

Research Update:

Cosan S.A. Ratings Lowered To 'B+' On Reduced Business Diversification And Strained Coverage Ratios; Outlook Negative

July 8, 2026

Rating Action Overview

- In our view, the negative impact of Raízen S.A.'s debt restructuring on **Cosan S.A.** and its other subsidiaries has eased, and we don't expect any cash support from or significant liabilities to Cosan at this point.
- Still, the out-of-court restructuring, as proposed, will result in a significant investment dilution, which weakens Cosan's business profile, in our view. And despite a good recent track record of asset sales and use of proceeds to reduce debt, we expect coverage metrics to remain weak in the next two years absent further asset sales.
- On July 8, 2026, S&P Global Ratings lowered its issuer credit rating on Cosan and its issue rating on the perpetual notes issued by **Cosan Overseas Ltd.** to 'B+' from 'BB-' and removed the ratings from CreditWatch with negative implications, where we placed them on March 6, 2026.
- The negative outlook reflects the uncertainties about Cosan's divestment strategy and the potential impact on its business, dividends inflows, and debt service coverage ratios amid the complex and leveraged structure at the holding company level.

Rating Action Rationale

The downgrade reflects Cosan's weaker business and still heavy capital structure, which requires more asset sales to meet debt payments. While the risks of a disruptive judicial process and spillover effects from Raízen's debt restructuring are increasingly contained, the expected debt-to-equity conversion will substantially dilute Cosan's economic interest and influence over the subsidiary. As of March 2026, Cosan has ceased recognizing Raízen's effects in its financial statements due to impairment charges that reduced the investment's carrying amount to zero.

This loss of Raízen--historically a primary dividend contributor--had already fundamentally altered the group's cash flow profile and exacerbated the pressure on interest coverage ratios. But Cosan's current trajectory suggests that aggressive divestment to meet deleveraging targets

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may further erode the group's earnings. Historically, Cosan's credit strength was anchored in its diversified conglomerate structure, which provided a buffer against sector cyclicality.

Furthermore, while continued divestments have improved the holding company's liquidity and eased cash flow pressures for the next two years, in our view, Cosan's capital structure remains complex and costly and requires asset sales to meet debt requirements beyond that period. Our current projections show interest coverage ratio (calculated by net dividends received plus interest income over financial cash expenses) will remain below 1.0x in the next two years absent further asset sales, as dividends from Rumo, Compass, Moove, and Radar are not sufficient to meet financial expenses.

We believe that the spillover effects from Raízen's debt restructuring to Cosan are more contained, but the related investment loss is significant for the group. In June 2026, Raízen announced that it secured support from more than 80% of creditors for its Brazilian real (R\$) 65 billion debt restructuring plan. The main conditions include a R\$3.5 billion capital injection from **Shell PLC** (A+/Stable/A-1), an additional R\$500 million option from the Ometto family holding, and the conversion of 45% of the debt into equity.

Cosan will not participate in the expected capital increase, so cash outflows are contained and potential fiscal or judicial liabilities should not be relevant. At the same time, reputational spillover effects on the group have eased, and subsidiaries are gradually accessing debt and capital markets. But funding and refinancing capabilities at the holding level are still highly uncertain, as the holding company hasn't tried accessing the market to issue any new debt.

Further divestments could improve the holding company's capital structure, but the final impact on Cosan's business diversification and long-term strategy remains highly uncertain.

Management has stated a goal of reaching zero net debt and has signaled a willingness to explore alternatives involving other key subsidiaries, such as Rumo. Because Cosan remains heavily dependent on dividend inflows to meet its financial obligations, any divestment that reduces the group's long-term dividend-generating capacity could aggravate the existent structural mismatch between cash inflows and debt service requirements.

We expect interest coverage ratios will remain strained at the holding company level through 2026 and 2027, despite a significant reduction in gross debt. Since December 2025, Cosan has performed a sizable liability management, including the amortization of approximately R\$9.0 billion in debt supported by the R\$10 billion equity follow-on and the successful Compass IPO, which raised R\$2.3 billion.

However, this does not immediately translate into improved interest coverage, which we estimate will remain below 1.0x for the next two years absent new divestments. This pressure stems from our calculation of lower dividend inflows from remaining subsidiaries and elevated financial expenses at close to R\$2.9 billion in 2026 and R\$1.7 billion in 2027, including nonrecurrent effects of:

- Costs associated with bond prepayments (including premiums and accelerated interest), and
- The interest arising from the total return swap structure backed by Rumo shares, which we estimate to add around R\$400 million in financial expenses.

For our interest coverage calculation, we estimate a cash upstream net of preferred shares of R\$1.4 billion from subsidiaries in 2026, including R\$586 million to be received from the sale at Radar level, and R\$1.1 billion in 2027.

Management remains committed to further divestments (e.g., Rumo) and debt amortizations. But the uncertainties around the holding company's ability to service interest in the medium term absent further asset sales weigh on our assessment.

Liquidity is solid and leverage is improving on a consolidated basis, though that's outweighed by the complexities mentioned above. We forecast Cosan's consolidated net leverage to stay at 2.5x-3.0x in 2026 and 2.0x-2.5x in 2027, compared with 3.4x in the 12 months ended March 31, 2026, and 4.1x in 2024. This incorporates the lower gross debt at the holding company level and our expectation of resilient performance at its subsidiaries. We estimate EBITDA of R\$8.1 billion for Rumo in 2026, R\$61 billion for Compass, R\$1.9 billion for Moove, and above R\$1.0 billion for Radar.

The consolidated interest burden will improve but remain somewhat high in 2026, mostly given still high expenses at the holding level. We forecast funds from operations (FFO) to debt at 21.1% and EBITDA interest coverage of 2.5x in 2025, improving to close to 28% and 3.3x, respectively, next year.

Also, a more prudent approach to cash outflows, as capex and dividends, and better working capital dynamics among the subsidiaries should support stronger cash generation and the group's liquidity.

Outlook

The negative outlook reflects the uncertainties about Cosan's divestment strategy and the potential impact on its business, dividend inflows, and debt service coverage ratios amid a complex financial structure at the holding company level.

Downside scenario

We could downgrade Cosan if:

- Further divestments reduce the group's overall diversification, weakening dividend inflows and leading to reliance on fewer subsidiaries.
- Proceeds from potential divestments are not able to materially improve the holding company's capital structure and interest coverage ratios stay below 1.0x.
- The group increases leverage because of weaker-than-expected performance or an aggressive expansion/mergers and acquisitions strategy not accompanied by better cash generation. In particular, we would look for debt to EBITDA close to 4.0x and FFO to debt below 20% consistently.
- Liquidity weakens amid continuous cash consumption without further divestments.

Upside scenario

We could revise the outlook to stable if further potential divestments improve and simplify Cosan's capital structure, reducing the interest burden and improving coverage ratios even in a scenario of lower dividends, with a debt service coverage ratio consistently above 1.0x. We would also expect the group to maintain leverage in line with our base case and an adequate liquidity cushion.

Company Description

Cosan is a conglomerate operating in the fuel and natural gas distribution, agribusiness, lubricants, and transportation segments.

Cosan's portfolio consists of:

- An 76.18% stake in Compass (the largest natural gas distribution company in Brazil);
- A 70% stake in Moove (a lubricant producer and distributor operating in Brazil and the U.S.);
- A 30% stake in Radar (agricultural land management in Brazil); and
- A 30.3% stake in **Rumo S.A.** (a transportation and logistics company that operates the largest railroad network in Brazil).

In addition, Cosan has a 44% stake in Raízen, accounted for as an equity investment. Raizen produces sugar and ethanol, energy cogeneration, and fuel distribution.

Cosan is controlled by the Ometto family through 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 a 32.3% stake at Cosan. The remainder is free float.

Our Base-Case Scenario

Assumptions

- Brazil's GDP growth of 1.8% in 2026, 1.7% in 2027, and 2.2% in 2028
- Brazil's average inflation of 4.7% in 2026, 4.1% in 2027, and 3.7% in 2028, and rising general costs at subsidiaries and expenses at the holding company level
- Average exchange rate at R\$5.15-R\$5.35 per \$1 in the next three years
- For Compass, we forecast prices adjusted according to inflation and volume linked to GDP.
- Volumes at Moove improving in 2026 at close to 10% after the decline in 2025, and prices expanding in line with inflation
- For Rumo, volume growth of 8%-9% in 2026 and 2027, underpinned by the expansion of the rail network and anticipated increases in agribusiness production and exports, coupled with increasing EBITDA generation, with margins above 52% over the next two years
- Solid growth prospects for Radar, mostly due to a mature portfolio of assets
- Total capex of R\$8.0 billion-R\$ 8.4 billion per year in 2026 and 2027, of which R\$5.5 billion-R\$6.0 billion from Rumo and R\$2 billion-R\$2.2 billion from Compass
- Dividends payment of R\$1.9 billion in 2026 (considering part of the proceeds from the sale at Radar to be distributed), reducing to R\$1.2 billion in 2027 and R\$1.7 billion in 2028, in line with the expectations for each subsidiary. This considers no dividends to be distributed at the level of the holding company, but this could change depending on further divestments.
- Debt refinance at subsidiaries
- At the Cosan holding company level, we forecast dividend inflow (net of preferred shares) of about R\$1.4 billion in 2026 and R\$1.1 billion 2027 mostly from Radar (considering sale proceeds), Moove, and Compass. We incorporate debt reduction of R\$9.1 billion in 2026, in line

with the company's liability management, and a further reduction in 2027 considering the proceeds from recent divestments.

Key metrics

Cosan S.A.--Forecast summary

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028	Dec-31-2029
(Mil. BRL)	2022a	2023a	2024a	2025a	2026e	2027f	2028f	2029f
Revenue	38,520	37,974	42,348	38,850	42,029	45,007	47,486	49,726
Gross profit	11,999	14,284	17,583	17,066	16,009	17,634	18,613	19,446
EBITDA (reported)	10,498	14,329	14,712	15,850	17,347	18,971	19,950	20,783
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--	--
Plus/(less): Other	(451)	(860)	346	(1,069)	(1,178)	(1,178)	(1,178)	(1,178)
EBITDA	10,047	13,469	15,057	14,781	16,169	17,793	18,772	19,606
Less: Cash interest paid	(3,724)	(3,872)	(5,137)	(5,239)	(6,510)	(5,280)	(4,513)	(4,388)
Less: Cash taxes paid	(319)	(362)	(1,220)	(1,241)	(386)	(645)	(793)	(903)
Plus/(less): Other	--	--	--	--	--	--	--	--
Funds from operations (FFO)	6,004	9,236	8,700	8,301	9,272	11,869	13,466	14,314
EBIT	9,099	12,839	4,447	1,099	13,875	15,001	15,828	16,750
Interest expense	4,966	4,852	6,467	7,228	6,570	5,339	4,573	4,448
Cash flow from operations (CFO)	7,427	8,410	9,515	7,769	12,181	12,853	15,691	16,607
Capital expenditure (capex)	4,460	6,186	7,835	8,381	8,352	8,195	8,641	8,651
Free operating cash flow (FOCF)	2,966	2,224	1,680	(611)	3,829	4,659	7,050	7,956
Dividends	1,908	2,582	3,447	2,693	1,944	1,172	1,698	1,967
Share repurchases (reported)	572	103	398	532	--	--	--	--
Discretionary cash flow (DCF)	486	(461)	(2,165)	(3,837)	1,885	3,486	5,352	5,989
Debt (reported)	52,987	56,905	66,455	64,227	54,981	51,231	50,861	50,861
Plus: Lease liabilities debt	3,532	5,276	6,510	6,413	6,733	7,050	7,339	7,610
Plus: Pension and other postretirement debt	380	408	347	354	354	354	354	354
Less: Accessible cash and liquid Investments	(15,724)	(18,066)	(20,176)	(29,832)	(25,152)	(23,716)	(27,526)	(32,343)
Plus/(less): Other	9,446	9,500	8,439	7,066	7,126	7,878	8,614	9,382

Cosan S.A. Ratings Lowered To 'B+' On Reduced Business Diversification And Strained Coverage Ratios; Outlook Negative

Cosan S.A.--Forecast summary

Debt	50,621	54,022	61,575	48,227	44,043	42,796	39,642	35,865
Equity	48,169	50,981	39,398	31,010	34,545	38,634	43,378	48,738
FOCF (adjusted for lease capex)	2,567	305	599	(1,091)	2,336	3,170	5,589	6,512
Interest expense (reported)	4,839	4,713	6,409	7,090	6,510	5,280	4,513	4,388
Capex (reported)	4,531	6,268	7,835	8,460	8,352	8,195	8,641	8,651
Cash and short-term investments (reported)	15,732	18,074	20,204	29,878	25,152	23,716	27,526	32,343

Adjusted ratios

Debt/EBITDA (x)	5.0	4.0	4.1	3.3	2.7	2.4	2.1	1.8
FFO/debt (%)	11.9	17.1	14.1	17.2	21.1	27.7	34.0	39.9
FFO cash interest coverage (x)	2.6	3.4	2.7	2.6	2.4	3.2	4.0	4.3
EBITDA interest coverage (x)	2.0	2.8	2.3	2.0	2.5	3.3	4.1	4.4
CFO/debt (%)	14.7	15.6	15.5	16.1	27.7	30.0	39.6	46.3
FOCF/debt (%)	5.9	4.1	2.7	(1.3)	8.7	10.9	17.8	22.2
DCF/debt (%)	1.0	(0.9)	(3.5)	(8.0)	4.3	8.1	13.5	16.7
Lease capex-adjusted FOCF/debt (%)	5.1	0.6	1.0	(2.3)	5.3	7.4	14.1	18.2
Annual revenue growth (%)	61.3	(1.4)	11.5	(8.3)	8.2	7.1	5.5	4.7
Gross margin (%)	31.1	37.6	41.5	43.9	38.1	39.2	39.2	39.1
EBITDA margin (%)	26.1	35.5	35.6	38.0	38.5	39.5	39.5	39.4
Return on capital (%)	11.9	12.6	4.3	1.2	17.6	18.7	19.2	20.0
Return on total assets (%)	7.8	9.4	3.2	0.8	10.4	11.4	11.7	11.8
EBITDA/cash interest (x)	2.7	3.5	2.9	2.8	2.5	3.4	4.2	4.5
EBIT interest coverage (x)	1.8	2.6	0.7	0.2	2.1	2.8	3.5	3.8
Debt/debt and equity (%)	51.2	51.4	61.0	60.9	56.0	52.6	47.7	42.4
Debt fixed-charge coverage (x)	2.0	2.8	2.3	2.0	1.6	2.0	3.8	4.4
Debt/debt and undepreciated equity (%)	51.2	51.4	61.0	60.9	56.0	52.6	47.7	42.4

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. R\$--Brazilian real.

Liquidity

On a consolidated basis, we forecast Cosan's sources of cash to exceed uses by close to 2.0x in the next 12 months and sources minus uses will remain positive even if forecasted EBITDA were to decline 15%.

We think the group maintains access to domestic and internal credit markets, proven by regular debt issuance at the holding company and subsidiaries. Although costs could be affected after the recent situation with Raízen. Also, we expect it wouldn't be able to withstand a high-impact low-probability event without refinancing given higher capex levels, especially at Rumo.

At the holding company level, there is no maturity coming due until 2028. We believe Cosan has sufficient liquidity sources to comply with interest and dividend payments--mostly preferred shares--for the next 12 months, supported by the proceeds from last year's equity follow-on and Compass' IPO. We consider the debt prepayments already announced by the holding company, and we believe Cosan could pursue additional liability management but maintain sufficient cash balances to support its financial flexibility as it pursues additional divestments.

As of March 2026, Cosan's cash position was about R\$7.7 billion.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none"> Consolidated cash and cash equivalents of R\$17.5 billion as of March 31, 2026 Cash FFO of R\$12.0 billion in the next 12 months Proceeds from Compass' IPO amounting to R\$2.3 billion 	<ul style="list-style-type: none"> Consolidated short-term debt of R\$3.7 billion as of March 31, 2026, plus R\$2.8 billion in debt prepayment announced in June Consolidated working capital outflows of about R\$880 million in the next 12 months Consolidated capex of R\$8.3 billion in the next 12 months Acquisition payables at Radar of R\$330 million Consolidated dividends payment to minority shareholders of R\$800 million in the next 12 months

Covenants

After the prepayments of the senior notes made earlier this year, Cosan does not have financial covenants applicable to the holding's debt.

Environmental, Social, And Governance

We continue to see governance factors as a negative factor in our analysis of Cosan. This reflects the situation at Raízen and how Cosan has approached it, 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 and its subsidiaries' ability to continue financing its debt needs at attractive funding costs. Also, we think Raízen's situation could impair market confidence in the group and create a precedent for risk management at other subsidiaries, coming from a more complex ownership structure.

Issue Ratings--Recovery Analysis

Key analytical factors

The recovery rating on the senior unsecured notes issued by Cosan's financial arm, Cosan Overseas Ltd., is '3' (65%). With the recent debt payments, we currently rate only 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, Compass and Rumo, in a default scenario.

Simulated default assumptions

- Simulated year of default: 2030
- For Compass, we use the recent average stock price and apply a 50% haircut.
- We think Moove's value would be about R\$4.7 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\$2.3 billion, considering its 70% stake.
- We expect 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 Cosan doesn't guarantee any of Rumo's debt.
- Estimated gross enterprise value at emergence: R\$11.8 billion

Simplified waterfall

- Net enterprise value after 5% administrative costs: R\$11.2 billion
- Senior unsecured debt: R\$14.2 billion
- Recovery expectations for the unsecured debt: 50%-70% (rounded estimate: 65%)

Rating Component Scores

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

Related Criteria

- [Criteria | Corporates | General: Recovery Rating Criteria For Corporate Issuers](#), March 31, 2026
- [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 | 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: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Raizen S.A. Downgraded To 'SD' From 'CCC-' On Request For Out-Of-Court Debt Restructuring](#), March 11, 2026

- [Cosan S.A. Downgraded To 'BB-' From 'BB' And Placed On CreditWatch Negative On Weaker Financial Flexibility](#), March 6, 2026

Ratings List

Ratings List

Downgraded; Outlook Action

	To	From
<u>Cosan S.A.</u>		
Issuer Credit Rating	B+/Negative/--	BB-/Watch Neg/--

Downgraded; Outlook Action; Recovery Ratings Unchanged

	To	From
<u>Cosan Overseas Ltd.</u>		
<u>Cosan S.A.</u>		
Senior Unsecured	B+	BB-/Watch Neg
Recovery Rating	3(65%)	3(65%)

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