

# Simpar S.A.

Simpar S.A.'s ratings reflect its solid cash flow generation, adequate leverage and strong leading market position within the Brazilian logistics and fleet rental industry.

The Positive Outlook reflects expectations Simpar will continue to strength its operational cash generation and manage its consolidated leverage at more moderate levels. Simpar's ratings reflect its strong business profile, leading position in the Brazilian logistics industry and diversified service portfolio.

The group benefits from long-term contracts with medium to large corporate clients for a significant part of its revenues and a track record of resilient operating performance throughout economic cycles. The ratings incorporate the group's strong growth strategy, which is partially mitigated by its above-average financial flexibility, adequate liquidity and well-spread debt-amortization profile.

## Key Rating Drivers

**Strong Market Position:** Simpar has a leading position in the Brazilian logistics industry with a diversified portfolio of businesses and a presence in multiple sectors of the economy. The group's strategic and operational nature of the service it provides, coupled with long-term contracts for most of its logistic and heavy vehicle rentals, minimizes its exposure to more volatile economic cycles.

The group's significant operating scale has made it an important purchaser of light vehicles and trucks, giving it significant bargaining power relative to peers. JSL Logistica focuses on supply chain management and transportation, Movida Participacoes S.A. (BB-/Stable) on light vehicles and fleet rental, Vamos on heavy vehicles and equipment rentals, and CS Brasil Participações e Locações on fleet rental for the public sector.

**Robust EBITDA:** The base case scenario for Simpar presents expected strong and growing consolidated EBITDA based on recent acquisitions, organic growth and improving margins. Movida and Vamos should be the most important contributors to the EBITDA expansion. JSL Logistica will continue to grow, improve margins and become a more asset light operation. Simpar should reach consolidated EBITDA at BRL3.3 billion (25% margin) in 2021 and BRL3.7 billion (25% margin) in 2022, from BRL2.1 billion (22% margin) in 2020.

**Moderate Leverage:** JSL's IPO in 2020 and Vamos' IPO in 2021 raised approximately BRL2 billion in equity, enhancing the group's ability to conciliate its growth strategy with a sound capital structure. A continued improvement in the operating margins of the logistics and vehicle rental business is important to temper medium-term leverage. Simpar's consolidated net leverage, measured by total net debt/EBITDA, should be around 3.5x from 2021 to 2023, comparing with an average of 4.3x in the last four years.

**Manageable Negative FCF:** FCF should remain negative, on average, at BRL3 billion from 2021 to 2023, pressured by annual average growth capex of BRL3.6 billion. Cash flow from operations (CFFO) should range between BRL900 million and BRL980 million during this period, benefitting from growing EBITDA. On the LTM ended on March 2021 CFFO was BRL2.1 billion, while FCF was negative at BRL2.2 billion after growth capex of BRL4.0 billion.

**Strong Parent and Subsidiary Linkage:** JSL's and Vamos' ratings reflect the companies' strong legal, operational and strategic link with controlling shareholder, Simpar (holdco), according to Fitch's Parent and Subsidiary Rating Linkage Criteria, which equalizes the ratings of the three companies.

## Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term Local Currency IDR	BB-	Positive	Affirmed April 15, 2021
Long-Term IDR	BB-	Positive	Affirmed April 15, 2021
National Long-Term Rating	AA-(bra)	Positive	Affirmed April 15, 2021

[Click here for full list of ratings](#)

## Applicable Criteria

[Corporate Rating Criteria \(December 2020\)](#)  
[Parent and Subsidiary Linkage Rating Criteria \(August 2020\)](#)

## Related Research

[Brazilian Corporate Credit Indicators: Fourth-Quarter 2020 \(Economic Recovery Loses Steam\) \(March 2021\)](#)

## Analysts

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In addition to relevant ownership, Simpar guarantees some of both companies' debt, which, in some cases, also have consolidated financial covenants.

Companies also benefit from important commercial synergies, such as greater bargaining power when buying vehicles and negotiating with customers. At Simpar, board control and relevant ownership stakes in its operating companies also mitigate the structural subordination of its debt, with no upstream dividends or intercompany loans restrictions that a majority board vote cannot overcome.

## Financial Summary

(BRL 000)	2019	2020	2021F	2022F
Gross Revenue	9,686,209	9,807,057	13,108,543	15,139,440
Operating EBITDA Margin (%)	19.9	21.5	25.3	24.9
FFO Margin (%)	11.6	19.4	10.6	6.1
FFO Fixed-Charge Coverage (x)	1.7	2.2	2.8	1.5
FFO-Adjusted Leverage (x)	6.1	5.3	9.0	9.1

F – Forecast.

Source: Fitch Ratings, Fitch Solutions.

## Rating Derivation Relative to Peers

Simpar's bargaining power and business position tend to be relatively closer to Localiza Rent a Car S.A. (BB/Negative), and much stronger than that of Ouro Verde Locacao e Servico S.A. (BB-/Stable). Compared with Localiza, Simpar has a weaker financial profile with higher leverage and more pressured FCF. Compared with Ouro Verde, Simpar has higher leverage and a similar liquidity position but a much better business profile and access to credit markets. Compared to Rumo S.A. (BB/Negative), both companies share similar business risks, considering their respective business traits, but Simpar's leverage is higher.

## Navigator Peer Comparison

Issuer		Business profile										Financial profile					
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Competitive Intensity	Sector Trend	Company's Market Position	Diversification	Profitability	Financial Structure	Financial Flexibility							
Hidrovias do Brasil S.A.	BB/Neg	bbb-	bbb-	bb	bbb-	bb	bb	bbb-	bb-	bbb-		bbb-	bb-	bbb-			
Localiza Rent a Car S.A.	BB-/Neg	bb-	bbb	bb	bbb	bbb+	bb-	bbb	bbb	bbb		bbb	bbb	bbb			
Ouro Verde Locacao e Servico S.A.	B/Sta	bb+	bb	bb-	bb+	b+	b+	bbb	bb	bb		bb	bb+	bb			
Rumo S.A.	BB/Neg	bbb-	bbb-	a-	a	bbb+	bb-	a-	bb+	bbb-		a-	bb+	bbb-			
Simpar S.A.	BB-/Pos	bbb-	bb+	bb+	bbb-	bbb-	bb	bb	bb-	bb		bb	bb-	bb			
Source: Fitch Ratings.		Importance Higher Moderate Lower															
Issuer		Business profile										Financial profile					
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Competitive Intensity	Sector Trend	Company's Market Position	Diversification	Profitability	Financial Structure	Financial Flexibility							
Hidrovias do Brasil S.A.	BB/Neg	2.0	2.0	0.0	2.0	0.0	0.0	2.0	-1.0	2.0		2.0	4.0	4.0	2.0		
Localiza Rent a Car S.A.	BB-/Neg	0.0	4.0	1.0	4.0	5.0	0.0	4.0	4.0	4.0		4.0	3.0	3.0	4.0		
Ouro Verde Locacao e Servico S.A.	B/Sta	4.0	3.0	2.0	4.0	1.0	1.0	6.0	3.0	3.0		6.0	3.0	3.0	3.0		
Rumo S.A.	BB/Neg	2.0	2.0	5.0	6.0	4.0	-1.0	5.0	1.0	2.0		5.0	1.0	2.0	2.0		
Simpar S.A.	BB-/Pos	3.0	2.0	2.0	3.0	3.0	1.0	1.0	0.0	1.0		1.0	0.0	1.0	1.0		
Source: Fitch Ratings.		Worse positioned than IDR In line with IDR Better positioned than IDR															

## Rating Sensitivities

### Future Developments That May, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Consolidated net adjusted debt/EBITDA below 3.5x on a sustainable basis.
- Strengthening of the company's scale and profitability, without further deterioration of its capital structure.

### Future Developments That May, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Limits to Simpar's unrestricted ability to access the operating companies' cash
- Failure to preserve liquidity and inability to access adequate funding;
- Prolonged declines in demand coupled with the company's inability to adjust operations;
- Consolidated net adjusted leverage above 4.5x on a sustainable basis;
- Material deterioration in the group's fleet rental and logistics businesses.

## Liquidity and Debt Structure

**Strong Liquidity:** Simpar's robust liquidity position is a key credit consideration, with cash covering short-term debt by an average of 1.8x during the last four years. The group's expected negative FCF, a result of its growth strategy, will be financed by debt in the rating scenario. Simpar had BRL8.1 billion of cash and equivalents and BRL17.6 billion of total adjusted debt (11% secured), with BRL1.3 billion due in the short-term (6.2x cash coverage ratio) and BRL7.8 billion up to 2024, as of March 2021.

The group's debt profile is mainly comprised of fully hedged USD bonds, local debentures, promissory notes and CRA issuances. Simpar's financial flexibility is also supported by the group's ability to postpone growth capex to adjust to the economic cycle and to the considerably number of the group's unencumbered assets, with a book value of fleet over net debt around 1.5x.

## ESG Considerations

Unless otherwise disclosed in this section, the highest level of Environmental, Social and Corporate Governance (ESG) Credit Relevance is a Score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

## Liquidity and Debt Maturities

### Liquidity Analysis

(BRL Mil.)	2021F	2022F	2023F	2024F
<b>Available Liquidity</b>				
Beginning Cash Balance	5,845,037	286,050	(4,700,157)	(10,258,917)
Rating Case FCF				
After Acquisitions and Divestitures	(3,546,987)	(3,080,207)	(2,913,760)	(2,204,698)
<b>Total Available Liquidity (A)</b>	<b>2,298,050</b>	<b>(2,794,157)</b>	<b>(7,613,917)</b>	<b>(12,463,615)</b>
<b>Liquidity Uses</b>				
Debt Maturities	(2,012,000)	(1,906,000)	(2,645,000)	(1,844,000)
<b>Total Liquidity Uses (B)</b>	<b>(2,012,000)</b>	<b>(1,906,000)</b>	<b>(2,645,000)</b>	<b>(1,844,000)</b>
<b>Liquidity Calculation</b>				
Ending Cash Balance (A+B)	286,050	(4,700,157)	(10,258,917)	(14,307,615)
Revolver Availability	0	0	0	0
<b>Ending Liquidity</b>	<b>286,050</b>	<b>(4,700,157)</b>	<b>(10,258,917)</b>	<b>(14,307,615)</b>
Liquidity Score (x)	1.1	(1.5)	(2.9)	(6.8)

F – Forecast.  
Source: Fitch Ratings, Fitch Solutions, Simpar S.A.

### Scheduled Debt Maturities

(BRL Mil.)	12/31/20
2021	2,012,000
2022	1,906,000
2023	2,645,000
2024	1,844,000
2025	5,150,651
Thereafter	678,000
<b>Total</b>	<b>14,235,651</b>

Source: Fitch Ratings, Fitch Solutions, Simpar S.A.

## Key Assumptions

### Fitch's Key Assumptions Within Our Rating Case for the Issuer Include

- Average consolidated annual revenue growth at 20% from 2021 to 2023;
- Consolidated EBITDA margin at 25%, on average, from 2021 to 2023;
- Consolidated net capex at around BRL3.7 billion, on average, from 2021 to 2023;
- Cash balance remains sound compared with short-term debt;
- Dividends at 25% net income;
- No new large-scale M&A activity or equity sale.

## Financial Data

	Historical			Forecast		
(BRL 000)	2018	2019	2020	2021	2022	2023
<b>Summary Income Statement</b>						
Gross Revenue	8,075	9,686	9,807	13,109	15,139	16,768
Revenue Growth (%)	11.3	19.9	1.2	33.7	15.5	10.8
Operating EBITDA (Before Income from Associates)	1,598	1,925	2,106	3,315	3,762	4,380
Operating EBITDA Margin (%)	19.8	19.9	21.5	25.3	24.9	26.1
Operating EBIT	962	1,151	1,123	2,168	2,441	2,894
Operating EBIT Margin (%)	11.9	11.9	11.5	16.5	16.1	17.3
Gross Interest Expense	(908)	(943)	(1,029)	(511)	(1,301)	(1,623)
Pretax Income (Including Associate Income/Loss)	279	431	655	1,821	1,295	1,424
<b>Summary Balance Sheet</b>						
Readily Available Cash and Equivalents	2,976	3,849	5,845	5,103	5,235	5,010
Total Debt with Equity Credit	9,808	11,536	14,236	15,735	18,948	21,636
Total Adjusted Debt with Equity Credit	10,570	12,499	15,144	16,994	20,402	23,246
Net Debt	6,832	7,687	8,391	10,633	13,713	16,627
<b>Summary Cash Flow Statement</b>						
Operating EBITDA	1,598	1,925	2,106	3,315	3,762	4,380
Cash Interest Paid	(777)	(1,018)	(1,134)	(511)	(1,301)	(1,623)
Cash Tax	(86)	(123)	(348)	(255)	(181)	(199)
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	0	0	0	0	0	0
Other Items Before FFO	(136)	43	939	(1,327)	(1,513)	(1,718)
FFO	862	1,122	1,907	1,386	922	993
FFO Margin (%)	10.7	11.6	19.4	10.6	6.1	5.9
Change in Working Capital	(37)	(306)	125	(515)	(21)	(17)
Cash Flow from Operations (Fitch Defined)	825	817	2,032	871	901	976
Total Non-Operating/Nonrecurring Cash Flow	259	476	221	0	0	0
Capex	(1,853)	(3,145)	(3,819)			
Capital Intensity (Capex/Revenue) (%)	23.0	32.5	38.9			
Common Dividends	0	(53)	(13)			
FCF	(769)	(1,906)	(1,579)			
Net Acquisitions and Divestitures	(98)	(68)	0	0	0	0
Other Investing and Financing Cash Flow Items	(2,103)	(61)	(1,408)	0	0	0
Net Debt Proceeds	2,952	1,934	2,179	1,500	3,213	2,688
Net Equity Proceeds	(5)	2	625	1,305	0	0
Total Change in Cash	(24)	(99)	(183)	(742)	133	(226)
<b>Leverage Ratios (x)</b>						
Total Net Debt With Equity Credit/Operating EBITDA	4.3	4.0	4.0	3.2	3.6	3.8
Total Debt with Equity Credit/Operating EBITDA	6.1	6.0	6.8	4.7	5.0	4.9
FFO-Adjusted Leverage	6.9	6.1	5.3	9.0	9.1	8.7
FFO-Adjusted Net Leverage	5.0	4.2	3.2	6.3	6.7	6.8
FFO Leverage	7.1	6.3	5.3	0.0	0.0	0.0
FFO Net Leverage	5.0	4.2	3.1	0.0	0.0	0.0

	Historical			Forecast		
(BRL 000)	2018	2019	2020	2021	2022	2023
<b>Calculations for Forecast Publication</b>						
Capex, Dividends, Acquisitions and Other Items Before FCF	(1,693)	(2,790)	(3,611)	(4,418)	(3,982)	(3,890)
FCF After Acquisitions and Divestitures	(868)	(1,973)	(1,579)	(3,547)	(3,080)	(2,914)
FCF Margin (After Net Acquisitions) (%)	(11.0)	(20.0)	(16.0)	(27.0)	(20.0)	(17.0)
<b>Coverage Ratios (x)</b>						
FFO Interest Coverage	1.8	1.8	2.4	3.4	1.6	1.5
FFO Fixed Charge Coverage	1.6	1.7	2.2	2.8	1.5	1.5
Operating EBITDA/Interest Paid	2.1	1.9	1.9	6.5	2.9	2.7
<b>Additional Metrics (%)</b>						
CFO-Capex/Total Debt with Equity Credit	(10.5)	(20.2)	(12.6)	(19.4)	(13.9)	(12.0)
CFO-Capex/Total Net Debt with Equity Credit	(15.1)	(30.3)	(21.3)	(28.7)	(19.3)	(15.6)

CFO – Cash flow from operations.  
Source: Fitch Ratings, Fitch Solutions, Simpar S.A.

#### How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

## Ratings Navigator

FitchRatings

Simpar S.A.

ESG Relevance:



Corporates Ratings Navigator  
Generic

Factor Levels	Sector Risk Profile	Operating Environment	Management and Corporate Governance	Sector Competitive Intensity	Business Profile	Market Position	Diversification	Profitability	Financial Profile	Financial Flexibility	Issuer Default Rating
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+											A+
a											A
a-											A-
bbb+											BBB+
bbb											BBB
bbb-											BBB-
bb+											BB+
bb											BB
bb-											BB-
b+											B+
b											B
b-											B-
ccc+											CCC+
ccc											CCC
ccc-											CCC-
cc											CC
c											C
d or rd											D or RD

### Bar Chart Legend:

Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance			
■	Higher Importance	↑	Positive
■	Average Importance	↓	Negative
■	Lower Importance	↕	Evolving
■		□	Stable

#### Operating Environment

bbb	Economic Environment	bbb	Average combination of countries where economic value is created and where assets are located.
bbb-	Financial Access	bb	Below average combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	bb	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'bb'.
b-			
ccc+			

#### Sector Competitive Intensity

bbb	Industry Structure	bb	Highly competitive industry with multiple players of comparable size.
bbb-	Barriers to Entry/Exit	bbb	Moderate barriers to entry. Incumbents are generally strongly established but successful new entrants have emerged over time.
bb+	Relative Power in Value Chain	bbb	Balanced relative bargaining power with suppliers and customers.
bb			
bb-			

#### Market Position

bbb+	Market Share	a	Top-three player in most markets or leader in a well defined and protected niche.
bbb	Competitive Advantage	bbb	Some competitive advantages with reasonably good sustainability.
bbb-	Operating Efficiency	bbb	Return on invested capital in line with industry average.
bb+			
bb			

#### Profitability

bbb-	FFO Margin	bbb	12%
bb+	EBIT Margin	bb	10%
bb	FCF Margin	b	Neutral to negative FCF margin.
bb-	Volatility of Profitability	bbb	Volatility of profits in line with industry average.
b+	EBITDA Margin or EBITDAR Margin	bb	18% or 18%

#### Financial Flexibility

bbb-	Financial Discipline	bb	Financial policies in place but flexibility in applying them could lead to temporarily exceeding downgrade guidelines.
bb+	Liquidity	bb	Liquidity ratio around 1.0x. Less smooth debt maturity or concentrated funding.
bb	FFO Interest Coverage or FFO Fixed Charge Cover	b	2x or 2x
bb-	FX Exposure	aa	No material FX mismatch.
b+	Op. EBITDA/Interest Paid or Op. EBITDAR/Interest Paid+Rents	b	2x or 2x

**How to Read This Page:** The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

#### Management and Corporate Governance

bbb-	Management Strategy	bb	Strategy generally coherent but some evidence of weak implementation.
bb+	Governance Structure		Board effectiveness questionable with few independent directors. "Key man" risk from dominant CEO or shareholder.
bb	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bb-	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
b+	Financial Sponsor Attitude (LBO only)		

#### Industry Profile

bbb+	Long-Term Growth Potential	a	Strong long term potential with more volatile growth or very stable industry with moderate but predictable growth over the rating horizon.
bbb	Volatility of Demand	bbb	Demand volatility in line with economic cycles.
bbb-	Threat of Substitutes	bb	Facing substitutes of comparable quality with modest switching costs.
bb+			
bb			

#### Diversification

bbb-	Geographic Diversification	b	Concentrated in one region.
bb+	Product/End-Market	bbb	Exposure to at least three business lines or markets but with some performance correlation.
bb			
bb-			
b+			

#### Financial Structure

bb+	FFO Leverage or FFO Adjusted Leverage	b	6.0x or 6.0x
bb	FFO Net Leverage or FFO Adjusted Net Leverage	bb	3.5x or 3.5x
bb-	(OFO-Capex)/Total Net Debt With Equity Credit (%)	ccc	Flat to Negative
b+	Total Debt With Equity Credit/Op. EBITDA or Total Adjusted Debt/Op. EBITDA	b	5.5x or 5.5x
b	Funding Structure (LBO only)		

#### Credit-Relevant ESG Derivation

				Overall ESG	
Simpar S.A. has 1 ESG rating driver and 13 ESG potential rating drivers				key driver	0 issues
Board independence and effectiveness; ownership concentration				driver	1 issues
GHG emissions; air quality				potential driver	13 issues
Energy management				not a rating driver	0 issues
Water and wastewater management				not a rating driver	0 issues
Waste and hazardous materials management; ecological impacts; product design & lifecycle management; supply chain management - product				not a rating driver	0 issues
Impact of climate change and extreme weather events on assets and operations				not a rating driver	0 issues
Showing top 6 issues					

For further details on Credit-Relevant ESG scoring, see page 3.



## Credit-Relevant ESG Derivation

Simpar S.A. has 1 ESG rating driver and 13 ESG potential rating drivers

- ➔ Simpar S.A. has exposure to board independence risk which, in combination with other factors, impacts the rating.
- ➔ Simpar S.A. has exposure to emissions regulatory risk but this has very low impact on the rating.
- ➔ Simpar S.A. has exposure to energy productivity risk but this has very low impact on the rating.
- ➔ Simpar S.A. has exposure to water management risk but this has very low impact on the rating.
- ➔ Simpar S.A. has exposure to waste & impact management risk and supply chain management but this has very low impact on the rating.
- ➔ Simpar S.A. has exposure to extreme weather events but this has very low impact on the rating.

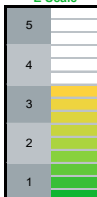
Showing top 6 issues

Overall ESG Scale				
key driver	0	issues	5	
driver	1	issues	4	
potential driver	13	issues	3	
not a rating driver	0	issues	2	
	0	issues	1	

## Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	GHG emissions; air quality	Diversification; Profitability; Financial Structure; Financial Flexibility
Energy Management	3	Energy management	Diversification; Profitability; Financial Structure; Financial Flexibility
Water & Wastewater Management	3	Water and wastewater management	Diversification; Profitability; Financial Structure; Financial Flexibility
Waste & Hazardous Materials Management; Ecological Impacts	3	Waste and hazardous materials management; ecological impacts; product design & lifecycle management; supply chain management - product	Diversification; Profitability; Financial Structure; Financial Flexibility
Exposure to Environmental Impacts	3	Impact of climate change and extreme weather events on assets and operations	Diversification; Sector Trend; Profitability; Financial Structure; Financial Flexibility

## E Scale



## How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The **Environmental (E), Social (S) and Governance (G)** tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

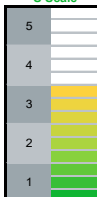
The **Credit-Relevant ESG Derivation** table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

**Classification** of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

## Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Human rights; relationships with communities and/or land right holders; access and affordability	Management and Corporate Governance; Company's Market Position; Diversification; Profitability; Financial Flexibility
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Customer privacy; data security; product quality and safety; customer welfare; selling practices and product labeling	Management and Corporate Governance; Sector Competitive Intensity; Company's Market Position; Profitability
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction; supply chain management - labor; employee diversity and inclusion	Operating Environment; Diversification; Profitability; Financial Structure; Financial Flexibility
Employee Wellbeing	3	Employee health and safety	Diversification; Profitability; Financial Flexibility
Exposure to Social Impacts	3	Shifting social preferences; social resistance to major projects or operations that leads to delays or cost increases	Operating Environment; Sector Trend; Company's Market Position; Diversification; Profitability

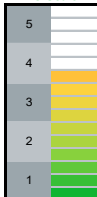
## S Scale



## Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	4	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

## G Scale



## CREDIT-RELEVANT ESG SCALE

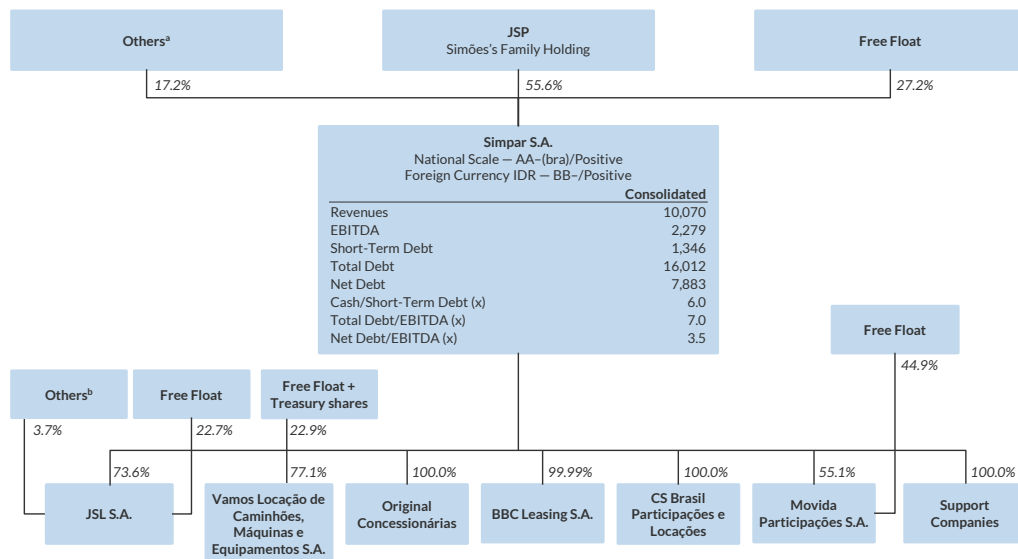
## How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

## Simplified Group Structure Diagram

### Organizational Structure — Simpar S.A.

(BRL Mil., LTM as of March 31, 2021)



<sup>a</sup>Positions held directly by members of the Simões family, board members and treasury shares. <sup>b</sup>Positions held directly by members of the Simões family, board members, treasury shares and JSP Holding. IDR – Issuer Default Rating.  
Source: Fitch Ratings, Fitch Solutions, Simpar S.A.

## Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Net Revenue (BRL 000)	Operating EBITDA Margin (%)	FFO Margin (%)	FFO Fixed-Charge Coverage (x)	FFO-Adjusted Leverage (x)
Simpar S.A.	BB-						
		2020	9,807,057	21.5	19.4	2.2	5.3
		2019	9,686,209	19.9	11.6	1.7	6.1
		2018	8,075,389	19.8	10.7	1.6	6.9
Localiza Rent a Car S.A.	BB						
		2020	10,307,615	22.0	18.4	3.9	4.6
		2019	10,195,637	20.0	7.0	1.7	8.4
		2018	7,895,804	20.1	10.5	2.1	6.6
Rumo S.A.	BB						
		2020	6,966,159	37.4	(55.2)	(1.4)	(9.3)
		2019	7,087,840	42.7	28.0	2.4	4.3
		2018	6,584,936	49.7	31.1	3.3	3.6
Hidrovias do Brasil S.A.	BB						
		2020	1,462,103	40.9	39.6	3.6	5.1
		2019	937,945	45.7	12.9	1.6	11.4
		2018	951,843	45.0	26.1	2.3	7.8
Vix Logistica S.A.	A+(bra)						
		2020	1,694,800	24.6	30.6	6.4	2.7
		2019	1,689,590	20.4	18.8	4.9	4.3
		2018	1,208,061	17.1	17.0	3.9	4.0
Companhia de Locacao das Americas - LOCAMERICA	AA+(bra)						
		2020	5,591,827	22.7	(3.0)	0.2	185.5
		2019	4,798,607	25.2	5.8	1.7	9.6
		2018	3,370,261	28.3	6.3	1.5	10.1

Source: Fitch Ratings, Fitch Solutions.

## Fitch Adjusted Financials

(BRL 000, as of Dec. 31, 2020)	Notes and Formulas	Reported Values	Sum of Adjustments	Cash Adjustment	Other Adjustments	Adjusted Values
<b>Income Statement Summary</b>						
Revenue		9,807,057				9,807,057
Operating EBITDAR		2,142,450	145,249		145,249	2,287,699
Operating EBITDAR After Associates and Minorities	(a)	2,142,450	145,249		145,249	2,287,699
Operating Lease Expense	(b)	0	181,594		181,594	181,594
Operating EBITDA	(c)	2,142,450	(36,345)		(36,345)	2,106,105
Operating EBITDA After Associates and Minorities	(d) = (a-b)	2,142,450	(36,345)		(36,345)	2,106,105
Operating EBIT	(e)	1,030,497	92,801		92,801	1,123,298
<b>Debt and Cash Summary</b>						
Total Debt with Equity Credit	(f)	16,976,094	(2,740,443)		(2,740,443)	14,235,651
Lease-Equivalent Debt	(g)	0	907,970		907,970	907,970
Other Off-Balance-Sheet Debt	(h)	0				0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	16,976,094	(1,832,473)		(1,832,473)	15,143,621
Readily Available Cash and Equivalents	(j)	8,328,381	(2,483,344)	(4,966,688)	2,483,344	5,845,037
Not Readily Available Cash and Equivalents		0				0
<b>Cash Flow Summary</b>						
Operating EBITDA After Associates and Minorities	(d) = (a-b)	2,142,450	(36,345)		(36,345)	2,106,105
Preferred Dividends (Paid)	(k)	0				0
Interest Received	(l)	345,166				345,166
Interest (Paid)	(m)	(1,134,427)				(1,134,427)
Cash Tax (Paid)		(348,247)				(348,247)
Other Items Before FFO		(3,307,605)	4,246,128		4,246,128	938,523
FFO	(n)	(2,302,663)	4,209,783		4,209,783	1,907,120
Change in Working Capital (Fitch-Defined)		125,314				125,314
Cash Flow from Operations (CFO)	(o)	(2,177,349)	4,209,783		4,209,783	2,032,434
Non-Operating/Nonrecurring Cash Flow		0	220,732		220,732	220,732
Capex	(p)	(385,288)	(3,433,806)		(3,433,806)	(3,819,094)
Common Dividends (Paid)		(12,828)				(12,828)
FCF		(2,575,465)	996,709		996,709	(1,578,756)
<b>Gross Leverage (x)</b>						
Total Adjusted Debt/Operating EBITDAR <sup>a</sup>	(i/a)	7.9				6.6
FFO-Adjusted Leverage	(i)/(n-m-l-k+b)	(11.2)				5.3
FFO Leverage	(i-g)/(n-m-l-k)	(11.2)				5.3
Total Debt with Equity Credit/Operating EBITDA <sup>a</sup>	(i-g)/d	7.9				6.8
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	(15.1)				(12.6)
<b>Net Leverage (x)</b>						
Total Adjusted Net Debt/Operating EBITDAR <sup>a</sup>	(i-j)/a	4.0				4.1
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	(5.7)				3.2
FFO Net Leverage	(i-g-j)/(n-m-l-k)	(5.7)				3.1
Total Net Debt with Equity Credit/Operating EBITDA <sup>a</sup>	(i-g-j)/d	4.0				4.0
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	(29.6)				(21.3)
<b>Coverage (x)</b>						
Operating EBITDA/(Interest Paid + Lease Expense) <sup>a</sup>	a/(-m+b)	1.9				1.7
Operating EBITDA/Interest Paid <sup>a</sup>	d/(-m)	1.9				1.9
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	(1.3)				2.2
FFO Interest Coverage	(n-l-m-k)/(-m-k)	(1.3)				2.4

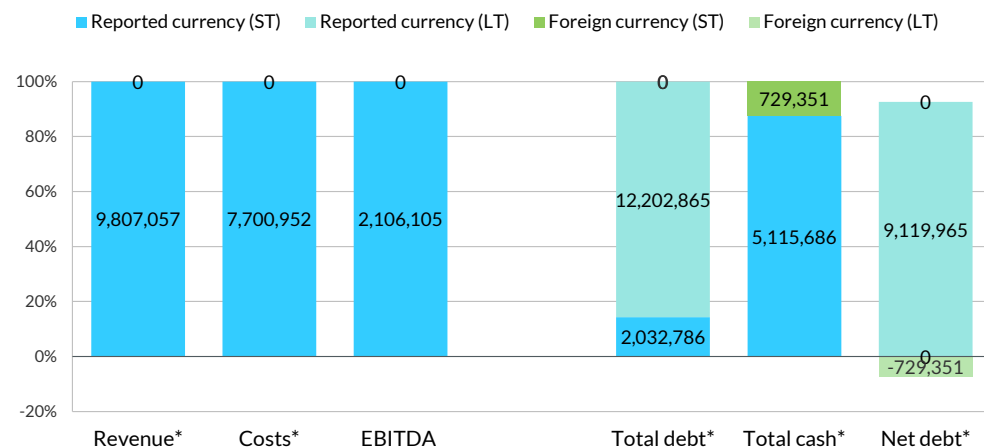
<sup>a</sup>EBITDA/R after dividends to associates and minorities. CFO – Cash flow from operations.  
Source: Fitch Ratings, Fitch Solutions, Simpar S.A.

## FX Screener

Simpar's exposure to FX risk is low. Simpar's operations are largely in Brazil and its U.S. dollar-denominated bonds are fully hedged.

### Fitch FX Screener

(Simpar S.A - BB-/Positive, LTM Dec-20, BRL th)



\* Post hedge, absolute figures displayed are Fitch's analytical estimates, based on publicly available information

Source: Fitch Ratings

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