WEG | Buy; TP R$50.00/share

Do Not Swim Against the Tide

Initiating Coverage With Buy Rating

We are initiating coverage of WEG with a Buy rating and TP of R$50.00/share. We believe WEG is well-positioned to sustain its solid value profile, based on four main pillars: (i) macro tailwinds to support near-term top-line momentum; (ii) long-term growth supported by internationalization and its innovative DNA towards high-growth and unexplored markets; (iii) top-notch execution to sustain its high return levels; and (iv) strong ESG approach. **Moreover, we see WEG's alignment of high growth and returns** justifying its valuation premium (our 2022YE TP of R$50.00/share implies 36% upside).

We see macro tailwinds to drive short-to-medium-term revenues (…). Given WEG's top-line high correlation with capex cycles, we believe that the strong recovery of economies worldwide and domestically should support further investments to be deployed, translating into top-line momentum for the company. In addition, we see the continued energy transition towards renewable sources as an important growth driver for WEG.

(…) with internationalization and innovative portfolio to dictate long-term growth. As WEG continues to increase its exposure to foreign markets, with low market share and larger addressable market (~1% market share in a ~US$19 billion market in Asia-Pacific, for example), we remain comfortable about organic growth prospects for the company in explored segments. Moreover, we believe that WEG's innovative DNA should anticipate high-growth segments, with the following segments as supportive of long-term growth trends: (i) electric mobility, (ii) energy storage services, and (iii) digital solutions.

Top notch execution. With a 1996-20 revenue CAGR of 17% and a ~30% ROIC, we see in WEG an impressive alignment of growth and returns. In our view, WEG's highly verticalized and technology-oriented industrial footprint supports the company in consistently outpacing peers in terms of profitability.

Deserved valuation premium. Seen as a major concern by investors, we do not believe WEG's valuation to be stretched. Trading at ~44x 2022 P/E (vs. ~20x for average global industrials), we see current multiples as a reasonable response to (i) high growth expectations, given WEG's solid positioning in booming markets; and (ii) sustainable high returns in the long-run (our 2022YE TP implies a forward P/E multiple of ~50x, and equity value upside of 36%).

Estimates	2020A	2021E	2022E	2023E	2024E	2025E
Net Revenues (R$ million)	17,470	21,755	24,353	27,132	30,375	33,912
EBITDA (R$ million)	3,268	4,069	4,563	5,230	5,872	6,578
EBITDA Margin (%)	*18.7%*	*18.7%*	*18.7%*	*19.3%*	*19.3%*	*19.4%*
Net Profit (R$ million)	2,341	3,111	3,521	4,129	4,726	5,368
P/E (x)	65.7x	49.5x	43.7x	37.3x	32.6x	28.7x
EV/EBITDA (x)	46.2x	37.0x	32.9x	28.5x	25.2x	22.3x
Dividend Yield (%)	0.6%	1.0%	1.2%	1.4%	1.6%	1.8%

Source: XP Research.

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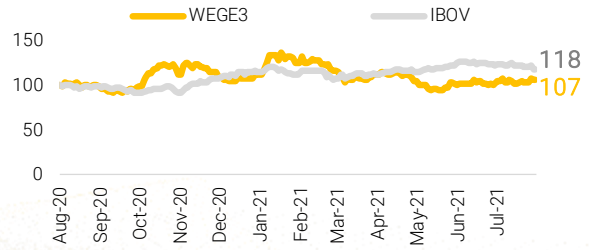
WEG (WEGE3)	Buy
Target Price (R$/sh.)	50.00
Current Price (R$/sh.)	36.65
Upside (%)	*36.4%*
Market Cap (R$ million)	153,832
# of shares (million)	4,197
Free Float (%)	35%
ADTV (R$ million)	260

Performance vs. IBOV



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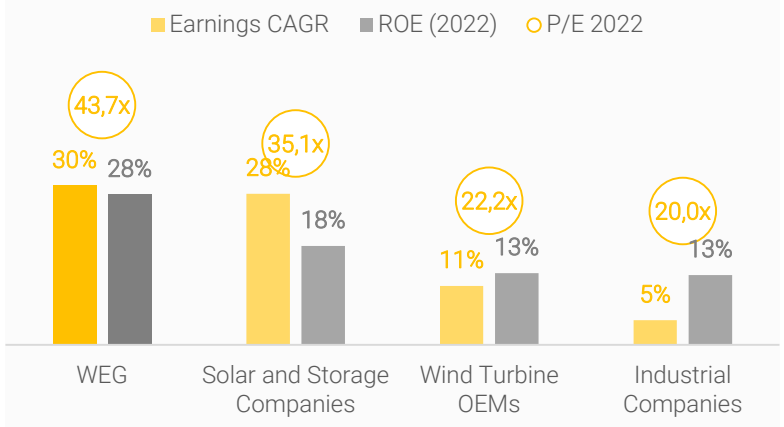
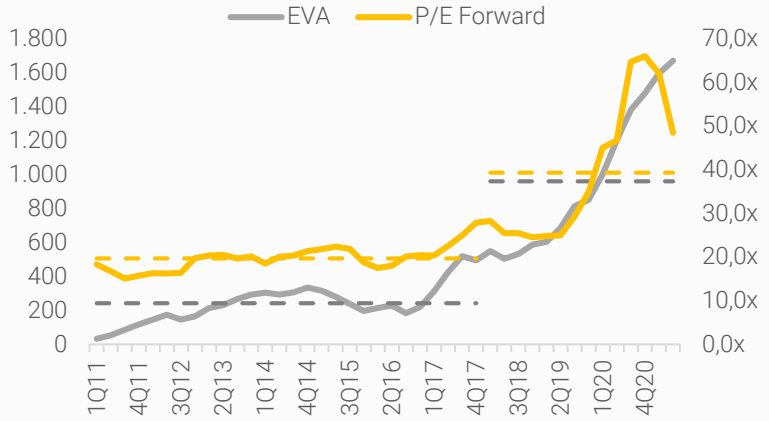
Our Thesis in a Few Charts

Valuation

Growth + Returns = High Multiples

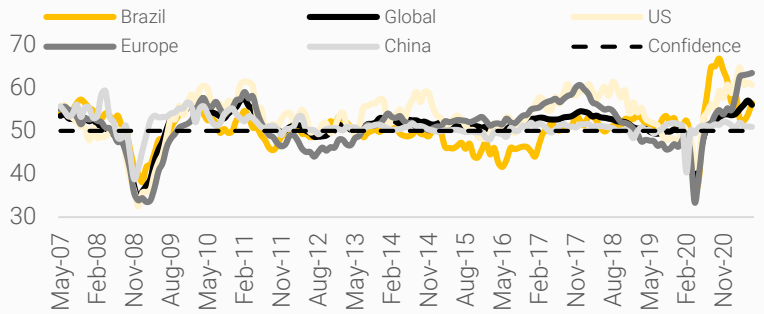


Valuation Levels Following EVA Improvement

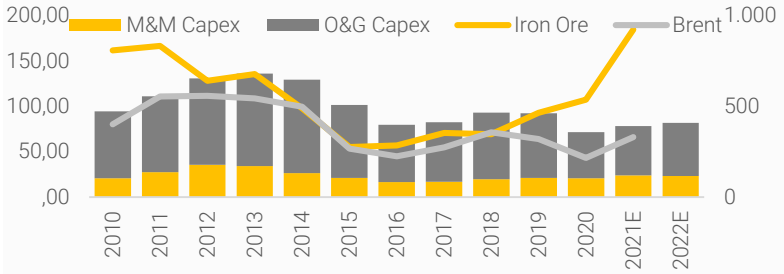


Favorable Macro Landscape

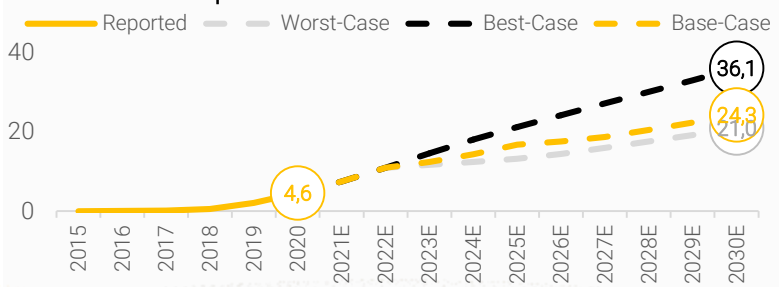
Confidence Levels Rapidly Recovering Post-Pandemic



Capex Cycle Expected to Pick-Up



Solid Growth Expectations for Solar Distributed Generation in Brazil

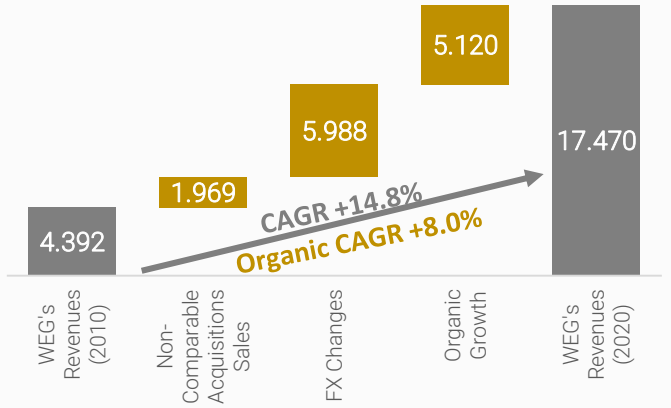


Top-Notch Bottom-Up Execution

ROIC Improvement Driven by Operational and Tax Efficiencies



WEG's Diversified Top-Line Supports Consistent Long-Term Growth



Source: Reuters, PMI, EPE, Company Data and XP Research.



Supporting Our Call With Numbers

Stock Performance

WEG Has Recently Underperformed Global Industrials Peers

WEG's shares have soared over the past years. On a bottom-up front, WEGE3 shares performance has significantly outpaced its global industrial peers since mid-2019 (performance of +381% at its peak in January 2021 vs. +68% for the sector's average), reflecting, in our view, the operating improvements the company has recently achieved (ROIC of 31% in 2Q21 vs. 19% in 1Q19).

Recent underperformance (Figure 1). We see WEG's recent underperformance (-5% YTD vs. +6% for the sector's average) reflecting an overall global increased risk perception (US 10-year bond yields +90bps in the January-May 2021 period), which implies a larger impact on growth-dependent stocks (renewable energy-exposed names most impacted during that period).

Valuation multiples' performance (Figures 2-3). In terms of valuation, we note WEG's consistent premium vs. global peers (average of +43% over the past decade), aside from the 2015-16 Brazil domestic crisis, when the stock de-rated to closer multiple levels vs. peers (we see domestic risk softened given the company's continued expansion toward foreign markets).

Figure 1: Stock Performance of Global Industrials

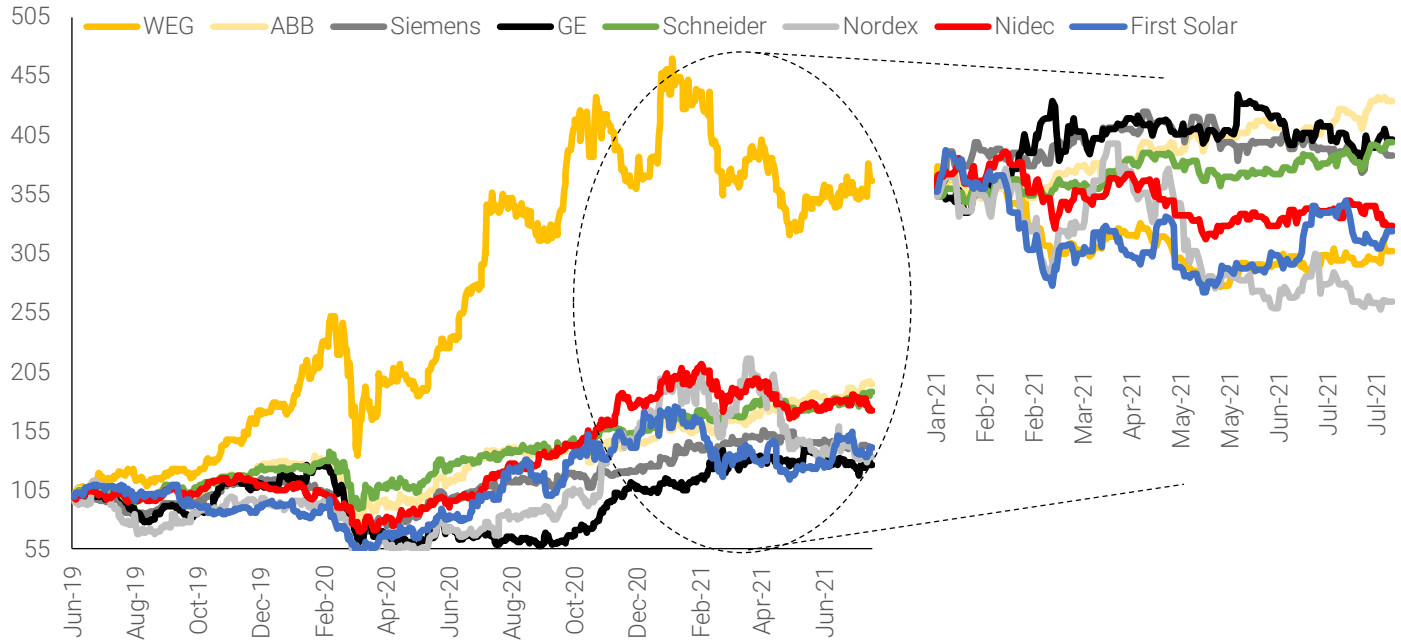


Figure 2: Historical P/E Multiple (WEG vs. Global Industrials)

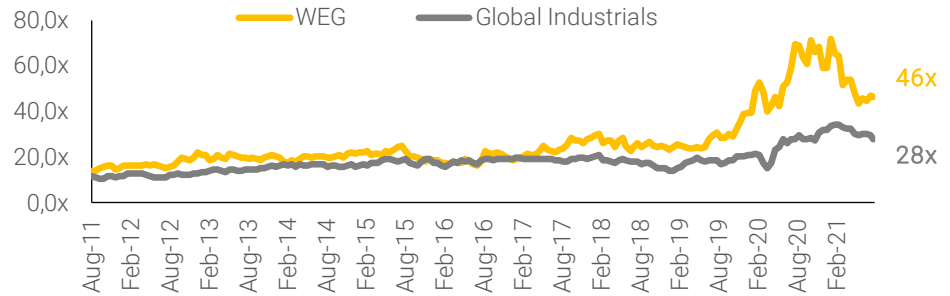
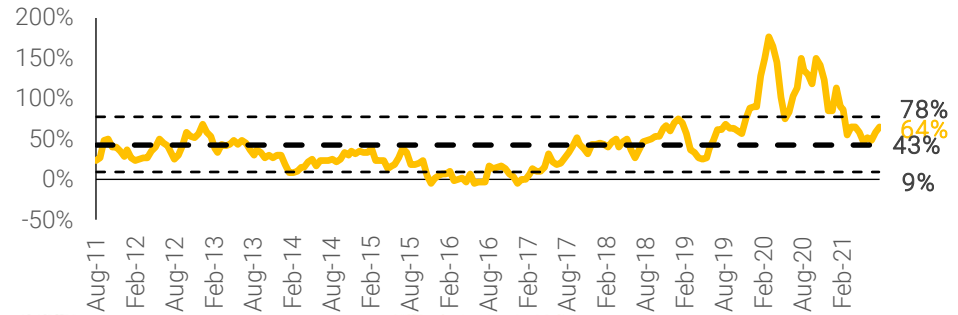


Figure 3: WEG's Valuation Premium (Discount) vs. Global Peers



Source: Reuters and XP Research.

EVA Is What Matters

Valuation Levels Following Value Generation Improvement

Strong EVA improvement recently drove valuation levels upwards. While EVA (an ultimate financial measurement) does not serve as a fundamental base for valuation multiples, it shares the same drivers (long-term growth expectations and returns spreads to the cost of capital). On that matter, **we attribute WEG's recent multiple re-rating to its improved value fundamentals** (average forward P/E of ~20x in the 2011-18 period, vs. an average of ~49x throughout 2Q21, with EVA growing from an average of ~R$240 million in 2011-18 to ~R$1.7 billion in 2Q21) – see Figure 4.

ROIC-WACC spread expansion as the main responsible for value addition. With a ~10p.p. spread improvement over the past two years, **we note ROIC-WACC spread expansion as the foremost factor for WEG's recent EVA improvement**. We believe the company has been able to positively combine (i) ROIC expansion (analyzed in detail in the next sections), mainly based on a better utilization of its industrial footprint (suboptimal idleness levels post-2016 crisis in Brazil); and (ii) downwards WACC levels, as the company continues to increase its exposure to foreign markets.

Figure 4: Valuation Levels Highly Correlated to EVA

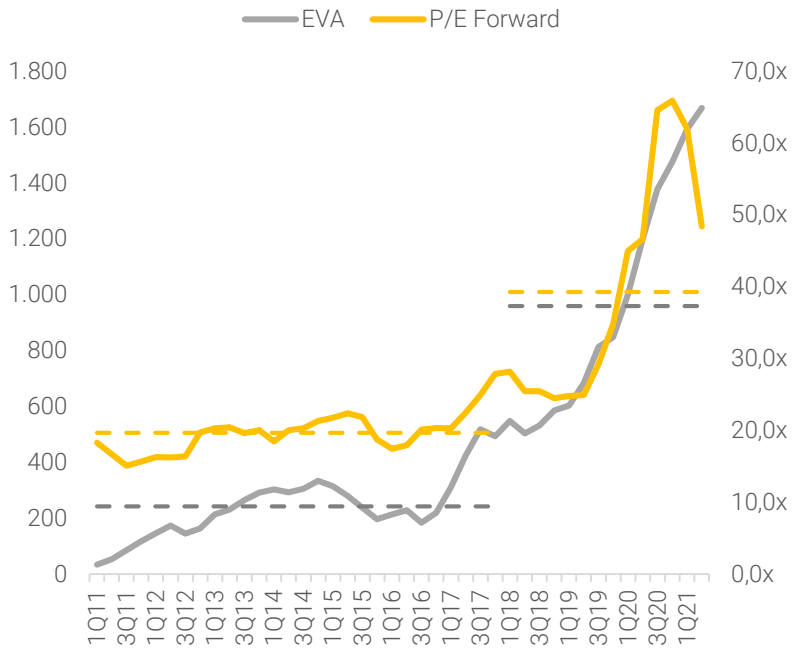


Figure 5: ROIC-WACC Spread Composition

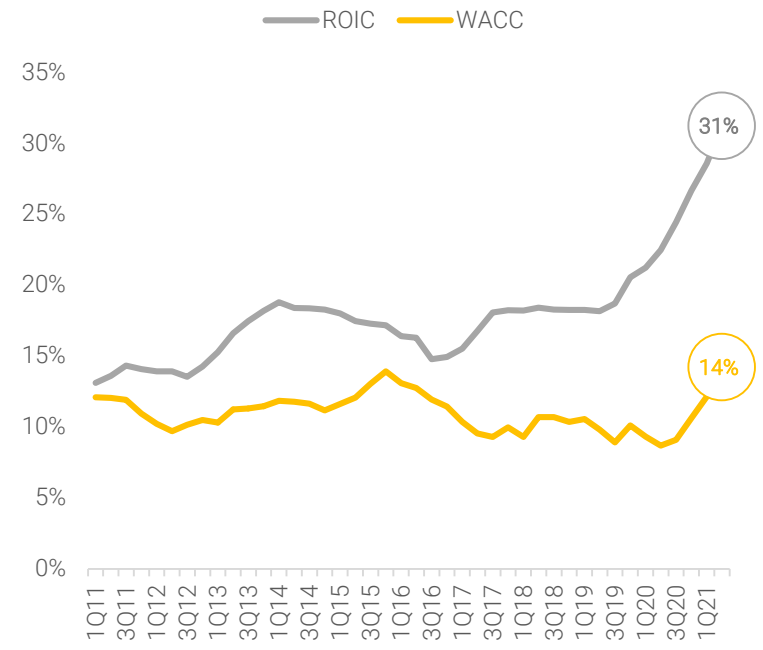
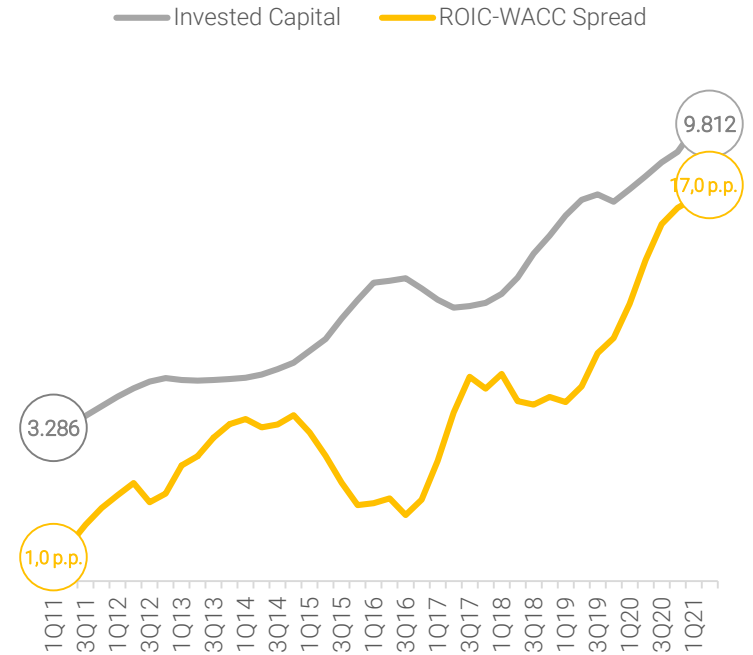


Figure 6: EVA Composition – Returns Spread vs. Inv. Capital



Source: XP Research.

Unraveling WEG's Profitability Levels

WEG's ROIC Improvement Owes To A Combination of Factors

To determine the main drivers for WEG's ROIC improvement over the past decade, we selected three main financial metrics to analyze (ROIC = **(a) Invested Capital Turnover** x **(b) EBIT Margin** x [1 – **(c) Tax Rate**]):

- **(a) Invested capital turnover** (1.4x → 2.1x | +6.5p.p. ROIC): Following recent strong recovery for its served markets, WEG has been able to increase sales at a higher pace than its invested capital base, thus optimizing its industrial production footprint through reduction of capacity idleness (put at high levels during the 2015 crisis in Brazil).
- **(b) EBIT Margin** (13% → 17% | +4.6p.p. ROIC): We believe WEG's operating margins improvement reflect: (i) the ramp-up of non-mature industrial plants in foreign markets; and, most importantly, (ii) a better economic cycle, which tends to favor the company through (a) operating leverage, as revenues accelerate, and (b) more pricing power (especially for long-cycle products).
- **(c) Effective tax rate** (26% → 13% | +7.0p.p. ROIC): With its continued footprint expansion toward foreign markets, WEG enjoys lower corporate tax rates compared to Brazil's. Moreover, the company also benefits from (i) interest on capital payments, and (b) fiscal benefits.

Figure 7: Historical ROIC

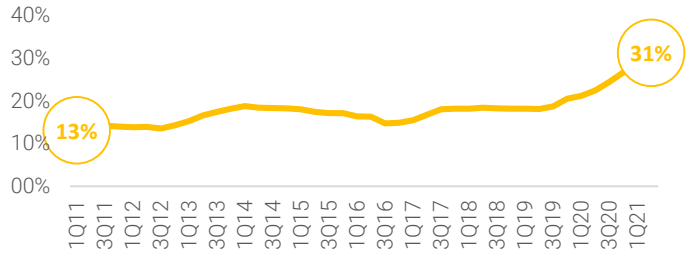


Figure 8: Invested Capital (R$ mi, lhs) vs. BRL (rhs)

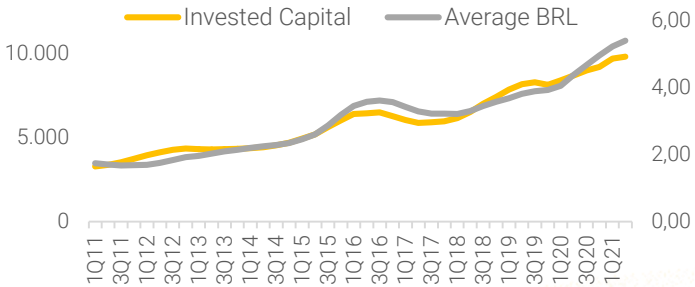


Figure 9: ROIC Evolution Breakdown

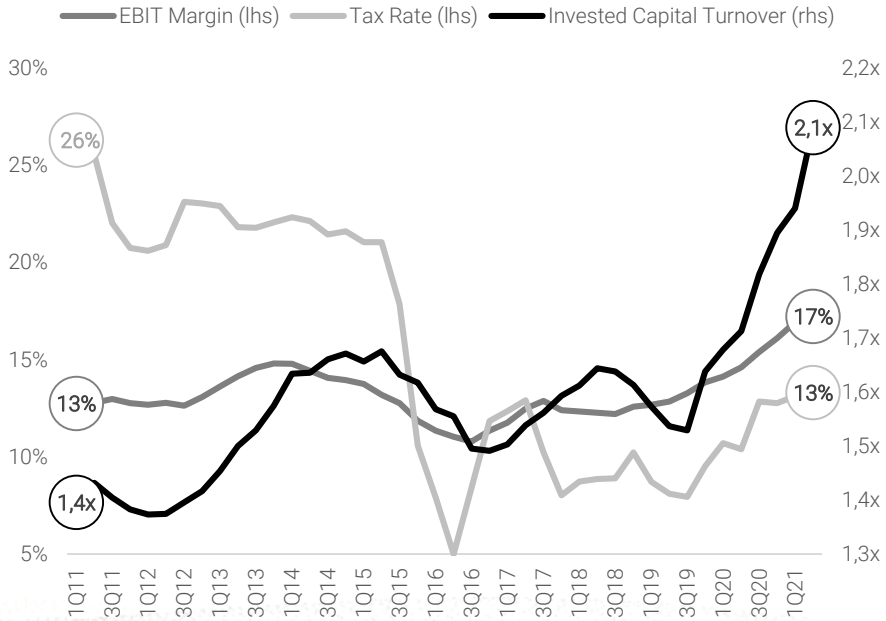
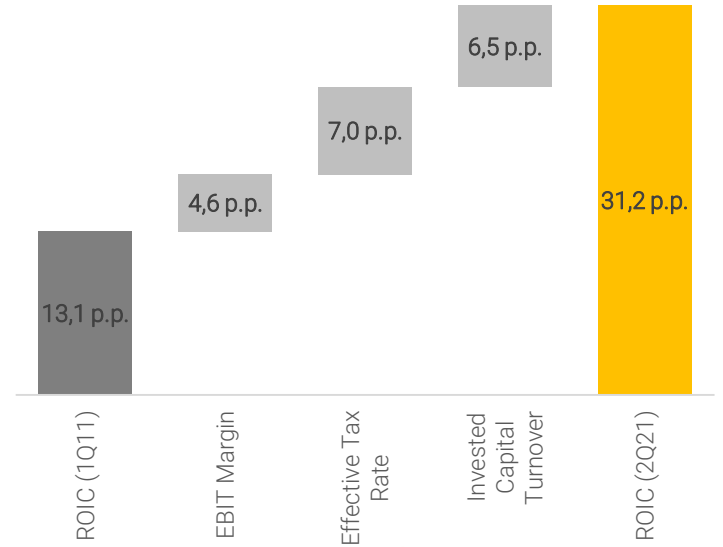


Figure 10: Main Drivers for ROIC Improvement



Source: Company Data and XP Research.

Multiples Dispersion

Higher Returns and Growth Expectations Demand Richer Multiples

Our positive stance on WEG relies on the fact that the company positively combines (i) promising growth prospects, due to its exposure to booming (and still incipient) markets, with (ii) healthier and steady return levels vs. its peers.

According to Figures 11, 12 and 13, we conclude that WEG's multiples are reasonable when compared to global industrial companies in different niches, through two valuation perspectives (i) return-adjusted (P/E vs. ROE), and (ii) growth-adjusted (P/E vs. Earnings CAGR).

Finally, we crossed WEG's valuation levels with other Brazilian names also considered as "quality assets". While WEG does not appear as the cheapest "quality name" on a growth-adjusted basis (measured by its 2022 PEG), we see its higher-than-average returns, measured by 2022 ROE, positioning WEG in an attractive quadrant on a growth-return-adjusted basis.

Figure 13: WEG Combines Strong Returns and Growth Expectations

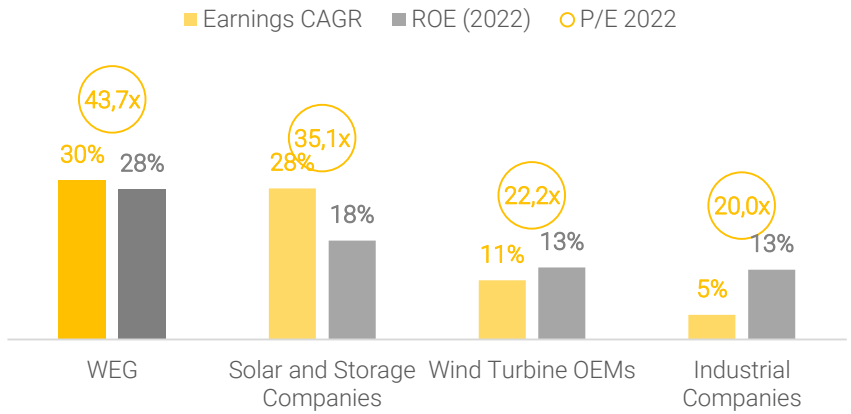


Figure 11: Growth-Adjusted Valuation Analysis

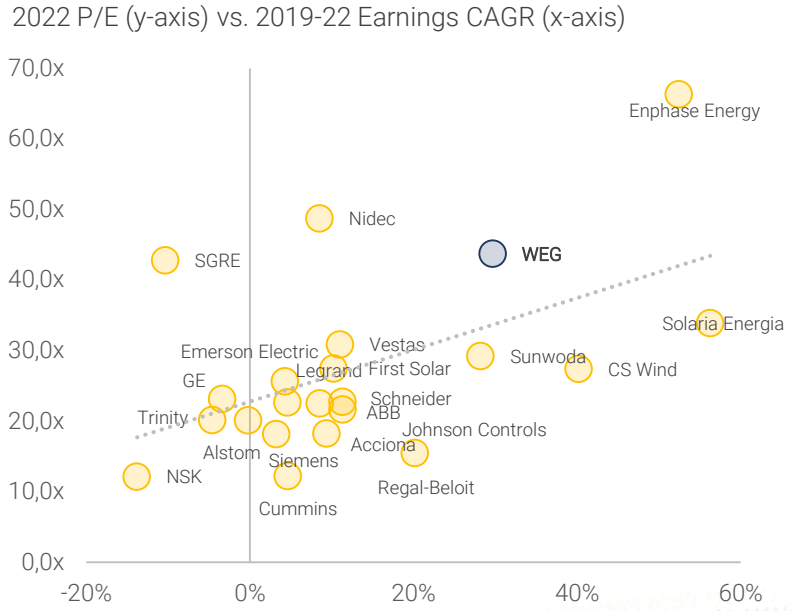


Figure 12: Return-Adjusted Valuation Analysis

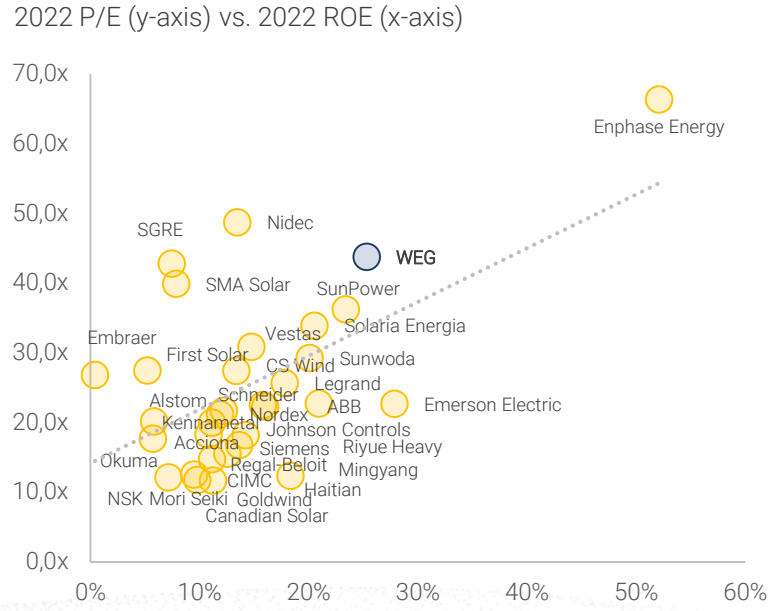
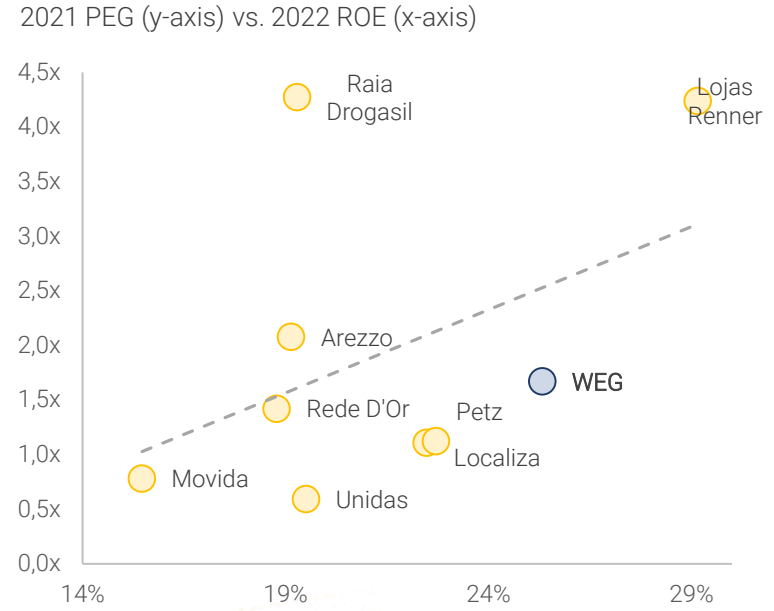


Figure 14: WEG vs. Brazilian Quality Names



Source: Reuters and XP Research.

Global Peers Comparison

Figure 15: WEG vs. Global Peers

Sector	Companies	Company Description	2020		2019-23	2022
			Sales (US$ bi)	EBITDA Margin	Sales CAGR (USD)	P/E
Industrial Equipment Manufacturers	ABB	Multinational company that develops technologies and products for electrification, robotics, industrial automation and electrical networks.	$26.1	13.7%	3.3%	21.1x
	Schneider	Schneider Electric is a French multinational group specializing in products and services for electrical distribution, control and automation.	$30.7	19.6%	5.1%	21.5x
	Siemens Energy	Siemens, a German industrial conglomerate, offers products for electrical material, surveillance systems, software, energy sector infrastructure (solar panels, generators, wind turbines), construction of trains and subways, hospital equipment among others.	$32.2	5.7%	4.4%	24.3x
	General Electric	GE is a manufacturer of large and small engines for commercial and military aircraft, and mechanical and electrical systems for aircraft. It is also produces renewable energy equipment, household equipment and diesel locomotives for freight trains.	$79.6	-6.7%	-2.5%	22.7x
	Regal Beloit	Regal Beloit is a manufacturer of electric motors, electrical motion controls, power generation and power transmission products.	$2.9	15.6%	2.9%	14.8x
	Nidec	Nidec Corporation is a Japanese manufacturer and distributor of electric motors. Its products are found in hard drives, home appliances, automobiles and commercial and manufacturing equipment.	$14.6	15.3%	8.6%	38.5x
Wind Equipment Manufacturers	Vestas	Vestas is a Danish producer of wind energy turbines. Dedicated to the development, manufacture, sale and maintenance of wind turbines.	$18.1	9.4%	9.4%	29.9x
	Siemens Gamesa	Siemens Gamesa is a Spanish-German wind engineering company. It manufactures wind turbines and provides onshore and offshore wind services.	$11.1	4.8%	5.1%	49.2x
	Nordex	Nordex is a European company that designs, manufactures and sells wind turbines.	$5.7	-5.7%	13.0%	20.8x
Solar Equipment Manufacturers	First Solar	First Solar designs, manufactures and sells PV solar modules with a thin-film semiconductor technology, solar power systems and provide operations and maintenance (O&M) services to system owners.	$2.7	20.5%	0.9%	28.6x
	SolarEdge Technologies	SolarEdge Technologies offers an inverter solution for a solar photovoltaic (PV) system. Its product roadmap consists of categories, including power optimizers, inverters, monitoring services, energy storage and smart energy management.	$1.5	11.7%	19.5%	39.2x
	SunPower	SunPower Corporation is a provider of distributed generation storage and energy services. The company offers solar + storage solutions.	$1.1	2.8%	18.0%	37.1x
	Sunrun	Sunrun is engaged in the design, development, installation, sale and maintenance of residential solar energy systems in the US. It sells solar energy systems to homeowners, solar panels, inverters, racking systems and other solar-related equipment to resellers.	$0.9	-22.1%	22.6%	n.m.
	Enphase Energy	Enphase Energy, Inc. is a provider of energy management solutions. It is engaged in designing, developing, manufacturing and selling microinverter systems for the solar photovoltaic industry.	$0.8	26.4%	38.4%	63.4x
	WEG		**$3.4**	**18.7%**	**11.8%**	**43.7x**

Source: Reuters, Company Data and XP Research.

Table of Comparables

Figure 16: Comps Table

Companies	Current Price	Rating	Market Cap ($ mi)	ADTV ($ mi)	P/E		EV/EBITDA		ROIC		EBITDA CAGR	Net Income CAGR	PEG		EV to EBITDA g		ROE	
					2021	2022	2021	2022	2021	2022	2019-2022	2019-2022	2021	2022	2021	2022	2021	2022
Brazil Industrials					**35.2x**	**26.8x**	**14.3x**	**10.4x**	**28.7%**	**33.2%**	**44.7%**	**50.9%**	**1.0x**	**0.8x**	**0.8x**	**0.7x**	**24.9%**	**25.3%**
WEG	36.65	Buy	29,728	50.1	49.5x	43.7x	37.0x	32.9x	32.8%	33.2%	26.7%	29.7%	1.7x	1.5x	1.4x	1.2x	24.9%	25.3%
Aeris	8.69	Buy	1,287	5.8	21.0x	14.9x	14.2x	10.4x	28.7%	37.2%	62.8%	72.1%	0.3x	0.2x	0.2x	0.2x	29.0%	34.3%
Embraer	18.89	N.C.	2,703	34.6	n.a.	26.8x	14.3x	9.7x	1.1%	1.9%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-1.0%	0.4%
Global Industrials					**26.6x**	**20.0x**	**14.4x**	**11.5x**	**12.0%**	**13.1%**	**5.0%**	**4.6%**	**0.8x**	**0.8x**	**1.5x**	**1.8x**	**11.7%**	**13.0%**
Siemens	135.10	N.C.	136,309	190.3	19.5x	18.2x	14.7x	12.7x	6.7%	7.6%	2.4%	3.2%	6.0x	5.6x	6.1x	5.3x	12.8%	14.2%
ABB	33.06	N.C.	74,969	125.5	26.7x	22.7x	15.5x	14.3x	16.6%	17.5%	10.0%	11.3%	2.4x	2.0x	1.5x	1.4x	19.5%	21.0%
Schneider	142.00	N.C.	95,913	128.3	25.6x	22.5x	16.8x	15.4x	12.7%	13.8%	8.5%	8.5%	3.0x	2.6x	2.0x	1.8x	14.6%	15.8%
Emerson Electric	99.72	N.C.	59,802	222.9	25.2x	22.6x	15.5x	14.3x	19.9%	20.1%	5.0%	4.6%	5.5x	4.9x	3.1x	2.9x	27.8%	27.9%
Regal-Beloit	145.48	N.C.	5,920	46.2	17.0x	15.5x	9.7x	8.6x	12.0%	12.3%	16.2%	20.2%	0.8x	0.8x	0.6x	0.5x	12.9%	12.6%
Nidec	12,560.00	N.C.	68,271	178.5	61.0x	48.7x	31.1x	26.4x	n.a.	n.a.	9.6%	8.5%	7.2x	5.7x	3.2x	2.7x	11.6%	13.5%
Legrand	94.82	N.C.	30,102	47.9	27.5x	25.6x	17.0x	16.1x	13.2%	14.2%	4.7%	4.3%	6.4x	6.0x	3.6x	3.4x	17.6%	17.8%
Alstom	35.16	N.C.	15,521	73.5	21.6x	20.1x	18.7x	12.0x	7.9%	7.3%	22.2%	-0.2%	-97.2x	-90.5x	0.8x	0.5x	5.3%	5.9%
Cummins	229.06	N.C.	33,489	226.3	14.2x	12.2x	9.3x	8.4x	27.1%	28.0%	4.2%	4.6%	3.1x	2.6x	2.2x	2.0x	28.8%	29.7%
Johnson Controls	70.70	N.C.	50,354	266.2	26.6x	21.7x	16.1x	14.1x	8.6%	9.7%	7.0%	11.3%	2.3x	1.9x	2.3x	2.0x	10.7%	12.2%
NSK	883.00	N.C.	4,437	19.8	637.0x	12.1x	11.7x	6.4x	n.a.	n.a.	-7.3%	-13.8%	-46.1x	-0.9x	-1.6x	-0.9x	0.0%	7.2%
Trinity	26.98	N.C.	2,679	19.8	42.6x	20.2x	14.4x	11.5x	11.5%	n.a.	-0.4%	-4.6%	-9.2x	-4.4x	-37.7x	-30.2x	4.4%	n.a.
CIMC	16.20	N.C.	8,153	64.6	10.6x	11.8x	9.8x	11.3x	4.5%	3.8%	6.5%	31.1%	0.3x	0.4x	1.5x	1.8x	11.7%	9.8%
Navistar	44.50	N.C.	4,439	30.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Okuma	5,360.00	N.C.	1,649	7.6	55.1x	17.7x	11.7x	6.3x	n.a.	n.a.	-13.8%	-17.8%	-3.1x	-1.0x	-0.8x	-0.5x	1.6%	5.7%
Mori Seiki	1,753.00	N.C.	2,013	14.6	31.6x	12.5x	7.1x	4.8x	n.a.	n.a.	1.6%	-1.8%	-17.4x	-6.9x	4.4x	3.0x	4.6%	9.5%
Kennametal	36.17	N.C.	3,024	21.3	39.7x	20.0x	13.6x	9.9x	5.2%	8.8%	-8.4%	-16.1%	-2.5x	-1.2x	-1.6x	-1.2x	5.8%	11.2%
Haitian	28.50	N.C.	5,852	5.5	13.5x	12.3x	8.6x	7.7x	21.1%	22.7%	23.5%	22.5%	0.6x	0.5x	0.4x	0.3x	18.5%	18.4%
Wind Energy Companies					**28.0x**	**22.2x**	**16.7x**	**12.9x**	**7.4%**	**14.2%**	**16.9%**	**11.0%**	**0.9x**	**0.5x**	**0.4x**	**0.3x**	**10.6%**	**13.4%**
Nordex	16.38	N.C.	3,111	32.4	n.a.	21.1x	12.2x	7.2x	-31.6%	12.9%	39.1%	-258.7%	n.a.	-0.1x	0.3x	0.2x	-0.8%	11.9%
Vestas	236.00	N.C.	38,042	82.9	40.4x	30.8x	16.7x	14.5x	28.3%	22.5%	13.6%	11.0%	3.7x	2.8x	1.2x	1.1x	15.3%	14.8%
SGRE	24.23	N.C.	19,590	35.5	n.a.	42.8x	33.6x	17.8x	-0.6%	8.6%	-3.8%	-10.3%	n.a.	-4.1x	-8.7x	-4.6x	-1.9%	7.5%
GE	100.60	N.C.	110,425	858.1	46.4x	23.2x	17.3x	12.9x	7.3%	15.6%	-4.8%	-3.4%	-13.8x	-6.9x	-3.6x	-2.7x	9.1%	27.9%
Acciona	129.70	N.C.	8,445	12.3	22.4x	18.3x	10.3x	9.3x	4.9%	5.6%	4.3%	9.4%	2.4x	1.9x	2.4x	2.2x	8.7%	10.8%
Goldwind	14.50	N.C.	9,247	211.9	16.7x	14.7x	14.6x	12.8x	7.4%	7.5%	16.9%	13.3%	1.3x	1.1x	0.9x	0.8x	10.6%	11.2%
Mingyang	21.49	N.C.	6,489	166.0	17.8x	16.7x	11.5x	10.3x	n.a.	n.a.	52.3%	55.1%	0.3x	0.3x	0.2x	0.2x	16.2%	13.7%
Riyue Heavy	35.60	N.C.	5,332	111.2	28.0x	22.2x	21.4x	17.0x	38.7%	33.3%	42.0%	46.2%	0.6x	0.5x	0.5x	0.4x	16.5%	16.0%
CS Wind	80,600.00	N.C.	2,952	56.8	35.1x	27.4x	18.1x	13.9x	16.3%	16.8%	41.2%	40.2%	0.9x	0.7x	0.4x	0.3x	13.9%	13.4%
Solar & Storage Companies					**60.5x**	**35.1x**	**31.4x**	**17.8x**	**11.1%**	**11.5%**	**38.0%**	**28.2%**	**1.4x**	**0.6x**	**1.1x**	**0.6x**	**13.7%**	**18.4%**
First Solar	88.27	N.C.	9,385	168.7	20.6x	27.4x	11.2x	11.6x	10.1%	7.2%	10.3%	10.3%	2.0x	2.7x	1.1x	1.1x	7.9%	5.2%
Canadian Solar	39.87	N.C.	2,392	49.7	28.4x	11.6x	11.5x	7.7x	4.4%	7.3%	26.2%	20.4%	1.4x	0.6x	0.4x	0.3x	5.1%	11.2%
Enphase Energy	183.11	N.C.	24,650	367.3	85.9x	66.3x	74.3x	52.3x	174.2%	165.4%	53.4%	52.5%	1.6x	1.3x	1.4x	1.0x	52.0%	52.1%
SunPower	24.18	N.C.	4,172	85.1	64.2x	36.2x	34.9x	24.0x	12.2%	19.4%	18.5%	-239.7%	-0.3x	-0.2x	1.9x	1.3x	18.4%	23.4%
SMA Solar	44.82	N.C.	1,846	8.0	55.7x	39.9x	15.3x	12.6x	11.1%	14.1%	45.4%	-270.3%	-0.2x	-0.1x	0.3x	0.3x	6.3%	7.9%
Solaria Energia	16.43	N.C.	2,437	14.0	60.5x	33.9x	30.3x	17.2x	5.9%	7.6%	62.3%	56.3%	1.1x	0.6x	0.5x	0.3x	13.7%	20.6%
CATL	552.00	N.C.	198,983	1,333.4	129.9x	n.a.	68.5x	n.a.	28.1%	28.2%	48.7%	49.2%	2.6x	n.a.	1.4x	n.a.	15.2%	18.4%
BYD Electronic	291.18	N.C.	116,530	1,677.2	n.a.	n.a.	n.a.	n.a.	6.3%	8.9%	22.3%	56.8%	n.a.	n.a.	n.a.	n.a.	7.3%	9.2%
EVE Energy	114.00	N.C.	33,321	702.9	n.a.	n.a.	59.5x	n.a.	15.8%	n.a.	51.8%	44.4%	n.a.	n.a.	1.1x	n.a.	23.0%	23.7%
Sunwoda	33.37	N.C.	8,400	316.1	40.9x	29.2x	24.1x	18.4x	13.6%	15.1%	30.7%	28.2%	1.4x	1.0x	0.8x	0.6x	17.5%	20.1%
Vision	19.15	N.C.	1,139	40.8	87.0x	66.0x	32.4x	26.1x	6.1%	6.7%	n.a.	-14.9%	-5.8x	-4.4x	n.a.	n.a.	3.0%	3.7%

Source: Reuters and XP Research. *N.C. = Not Covered by XP Research.

XP vs. Consensus

Slightly Above Estimates; Upbeat Valuation & Rating

WEG's stocks are listed on B3, Brazilian stock exchange, with coverage by fifteen brokers, with heterogeneous recommendations – six "Buy" ratings (including XP's), vs. five "Hold" and four "Sell". Despite an overall positive view, our TP of R$50.00/share is 18% above consensus' average.

Looking at the main financials (Figure 19), our net profit expectations of R$3.1 bi, R$3.5 bi and R$4.1 bi for 2021-23 are slightly above consensus' estimates (+4%), prompting an earnings CAGR of +15% over the next three years.

Figure 17: Consensus Has a Positive View on WEG

# of Ratings

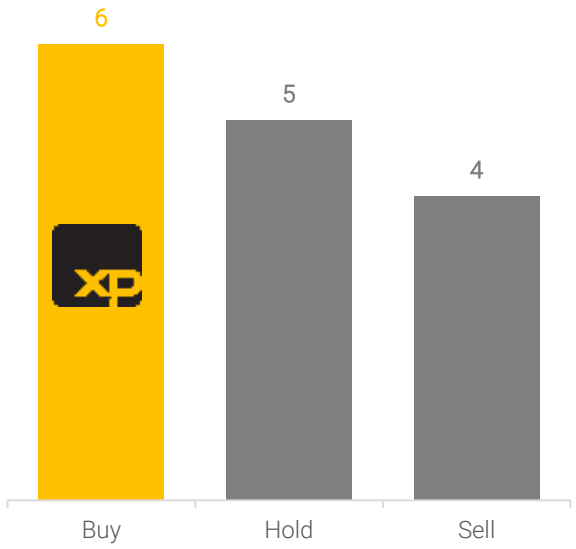


Figure 18: XP's TP +18% vs. Consensus Average

R$/share

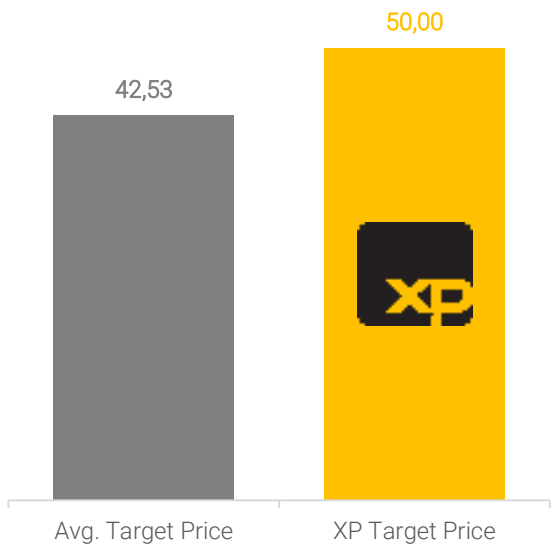
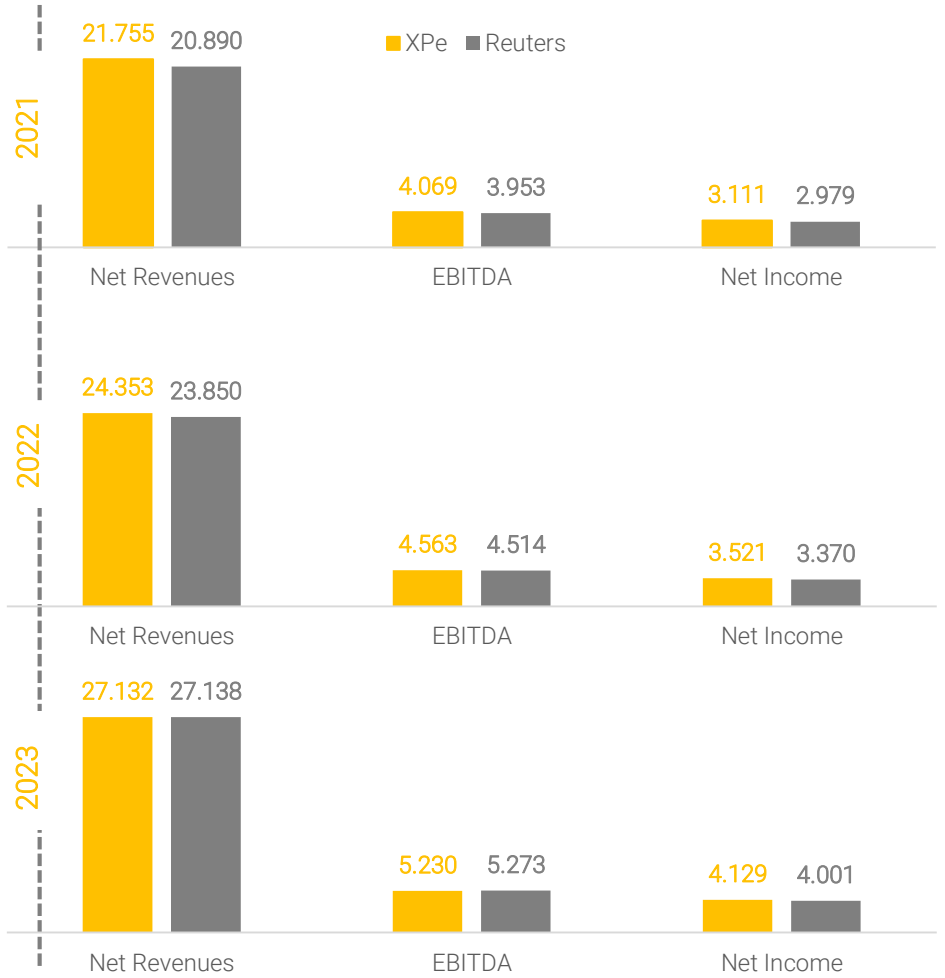


Figure 19: XP vs. Consensus for Main Estimates

R$ million



Source: Reuters and XP Research.

WEG – Valuation

Our Target Price Implies 36% Upside

Our 2022YE DCF-based target price of BRL50.00 per share presents a 36% upside vs. current prices, with roughly 87% of it valued at its perpetuity.

We use a FCFF (free cash flow to firm) valuation approach, where our main assumptions include: (i) 8% long-term growth rate; (ii) 6.1% risk-free rate; (iii) 5% debt to (debt + equity) ratio and (iv) beta at 0.8, implying 10.2%, 10.5% and 4.0% nominal WACC, cost of equity and cost of debt, respectively.

Figure 20: DCF Main Assumptions

FCFF	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Perp.
NOPLAT	858	1,036	938	1,088	1,353	1,672	2,457	3,082	3,437	3,974	4,498	5,076	5,728	6,466	7,267	8,040	8,638	
(+) D&A	250	319	343	284	317	397	451	496	492	503	519	540	568	603	644	691	745	
(-) Capex	-425	-468	-325	-266	-429	-524	-538	-622	-597	-663	-740	-822	-914	-1,017	-1,127	-1,232	-1,316	
(+/-) Δ NWC	-443	-861	724	-80	-712	-668	-1,181	-339	-1,193	-572	-958	-1,045	-1,173	-1,316	-1,419	-1,362	-1,063	
FCFF	241	26	1,680	1,025	528	876	1,189	2,618	2,140	3,242	3,319	3,749	4,210	4,736	5,366	6,137	7,004	351,592
PV FCFF										2,943	2,735	2,805	2,860	2,920	3,004	3,119	3,231	162,227
% of Total EV										*2%*	*1%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*87%*

Figure 21: CAPM Model

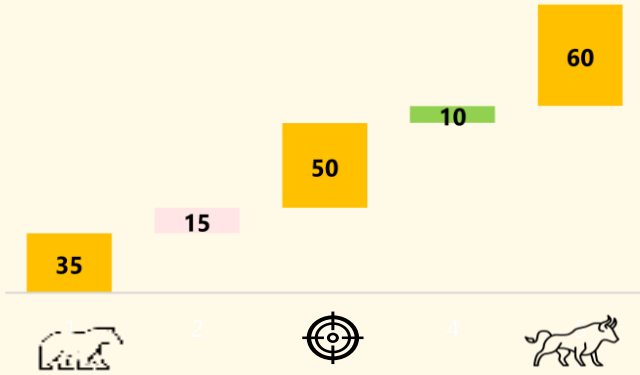
CAPM Model	
Ke	10.5%
Rf	6.1%
β	0.80
ERP	5.5%
Kd (BT)	4.0%
T	15%
D/(D+E)	5%
WACC	10.2%
g	8.0%
Base Year	2022
Target Price	50.00

Figure 22: Bull and Bear Scenarios

Base-case: Our main assumptions for our base-case include: (i) GTD's GDP elasticity of 2x in 2022 onwards; (ii) Electro-Electronic Equipment elasticity to GDP of 3x in 2022 onwards; (iii) internal and external capex as % of revenues of 3% and 2%, respectively; and (iv) inventory days of 110.

Bull-case: Our main assumptions for our base-case include: (i) GTD's GDP elasticity of 5x in 2022 onwards; (ii) Electro-Electronic Equipment elasticity to GDP of 6x in 2022 onwards; (iii) internal and external capex as % of revenues of 1.5% and 1%, respectively; and (iv) inventory days of 90.

Bear-case: Our main assumptions for our base-case include: (i) GTD's GDP elasticity of 0x in 2022 onwards; (ii) Electro-Electronic Equipment elasticity to GDP of 0x in 2022 onwards; (iii) internal and external capex as % of revenues of 6%; and (iv) inventory days of 150.



Source: XP Research.

XP Estimates Summary

Figure 23: WEG Main Estimates

R$ million

	2020a	2021e	2022e	2023e
Valuation				
EV (R$ Mn)	151,033	150,453	150,096	148,888
Market Cap (R$ Mn)	153,832	153,832	153,832	153,832
EV/Sales	8.6	6.9	6.2	5.5
EV/EBITDA	**46.2x**	**37.0x**	**32.9x**	**28.5x**
P/E	**65.7x**	**49.5x**	**43.7x**	**37.3x**
ROE	22.4%	24.9%	25.3%	26.3%
ROIC	29.0%	32.8%	33.2%	35.0%
Dividend Yield	1%	1%	1%	1%
FCF Yield	1%	1%	2%	3%
Revenue Breakdown				
Consolidated Revenues	**17,469**	**21,755**	**24,353**	**27,131**
Electronic Industrial Equipments	9,156	10,709	12,040	13,556
GTD	6,020	7,729	8,731	9,675
Motors for Domestic Use	1,557	2,298	2,482	2,704
Paints and Varnishes	737	1,019	1,100	1,196
Domestic Revenues	**7,630**	**9,969**	**10,988**	**12,048**
Electronic Industrial Equipments	2,944	3,678	4,119	4,583
GTD	3,279	4,266	4,686	5,094
Motors for Domestic Use	803	1,192	1,284	1,396
Paints and Varnishes	603	834	898	976
External Revenues	**9,839**	**11,786**	**13,365**	**15,083**
Electronic Industrial Equipments	6,212	7,031	7,921	8,974
GTD	2,741	3,463	4,045	4,582
Motors for Domestic Use	754	1,106	1,198	1,308
Paints and Varnishes	133	186	201	220

	2020a	2021e	2022e	2023e
Consolidated income statement (R$mn)				
Net Revenues	17,470	21,755	24,353	27,132
EBIT	2,816	3,573	4,071	4,727
EBIT Margin	*16.1%*	*16.4%*	*16.7%*	*17.4%*
EBITDA	3,268	4,069	4,563	5,230
EBITDA Margin	*18.7%*	*18.7%*	*18.7%*	*19.3%*
Net Financial Results	-70	111	179	265
Pre-tax income	2,747	3,684	4,250	4,992
Pre-tax margin	*15.7%*	*16.9%*	*17.5%*	*18.4%*
Net Income	2,341	3,111	3,521	4,129
Net margin	*13.4%*	*14.3%*	*14.5%*	*15.2%*
Adjusted Net income	2,341	3,111	3,521	4,129
Adjusted Net margin	*13.4%*	*14.3%*	*14.5%*	*15.2%*
Shares out	4,197	4,197	4,197	4,197
Consolidated balance sheet (R$mn)				
Total Debt	1,687	1,911	2,414	3,064
Net Debt	-2,798	-3,379	-3,736	-4,944
Equity	11,930	13,068	14,722	16,663
Assets	19,928	22,450	25,154	27,990
Net Working Capital	-1,181	-339	-1,193	-572
Fixed assets	6,473	6,510	6,615	6,775

Source: XP Research.

Growth Avenues Remain Strong



Macro Outlook

We See Macro Tailwinds in a Post-Pandemic Horizon

Unlike other recessions, the world has been rapidly recovering from the COVID-19 economic downturn: (i) according to Figure 24, Manufacturers' PMI (an index of the prevailing direction of economic trends in the manufacturing sectors) indicates that the worst is behind us for different regions across the globe, with (ii) GDP expectations above 2019 figures for 2022 (Figure 25).

In Brazil it is not different: (i) industrial capacity utilization reached higher levels compared to pre-crisis period, according to Brazilian National Industry Confederation (CNI) and Fundação Getúlio Vargas (FGV); with (ii) overall industrial activity already reaching 2019 levels, according to Brazilian Industrial Monthly Survey (PIM - IBGE).

Figure 24: Manufacturers' PMI Indicates Confidence's Rapid Improvement

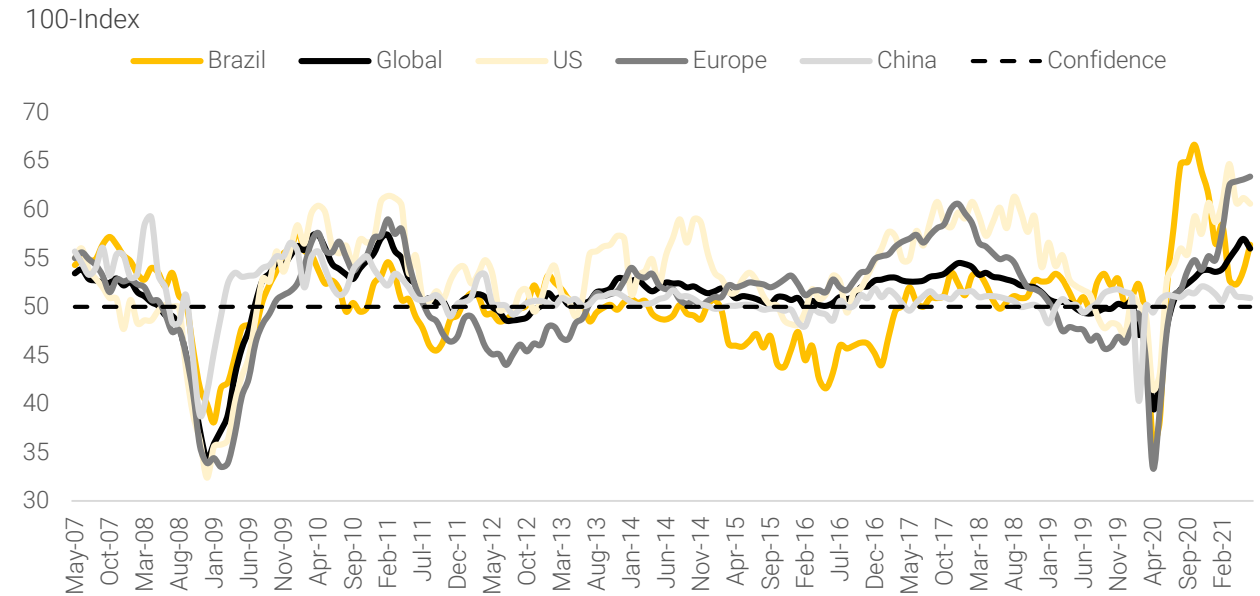


Figure 25: GDP Expectations for Selected Regions

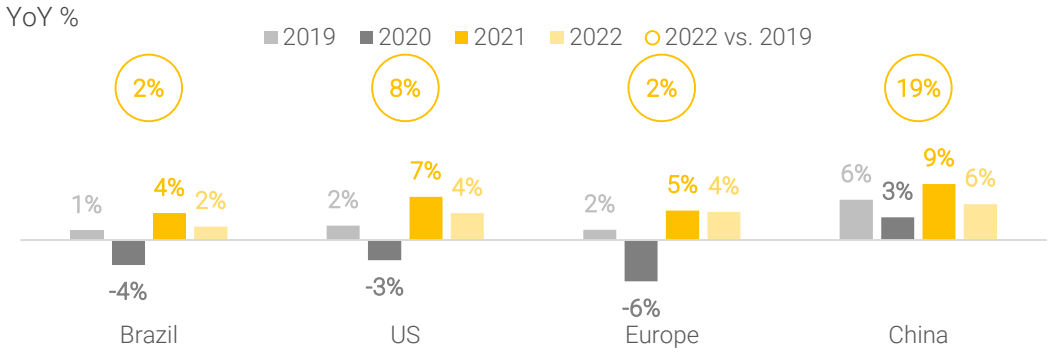


Figure 26: Industrial Capacity Utilization in Brazil at Higher Levels vs. Pre-Pandemic

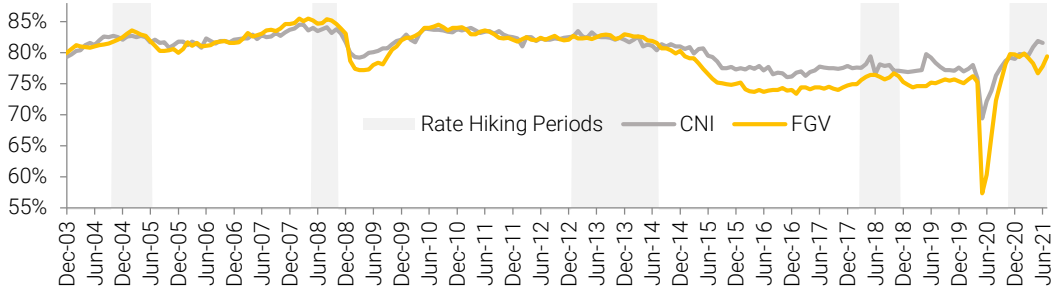
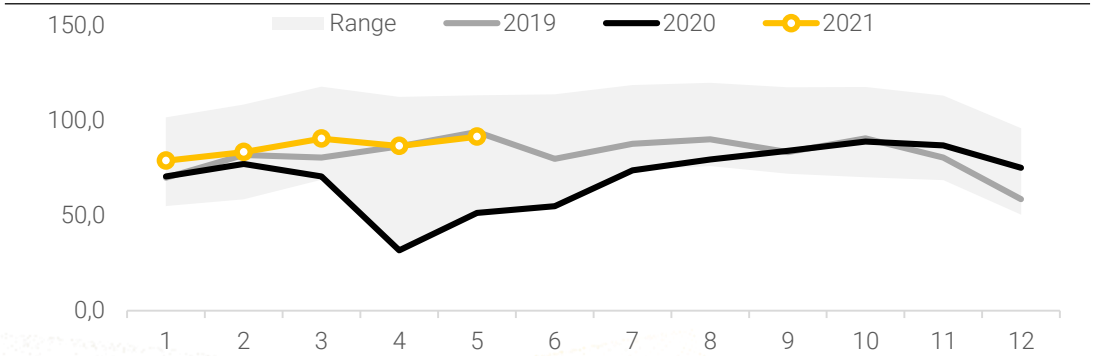


Figure 27: Brazilian Industrial Activity Reaching 2019 Levels



Source: Reuters, PMI, CNI, FGV, IBGE and XP Research.

Industrial Electro-Electronic Equipment

It's All About Capex

This area includes WEG's electric motors, drives and industrial automation equipment, finding applications in practically all industrial segments, in equipment such as compressors, pumps and fans. Its clients are mainly related to the transformation industry, with relevant exposure to economy sectors such as oil & gas, metals & mining, pulp & paper and sanitation.

Due to large industrial complexes' needs for electric motors, we note that the majority of WEG's sales in this division is related to capex-driven order book, with historical top-line performance highly correlated with investment cycles of heavy industries such as oil & gas and metals & mining (see Figure 29).

Going forward, we expect capex cycles to continue progressively picking-up vs. sharp investments decline in the 2015-17 crisis period (deployed investments -40% compared to the peak in 2013), mostly supported by the recent (i) recovery of economies world and (ii) rising commodity prices (iron ore +30% YTD and +130% vs. pre-pandemic levels).

Figure 28: WEG's Domestic and External Performance

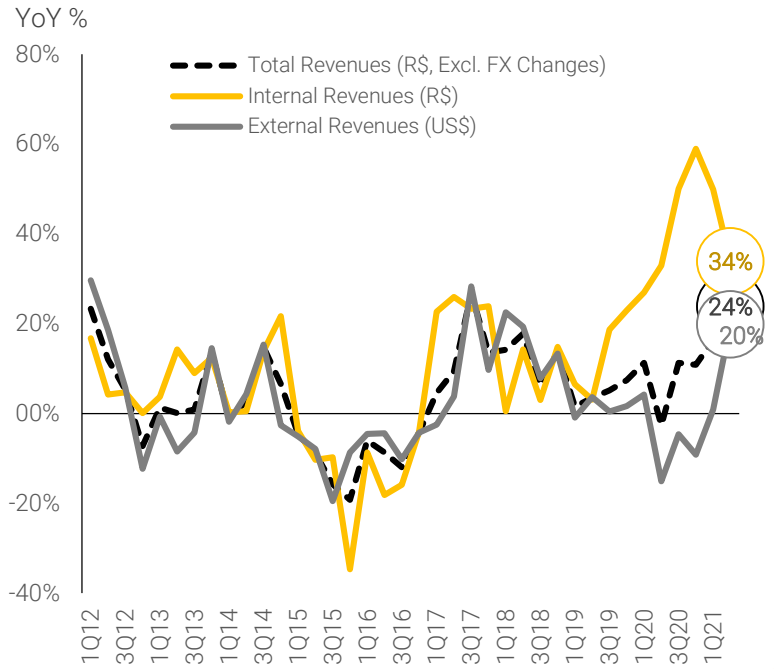


Figure 29: External Revenues vs. Industries' Capex Growth

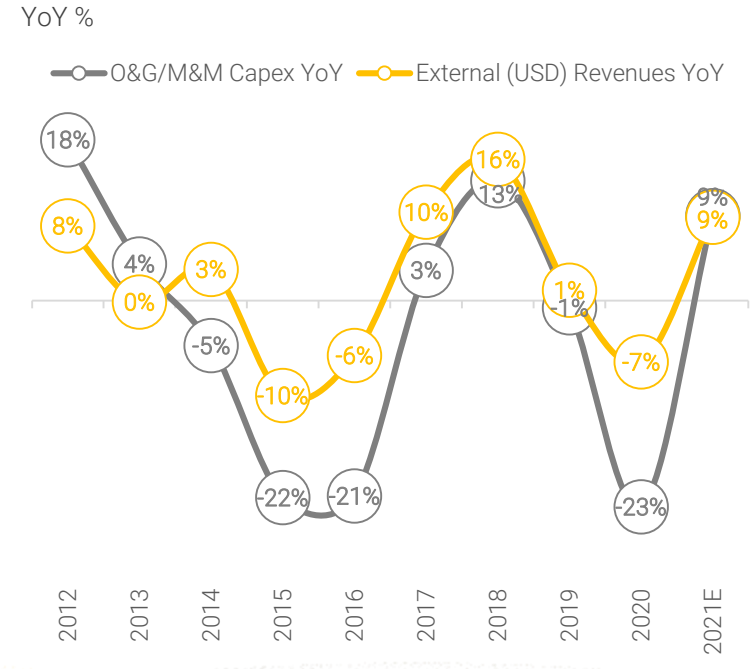
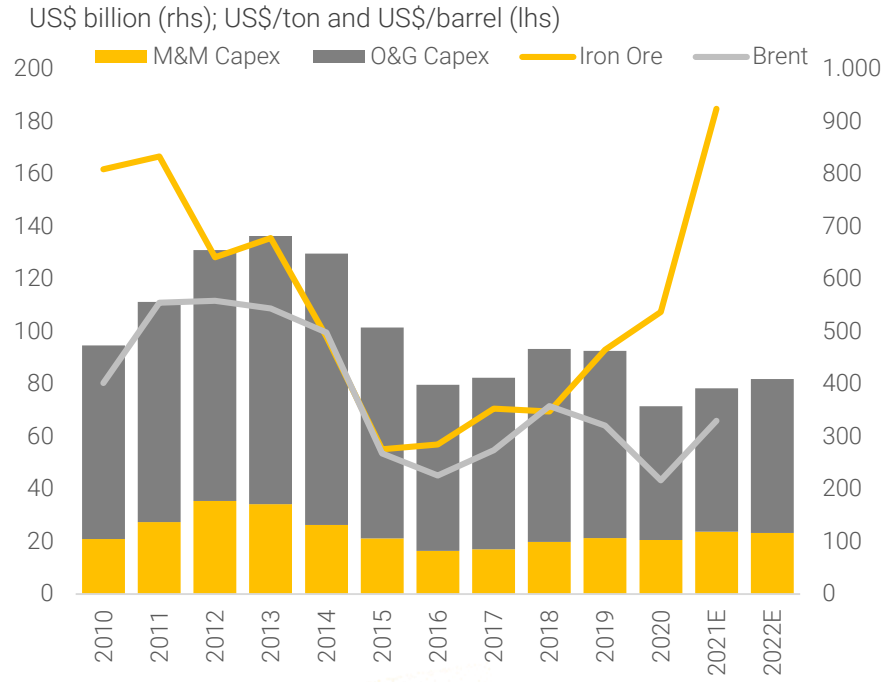


Figure 30: Oil & Gas and Metals & Mining Capex Cycles



Source: Reuters, Company Data and XP Research.

Energy Generation, Transmission and Distribution

Renewables to Drive Future Growth

As its second most important revenue source, WEG develops and manufacturers energy equipment for generation, distribution and transmission companies, such as alternators, transformers, substations and inverters. Due to the need of modernization and expansion of current electrical infrastructure, WEG should benefit from future investments in the sector (new transmission lines worldwide expected to increase by 67% in the next decade vs. the 2009-19 period, with ~R$90 billion worth of investments expected to be deployed in Brazil in the 2020-30 decade on new transmission lines and substations capacity – see Figures 34 and 35).

In terms of new energy capacity, given (i) several countries' new long-term targets for net zero carbon emission and (ii) downwards and more competitive unit costs for cleaner sources, we expect renewable-related power to keep increasing its relevance in the next decades.

Amidst renewable sources, wind and solar capacity addition should be the largest in absolute terms, presenting an 8% and 10% CAGR until the end of the decade, respectively, according to IRENA (see Figure 32). In Brazil, both energy sources are expected to significantly increase its share within the energy matrix by 2030 (4% and 9% in 2020 to 14% by 2030 for solar and wind, respectively).

Figure 32: Wind and Solar Sources in the Spotlight

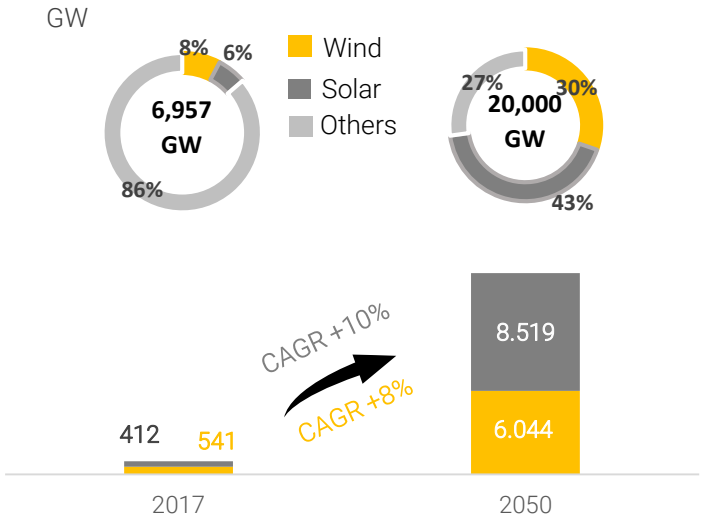


Figure 33: Brazil's Energy Matrix Should Skew Toward Cleaner Sources

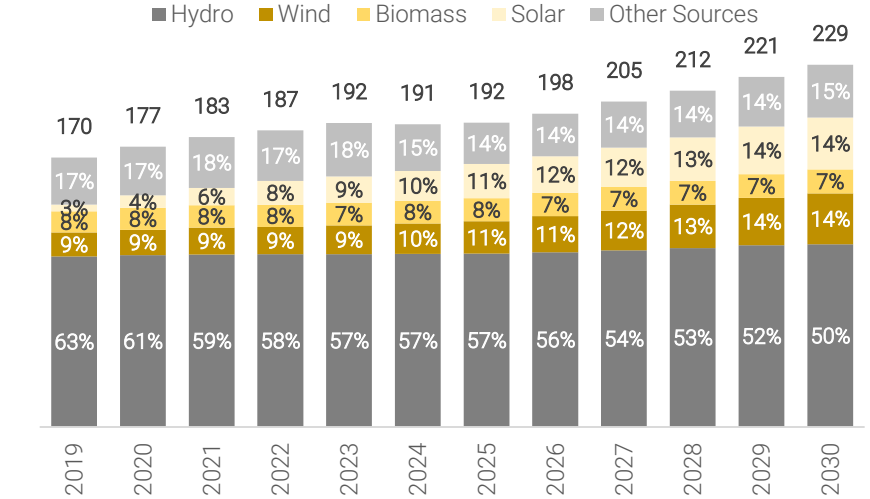


Figure 31: LCOE by Energy Source

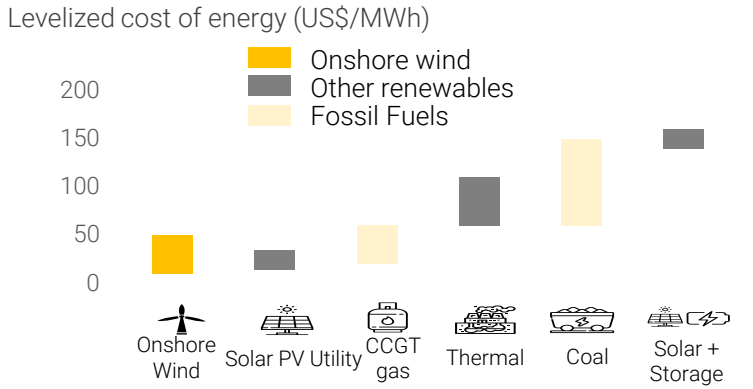


Figure 34: Transmission Lines Addition Worldwide

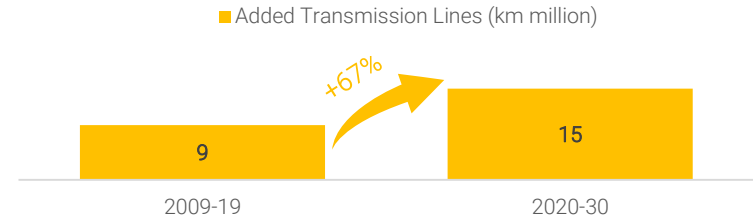
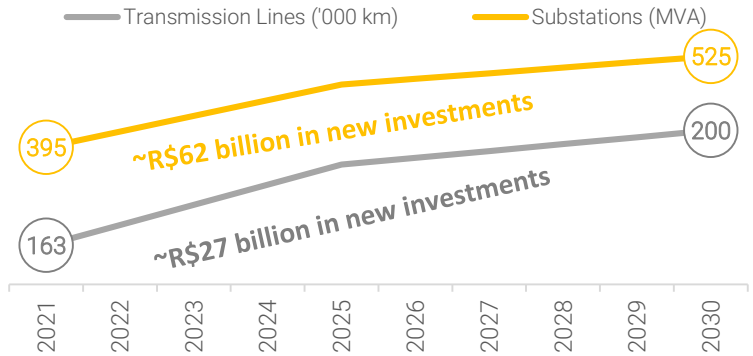


Figure 35: Brazilian Electrical Infrastructure in the Next Decade



Source: Lazard, EPE, IEA, IRENA and XP Research.

Wind Market Should Continue to Gain Relevance...

Following a record-high year in 2020 for new wind capacity installations (+92 GW, +56% YoY) and mainly driven by established markets, (China, Europe and North America expected to add ca. 41%, 16% and 11% of total new installations between 2020-25, respectively), wind capacity addition should grow at a ~4% CAGR in the next five years (see Figure 37), according to GWEC (Global Wind Energy Council).

With ~18 GW of installed capacity, Brazil currently occupies the 8th position as largest wind market. The country counts with a propitious kind of wind in the Northeastern region (good speed with low turbulence and with a constant single direction), where wind farms have an outstanding capacity factor, already having registered record-highs of 59%, vs. the global average of 25% and Brazil's average of ~42%.

Furthermore, Figure 39 shows that both hydro and wind are seasonal and asymmetrical, i.e., when hydro has its capacity factor at its peak, wind has it at its low, and vice-versa. This is an important reason why wind energy bodes well for complementing hydro capacity, and thus as a viable power source to reduce Brazil's dependence on its most relevant source.

Figure 36: Largest Wind Power Markets (GW)

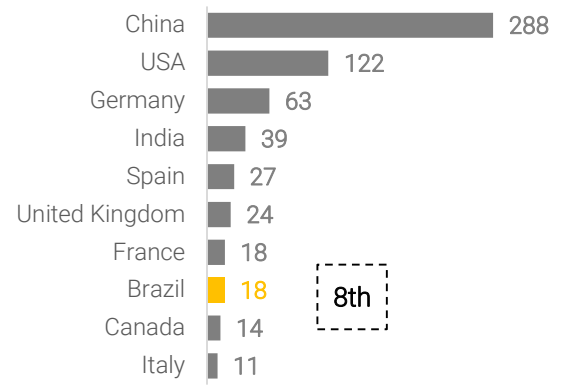


Figure 37: New Wind Capacity Installations Worldwide (GW)

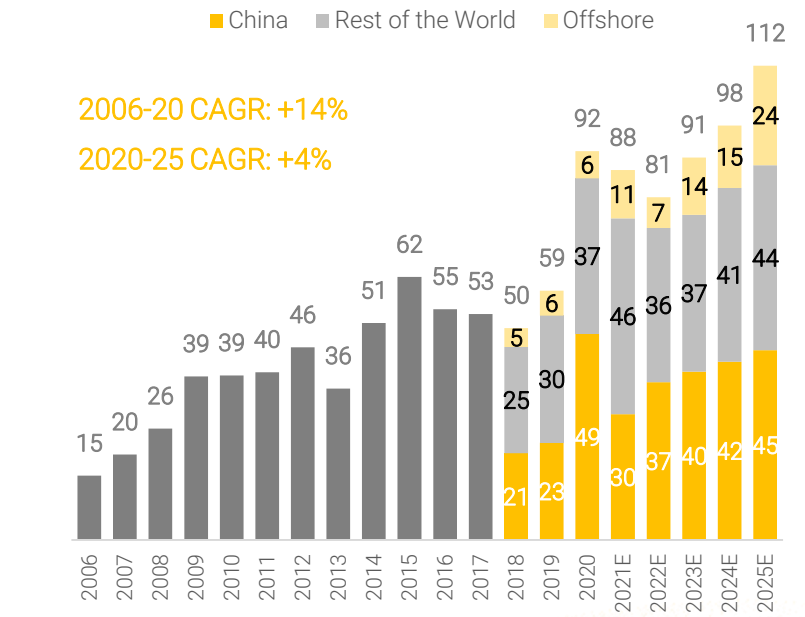


Figure 38: Brazil's Historical Wind Capacity (GW)

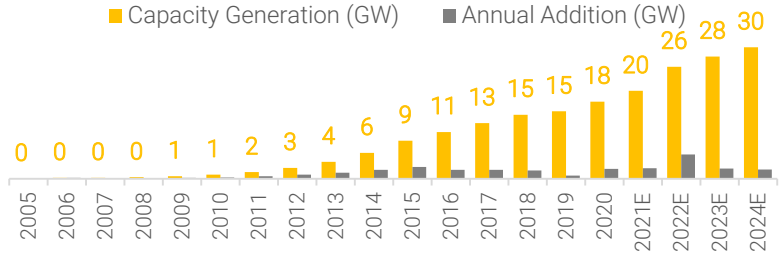
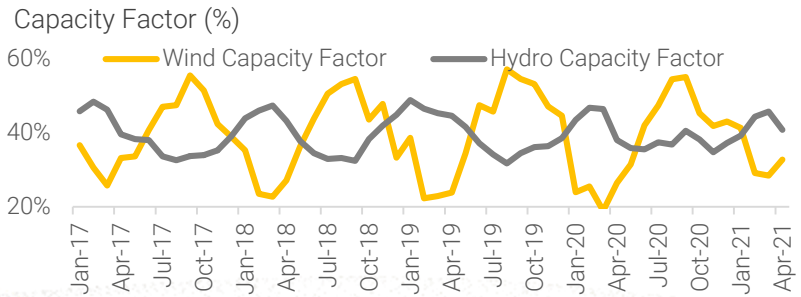


Figure 39: Wind Energy to Complement Hydro Capacity in Brazil



Market to Watch: India

Renewables Poised to Expand

Outlined by India's Primer Minister, the country's National Energetic Plan foresees an increase in renewable power installed to 175 GW in 2022 (from 86 GW in 2019), and to 450 GW by 2030. In that regard, company "ReNew Power", one of the largest renewable energy producers aims to invest US$9bi in wind and solar projects throughout 2025.

WEG's Positioning

Wind Production Expected to Begin

In the short-term, WEG expects to start manufacturing wind turbines in its Indian production facility, in Hosur (which can be quickly prepared for this product production). WEG complies with local content rules and it is a well-known brand in the country.

Source: GWEC, CCEE, ANEEL, IRENA and XP Research.

...and It Is Not Different for the Solar Market

With expectations to increase by a 10% CAGR in the next five years, solar energy capacity can be categorized as the fastest-growing renewable source in the near-future, mainly driven by the Chinese market (~35% of total capacity addition in the analyzed period), followed by Asia-Pacific (~24%), Europe (~18%) and Americas (~16%) – see Figure 41 for more details.

Looking at the domestic market, Brazil currently occupies the 16th position as largest solar market, with recent installations' expansion mainly driven by solar distributed generation equipment (analyzed in detail in the next section). However, this source represents only ~4% of total generated capacity, below largest solar markets' levels of ~10-15%, in spite of Brazil's above-average capacity factor of ~20%, one of the world's highest in that regard (Figure 43).

Figure 41: New Solar Capacity Installations Worldwide (GW)

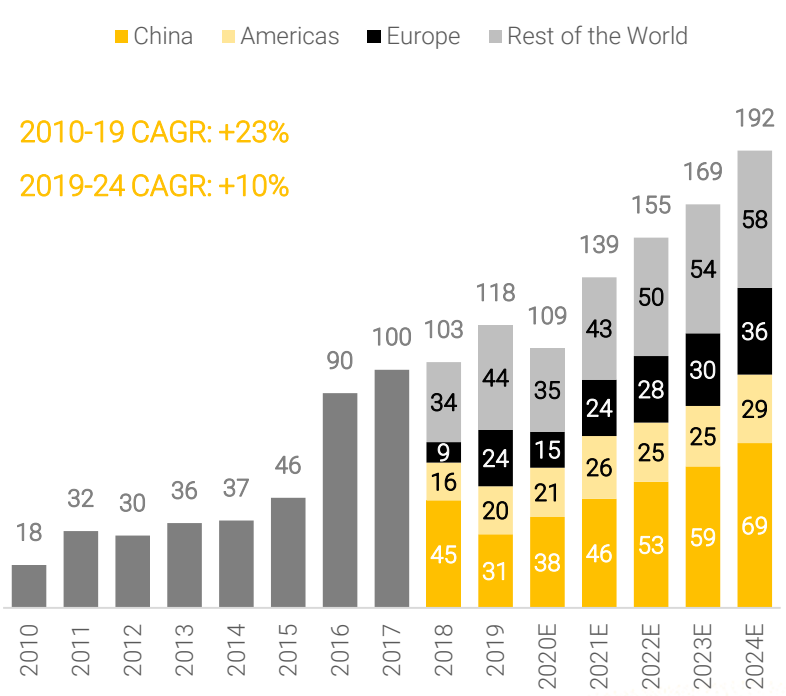


Figure 42: Brazil's Historical Solar Capacity (GW)

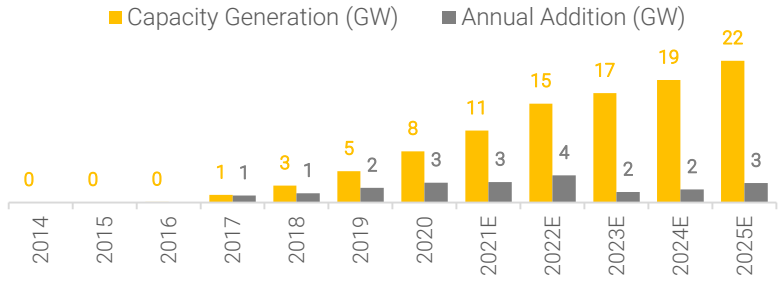


Figure 43: High-Capacity Factor Not Followed by Matrix's Relevance

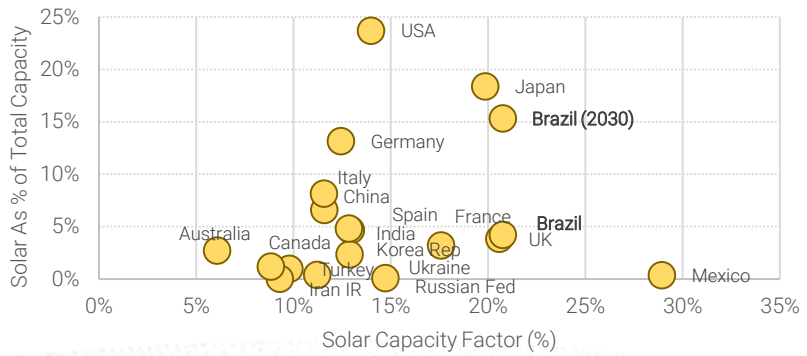
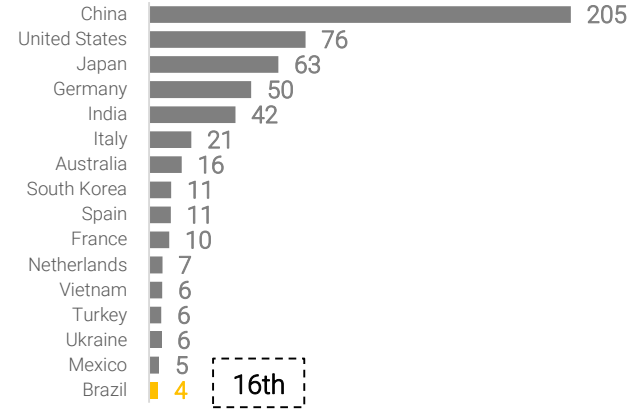


Figure 40: Largest Solar Power Markets (GW)



Markets to Watch: Colombia/Argentina

Governments Promoting Renewable Sources

Colombia: Since 2019, Colombia's government has been facilitating the imports of equipment of wind and solar energy equipment. Renewable sources are expected to comprise about 12% of Colombian total electricity in 2022.

Argentina: Launched in 2016, "Plan RenovAr" aims to change electricity generation in Argentina.

WEG's Positioning

Solar Getting More Relevance in South America

Colombia: stablishing alliances with generation companies, while developing partnerships with local integrators.

Argentina: opportunities in large solar projects equipment and transformers, with a similar business model seen in Brazil. WEG complies with local content rules.

Source: GSC, IRENA, ANEEL and XP Research.

A Closer Look at Solar Distributed Generation in Brazil

Characterized as small energy projects (total capacity below 5 MW, according to Resolution 482/12, the segment's regulatory landmark), solar distributed generation (DG) has been the main responsible for the rapid adoption of solar capacity in Brazil over the past years (see Figure 44). We note that due to its (i) low payback figures (~5 years for a residential project in 2020 vs. ~13 years at the beginning of the decade), boosted by government subsidies, and (ii) easier adaptability for residential purposes, DG should continue to drive Brazil's solar future growth.

With the goal of predicting the growth impacts of removing DG's government incentives (an ongoing discussion in Brazil's Congress), EPE (Energy Research Office) stablished four different scenarios, partially or fully removing such subsidies in order to forecast the long-term capacity level that DG should achieve. In that regard, we still expect relevant expansion in all different cases, regardless of federal incentives (energy capacity CAGR ranging between [i] +16% in a scenario where all energy tariffs' subsidies are removed, and [ii] +23% where all energy tariffs' subsidies are maintained).

Worth noticing that WEG has quickly positioned itself within this market, soon becoming one of the largest players in Brazil in terms of delivered solar kits units (see Figures 47 and 48).

Figure 44: Historical Capacity of Distributed and Centralized Solar Generation in Brazil

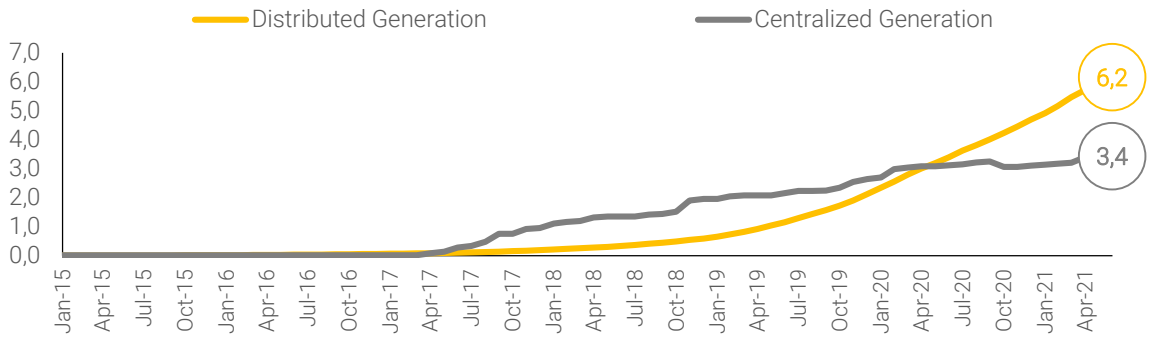


Figure 45: EPE's Long-Term Growth Forecast for Solar DG in Brazil

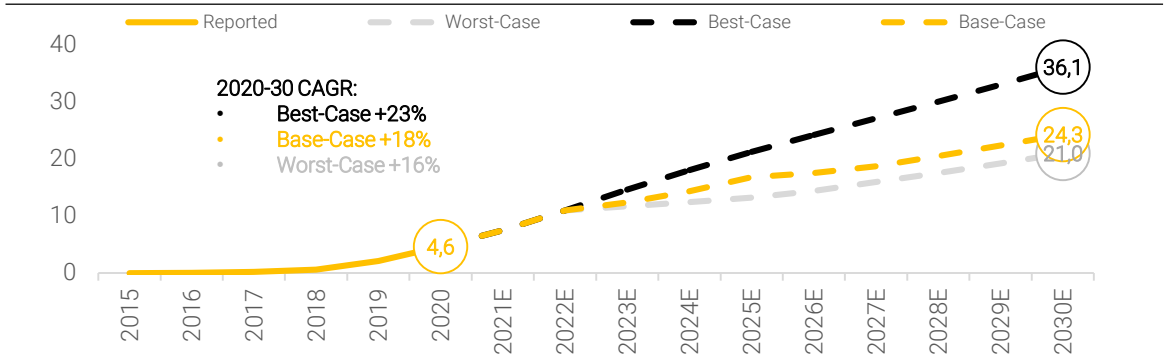


Figure 46: WEG's Positioning Within DG's Production Chain

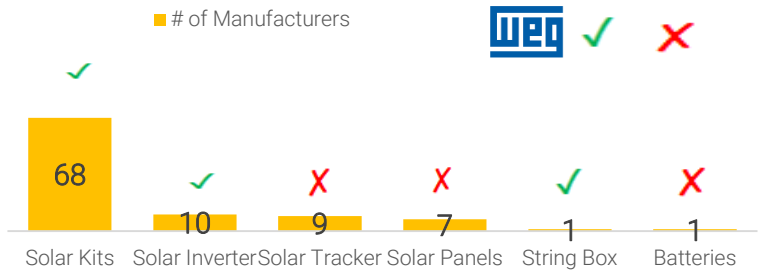


Figure 47: WEG's Historical Solar Kits' Deliveries

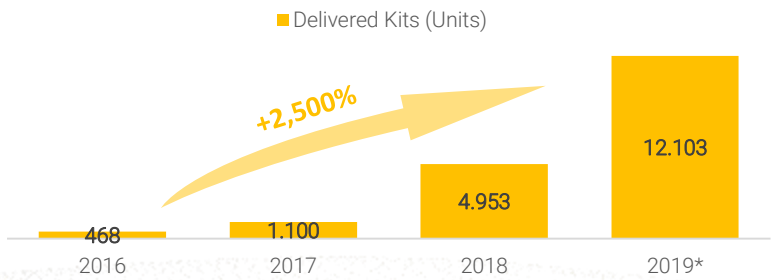
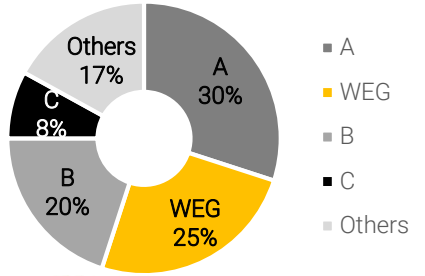


Figure 48: Solar Distributed Generation Market Share



Source: EPE, ANEEL, ABSOLAR, Company Data and XP Research. *January-October 2019.

Commercial and Appliance Motors | Paints and Varnishes

Cyclical Business Units

Commercial and appliance motors: WEG manufacturers single-phase motors for durable goods, such as washing machines, air conditioners, water pumps and other household appliances. With a traditional domestic exposure, WEG's revenues from foreign markets have gained more relevance over the past years, particularly after the internationalization plans for this division accelerated in 2014 with an acquisition in China. As a short-cycle business, changes in demand are rapidly transferred to the industry, with prompt impacts on production – in that regard, recent industry data suggests an immediate rebound subsequently to the pandemic downturn in 1Q20-2Q20 (Figures 50 and 51).

Paints and varnishes: With a primarily focus on the Brazilian market (~80% of this division's revenues), WEG ranks among the largest coating manufacturers in Latin America, being the largest manufacturer of powder coatings in Brazil with exposure to the marine and anticorrosive paint market. Due to its (i) diversified client base, (ii) short-cycle product profile, and (iii) industrial application, we see paints and varnishes' performance mostly related to overall industrial activity in Brazil (see Figure 49).

Figure 49: WEG's Domestic Paints and Varnishes vs. Brazil Industrial Production (YoY)

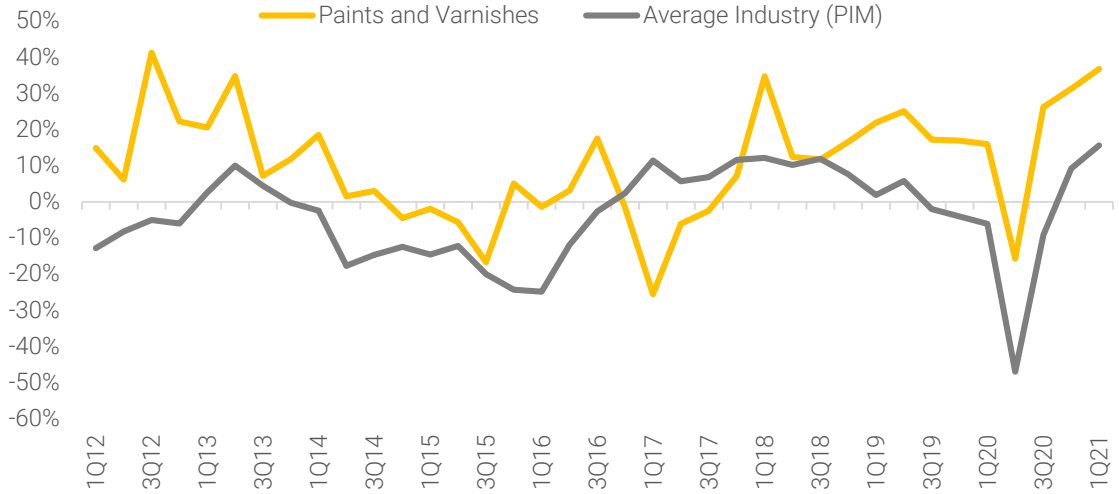


Figure 50: WEG's Domestic Commercial Motors vs. Brazil Household Production (YoY)

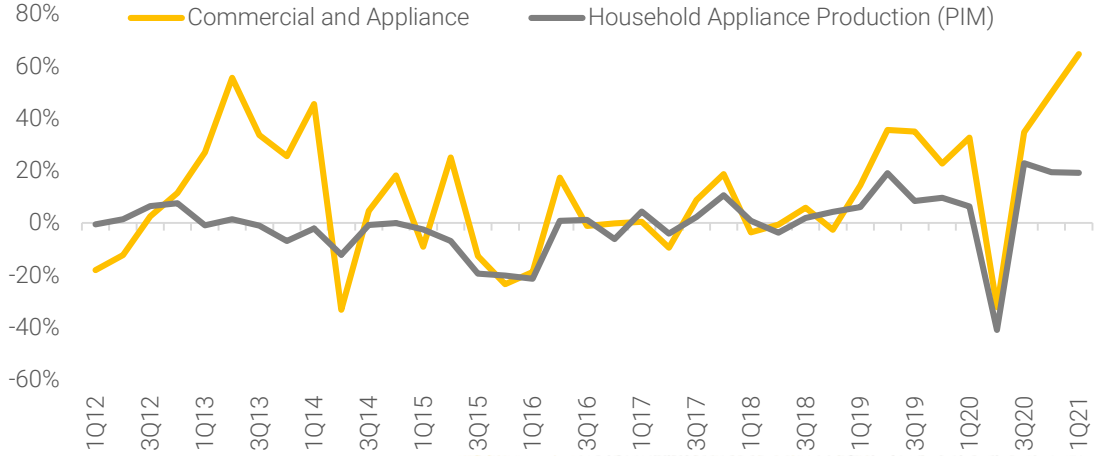
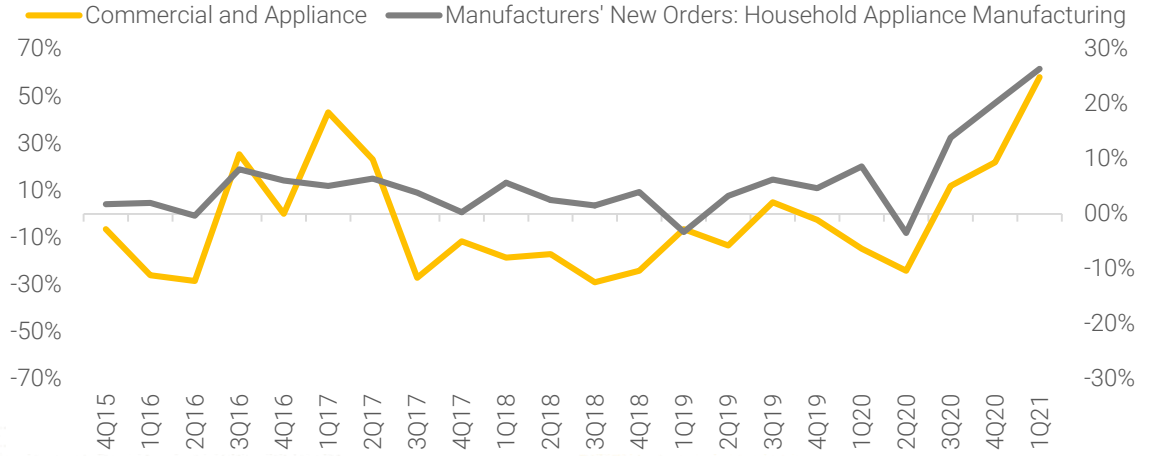


Figure 51: WEG's External Commercial Motors vs. U.S. Household New Orders (YoY)



Source: IBGE, FRED and XP Research.



Well-Positioned for Future Growth

WEG at a Glance

Diversified Top-Line Profile

WEG has a diversified top-line profile, with vast products portfolio and exposure to several geographies (manufacturing plants in 12 countries and present in more than 135 countries). Below we provide a summary of WEG's (i) core-businesses, (ii) its main products and (iii) most relevant sales drivers for its divisions:

- **Electro-Electronic Industrial Equipment:** Electric motors, drives and industrial automation equipment. Its products can find application in basically all segments at industrial businesses, with relevant exposure to heavy industries such as oil & gas, metals & mining, pulp & paper and sanitation.
- **Energy Generation, Transmission and Distribution:** Generators for hydraulic and thermal power plants (biomass), hydro and wind turbines, transformers, inverters, substations, alternators and solar kits.
- **Commercial and Appliance Motors:** Products focused on market of single-phase motors for durable consumer goods, like washing machines, air conditioners and water pumps, among others.
- **Paints and Varnishes:** Liquid paints, powder paints and electro-insulating varnishes for industrial application in Brazil and Latin America.

Figure 52: Revenue Breakdown

Divisions	% of Revenues (2Q21 LTM)	Revenue Breakdown		Main Products	Market Drivers
		Domestic	External		
Electro-Electronic Industrial Equipment	50.0%	33.7%	66.3%	Low- and medium-voltage electric motors; gear boxes; drives; controls; panels	Domestic and global markets Capex cycles and fixed capital formation, mainly supported by capital intensive sectors (e.g., metals and mining, oil and gas, pulp and paper etc.)
Energy Generation, Transmission and Distribution	34.7%	55.0%	45.0%	Alternators; wind turbines; power trafos; dry trafos; substations; hydro and thermal generators	Energy demand; increasing demand for renewable energy sources, especially wind turbines and solar-related products; storage at early stages
Commercial and Appliance Motors	10.7%	50.9%	49.1%	Fractional and appliance single phase motors for durable goods	Short-cycle products highly correlated to consuming trends
Paints and Varnishes	4.6%	80.8%	19.2%	Power paints and varnishes	Brazil industry performance; cross-selling profile with other segments which WEG operates

Source: Company data and XP Research.

End-to-End Electric Supplier

Vast Product Portfolio Compared to Competitors

WEG has a strategic vision about offering solutions of electronic machines, since its generation up to consumption. It owns a unique position compared to other companies, with a portfolio that encompass industrial electro-electronic equipment, energy generation, transmission and distribution and commercial & appliance products.

Figure 53: WEG Product Portfolio

Companies	Industrial Electro-Electronic Equipment						Energy Generation, Transmission and Distribution									Commercial & Appliance	
	Industrial	High-Voltage	Gear Boxes	Drives	Controls	Panels	Alternators	Thermal	Small Hydro	Wind	Solar	Power Trafos	Dry Trafos	Distrib. Trafos	Substations	Fractional	Appliance
WEG	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗
SIEMENS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗
ABB	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✗
Schneider Electric	✗	✗	✗	✓	✓	✓	✗	✗	✗	✗	✗	✓	✓	✓	✗	✗	✗
REGAL	✓	✓	✓	✓	✗	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓	✓
Nidec	✓	✓	✗	✓	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓	✓

Source: Company Data and XP Research.

State-of-the-Art Facilities

Top-Notch Industrial Park With High Degree of Verticalization

Well-diversified industrial footprint: WEG counts with 46 industrial facilities in 12 different countries and commercial branches in 36 countries. Its largest production facility locates in Jaraguá do Sul (largest low-voltage motor production facility in the world), in the Southern region in Brazil, relying on a state-of-the-art production operation, which we expect to be progressively replicated to its other facilities.

Below we describe the main competitive advantages we see in WEG's production model:

- **Highly verticalized facilities:** Allowing for production flexibility and a more competitive cost structure, WEG owns (i) manufacturing units for iron and aluminum casting, steel stamping, wire manufacturing and machining, as (ii) assembling units, reducing the need for third-party providers.
- **Modular expansion:** WEG's production system is based on modular expansion, avoiding idle capacity build-up and leading to capital allocation flexibility in times of economic recessions (as seen in Figure 56), thus lowering demand risks on a production standpoint.
- **Mass customization enables WEG to be ahead of competition.** In order to differentiate itself from competitors, WEG offers small lots of products with high levels of customized details under request, with strategy defined as a "mass customization" rather than a "mass production".

Figure 55: WEG's Main Strategic Pillars

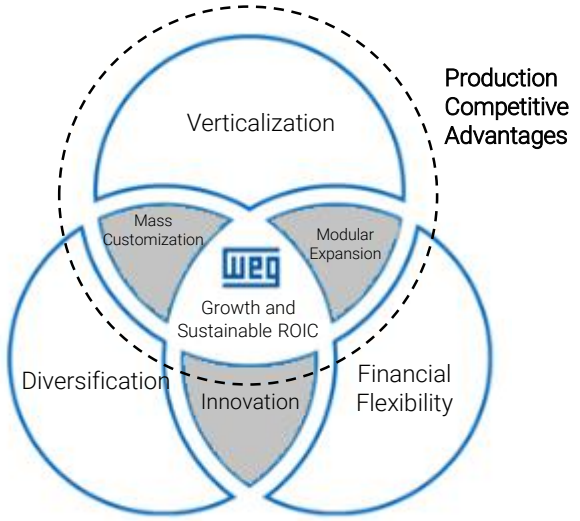


Figure 54: International Presence

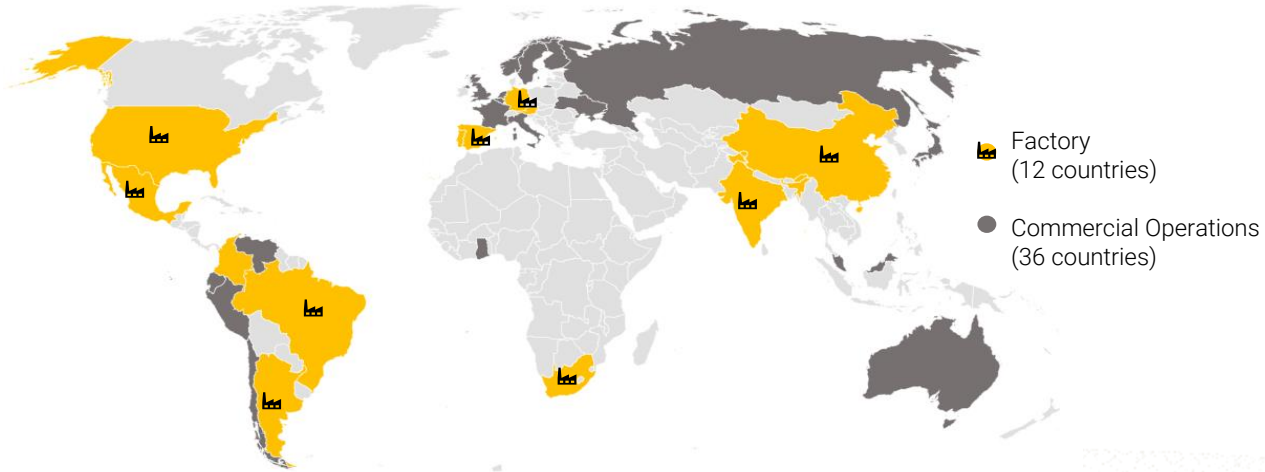
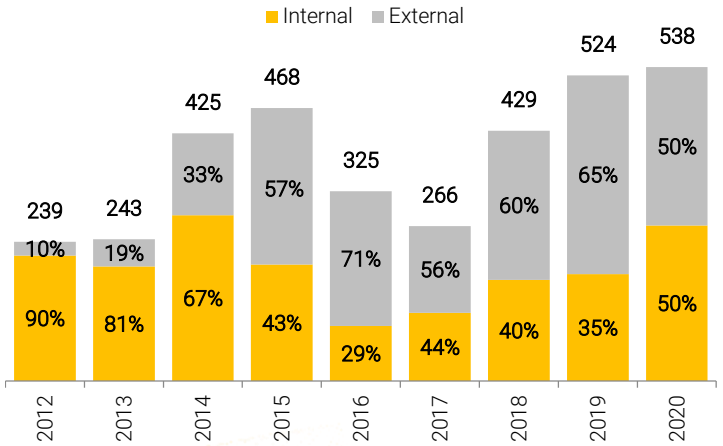


Figure 56: Capex Breakdown



Source: Company Data and XP Research.

Internationalization Increases WEG's Addressable Market

Gaining Exposure to External Markets

International markets becoming more relevant. WEG was founded in 1961 in Jaraguá do Sul (Santa Catarina state, in Brazil), while expanding its industrial footprint to international locations in the early 2000s, with a series of acquisitions of production plants abroad (Mexico, Argentina, Portugal and China as the first new sites in terms of foreign production capacity). In the 2010-20 period, WEG continued its internationalization plans, with currently 34% of consolidated revenues produced and sold abroad (vs. only 7% ten years ago), and thus reducing its Brazil-exposure (see Figures 58 and 59 for more details).

Broadening its addressable market. With a significant market share of core-products in the domestic market (low- and medium-voltage electric motors up to 70-90% share in Brazil), WEG can broaden its addressable market by entering onto markets where it does not hold an incumbent position (markets of US$12.5 bi, US$12.2 bi and US$18.7 bi in North America, Europe/ME and Asia-Pacific, respectively, with a combined share of only 3%). We believe this prompts promising growth opportunities as WEG progressively replicates its domestic production business model to its international facilities (advancements already taking place in Mexico and China, for example).

Figure 57: WEG's Market Share for Selected Segments and Regions

Products	Domestic Market	External Markets			
	Brazil	North America	Europe and ME	Asia-Pacific	South America
Low Voltage Motors	80-90%	15%	8%	2%	14%
Medium Voltage Motors	70-80%	10%	5%	2%	n.a.
Commercial Motors	n.a.	11%	n.a.	n.a.	n.a.
Drives	n.a.	1%	1%	1%	n.a.
Distribution Transformers	n.a.	7%	n.a.	n.a.	n.a.
Power Transformers	40-50%	4%	n.a.	n.a.	n.a.
Gearmotors	10-20%	n.a.	n.a.	n.a.	n.a.
Gear Boxes	10-20%	n.a.	1%	1%	n.a.

Figure 58: International Markets Becoming Continuously More Relevant (% of Revenues)

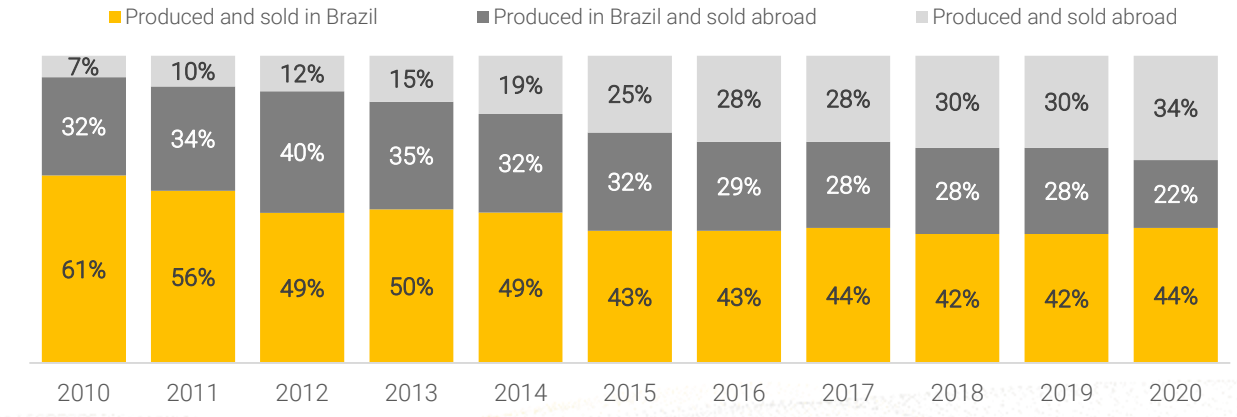
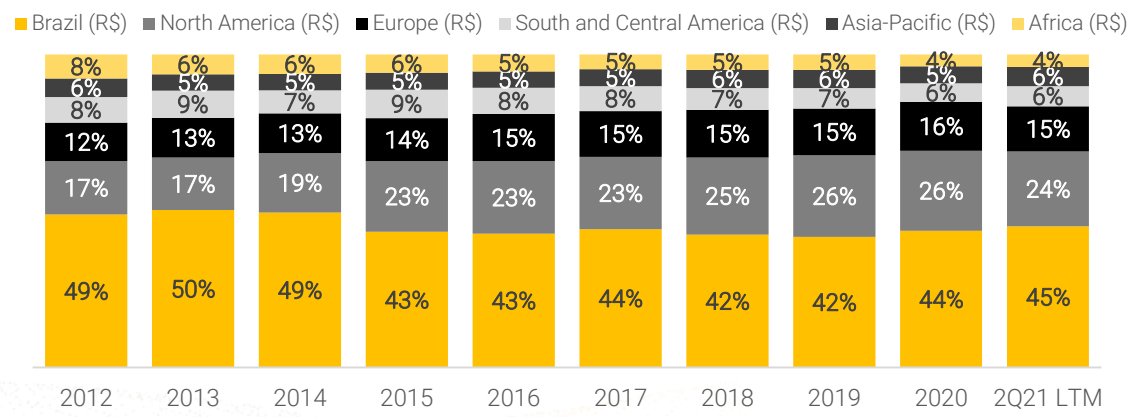


Figure 59: WEG's Net Revenues Breakdown by End-Market (% of Revenues)



Source: CADE Fillings, Company Data and XP Research.

Financial Flexibility as a Main Pillar

A Look at WEG's Main Financial Metrics

Margins follow macro cyclicality. As seen in Figure 60, we conclude that macro economic cycles are the main drivers for WEG's operating margins, mainly due to (i) a better pricing power, as its clients become more profitable; and (ii) demand pick-up implies on further operating leverage, better diluting WEG's fixed costs. As other influence factors for profitability, we highlight: (i) products' mix (non-mature products usually run at lower-than-average margin levels); and (ii) internationalization (regions with operations under implementation presents structurally lower margins compared to Brazil's); which we expect to prevent WEG from posting margin levels closer to the 1996-08 period.

Raw materials play an important role within WEG's cost structure. Due to the nature of its business, WEG has a high exposure to raw material costs such as cooper, aluminum and steel. Even though high commodity levels might indicate a strong outlook for demand, we acknowledge that upwards commodity prices could imply on gross margin's short-term volatility.

Low leverage levels prompts financial flexibility. WEG operates at low leverage levels (maximum of 0.6x in 2011), while keeping a steady dividend payout rate of ~50%, implying a flexible capital structure if further investment deployments are required (Figure 62).

Tight grip on cash cycle. Over the last decade, we note a downwards cash cycle behavior in terms of working capital consumption, ranging from 199 days in 2011 to 147 days in 2020 (Figure 63).

Figure 60: WEG's EBITDA Margin Follow Macro Environment Cyclicality

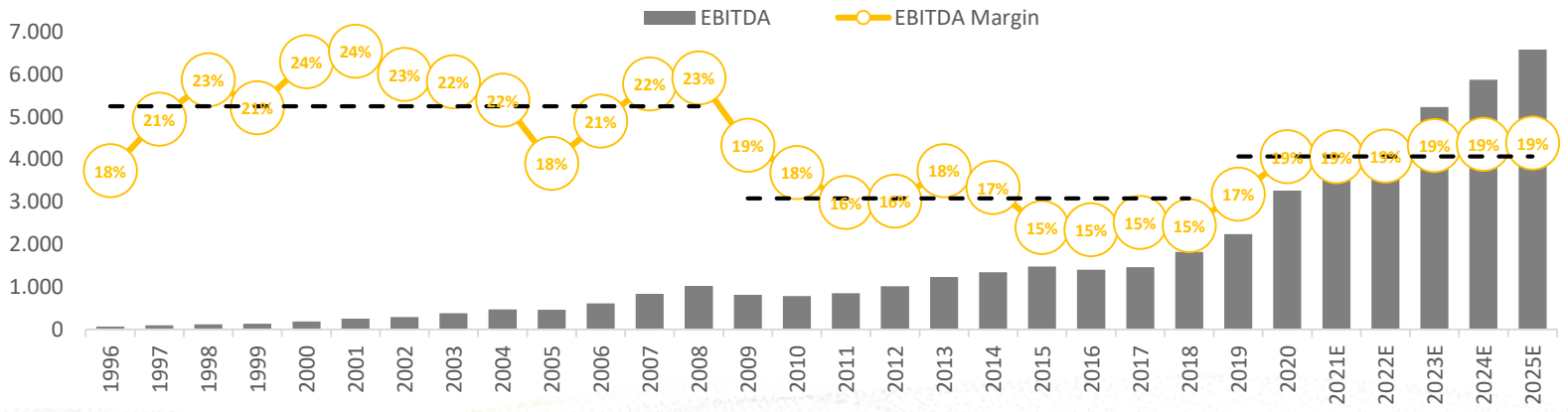


Figure 61: Costs and Expenses Composition

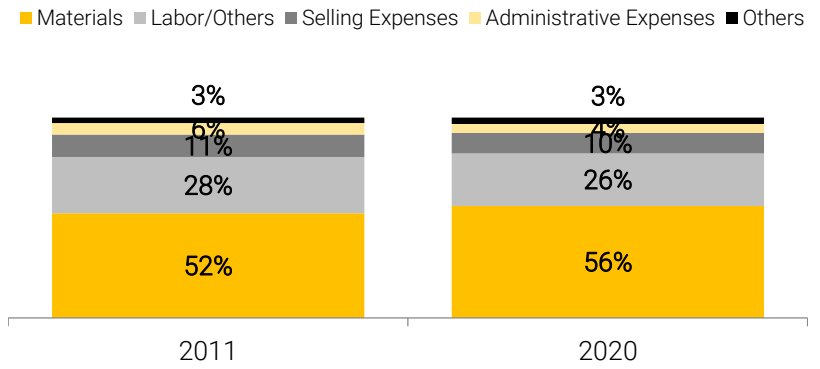


Figure 62: Leverage Levels and Historical Payout Rate

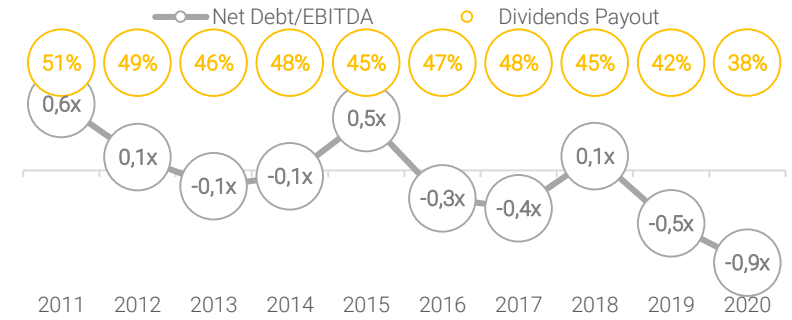
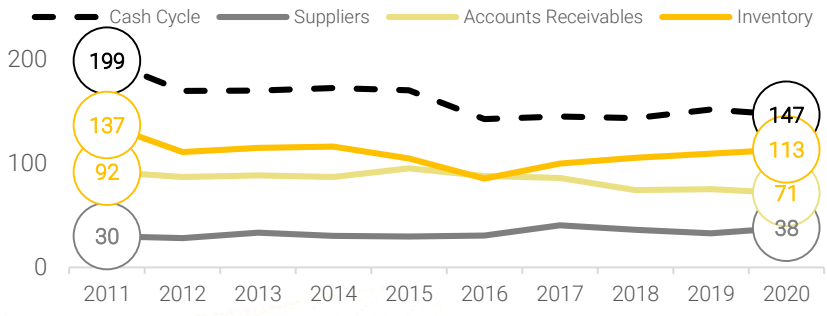


Figure 63: Working Capital Breakdown



Source: Company Data and XP Research.

WEG Has Been Consistently Growing

Dollar Exposure Adds Further Resilience to Top-Line Growth

WEG has consistently grown over the past decade. Due to its diversified products portfolio and geographically dispersed consumer base and production footprint, WEG has been able to sustain an impressive +17% top-line CAGR over the past two decades, with moderate revenues decline only seen subsequently to major economic recessions in 2009 and 2016 (see Figure 66).

Foreign markets' exposure adds resilience to WEG's business model. As ~56% of its sales are destined to international markets (~22% of which exported from Brazil), we note a positive top-line performance whenever BRL depreciates, adding portfolio resilience as Brazil's domestic economy deceleration is usually accompanied by currency depreciation. Historically, we estimate a consolidated revenue CAGR of 8% over the 2010-20 period when excluding acquisitions and FX changes in foreign markets.

Figure 65: WEG's Growth Heat Map (YoY Revenue Growth)

Revenues Growth (YoY)	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Revenues (R$, Excl. FX Changes)	5.5%	3.6%	7.8%	0.7%	-8.4%	4.3%	12.2%	6.2%	12.5%
Electro-Electronic Equipment	7.4%	3.9%	5.7%	-12.5%	-7.9%	13.8%	13.1%	4.4%	7.6%
GTD	18.8%	-4.0%	19.9%	40.9%	-5.3%	-1.8%	37.0%	8.0%	23.8%
Commercial and Appliance	-1.2%	33.9%	19.6%	12.8%	-5.9%	3.3%	-12.6%	10.5%	10.9%
Paints and Varnishes	29.2%	16.5%	1.2%	0.3%	0.4%	-3.0%	7.9%	19.7%	16.2%
Internal Revenues (R$)	3.9%	13.8%	13.0%	9.0%	-5.3%	5.0%	20.9%	9.5%	37.2%
Electro-Electronic Equipment	6.2%	9.8%	9.1%	-15.7%	-12.0%	23.9%	7.9%	12.8%	43.3%
GTD	-2.1%	9.3%	28.3%	64.1%	-2.9%	-6.4%	41.3%	1.2%	40.8%
Commercial and Appliance	-4.1%	34.6%	7.3%	-8.9%	-1.8%	4.7%	-0.2%	27.1%	22.5%
Paints and Varnishes	21.4%	17.3%	4.1%	-5.1%	4.1%	-6.5%	17.8%	20.0%	15.2%
External Revenues (US$)	18.3%	-2.6%	7.0%	-1.4%	-7.3%	8.3%	13.2%	4.6%	-3.3%
Electro-Electronic Equipment	8.3%	-0.1%	3.4%	-10.4%	-6.1%	9.8%	15.6%	1.1%	-6.7%
GTD	63.1%	-18.5%	8.7%	7.4%	-9.0%	5.6%	30.3%	17.9%	4.0%
Commercial and Appliance	8.9%	32.1%	49.7%	47.7%	-8.8%	2.4%	-22.5%	-4.5%	-2.1%
Paints and Varnishes	209.2%	9.9%	-20.6%	49.0%	-15.0%	14.0%	-34.4%	17.8%	22.8%

Figure 64: Breaking Down WEG's Historical Growth

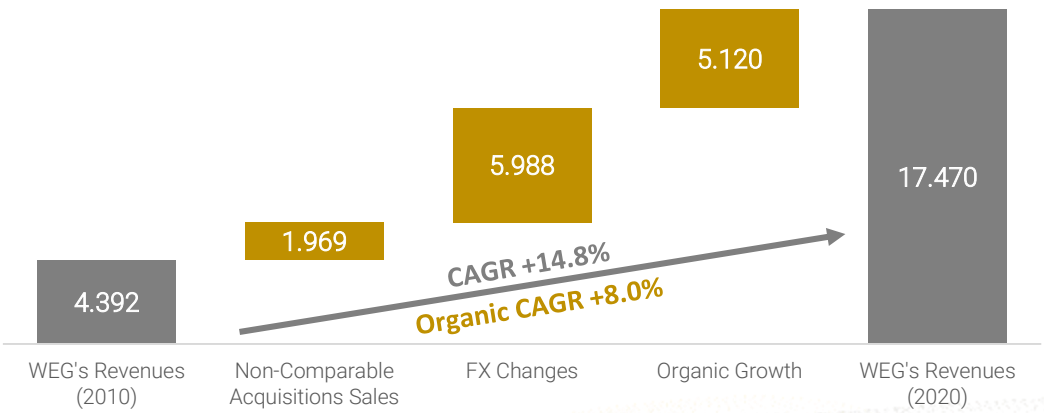
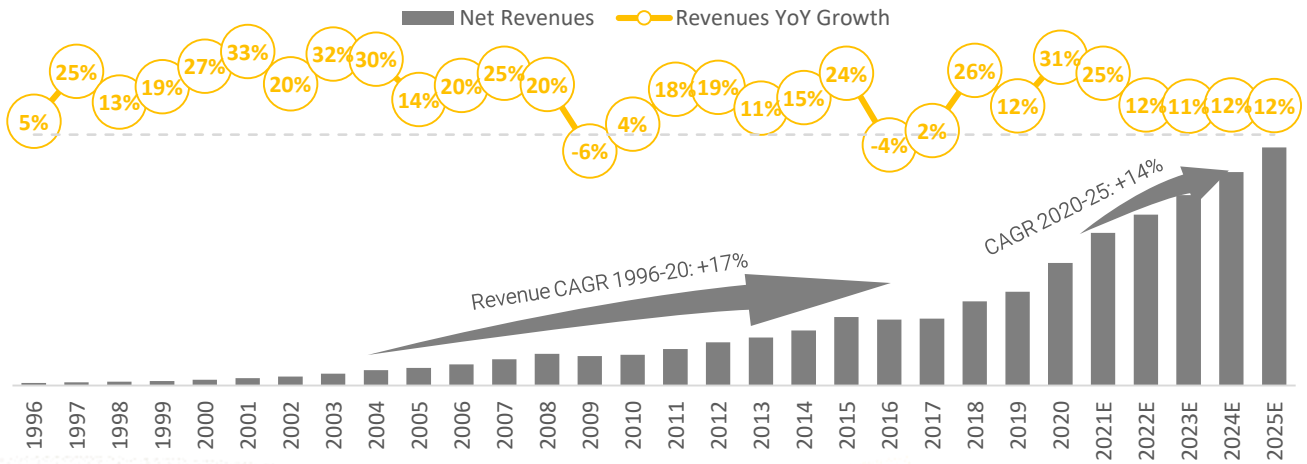


Figure 66: Impressive +17% Revenue CAGR Over the Past Two Decades



Source: Company Data and XP Research.

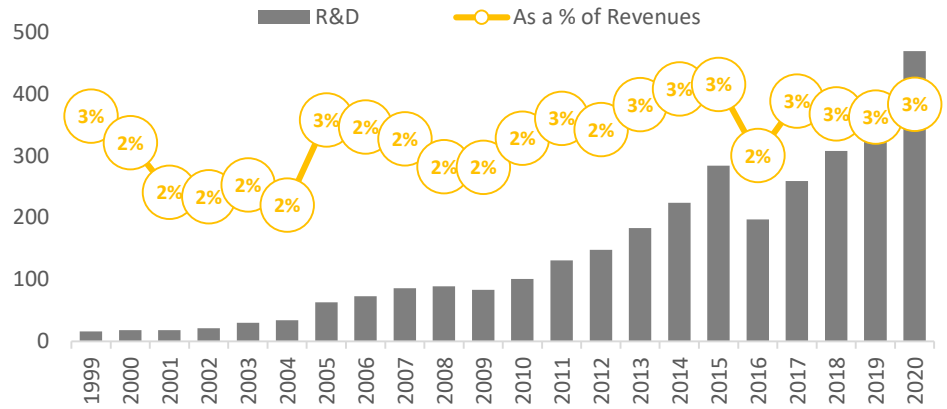
Innovative Agenda to Support Long-Term Growth

Innovation DNA Anticipates Growth Potential Trends

R&D has always been a focus. WEG has been consistently investing in R&D (Research & Development), with an average of 3% of total revenues destined for research purposes over the past two decades (see Figure 67). As a result, the company is regularly able to launch new merchandises, with 50% of products sold developed over the past five years.

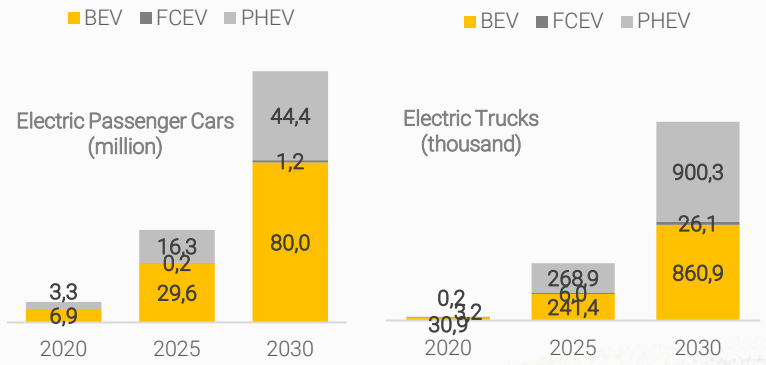
Innovation skews towards incipient and high-growth potential markets. Due to its innovation DNA, WEG has been often able to identify and serve new and incipient markets with high-growth potential. Going forward, we highlight three different segments in which the company has been calling investors' attention to: (i) electric mobility, with (a) powertrain-related products and (b) rechargeable stations for electric light vehicles; (ii) energy efficiency, offering energy storage solutions; and (iii) digital solutions, using the Industry 4.0 fundamentals as a revenue inflow.

Figure 67: R&D as % of Revenues



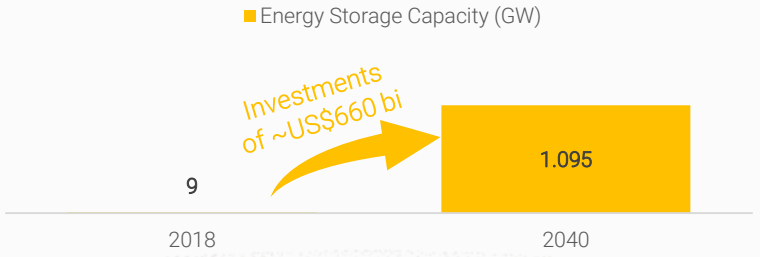
Electric Mobility

Given the high expected growth for electric vehicles, we see WEG as well-positioned to capture this market in the future. It currently develops (i) electric powertrain for light trucks (and buses, in the near-future); and (ii) rechargeable stations for commercial and residential spots with virtual interaction.



Energy Efficiency

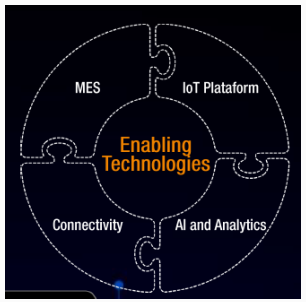
Battery energy storage systems (BEESs) are capable of exploiting energy resources, playing an important role in the capacity expansion of distributed generation systems. As renewable sources expands, so does the need for grid stabilization (achieved through BEESs) – requiring around ~US$660bi on investments to be deployed in order to increase batteries' capacity (benefiting WEG's new orders' backlog).



Digital Solutions

WEG explores digital solutions based on the fundamentals of the Industry 4.0, combining elements of artificial intelligence, computer vision, IoT and MES, both through its own platform (WEGnology) and through acquisitions (BirminD, MVisia, PPI-Multitask and V2COM, recently acquired by WEG).





Source: IEA, Company Data and XP Research.

M&As Remain an Opportunity

Recent Acquisitions Indicates Focus on Innovation

Below we provide WEG's acquisitions over the past decade. We highlight that four of the last five acquisitions are technology-oriented, with the purpose of providing WEG the expertise to provide digital solutions using key fundamentals of the Industry 4.0, such as artificial intelligence, computer vision, manufacturing execution system and internet of things. We also note three distinct strategies achieved with the company's inorganic growth historical: (i) scale gains on consolidated markets; (ii) product/revenue diversification and (iii) geographical exposure, increasing its overall addressable market.

Figure 68: Past M&As

Company	Date	Location	Purpose	Company Description
TSEA	Oct-20	Brazil (MG)	Scale	Large power transformers producer
BirminD (51%)	Jul-20	Brazil (SP)	Technology	Start-up focused on A.I. for Industrial Analytics
V2COM (51%)	Oct-19	Brazil (SP)	Technology	IoT and telemetering solution for power and smart grid systems
PPI-Multitask (51%)	Sep-19	Brazil (SP)	Technology	Industrial automation systems integration, MES, IoT
MVISIA	Jun-19	Brazil (SP)	Technology	A.I. solutions applied for computer vision
NPS (ESS)	Feb-19	U.S.A. (Vermont)	Diversification	Development and manufacturing of energy storage systems
Geremia	Feb-19	Brazil (RS)	Scale	Gear boxes and gearmotors manufacturer
CG Power Systems	Jun-17	U.S.A. (Misouri)	Geographic Exposure	Assembly and commissioning services of power transformers
NPS (Wind Turbines)	Oct-16	U.S.A. (Vermont)	Diversification	Designer and manufacturer of wind turbines
TGM	Dec-16	Brazil (SP)	Scale/ Diversification	Gear boxes, gearmotors and steam turbines manufacturer
Bluffton Motor Works	Mar-16	U.S.A. (Indiana)	Geographic Exposure	Manufacturing fractional electric motors up to 5 HP
Autrial	Sep-15	Spain (Valencia)	Diversification	Manufacturing of electrical panels for industrial equipments
Suntec	May-15	Colombia (Medellin)	Geographic Exposure	Oil and Dry transformer manufacturer
TSS	Apr-15	South Africa (Gauteng)	Scale/Diversification	High voltage transformers, mini substations, switchgear manufacturer
KATT	Dec-14	Germany (Homberg)	Scale	Electric motors manufacturer
FTC Energy Group	Oct-14	Colombia (Bogotá)	Geographic Exposure/Diversification	Manufactures and assembles electrical panels for process automation
Efacec	Sep-14	Brasil (PE)	Scale	Maintanence services for power transformers, electric motors, etc.
Machine Master	Mar-14	China	Geographic Exposure/Diversification	White goods electric motors and components manfacturer
Württembergische	Feb-14	Germany	Geographic Exposure/Scale	Electric motors and Gearbox manufacturer
Hawker Siddeley Transf.	Sep-13	South Africa	Geographic Exposure	Transformer and substantion manufacturing
Paumar	Dec-12	Brazil (SP)	Diversification	Manufacturing coatings, varnishes, enamels and lacquers
Injetel	Oct-12	Brazil (PR)	Scale	Manufacturing power switches, power outlets and plugs
Stardur	Jul-12	Brazil (SP)	Scale	Paintings producer for transformers
EM	Nov-11	U.S.A (MN)	Geographic Exposure/Scale	Desings and Manufactures motors, generators and brushless exciters
Watt Drive	Nov-11	Austria (Vienna)	Geographic Exposure/Scale	Designs and Manufactures gearboxes, gear motors, drives and control sistems
Cestari	Oct-11	Brazil (SP)	Scale	Development, manufacturing and distribution of gearboxes and gear motors
Pulverlux	May-11	Argentina	Scale	Manufacturing powder paints
EquisulGPL	Dec-10	Brazil (SC)	Diversification	Developing and manufacturing uninterruptable power supply
Instrutech	Jun-10	Brazil (SP)	Diversification	Developing and manufacturing electronic sensors for automations
Zest	May-10	South Africa	Geographic Exposure/Scale	Assembly of industrial electrical panels and electrical commissioning services provider
Voltran	May-10	Mexico	Scale	Transformer manufacturing

Tech-oriented M&As

Source: Company Data and XP Research.

ESG



ESG

An Equipped ESG Player to Benefit From the Decarbonization Trend

One of the best positioned companies within XP's coverage under the lens of ESG

The ESG trend is gaining momentum even in more traditional industries, and an increasing number of investors are pushing the sustainability agenda. In our view, the increased concerns on global warming are transforming this industry and three key changes are being noted across the sector: (i) the continued energy transition towards renewable sources; (ii) the worldwide electrification trend; and (iii) the migration of transportation system to a greener format. **As an electrification-exposed company, coupled with its exposure to the renewable energy sector, we see WEG as well-positioned to be a leading player on the shift towards a low carbon economy, while using innovation as a tool.**

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ESG
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Brazilian Industrials players have space to look for higher ESG standards. An increasing number of investors are pushing the sustainability agenda and the winds of change are even more favorable to this sector. In our view, the G pillar has the highest materiality, followed by the E and S pillars, respectively.

WEG as one of the best positioned companies within XP's coverage under the lens of ESG. Robust governance and strong efforts to embrace the growing demand for clean energy led our positive ESG view, on the back of:

(E) Well-positioned to capitalize on the growing demand for clean energy. As an electrification trend exposed company, coupled with its exposure to the renewable energy sector (both in wind and solar), we see WEG well-positioned to be a leading player on the shift towards a low carbon economy.

(S) Less material, but still important to monitor. On this pillar, we highlight two topics: (i) Labor Management: As a manufacturer of electrical equipment, WEG's operations are labor-intensive (~33k employees); (ii) Health & Safety: WEG is in accordance with the rules and guidelines of Brazilian law and international conventions, in addition to the presence of a dedicated committee and focused investments.

(G) High standards, but gender diversity fails. WEG's governance structure outperform peers, but the lack of an independent majority at the Board, together with the high number of long tenured directors, may raises concerns about Board's ability to effectively counterbalance the mgmt. Regarding diversity, there is plenty room for improvement, and we look forward to seeing more diversity in WEG's board of directors, as well as on its management team, soon.

In this section, we highlight ESG's key topics for the Industrials sector and analyze how WEG (WEGE3) screens from an ESG perspective.

Company	Ticker	Is the company listed?	Is the company in Novo Mercado?	Does it have a Sustainability Report?	Does it have a Materiality Matrix?	% of women (Board of Directors)	% of women (Board of Executive Officers)	% independent members (Board of Directors)	ESG MSCI Rating
WEG	[WEGE3]	✓	✓	✓	✓	0%	0%	28%	CCC B BB BBB A AA AAA

Source: Company Data, MSCI and XP Research.

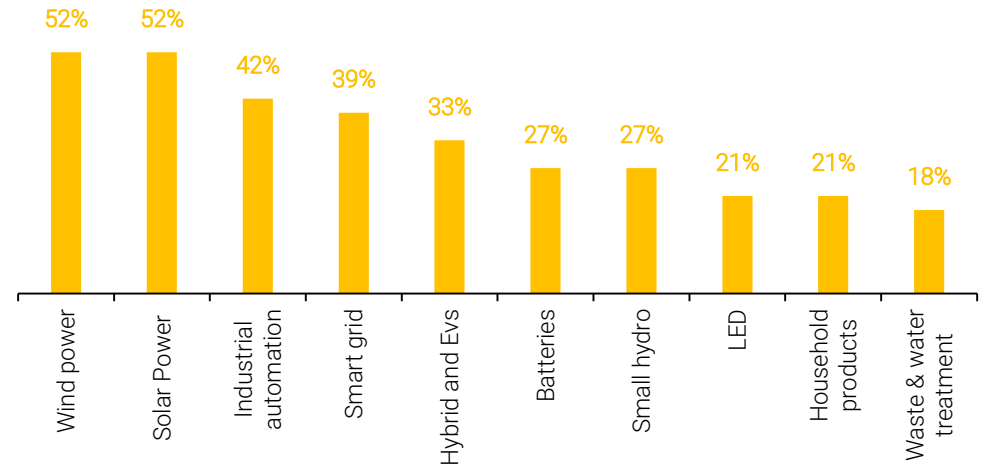
Brazil Industrials

It's Time To Push the Sustainability Agenda

The ESG trend is gaining momentum even in traditional industries like industrials. Hence, an increasing number of investors are pushing the sustainability agenda and the winds of change are even more favorable to this sector. In our view, Brazilian Industrials players have space to look for higher ESG standards, especially through the trend towards (i) the continued energy transition to renewable sources; (ii) the worldwide electrification; and (iii) the migration of transportation system to a greener format. For this industry, we see the G pillar as the most important factor regarding ESG analysis, followed by the E and S pillars, respectively. Below we highlight common ESG topics across capital goods industry, on a sector perspective.

Environmental. The electrical equipment industry is characterized by a high rate of involvement in energy and environmental impact solutions. According to MSCI, more than half of the companies in the industry were involved in the production of wind and solar power technology, and a third was involved in smart grid, hybrid and electric vehicle components that can support climate actions and help accelerate the transition to lower carbon economies (Figure 69). In our view, the three abovementioned trends provides a mix of opportunities and challenges for capital goods companies to drive the ESG agenda. Bellow we highlight the most material topics within the E pillar in this industry.

Figure 69: Clean Tech Involvement in the Electrical Equipment Industry



i. Energy Consumption: Electric motors account for ~70% of industrial electrical energy consumption. Hence, managing energy efficiency and carbon emissions of products and processes is key. In our view, changing regulation and market dynamics (such as tighter energy and carbon regulations and growing use of renewable technologies) are shaping demand for industrial equipment and services, which evidences the numerous opportunities electrical equipment companies have in its own and other industries, through efficient electric motors development and production.

ii. Opportunity in Clean Tech: Companies in this sector have a great opportunity to provide a positive impact on the global environmental footprint through the clean technology, optimizing the use of resources and reducing waste generation. Having a strategic R&D focus on such energy and environmental impact solutions may help the companies to prepare for market opportunities in the post-pandemic world, as many countries are seeking for economic recovery using green stimulus. In our view, the global focus on climate change solutions may open opportunities for companies in the industry to capitalize on increased demand for energy and environmental impact solutions. Hence, we see the sector in a strong position to address and benefit from the demand for clean energy.

iii. Toxic Emissions & Waste: According to MSCI, most of the business lines in the industry generate low amounts of hazardous air pollutants like volatile organic compounds (VOCs) that affect public health. On the other hand, electrical component companies could generate byproducts, which are required to be recycled or disposed. Hence, investments in technologies and on constant process improvement by establishing environmental objectives and targets are required, especially related to (i) treatment and disposal of waste and (ii) atmospheric/liquid emissions.

Source: Company Data, MSCI and XP Research.

Brazil Industrials

It's Time To Push the Sustainability Agenda

Social. Those risks are generally limited for companies in this sector but are mainly related to (i) labor management and (ii) health & safety.

i. Labor Management: With operations across continents and large workforces, labor management is a key issue for companies in this industry. Capital goods' companies rely on the productivity of relatively large workforces, thus robust employee engagement programs and comprehensive benefit plans aiming to manage risks associated with labor management are key.

ii. Health & Safety: Changing consumer behavior is driving increased automation at production plants and shifts in the skillset of companies' labor force to meet targeted operating efficiency strategies. Automation, digitalization, and robotics are global trends in the capital goods industry. However, at the same time they will fundamentally change the work environment for employees in the manufacturing industry. Given that equipment production is associated with the risk of employee injuries, including regulatory penalties and operational disruptions, companies in this sector should have safety management policies to mitigate those risks.

Governance. As stated in all our previous ESG reports, corporate governance is a key issue for all companies, regardless of industry. In our view, good corporate governance practices support the long-term sustainability of a company and balance of the economic and social interests of its different stakeholder groups, and this does not differ for the capital goods industry.

Source: MSCI and XP Research.

WEG (WEGE3)

An Equipped ESG Player to Benefit From the Decarbonization Trend

Robust governance and strong efforts to embrace the growing demand for clean energy led us to see WEG as one of the best positioned companies within XP's coverage under the lens of ESG. As an electrification trend exposed company, coupled with its exposure to the renewable energy sector (both in wind and solar), WEG is committed to sustainable practices, being well-positioned to be a leading player on the shift towards a low carbon economy, while using innovation as a tool.

Environmental: Well-positioned to capitalize on the growing demand for clean energy. Increased concerns on global warming are transforming the capital goods industry. In our view, three key changes are being noted across this sector: **(i)** the continued energy transition towards renewable sources; **(ii)** the worldwide electrification trend; and **(iii)** migration of transportation system to a greener format. As an electrification trend exposed company, coupled with its exposure to the renewable energy sector, we see WEG well-positioned to be a leading player on the shift towards a low carbon economy.

i. **Energy Consumption**: As we previously mentioned, given that electric motors account for ~70% of industrial electrical energy consumption, managing energy efficiency and carbon emissions of products and processes is a key environmental factor for capital goods companies. Hence, we positively highlight WEG's efforts on this front, which led the company to post a 24% YoY decrease in electric energy consumption in relation to NOI (Net Operating Income) in 2020 (Figure 70).

ii. **Opportunity in Clean Tech**: Clean tech innovation is WEG's core strategy. The company invests in technological innovation mainly through WEG's Manufacturing System (WMS), a program that has eco-efficiency and cleaner production as its management practice and is based on the principles of WCM (World Class Manufacturing), which is focused on technical and management pillars, including the Environment Pillar. We believe that WEG's innovative DNA, should, in addition to anticipate high-growth segments (please refer to page 29 for further details), also lead the company to outpace peers in terms of clean tech innovation – WEG's RD&I (Research, Development and Innovation) investments totaled R$469mn, ~3% of revenues in 2020 (Figure 71).

Figure 70: Electric Energy Consumption

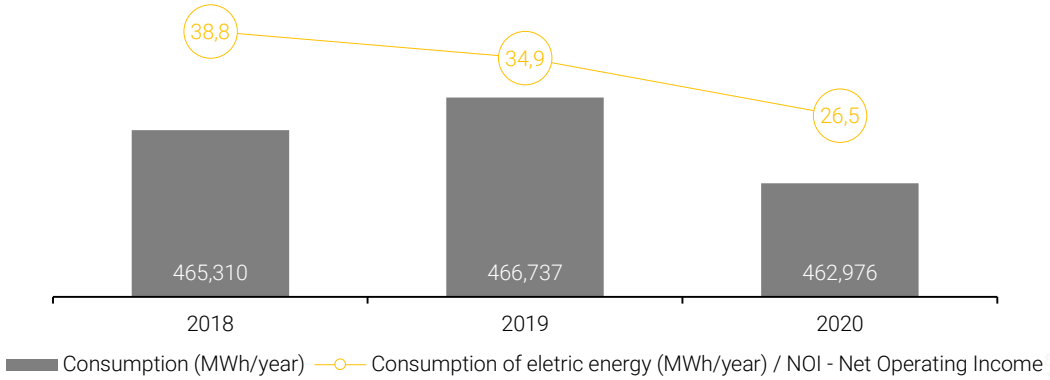
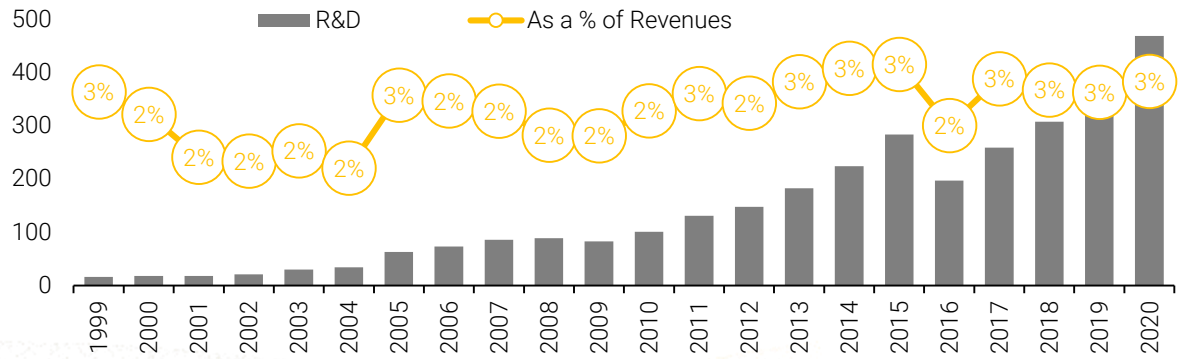


Figure 71: R&D as % of Revenues



Source: Company Data, MSCI and XP Research.

WEG (WEGE3)

An Equipped ESG Player to Benefit From the Decarbonization Trend

Moreover, WEG's exposure (i) to the worldwide electrification trend (as a power equipment producer); and (ii) to the renewable energy sector, both in wind and solar, also reinforces our view that the company is well-positioned to capture opportunity in clean tech. On this matter, we highlight:

• WEG's integrated solutions for electric vehicles (EVs): Being one of the largest global manufacturers of electric machines and automation technologies for the industry and energy systems, WEG is continuously focusing on the development of technologies that contribute to the sustainable growth of the planet - in 2020, WEG supplied ten WEMOB EVs charging stations for the VEM Paraná project to encourage the adoption of sustainable policies and the dissemination of innovative business models in urban mobility.

• WEG's contribution in promoting renewable energy: As one of the main suppliers of products and solutions for solar power plants in the country, WEG is watching closely the evolution of photovoltaic solar energy in Brazil and using all of its technological experience - in 2020, the company signed a contract with Nebras Power, a global energy development and investment company, and with Canadian Solar, one of the largest developers of solar energy projects in the world.

iii. Toxic Emissions & Waste: WEG has robust initiatives to address environmental impacts from air, water and waste emissions relative to peers, with highlight to company's Environmental Management System (EMS), which focus on (i) optimization of raw material use and inputs; (ii) development of processes and products less harmful to the environment; and (iii) optimization of waste and effluent management in manufacturing processes. In addition to WEG's great performance on reducing wastes from its manufacturing operations (Figure 72), about 87% of its solid waste is recycle or reused.

Social: Less material, but still important to monitor. On this pillar, we highlight two key topics.

i. Labor Management: As a manufacturer of electrical equipment, WEG's operations are labor-intensive – the company had about 33k employees in 2020 (Figure 73). Despite we acknowledge that WEG provides regular training for its workforce, we see room for improvement, both in terms of number of employees trained (for example, 261 employees trained in 2020 at the training in the policy to fight corruption and other detrimental acts) and scope of these training programs – according to MSCI, WEG's programs aimed at workforce management lag those of better-performing peers.

Figure 72: Solid Waste Generation

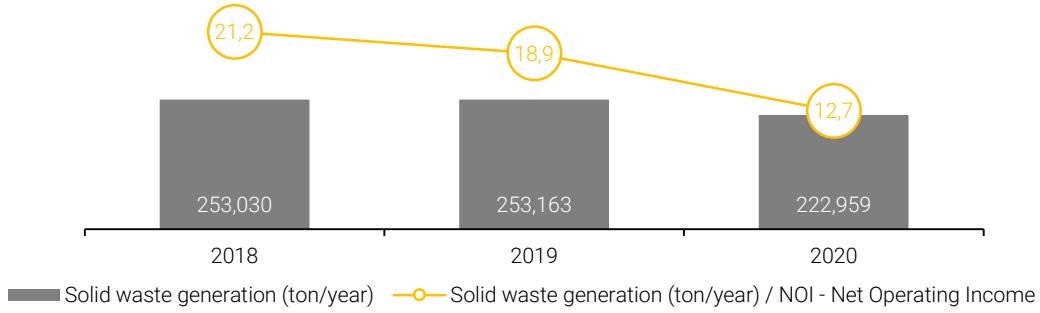
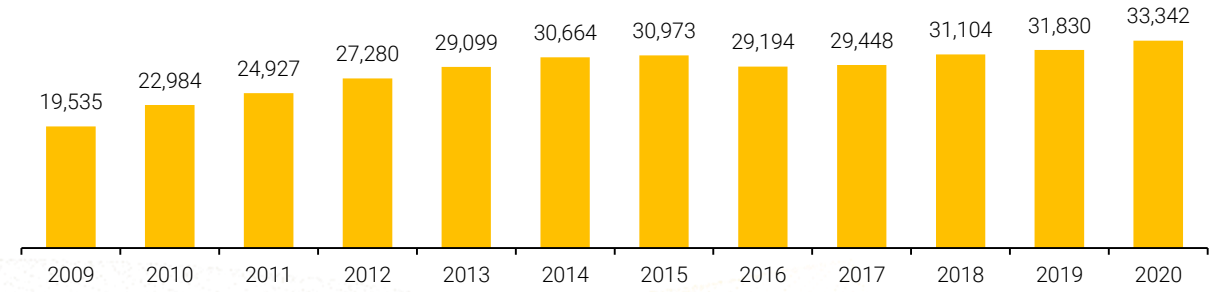


Figure 73: Number of Employees



Source: Company Data, MSCI and XP Research.

WEG (WEGE3)

An Equipped ESG Player to Benefit From the Decarbonization Trend

ii. **Health & Safety**: WEG states to be in accordance with the rules and guidelines of Brazilian law and international conventions regarding occupational health and safety of its workforce. The company has a Health & Safety committee, which we appreciate – the committee is formed by directors and is responsible for evaluating and approving improvement projects for safety and ergonomics in the workplace, as well as analyzing the results of the annual goals, objectives and indicators, supporting investments necessary to establish the necessary prevention standard. Last year, the company invested R$19mn in Safety (Figure 74) and achieved a decrease in several KPIs, such as injury rate, number of accidents and occurrences, and severity coefficient (Figure 75).

Figure 74: Investments in Safety

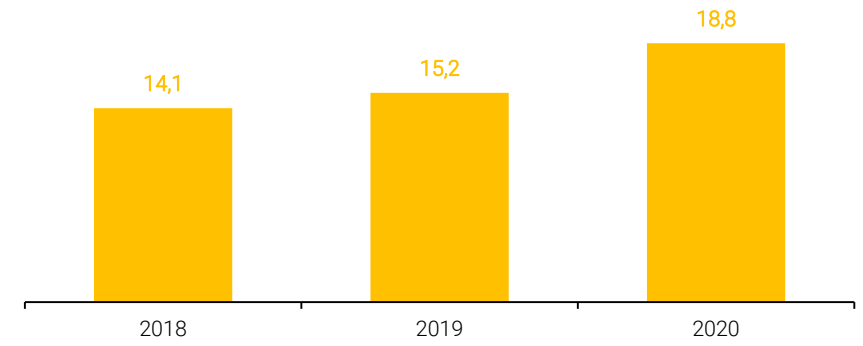
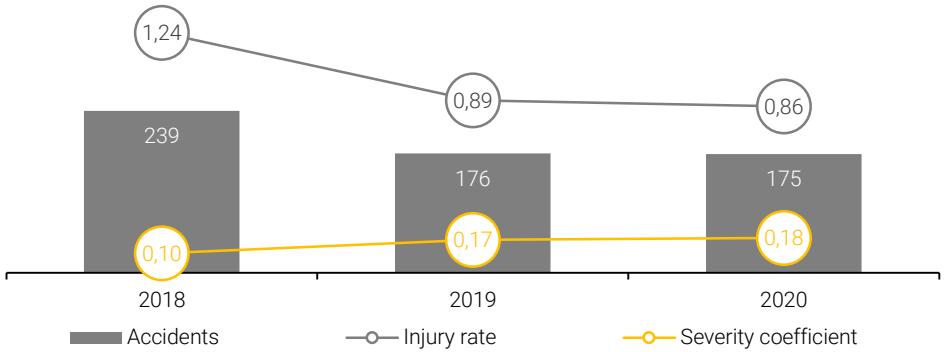


Figure 75: Safety KPIs Evolution



Governance: High standards, but gender diversity fails. WEG has its shares (WEGE3) listed in Novo Mercado segment, the highest level of corporate governance in B3, and company's governance structure outperform those of Brazilian market peers. WEG is a controlled company, with the controlling shareholder controlling 64.53% of the voting power: WPA Participações e Serviços S.A. (owned by the Founding Families) with 50.09% stake; and Founders families' members (directly) with 14.44% stake – please refer to page 41 for further details.

When it comes to company's **Board of Directors**, we note that it lacks an independent majority (2 out of the 7 members – 28%). Additionally, we flagged the board as potentially entrenched due to a high number of long-serving directors (see Figures 82 and 83, in page 42). Hence, (i) the lack of an independent majority at the Board; (ii) the absence of an independent chairman; together with (iii) the high number of long tenured directors, may raises concerns about whether the board is able to provide an effective counterbalance to management.

Regarding **diversity**, there is plenty room for improvement, once neither Board of Directors nor Board of Executive Officers (13 members) have women's presence (please refer to page 42 for Boards' composition). Several recent studies have shown that companies with too few female directors tend to be less effective and even underperform those whose boards are more diverse, and we look forward to seeing more diversity in WEG's board of directors, as well as on its management team, soon.

Source: Company Data, MSCI and XP Research.

WEG (WEGE3)

An Equipped ESG Player to Benefit From the Decarbonization Trend

On the bright side, we positively acknowledge the creation of a **Sustainability Committee** last year, which is led by the current HR Director, Mr. Hilton José da Veiga Faria. The Committee counts with a multidisciplinary team, including representatives from the five business units, a representative from abroad, and representatives from the company's strategic areas, such as IR and Environment. Finally, it's important to highlight WEG's **several awards and certifications** – see Figure 76 –, which, in our view, stresses the company's commitment with best practices for a sustainable development.

Figure 76: Awards and Certifications

ISEB3 · ICO2 B3 · MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM · MSCI · FTSE4Good · CLEAN200 · IR magazine · guia EXAME Sustentabilidade 2017

MSCI ESG Rating. WEG has a BBB rating by MSCI ESG Ratings. On a global perspective, the BBB rating places WEGE3 among the 30% companies with this rating under MSCI ACWI Index constituents within Electrical Equipment (40 companies).

Figure 77: MSCI Distribution

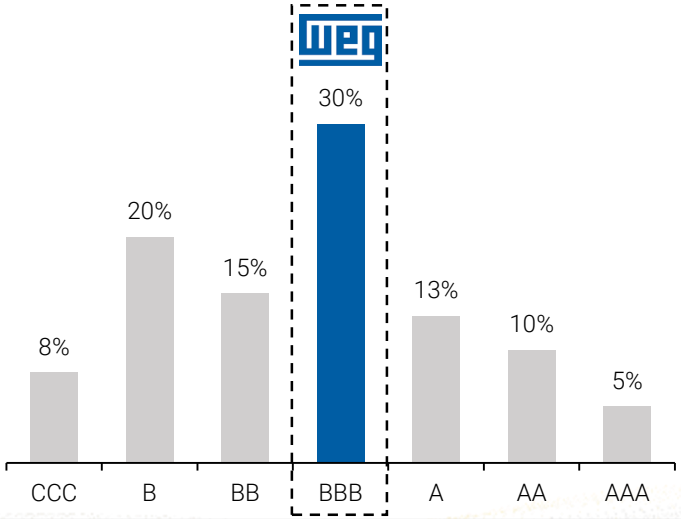


Figure 78: ESG MSCI Rating – Weights

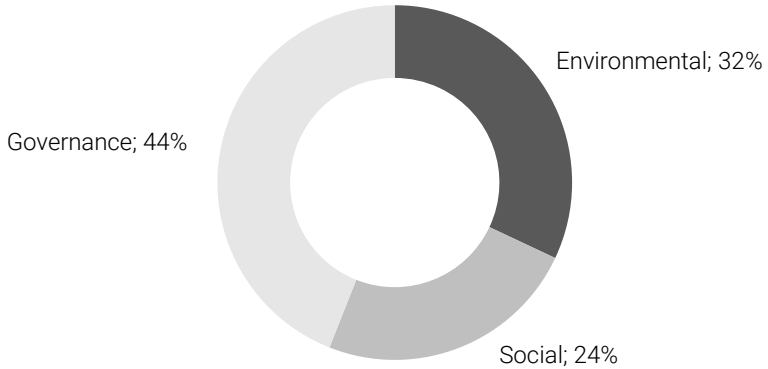
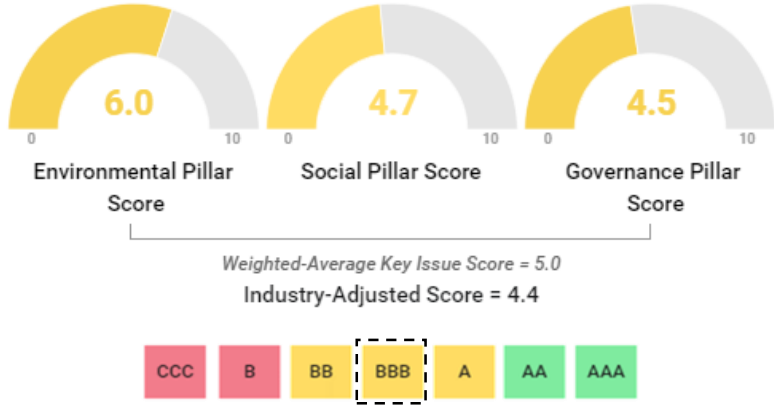


Figure 79: ESG MSCI Rating – Scores



Source: Company Data, MSCI and XP Research.



Appendix

Investment Highlights and Risks

Investment Highlights

Innovative Top-Line to Drive Future Growth	With an innovation DNA profile on energy and electronic, WEG is well-positioned to offer technological and customized solutions to clients. Its recent investments on high-growth potential markets and acquisitions of technology-oriented companies reinforce our positive stance for the company's long-term growth prospects.
Geographies Diversification Implies Top-Line Resilience	As ~56% of its sales are destined to international markets (~22% of which exported from Brazil), we note a positive top-line performance whenever BRL depreciates, adding portfolio resilience as Brazil's domestic economy deceleration is usually accompanied by currency depreciation.
Internationalization Increases Co.'s Addressable Market	With a significant market share of core-products in the domestic market (low and medium voltage electric motors up to 70-90% share in Brazil), WEG can broaden its addressable market by entering onto markets where it does not hold an incumbent position.
Higher Than Average ROIC Levels	Driven by a (i) state-of-the-art production footprint, with highly verticalized industrial facilities, and (ii) recent improvement on capacity idleness levels, WEG is able to post a higher-than-average ROIC when compared to peers.
Financial Flexibility	WEG operates at low leverage levels (maximum of 0.6x in 2011), while keeping a steady dividend payout of ~50%, implying a flexible capital structure if further investment deployments are required

Investment Thesis Risks

Economic Slowdown	Given WEG's exposure to capital intensive sectors, driven by gross capital formation and capex deployments, economic slowdowns could undermine our growth and profitability expectations.
BRL Appreciation	With 56% of revenues stemming from international markets (22% of which exported from Brazil), local currency appreciation could diminish our growth forecast in BRL terms, potentially compromising our profitability expectations as the company becomes marginally less competitive.
Raw Materials Price Increases	Even though rising commodity prices are a solid indication of demand pick-up in key sectors that WEG is exposed to, we acknowledge the potential of gross margin short-term volatility whenever raw materials' prices increase, if the company is not able to fully pass-through prices to its clients.
Slower Than Expected Adoption of Renewable Sources	Part of our positive long-term view on WEG is based on the continued adoption of renewable energy sources and its increase within the world's energy matrix over the next decades. If solar and wind energy sources take longer than expected to gain relevance, our growth expectations for the energy generation, transmission and distribution segments could be compromised.
Loss of Fiscal Benefits	WEG is granted some fiscal benefits such as "Lei do Bem" and tax exemption on interest on capital distribution (~10p.p. tax rate reduction as of 2020). In the case of a modification or termination on these terms, WEG's fiscal structure could become less effective.

Source: XP Research.

Timeline and Shareholders Structure

Figure 80: WEG's Timeline

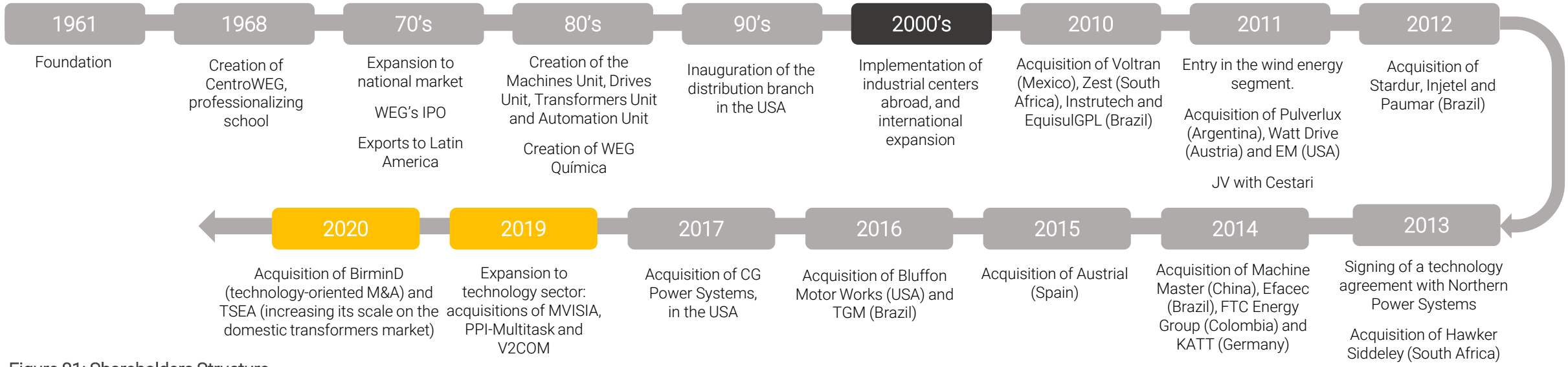
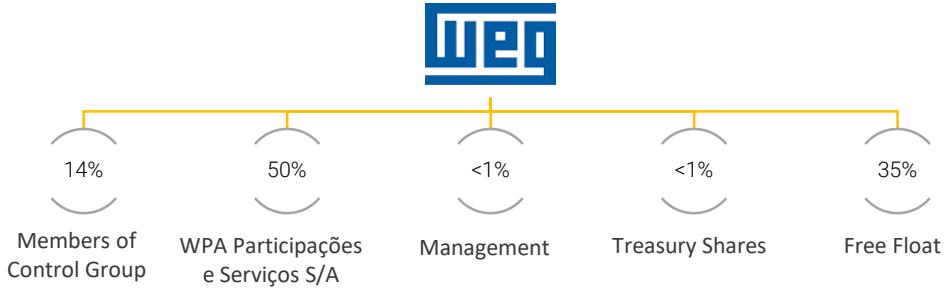
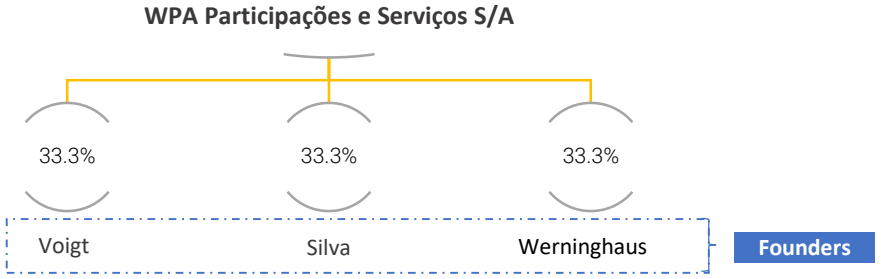


Figure 81: Shareholders Structure





Source: Company Data and XP Research.

Management and Board of Directors

Figure 82: Executive Officers

Name	Position
Harry Schmelzer Jr.	CEO
André Luís Rodrigues	CFO and IR Director
Alberto Yoshikazu Kuba	Chief Operating Officer of WEG Industrial Motors
Daniel Marteleto Godinho	Institutional Relations and Marketing Officer
Eduardo de Nóbrega	Chief Operating Officer of WEG China
Carlos Diether Prinz	Chief Operating Officer of WEG T&D
Elder Jurandir Stringari	International Director
Hilton Jose da Veiga Faria	HR and Sustainability Officer
João Paulo Gualberto da Silva	Chief Operating Officer of WEG Energy
Julio Cesar Ramires	Chief Operating Officer of WEG Commercial and Appliance Motors
Manfred Peter Johann	Chief Operating Officer of WEG Automation
Reinaldo Richter	Chief Operating Officer of WEG Paints
Wilson José Watzko	Chief Controllership Officer

Figure 83: Board of Directors

Name	Position	Tenure / Beginning of Term
Décio da Silva	Chairman	13 years / 2008
Nildemar Secches	Vice-Chairman	24 years / 1997
Martin Werninghaus	Member	15 years / 2006
Sérgio Luiz Silva Schwartz	Member	6 years / 2015
Dan Ioschpe	Member (Independent)	9 years / 2012
Miguel Normando Abdalla Saad	Member (Independent)	4 years / 2017
Siegfried Kreutzfeld	Member	1 year / 2020

Source: Company Data and XP Research.

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