



Rating Action: Moody's Ratings downgrades Cosan's ratings to B1, negative outlook

16 Jul 2026

New York, July 16, 2026 -- Moody's Ratings (Moody's) has downgraded Cosan S.A. ("Cosan") Corporate Family Rating (CFR) and Cosan Overseas Limited's backed senior unsecured notes rating to B1 from Ba3. The outlook on both entities was changed to negative from ratings under review.

The rating action concludes the review for downgrade initiated on February 24, following the announcement of Raizen S.A.'s restructuring process and the uncertainties surrounding its implications for Cosan.

The review for downgrade focused on the potential consequences of Raizen's restructuring for Cosan's credit profile, as well as Cosan's ability to further reduce holding-level debt through liability management initiatives and divestments while preserving adequate liquidity and access to dividends from its core investments.

RATINGS RATIONALE

The downgrade of Cosan's ratings to B1 from Ba3 reflects weak holding-level interest coverage and the company's continued reliance on asset monetization to further improve its capital structure through debt reduction. The B1 rating also incorporates Cosan's lower portfolio diversification, which reduces both the diversity and amount of future dividend income.

These challenges are balanced by meaningful improvements in Cosan's capital structure in 2025-2026, including lower debt levels and, consequently, lower interest expenses. Moreover, Cosan's portfolio is anchored by Compass, Moove, Radar and Rumo, with Compass representing Cosan's main source of dividends given its predictable cash generation and track record of shareholder distributions. At the same time, although Raizen's out-of-court restructuring has materially reduced dividend income to Cosan, we do not expect contagion through financial obligations or liabilities.

The negative outlook reflects the risk that Cosan's deleveraging initiatives will not reduce debt levels and interest expense sufficiently to align with dividend income from its current investees. Moody's expects negative holding-company free cash flow over the next 12 to 18 months, driven by elevated interest expense and lower dividend income from subsidiaries. The outlook also reflects uncertainties around the timing and value of potential divestitures, as well as future dividend income from investees, which could further delay deleveraging at Cosan.

During the review period, Cosan executed a number of initiatives that strengthened its credit profile, including the secondary public offering of Compass, which raised BRL2.3 billion. In addition, the company announced the sale of part of Radar's land portfolio, generating BRL586 million attributable to Cosan through dividends.

With these initiatives and proceeds from the BRL10.5 billion capitalization completed in late 2025, the company prepaid approximately BRL9.3 billion of debt, including the full redemption of its 2029, 2030 and 2031 senior notes and the early redemption of several debentures. These measures materially reduced holding-level debt from BRL21.9 billion at the end of 2025 to around BRL12.4 billion in June 2026, pro forma considering the use of proceeds from divestitures for debt reduction.

Cosan's liquidity profile is adequate, supported by a cash position of BRL7.7 billion as of March 2026. The debt prepayment has reduced liquidity and refinancing risk, with no significant maturities until 2029.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

A change in outlook to stable, or upward rating pressure, could develop if Cosan materially reduces holding-company debt, improves interest coverage on a sustained basis and maintains adequate liquidity. Greater diversification or a higher amount of dividend income from investees could also support positive pressure on the outlook or ratings.

A downgrade could result if Cosan is unable to further reduce holding-company debt, if proceeds from divestments are not used for debt repayment, if interest coverage remains weak for a prolonged period or if liquidity deteriorates. Lower dividends from key subsidiaries, weaker credit quality at the investee level or a significant reduction in Cosan's liquidity cushion from cash use for debt reduction could also pressure the ratings.

Headquartered in São Paulo, Brazil, Cosan S.A. is an investment holding company with core investments in natural gas, lubricants, rail-based logistics and farmland management. Its current portfolio includes a controlling stake in Compass Gás e Energia S.A., a regulated natural gas platform anchored by Comgás, Brazil's largest natural gas distributor; Moove Lubricants Holdings, a global lubricants platform; a minority stake in Rumo S.A., Brazil's largest independent freight rail operator; and Radar Gestão de Investimentos S.A., a farmland investment and management platform.

The principal methodology used in these ratings was Investment Holding Companies and Conglomerates published in April 2023 and available at <https://ratings.moodys.com/rmc-documents/401316>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moody's.com/documents/PBC_1462204.

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Barbara Mattos, CFA
SVP - Ratings

Marcos Schmidt
Exec Dir - Ratings

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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