

Totvs (TOTS3)

TOTVS Announces Linx Acquisition A Strategic Move to Boost Retail Presence

TOTVS announced today the acquisition of Linx for BRL 3.05 billion (EV). The deal was made at multiples below TOTVS's historical levels and global peers, aligning with the company's strategy to strengthen its retail presence and expand cross-selling opportunities. The transaction will be financed through a mix of cash and debt (with no follow-on). The acquisition price reflects TOTVS's confidence in Linx's growth potential and its ability to extract value from the asset, and it falls within the upper range of our previous valuation estimates for the deal.

What's new? TOTVS announced the acquisition of Linx Participações S.A. for an enterprise value of BRL 3.05 billion, to be paid in cash, with no earn-outs, and financed through cash and debt under market conditions. The scope of the transaction includes Stone's main software assets, with solutions focused on retail segments (fashion, fast food, pharmacies, gas stations, home centers, healthcare, education, Napse, and e-commerce), excluding Linx Pay, Reclame Aqui, SimplesVet, and other assets.

What are the transaction multiples? 2.7x EV/Sales and 12.7x EV/EBITDA – attractive levels compared to TOTVS's historical figures and global peers.

How do the numbers compare to our previous analysis? In May, when TOTVS announced that it had resumed discussions regarding the potential acquisition of Linx, we conducted an outside-in analysis of the deal's potential value ([link here](#)) considering Linx's financial history and potential synergies. Although the now disclosed revenue and EBITDA numbers of Linx for 2024 were slightly below our estimates, the acquisition value (BRL 3.05 billion EV) is within the upper range of our prior analysis (BRL 3.4 billion with synergies), reflecting TOTVS's confidence in capturing additional value. Regarding this, the disclosed numbers suggest that Linx could return to its growth trajectory under TOTVS's control, with recurring revenues growing at low single digits. This would be supported by a more focused approach, cross-sell/up-sell opportunities, expansion of distribution via TOTVS's broader commercial reach, increased scale, penetration into complementary verticals, and strengthened positioning in the retail segment.

Moreover, there are efficiency gains to be captured from consolidating administrative and operational structures which we see as feasible given TOTVS's track record in execution and integration.

Our view: We view the announcement as neutral for the shares – as the market had already anticipated a deal within this range, as indicated by investors in our September 2024 survey in this [link](#) – despite the positive strategic outlook for

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Totvs (TOTS3)	Buy
Target Price (R\$/sh)	33.0
Current Price (R\$/sh)	42.1
Market Cap (R\$ mn)	24,672
# of shares (mn)	586

Our view (continuation)

TOTVS. From the strategic standpoint, the deal makes sense given its complementarity and offers a solid foundation for value creation. The deal is close to the upper range of our previously estimated plausible interval of R\$2.0-3.4 bn. We believe this is an accretive transaction for TOTVS with a clear strategic rationale: strengthening the retail portfolio and expanding the distribution of Techfin products. Additionally, the financing structure—using cash and debt—reduces dilution risk and lessens the need for a short-term follow-on offering. We have a meeting scheduled with management later to gain further insights into potential synergies and the funding strategy to support the transaction.

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