MOODY'S
RATINGS

Rating Action: Moody's Ratings downgrades Raízen to Ba1 from Baa3; ratings remain under review for downgrade

27 Nov 2025

New York, November 27, 2025 -- Moody's Ratings (Moody's) assigned a Ba1 Corporate Family Rating (CFR) to Raizen S.A. (Raizen) and withdrew the Baa3 long term issuer ratings of Raizen S.A. and Raizen Energia S.A. Concurrently, we downgraded to Ba1 from Baa3 the $187 million senior unsecured notes rating due 2027 issued by Raizen Fuels Finance S.A. and guaranteed by Raizen S.A. and Raizen Energia S.A. The ratings remain under review for downgrade.

RATINGS RATIONALE

The downgrade to Ba1 reflects the deterioration of Raízen's credit metrics, high leverage and sustained negative cash flow generation. The current debt level continues to impose significant constraints on the business, challenging Raizen's ability to sustain positive cash generation. We do not foresee a significant recovery in the near term where the company would return to credit metrics that are more adequate to the investment grade level, including Debt/EBITDA below 3.0x, and a positive free cash flow generation. In our view, these metrics along with a solid liquidity are necessary to mitigate the inherent volatility of the commodity markets to which the company is exposed in sugar-ethanol business. The sugar-ethanol business in particular requires relatively large capex to support the quality of plantations and agricultural productivity, while being exposed to considerable event risk including weather conditions. Moreover, in the 2025-26 and 2026-27 harvest we expect sugar prices to remain weak and higher downside pressures on ethanol with corn ethanol increasing total ethanol supply during the off-harvest season.

The review down continues to focus on initiatives that could improve substantially the company's capital structure such as a potential equity increase, currently under discussion among controlling shareholders Shell Plc (Shell, Aa2 stable) and Cosan S.A. (Ba2 negative), and further asset sales. In Q3 2025 Raizen received BRL900 million from divestments and it has another BRL3.9 billion to receive from sales which have already been announced. Raízen has advanced, since 2024, in a plan aimed at improving its operational efficiency and its capital structure, with the goal of allowing for a gradual improvement in cash flow generation. The company has already shown a reduction in general and administrative expenses; executed divestments; reduced opex, capex and dividends; conducted liability management to extend debt maturities; measures we believe the company will sustain. Still, debt balances (including leases) closed September 2025 at BRL76.8 billion, even considering BRL4 billion assets sales and an EBITDA of BRL13.3 billion, gross leverage would end the 2025-26 harvest, in March 2026, at 5.4x.

Governance is a key factor in the rating assessment and the present situation is a direct outcome of the strategies pursued during the pre-turnaround cycle, which focused on an aggressive, debt-driven growth strategy that pushed leverage up.

Notwithstanding the ratings under review down, Raízen's Ba1 ratings reflect its solid position in the sugar cane and fuel distribution businesses in Brazil. Raízen is a joint venture between Cosan S.A. and Shell Plc. In addition, the rating is supported by the affiliation with and implicit support from Shell Brazil Holdings BV, a 100% subsidiary of Shell, given the benefit derived from Shell's brand and managerial expertise, and Cosan, given its local expertise and execution track record. The ratings also consider the existence of cross guarantees between Raízen Energia and Raízen S.A. in most debt instruments.

The rating is constrained by the volatile nature of its upstream business, which represents roughly 60% of the consolidated EBITDA. In the downstream business, in the last two years the fuel distribution business has exhibited unexpected volatility, including losses related to trading operations which weakened consolidated operating performance. In 2025 and 2026 we expect favorable dynamics in the fuel distribution business to help sustain the segment results with market share gains, margin gains, and an unitary EBITDA of around BRL170/m3. For the upstream business, Raízen's hedging strategy and financial flexibility, and the relatively lower percentage of owned sugar cane compared with that of peers, allows for less margin volatility during market turndowns. The sugar-ethanol industry is highly dependent on external factors, such as weather conditions, government's incentives and policies, international oil prices which can significantly affect prices and Raízen's financial performance. Additionally, the high investment needs are a constraint because of the maintenance required to maintain sugarcane productivity and capacity expansion. In the recent past, these investments, coupled with large 2G ethanol investments, have led to a persistent negative cash flow generation causing a deterioration of the company's capital structure.

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

Ratings are under review down, an upgrade of Raizen is unlikely in the near term and it would require a sharp reduction in its debt balance, the expectation of positive free cash flow generation and the maintenance of sound liquidity. Quantitatively, an upgrade would require: total Moody's-adjusted Debt/EBITDA to remain below 3.0x; RCF (Retained Cash flow)/Net Debt above 25% on a sustained basis; and sustained positive free cash flow (FCF) generation or stronger support from Shell.

A downgrade could result if Raizen is unable to timely execute an equity raise to cut down its debt balance or if liquidity deteriorates. Quantitatively, negative pressure on the rating could arise if: Debt/EBITDA is expected to remain above 3.5x, and RCF/Net Debt remains below 20% on a sustained basis.

The principal methodology used in these ratings was Protein and Agriculture published in October 2025 and available at https://ratings.moodys.com/rmc-documents/452285. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

Raizen's Ba1 rating is two notches above the Ba3 scorecard-indicated outcome by our Protein and Agriculture methodology in the twelve months ended in September 2025. The mapping reflects an increase in the company's debt balance and weak trailing results as of Q2 2026 (September 2025).

Headquartered in São Paulo and created in 2011, Raizen was formed by a joint venture controlled by both Cosan S.A. (Ba2 negative) and Shell Plc (Shell, Aa2 stable). Raizen is the largest company in the fragmented sugarcane business in Brazil producing mainly sugar and ethanol, after recent divestments the company will operate with a crushing capacity of about 73 million tons across its 24 sugar-ethanol mills and three 2G ethanol plants in operation. It also operates in the fuel distribution segment under the Shell brand and is the second-largest company in the country. In the 2024-25 harvest, ended March 2025, Raizen generated BRL255.3 billion in revenues ($45.6 billion) and EBITDA of BRL12.2 billion, including Moody's adjustments. We estimate revenues of BRL215.2 billion and EBITDA of BRL13.2 billion for the 2025-26 harvest, March 2026.

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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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the 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.moodys.com/rmc-documents/435880.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the EU and UK and is(are) endorsed for use in the EU and UK in accordance with the EU and UK CRA Regulation.

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Erick Rodrigues
Vice President - Senior Analyst

Marcos Schmidt
Associate Managing Director

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
