Tear Sheet:

Iochpe-Maxion S.A.

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This report does not constitute a rating action.

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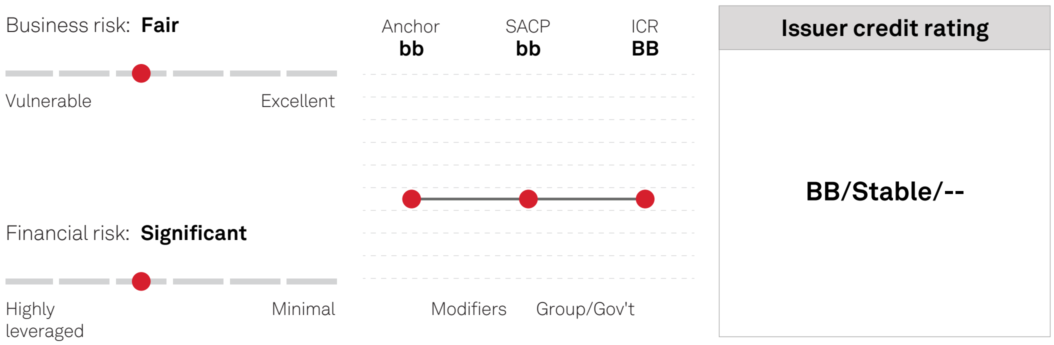
We expect Iochpe-Maxion's consolidated revenue to remain almost stable at around R$ 15 billion in 2026 compared with 2025 levels. This stability stems from a complex mix of regional volume trends and challenges from foreign exchange rates. We expect both light and commercial vehicle volumes in North America to recover after a weak 2025, most likely to materialize in the second half of 2026. In Europe, we project growth will be supported by sustained market share gains, a trend that the company has successfully navigated in recent quarters. However, these gains should be offset by the appreciation of the Brazilian real against the U.S. dollar and expected volume contractions in Brazil's structural components segment. The latter remains vulnerable to high domestic interest rates and uncertainty regarding agribusiness demand.

We forecast gradual margin improvements over the coming quarters, although we maintain a conservative view due to prevailing global uncertainties. Iochpe-Maxion has implemented measures to adjust its production capacity and cost structures to align with lower-than-expected- demand levels. Consequently, we project EBITDA margins to hover around 10% through 2027, a gradual improvement from 9.5% in 2025. While management forecasts stronger profitability gains over the next years, we incorporate additional risks related to the ongoing war in the Middle East. We anticipate that energy-driven inflation could increase raw material costs and pressure global demand. Such volatility, with weaker sales prospects for the original equipment manufacturers, may limit the company's ability to implement effective price pass-throughs to customers.

The company is expected to maintain controlled leverage and prudent liquidity. We project that debt to EBITDA will decrease from 3.4x in 2025 to closer to 3.0x in 2026 and 2027, reflecting increasing cash flow generation. This debt reduction trend supports our view of stable credit quality despite macroeconomic volatility, as the company benefits from its diversified geographic footprint.

Iochpe-Maxion recently announced the call of its $400 million senior notes that would mature in 2028, to ensure continued financial flexibility. The amount will be covered with a recent domestic debenture's issuance of R$400 million, as well as other bilateral loans, including a syndicated term loan of $320 million with four banks, both maturing in four years. We assume capital expenditure will remain aligned with the historical average of approximately 3.5% of revenues, with a significant portion dedicated to maintenance. As a result, Iochpe-Maxion is well-positioned to manage its debt obligations while maintaining sufficient liquidity to navigate potential industry disruptions and support ongoing productivity initiatives.

Ratings Score Snapshot



ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Recent Research

- Economic Outlook Emerging Markets Q3 2026: Inflationary Pressures Will Persist, June 24, 2026

Company Description

Founded in 1918, Iochpe is a global manufacturer of steel wheels for light and commercial vehicles and agricultural machinery, as well as aluminum wheels for light vehicles. It also manufactures side rails, cross-members, and full frames for commercial vehicles; and structural components for light and commercial vehicles.

Iochpe currently has 34 manufacturing facilities across 14 countries. The company operates its main business through Maxion Wheels and Maxion Structural Components in the auto segment and through AmstedMaxion, which produces railway equipment, in Brazil and other countries. In 2025, the company's consolidated revenues divided per region were: 25.23% in North America, 28.63% South America, 37% Europe and 9.14% in Asia.

Outlook

The stable outlook indicates that Iochpe will continue to benefit from its broad geographic diversification, helping to counterbalance industry and macroeconomic risks in the next 12-18 months. We project that leverage will remain manageable, with debt to EBITDA gradually improving to around 3.0x in the period.

Downside scenario

We could take a negative rating action if the company fails to maintain profitability and fails to reduce leverage because of tougher global industry dynamics, with lower demand and higher inflation weighing on costs and expenses. Moreover, a negative action could result from elevated interest rates globally, which could constrain credit availability. In this scenario, we would expect debt to EBITDA consistently close to 3.5x and negative free operating cash flow (FOCF).

Upside scenario

A positive rating action is unlikely in the next 12-18 months, since in our view it will depend on the company having less volatile credit metrics through different economic cycles, while posting debt to EBITDA consistently below 2.0x and FOCF to debt above 15%.

Key Metrics

Iochpe-Maxion 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	16,948	14,955	15,332	15,367	15,211	17,001	18,614	19,679
Gross profit	2,300	1,979	2,324	2,402	2,468	2,723	2,986	3,181
EBITDA (reported)	1,737	1,253	1,524	1,493	1,567	1,723	1,915	2,053
Plus/(less): Other	(81)	(26)	(13)	(27)	(56)	(56)	(56)	(56)
EBITDA	1,656	1,227	1,511	1,466	1,511	1,667	1,859	1,997
Less: Cash interest paid	(443)	(597)	(553)	(637)	(620)	(619)	(585)	(512)
Less: Cash taxes paid	(255)	(74)	(51)	(84)	(100)	(88)	(145)	(190)
Plus/(less): Other	--	--	137	95	87	86	88	97
Funds from operations (FFO)	958	556	1,045	839	879	1,045	1,216	1,392
EBIT	1,257	923	1,181	1,036	1,106	1,254	1,434	1,565
Interest expense	528	645	569	587	620	619	585	512
Cash flow from operations (CFO)	1,879	1,469	2,134	426	822	638	953	1,195
Capital expenditure (capex)	489	505	591	510	532	595	651	689
Free operating cash flow (FOCF)	1,390	964	1,543	(84)	290	43	302	506
Dividends	236	158	96	202	80	148	130	211
Share repurchases (reported)	13	14	7	--	--	--	--	--
Discretionary cash flow (DCF)	1,142	792	1,440	(286)	210	(105)	172	295
Debt (reported)	6,477	6,766	6,389	5,632	5,539	5,667	5,634	5,634
Plus: Lease liabilities debt	47	74	103	116	121	126	131	135
Plus: Pension and other postretirement debt	305	280	315	290	290	290	290	290
Less: Accessible cash and liquid Investments	(2,287)	(2,962)	(2,463)	(1,600)	(1,580)	(1,551)	(1,639)	(1,880)
Plus/(less): Other	--	524	587	487	400	400	400	400

Iochpe-Maxion S.A.--Forecast summary

Debt	4,542	4,681	4,930	4,925	4,771	4,932	4,817	4,580
Equity	4,293	4,085	5,071	4,852	5,173	5,376	5,817	6,360
Cash and short-term investments (reported)	2,287	2,962	2,463	1,600	1,580	1,551	1,639	1,880
Adjusted ratios								
Debt/EBITDA (x)	2.7	3.8	3.3	3.4	3.2	3.0	2.6	2.3
FFO/debt (%)	21.1	11.9	21.2	17.0	18.4	21.2	25.2	30.4
FFO cash interest coverage (x)	3.2	1.9	2.9	2.3	2.4	2.7	3.1	3.7
EBITDA interest coverage (x)	3.1	1.9	2.7	2.5	2.4	2.7	3.2	3.9
CFO/debt (%)	41.4	31.4	43.3	8.6	17.2	12.9	19.8	26.1
FOCF/debt (%)	30.6	20.6	31.3	(1.7)	6.1	0.9	6.3	11.1
DCF/debt (%)	25.1	16.9	29.2	(5.8)	4.4	(2.1)	3.6	6.4
Annual revenue growth (%)	23.8	(11.8)	2.5	0.2	(1.0)	11.8	9.5	5.7
EBITDA margin (%)	9.8	8.2	9.9	9.5	9.9	9.8	10.0	10.1
Return on capital (%)	13.9	10.5	12.6	10.5	11.2	12.4	13.7	14.5
Debt/debt and equity (%)	51.4	53.4	49.3	50.4	48.0	47.8	45.3	41.9

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

Liquidity

Iochpe's liquidity is adequate, in our view. We expect Iochpe to sustain a comfortable liquidity position with sources of cash to exceed uses by more than 2.0x in the next 12 months, and sources minus uses to remain positive, even if EBITDA were to decline by 15% from our current forecast. We think the company has a sound relationship with banks in all the regions it operates in, proven by its long relationship with large Brazilian banks and **Banco Nacional de Desenvolvimento Econômico e Social (the Brazilian Development Bank)**, and satisfactory standing in the domestic credit market with a long track record of issuing debentures.

Iochpe has a revolving credit facility (RCF) of R$550 million, which provides greater liquidity comfort. The RCF matures in July 2027, but we expect the company to renew it soon, considering its positive historical relationship with the banking market. We also expect Iochpe to maintain adequate headroom to its financial covenants of incurrence that limit net debt to EBITDA below 3.5x.

Principal liquidity sources	Principal liquidity uses
• Cash position of about R$1.87 billion as of March 2026. • Undrawn committed credit lines of R$550 million, maturing in July 2027.	• Short-term debt of R$279.4 million as of March 2026. • Working capital needs close to R$560 million in the 12 months after March 2026, including seasonal peaks.

- Forecasted funds from operations of about R$930 million in the 12 months after March 2026
- Available credit lines totaling about R$364 million of Financiadora de Estudos e Projetos (FINEP) and Agencia Especial de Financiamento Industrial (FINAME).
- Capital expenditure of about R$550 million in the 12 months after March 2026.
- Dividend payment close to R$100 million in the 12 months after March 2026.

Rating Component Scores	
Foreign currency issuer credit rating	**BB/Stable/--**
Local currency issuer credit rating	**BB/Stable/--**
Business risk	**Fair**
Country risk	Low
Industry risk	Moderately High
Competitive position	Fair
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**bb**
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bb**

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: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, 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