xp research

October 22, 2025
Capital Goods – Industrials

WEG (WEGE3)

Broadly In-Line, Though Positive Signals Emerge

3Q25 Review

WEG posted neutral 3Q25 results, with net earnings of R$1.65 bn overall in-line with expectations (*+3% vs XPe, +5% YoY*). **Net revenues reached R$10.3 bn,** up +4% YoY *(also +4% YoY excl. acquisitions and FX neutral)* with strong EEI performance in both domestic and external markets (*reflecting positive industrial activity despite a restrictive investment environment*) offsetting weaker domestic GTD performance (*-7% YoY*), the low-light in our view following weaker solar generation deliveries. **On the profitability side,** EBITDA margin was slightly better sequentially at 22.2% (*+0.1p.p. QoQ, contrasting overall expectations of margin pressure*), mostly benefitted by better product mix. **Although near-term growth remains constrained** by limited T&D capacity, WEG's resilient EEI segment and positive peers' signals support a relatively constructive outlook for industrial-related segments, with double-digit earnings growth expected to resume by 2027E. **While we reiterate our Neutral rating**, we believe the asymmetry is positive for the shares at current prices.

Our take. We see positive signals emerging from WEG's results. While figures were broadly in-line with expectations, improved EEI performance (combined to accelerating order intake indications from peers) helps ease concerns regarding a potential further top-line deceleration amid softer industrial activity. In addition, although limited T&D production capacity continues to constrain near-term growth, we maintain a constructive view on long-term tailwinds, with double-digit earnings growth resuming in 2027E- and extending for the medium-term, in our view. While we reiterate our Neutral rating on decelerating earnings growth in the short-term (limiting upside potential), we believe the asymmetry for the shares is positive at current prices.

Top-line. Net revenues stood at R$10.3 billion, in-line with our estimates and up +4% YoY. Excluding inorganic contributions from Volt, Reivax and Heresite and FX translations, net revenues would have grown +4.2% YoY (vs. XPe of +3.7%). We note: (i) better-than-expected domestic EEI revenues (+13% YoY), as well external EEI revenues (+7% YoY), benefitted by positive industrial activity and healthy demand for both short and long-cycle goods despite a restrictive investment scenario; meanwhile (ii) domestic GTD was the low-light, with revenues down -19% YoY and -7% QoQ impaired by the reduction of solar generation deliveries this quarter.

Profitability. On the profitability side, EBTIDA margin showed a slight sequential improvement at 22.2% (+0.1p.p. QoQ), a trend in-line with XPe but contrasting overall expectations of margin pressure. We see a combination of (+) better product mix (given the lower representativeness of internal GTD sales, -1.9p.p. YoY in consolidated sales), offsetting (ii) higher raw material costs (notably copper).

WEG	WEGE3
Rating	**Neutral**
Target Price (R$/sh.)	44.00
Current Price (R$/sh.)	39.67
Upside (%)	*11%*
Market Cap (R$ million)	166,443
# of shares (million)	4196
Free Float (%)	35%
ADTV (R$ million)	357

Lucas Laghi
Metals & Mining, Pulp & Paper and Capital Goods
lucas.laghi@xpi.com.br

Fernanda Urbano
Capital Goods
fernanda.urbano@xpi.com.br

Guilherme Nippes
Metals & Mining and Pulp & Paper
guilherme.nippes@xpi.com.br

WEG (WEGE3): 3Q25 Results

Income Statement	3Q25A	3Q25 XPe	vs. XP	3Q24	YoY	2Q25	QoQ
Total Net Revenues	**10,272**	**10,218**	**1%**	**9,857**	**4%**	**10,207**	**1%**
EBITDA	**2,275**	**2,286**	**0%**	**2,225**	**2%**	**2,260**	**1%**
EBITDA Margin	*22.2%*	*22.4%*	*-0.2p.p.*	*22.6%*	*-0.4p.p.*	*22.1%*	*0.0p.p.*
Majority Net Earnings	**1,650**	**1,608**	**3%**	**1,579**	**5%**	**1,592**	**4%**

Source: Company Data, LSEG Refinitiv and XP Research.

3Q25 Results

Figure 1: WEG 3Q25 Results

Income Statement	3Q25A	3Q25 XPe	vs. XP	3Q24	YoY	2Q25	QoQ
Total Net Revenues	**10,272**	**10,218**	**1%**	**9,857**	**4%**	**10,207**	**1%**
Internal Market	**4,003**	**4,045**	**-1%**	**3,884**	**3%**	**4,176**	**-4%**
Electronic Industrial Equipment	1,594	1,444	10%	1,406	13%	1,436	11%
GTD	1,672	1,873	-11%	1,794	-7%	2,075	-19%
Motors for Domestic Use	384	358	7%	353	9%	334	15%
Paints and Varnishes	354	369	-4%	330	7%	331	7%
External Market	**6,269**	**6,172**	**2%**	**5,973**	**5%**	**6,031**	**4%**
Electronic Industrial Equipment	3,703	3,534	5%	3,457	7%	3,473	7%
GTD	2,011	2,097	-4%	2,042	-1%	2,015	0%
Motors for Domestic Use	468	467	0%	401	17%	476	-2%
Paints and Varnishes	86	74	16%	74	17%	68	28%
COGS	-6,823	-6,741	1%	-6,458	6%	-6,772	1%
Gross Profit	**3,449**	**3,477**	**-1%**	**3,399**	**1%**	**3,436**	**0%**
Gross Margin	*33.6%*	*34.0%*	*-0.5p.p.*	*34.5%*	*-0.9p.p.*	*33.7%*	*-0.1p.p.*
EBITDA	**2,275**	**2,286**	**0%**	**2,225**	**2%**	**2,260**	**1%**
EBITDA Margin	*22.2%*	*22.4%*	*-0.2p.p.*	*22.6%*	*-0.4p.p.*	*22.1%*	*0.0p.p.*
EBIT	**2,037**	**2,036**	**0%**	**2,013**	**1%**	**2,022**	**1%**
EBIT Margin	*19.8%*	*19.9%*	*-0.1p.p.*	*20.4%*	*-0.6p.p.*	*19.8%*	*0.0p.p.*
Net Financial Results	33	70	-52%	64	-48%	7	347%
Income Taxes & Contributions	-326	-392	-17%	-417	-22%	-337	-3%
Minorities	94	106	-11%	82	15%	101	-6%
Majority Net Earnings	**1,650**	**1,608**	**3%**	**1,579**	**5%**	**1,592**	**4%**

Organic Growth Analysis	3Q25A	3Q25 XPe	vs. XP	3Q24	YoY	2Q25	QoQ
Total Net Revenues	**10,272**	**10,218**	**1%**	**9,857**	**4%**	**10,207**	**1%**
Inorganic Contribution	109	100	9%	635	-83%	349	-69%
FX Translation	-112	-110	2%	713	-116%	474	-124%
Organic Growth, FX Neutral	*4.2%*	*3.7%*	*0.5p.p.*	*5.4%*	*-1.1p.p.*	*1.2%*	*3.1p.p.*

Figure 2: WEG 3Q25 Margin Changes Breakdown

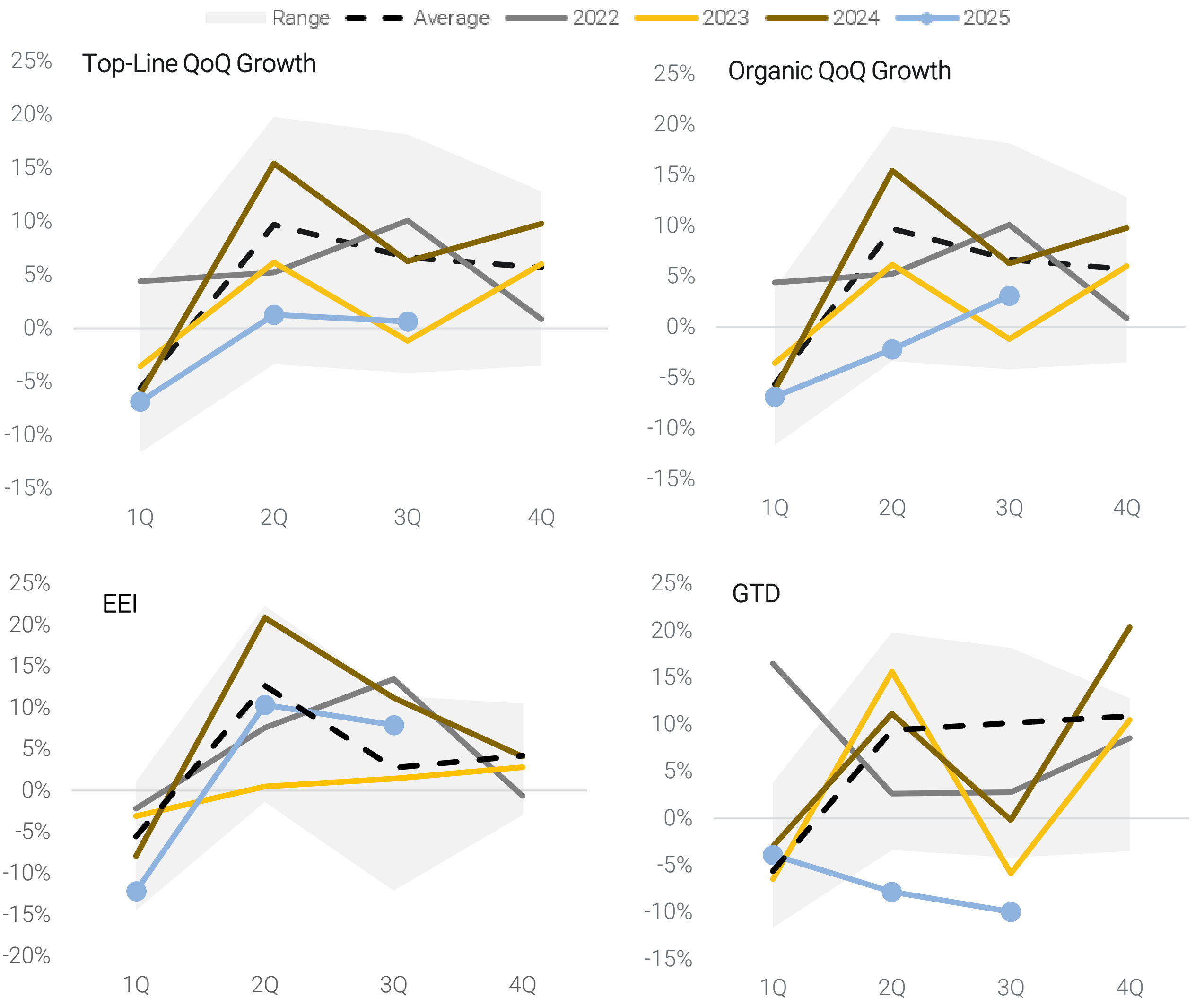
Margin Breakdown by Function	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	YoY	QoQ
Net Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**0.0 p.p.**	**0.0 p.p.**
COGS	**-66.3%**	**-65.5%**	**-66.6%**	**-67.1%**	**-66.3%**	**-66.4%**	**-0.9 p.p.**	**-0.1 p.p.**
Expenses/Operating Revenues	**-12.9%**	**-14.1%**	**-13.6%**	**-13.6%**	**-13.8%**	**0.0%**	**14.1 p.p.**	**13.8 p.p.**
EBIT	**20.8%**	**20.4%**	**19.8%**	**19.3%**	**19.8%**	**33.6%**	**13.2 p.p.**	**13.8 p.p.**
D&A	2.0%	2.1%	2.3%	2.3%	2.3%	2.3%	0.2 p.p.	0.0 p.p.
EBITDA	**22.9%**	**22.6%**	**22.1%**	**21.6%**	**22.1%**	**35.9%**	**13.3 p.p.**	**13.8 p.p.**

Margin Breakdown by Nature	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	YoY	QoQ
Net Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**0.0 p.p.**	**0.0 p.p.**
D&A	-2.0%	-2.1%	-2.3%	-2.3%	-2.3%	-2.3%	-0.2 p.p.	0.0 p.p.
Labor	-17.2%	-17.5%	-16.0%	-18.5%	-18.9%	-18.8%	-1.3 p.p.	0.1 p.p.
Raw Materials	-45.9%	-44.8%	-48.1%	-46.0%	-44.7%	-44.6%	0.2 p.p.	0.1 p.p.
Freight and Insurance	-2.7%	-2.9%	-2.6%	-2.8%	-3.0%	-2.8%	0.1 p.p.	0.2 p.p.
Maintenance	-1.0%	-1.2%	-1.1%	-1.2%	-1.2%	-1.3%	-0.1 p.p.	-0.1 p.p.
Energy	-0.7%	-0.7%	-0.6%	-0.6%	-0.6%	-0.6%	0.1 p.p.	-0.1 p.p.
Profit Share	-1.9%	-2.1%	-1.6%	-1.8%	-2.0%	-2.0%	0.1 p.p.	0.1 p.p.
Others	-7.7%	-8.3%	-7.9%	-7.5%	-7.4%	-7.7%	0.6 p.p.	-0.3 p.p.
EBIT	**20.8%**	**20.4%**	**19.8%**	**19.3%**	**19.8%**	**19.9%**	**-0.6 p.p.**	**0.0 p.p.**
D&A	2.0%	2.1%	2.3%	2.3%	2.3%	2.3%	0.2 p.p.	0.0 p.p.
EBITDA	**22.9%**	**22.6%**	**22.1%**	**21.6%**	**22.2%**	**22.2%**	**-0.4 p.p.**	**0.0 p.p.**

Source: Company Data and XP Research.

Top-Line Seasonality

Figures 3-6: WEG's Top-Line Seasonality (Consolidated, EEI and GTD)



Long-Term Contracts and Profitability Breakdown

Figure 7: WEG's LT Contracts

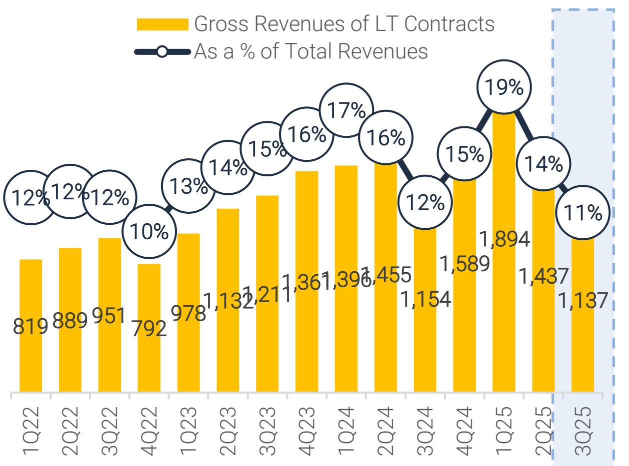
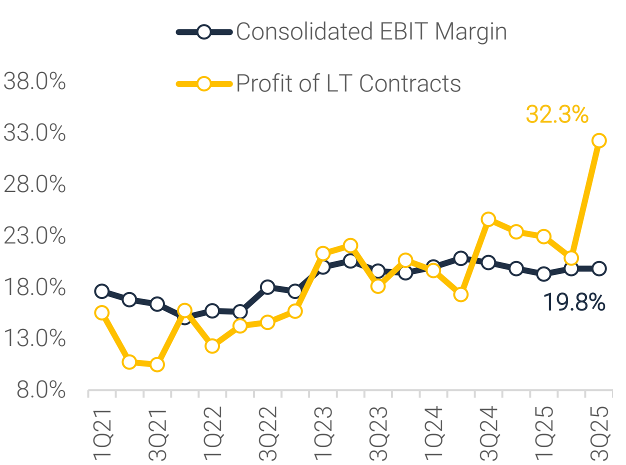


Figure 8: EBIT Margin vs. LT Contracts' Margins



3Q25 Results

ROIC Breakdown

Returns. ROIC at 32.3% (vs. 34.6% in 3Q24), reflecting a combination of: (a) invested capital turnover of ~1.99x (vs. 2.13x in 3Q24), with (b) strong LTM NOPAT margin at 16.2% (flat YoY), and (c) LTM tax rate at 17.7% (vs. 19.6% in 3Q24).

Figure 9: WEG's ROIC Evolution (%)

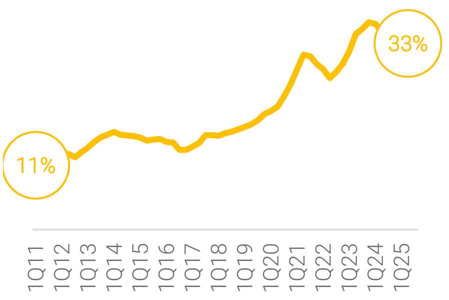
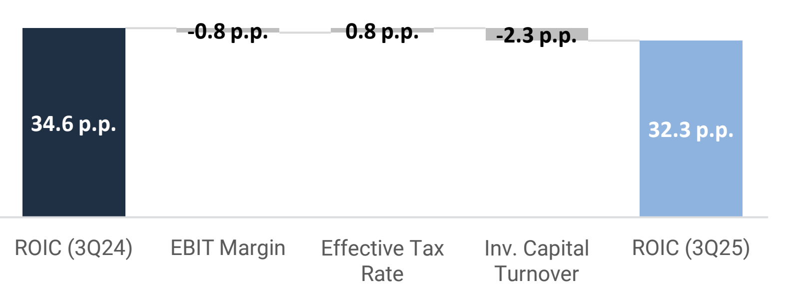


Figure 10: WEG's ROIC Changes Breakdown (p.p.)



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