



# Credit Suisse LatAm Equity Conference 2013

January 2013  
WEGE3 / WEGZY

# Best way to invest in fast growing global energy efficiency and renewable energy



- One of the highest growth capital goods companies; is number one or number two in all product lines in Latin America
- Unique business model is based on vertical integration, production flexibility and technological innovation
- Diversified product lines allows strong growth across different market cycles
- We have a history of achieving CAGR of 18% over past 17 years through organic growth and accretive acquisitions
- WEG 2020 Strategic Plan aims for R\$ 20 billion / 17% CAGR through international and product line expansion



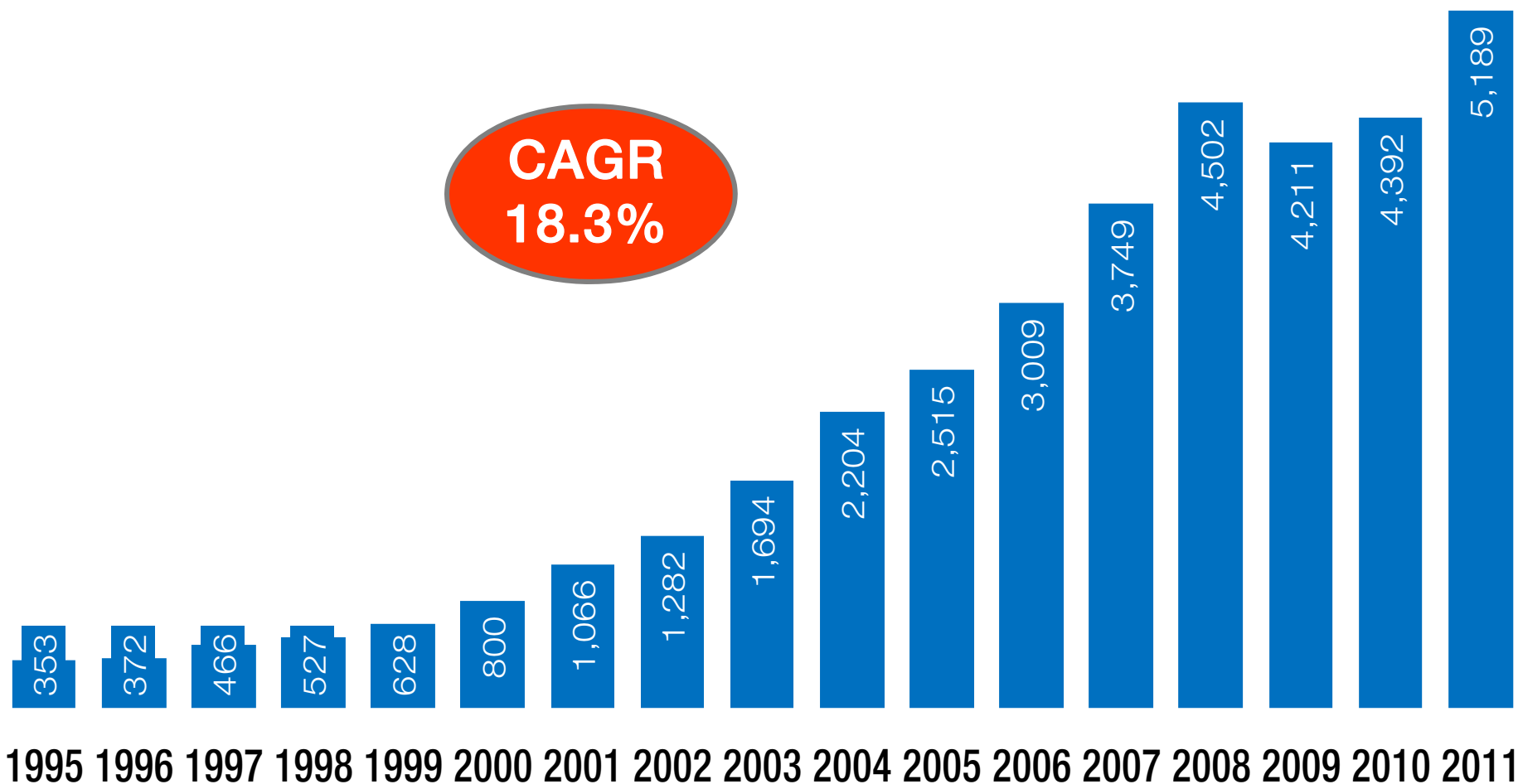
# Overview





# Impressive growth track record

Business model allows to find and explore growth opportunities even under unfavorable macroeconomic conditions

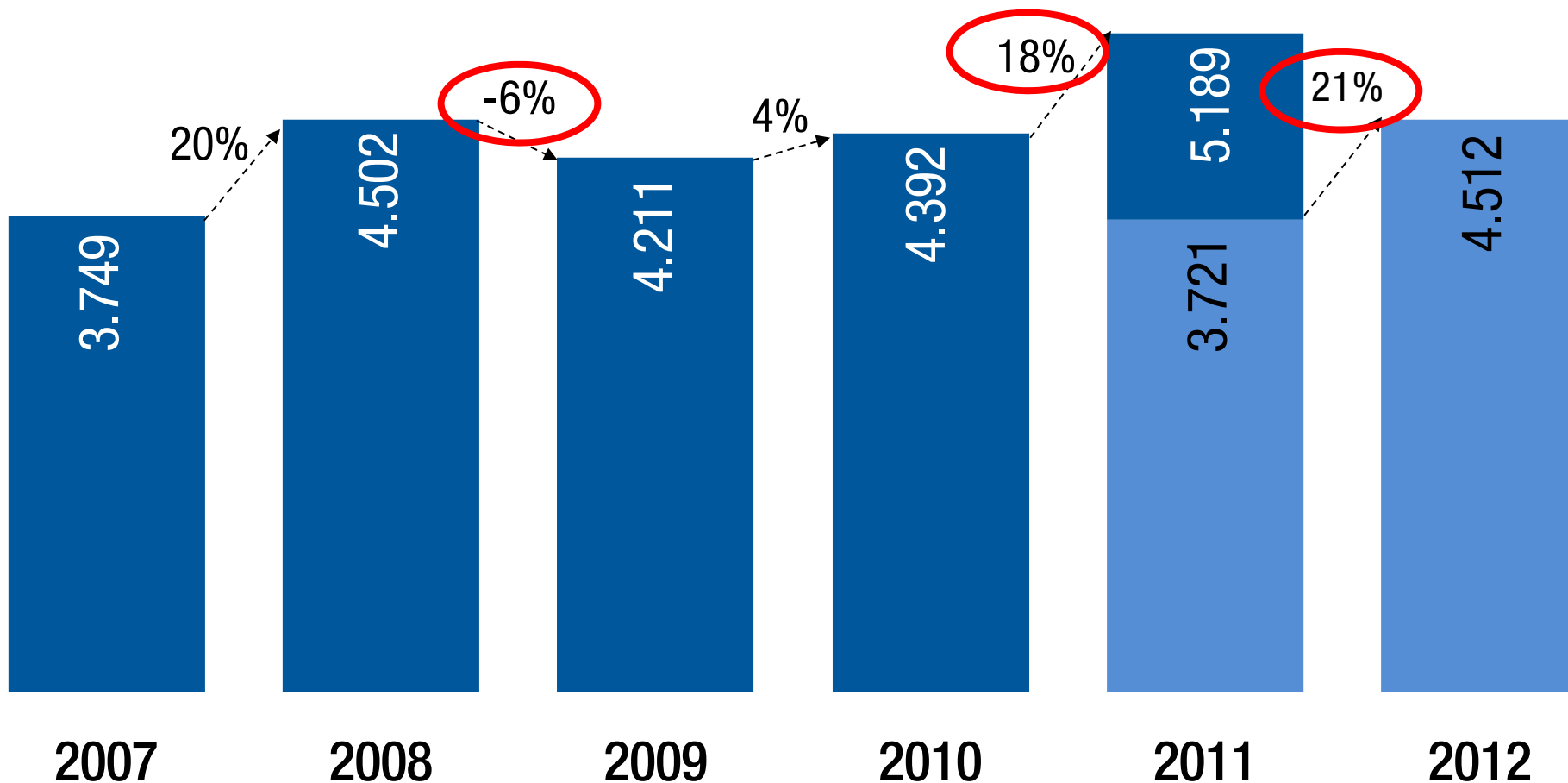


# Resilient business model



We are back on track on top line growth, despite challenging macro conditions

Net Revenues (R\$\$ million)

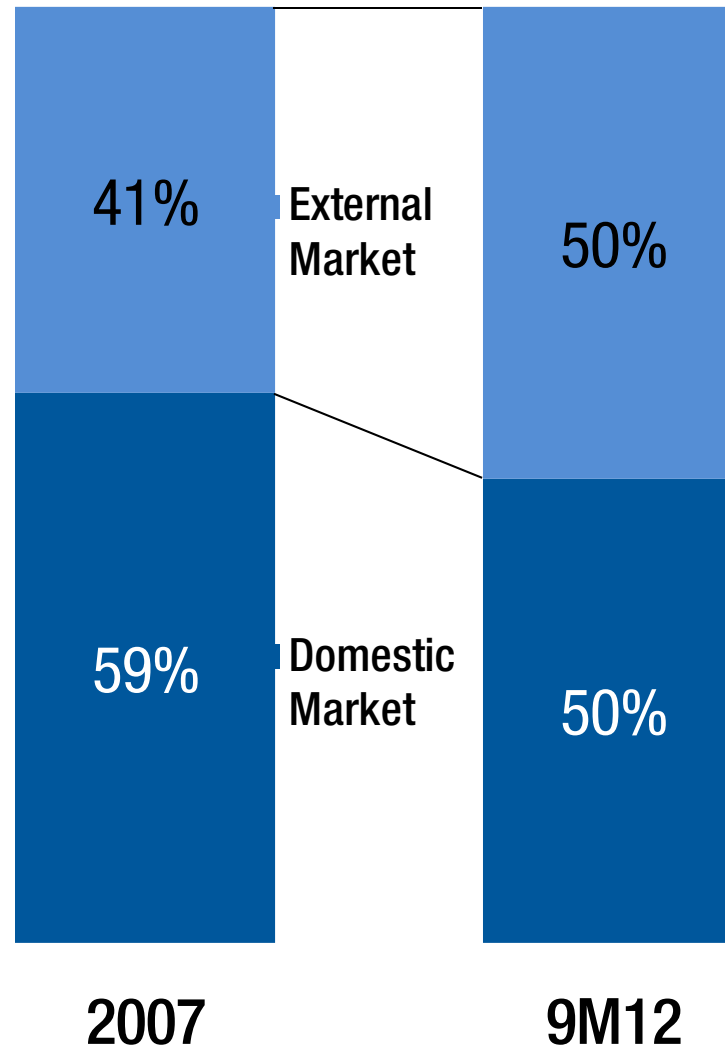


# Diversification across markets



We adapt and thrive under almost any condition

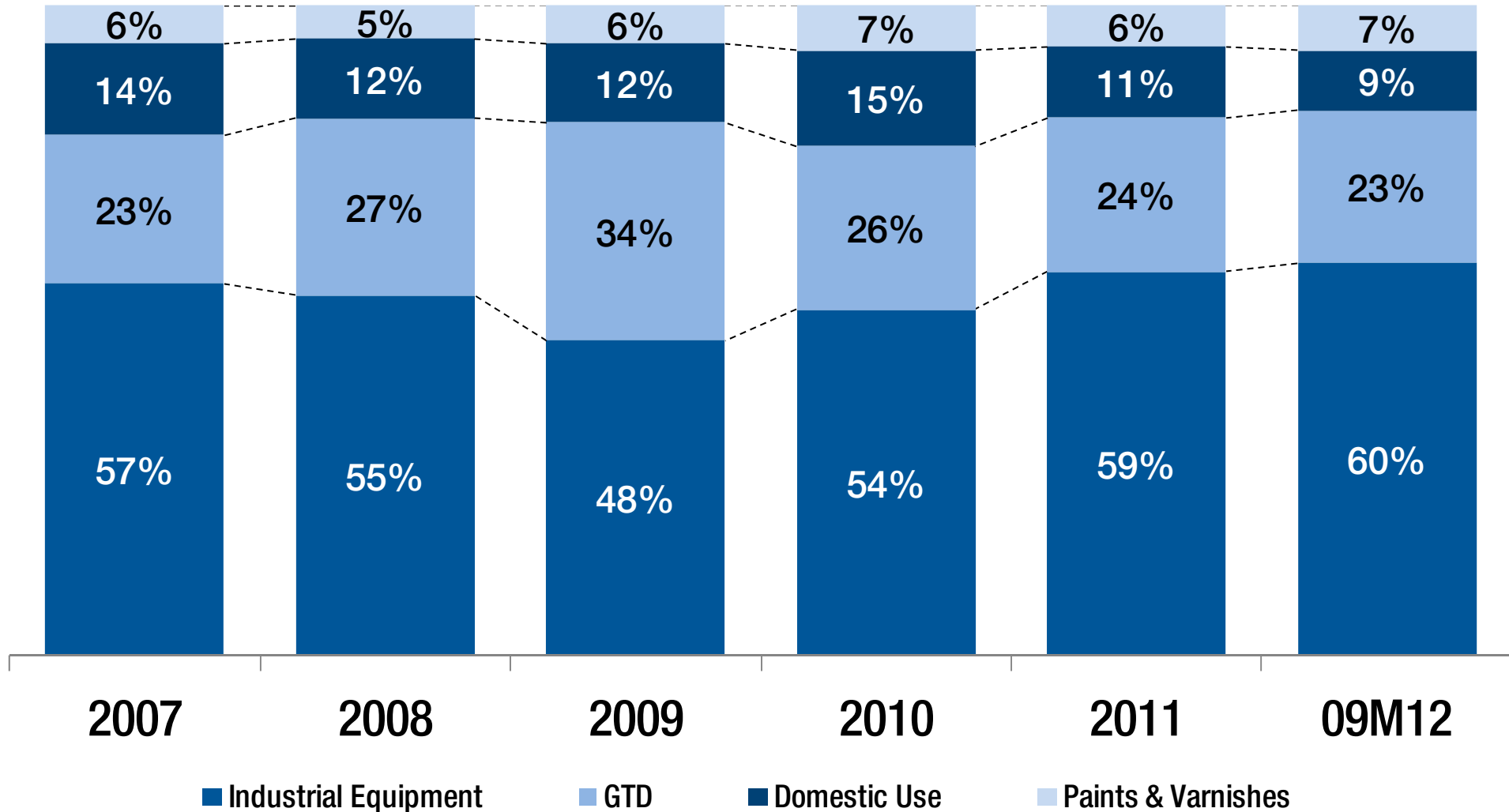
Domestic & External markets



# Broad and synergistic product portfolio



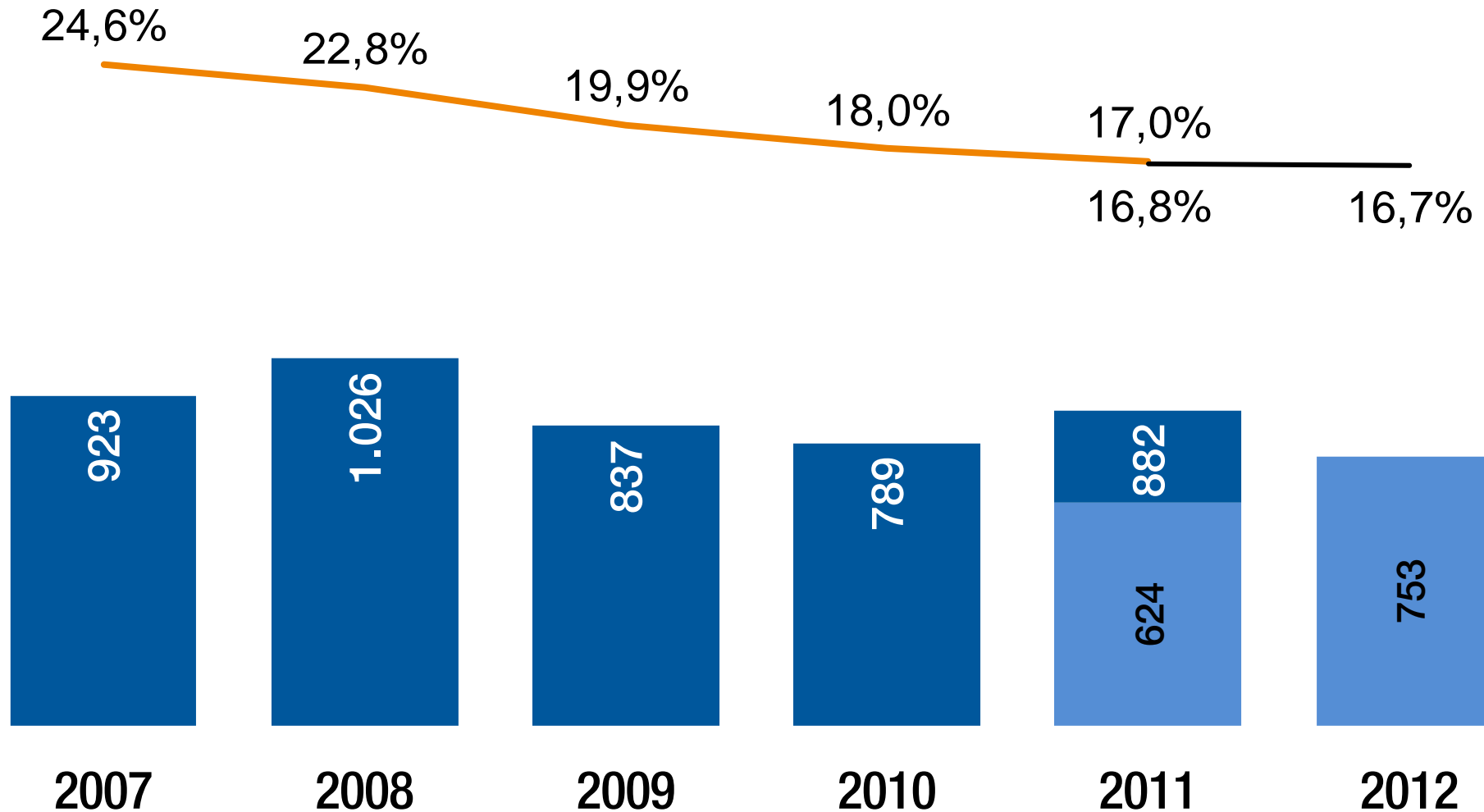
Business areas revenue mix



# EBITDA and margins



EBITDA (R\$\$ million) and EBITDA Margin





# How to improve margins / increase competitiveness?

- Strong focus to improve competitiveness
  - Internal productivity and continuous improvement
  - Improve global manufacturing footprint
  - Innovation and higher technological content
- Recovery of overall economic conditions



# Industry structure and WEG's business model



# Our industry is undergoing major change



Megatrends cause changes in demand and create opportunities

## Energy and industrial efficiency

- Electric motors represent around 25% of world electricity consumption
- Industrial productivity increases and ISO 50.001 (energy management) drives investments

## Renewable energy

- Global need to diversify energy sources and lower GHG emissions
- Scale and technological development increases viability

## Smart grid

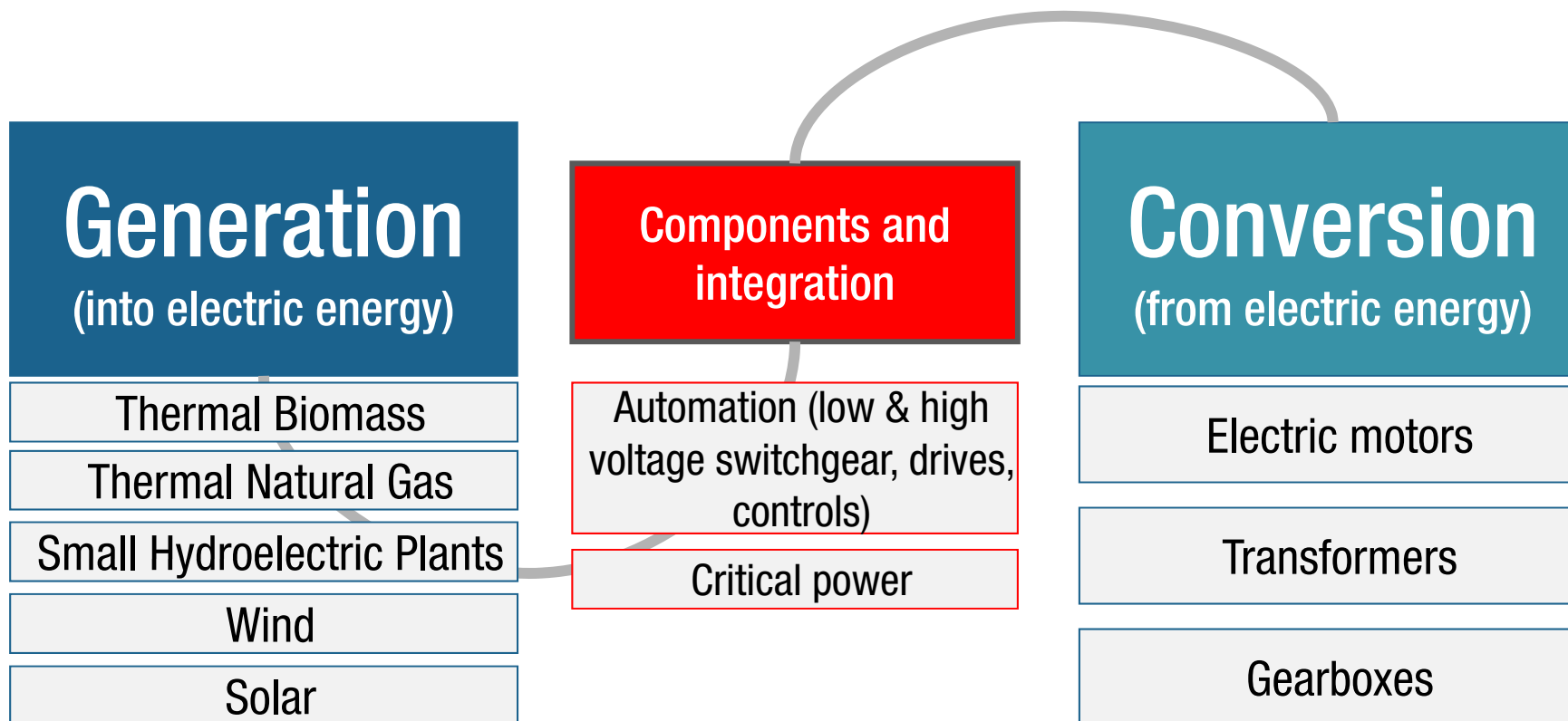
- Electricity distribution network has to become "smarter"
- More sensors, more automation, more efficient generation and use of electricity

## Electrical mobility

- Increasing urbanization adds to congestions and need of new solutions
- Electric vehicles, hybrids or alternative fuels will become more common

# Electric equipment industry structure

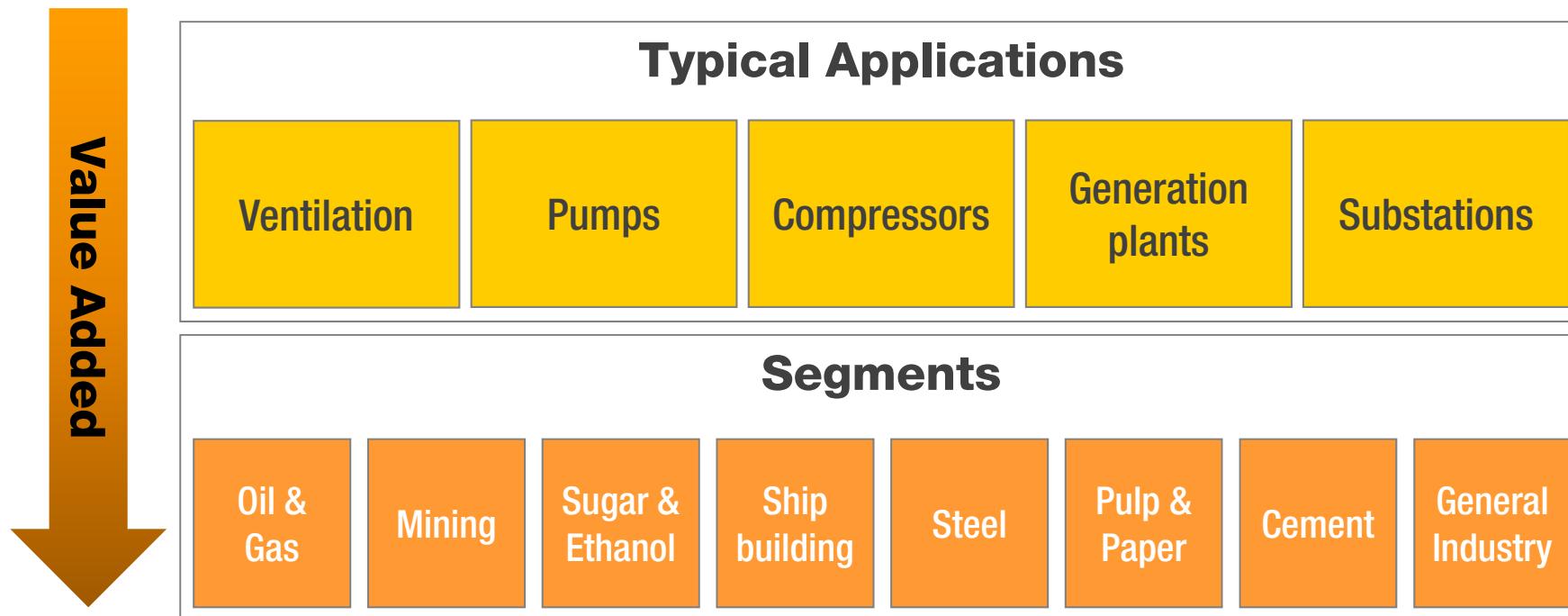
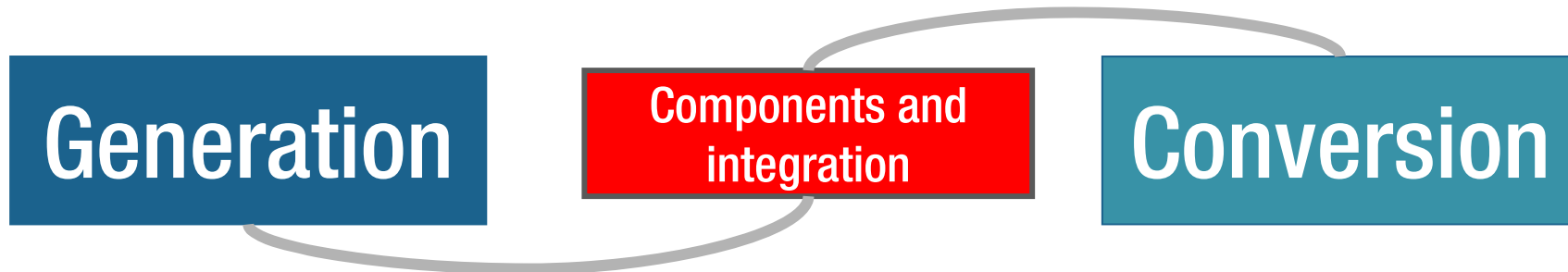
As perceived by WEG



# “The final destination”



Strategic integration of equipment into complete solutions



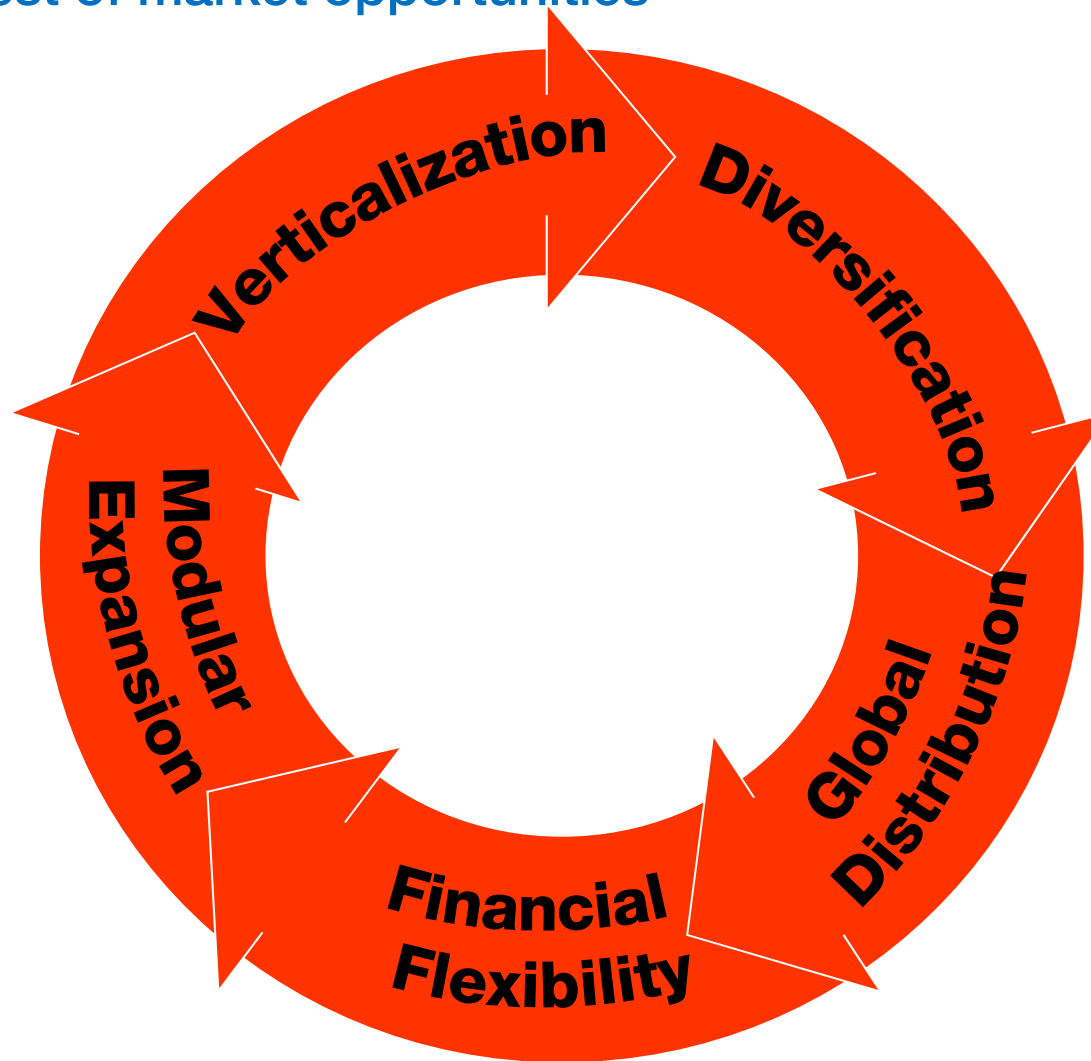
# Strategic Positioning



|              |                 | ABB | SIEMENS | Schneider Electric | EMERSON | REGAL ELECTRIC | ALSTOM | WEG |
|--------------|-----------------|-----|---------|--------------------|---------|----------------|--------|-----|
| Motors       | Appliance       | ●   | ●       |                    |         | ●              |        | ●   |
|              | Industrial      | ●   | ●       |                    |         | ●              |        | ●   |
| Energy       | High Voltage    | ●   | ●       |                    |         | ●              | ●      | ●   |
|              | Generators      | ●   | ●       |                    |         | ●              | ●      | ●   |
|              | Biomass Systems | ●   | ●       |                    |         |                | ●      | ●   |
|              | Small Hydro     | ●   | ●       |                    |         |                | ●      | ●   |
|              | Wind            | ●   | ●       |                    |         |                | ●      | ●   |
| T&D          | Power           | ●   | ●       | ●                  |         |                | ●      | ●   |
|              | Dry             | ●   | ●       | ●                  |         |                | ●      | ●   |
|              | Distribution    | ●   | ●       | ●                  |         |                | ●      | ●   |
|              | Substations     | ●   | ●       |                    |         |                | ●      | ●   |
| Automation   | Drives          | ●   | ●       | ●                  | ●       | ●              |        | ●   |
|              | Controls        | ●   | ●       | ●                  | ●       |                |        | ●   |
|              | Panels          | ●   | ●       | ●                  | ●       |                |        | ●   |
| New Business | Gearboxes       | ●   | ●       |                    |         | ●              |        | ●   |
|              | Gensets         | ●   |         |                    |         | ●              |        | ◐   |
|              | Hydro Turbines  |     |         |                    |         |                | ●      | ●   |
|              | Steam Turbines  |     | ●       |                    |         |                | ●      |     |
|              | Gas Turbines    |     | ●       |                    |         |                | ●      |     |

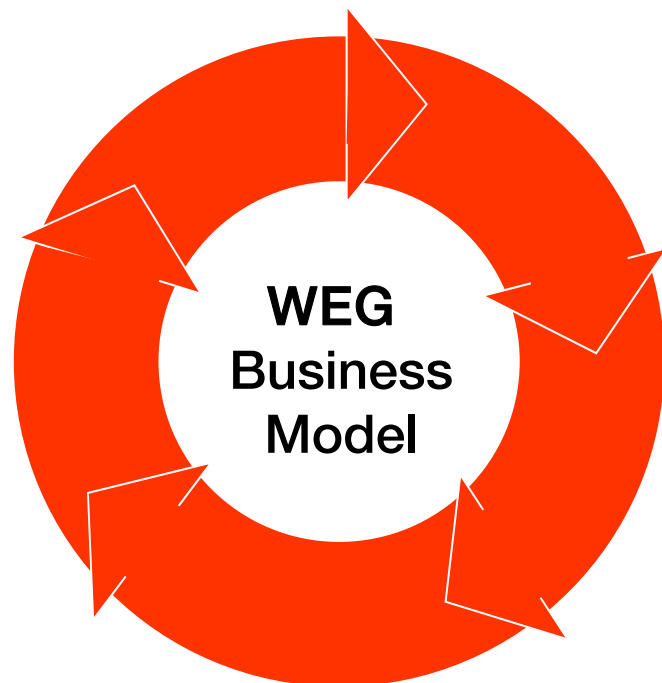
# Differentiated business model

Our capabilities and characteristics are quite unique and enable us to make the best of market opportunities



# Clear competitive advantages

Unique business model creates important and stable advantages



## Competitive Advantages

- Large and synergistic portfolio
- Worldwide presence
- One-stop shop concept
- Mass customization
- Production in low cost emerging markets
- Low financial leverage
- Focus on M&A enabling continuous future growth



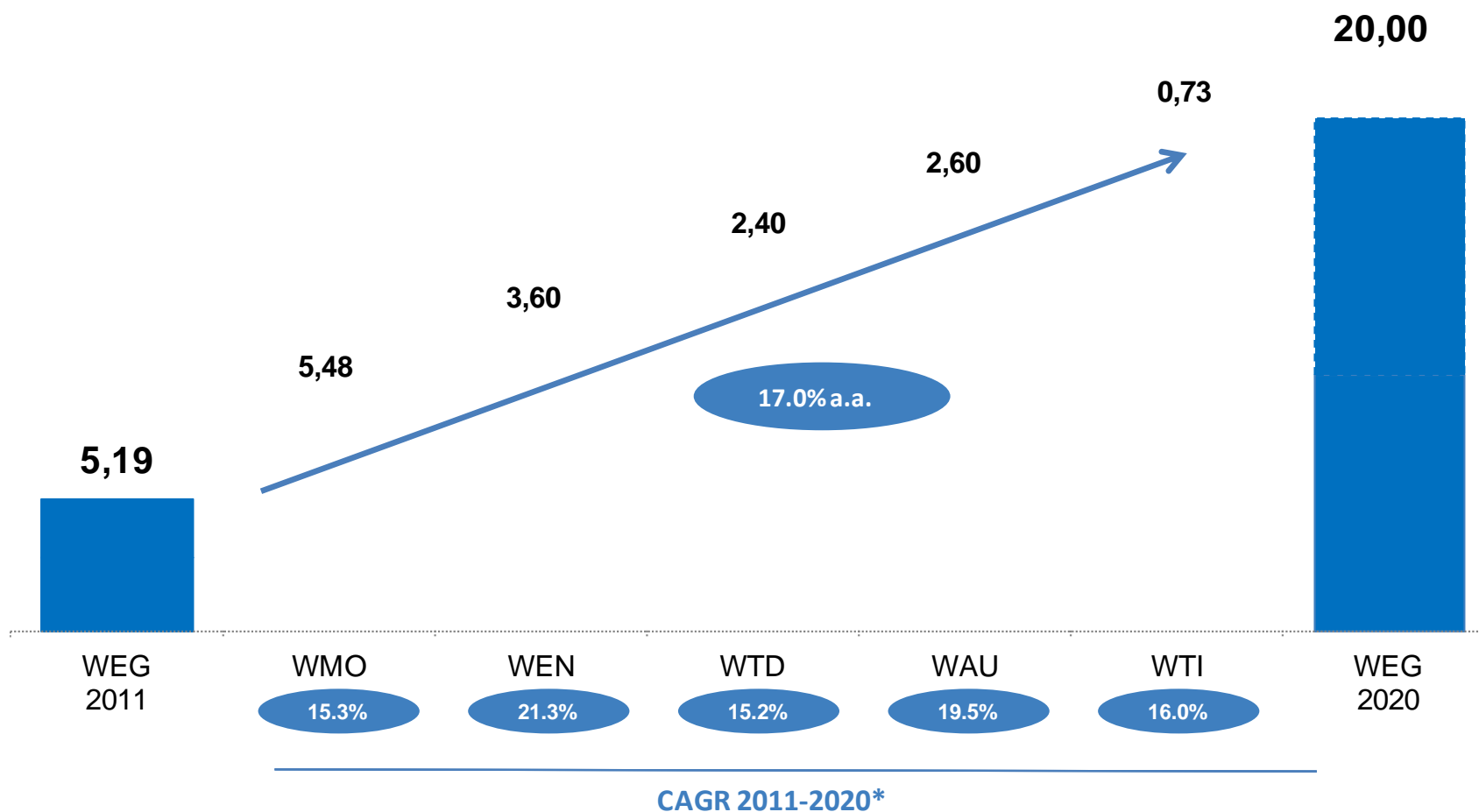


# Strategic Planning



# WEG Strategic Plan 2020

Corporate aspiration of R\$ 20 billion by 2020



# Growth drivers

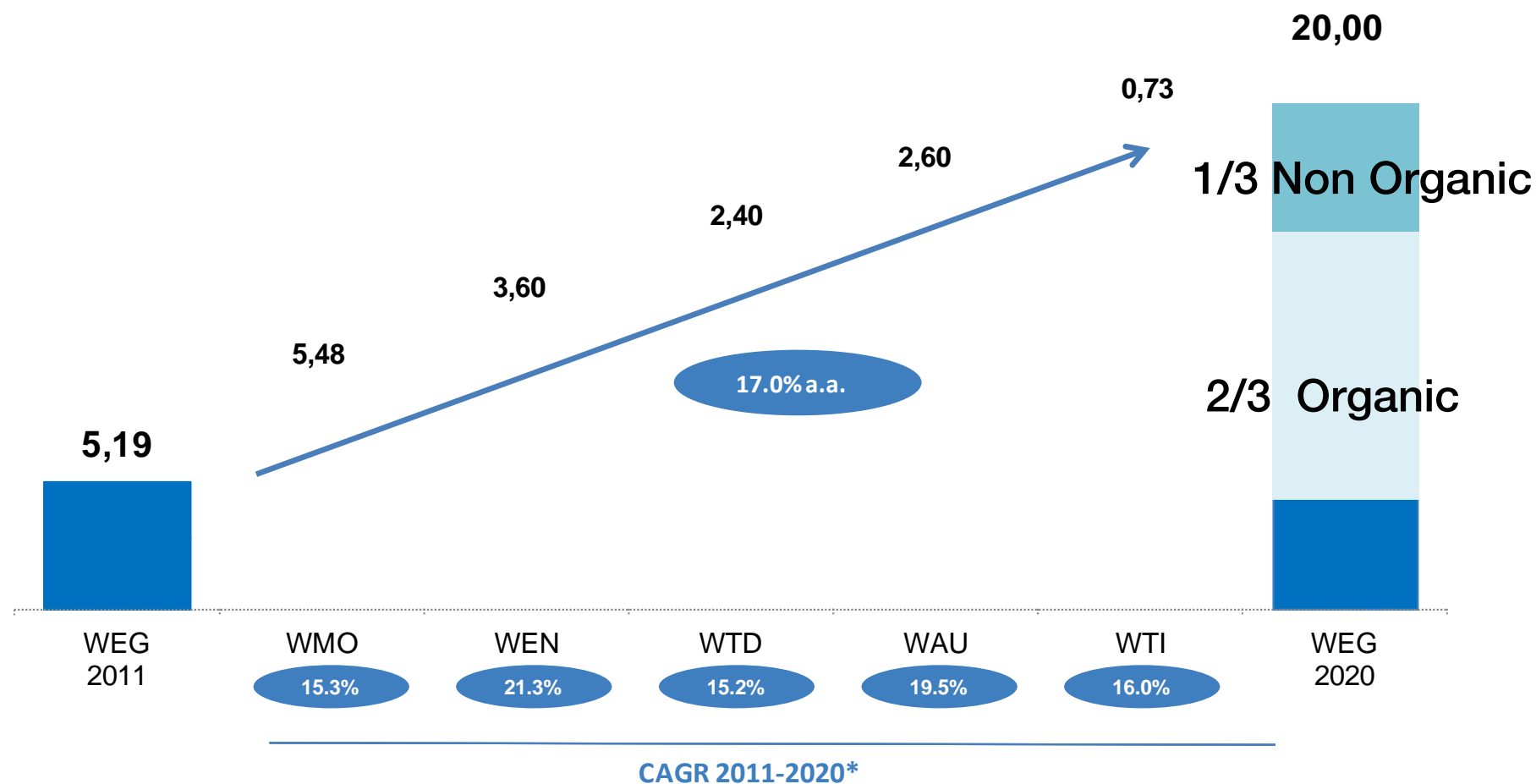


- **“More and Better”**
- **International Expansion**
- **New Businesses**



# Growth comes from diverse base

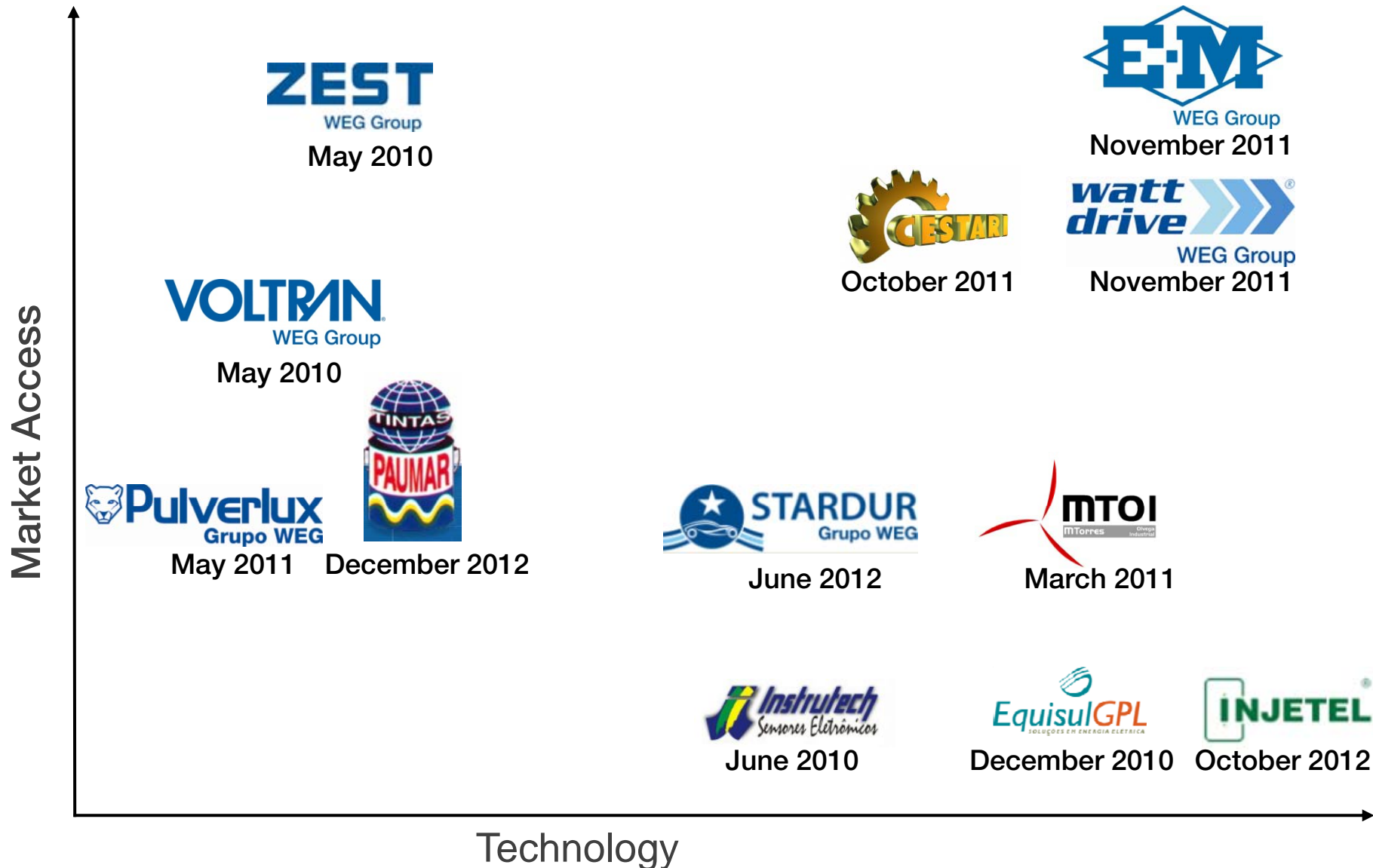
Disciplined approach to organic and non-organic expansion



# Portfolio Strategy



Clear vision of attractiveness of opportunities





# Financial performance

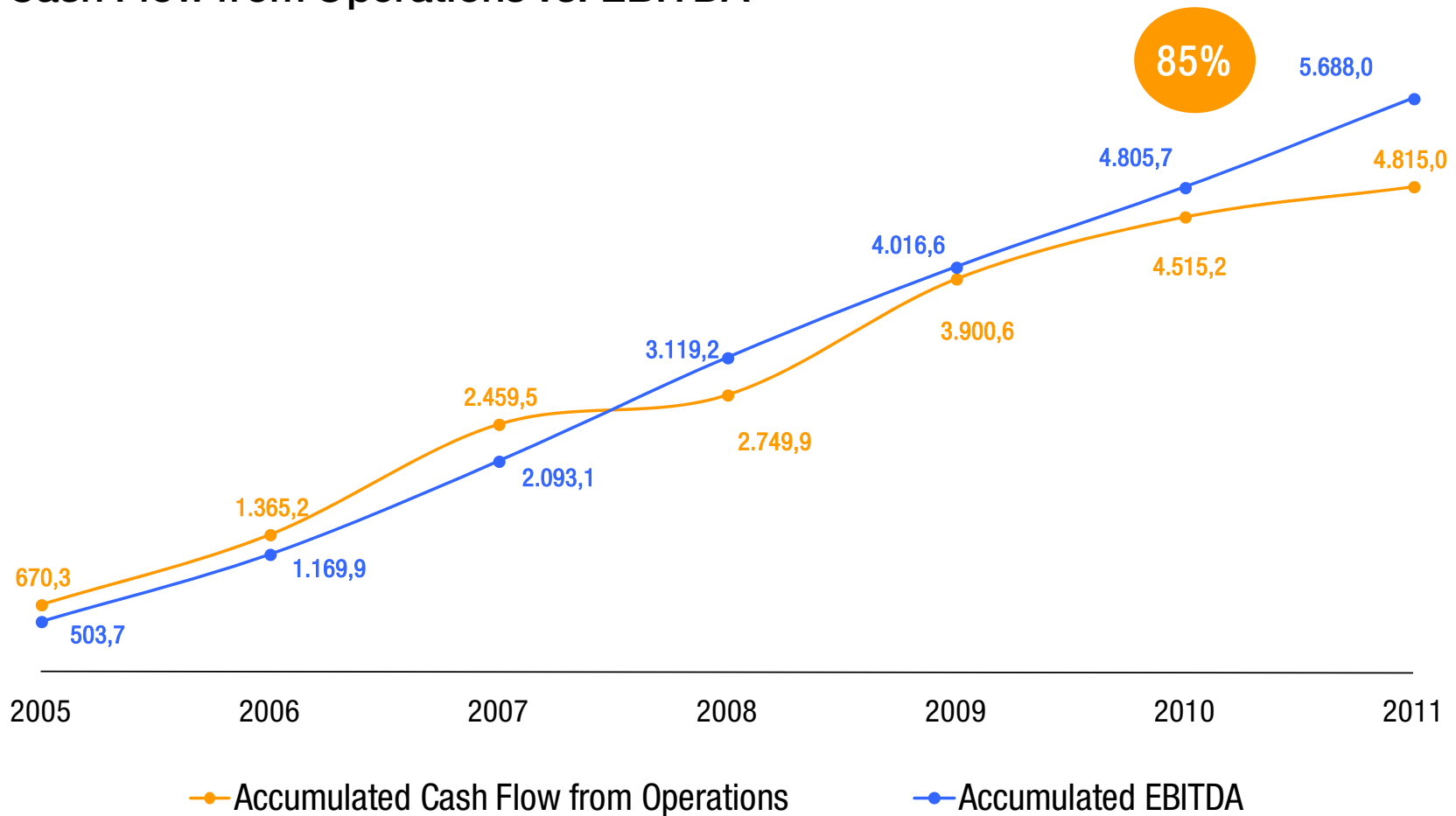


# Strong cash flow conversion



We can continue to rely on cash generation as primary source of growth financing

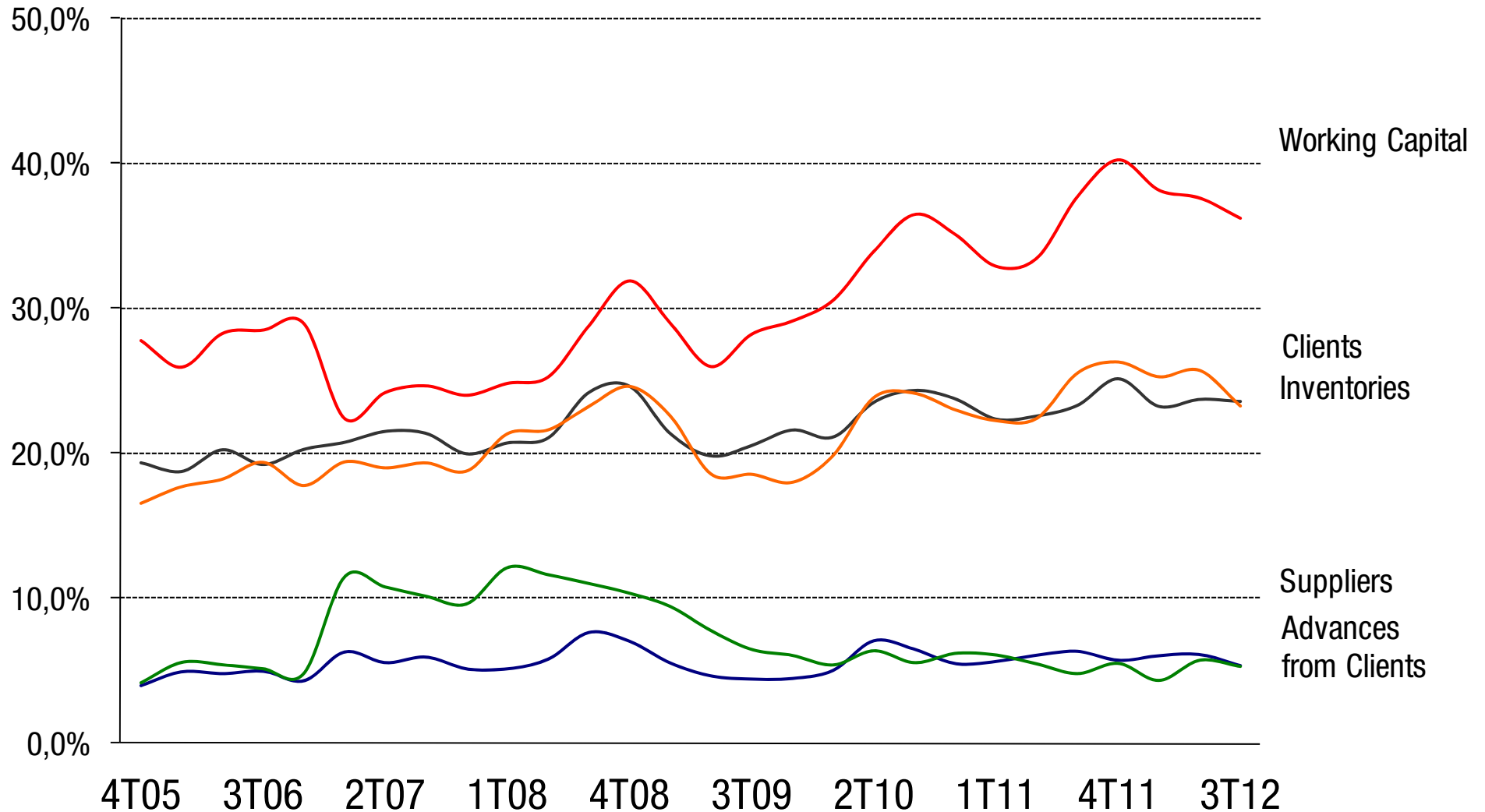
### Cash Flow from Operations vs. EBITDA



# Working capital needs

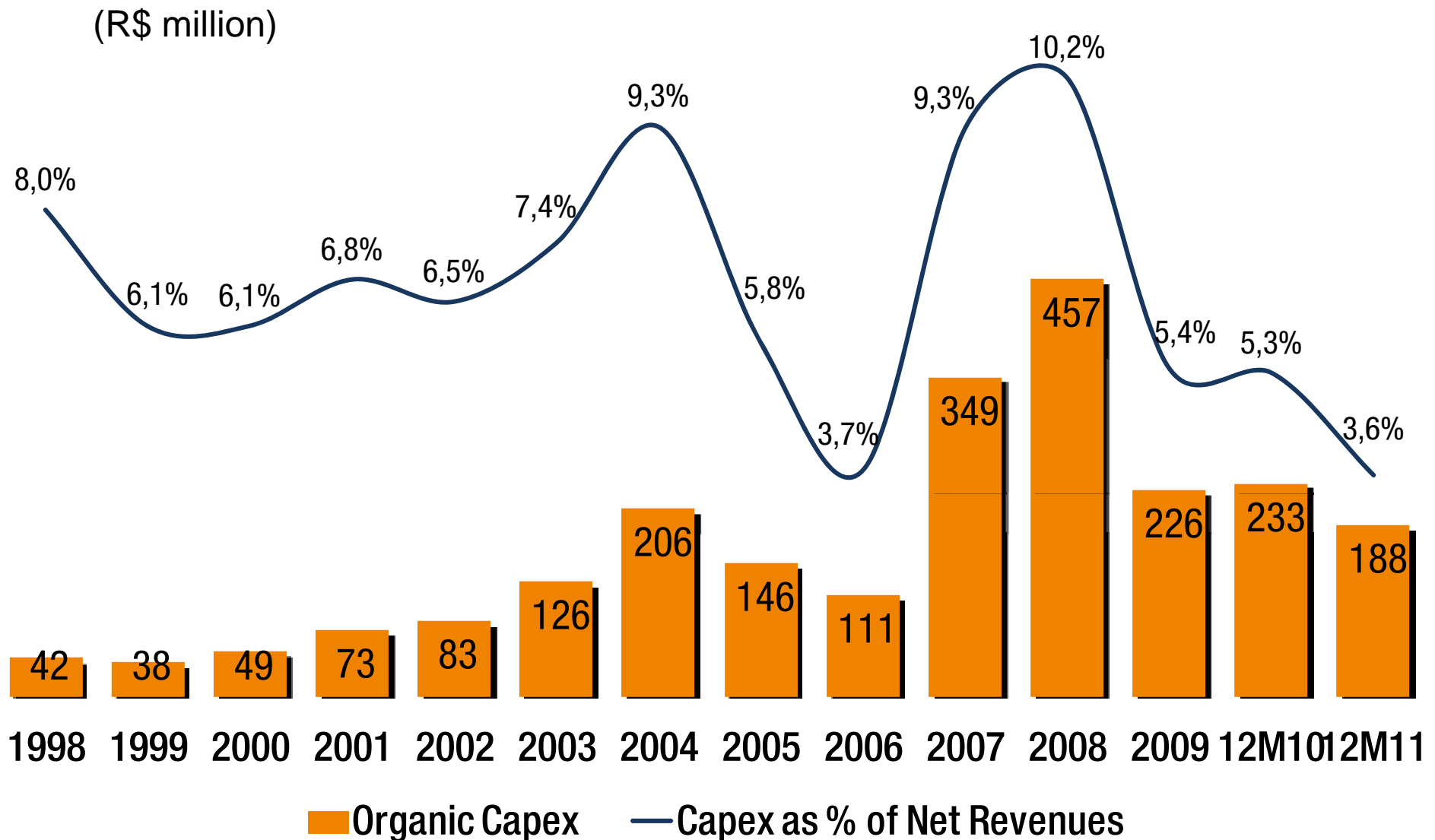


(% of Net Revenues)





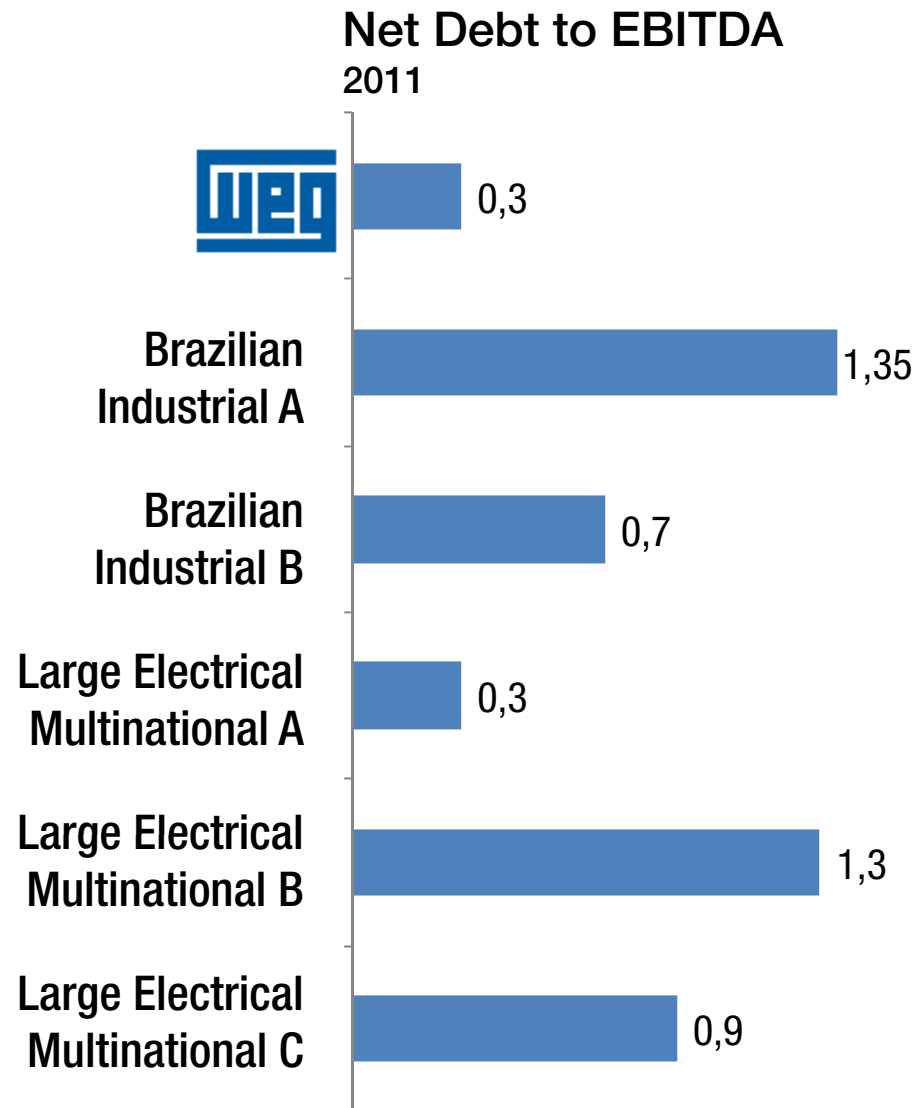
# Organic Capex



# Solid capital structure



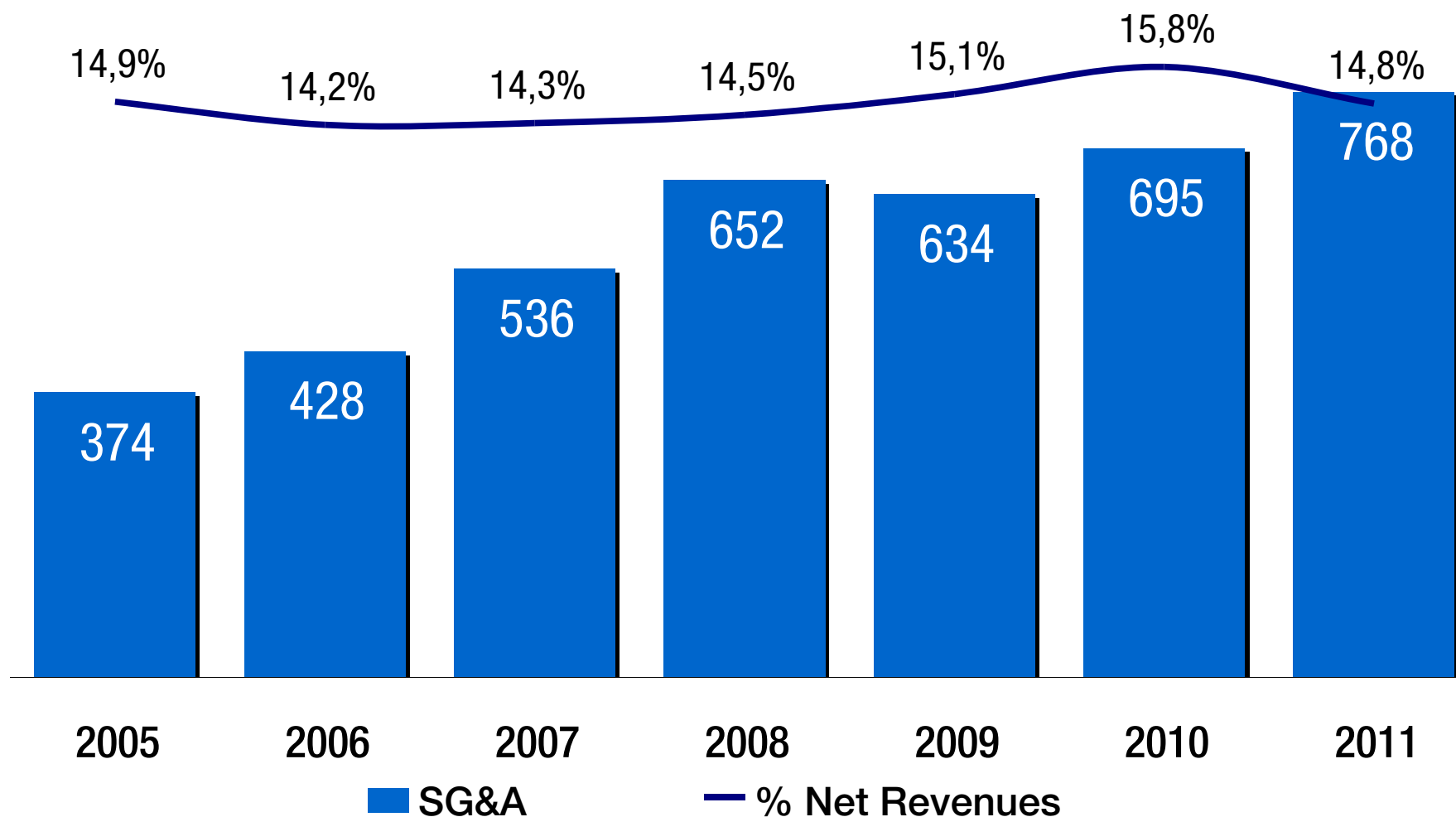
WEG has room to increase leverage



# Selling, General & Administrative Expenses



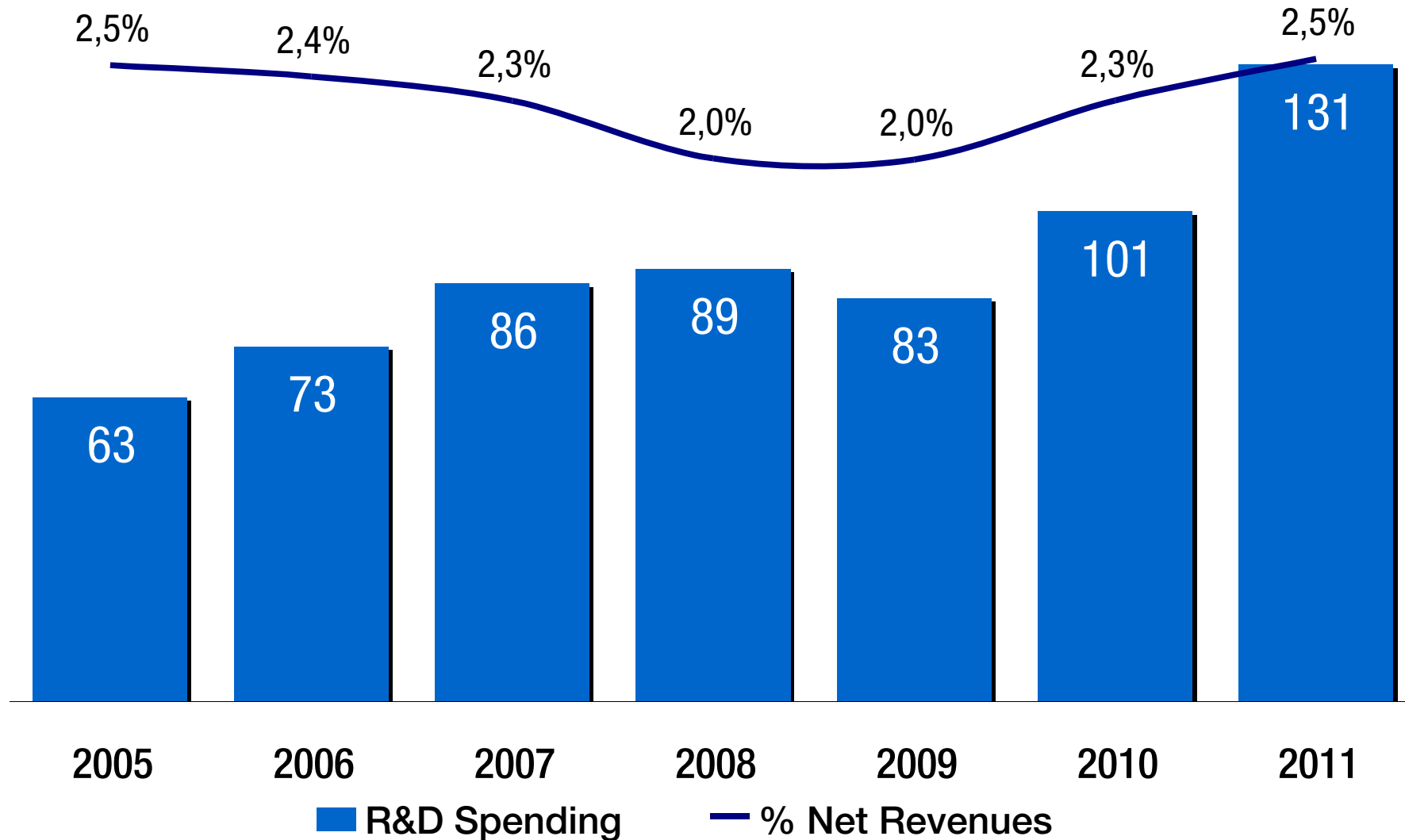
(R\$ million)



# Research & Development



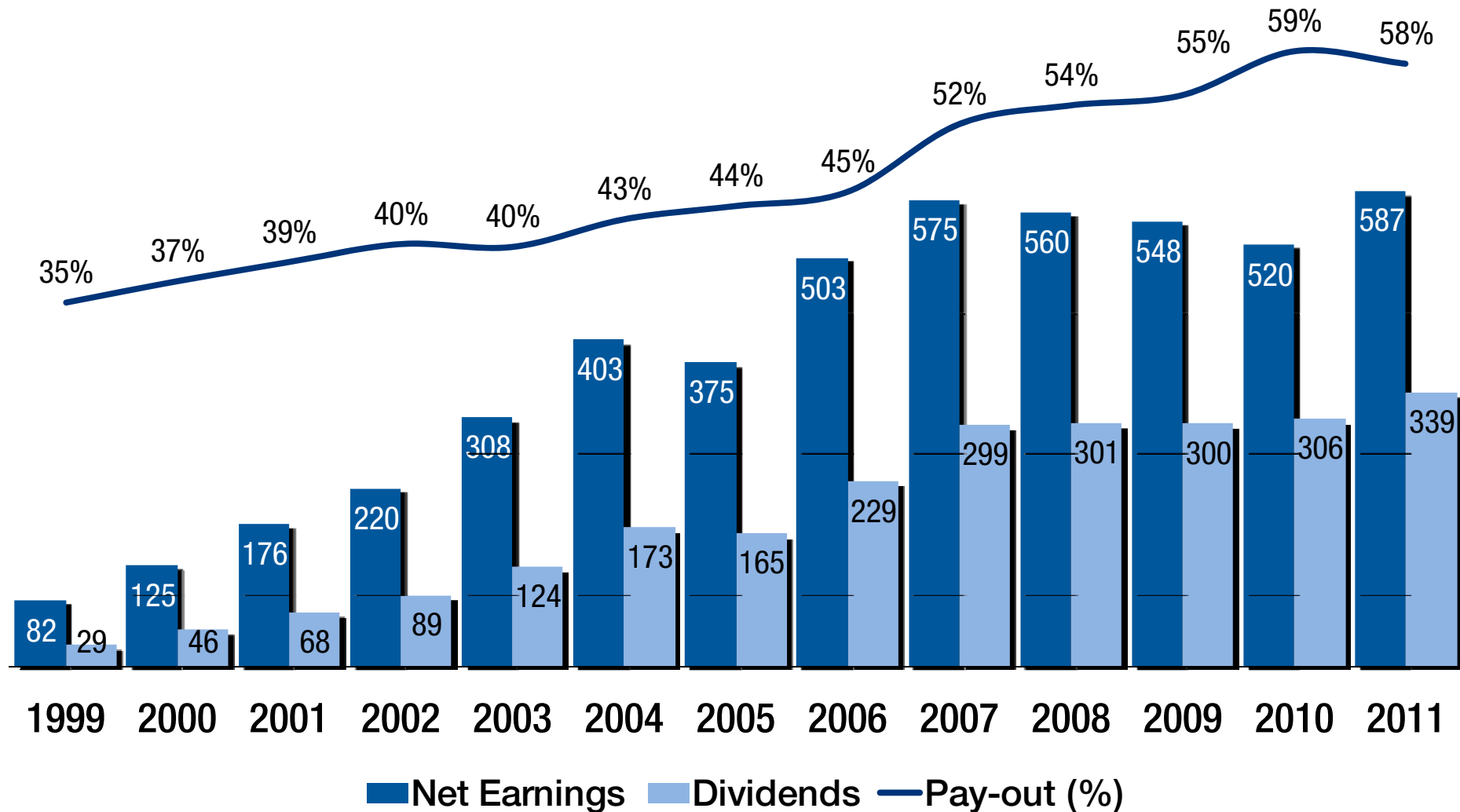
(R\$ million)



# Dividend Pay-out Policy



Net Earnings and Dividends (R\$ million)



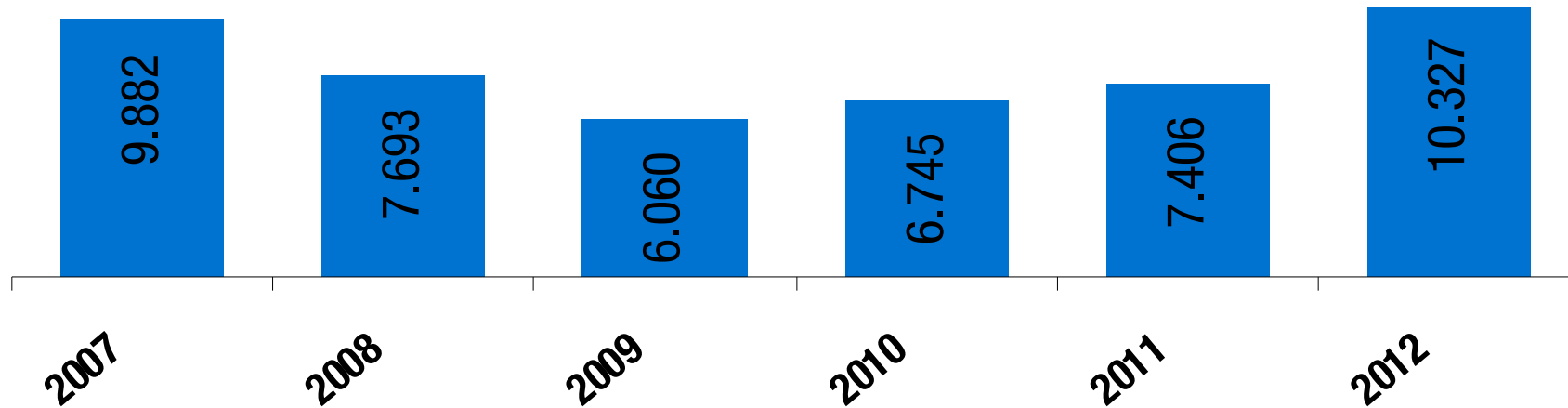
# Recent capital markets related activities

- Sponsored level 1 ADR (JP Morgan)
- Market Maker at BM&F Bovespa (Credit Suisse)
- New web site, with intensive use on social media tools
- Gradually improve information disclosure
- Increase sell side coverage
- More intense investor contact
- Increase sustainability communications

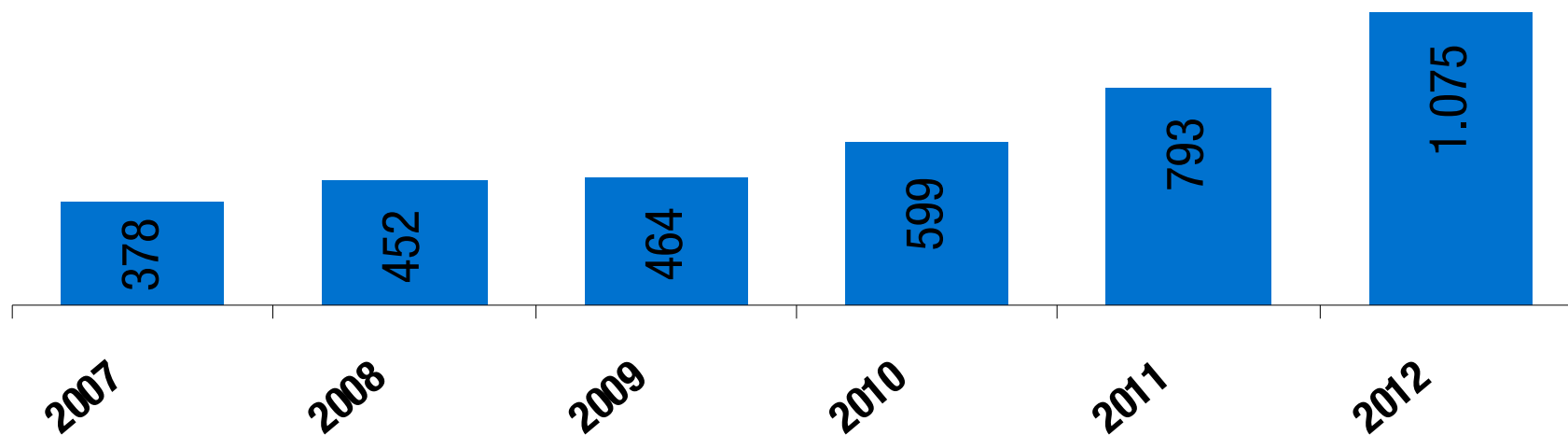
# Liquidity – WEGE3



Average Daily Traded Volume (R\$ th)



Average Daily Trades



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