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Research Update:

Cosan Outlook Revised To Negative On Adverse Effects Of Joint Venture's Potential Debt Restructuring; Ratings Affirmed

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Rating Action Overview

- On Feb. 9, 2026, we downgraded Raizen S.A., a joint venture (JV) between Cosan S.A. and Shell plc, to 'CCC+' and placed the ratings on CreditWatch with negative implications. This reflected the increased likelihood of Raizen's debt restructuring after the hiring of financial and legal advisors to evaluate alternatives to optimize its capital structure and liquidity.
- Although we do not anticipate any immediate cross debt payment acceleration or cash impact for Cosan, we believe risks related to the debt restructuring of its JV could emerge, potentially weakening Cosan's financial flexibility.
- On Feb. 12, 2026, we revised the outlook on our rating on Cosan to negative from stable and affirmed our 'BB' rating on the company. We also affirmed our 'BB' issue-level ratings on Cosan Overseas Limited and Cosan Luxembourg S.A.'s senior unsecured notes. The '3' (65%) recovery rating remains unchanged.
- The negative outlook reflects the possibility of Cosan's downgrade because of uncertainties over Raizen's capital structure and how this could affect Cosan, especially in terms of market perception and confidence. The outlook also reflects our view of weaker governance standards, related to Raizen's unclear policies.

Rating Action Rationale

We believe immediate impacts on Cosan from Raizen's potential debt restructuring are limited. Cosan is not a guarantor for any of debts of Raizen and it recently announced the early amortization of its 2029, 2030, and 2031 senior unsecured notes, which included cross-default clauses. Cosan's remaining debt, including the local market debt and the perpetual bond, doesn't have any cross-default clause. Therefore, we believe the chances of a debt payment acceleration at Cosan's level are remote. We understand that the existing BNDES financing allows the bank to rediscuss the debts of all Cosan subsidiaries if a default occurs at Raízen based on the bank’s economic group definition. However, Cosan benefits from ample liquidity to potentially pay down

BNDES debt if needed, and that there is headroom to renegotiate the terms. The subsidiaries Raízen, Rumo, and Compass have R$527 million, R$ 1.5 billion, and R$ 2.8 billion of BNDEs loans, respectively, as of Sept. 30, 2025.

However, the spillover effect is difficult to forecast. Despite Raizen's status as a JV, its proximity, track-record, and historical relevance to Cosan could impair the latter's financial flexibility and market access. In addition, in our view, the ongoing developments at Raizen signals a riskier decision-making at the group level. Those factors led us to reassess Cosan's management and governance (M&G) score to moderately negative from neutral.

Cosan's capital inflow and recent debt refinancing increase the leverage cushion for the rating. With the proceeds from the December 2025 follow-on, through which Cosan raised R$10.5 billion, we expect its gross debt to drop to about R$12 billion from R$21.6 billion as of September 2025 and from R$36.3 billion as of December 2024. This should also lower the holding's interest burden, which we forecast to drop to close to R$1 billion in 2026 from our forecast of R$3.0 billion in 2025. On a consolidated basis, these factors, together with resilient performance of Cosan's subsidiaries such as Rumo, Compass, and Moove, will allow Cosan's net leverage to stay at 2.5x-3.0x in 2026, compared with 4.0x in the 12 months ended Sept. 30, 2025 (before the capitalization) and 4.0x at the end of 2024.

More importantly, consistent dividend upstream (except from Raízen), lower interest burden, and unused proceeds from the follow-on will support a healthy cash balance at the holding level, which we estimate close to R$6 billion, which more than covers interest burden and other outflows such as resuming dividend payments. This surplus provides financial flexibility for Cosan in the scenario of higher uncertainties at Raizen's level, which could require some kind of support from shareholders.

Still, we highlight that any higher-than-expected cash outflows to support Raizen, which could raise Cosan's leverage or depress its liquidity, could also be a trigger for an eventual downgrade.

Outlook

The negative outlook on Cosan reflects the uncertainties over Raizen's capital structure and how it could take a toll on Cosan, especially in terms of market perception and confidence.

Downside scenario

We could downgrade Cosan if adverse developments at Raizen weaken the overall market perception and raise reputation risks for Cosan, or if cash outflows to support Raizen would pressure Cosan's liquidity and leverage, impairing its strategy to continue to reduce its leverage. In this scenario, we expect Cosan's debt to EBITDA trending to 4.0x and FFO to debt below 20%, consistently, while cash position to meet interest burden would weaken.

Upside scenario

We could revise the outlook to stable if changes in Raizen's capital structure won't raise Cosan's cash outflows or worsen the market risk perception. In this scenario, we expect Cosan to maintain debt to EBITDA at 2.5x-3.0x in 2026 thanks to dividend upstream, potential additional asset sales, and increasing EBITDA at the subsidiaries.

Company Description

Cosan is a conglomerate operating in the fuel and natural gas distribution, agribusiness, lubricants, and transportation segments. The group generated R$41 billion of revenue and adjusted EBITDA of R$14 billion in the 12 months ended Sept. 30, 2025.

Cosan's portfolio consists of:

- An 88% stake in Compass (largest natural gas distribution company in Brazil),
- 70% in Moove (lubricant producer and distributor operating in Brazil and the U.S.),
- 30% in Radar (agricultural land management in Brazil), and
- 30% in Rumo (transportation and logistics company that operates the largest railroad network in Brazil).

In addition, Cosan has a 44% stake in Raizen, a JV with Shell, accounted for as an equity investment. Raizen produces sugar and ethanol, energy cogeneration, and fuel distribution. Cosan also maintains a 0.1% stake in Vale S.A., the largest iron ore producer globally.

Cosan is controlled by the Ometto family under the holding company Aguassanta (not rated), with a 21.3% stake (and 50.01% of the controlling voting rights), followed by BTG Pactual Holding and Asset Management (not rated) and Perfin Infra Administração de Recursos Ltda. (not rated) which together hold 32.3% stake at Cosan. The remaining is free float.

Liquidity

We forecast Cosan's sources of cash to exceed uses by around 1.4x in the next 12 months and sources minus uses to remain positive even if forecasted EBITDA were to decline 15%.

We believe Cosan has sufficient liquidity sources to comply with its debt maturities and interest and dividend payments for the next 12 months. We believe it enjoys wide access to domestic and internal credit markets, proven by regular debt issuance at the holding company and subsidiaries. But it wouldn't be able to withstand a high-impact low-probability event without refinancing given higher capex levels, especially at Rumo.

We do not assume any cash outflow to support Raizen in our base case as the scenario is still uncertain. Once and if any transaction is disclosed, we would incorporate this into our assessment of Cosan.

As of September 2025, Cosan's cash position was about R$3.5 billion, with no principal debt maturity before 2028.

Principal liquidity sources	Principal liquidity uses
• Consolidated cash and cash equivalents of R$12.9 billion as of Sept. 30, 2025 • Cash FFO of R$11.0 billion in the next 12 months from September 2025 • Proceeds from the December 2025 follow-on amounting to R$10.5 billion	• Short-term debt of R$3.9 billion as of Sept. 30, 2025, plus R$9 billion in debt pre-payment • Working capital outflows of about R$800 million in the next 12 months • Capex of R$8.5 billion in the next 12 months • Dividends' payment of R$1.3 billion in the next 12 months

Covenants

Cosan is subject to a financial covenant under its notes of pro forma net debt to EBITDA of a maximum of 3.5x, which includes Raizen's proportional results (EBITDA and net debt). This is an incurrence covenant, limiting the ability to raise additional debt. We expect the group to continue to comply with its covenant, with a headroom above 35%.

Environmental, Social, And Governance

Environmental and social factors have an overall neutral influence on our credit rating analysis of Cosan. It is exposed to environmental risks in the sugar and ethanol sector through Raizen, whose dividends have represented around 10% of Cosan's consolidated EBITDA. The bulk of Cosan's operations consist of the railroad operator Rumo and the regulated utility Comgas. We have a positive view of the regulatory framework for the latter, given the record of transparency in rate-setting, despite risks of delays in rate hikes due to political intervention. Although rail operations are more fuel efficient than truck transportation, economics remain the key driver for customers.

We now view governance factors as a moderately negative factor in our analysis of Cosan. This reflects the current situation at Raizen and how Cosan, together with Shell, have managed the situation, including market expectations and risk perception. Although we believe direct contagion risks are limited for Cosan at this point, longer-term reputational risks could rise, which could impair Cosan's ability to continue financing its debt needs at attractive funding costs, and follow with its debt reduction strategy. Also, we believe the change in the approach around Raizen’s situation signals a more risky decision-making that may disadvantage creditors and we consider this as an indication of a governance weakness, potentially impacting on market confidence at Cosan’s level.

Environmental, social, and governance (ESG) credit factors for this change in credit rating/outlook and/or CreditWatch status:

- Governance structure

Issue Ratings--Recovery Analysis

Key analytical factors

The recovery rating on the senior unsecured notes issued by Cosan's financial arms, Cosan Overseas Limited and Cosan Luxembourg S.A., is '3' (65%). With the recent debt payments, we currently rate the 2029 bond which the company will liquidate by February 17, and the perpetual notes.

Our hypothetical scenario assumes a default occurs in 2030 after persistently weak economic conditions in Brazil, which would erode the group's ability to meet its financial obligations. This scenario would reduce dividends from subsidiaries. As a result, Cosan would be unable to service its debt and access capital markets to refinance debt maturities. We assume Cosan would likely sell its stakes in public companies Raizen, Compass, and Vale in a default scenario.

Simulated default assumptions

- Simulated year of default: 2031

- Because it's a listed company, we value Raizen's close to current market capitalization and no haircut, as believe the value already reflects a more stressed scenario.
- For both Comgas and Vale, also listed companies, we use the average stock price of the past two years and apply a 50% haircut.
- We think Moove's value would be about R$2.6 billion, based on a 50% haircut to its expected 2026 EBITDA and using a 5x multiple. We also assume the company could use around 30% of cash to pay down debt. Therefore, we expect a residual value to Cosan of about R$1.3 billion, considering its 70% stake.
- We expect a recovery below 100% at Rumo's level, and we don't account for any post default recourse from Cosan in the event of restructuring because the latter doesn't guarantee any of its debt.
- Estimated gross enterprise value at emergence: R$11.2 billion.

Simplified waterfall

- Net enterprise value after 5% administrative costs: R$18.9 billion
- Senior unsecured debt: R$12.7 billion (includes the 2029 senior notes, perpetual bonds, debentures and commercial notes)
- Recovery expectations for the unsecured debt: 50%-70% (rounded estimate: 65%)

* All debt amounts during default include six months of prepetition interest

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BB/Negative/--
Local currency issuer credit rating	BB/Negative/--
Business risk	Satisfactory
Country risk	Moderately high risk
Industry risk	Low risk
Competitive position	Satisfactory
Financial risk	Aggressive
Cash flow/leverage	Aggressive
Anchor	bb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Moderately negative
Comparable rating analysis	Neutral
Stand-alone credit profile	bb

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Raizen S.A. Downgraded To 'CCC+' And Placed On CreditWatch Negative On Heightened Risks Of Debt Restructuring, Feb. 9, 2026

Ratings List

Ratings List		
Ratings Affirmed; Outlook Action		
	To	**From**
Cosan S.A.		
Issuer Credit Rating	BB/Negative/--	BB/Stable/--
Foreign Currency	BB/Negative/--	BB/Stable/--
Ratings Affirmed; Recovery Ratings Unchanged		
Cosan Overseas Ltd.		
Cosan S.A.		
Senior Unsecured	BB	
Recovery Rating	3(65%)	