

Q2 2020 Earnings Call

Company Participants

- Dennis Herszkowicz, Chief Executive Officer
- Gilsomar Maia Sebastiao, Chief of Admin, Financial & IR Officer and Member of the Executive Officers Board
- Unidentified Speaker

Other Participants

- Diego Aragao, Analyst
- Fred Mendes, Analyst
- Marcelo Santos, Analyst
- Susana Salaru, Analyst

Presentation

Operator

Good morning. At this time, we would like to welcome you to the Conference Call of TOTVS for the Second Quarter 2020. We have with us Mr. Dennis Herszkowicz, the CEO; and Gilsomar Maia, CFO. We would like to inform you that all participants will be in listen-only mode, during the Company presentation. Ensuing this we will go on to the Q&A session for investors and analysts when further instructions will be provided. (Operator Instructions) The audio is being broadcast simultaneously at Internet at the address ri.totvs.com.br.

Before proceeding, we would like to clarify that forward-looking statements made during this conference call referring to business perspectives, projections, operational and financial goals of TOTVS are based on the beliefs and assumptions of the Company management as well as on information currently available. These future-looking statements are no guarantees of performance. They involve risks, uncertainties and premises as they refer to future events and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operational factors could affect the future performance of TOTVS and lead to results that differ materially from those expressed in such future-looking statements.

We would now like to turn the floor over to Mr. Herszkowicz who will begin the presentation on Slide number 3. You may proceed, sir.

Dennis Herszkowicz {BIO 17998338 <GO>}

Hey, good morning to all of you and thank you for joining us in the conference call to release results for the second quarter. Still faced with a challenging scenario and experiencing an unprecedented crisis, our message could not begin differently, but by showing the solidarity with the struggle against COVID-19 and hoping that you are all well. I would also like to thank all the TOTVERS that throughout these months have not spared efforts to guarantee the continuity of services and support services for our clients. The health of our employees, clients and partners since the beginning is our primordial commitment and will continue to be.

As we understand that the resumption process will require from people common sense, solidarity and planning and the market will also bring about important changes. In this context, we continue to execute our strategy for the medium and long terms, building up our presence in the three dimensions that make up our ecosystem. In the last quarter, we took an additional step in TECHFIN with the launch of new products surpassing the mark of more than a 100 clients in less than six months of existence.

One of the novelties is the TOTVS financial planning, a platform totally integrated to the TOTVS CRPs for cash management, planning and financial projections. TOTVS Mais Negocios is a solution that makes it possible for larger companies to offer additional credit lines and extended payment terms to their clients, making it possible to increase their sales without taking the risk of default.

Finally, TOTVS Mais Prazo, a credit platform that is a 100% digital, allowing companies to postpone or divide in installments in a simple and speedy way for payment of bills to their suppliers and offering increased deadlines to stretch cash. With this new solution package, TOTVS adds innovation to financial services, strengthening its purpose.

An important part of the agenda for TOTVS shows us the dissemination of our integrated report that brings back the main trends of corporate reporting. And we have adopted the guidelines of global reporting, the international global initiative, besides incorporating the advances relating to the commitment towards the evolution of the 10 menu and global pact principles for sustainable development.

Finally, we would like to refer to the actions we're carrying out during the period of the pandemic in our ecosystem. These initiatives are aligned to our social responsibility commitment, society and our employees or associates. We hold activities such as the total [ph] marathon, live talks for clients and partners with 20 free broadcasts and debates and valuable content on the economic resumption during the crisis.

Equally concerned with the continuity of professional training for students at the Instituto da Oportunidade Social founded by TOTVS in 1998 and that has already trained more than 36,000 young people. On July 17, we launched a campaign of TOTVERS that Make Things Happen, mobilizing all of our ecosystem to collect resources to support students and their families. Additionally, our crisis management committee is assessing the possibility of a gradual and voluntary return to offices based on the official health guidelines of the cities where we have units and having that minimum protocol for the resumption of activities.

We underscore that at present, we have not had any layoffs and neither have we adopted measures for the reduction of salaries or working days. Before beginning our remarks on the results, I highlight that this quarter the data presented consolidates the month of April, May and June '20 for Consinco and Wealth Systems in the month of May and June for Supplier.

To facilitate the managerial follow-up of performance, we will present the financial and operational results for TOTVS segregated in two business segments: Technology, representing the TOTVS software business where we have ERP, HR and industry-specific sectors cum verticals; and Business Performance that we built with CRM, e-commerce and others in the portfolio, besides the TECHFIN solutions that do not involve credit risk assumption and/or the definition or application of credit policies. For example, payroll loans, TEF, Financial Panel, among others that will be added in the future.

And finally, a segment called Credit Products that besides production, have the assumption of some degree of credit risk and/or the definition and application of credit policies. For example, Supplier Card, Antecipa and Mais Prazo.

I would now like to turn the floor over to Maia, who will remark on the Technology results beginning on Slide 4.

Gilsomar Maia Sebastiao {BIO 16400533 <GO>}

Thank you, Dennis, and a good day to all of you. The Technology net revenues has a growth in the quarter as well as in the semester 2020 vis-a-vis the year 2019. Despite the drop presented in non-recurring revenues, the drop was mainly motivated by the long-term trend of reduction in service revenues and the slight reduction in the license fee revenues, both impacted in the quarter and due to the COVID-19 pandemic.

Compared to the first quarter, net revenues remained in line during the period, even with a positive seasonal effect of BRL18.8 million in the increase of licenses for the corporate model present in the first quarter of each year. It is worth underscoring that when we do not consider the seasonal effect, license revenues present a growth of 19.3% for the quarter thrust by the sales of our units. Regarding recurrent revenues, we made strides in the second quarter '20 with a highlight to the growth of 13% vis-a-vis the second quarter of last year, surpassing the level of 80% of total net revenues.

This performance reflects the additions of new sales in the customer base and also new sales and besides the consolidation of the results of Wealth Systems and three months of Consinco vis-a-vis the consolidation of two months in the first quarter. Without the effect of these incorporations, organic growth in the quarter showed an advance of 9.4% compared to the same period in 2019.

As we can see on Slide 5, the annualized recurring revenue, ARR, presented a net addition of BRL52.5 million [ph] regarding the first [ph] quarter, of which BRL11.4 million are inorganic due to the acquisition of Wealth System. Thus, organic net addition totaled

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BRL41.1 million with emphasis on sales of cloud solution and those that help customers to operate in the new working environment, especially remote.

This performance represents a 17.5% drop in organic net additions compared to the second quarter and 25.5% compared to the first quarter. It is important to highlight that this reduction is a reflection of the increase in the volume of grace periods granted in new sales, which is part of an important tactic implemented to maintain the pace of closing new businesses during the pandemic.

Other than that, we also observed that the segments most affected by the pandemic such hotels, restaurants, some industry-specific retail such as fashion, for example, in addition to micro companies suffered a drop in terms of new contracts during the peak of the crisis. On the other hand, we had -- as a highlight in the adverse scenario, a resilient client renewal rate, which reaches highest historical level with 99%, which demonstrates the high degree of customer loyalty and the criticality of TOTVS solutions for operations.

Now I move on to Slide 6 to talk about the EBITDA. The growth in recurring revenues combined with discipline in the management of cost and expenses resulted in an expansion of 220 bps year-on-year, which totaled 22.8% in the second quarter of 2020, despite the year-on-year increase in bonus allowances and long-term incentives in addition to the largest allowance for doubtful accounts. Despite the fact that actual losses did not deviate significantly from the historical average, the allowance for doubtful accounts, which is calculated based on the history of losses per range of receivables portfolio according to the payment likelihood attributed to customers by credit bureaus grew mainly due to the effect of the COVID-19 pandemic.

This scenario resulted in less punctuality, especially in the initial delay ranges and customers with lesser likelihood to pay. It is important to mention that as supply chains normalize, we believe that average terms and punctuality terms gradually converge to historical level as well as allowances. When we compare quarters, the expansion of 180 basis points of the EBITDA margin vis-a-vis the first quarter is the result of a growth in recurring revenue associated with the ability shown by our management and TOTVERs to adapt quickly to the challenging scenario of the COVID-19 crisis, such as the adoption of remote work in all our units and the anticipation of the vacation schedule.

These initiatives did not affect the levels of productivity, customer service and the allocation of professionals and projects, and were important elements to avoid reductions in teams, hours and salaries.

Now when we see the results of Supplier Credit Products on Slide 7. Before I start my comments, I would like to reinforce that the data corresponding to the months of May and June have been presented for comparability purposes, and therefore, have not been consolidated to the TOTVS 2019 results. As you can observe in the charts, the net revenue decreased 19% and EBITDA 96% in this two months period May-June 2020 when compared to the same period in 2019. The reduction in revenue reflects the drop in the Selic rate, 6.5% in the second quarter of 2019 to an average of 2.9% in the second quarter,

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which impacted the makeup of the final rate practice by supplier, even though the average spread was preserved.

In addition, this drop in revenue is related to the drop in the volume of credit production that you can see on Slide 8. As we can see in the chart, production was strongly impacted, especially during the beginning of the quarter by the downturn in credit production, which reflects a lower transaction volumes carried out by the chain served by supplier and also the more conservative position adopted by a supplier in management of credit limit to preserve the quality of the credit portfolio.

In fact, as the average term of the portfolio is around 50 days, the drop in production quickly translated into a reduction in the credit portfolio. On the other hand, the average short term of the portfolio allows a quick renegotiation of conditions to preserve spreads when necessary as well as allowing a quick recomposition of the portfolios. We can see the production recovered over the quarter. And we have reached the same level as of -- in 2019 in the month of June.

And we believe that the recovery in production will translate into increase in the portfolio and consequently, a reduction in occasional unused cash as shown on Chart 9. The main source for financing the portfolio are the funds coming from the FIDCs. And this cash reflects senior and mezzanine quotas. Another important element that impacted the EBITDA of this operation and experience was the allowance for doubtful accounts or the allowance for expected losses in the loan portfolio.

During this quarter was BRL4.8 million vis-a-vis BRL1.8 million in 2019. Here it is important to note that suppliers' most valuable asset is the preservation of sound credit loss history. The crisis caused by COVID-19 was a stress test of great magnitude. And until now, the effective loss index has not deviated significantly from the low historical average as shown in the chart in the right of the slide. The -- here, we have the levels of -- the levels of delinquency are due to a more conservative position adopted by supplier in establishing the limits for granting credit in this period.

Moving to the earnings on Slide 10. Starting this quarter, we will see that we disclose the cash earnings metrics where we present the net profit without the effects of expenses with amortizations of intangibles, arising from acquisitions of suppliers. Here the growth of EBITDA was the main element for the evolution of cash earning yearly and semesterially.

Now I would like to give the floor to Dennis so he can make his final remarks on Slide 11.

Dennis Herszkowicz {BIO 17998338 <GO>}

Thank you, Maia. In order to finalize, I would like to highlight the following items. Despite the challenging period, we maintained our revenues and margin levels. This performance shows that we reached the highest EBITDA. This performance proves the resilience of TOTVS business model. And I would like once again to thank all the TOTVERs who have been striving more and more to reach efficiency levels boost in the Company. Thank you very much.

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In addition, the medium and long-term strategies remain unchanged with the launch of new TECHFIN products with the integration of supplier. We are focused on building an ecosystem with three dimensions: management, TECHFIN and business performance, working daily to generate more and more value to our customers. And finally, we believe more than ever in Brazil that makes it happen. During this period, we adopted a number of preventative mitigating measures in line with the guidelines established by the health authorities, ensuring the safety of TOTVERs and the continuity of our operations.

We kept our employees working remotely. We did not reduce our staff, hours or wages, and we also developed actions to support our ecosystem. We remain attentive to the developments that may occur during the pandemic, and at the same time, focused on the implementation of our strategies. We have always been side-by-side with our customers as an important business partner. Together, we will continue recovering economic growth and applying technology as a key part of the daily lives of people, companies and societies.

Now we are at your disposal for a Q&A session.

Questions And Answers

Operator

Ladies and gentlemen, we will now go on to the question-and-answer session. (Operator Instructions) Our first question comes from Fred Mendes from Bradesco BBI.

Q - Fred Mendes {BIO 17221617 <GO>}

A good day to all of you and thank you for the call. I have two questions. The first refers to your organic growth. And of course, we have to consider the challenges of the quarter. If you could speak about the levers of this growth, your partnership with the fintech, if this has contributed to this growth, your work in CRM or if what we see still refers to the sales?

Now my second question. At the end of June 31st, I believe you said that you would no longer continue on with Protheus. And we thought that this would represent a considerable reduction in cost. This was a difficulty in the Company during the last years. Is my reading correct? And in terms of numbers, what does this discontinuity represent for you? Thank you.

A - Dennis Herszkowicz {BIO 17998338 <GO>}

Hello Fred and thank you again for your presence. I will respond to the first question and will allow Maia to speak about Protheus. In the recurring revenues, the organic one, the dynamic was very similar to previous quarters. The large majority of the contribution comes from our portfolio, the portfolio that we already had. And of course, VTEX has a very significant acceleration. The number of clients that we have closed with is a significant number, a representative one, but we are still speaking about relatively minor businesses on the average. The main collection in the VTEX product, the e-commerce

platform is a percentage of what is transacted on the platform. And it takes time for you to implement this and for the client to, in fact, begin to have significant results.

Therefore, during some time, we end up receiving what is called a minimum monthly fee. Once again, from the viewpoint of number of clients, we have had an acceleration. And presently, we are at a level that we deem to be good. Now when it comes to values, this still is not very representative because there is a growth curve referring to the use of the platform by the client. Now in the case of CRM, this is a product that has been in our portfolio longer. And it does have a contribution, but still is not very significant. But with the acquisition of Wealth, we're going to deploy enormous efforts to ensure that the acceleration will be greater, but it is not the CRM that is going to guarantee that additional ARR that we had.

Once again, as closing, this was a quarter quite similar in the positive sense with the dynamic of previous quarters. We achieved new clients. We had additional sales to our customer base in the ERPs, in HR, in the industry-specific solutions. The vertical is a great deal of sales for the cloud solutions that help in remote work and the entire work is what has brought about these results in the second quarter.

I now give the floor to Maia.

A - Gilsomar Maia Sebastiao {BIO 16400533 <GO>}

Now to speak about the discontinuation of the version of Protheus that you mentioned, Fred, this is a very common cycle for us. It's the product lifespan. We have versions that periodically are discontinued. And this is what we disseminate broadly in our customer base, which means that through time, the clients apply the updating and they go on to the following versions. We're very open about the evolution that we have for these recent releases, especially for the clients that are leaving the older versions. We're always very careful not to leave anybody lagging behind.

And this version that is being discontinued, this release that is being discontinued is undergoing a very natural process, which means that there is no significant associated costs that we will have because we have been moving out gradually, and this is what has happened with the clients, and we're moving towards more recent releases. And this is something that you hear about. And of course, there was a savings. And these savings took place through time without a timely impact at present. Thank you.

Q - Fred Mendes {BIO 17221617 <GO>}

Thank you very much Dennis, Maia for the responses.

Operator

Our next question comes from Susana from Itau Bank

Q - Susana Salaru {BIO 16170633 <GO>}

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Hey, good day to all of you. Thank you for taking my question. We have two questions on our part. First of all, referring to the cost reduction, you have adopted several measures, more specifically, an implementation that is being done remotely. Now is this a status that you plan to maintain until this pandemic is over? Or do you intend to return to the physical delivery of services? This would be my first question. The second question refers to the financial panel. How will the go-to-market be the sale? Will it be in a cross board change model now? Which will be the deployment of this model? And will they have to pre-contract the financial panel? Or will there be other processes to work with credit? Thank you.

A - Unidentified Speaker

Thank you, Susana, for the question. Good day. Now when it comes to the implementation, the remote implementation, and to be very honest with you, we are going to definitely attempt to work remotely whenever possible. We have observed that this does work. We had a crash test. It wasn't requested, of course, but this is what we had. And I think we did extremely well. And we have seen that it is possible to do all of this work with a good degree of efficiency and quality and naturally with a better cost, not only for us, but also for the client.

We should recall that the issue of cost whenever possible, is something that we attempt to transfer on to the client because this service is something that limits the closing of a deal. And as service is very important initially, oftentimes, a client may not close a deal because of the high cost of services. And this could have a positive repercussion on our commercial competitiveness. So yes, we will attempt to do this now. I can guarantee that this will continue when things return to normalcy, whenever that will be. And in the format, it will be. We're not sure of that. But for the moment, this is our guidance, and there is no doubt of this.

Now when it comes to the financial panel, Susana, first of all, it is already in the market. We have clients that are running at present. Now evidently, for the time being, it is still a soft launch. It is still being tested and undergoing adjustments and normal enhancements. This is the way with which we work with product launches. In the past, we would attempt to resolve all of the issues before placing the product in the market. And ourselves and other companies have learned that the ideal situation is to put the product in the market as quickly as possible and make adjustments as things come up. The panel is a central platform for all of our work in TECHFINs, which means that it is an agnostic platform. It can be contracted by the client without it being mandatory that they consume any other of our products, supplier credit, for example. It is a panel that consolidates information and that will ever more have actionability based on our products and in the future, partner products as well. Therefore, it is not a product that makes it mandatory for the client to contract any other solution. The concept of this platform is quite broad. And it will not limit our client in any way or will not limit those who are not our clients either.

Q - Susana Salaru {BIO 16170633 <GO>}

Thank you. A very clear answer.

Operator

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Our next question comes from Marcelo Santos from JPMorgan.

Q - Marcelo Santos {BIO 20444938 <GO>}

Hey, good day to all of you and thank you for taking my questions. My questions refer to supplier. The first refers to your quest for new affiliates. I'm not sure who it is that mention that you were carrying out an intense search for this. Could you advise us and tell us if you have already achieved this, which is the potential that you have for some of your clients in becoming affiliates?

The second question, the structure that you have set for supplier with 95% of the resources coming from the Company fund, they ended up making the structure somewhat rigid and do not allow for too many variations in the portfolio. Are you imagining a more flexible structure in the future to return resource or obtain additional resources, not to have an impact on the cash (inaudible) on this? Now these are my two questions. Thank you.

A - Gilsomar Maia Sebastiao {BIO 16400533 <GO>}

Good morning, Marcelo. This is Maia. To begin with the affiliates or branch offices, we do have a specific pipeline for this issue, supplier, and it has undergone a very good evolution. Even during this period of the pandemic, we have inaugurated several new conversations with these branches or affiliates. And some of them were generated by TOTVS. The interaction of the TOTVS team with their clients have opened up several opportunities for companies that would fit that profile of what supplier calls affiliates.

So we do have a very interesting lineup of affiliates at various stages of this pipeline. And we see very concrete contributions that are being made to the affiliate pipeline for supplier. And in terms of segments, we have a good variation. And some segments where supplier had a good performance as well as TOTVS, we can see this more clearly in the agri business segment, for example. When it comes to our capital structure, you are right. Of course, when we conceive the capital structure for supplier, we of course, did not think about this structure operating in circumstances such as the present day ones.

And as Dennis mentioned at the beginning, we underwent a stress test. And during this test, we observed that as you mentioned, perhaps the structure was overly rigid stiff. We saw this based on the cash surplus that we had in the operation, creating additional inefficiencies. It drew our attention to that aspect. And we are working towards granting greater structure for supplier, but without adding significant risk component. This is something that we are debating at present. It is on the table of how we can grab greater flexibility for suppliers, especially in times such as these, but as a counterpart, without adding a relevant risk component. Thank you. Thank you very much.

Operator

Our next question comes from Diego from Goldman Sachs.

Q - Diego Aragao {BIO 17889908 <GO>}

Hey, good day to all of you and thank you for taking my questions. I would like to take advantage of this discussion that just was raised about supplier and see if you could share with us, what has happened with the attraction of your clients as you add new credit products of TOTVS solutions, which has been the communication, the adoption of new tools and the reaction to these new products that you are offering? Thank you.

A - Dennis Herszkowicz {BIO 17998338 <GO>}

Thank you, Diego good morning. This is Dennis once again. We are just beginning to build in my vision a new pillar of differentiation for TOTVS. We already had some relevant pillars from the viewpoint of commercial capillarity. The fact that TOTVS is known and has a foothold throughout the entire country, something that sets us aside and that builds something important for the client. We also have the differential. The fact that our portfolio is very broad and basically covers all of the sizes of clients and all the sectors of economy. So we can follow-up on our client during their entire journey at any phase. And now we're building this additional pillar, which is a pillar where we become a broader business partner for them offering them a vital raw material, which is capital, money, financial services, payments.

So very gradually because this is not something that you build overnight. But one day after another, we have begun to build this positioning and this differential. And we do not observe other management software companies building this pillar with the solidity and the speed that we are building it with. And we think it will be very difficult for other companies to do this with the breadth and the speed and the aggressiveness, a positive aggressiveness that we are doing it with because this requires expertise, financial capacity and a certain degree of sophistication and differentiation. So once again, I believe that what we are doing bit by bit is to build the strategic pillar of differentiation for our client and for companies. A very relevant one. And of course, the final result of this will be a stronger strategic positioning for ourselves, a position that doubtlessly will give more reasons to the client to remain with us ensuing that new prospects will come about, and they will have more reasons to do business with us, of course.

Therefore, the launch of all of these products, and many more will come in the future. Products developed in-house or through partnerships with other companies. I believe that all of this will create those additional reasons for the clients to continue to be satisfied and to continue to operate with us.

Q - Diego Aragao {BIO 17889908 <GO>}

Very good Dennis, excellent. About my second question, a very important performance when it comes to client and technology. Do you have any visibility in terms of what will happen in June, July? What is going to happen with the resumption? What can we expect from that? Thank you again.

A - Dennis Herszkowicz {BIO 17998338 <GO>}

Again, without advancing anything, what I can say is that this recovery began in mid-quarter in last month. Well, the beginning of March and April were the worst months. May already had a significant recovery. And June was a month that was very close to normalcy

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in the Technology sector, which means that we continue with a very good, a very strong pace. And I do believe that we will have an interesting end of the year for TOTVS. And as TOTVS ends up being a reflection of the economy itself as a whole, this means that in our viewpoint, the impact -- what we can see, the impact was less than what we had imagined. Of course, there is that component of efficiency, of productivity, something that is very inherent to us.

But in our opinion, there is that component that generally, the impact was somewhat lower than what we had imagined, which once again is extremely positive. And we don't only have one element playing in our favor. We have two. The economic scenario is somewhat less malignant than we had imagined. And in terms of the elements which we control, we have a performance, a much better performance than we had imagined in a situation of this sort. And we tend to joke that we are cautiously optimistic with the coming months and the coming quarters.

Q - Diego Aragao {BIO 17889908 <GO>}

Very good Dennis, thank you for your answer.

Operator

(Operator Instructions) Our next question comes from Fred Mendes from Bradesco BBI.

Q - Fred Mendes {BIO 17221617 <GO>}

It's me again. Very briefly, once again, referring to the TECHFIN topic. You mentioned that you already have a 100 clients, aggregate clients using these solutions. Now how -- which is the profile of this client? And how does the integration work? Can it be an exponential growth? Or will it be a longer work? And perhaps you will have a lower churn in terms of software with these clients.

A - Dennis Herszkowicz {BIO 17998338 <GO>}

Fred, thank you once again. This is Dennis. An excellent question. I don't believe that in the credit products, with a panel -- this will be different with the panel, our intention and all of our work is geared to making it ever more exponential. But in the credit products where we have risk involved, we will always be very careful to do thing within the parameters and being quite conservative. As conservative as we committed to be, when we announced the acquisition of supplier, but beyond that, what we are doing, Fred, is to work with each of the stages of the funnel and ensuring that this funnel will be as long as possible in each of the stages.

Now what does this mean? In the case of some TECHFIN products, it is necessary for a client to make investments in the more updated releases of the product in the case of Protheus, for example. And not all the clients, especially the on-premise clients have the last release. So oftentimes, there is that prior work of helping the client to reach the latest versions, the latest update and releases, so the client can work with us directly. There is also important work that we have done with the airplane already having taken off, and this is how you should do things, which is the upload of data. For example, the credit analysis

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so that the client can work with an anticipation. That is to say a preparatory work for the client, for the client's data base. And even in the financial panel, we have this data preparation. All of this is being prepared. And additionally to all of that during the second quarter, and we did this much faster than we had imagined. We began to generate qualified links for the TECHFIN products as part of our technology distribution structure, our own units, our franchises. We began this work with them. It's a work to generate leads. Of course, in the future, we may go beyond this. And we had forecast that this would begin only at the end of the year, at the beginning of 2021. We were able to anticipate this.

And so far, the results have been quite satisfactory. There is that challenge of knowledge of our salespeople, our commercial structures, ensuring that they can speak about this. And we do have marketing work, as I mentioned in Diego's previous question. The appropriation of that position for a company that is no longer only a management company, but a company where TECHFIN and financial services have become an important domain of this system. So all of this is being done simultaneously. And I believe that we have been able to advance at a greater speed than we had originally planned at the moment of the acquisition. Thank you.

Q - Fred Mendes {BIO 17221617 <GO>}

Thank you, Dennis, and you're very clear. Thank you once again for the response.

Operator

(Operator Instructions) We are bringing to an end our Q&A session. I would like to give the floor back to Mr. Dennis for his final remarks.

A - Dennis Herszkowicz {BIO 17998338 <GO>}

So, thank you very much to everyone once again for your trust, for your participation, for your questions. I would like to thank especially all our TOTVERs team. They have been fantastic, magnificent. And I believe the result from the beginning to the end shows what an engaged encouraged team, that this is a team that is happy, and this is a team that believes in the future of the company, and what they can do despite the scenario that we're undergoing. So thank you very much. And after lunch, we will be connected to our results. Thank you very much.

Operator

The TOTVS conference call has come to an end. We thank you all for your participation, and have a very good day.

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