

# TOTVS (TOTS3)

**Model update - Introducing a new Target Price (TP) of R\$ 50.5/share for 2026; Buy reiterate**  
A compounding machine

In this report, we present our model update and roll our TP to 2026, including our 3Q25 preview. **We set a new TP of R\$ 50.5/share**, which represents a **14% upside** to current price. We see the stock trading at **22.3x adj. P/E for 2026**. We maintain our **Buy rating**, as we believe TOTVS combines (i) premium growth with strong cash conversion and pricing power; (ii) high-quality management; and (iii) multiple growth avenues.

**Model update:** Following the release of our 3Q25 preview, we updated our model, incorporating the latest operating trends and rolling our target price to 2026 (we do not include Linx in our estimates). **Our new TP is R\$ 50.5/share**, based on a FCFF valuation, representing a **14% upside** from current levels.

For the next 3 years, we forecast a double-digit revenue/earnings CAGR driven by (i) the continuation of the solid ARR addition trend in Management along with operational leverage; (ii) a strong emphasis on the “rule of 40” in RD Station, with margins improving sequentially due to scale gains; and (iii) expansion of Techfin solutions embedded in the ERP ecosystem along with a profitability inflection.

**XPe vs. consensus:** Our 2026 and 27 numbers are slightly below consensus in revenue (~2%) and EBITDA (~1%), while our adj. net income is in line.

**New vs. old estimates:** We have raised our 2026 and 2027 revenue and EBITDA estimates by ~1% and ~4%, respectively, versus our previous model, largely due to stronger momentum in Management, TOTVS’ main BU.

**Multiples and 3-year IRR:** TOTVS is trading at 3.7x EV/Sales, 14.3x EV/EBITDA, and 22.3x P/E Adj. for 2026. Our 12m. fwd P/E is 23.4x which is slightly below average multiples the stock traded in the last 10y (27.1x) and 3y (22.9x).

We believe this P/E is justified, as TOTVS’s been delivering consolidated topline growth rates above 15% for 21 consecutive quarters. If we include the 2Q19-2Q20 period (when recurring revenue growth was above 10% but below 15%), this reaches 26 straight quarters of double-digit recurring revenue growth.

We also ran a sensitivity analysis of the expected IRR for different exit multiples vs. entry price, assuming a 3-year holding period. In a no de-rating scenario (NTM P/E of 23.4x), the IRR would be ~20%. Under a de-rating scenario with an exit multiple of 20x, the IRR would be ~14%.

**We reiterate our Buy rating** based on the following pillars: (i) premium growth combined with strong cash conversion and pricing power; (ii) high-quality management; and (iii) multiple growth avenues, such as SaaS and cloud migration, cross-sell and upsell opportunities across segments, AI agents, and revenue/opex synergies from the Linx deal in the retail vertical.

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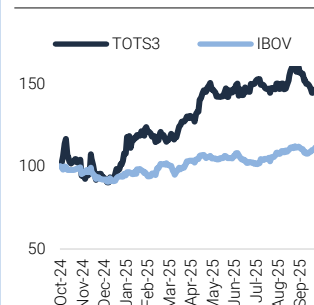
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TOTVS (TOTS3)	BUY
Target Price (R\$/sh)	R\$ 50.5
Current Price (R\$/sh)	R\$ 44.3
Upside (%)	14%
Market Cap (R\$ mn)	26,073
# of shares (mn)	563

## Performance vs. IBOV



## XP Consolidated Estimates

	2024	2025	2026	2027
<b>Income Statement (in R\$ million)</b>				
<b>Net Revenues (Total)</b>	<b>5,198</b>	<b>6,086</b>	<b>7,002</b>	<b>7,998</b>
YoY Variation, %	17.7%	17.1%	15.0%	14.2%
<b>EBITDA</b>	<b>1,202</b>	<b>1,499</b>	<b>1,789</b>	<b>2,087</b>
EBITDA margin (%)	23.1%	24.6%	25.5%	26.1%
D&A	(326)	(355)	(402)	(451)
EBIT	875	1,158	1,413	1,674
EBIT margin (%)	16.8%	19.0%	20.2%	20.9%
Net Financial Results	(49)	(46)	49	104
EBT	825	1,113	1,462	1,778
Taxes	(92)	(233)	(320)	(402)
Net Income (Loss) from Discontinued Operations	2	0	-	-
Non-Controlling Net Income	(18)	(25)	(33)	(40)
Net Income	718	854	1,109	1,336
Net margin	13.8%	14.0%	15.8%	16.7%
YoY Variation, %	-2.1%	19.1%	29.8%	20.4%
<b>Adj. Net Income</b>	<b>765</b>	<b>946</b>	<b>1,167</b>	<b>1,394</b>
YoY Variation, %	19.6%	23.7%	23.4%	19.4%

**Segment Breakdown (in R\$ million):**

<b>Management:</b>				
ARR	4,936	5,770	6,613	7,523
<b>Net revenues</b>	<b>4,639</b>	<b>5,426</b>	<b>6,217</b>	<b>7,070</b>
YoY Variation, %	16.2%	17.0%	14.6%	13.7%
<b>Adj. EBITDA</b>	<b>1,217</b>	<b>1,447</b>	<b>1,679</b>	<b>1,945</b>
Adj. EBITDA Margin, %	26.2%	26.7%	27.0%	27.5%
<b>Business Performance:</b>				
ARR	582	702	835	978
<b>Net revenues</b>	<b>559</b>	<b>659</b>	<b>785</b>	<b>928</b>
YoY Variation, %	32.5%	18.0%	19.0%	18.3%
<b>Adj. EBITDA</b>	<b>54</b>	<b>82</b>	<b>109</b>	<b>142</b>
Adj. EBITDA Margin, %	9.8%	12.4%	13.9%	15.3%
<b>Techfin (@100%):</b>				
Credit Production:	11,872	13,639	16,026	19,231
YoY Variation, %	11.7%	14.9%	17.5%	20.0%
<b>Techfin Revenue - Net of funding</b>	<b>308</b>	<b>339</b>	<b>407</b>	<b>461</b>
YoY Variation, %	12.7%	10.3%	20.1%	13.2%
<b>Adj. EBITDA</b>	<b>30</b>	<b>50</b>	<b>82</b>	<b>121</b>
Adj. EBITDA Margin, %	9.8%	14.9%	20.2%	26.2%
<b>Net Income</b>	<b>(1)</b>	<b>28</b>	<b>51</b>	<b>77</b>
YoY Variation, %	-72.7%	-2365.2%	84.8%	50.3%

**Leverage**

Net Debt (Cash) w/ leasing and payables from M&A	(140)	(625)	(1,353)	(2,253)
Net Debt (incl. leasing) / EBITDA L12M	-0.1x	-0.4x	-0.8x	-1.1x

**Multiples**

EV / Sales	4.9x	4.2x	3.7x	3.2x
EV / EBITDA	21.3x	17.1x	14.3x	12.3x
P/E adjusted	34.1x	27.6x	22.3x	18.7x

XPe vs. Consensus

	2025E			2026E			2027E		
Income Statement (R\$ mn)	XPe	Cons.	%	XPe	Cons.	%	XPe	Cons.	%
Net Revenues	6,086	6,185	-1.6%	7,002	7,133	-1.8%	7,998	8,152	-1.9%
EBITDA	1,499	1,524	-1.6%	1,789	1,812	-1.3%	2,087	2,121	-1.6%
EBITDA Margin (%)	24.6%	24.6%	-1 bps	25.5%	25.4%	14 bps	26.1%	26.0%	7 bps
Adj. Net Income	946	892	6.1%	1,167	1,123	3.9%	1,394	1,404	-0.7%
Adj. NI Margin (%)	15.5%	14.4%	112 bps	16.7%	15.7%	93 bps	17.4%	17.2%	20 bps

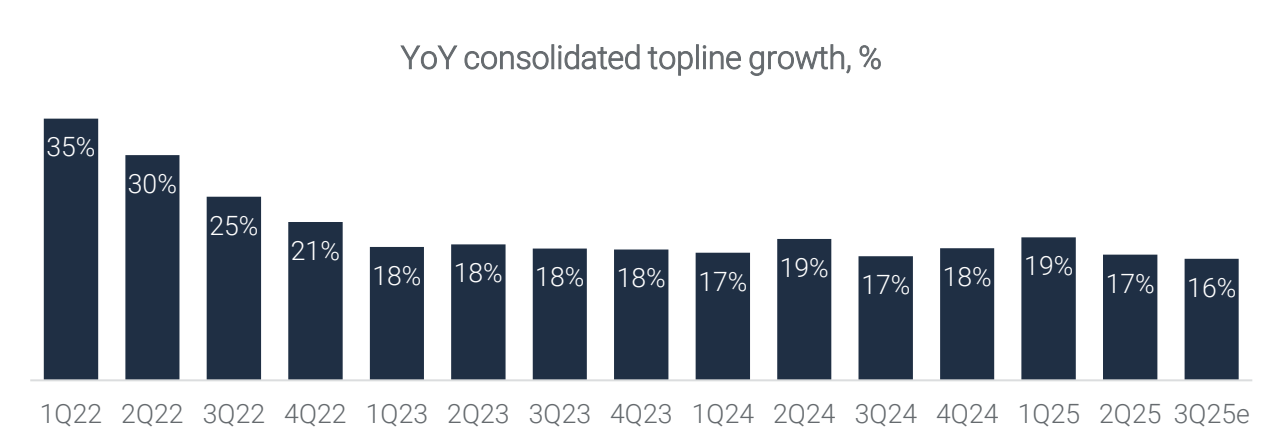
New vs. Old estimates

	2025E			2026E			2027E		
Income Statement (R\$ mn)	New	Old	%	New	Old	%	New	Old	%
Net Revenues	6,086	6,029	0.9%	7,002	6,925	1.1%	7,998	7,904	1.2%
EBITDA	1,499	1,485	0.9%	1,789	1,726	3.6%	2,087	1,996	4.5%
EBITDA Margin (%)	24.6%	24.6%	0 bps	25.5%	24.9%	62 bps	26.1%	25.3%	84 bps
Adj. Net Income	946	958	-1.3%	1,167	1,113	4.9%	1,394	1,283	8.6%
Adj. NI Margin (%)	15.5%	15.9%	-35 bps	16.7%	16.1%	60 bps	17.4%	16.2%	120 bps

Historical 12 months Forward P/E



TOTVS has been delivering premium growth (above 15%)



3-year holding period IRR for different entry prices and P/E's (NTM) at exit

		Entry price (R\$ per share)						
		R\$ 38.4	R\$ 40.4	R\$ 42.4	R\$ 44.4	R\$ 46.4	R\$ 48.4	R\$ 50.4
P/E fwd @ Exit	17.4x	15%	13%	11%	9%	7%	6%	4%
	19.4x	19%	17%	15%	13%	11%	10%	8%
	21.4x	22%	20%	18%	17%	15%	13%	12%
	23.4x	26%	24%	22%	20%	18%	17%	15%
	25.4x	30%	27%	25%	23%	22%	20%	18%
	27.4x	33%	31%	28%	26%	25%	23%	21%
	29.4x	36%	34%	31%	29%	27%	26%	24%

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