

Raizen S.A. Downgraded To 'CCC+' And Placed On CreditWatch Negative On Heightened Risks Of Debt Restructuring

February 9, 2026

Rating Action Overview

- Raizen S.A. announced that it hired financial and legal advisors to evaluate financial alternatives to optimize its capital structure and liquidity.
- The weakening signals from shareholders and management for the announced plans for capitalization and asset sales to address Raizen's capital structure increase the likelihood of debt restructuring.
- On Feb. 9, 2026, S&P Global Ratings lowered its ratings on Raizen to 'CCC+' from 'BBB-'. We also lowered our issue-level ratings on the senior unsecured notes issued by Raizen Fuels Finance to 'CCC+' from 'BBB-'. We also placed the ratings on Raizen and its notes on CreditWatch with negative implications.
- Given the lower credit rating, we assigned a '3' recovery rating to the company's senior unsecured notes, indicating our expectation for a meaningful recovery (50-70%; rounded estimate: 65%) in a simulated default scenario.
- The CreditWatch negative placement reflects the possibility of another downgrade in the coming months if the company pursues debt restructuring.

Rating Action Rationale

Increasing risks of a debt restructuring that we would view as a default. The engagement of financial advisors indicates the high likelihood of debt restructuring, following the weakening signals of the previously expected capitalization and asset sales. Management and shareholders have indicated new plans would be announced in the short term, but the lack of concrete updates suggests these plans are facing challenges, while leverage remains high and the company continues experiencing cash burn. Adding to these concerns, the recent disclosure from Raizen that several alternatives are being considered to address the capital structure introduces considerable uncertainty regarding the ultimate transaction(s) that will be pursued.

Upside on the operational side seems unlikely, amid consistent cash consumption. Raizen recently disclosed its operational preview for third fiscal quarter results, and it indicates weaker

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performance in the S&E business – although fuel distribution Brazil shows consistent improvements in terms of volumes and margins. This should result in lower EBITDA and higher leverage for fiscal 2026 (ending March 2026) than what we previously forecasted, at close to R\$11 billion and 5.0x-5.5x, respectively.

The scenario for fiscal 2027 indicates a still weaker performance for S&E business amid lower volumes – mostly considering the asset sales the company announced in past quarters – but also from still pressured sugar prices, with forward contracts currently trading at 14-15 cents per pound. Despite management's efforts to implement efficiency measures and the solid performance in fuel distribution, the factors above will continue to dent EBITDA next fiscal year, with our forecast of around R\$11.5 billion.

Also, despite the expected improvements in operational cycle and capex close to maintenance levels of R\$7.0 billion – R\$7.5 billion, a substantial interest burden of about R\$9.5 billion will continue to deplete Raízen's cash, with an expected cash burn of above R\$6.0 billion after lease payments for fiscal 2027, with leverage trending to 6.0x, absent other cash inflows.

Raízen still has more cash to support operation. The company reported a cash position of R\$18.6 billion, plus its unused revolving credit facilities totaling US\$1 billion, and a short-term debt of R\$7.4 billion on Sept. 30, 2025, which indicated a manageable capital structure in the short term. However, ongoing cash consumption and lack of promised cash inflow, this cash would be consumed in two years. A failure to see improvements in these areas could further pressure liquidity, particularly as more substantial debt maturities approach in the future and amid increasing risk perception hiking cost of debt. Those factors led us to revise our assessment of Raízen's liquidity as less than adequate.

In addition, this recent risk management approach led us to revise our assessment of management and governance score as more negative, different from track record and recurrent signals of a potential capitalization.

CreditWatch

The CreditWatch negative placement reflects the possibility of a further downgrade if Raízen pursues debt restructuring.

Company Description

Raízen operates in Brazil's sugar and ethanol and fuel distribution industries. It is the country's largest player in the sugar and ethanol industry, with 24 operational crushing mills (already excluding announced divestments), and the capacity to process more than 75 million tons of sugarcane per year. However, it has operated below capacity because of lagging agricultural yields.

Raízen has also diversified into energy cogeneration and is investing in second generation ethanol (E2G) and biogas and biomethane. The company is Brazil's second-largest fuel distributor, with close to 7,000 gas stations and consolidated sales volumes of nearly 28 million cubic meters per year. Raízen also operates Shell's fuel distribution business in Argentina, where it's the second-largest player in the country. Its operations in Argentina include the use of Shell's brand, the commercialization of other oil products, the retail operation of more than 800 stations, and an oil refinery in Buenos Aires. In addition, Raízen holds Shell's lubricant business in Brazil.

Raizen is controlled by Shell PLC (A+/Stable/A-1) and Cosan S.A. (BB/Stable/--), and 12% of its shares were sold through an equity IPO in August 2021.

Environmental, Social, And Governance

Environmental factors are a negative factor in our analysis of Raizen, considering its operations in the sugarcane and ethanol and the fuel distribution industries. Apart from intense water use, we think climate-related risk could lead to significant crop losses and generate profit volatility in the sugar and ethanol segment.

On the other hand, Raizen could benefit from the transition to a low-carbon economy, given that it produces ethanol--which is replacing fossil fuels--and the company produces renewable energy from sugarcane bagasse. The company also develops and applies new technologies, such as second-generation ethanol (E2G), biogas, and biomethane. We also incorporate risks related to the potential long-term impact of the transition away from fossil fuels.

Governance factors are now a moderately negative factor in our analysis reflecting the recent risk management approach, different from track record and recurrent signals of potential a capitalization, which fail to happen as previously signaled by the management.

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

Given the downgrade to 'CCC+', we are assigning a '3' recovery rating to the senior unsecured notes issued by Raizen Fuels finance, indicating our expectation for meaningful recovery (50-70%; rounded estimate: 60%) in a simulated default scenario. In this scenario, Raizen's S&E operations suffer from sugar and ethanol price drops, limited access to credit and high cost of debt, while a deterioration of Brazil's economy would likely impair fuel distribution's operations.

In this scenario, we assume a 23% EBITDA decline from our forecast for fiscal 2026 would already prevent the company from covering maintenance capex and interest expenses, in a scenario of higher leverage. We have valued the company on a going-concern basis, using a 5.0x multiple applied to our projected emergence-level EBITDA, consistent with industry peers for both sugar & ethanol and fuel distribution.

Simulated default assumptions

- Simulated year of default: 2027
- EBITDA at emergence: R\$10 billion
- Implied enterprise value multiple: 5x
- Estimated gross enterprise value at emergence: R\$50 billion

Simplified waterfall

- Net enterprise value after 5% administrative costs: R\$47.5 billion

- Senior secured debt: R\$553 million
- Senior unsecured debt: R\$71.3 billion
- Recovery expectations: 50%-70% (rounded estimate: 65%)

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

Related Criteria

- [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 | 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: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings](#), Oct. 1, 2012
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Ratings List

Ratings List

Downgraded; CreditWatch Action

	To	From
Raizen S.A.		
Issuer Credit Rating	CCC+/Watch Neg/--	BBB-/Negative/--
Foreign Currency	CCC+/Watch Neg/--	BBB-/Negative/--

Downgraded; CreditWatch Action; New Recovery Rating

	To	From
Raizen Fuels Finance S.A.		
Senior Unsecured	CCC+/Watch Neg	BBB-
Recovery Rating	3(65%)	

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