

# Conference Call 1Q18



Revenue growth and expansion of  
return on capital invested



# Disclaimer

*This is a support document for the WEG S.A. 2018 first quarter results conference call.*

Any forecasts contained in this document or statements that may eventually be made during this conference call relating to WEG's business perspectives, projections and operating and financial goals and to WEG's potential future growth are management beliefs and expectations, as well as information that is currently available.

These statements involve risks, uncertainties and the use of assumptions, as they relate to future events and, as such, depend on circumstances that may or may not be present. Investors should understand that the general economic conditions, conditions in the industry and other operating factors may affect WEG's future performance and lead to results that may differ materially from those expressed in such future considerations.

*Standards and criteria applied in the preparation of information*

The financial statements presented in this document has been prepared in accordance with IFRS (International Financial Reporting Standards). The financial information relating to WEG correspond to the company's consolidation information.

In addition, the financial and operating information included in this results discussion are subject to rounding adjustments and, as a result, the total value presented in the tables and graphs may differ from the direct figures that precede them.

The information denominated EBITDA – Earnings Before Interest, Taxes on Income and Social Contribution on Net Income, Depreciation, and Amortization; EBIT – Earnings Before Interest and Income Taxes and Social Contribution on Net Income are presented in accordance with Instruction No.527 issued by CVM on October 4, 2012.



# Highlights First Quarter 2018

## 01

*Significant revenue growth reflecting the improvement in the global economic environment and new business*

Net Operating Revenue were **R\$ 2,551.5 million**, **19.6%** higher than 1Q17 and **4.6%** lower than 4Q17;

## 02

*EBITDA margin improvement over 4Q17, but still impacted by recent acquisition and new business*

EBITDA reached **R\$ 379.7 million**, with margin of 14.9%, **14.7%** higher than 1Q17 and **0.9%** higher than 4Q17;

Net Income of **R\$ 285.0 million**, with net margin of 11.2%, **10.6%** higher than 1Q17 and **5.1%** lower than 4Q17.

## 03

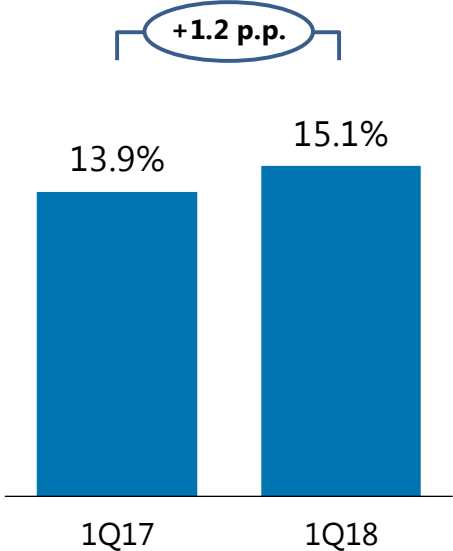
*ROIC expansion, reflecting better operational performance and discipline in the capital use*

Operating Cash Generation of **R\$ 492.6 million** in 1Q18.

ROIC reached **15.1%** in 1Q18 (last 12 months), expansion of 1.2 p.p. over 1Q17



# Return on invested capital (ROIC)



**Net Operating Profit After Taxes**

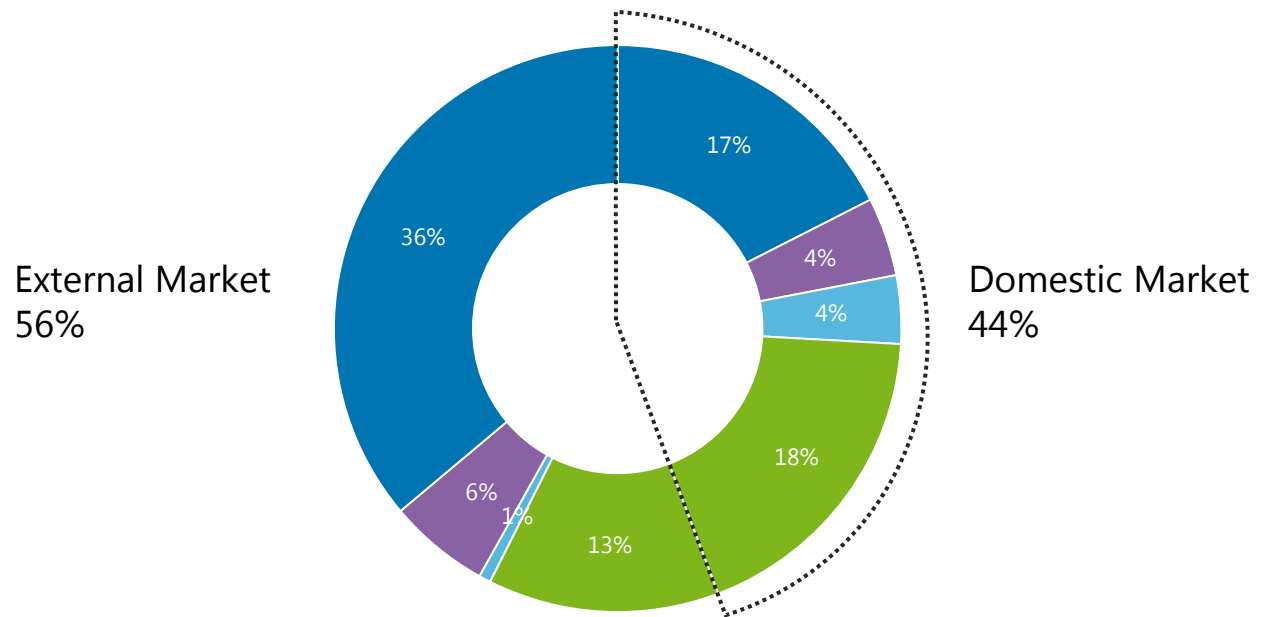
↑ +21.9%





**Invested Capital**

↑ +12.4%



# 1Q18 Business area performance

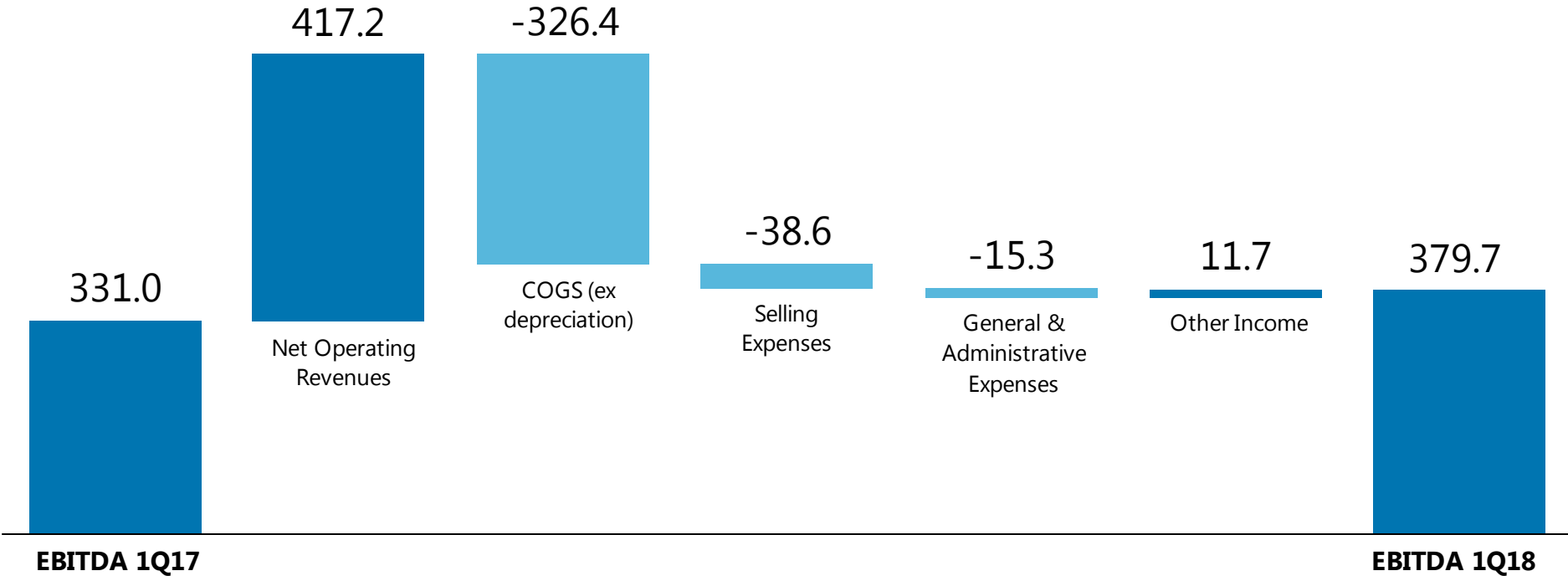


Δ% 1Q18 / 1Q17	 Industrial Electro-Electronic Equipment	 Energy Generation, Transmission, and Distribution (GTD)	 Motors for domestic use	 Paints and Varnishes
<b>Net Revenue</b>	<b>+16.8%</b>	<b>+37.5%</b>	<b>-6.1%</b>	<b>+17.4%</b>
Domestic Market	+0.9%	+29.9%	+9.0%	+19.6%
External Market	+26.5%	+49.8%	-15.3%	+6.2%



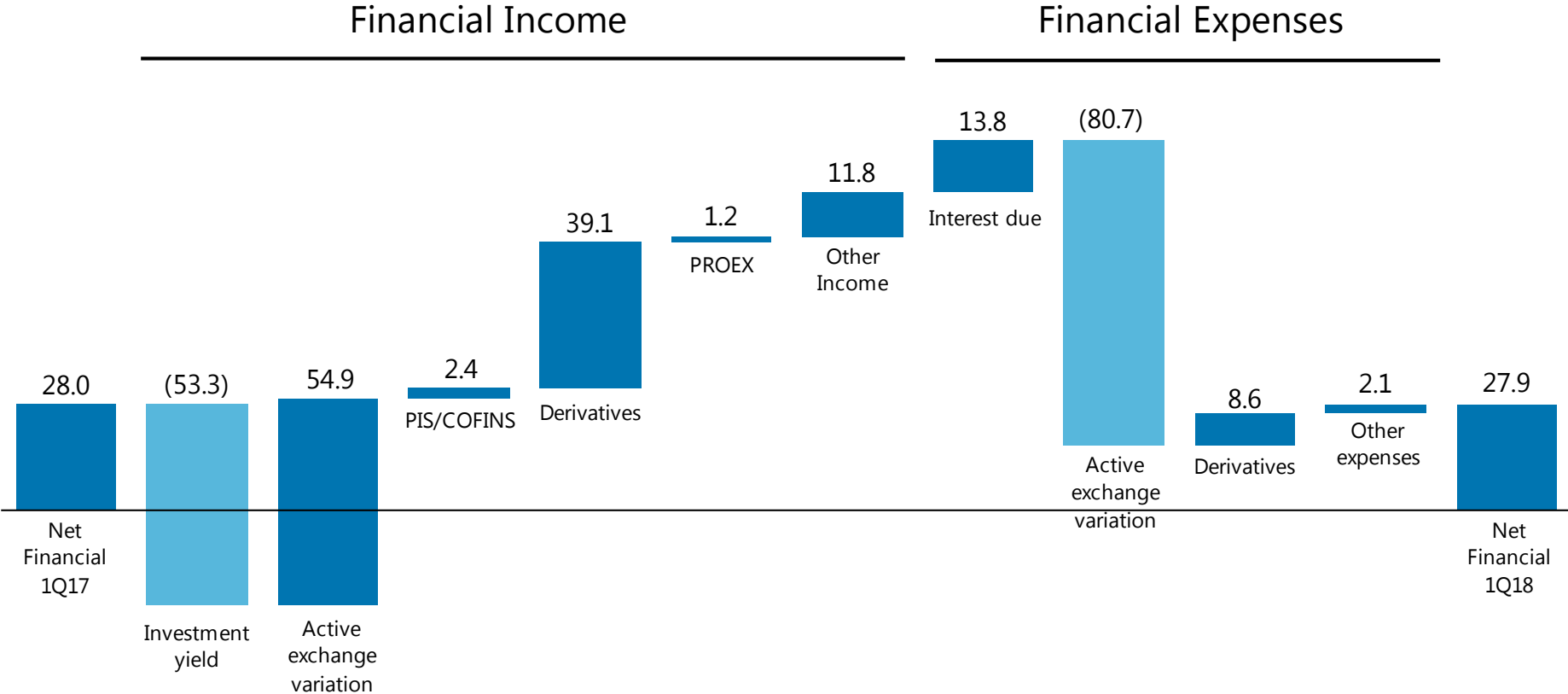
# Main impacts on EBITDA

In R\$ million



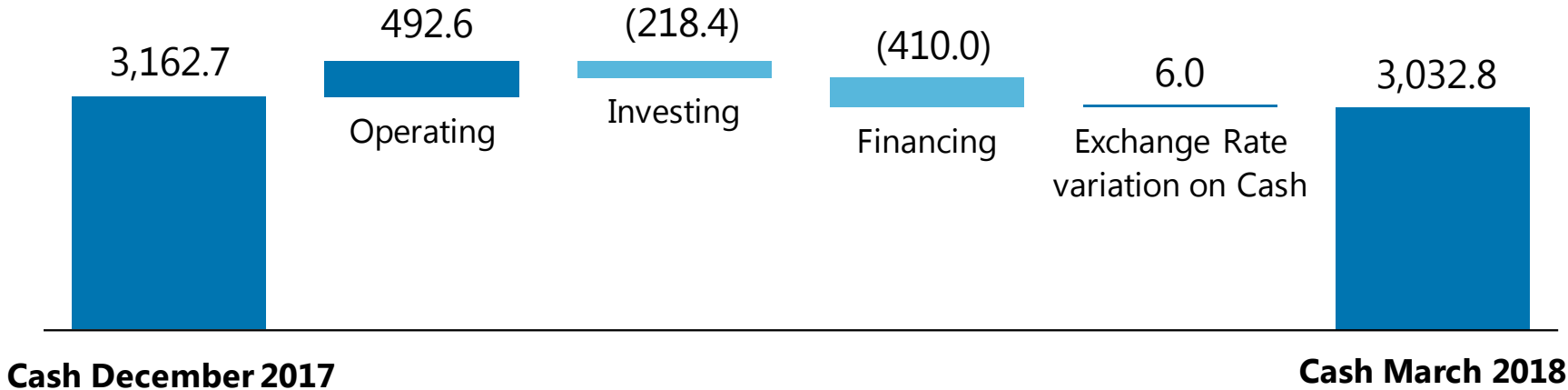
# Main impacts on Net Quarterly Financial Results

In R\$ million



# Main impacts on Cash Flow

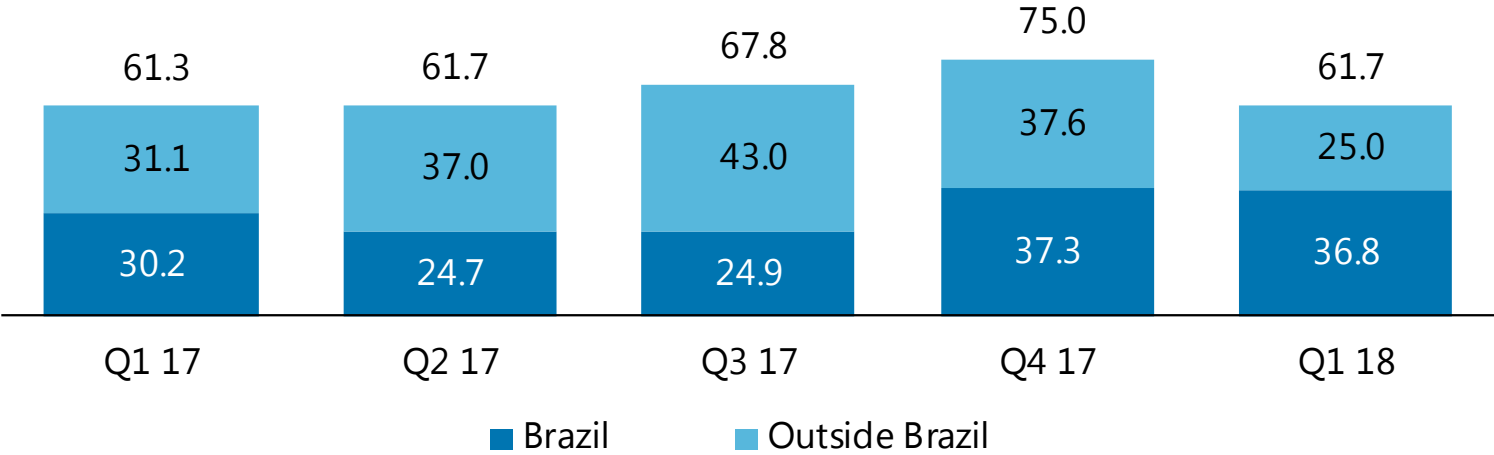
In R\$ million





# Capex Program Quarterly Evolution

In R\$ million



# Outlook

## *Focus on revenue growth and ROIC maintenance*

- Improved global investment, recent acquisitions and new businesses are expected to boost revenue growth
- ROIC continues to be the company's main driver
- Recovery trend continues of short cycle products

## *In Brazil, diversification should continue to contribute positively*

- After a strong recovery in 2017, the industrial electro-electronic equipment area must return to the normal growth pattern
- On the other hand, the entry into the solar generation business and the acquisition of TGM should contribute to the GTD's revenue growth in 2018.

## *Signs of recovery are more consistent abroad*

- The improvement in order intake already signals the short-cycle products recovery driven by OEMs
- We have already found some opportunities in projects that require long-cycle equipment
- Industries begin to show the first recovery signs



# Contacts

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