>	<b>12.6%</b>
<i>Adjusted Net Margin</i>	<i>12.2%</i>	<i>13.8%</i>	<i>-160 bp</i>	<i>9.3%</i>	<i>290 bp</i>	<i>10.7%</i>	<i>10.6%</i>	<i>10 bp</i>
Acquisitions amortization	21,700	5,821	272.8%	19,625	10.6%	48,398	19,041	154.2%
Deferred Income Tax and Social Contribution	(7,378)	(1,979)	272.8%	(6,673)	10.6%	(16,455)	(6,474)	154.2%
<b>Cash Earnings</b>	<b>96,790</b>	<b>83,311</b>	<b>16.2%</b>	<b>71,283</b>	<b>35.8%</b>	<b>235,614</b>	<b>193,402</b>	<b>21.8%</b>
<i>Cash Earnings Margin</i>	<i>14.3%</i>	<i>14.5%</i>	<i>-20 bp</i>	<i>11.4%</i>	<i>290 bp</i>	<i>12.4%</i>	<i>11.4%</i>	<i>100 bp</i>

Adjusted Net Income in 3Q20 grew 3.8% over 3Q19, while Adjusted EBITDA increased 34.0% in the same period. This growth in Net Income below that of EBITDA was mainly due to the higher level of amortization resulting from intangibles, arising from acquisitions (Supplier, Consinco and Wealth Systems) and the reduction in financial results.

Discounting the net effects of the amortization of intangible arising from acquisitions, the Company's Cash Profit grew 16.2% year-over-year. In relation to 2Q20, EBITDA growth, combined with a lower current effective rate, boosted the 35.8% growth in Cash Profit.

## CASH FLOW

Despite the accounting treatment of consolidating the FIDC when preparing the Financial Statements, we believe that this is not the best way to monitor the evolution of the Company's financials, mainly for the following reasons: (i) FIDC is an independent organization, with an independent management, in which the subordinated shares held by Supplier represent only about 4.5% of such fund's capital; and (ii) the credit risk is transferred to the fund when the credits are assigned by Supplier, whose risk is limited to the capital used in its subordinated shares. Accordingly, FIDC's cash (presented under "Financial investments") was excluded from TOTVS's cash and equivalent balances in the tables below. In addition, in Appendix VI of this document we present a reconciliation between the Cash Flow without the effects of the FIDC consolidation and the Cash Flow Statement that is part of the Financial Statements.

Without the effects of FIDC consolidation								
In R\$ thousand	3Q20	3Q19	Δ	2Q20	Δ	9M20	9M19	Δ
<b>Net income before taxes</b>	<b>90,283</b>	<b>102,887</b>	<b>-12.3%</b>	<b>84,319</b>	<b>7.1%</b>	<b>268,475</b>	<b>245,769</b>	<b>9.2%</b>
Non-cash items	89,490	64,963	37.8%	102,741	-12.9%	257,810	213,076	21.0%
Change in working capital	27,263	3,367	709.7%	(32,799)	-183.1%	(55,219)	(81,517)	-32.3%
Interest paid	(9,284)	(93,865)	-90.1%	(1,191)	679.5%	(18,753)	(113,250)	-83.4%
Income tax and social contribution paid	(26,928)	(8,711)	209.1%	(10,191)	164.2%	(47,924)	(35,224)	36.1%
Assets and Liabilities Change from Discontinued Operation	-	(2,522)	-100.0%	-	-	-	(1,036)	-100.0%
<b>Net operating cash flow</b>	<b>170,824</b>	<b>66,119</b>	<b>158.4%</b>	<b>142,879</b>	<b>19.6%</b>	<b>404,389</b>	<b>227,818</b>	<b>77.5%</b>
Subsidiaries	8,558	6,172	38.7%	(128,328)	-106.7%	(309,321)	2,098	-14843.6%
Fixed assets	(7,650)	(4,901)	56.1%	(6,076)	25.9%	(22,797)	(16,567)	37.6%
Intangibles	(6,981)	(7,492)	-6.8%	(13,860)	-49.6%	(25,698)	(20,859)	23.2%
<b>Net cash used in investing activities</b>	<b>(6,073)</b>	<b>(6,221)</b>	<b>-2.4%</b>	<b>(148,264)</b>	<b>-95.9%</b>	<b>(357,816)</b>	<b>(35,328)</b>	<b>912.8%</b>
Grow (Reduction) Gross Debt	(424,340)	(59,920)	608.2%	22,390	-1995.2%	(418,859)	(181,019)	131.4%
Issue of Shares	-	(3,565)	-100.0%	-	-	-	1,037,652	-100.0%
Shareholders Payment	(4,538)	(3,295)	37.7%	(118,444)	-96.2%	(166,070)	(14,220)	1067.9%
<b>Net cash used in financing activities</b>	<b>(428,878)</b>	<b>(66,780)</b>	<b>542.2%</b>	<b>(96,054)</b>	<b>346.5%</b>	<b>(584,929)</b>	<b>842,413</b>	<b>-169.4%</b>
Increase (decrease) in cash and cash equivalents	(264,127)	(6,882)	3737.9%	(101,439)	160.4%	(538,356)	1,034,903	-152.0%
Cash and cash equivalents at the beginning of the period	1,263,927	1,494,584	-15.4%	1,365,366	-7.4%	1,538,156	452,799	239.7%
<b>Cash and cash equivalents at the end of the period</b>	<b>999,800</b>	<b>1,487,702</b>	<b>-32.8%</b>	<b>1,263,927</b>	<b>-20.9%</b>	<b>999,800</b>	<b>1,487,702</b>	<b>-32.8%</b>
<b>Free cash flow (i)</b>	<b>162,320</b>	<b>115,677</b>	<b>40.3%</b>	<b>123,729</b>	<b>31.2%</b>	<b>368,271</b>	<b>265,137</b>	<b>38.9%</b>

(i) Net cash from operating activities (+) Net cash from investing activities (-) Interest paid net of income tax (-) Amounts paid in the acquisition of equity interests.



The 40.3% year-over-year growth in Free Cash Flow was mainly driven by: (i) the increase in Net Cash from Operating activities due to the improvement in working capital, mainly in Supplier's credit operation; better negotiation with suppliers; and (ii) the lower amount of interest paid in the period, due to the payment of the premium for non-conversion of debentures issued in 2008 and paid in 3Q19.

When compared to 2Q20, the 31.2% growth in Free Cash Flow was notably impacted: (i) by the reduction in the volume of funds invested in working capital, in particular by the positive turnover of Supplier, as well as by the higher volume of funds received in the quarter; and (ii) the reduction in net cash used in investment activities due to the acquisition of Supplier and Wealth Systems in 2Q20.

In the last 9 months, the 38.9% growth in 2020 versus 2019 was motivated by: (i) the 9.2% growth in EBT; (ii) the lower volume of interests paid in the period, due to the payment in 3Q19 of the premium for non-conversion of debentures issued in 2008; and (iii) the positive variation in working capital, mainly due to negotiations with suppliers and the postponement of tax payments during the pandemic period.

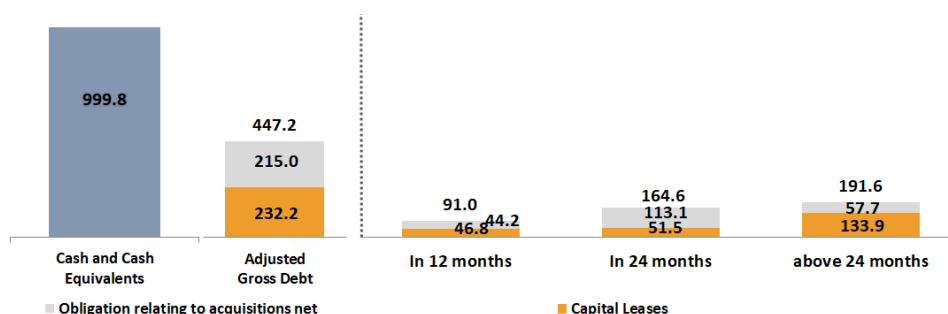
## GROSS AND NET DEBT

Following the assumptions already described in the "Cash Flow" section, we understand that the consolidation of FIDC effects also hinders the monitoring of the actual level of the Company's debts, since the senior and mezzanine shares are part of FIDC's equity and, therefore, they are not effectively payable by TOTVS. Accordingly, the balances of the senior and mezzanine shares were excluded for the purpose of calculating Adjusted Gross and Net Debt, as shown below:

In R\$ thousand	3Q20	3Q19	Δ	2Q20	Δ
Loans, Financing and Capital Leases	232,216	268,557	-13.5%	248,133	-6.4%
Debentures	-	200,288	-100.0%	403,787	-100.0%
Senior and mezzanine quota	924,802	(924,802)	-200.0%	989,865	-6.6%
Obligation relating to acquisitions net	215,012	48,288	345.3%	207,121	3.8%
<b>Gross Debt</b>	<b>1,372,030</b>	<b>(407,669)</b>	<b>-436.6%</b>	<b>1,848,906</b>	<b>-25.8%</b>
(-) Senior and mezzanine quota	(924,802)	924,802	-200.0%	(989,865)	-6.6%
<b>Adjusted Gross Debt</b>	<b>447,228</b>	<b>517,133</b>	<b>-13.5%</b>	<b>859,041</b>	<b>-47.9%</b>
(-) Cash and cash equivalents	(999,800)	(1,487,702)	-32.8%	(1,263,927)	-20.9%
(-) Investment Guarantees	(11,448)	(28,643)	-60.0%	(11,607)	-1.4%
<b>Adjusted Net Debt (Cash)</b>	<b>(564,020)</b>	<b>(999,212)</b>	<b>-43.6%</b>	<b>(416,493)</b>	<b>35.4%</b>

Gross Adjusted Debt totaled R\$447.2 million in 3Q20, compared to R\$517.1 million in the same period of the previous year. Such reduction is mainly due to the R\$400.0 million settlement of non-convertible debentures of the Company (R\$200 million from the 1<sup>st</sup> Issuance, realized in 2017, and R\$200 million from the 2<sup>nd</sup> Issuance, realized in April, 2020), partially impacted by the increase in Obligations for Investment Acquisition, motivated by the increase in the acquisitions of companies that occurred between the periods.

The balance of cash and cash equivalents of R\$999.8 million, at the end of 3Q20, corresponded to 2.2x the balance of the Adjusted Gross Debt and to 10.9x the balance of the Adjusted Gross Debt, maturing in the next 12 months. This position reflects the Company's solid position and financial liquidity for conducting operating activities and carrying out its business strategy in 3 dimensions (Management, Techfin and Business Performance).





# SHAREHOLDER COMPOSITION

TOTVS ended 3Q20 with a Capital Stock of R\$1.382 billion, comprising 577,913,181 common shares, which represent 83.1% of its free-float shares. The calculation of the outstanding shares is based on all the Company's shares, excluding the interests held by Management members and related persons, as well as treasury shares.

Shareholders Equity	3Q20	2Q20	1Q19	4Q19	3Q19
Free Float	83.1%	83.1%	83.6%	83.9%	83.9%
Management	16.9%	16.9%	16.4%	16.1%	16.1%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Local Investors (% Free Float)	34.0%	35.1%	38.9%	34.5%	34.1%
Foreign Investor (% Free Float)	66.0%	64.9%	61.1%	65.5%	65.9%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## About TOTVS

TOTVS a provider of business solutions for companies of all sizes, operates with management software, productivity and collaboration platforms and consulting services, is the absolute leader in the Brazilian small and midsize business (SMB) market. With more than 50% of *market share* in Brazil, it is the only technology company in the ranking of Interbrand's most valuable brands in Brazil. TOTVS is present in 41 countries with a net revenue of more than R\$2 billion. In Brazil, it has 15 branches, 52 franchised territories and 10 development centers. For further information please visit [www.totvs.com.br](http://www.totvs.com.br).

*This report contains forward-looking statements. Such information does not refer to historical facts only, but reflects the wishes and expectations of TOTVS's management. Words such as "anticipates", "wants", "expects", "foresees", "intends", "plans", "predicts", "projects", "aims" and the like are intended to identify statements that necessarily involve known and unknown risks. Known risks include uncertainties not limited to the impact of price and product competitiveness, the acceptance of products on the market, product transitions from the Company and its competitors, regulatory approval, currency, currency fluctuations, supply and production hurdles and changes in product sales, among other risks. This report also contains certain pro forma statements prepared by the Company for information and reference purposes only that are therefore unaudited. This report is up to date, and TOTVS has no obligation to update it with new information and/or future events.*



# APPENDIX I

## Reconciliation of Supplier 2019 Results

Supplier Published vs. TOTVS Model				
In R\$ thousand	Supplier Published		Restatment between Lines	Supplier on TOTVS Model
Gross Revenue - Credit Products	207,547	(i)	6,212	213,759
(-) Taxes over Revenues	-	(ii)	(13,572)	(13,572)
<b>Net Revenue - Credit Products</b>	<b>207,547</b>		<b>(7,360)</b>	<b>200,187</b>
Costs of Credit Products	-	(v)	(59,541)	(59,541)
<b>Gross Profit</b>	<b>207,547</b>		<b>(66,901)</b>	<b>140,646</b>
Operational Expenses	(97,576)	(iii)	22,787	(74,789)
Allowance for Doubtful Accounts	(13,444)		37	(13,407)
<b>EBITDA</b>	<b>96,527</b>	(iv)	<b>(44,077)</b>	<b>52,450</b>
<b>EBITDA Margin</b>	<b>46.5%</b>			<b>26.2%</b>
Depreciation and Amortization	(1,961)		-	(1,961)
<b>Earns before financial effects</b>	<b>94,566</b>		<b>(44,077)</b>	<b>50,489</b>
Financial Results	(40,967)		44,077	3,109
<b>Earns before Income Tax and Social Contribution</b>	<b>53,599</b>		<b>(0)</b>	<b>53,599</b>
Total Income Tax and Social Contribution	(15,578)		-	(15,578)
<b>Net Income of the Period</b>	<b>38,021</b>		<b>(0)</b>	<b>38,021</b>
<b>Net Margin</b>	<b>18.3%</b>			<b>19.0%</b>

(i) R\$6,212 of Credit Rights Insurance Expenses reclassified from "Cost of Credit Products".

(ii) R\$13,572 of Tax Expenses reclassified from "Operating Expenses".

(iii) R\$13,572 of Tax Expenses reclassified to "Tax over Revenues" (+) R\$9,215 of Cost with Credit Analysis reclassified to "Cost of Credit Products".

(iv) R\$44,077 of senior quota remuneration reclassified to "Cost of Credit Products".

(v) R\$6,212 Credit Rights Insurance Expenses reclassified from "Gross Revenue - Credit Products" (+) R\$9,215 Cost with Credit Analysis reclassified from "Operating Expenses" (+) R\$44,077 of senior quota remuneration reclassified from "Financial Results" (+) R\$37 reclassified from "Allowance for doubtful Account"

## Quarterly Results of Supplier – 2019

In R\$ thousand	1Q19	2Q19	3Q19	4Q19	2019	May-June 2019
Gross Revenue - Credit Products	47,180	51,292	58,542	56,746	213,760	35,036
(-) Taxes over Revenues	(2,920)	(3,137)	(3,979)	(3,536)	(13,573)	(2,023)
<b>Net Revenue - Credit Products</b>	<b>44,260</b>	<b>48,155</b>	<b>54,563</b>	<b>53,210</b>	<b>200,187</b>	<b>33,013</b>
Costs of Credit Products	(15,048)	(15,215)	(15,175)	(14,103)	(59,541)	(9,928)
<b>Gross Profit</b>	<b>29,212</b>	<b>32,940</b>	<b>39,388</b>	<b>39,107</b>	<b>140,646</b>	<b>23,085</b>
Operational Expenses	(18,917)	(19,796)	(18,389)	(17,687)	(74,789)	(12,644)
Allowance for Doubtful Accounts	(3,641)	(2,925)	(2,918)	(3,923)	(13,407)	(1,262)
<b>EBITDA</b>	<b>6,654</b>	<b>10,219</b>	<b>18,081</b>	<b>17,497</b>	<b>52,450</b>	<b>9,179</b>
<b>EBITDA Margin</b>	<b>15.0%</b>	<b>21.2%</b>	<b>33.1%</b>	<b>32.9%</b>	<b>26.2%</b>	<b>27.8%</b>
Depreciation and Amortization	(142)	(407)	58	(1,470)	(1,961)	(280)
<b>Earns before Financial Effects</b>	<b>6,512</b>	<b>9,812</b>	<b>18,139</b>	<b>16,027</b>	<b>50,489</b>	<b>8,899</b>
Financial Results	858	786	638	827	3,110	523
<b>Earns before Income Tax and Social Contribution</b>	<b>7,370</b>	<b>10,598</b>	<b>18,777</b>	<b>16,854</b>	<b>53,600</b>	<b>9,422</b>
Total Income Tax and Social Contribution	(1,836)	(3,225)	(5,025)	(5,493)	(15,579)	(2,715)
<b>Net Income of the Period</b>	<b>5,534</b>	<b>7,373</b>	<b>13,752</b>	<b>11,361</b>	<b>38,021</b>	<b>6,707</b>
<b>Net Margin</b>	<b>12.5%</b>	<b>15.3%</b>	<b>25.2%</b>	<b>21.4%</b>	<b>19.0%</b>	<b>20.3%</b>

# APPENDIX II

## Consolidated Income Statement

In R\$ thousand	3Q20	3Q19	Δ	2Q20	Δ	9M20	9M19	Δ
<b>Net Revenue</b>	<b>677,766</b>	<b>575,243</b>	<b>17.8%</b>	<b>627,399</b>	<b>8.0%</b>	<b>1,906,583</b>	<b>1,702,832</b>	<b>12.0%</b>
<b>Technology Revenue</b>	629,209	575,243	9.4%	600,735	4.7%	1,831,362	1,702,832	7.5%
Recurring	490,793	437,819	12.1%	484,704	1.3%	1,446,039	1,282,501	12.8%
Non Recurring	138,416	137,424	0.7%	116,031	19.3%	385,323	420,331	-8.3%
License	63,529	54,174	17.3%	47,111	34.8%	168,920	161,096	4.9%
Services	74,887	83,250	-10.0%	68,920	8.7%	216,403	259,235	-16.5%
<b>Credit Products Revenue</b>	48,557	-	-	26,664	82.1%	75,221	-	-
Operating Costs	(205,208)	(184,208)	11.4%	(183,134)	12.1%	(569,764)	(552,395)	3.1%
Technology Operating Costs	(188,895)	(184,208)	2.5%	(173,577)	8.8%	(543,894)	(552,395)	-1.5%
Credit Operating Costs	(16,313)	-	-	(9,557)	70.7%	(25,870)	-	-
<b>Gross Income</b>	<b>472,558</b>	<b>391,035</b>	<b>20.8%</b>	<b>444,265</b>	<b>6.4%</b>	<b>1,336,819</b>	<b>1,150,437</b>	<b>16.2%</b>
Operating Expenses	(372,416)	(294,928)	26.3%	(359,586)	3.6%	(1,064,327)	(897,437)	18.6%
Research and Development	(106,337)	(97,229)	9.4%	(106,132)	0.2%	(318,358)	(292,839)	8.7%
Commercial and Marketing Expenses	(122,155)	(108,754)	12.3%	(101,474)	20.4%	(343,452)	(311,579)	10.2%
Allowance for Doubtful Accounts	(7,419)	(6,039)	22.9%	(24,431)	-69.6%	(37,409)	(23,885)	56.6%
General and Administrative Expenses	(72,368)	(44,472)	62.7%	(58,351)	24.0%	(180,638)	(137,430)	31.4%
Provision for Contingencies	(8,281)	(17,128)	-51.7%	(16,814)	-50.7%	(37,957)	(41,554)	-8.7%
Depreciation and Amortization	(55,806)	(36,073)	54.7%	(52,658)	6.0%	(147,252)	(110,222)	33.6%
Other Revenues (Expenses)	(50)	14,767	-100.3%	274	-118.2%	739	20,072	-96.3%
<b>EBIT</b>	<b>100,142</b>	<b>96,107</b>	<b>4.2%</b>	<b>84,679</b>	<b>18.3%</b>	<b>272,492</b>	<b>253,000</b>	<b>7.7%</b>
Financial Result	(9,565)	6,780	-241.1%	(360)	2556.9%	(3,723)	(7,101)	-47.6%
Equity Pickup	(294)	-	-	-	-	(294)	(130)	126.2%
<b>Earnings Before Taxes (EBT)</b>	<b>90,283</b>	<b>102,887</b>	<b>-12.3%</b>	<b>84,319</b>	<b>7.1%</b>	<b>268,475</b>	<b>245,769</b>	<b>9.2%</b>
Income Tax and Social Contribution	(11,428)	(15,697)	-27.2%	(25,989)	-56.0%	(68,683)	(57,214)	20.0%
Current	(18,278)	(17,967)	1.7%	(29,913)	-38.9%	(56,488)	(51,536)	9.6%
Deferred	6,850	2,270	201.8%	3,924	74.6%	(12,195)	(5,678)	114.8%
Net Income from Continuing Operation	78,855	87,190	-9.6%	58,330	35.2%	199,792	188,555	6.0%
Net Margin Continued Operation	11.6%	15.2%	-360 bp	9.3%	230 bp	10.5%	11%	-60 bp
Net Income (Loss) from Discontinued Operation	456	281	62.3%	(337)	-235.3%	(980)	(31,813)	-96.9%
<b>Net Income</b>	<b>79,311</b>	<b>87,471</b>	<b>-9.3%</b>	<b>57,993</b>	<b>36.8%</b>	<b>198,812</b>	<b>156,742</b>	<b>26.8%</b>
Net Margin	11.7%	15.2%	-350 bp	9.2%	250 bp	10.4%	9.2%	120 bp
Income Tax and Social Contribution	11,428	15,697	-27.2%	25,989	-56.0%	68,683	57,214	20.0%
Financial Result	9,565	(6,780)	-241.1%	360	2556.9%	3,723	7,101	-47.6%
Depreciation and Amortization	55,806	36,073	54.7%	52,658	6.0%	147,252	110,222	33.6%
Net Income (Loss) from Discontinued Operation	(456)	(281)	62.3%	337	-235.3%	980	31,813	-96.9%
Equity Pickup	294	-	-	-	-	294	130	126.2%
<b>EBITDA</b>	<b>155,948</b>	<b>132,180</b>	<b>18.0%</b>	<b>137,337</b>	<b>13.6%</b>	<b>419,744</b>	<b>363,222</b>	<b>15.6%</b>
EBITDA Margin	23.0%	23.0%	0 bp	21.9%	110 bp	22.0%	21.3%	70 bp
Extraordinary Items	-	-	-	-	-	-	-	-
Expenses with M&A Transactions	5,474	-	-	-	-	5,878	-	-
Earnings in Investments sale	-	(11,697)	-100.0%	-	-	-	(11,697)	-100.0%
<b>Adjusted EBITDA</b>	<b>161,422</b>	<b>120,483</b>	<b>34.0%</b>	<b>137,337</b>	<b>17.5%</b>	<b>425,622</b>	<b>351,525</b>	<b>21.1%</b>
Adjusted EBITDA Margin	23.8%	20.9%	290 bp	21.9%	190 bp	22.3%	20.6%	170 bp

# APPENDIX III

## Balance Sheet

In R\$ thousand	Without the effects of FIDC consolidation				
	3Q20	3Q19	Δ	2Q20	Δ
<b>ASSETS</b>					
<b><u>Current assets</u></b>	<b>1,667,943</b>	<b>2,044,020</b>	<b>-18.4%</b>	<b>1,845,367</b>	<b>-9.6%</b>
Cash and cash equivalents	999,800	1,487,702	-32.8%	1,263,927	-20.9%
Accounts receivable	598,932	470,151	27.4%	514,723	16.4%
Allowance for doubtful accounts	(81,506)	(109,202)	-25.4%	(90,547)	-10.0%
Financial Investments	53,862	-	-	47,348	13.8%
Recoverable taxes	22,384	12,161	84.1%	18,071	23.9%
Investments Guarantees	10,307	26,188	-60.6%	10,260	0.5%
Othe Assets	64,164	58,006	10.6%	81,585	-21.4%
Assets For Sale	-	99,014	-100.0%	-	-
<b><u>Non-current assets</u></b>	<b>2,320,799</b>	<b>1,554,149</b>	<b>49.3%</b>	<b>2,325,531</b>	<b>-0.2%</b>
<b><u>Long-term assets</u></b>	<b>371,964</b>	<b>345,272</b>	<b>7.7%</b>	<b>343,883</b>	<b>8.2%</b>
Accounts receivable	57,679	36,401	58.5%	39,327	46.7%
Deferred income tax and social contribution	96,481	106,412	-9.3%	87,059	10.8%
Judicial deposits	48,789	73,675	-33.8%	50,094	-2.6%
Recoverable taxes	8,024	-	-	8,139	-1.4%
Escrow accounts	1,141	2,455	-53.5%	1,347	-15.3%
Financial assets	100,696	74,341	35.5%	97,756	3.0%
Other receivables	59,154	51,988	13.8%	60,161	-1.7%
Investments	3,402	3,204	6.2%	3,464	-1.8%
Property, plant and equipment	378,120	388,057	-2.6%	387,229	-2.4%
Intangible assets	1,567,313	817,616	91.7%	1,590,955	-1.5%
<b>TOTAL ASSETS</b>	<b>3,988,742</b>	<b>3,598,169</b>	<b>10.9%</b>	<b>4,170,898</b>	<b>-4.4%</b>
<b>LIABILITIES</b>					
<b><u>Current liabilities</u></b>	<b>899,010</b>	<b>768,434</b>	<b>17.0%</b>	<b>1,127,504</b>	<b>-20.3%</b>
Salaries and social charges payable	238,636	217,227	9.9%	235,415	1.4%
Taxes payable	89,580	55,511	61.4%	99,969	-10.4%
Loans and financing	-	23,333	-100.0%	11,071	-100.0%
Current obligation under capital leases	46,785	49,910	-6.3%	47,323	-1.1%
Debentures	-	200,288	-100.0%	403,787	-100.0%
Suppliers	91,360	55,512	64.6%	75,153	21.6%
Commissions payable	53,831	44,136	22.0%	47,255	13.9%
Obligation relating to acquisitions	44,174	33,464	32.0%	33,891	30.3%
Dividends and Interest on Equity payable	36,075	32,828	9.9%	870	4046.6%
Other liabilities	9,836	10,485	-6.2%	11,927	-17.5%
Repasse para parceiros	288,733	-	-	160,843	79.5%
Liabilities for sale	-	45,740	-100.0%	-	-
<b><u>Non-current liabilities</u></b>	<b>523,716</b>	<b>362,831</b>	<b>44.3%</b>	<b>525,983</b>	<b>-0.4%</b>
Current obligation under capital leases	185,431	195,314	-5.1%	189,739	-2.3%
Provision for contingencies	134,252	136,247	-1.5%	135,792	-1.1%
Obligation relating to acquisitions	170,838	14,824	1052.4%	173,230	-1.4%
Deferred Income Tax and Social Contribution	3,741	-	-	-	-
Fiscal Obligations	3,998	-	-	4,728	-15.4%
Other liabilities	25,456	16,446	54.8%	22,494	13.2%
<b><u>Shareholders' equity</u></b>	<b>2,566,016</b>	<b>2,466,904</b>	<b>4.0%</b>	<b>2,517,411</b>	<b>1.9%</b>
Capital	1,382,509	1,382,509	-	1,382,509	-
Treasury stock	(148,570)	(62,728)	136.8%	(148,606)	0.0%
Capital reserve	887,095	871,639	1.8%	879,145	0.9%
Income reserve	393,458	249,647	57.6%	353,890	11.2%
Other comprehensive income	51,524	25,132	105.0%	50,473	2.1%
Minority interests	-	705	-100.0%	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,988,742</b>	<b>3,598,169</b>	<b>10.9%</b>	<b>4,170,898</b>	<b>-4.4%</b>



# APPENDIX IV

## Balance Sheet Reconciliation

	Consolidated	Effects from FIDC Consolidation	Consolidated without FIDC
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>	<b>2,592,932</b>	<b>(924,989)</b>	<b>1,667,943</b>
Cash and cash equivalents	999,800	-	999,800
Financial Investments	62,932	(9,070)	53,862
Accounts receivable	1,433,055	(915,629)	517,426
Other Current Assets	97,145	(290)	96,855
<b>Non-current assets</b>	<b>2,320,799</b>	<b>-</b>	<b>2,320,799</b>
Other Non-current assets	375,366	-	375,366
Property, plant and equipment	378,120	-	378,120
Intangible assets	1,567,313	-	1,567,313
<b>TOTAL ASSETS</b>	<b>4,913,731</b>	<b>(924,989)</b>	<b>3,988,742</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>	<b>1,823,999</b>	<b>(924,989)</b>	<b>899,010</b>
Loans and financing	46,785	-	46,785
Transfer to partners	288,733	-	288,733
Senior and Mezzanine Quotas	924,802	(924,802)	-
Other Current Liabilities	563,679	(187)	563,492
<b>NON-CURRENT LIABILITIES</b>	<b>523,716</b>	<b>-</b>	<b>523,716</b>
Loans and financing	185,431	-	185,431
Provision for Contingencies	134,252	-	134,252
Other Non-Current Liabilities	204,033	-	204,033
Shareholders' equity	2,566,016	-	2,566,016
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,913,731</b>	<b>(924,989)</b>	<b>3,988,742</b>

# APPENDIX V

## Cash Flow

	Without the effects of FIDC consolidation							
In R\$ thousand	3Q20	3Q19	Δ	:	Δ	9M20	9M19	Δ
Net income before taxes	90,283	102,887	-12.3%		7.1%	268,475	245,769	9.2%
Adjustments:	89,490	64,963	37.8%		-12.9%	257,810	213,076	21.0%
Depreciation and amortization	55,806	36,073	54.7%		6.0%	147,252	110,222	33.6%
Share-based payment	7,986	4,252	87.8%		21.1%	16,888	9,180	84.0%
Losses (Gains) on sales of assets	4	(12,608)	-100.0%		-100.3%	(1,427)	(13,318)	-89.3%
Allowance for doubtful accounts	8,061	6,039	33.5%		-58.9%	33,234	23,885	39.1%
Equity pickup	294	-	-		-	294	130	126.2%
Provision (Reversal) for contingencies	8,281	17,128	-51.7%		-50.9%	37,957	41,554	-8.7%
Provision (Reversal) for other obligations	-	(94)	-100.0%		-100.0%	(720)	(94)	666.0%
Interest, monetary and exchange variations, net	9,058	14,173	-36.1%		-0.4%	24,332	41,517	-41.4%
Changes in operating assets and liabilities:	27,263	845	3126.4%		-183.1%	(55,219)	(82,553)	-33.1%
Trade accounts receivable	(119,662)	(4,179)	2763.4%		78.7%	(206,777)	(72,231)	186.3%
Other assets	10,115	(6,329)	-259.8%		-234.5%	(22,136)	(17,191)	28.8%
Judicial deposits	1,362	(3,438)	-139.6%		-23.4%	17,072	(5,595)	-405.1%
Social and labor obligations	3,221	26,330	-87.8%		-90.1%	26,491	49,179	-46.1%
Taxes recoverable	(4,198)	15,716	-126.7%		-118.0%	11,533	20,361	-43.4%
Suppliers	16,395	3,211	410.6%		227.0%	22,337	(14,725)	-251.7%
Commissions payable	6,576	1,109	493.0%		-203.3%	6,822	3,570	91.1%
Taxes payable	(2,469)	(6,775)	-63.6%		-110.6%	21,529	(6,421)	-435.3%
Repassse com parceiros	127,890	-	-		-881.8%	111,532	-	-
Other accounts payable	(11,967)	(22,278)	-46.3%		-44.9%	(43,622)	(38,464)	13.4%
Assets and Liabilities Change from Discontinued Operation	-	(2,522)	-100.0%		-	-	(1,036)	-100.0%
Operating cash flow	207,036	168,695	22.7%		34.2%	471,066	376,292	25.2%
Interest paid	(9,284)	(93,865)	-90.1%		679.5%	(18,753)	(113,250)	-83.4%
Income tax and social contribution paid	(26,928)	(8,711)	209.1%		164.2%	(47,924)	(35,224)	36.1%
Net operating cash flow	170,824	66,119	158.4%		19.6%	404,389	227,818	77.5%
Acquisition of Equity Interest	-	-	-		-100.0%	(321,895)	-	-
Purchases of intangible assets	(6,981)	(7,492)	-6.8%		-49.6%	(25,698)	(20,859)	23.2%
Sale (Acquisition) of investments	8,558	6,172	38.7%		39.4%	19,695	7,531	161.5%
Value from fixed assets sale	542	720	-24.7%		-60.6%	2,239	2,441	-8.3%
Payment of obligations for acquisition of investments	-	-	-		-	(7,121)	(5,433)	31.1%
Acquisition of fixed assets	(8,192)	(5,621)	45.7%		10.0%	(25,036)	(19,008)	31.7%
Net cash used in investing activities	(6,073)	(6,221)	-2.4%		-95.9%	(357,816)	(35,328)	912.8%
Payment of principal on loans and financing	(10,921)	(45,351)	-75.9%		-93.2%	(174,858)	(135,963)	28.6%
Payment of principal on Debentures	(400,000)	-	-		-	(400,000)	-	-
Payment of leasing installments	(13,419)	(14,569)	-7.9%		0.1%	(40,925)	(45,056)	-9.2%
Capital Contribution	-	(3,565)	-100.0%		-	-	1,037,652	-100.0%
Dividends paid	(4,538)	(4,165)	9.0%		-92.9%	(73,064)	(17,792)	310.7%
Loans and financing	-	-	-		-100.0%	196,924	-	-
Net Treasury Shares	-	870	-100.0%		-100.0%	(93,006)	3,572	-2703.8%
Net cash used in financing activities	(428,878)	(66,780)	542.2%		346.5%	(584,929)	842,413	-169.4%
Increase (decrease) in cash and cash equivalents	(264,127)	(6,882)	3737.9%		160.4%	(538,356)	1,034,903	-152.0%
Cash and cash equivalents at the beginning of the period	1,263,927	1,494,584	-15.4%		-7.4%	1,538,156	452,799	239.7%
Cash and cash equivalents at the end of the period	999,800	1,487,702	-32.8%		-20.9%	999,800	1,487,702	-32.8%



# APPENDIX VI

## 3Q20 Cash Flow Reconciliation

3Q20			
In R\$ thousand	Consolidated	Effects from FIDC Consolidation	Consolidated without FIDC
<b>Net income before taxes</b>	<b>90,283</b>	-	<b>90,283</b>
Non-cash items	98,832	(9,342)	89,490
Change in working capital	(145,689)	172,952	27,263
Interest paid	(9,284)	-	(9,284)
Income tax and social contribution paid	(26,928)	-	(26,928)
<b>Net operating cash flow</b>	<b>7,214</b>	<b>163,610</b>	<b>170,824</b>
Subsidiaries	8,558	-	8,558
Fixed assets	(7,650)	-	(7,650)
Intangibles	(6,981)	-	(6,981)
Investment in bonds and securities	232,508	(232,508)	-
<b>Net cash used in investing activities</b>	<b>226,435</b>	<b>(232,508)</b>	<b>(6,073)</b>
Grow (Reduction) Gross Debt	(424,340)	-	(424,340)
Shareholders Payment	(73,436)	68,898	(4,538)
<b>Net cash used in financing activities</b>	<b>(497,776)</b>	<b>68,898</b>	<b>(428,878)</b>
Increase (decrease) in cash and cash equivalents	(264,127)	-	(264,127)
Cash and cash equivalents at the beginning of the period	1,263,927	-	1,263,927
<b>Cash and cash equivalents at the end of the period</b>	<b>999,800</b>	-	<b>999,800</b>
<b>Free cash flow (i)</b>	<b>231,218</b>	<b>(68,898)</b>	<b>162,320</b>

(i) Net cash from operating activities (+) Net cash from investing activities (-) Interest paid net of income tax (-) Amounts paid in the acquisition of equity interests.

## 9M20 Cash Flow Reconciliation

9M20			
In R\$ thousand	Consolidated	Effects from FIDC Consolidation	Consolidated without FIDC
<b>Net income before taxes</b>	<b>268,475</b>	-	<b>268,475</b>
Non-cash items	283,866	(26,056)	257,810
Change in working capital	(170,542)	115,323	(55,219)
Interest paid	(18,753)	-	(18,753)
Income tax and social contribution paid	(47,924)	-	(47,924)
<b>Net operating cash flow</b>	<b>315,122</b>	<b>89,267</b>	<b>404,389</b>
Subsidiaries	(309,321)	-	(309,321)
Fixed assets	(22,797)	-	(22,797)
Intangibles	(25,698)	-	(25,698)
Investment in bonds and securities	158,165	(158,165)	-
<b>Net cash used in investing activities</b>	<b>(199,651)</b>	<b>(158,165)</b>	<b>(357,816)</b>
Grow (Reduction) Gross Debt	(418,859)	-	(418,859)
Shareholders Payment	(234,968)	68,898	(166,070)
<b>Net cash used in financing activities</b>	<b>(653,827)</b>	<b>68,898</b>	<b>(584,929)</b>
Increase (decrease) in cash and cash equivalents	(538,356)	-	(538,356)
Cash and cash equivalents at the beginning of the period	1,538,156	-	1,538,156
<b>Cash and cash equivalents at the end of the period</b>	<b>999,800</b>	-	<b>999,800</b>
<b>Free cash flow (i)</b>	<b>437,169</b>	<b>(68,898)</b>	<b>368,271</b>

(i) Net cash from operating activities (+) Net cash from investing activities (-) Interest paid net of income tax (-) Amounts paid in the acquisition of equity interests.