

Totvs (TOTS3)

1Q25 Earnings Review

Robust In-Line Topline Growth with EBITDA Slightly Above Expectations

TOTVS reported robust results once again in 1Q25, with strong top-line growth and margin expansion due to scale gains. Consolidated net revenue rose to R\$ 1.5 billion (19.3% YoY), virtually in line with XPe, driven by Management and RD Station/Business Performance. Recurring revenues grew by 23.2% YoY, with a solid consolidated ARR net addition of R\$ 287 million. Adjusted EBITDA reached R\$ 379 million (+23.8% YoY and 2.6% above XPe), with the margin reaching 25.9% (+90 bps YoY and +60 bps vs. XPe), driven by improvements in margins in Management and RD Station/Business Performance. We also highlight the positive performance from Techfin, which reached a net income of R\$ 7 million compared to a loss in 1Q24, with the business segment in an upward trajectory in the J-Curve. Finally, adjusted net income stood at R\$ 228 million (-0.7% below XPe, -3.5% QoQ, and +43.7% YoY).

Management: Net revenue reached R\$ 1,308 million (virtually in line with our estimates) and grew 19.3% YoY, driven by recurring revenue, which accounted for 89% of total revenue and grew 23.8% YoY.

ARR reached R\$ 5.2 billion, with a total addition of R\$ 270 million (broken down into R\$ 227 million of net addition, R\$ 30 million of corporate addition, and R\$ 13 million of inorganic addition), driven by volume growth, inflation, and payroll re-taxation pass-through, along with a high retention rate of 98.3%.

Adjusted EBITDA reached R\$ 361 million (+21.8% YoY), resulting in an EBITDA margin of 27.6% (40 bps above XPe and up 60 bps YoY), driven by the sequential acceleration of recurring revenue, the convergence of IGP-M to IPCA, and progress in the integration of recent acquisitions..

RD Station / Business Performance: Net revenue reached R\$ 154 mn (0.9% below our estimate) and grew 19.0% YoY and 2.4% QoQ, driven by growth in recurring revenue (+18.6% YoY). ARR reached R\$ 612 mn, with R\$ 31 mn in organic ARR addition in 1Q25 (vs. R\$ 23 mn in 4Q24 and R\$ 30 mn in 1Q24). The growth was driven by the improved performance of sales from multi-product solutions, along with the partial transfer of the effects from the re-taxation of payroll. The renewal rate was 95.7% (vs. 95.6% in 4Q24 and 96.6% in 1Q24), and TOTVS believes there is room for improvement in this KPI as the BP business unit is becoming multi-product, multi-channel, and "multi-profile." We also highlight the strong EBITDA performance that reached R\$ 18 mn (R\$ 3 mn above our estimate) with an 11.6% margin (190 bps above our estimate), driven by the strong economics of this business, scale gains, and the integration of acquired companies.

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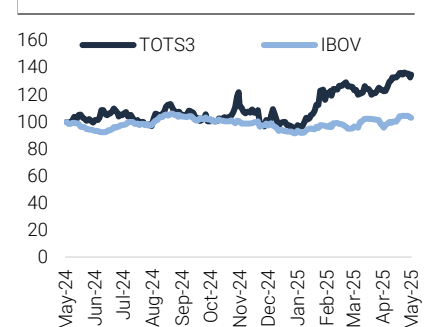
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Totvs (TOTS3)	Buy
Target Price (R\$/sh)	R\$ 33.0
Current Price (R\$/sh)	R\$ 38.0
Upside (%)	-13.2%
Market Cap (R\$ mn)	22,533
# of shares (mn)	593

Performance vs. IBOV



Techfin: Considering 100% of the operation, Techfin's revenue net of funding reached R\$ 79 mn (4.9% above our estimate) and increased 26.1% YoY, driven by a 22.5% YoY increase in credit production, which amounted to R\$ 3.2 billion. The net income of Techfin was R\$ 7 mn (vs. a loss in 1Q24).

Consolidated result: Finally, the adjusted net income was R\$ 228 mn (+43.7% YoY and -3.5% QoQ) and virtually in line with our numbers.

1Q25 Results (R\$ mn)

Key Figures	1Q25	1Q25E	A/E	4Q24	Q/Q	1Q24	A/A
BP + Management							
Net Revenues	1,462	1,456	0.4%	1,377	6.2%	1,225	19.3%
<i>Management</i>	1,308	1,301	0.6%	1,227	6.6%	1,096	19.3%
<i>Business Performance</i>	154	155	-0.9%	150	2.4%	129	19.0%
Adj. EBITDA	379	369	2.6%	342	10.8%	306	23.8%
<i>Management</i>	361	354	2.0%	321	12.4%	296	21.8%
<i>Business Performance</i>	18	15	18.3%	20	-10.5%	9	87.8%
Adj. EBITDA Margin	25.9%	25.3%	60 bps	24.8%	110 bps	25.0%	90 bps
<i>Management</i>	27.6%	27.2%	40 bps	26.2%	140 bps	27.0%	60 bps
<i>Business Performance</i>	11.6%	9.7%	190 bps	13.3%	-170 bps	7.3%	430 bps
Techfin (100%)							
Revenue - Net of Funding	79	76	4.9%	96	-17.6%	63	26.1%
Adj. EBITDA	12.6	14.2	-11%	24.3	-48%	-3	-495%
<i>Adj. EBITDA Margin</i>	15.8%	18.7%	-290 bps	25.2%	-940 bps	-5.1%	2090 bps
Adj. Net Income	7.2	9.4	-24%	15.5	66%	-9	451%
Adj. Net Income	228	229	-0.7%	236	-3.5%	159	43.7%

Our view: The company demonstrated once again its pricing power and robust results, with significant double-digit top-line growth across the three segments. More importantly, this growth has been followed by margin expansion through operational leverage. In our view, the fundamentals of the case remain intact.

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