

# Stone (STNE)

## (Finally announced) Sale of Linx

Stone announced the sale of Linx for R\$3.41bn

Earlier today, StoneCo announced the completion of the sale of Linx and other smaller software assets to TOTVS for a total equity value of R\$3.41 bn – composed of R\$3.05 bn in enterprise value plus Linx's estimated net cash of R\$360 mn. In addition to the cash proceeds, Stone will retain the fiscal goodwill (~R\$3.8 bn) generated from its original acquisition of Linx, which will continue to be amortized over eight years. **We view the transaction as positive for Stone.** It puts an end to an acquisition that failed to deliver the expected synergies. While the final amount of R\$3.41 bn is well below the R\$6.7 bn originally paid (including earn-outs), **we believe the price is reasonable in today's context – especially as Stone focuses on capital discipline and portfolio simplification. The company had already recognized a R\$3.6 bn impairment, partially reflecting this value loss.** With this transaction, Stone monetizes a non-core asset, strengthens its cash position, and can now focus more sharply on its core operations. Notably, the deal value represents ~15% of Stone's current market cap (~R\$20 bn), and **the proceeds may be directed toward share buybacks and dividends, as the company currently meets the three pillars of its capital allocation strategy.**

StoneCo announced significant divestments within its software segment. The assets included in today's announcement (Linx and SimplesVet) represented in 2024 approximately 79% of the software segment's revenue and 71% of its profitability, and 9% of StoneCo's revenues and 6% of its profitability. In 2024 Stone's software segment generated R\$1,562.7 million in revenue and R\$291.7 million in adjusted EBITDA.

**With regards to the sale of Linx and Related Software Assets to TOTVS,** StoneCo has entered into a definitive agreement to sell Linx and certain other software assets to TOTVS for an enterprise value of R\$3.05 billion, plus the net cash position of these assets currently estimated at R\$360 million, resulting in a total amount of R\$3.41 billion. Additionally, all cash generated between signing and closing will be retained by StoneCo. According to the presentation shared by TOTVS, in 2024 Linx generated R\$1,145 million in revenues and R\$239 million in EBITDA, implying an EV/EBITDA multiple of 12.8x for Linx.

**The scope of assets sold includes** most of Linx's software, covering the verticals of education, retail, gas stations, automotive, drugstores, healthcare, home centers, food, people, and Napse.

**The transaction is subject to customary closing conditions and regulatory approvals,** including clearance by CADE, the Brazilian antitrust authority. The closing of the transaction and subsequent cash payment will occur following regulatory clearance. The final purchase price may be subject to customary adjustments based on the duration between announcement and completion.

**The fiscal goodwill of approximately R\$3.8 billion associated with StoneCo's original acquisition of Linx will remain within StoneCo and will be amortized within the group over the next 8 years.**

No exclusive commercial agreement accompanies this transaction, and the companies may explore potential future commercial partnerships.

[See more on the next page...]

Stone (STNE)	Buy
Target Price (US\$/sh.)	15.00
Current Price (US\$/sh.)	13.47
<i>Upside (%)</i>	11.4%
Market Cap (US\$ bn)	3.66
# of shares (mln)	314
Free Float (%)	77.3%
ADTV (US\$ mn) <sup>1</sup>	7

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**The document also highlighted that StoneCo has sold SimplesVet**, a veterinary-focused software solution, to PetLove for an enterprise value of R\$140 million, representing approximately 4x revenue. This transaction has already received CADE approval. The consideration will be paid in cash, with a portion upfront and the remainder in fixed installments over three-years, adjusted by CDI, with no performance-based contingencies.

**Remaining Software Businesses.** The software businesses not included in the aforementioned transactions represent in 2024 R\$326 million in revenues and R\$32 million in Adjusted EBITDA. These businesses will either be integrated into StoneCo's core offerings or operated independently while StoneCo evaluates their strategic fit and long-term value creation potential.

**Use of Proceeds.** StoneCo intends to disclose detailed plans for the use of proceeds upon transaction closing. Consistent with the Company's capital allocation framework articulated during the 4Q24 earnings call, **StoneCo expects to return excess capital to shareholders when immediate value-accretive growth opportunities are not available**. In 4Q24, StoneCo shared that its proprietary model is based on this 3 key pillars: i) 20% Minimum Common Equity T1; ii) Credit Ratings: maintaining at least its current global ratings; and iii) maintaining a positive net cash position as a key indicator of financial stability. Moreover, the company affirmed that "Before returning capital to shareholders, we will prioritize a strong liquidity position, maintaining a healthy and conservative asset-liability management approach, ensuring funding maturities significantly longer than our assets".

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