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CREDIT OPINION
24 May 2023

Update

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RATINGS

Simpar S.A.

Domicile	Sao Paulo, Brazil
Long Term Rating	Ba3
Type	LT Corporate Family Ratings
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Simpar S.A.

Update to credit analysis

Summary

Simpar S.A.'s (Simpar) Ba3 rating primarily reflects its status as the holding company of one of the largest logistics, and vehicle and equipment rental groups in Brazil, with a significant size, scale and market position as the largest supply-chain management service provider and truck logistics transportation company in Brazil through JSL S.A. (JSL); largest truck and equipment leasing company in Brazil through Vamos Locação de Caminhões, Máquinas e Equipamentos S.A. (Vamos); and the second-largest rent-a-car and fleet management company through Movida Participações S.A. (Movida). The company's solid business model encompasses long-term service agreements, a wide service portfolio, a diversified client base and cross-selling opportunities, providing resiliency to operations during downturns, an additional credit positive. Simpar's subsidiaries have flexible business models and a proven ability to manage the return on invested capital (ROIC) throughout the life cycle of its vehicles and equipment, ensuring adequate profitability and cash generation through economic cycles. The company's good liquidity and profitability, and our expectation of gradual leverage reduction over the next 12-18 months also support the rating.

The rating is primarily constrained by the group's high consolidated Moody's-adjusted leverage of 4.5x in the 12 months that ended March 2023, which resulted from its fast growth strategy from both organic and inorganic opportunities and from the capital-intensive nature of Simpar's businesses. Simpar's negative free cash flow (FCF) because of its growth strategy is an additional risk, although we recognize that the company has the financial flexibility to reduce expansion capital spending and sell its unencumbered light and heavy vehicle fleet in case of need, helping the company generate cash and reduce debt. Finally, Simpar's capital allocation strategy could lead to notching considerations of debt issued at the parent level in case of structural subordination in the future.

Credit strengths

» Size, scale and leading market position in all segments it operates, with wide product offering, synergies and cross-selling opportunities

» Solid business model, which provides stability to operations and good profitability

» Diversified client base, although geographically concentrated in Brazil

» Good liquidity

Credit challenges

» High leverage as a result of a fast and acquisitive growth strategy

» Capital-intensive nature of the industry, which leads to negative FCF in times of expansion

» Capital allocation strategy, which could lead to notching considerations in case of structural subordination

Rating outlook

The stable rating outlook reflects our expectations that Simpar will continue to grow both organically and inorganically, and improve its profitability and cash generation to gradually reduce leverage over time. The outlook also reflects our expectation that the company will maintain a conservative approach toward liquidity, balancing capital spending and shareholders' and creditors' interest.

Factors that could lead to an upgrade

Simpar's rating could be upgraded if the company is able to reduce leverage substantially, either through organic EBITDA growth or gross debt reduction. Quantitatively, a rating upgrade would require total Moody's-adjusted gross debt/EBITDA below 4.0x and EBIT/ interest above 2.5x (1.4x for the 12 months that ended March 2023) on a sustained basis. A rating upgrade would also require the maintenance of adequate liquidity.

Factors that could lead to a downgrade

Simpar's rating could be downgraded if the company's operating performance deteriorates, with its operating margin declining below 8% (19.4% for the 12 months that ended March 2023) without prospects of an improvement. Negative rating pressure would emerge if EBITDA growth does not materialize, such that Simpar's Moody's-adjusted gross leverage does not remain at around 5.0x on a sustained basis. A deterioration in the company's liquidity and evidence of an aggressive growth strategy in times of weak market fundamentals could also lead to a downgrade.

Key indicators

Exhibit 1

Simpar S.A.

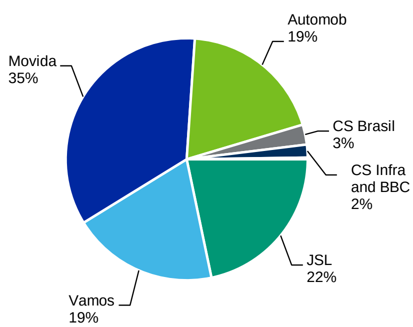
USD Millions	Dec-20	Dec-21	Dec-22	LTM (Mar-23)	Moody's 12-18 months Forward view
Revenue	$1,922.0	$2,574.8	$4,730.5	$5,304.7	$6,100.0 - $7,000.0
Operating Margin %	10.5%	22.6%	21.0%	19.4%	19.0 - 19.5%
EBITA / Average Assets	6.2%	11.0%	11.8%	12.6%	11.0 - 12.0%
Debt / EBITDA	7.0x	7.0x	4.8x	4.5x	4.0x - 4.5x
FFO / Debt	12.3%	11.4%	11.9%	15.5%	10.0 - 15.0%
EBIT / Interest Expense	1.2x	1.8x	1.5x	1.4x	1.5x - 2.5x

All figures and ratios are calculated using our estimates and standard adjustments. The forecasts (f) or projections (proj.) are our opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Profile

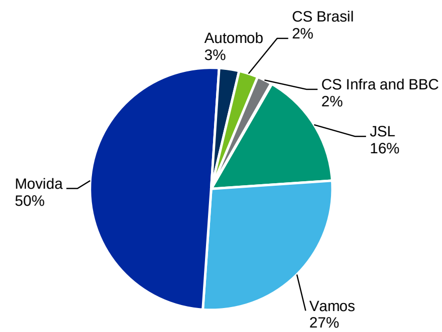
Headquartered in Sao Paulo, Brazil, Simpar S.A. (Simpar) is the non-operating holding company of a leading logistics provider, and light and heavy vehicle, and equipment rental group that operates in Brazil since 1956. The company has a 71.9% stake in JSL, the largest logistics service company in Brazil that provides dedicated logistic services and truck cargo transportation (22% of consolidated revenue); a 65.0% stake in Movida, Brazil's second-largest rent-a-car, fleet management and used car sales company (35%); a 68.5% stake in Vamos, a truck, machinery and equipment rental, and new and used heavy vehicles sales company (19%). The company also owns 79.4% of a light vehicle dealership (Automob) and has full ownership in BBC, a multiple bank, CS Infra, a port and toll road concession company (incorporated in December 2021) that also includes Ciclus, CS Mobi and BRT Sorocaba, and CS Brasil, a public and mixed capital transportation services provider. For the 12 months that ended March 2023, the company reported consolidated net revenue of BRL27.0 billion ($5.3 billion) with a Moody's-adjusted EBITDA margin of 32%.

Exhibit 2
Revenue by subsidiary
For the 12 months that ended March 2023



Source: Company's financials

Exhibit 3
EBITDA by subsidiary
For the 12 months that ended March 2023



Source: Company's financials

Detailed credit considerations

Size, scale and leading market position in all segments it operates

Simpar controls, manages and, if necessary, provides support to seven independent subsidiaries (JSL, Vamos, Movida, CS Infra, CS Brasil, Automob and BBC) that provide value-added rental, logistics, mobility and financial services, focused on long-term contracts. The group's primary activity consists of buying, renting, maintaining, financing, operating and selling light and heavy vehicles and equipment, aiming at maximizing the ROIC.

Simpar's market position and scale, with a unique service portfolio, long-term relationships with clients and third-party service providers, and commercial synergies and cross-selling opportunities within its subsidiaries give it an edge over competitors on asset purchases and industry know-how. The group's integrated business model allows its subsidiaries to maximize returns by managing fleet capacity utilization and age, the profitability of service agreements, and minimize losses stemming from the regular disposal of used vehicles and equipment, ensuring a structured market for large fleet divestitures, especially in times of economic deceleration. The group has around 333 new and used light and heavy vehicle stores in addition to more than 1,000 branches and stores for the rent-a-car, and truck and equipment rental businesses. This network gives the company significant commercial advantages over smaller competitors, a unique footprint in Brazil and a higher level of service offering.

JSL is the largest logistics player in the fragmented Brazilian logistics service and truck transportation markets. The company offers dedicated supply-chain services, including integrated logistics projects, information management of the logistics chain, input flow management (inbound), internal logistics (product movement and inventory management), reverse logistics, warehousing and urban distribution, bus chartering for the transportation of customers' employees, and general cargo transportation. This business represented 22% of Simpar's total revenue and 16% of total EBITDA for the 12 months that ended March 2023.

The Vamos subsidiary offers the rental of machinery and equipment, rental of heavy vehicles with and without services, a heavy vehicle dealership network and the sale of heavy vehicles, along with other personalized services. Vamos is the largest equipment and truck rental company in the fragmented truck rental industry in Brazil, accounting for roughly 1% of the country's total truck fleet. For the 12 months that ended March 2023, Vamos accounted for 19% and 27% of Simpar's consolidated revenue and EBITDA, respectively.

Simpar also owns 65.0% of Movida, the second-largest rent-a-car and fleet management provider in Brazil by revenue and fleet size. After the incorporation and consolidation of part of CS Brasil's business by Movida in 2021, the company also offers management and rental of light vehicles for public customers. For the 12 months that ended March 2023, Movida accounted for 35% and 50% of the group's total revenue and EBITDA, respectively.

Finally, Simpar owns 79.4% of a light vehicle dealership (Automob), and 100% of a multiple bank (BBC), a transportation services provider for public and mixed capital companies (CS Brasil), and a waste management, port and toll road concession company (CS Infra), which collectively generated around 24% of revenue and 8% of EBITDA for the 12 months that ended March 2023. The dealership business will become more relevant to the group after the acquisitions of UAB, Sagamar, Autostar and Grupo Green during 2021-22, with Simpar anticipating around BRL5.5 billion of pro forma revenue coming from the segment.

Solid business model and diversified client base provide stability to operations and good profitability through economic cycles

Simpar's subsidiaries have solid business models with long-term contracts with its clients that contain minimum volume guarantees, penalties for early termination and price adjustments; control over the entire business cycle — from the purchase of the asset until its sale; and a combination of asset-light and heavy business models, which provides more flexibility to operations.

For dedicated logistics services, JSL has contracts of around five years with annual price revisions, and most of them contain clauses that guarantee the company a minimum volume and penalties in case of cancellations. At the Vamos subsidiary, almost 100% of revenue is ensured by long-term and tailor-made contracts that have an average tenor of five years with an annual pass-through of inflation and penalties of 50% of the residual value of the contract in case of early termination. Furthermore, in the logistics and rental businesses, Simpar's subsidiaries JSL, Movida, CS Brasil and Vamos resell the assets used in the services at the end of the contract and include the estimated residual value in the contract's pricing and expected return. Therefore, the group's long track record and expertise in used light and heavy vehicle sales, and its unique used vehicle store network in Brazil play a crucial role in the company's overall profitability.

Simpar's subsidiaries operate with both an asset-light and asset-heavy business model, which provides it the benefit of both the operational flexibility to reduce costs during downturns, and the ownership and full control of operating assets. The asset-light model accounts for about 40% of the group's revenue, mostly related to the logistics segment, and the asset-heavy model for 60% of revenue, mostly related to the heavy and light vehicle, and equipment rental and fleet management businesses.

The group has operations in Argentina, Mexico, Portugal, Chile, Uruguay, Paraguay, Peru and South Africa, but almost 100% of revenue is generated in Brazil, which leaves it exposed to economic cycles in the country. However, because Simpar's businesses have a diversified institutional client base comprising most of the essential and countercyclical sectors of the domestic economy (such as food and beverage, agriculture, retail, metals and mining, chemicals, pulp and paper, automotive, and capital goods) and operate with long-term contracts, the group's operating performance is resilient through economic cycles. Furthermore, Simpar has good, long-term relationships with its clients, reflected in its track record of high client retention, and has been able to increase its profitability and ROIC even in times of expansion.

Operating performance remained adequate even during downturns

In 2020, the operating performance of Simpar's businesses remained fairly stable relative to that in 2019 despite the coronavirus pandemic. The deterioration in the credit metrics of Simpar's subsidiaries was not as severe as that for other companies operating in the car, truck and equipment rental sectors because the company benefited from its resilient business model, that encompasses long-term contracts with minimum volume guarantees and penalties covering about 80% of its revenue (related to the asset-heavy businesses in the logistics and rental segments), which increases cash flow predictability. Furthermore, the company proactively adjusted costs and other cash outflow (namely the purchase of assets) to preserve profitability and liquidity. During 2014-16, when the

Brazilian economy and industrial sector deteriorated significantly, the group also posted 18% growth in revenue and 22% growth in EBITDA, supported by the resilient performance of the logistics and leasing businesses and cost reduction efforts.

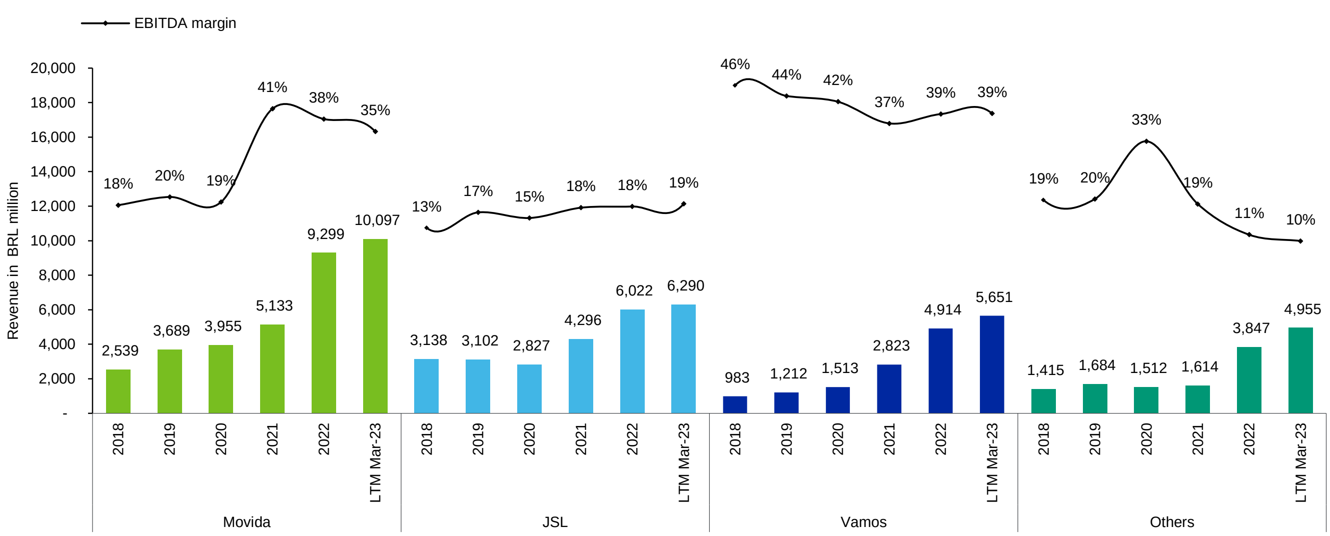
JSL and CS Brasil's passenger transportation revenue suffered during the worst months of the pandemic, while revenue at Vamos, Movida and fleet management revenue at CS Brasil continued to grow. Even segments that we expected would suffer the most (such as Movida's rent-a-car business and used cars sales, and sale of used trucks) posted a softer decline in sales than that of competitors, reflecting Movida's ability to sell cars and maintain fleet utilization rates during the crisis, and Vamos' know-how and competitive advantage in the sale of used trucks, considering the company's average truck fleet age.

During 2021, 2022 and the first quarter of 2023, the operating performance of Simpar's subsidiaries recovered, with consolidated Moody's-adjusted EBITDA growing to BRL8.8 billion for the 12 months that ended March 2023 from BRL2.5 billion in 2020, and the EBITDA margin expanding to 32% from 25.7% over the same period, because of the capture of synergies of all acquisitions and diversified and resilient cash generation, mostly coming from long-term contracts, with adequate profitability and protected by price adjustment clauses. The increase in oil prices has not hurt Simpar's profitability in the logistics segment so far, although negotiations with clients to pass-through higher costs should become increasingly more difficult if Brazil's macroeconomic conditions deteriorate. Still, we believe Simpar's diversification toward the rental business will provide stability to existing operations and to the company's overall performance.

Exhibit 4

Profitability remained relatively stable across subsidiaries even during downturns

Historical revenue and EBITDA margin per subsidiary



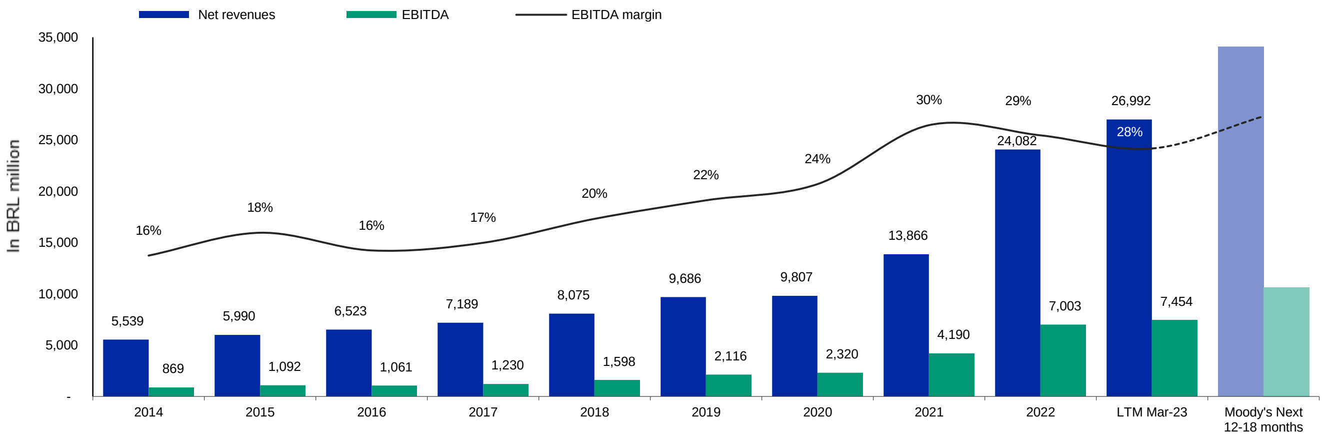
Sources: Simpar S.A. and Moody's Investors Service

Without any additional shocks related to the pandemic or macroeconomic headwinds, we expect Simpar to continue to post robust growth rates through economic cycles. This growth will be supported by recent and future acquisitions, the organic growth of the industries in which the group operates and market share expansion, given the fragmented nature of the logistics and equipment rental industries in Brazil.

Exhibit 5

Revenue will continue to increase, supported by acquisitions and organic growth

Consolidated revenue and reported EBITDA



Sources: Simpar S.A. and Moody's Investors Service

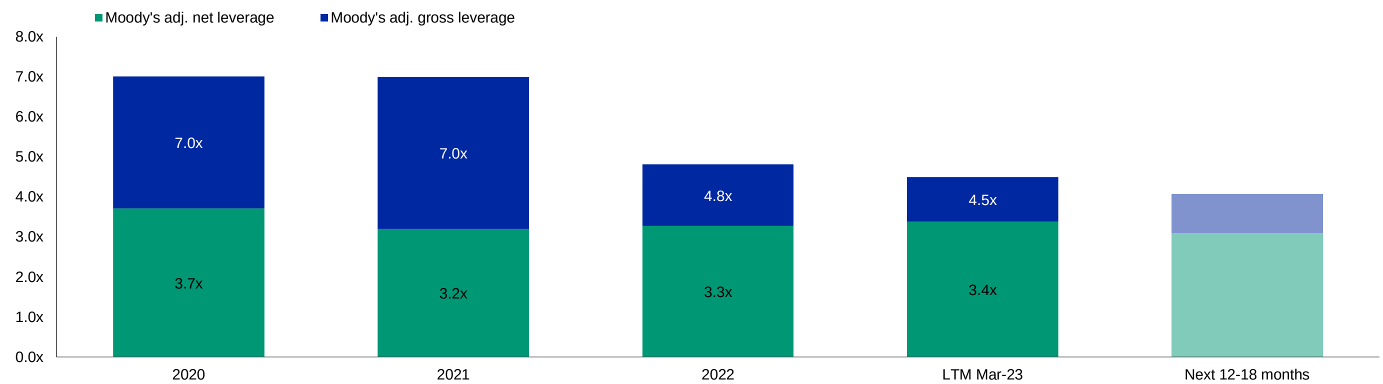
High leverage because of a fast and acquisitive growth strategy and the capital-intensive nature of the industries

Despite Simpar's adequate operating performance and profitability in the last years, the company's debt-funded growth strategy resulted in high leverage ratios. The group's revenue increased about 350% to BRL27 billion in the 12 months that ended March 2023 from BRL6.0 billion in 2015, while its Moody's-adjusted EBITDA margin increased to 32.3% from 18.9% over the same period. Revenue growth came organically through the addition of new contracts at JSL and Vamos, and the growth of Movida's operations, and more recently through acquisitions. In terms of profitability, growth came from cost reductions, higher utilization rates and increased efficiency. Still, gross debt increased because of the capital-intensive nature of Simpar's businesses. Therefore, the group's adjusted leverage increased during 2020 and 2021, but declined to 4.5x at the end of the 12 months that ended March 2023 with the integration of the recent acquisitions and efficiency gains.

Since August 2020, Simpar has announced 22 acquisitions through its subsidiaries JSL, Vamos, Movida and Automob (former Original), which have increased total debt marginally, since the acquisitions were made through a combination of debt and equity issuances, and will result in a cash outflow of BRL1.7 billion split over 2023-25, and won three concessions, accelerating its growth strategy. The company raised debt to fund the organic growth of its subsidiaries, but also raised BRL3 billion in equity with the IPO and follow-on of Vamos and JSL, which helped temper the impact of its growth strategy in leverage ratios. We expect that with all acquisitions Simpar will generate almost BRL30 billion in revenue and BRL7.9 billion in EBITDA annually. Simpar stated that it will continue to pursue a gradual reduction in leverage. Assuming no additional gross debt reduction, Simpar's adjusted gross leverage would be 4.0x-5.0x in the next few years with the consolidation of recent acquisitions, in line with the historical level of about 5x. Net leverage, used as a covenant measure, would remain at around 3.0x.

Over time, we expect Simpar to continue to reduce leverage on the back of organic EBITDA growth driven by an increase in profitability and gain in scale after the recent acquisitions at JSL, Automob and Vamos, high growth prospects of the vehicle outsourcing industry in Brazil and higher ROIC from new contracts. Still, leverage reduction will be gradual because the company will continue to require additional debt to fund its expansion plans at Movida and Vamos. A more sustained and faster reduction in leverage will only occur if the group raises proceeds from additional asset or minority interest sales.

Exhibit 6
Moody's-adjusted gross and net leverage



Sources: Simpar S.A. and Moody's Investors Service

ESG considerations

Simpar S.A.'s ESG Credit Impact Score is Moderately Negative CIS-3

Exhibit 7
ESG Credit Impact Score

CIS-3

Moderately Negative

NEGATIVE IMPACT

POSITIVE IMPACT

For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.

Source: Moody's Investors Service

CIS-3. Simpar's ESG Credit Impact Score is Moderately Negative (**CIS-3**). Environmental risks relate to carbon transition on the trucking logistics segment and the need to invest in fleet renewal to meet customers' preferences, as well as waste and pollution generated by the business activity. Social risks incorporate managing customer relations, including sensitive customer data mainly in the car rental segment, responsible production, health and safety, and demographics and societal trends that may challenge mainly the car rental business model through new mobility alternatives. Governance aspects are incorporated in the rating and include the company's acquisitive growth history, concentrated ownership and board structure and somewhat complex organizational structure.

Exhibit 8
ESG Issuer Profile Scores

ENVIRONMENTAL
E-4
Highly Negative

SOCIAL
S-3
Moderately Negative

GOVERNANCE
G-3
Moderately Negative

Source: Moody's Investors Service

Environmental

E-4. Simpar's environmental risks relate directly to carbon transition risk associated with the trucking logistics business and the need to invest in fleet renewal to meet customers' preferences, as well as the waste and pollution generated by the business activity.

Social

S-3. Social risks incorporate managing customer relations, including sensitive customer data mainly in the car rental segment, responsible production, health and safety in handling heavy equipment in the equipment and truck rental business, and demographics and societal trends that may challenge mainly the car rental business model through new mobility alternatives.

Governance

G-3. Governance aspects are incorporated in the rating and include the company's acquisitive growth history, concentrated ownership and board structure and somewhat complex organizational structure. The Simpar group is publicly listed in Brazil since 2010 (initially through JSL and currently through Simpar), with shares listed on the Novo Mercado segment of B3 (São Paulo's Stock Exchange), the segment with the highest level of corporate governance. Fernando Simões' family is the controlling shareholder of Simpar, holding directly and indirectly (through the JSP holding) 63.70% of the group's total shares. Other members of the family hold around 7.27% of total shares, with management, board and treasury shares accounting for 1.46% and free float representing 27.06% of the total. Simpar's board of directors is composed of five members, of which two are independent.

The group's management is composed of professionals with many years of experience in the logistics and equipment rental industries. Two family members — Fernando Simões (board member and CEO of Simpar) and his daughter Juliana Simões (People and Culture Director) — are part of management. The company has a conduct code in place, and has formal market risk, risk management and sustainability policies and committees, but lacks formal financial policies regarding leverage and liquidity targets.

Simpar controls its listed subsidiaries JSL, Movida and Vamos, appointing three out of five board members for each. Currently, we see strong links between the holding company and its subsidiaries, illustrated by their ownership, significant commercial synergies, cross-guarantees among the debt of Simpar, JSL and Vamos, and financial covenants on existing debt instruments measured on a consolidated basis. Furthermore, a majority vote of the board of JSL, Movida and Vamos can lift any upstream dividend or intercompany loan restrictions, effectively providing Simpar full control over its subsidiaries' cash flow.

The current corporate organization is a result of a restructuring that started in 2015 and aimed at providing more independence to each line of business. At that moment, the group separated its business into four reporting segments and increased the level of autonomy of each business, with a dedicated management and business strategies. In April 2020, the group separated all operating subsidiaries into independent companies owned by a pure holding company, Simpar, which replaced JSL as the listed parent company of the group. The corporate restructure facilitates M&A, IPOs and other transactions at the subsidiaries' level, but also increases notching considerations for debt sitting at the parent level because the ultimate parent of the group is now a pure holding company.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Simpar has good liquidity, with BRL9.8 billion in consolidated cash at the end of March 2023, sufficient to cover short-term debt by 2.9x and almost all debt amortizations until 2025. The holding company has a cash position of about BRL2.8 billion, sufficient to cover all debt amortizations until 2029, and received about BRL170 million in dividends in the 12 months that ended March 2023. Simpar has proactively pursued liability management initiatives, including the recent bond repurchase and issuance of BRL1.5 billion in new debt in the first quarter of 2023 and BRL960 million during the second quarter of 2023.

The company also has BRL4.1 billion in approved credit lines available for capital spending, which are an additional source of funding for expansion despite being subject to certain conditions for disbursement. We expect the amount of annual dividends the company will receive to increase gradually and to be sufficient to cover corporate expenses and non-discretionary cash outflow (that is, annual interest and swap payment of about BRL1 billion at the holding level) while complying with targeted dividend payments of around 25% of net income (roughly BRL200 million per year), without burning the cash sitting at the holding level.

The Simpar group has historically maintained its consolidated cash coverage of short-term debt above 1.0x and has proactively pursued liability management initiatives to lengthen its debt tenor. Furthermore, Simpar has BRL34 billion in unencumbered assets at market value, mainly its light and heavy vehicles, which could be sold in case of need and covers about 90% of the group's total reported debt. The group's proven ability to sell assets and reduce capital spending related to new vehicle and equipment purchases to prevent a cash burn during downturns is a key credit consideration for Simpar because it provides a liquidity backdoor in periods of stress. Finally, Simpar's stock holdings in its subsidiaries currently have a market value of around BRL13 billion, and although the shares are subject to value leakage, they still provide an additional liquidity buffer for the company.

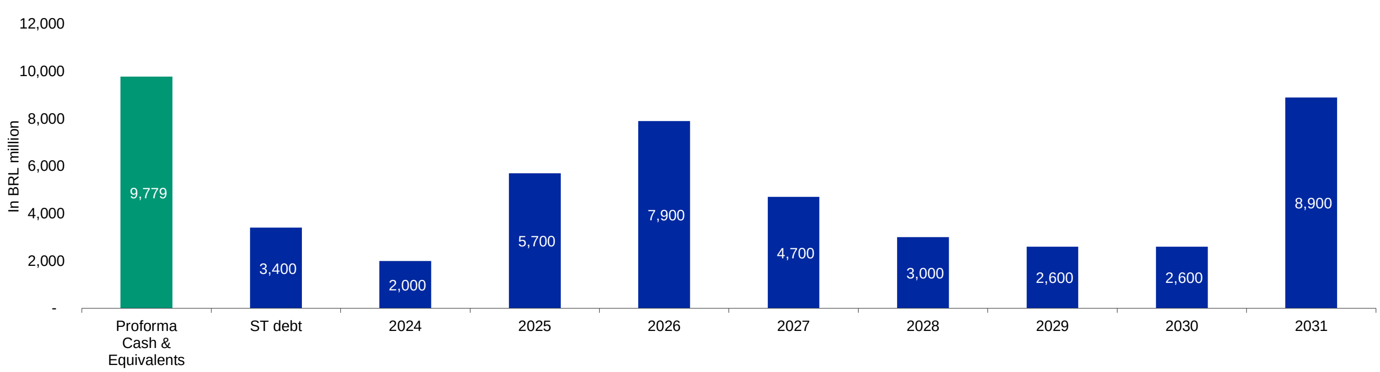
Given the capital-intensive nature of Simpar's businesses, its FCF will only turn positive when the company downsizes its fleet or if it is able to increase the return on its assets substantially. For the 12 months that ended March 2023, Simpar's FCF was negative BRL7.9 billion, driven mainly by the BRL8.4 billion spent on the fleet expansion of Movida and Vamos, which led to a net capital spending of BRL11.2 billion. Simpar's total capital spending was even higher at BRL17.1 billion in the 12 months that ended March 2023. The company's current high cash position and proven ability to sell cars in a timely manner to raise cash mitigate the risks associated with high leverage and covenant breaches because it can quickly adjust its cash position to offset the lower EBITDA stream during economic downturns. Considering only maintenance investments at Movida and Vamos, Simpar's capital spending would decline significantly and the group's consolidated FCF would be close to breakeven, assuming no deterioration in cash flow from operations as a result of higher working capital requirements or weaker-than-expected operations.

Simpar's dividend payout will remain at the minimum level of 25% of net income required by Brazilian law because the group is currently prioritizing leverage reduction. Dividend payment should be between 25%-50% of net income at Movida, JSL and Vamos. Finally, covenant compliance is adequate, with the most restrictive financial covenants within the group setting a maximum reported net leverage of 4.0x and minimum interest coverage of 2.0x. The reported consolidated measures, which are the weakest among all because of the existing debt instruments at the parent holding company, were at 3.0x and 3.7x as of the end of March 2023, respectively.

Exhibit 9

Debt amortization schedule is comfortable

Pro forma debt maturity schedule considering the new issuances in April 2023



Sources: Simpar S.A. and Moody's Investors Service

Structural considerations

Simpar's capital allocation strategy could lead to notching considerations of debt instruments at the holding level in case of structural subordination in the future. Simpar funded some of the growth of its subsidiaries with debt issued at the holding level, and currently about 17% of the group's total debt sits at the holding company (about BRL6.6 billion as of the end of March 2023), of which about BRL112 million has an upstream guarantee from JSL. Within its subsidiaries, leverage ratios are fairly similar at 2x-3x reported net debt/ EBITDA, with no major disparities. About 12% of the group's debt is at the JSL level, 25% at Vamos, 40% at Movida, CS Brasil at 2% and 2% at CS Infra. Currently, the group has cross-guarantees among debt instruments, with Simpar as the guarantor of about BRL1.3 billion of JSL's debt, BRL468 million of CS Brasil's debt, BRL490 million of Vamos' debt, BRL690 million of Automob's debt and BRL611 million of Ciclus' debt (a subsidiary of CS Infra). There are also financial covenants measured on a consolidated basis in existing debt instruments issued by JSL.

In terms of effective subordination, less than 1% of Simpar's total debt is secured by assets (mainly related to FINAME lines[1]), while the rest is largely unsecured.

Methodology and scorecard

Simpar's scorecard-indicated outcome under our Surface Transportation and Logistics rating methodology maps to a Ba2 rating based on the financials for the 12 months that ended March 2023, one notch above the assigned rating. The scorecard-indicated outcome reflects Simpar's good business profile, scale and profitability, but also its leveraged capital structure and weak interest coverage resulting from its debt-funded expansion. Prospectively, our 12-18-month forward view maps to a Ba1 scorecard-indicated outcome, with stability across most subfactors, and indicating our expectation of an improvement in debt protection metrics.

Exhibit 10
Rating factors
Simpar S.A.

Methodology: Surface Transportation and Logistics published on 31 Mar 2023	Current LTM (Mar-23)		Moody's Forward View Next 12-18 months (as of May-23)	
Factor 1: BUSINESS PROFILE (15%)	Measure	Score	Measure	Score
a) Business Profile	Baa	Baa	Baa	Baa
Factor 2: SCALE (20%)				
a) Revenue (USD Billion)	$5.3	Baa	$6.1 -$ 6.8	Baa
Factor 3: PROFITABILITY, CASH FLOW, AND RETURNS (15%)				
a) Operating Margin	19.4%	Baa	19.0 - 20.0%	Baa
b) FFO / Debt	12.6%	Baa	13.0 - 15.0%	Baa
Factor 4: LEVERAGE AND COVERAGE (35%)				
a) EBITA / Avg. Assets	15.5%	Ba	14.0 - 16.0%	Ba
b) Debt / EBITDA	4.5x	Ba	4.0 - 5.0x	Ba
c) EBIT / Interest Expense	1.4x	B	1.5 - 2.5x	B
Factor 5: FINANCIAL POLICY (15%)				
a) Financial Policy	Ba	Ba	Ba	Ba
Rating Outcome:				
a) Scorecard-Indicated Rating		Ba2		Ba1
b) Actual Rating Assigned		Ba3		

[1] All ratios are based on adjusted financial data and incorporate our Global Standard Adjustments for Non-Financial Corporations. [2] This represents our forward view, not the view of the issuer. [3] As of March 2023.
Source: Moody's Financial Metrics™

Ratings

Exhibit 11

Category	Moody's Rating
SIMPAR S.A.	
Outlook	Stable
Corporate Family Rating	Ba3

Source: Moody's Investors Service

Appendix

Exhibit 12
Peer comparison
Simpar S.A.

	Simpar S.A. Ba3 Stable			Ryder System, Inc. Baa2 Stable			Rumo S.A. Ba2 Negative		
(in US millions)	FYE Dec-21	FYE Dec-22	LTM Mar-23	FYE Dec-21	FYE Dec-22	LTM Mar-23	FYE Dec-20	FYE Dec-21	FYE Dec-22
Revenue	$2,575	$4,731	$5,305	$9,663	$12,011	$12,109	$1,365	$1,381	$1,909
EBITDA	$912	$1,605	$1,712	$2,733	$3,403	$3,386	$756	$696	$1,118
Total Debt	$6,172	$7,543	$7,811	$7,111	$7,254	$7,203	$4,969	$4,908	$4,425
Cash & Cash Equiv.	$3,349	$2,413	$1,929	$234	$267	$253	$1,766	$1,952	$1,558
Operating Margin	22.6%	21.0%	19.4%	9.1%	12.1%	11.3%	26.1%	20.3%	26.9%
EBIT / Int. Exp.	1.8x	1.5x	1.4x	3.7x	5.6x	5.2x	1.1x	0.7x	1.3x
FFO / Debt	11.4%	11.9%	15.5%	34.8%	38.0%	37.9%	6.2%	5.0%	15.5%
EBITA / Avg. Assets	11.0%	11.8%	12.6%	6.4%	10.8%	10.4%	5.5%	4.4%	8.4%
Debt / EBITDA	7.0x	4.8x	4.5x	2.6x	2.1x	2.1x	6.7x	7.3x	4.1x

All figures and ratios are calculated using our estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 13
Moody's-adjusted debt breakdown
Simpar S.A.

(in US Millions)	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Ending Mar-23
As Reported Debt	**3,407.3**	**6,171.9**	**7,542.9**	**7,811.4**
Non-Standard Adjustments	-478.1	0.0	0.0	0.0
Moody's-Adjusted Debt	**2,929.2**	**6,171.9**	**7,542.9**	**7,811.4**

All figures are calculated using our estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 14
Moody's-adjusted EBITDA breakdown
Simpar S.A.

(in US Millions)	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Ending Mar-23
As Reported EBITDA	**569.3**	**957.6**	**1,381.7**	**1,417.8**
Unusual	-74.6	-45.4	223.7	294.1
Moody's-Adjusted EBITDA	**494.7**	**912.2**	**1,605.4**	**1,711.9**

All figures are calculated using our estimates and standard adjustments.
Source: Moody's Financial Metrics™

Endnotes

1 FINAME is a modality of financing provided by the Brazilian development bank for the acquisition of heavy vehicles, equipment and machinery that is usually secured by the asset being financed.

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