

Tear Sheet:

Vamos Locacao de Caminhao, Maquinas e Equipamentos S.A.

April 2, 2025

No rating action

This report does not constitute a rating action.

New business model to support operations amid tough macroeconomic environment. We currently expect net revenue of approximately R\$6.0 billion in 2025, up from R\$4.7 billion in 2024, and EBIT margin relatively stable at about 60%. Revenue growth will be supported by the signing of new leasing contracts for both new and used trucks, while the company continues working on strategies of increasing the average price of new and legacy contracts, amid Brazil's high inflation and interest rates. In 2024, Vamos Locacao de Caminhao, Maquinas e Equipamentos S.A. (Vamos) launched the 'Sempre Novo' business model, through which it offers a second leasing contract of high-quality assets with low capital invested and is expected to be an important growth avenue. In our view, it will support operations amid the tough macroeconomic conditions, as it requires less capital expenditure (capex) than the implementation of contracts for new trucks.

We expect Vamos' fleet will total about 57,360 vehicles by the end of 2025, up from 51,604 at the end of 2024 (11,140 units of machinery and 40,464 trucks). For the next few years, we expect fleet expansion of about 10% annually, with trucks comprising 75%-80% and machinery the rest. We believe Vamos will maintain its leadership position in the highly fragmented market, while it expands mostly organically.

We forecast pressured credit metrics amid high interest rates. We expect EBIT interest coverage ratio to slip to 1.4x in 2025 from 1.6x last year. Our forecast assumes net capex of R\$2.0 billion – R\$2.5 billion in 2025, similar to the company's public guidance. It incorporates R\$1 billion for the Sempre Novo initiative and the sale of used trucks at higher average prices, considering high inflation and interest rates and the depreciation of Brazilian real. Total capex to be partially financed by internal cash flow, but mostly by new debt (approximately R\$1.5 billion).

We also expect the company to continue refinancing upcoming maturities to maintain a smooth maturity profile, with the weighted average above four years. At the end of 2024, gross debt was R\$14.4 billion, and we forecast it to rise to R\$15.6 billion by the end of 2025.

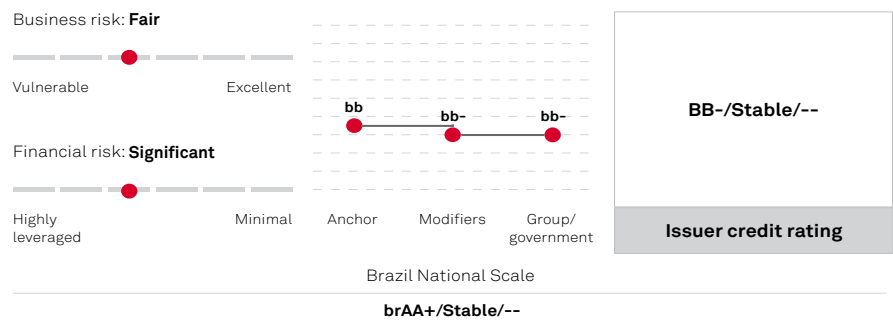
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Ratings Score Snapshot



Recent Research

- Simpar S.A. 'BB-' And 'brAA+' Ratings Affirmed On Expected Lower Capex Amid Heavy Interest Burden; Outlook Stable, Feb. 28, 2025
- Vamos Locacao de Caminhao, Maquinas e Equipamentos S.A. , Oct. 31, 2024

Company Description

Vamos is the leading company in Brazil for renting trucks, machinery, and heavy equipment. The company also operates a network of used vehicle stores throughout Brazil's main regions. Vamos is a subsidiary of the transport and logistics services group Simpar S.A., which currently holds a 61.35% stake in the company.

Outlook

The stable outlook reflects our expectation that Vamos will remain focused on leverage control while improving profitability and cash flow in the next few years through new contracts and limited fixed-cost expansion. We believe the company maintains solid growth prospects, given opportunities to expand in the fragmented truck rental segment. We expect EBIT interest coverage of 1.4x-1.6x and FFO to debt of 15%-20% in 2025-2026, due to its high debt and interest burden.

Downside scenario

A negative rating action could occur if Vamos' profitability and credit metrics weaken amid high interest rates, reducing the signing of new contracts. This could result from worsening economic conditions undermining Vamos' growth, leading to idle vehicles, lower rates, and difficulties renewing its fleet. In this scenario, we would see EBIT interest coverage below 2.0x and funds from operations (FFO) to debt below 13% on a sustained basis.

Upside scenario

We could raise the ratings in the next 12-18 months if the company continues to gain scale while strengthening its credit metrics. In this scenario, we would see EBIT interest coverage above 2.4x and FFO to debt above 23% consistently. An upgrade of Vamos would also depend on the

same rating action on its parent, Simpar (global scale: BB-/Stable/--; national scale: brAA+/Stable/--), which we believe is unlikely in the short to medium term due to high interest rates pressuring Simpar's credit metrics.

Key Metrics

Vamos Locacao de Caminhoes, Maquinas e Equipamentos S.A.-- Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. BRL)	2021a	2022a	2023a	2024a	2025e	2026f	2027f	2028f
Revenue	2,823	4,913	6,085	4,699	5,932	6,987	8,259	9,633
Gross profit	1,329	2,414	3,341	3,756	4,714	5,675	6,596	7,688
EBITDA (reported)	1,065	1,962	2,668	3,316	4,151	5,013	5,816	6,781
EBITDA	1,066	1,962	2,668	3,316	4,151	5,013	5,816	6,781
Less: Cash interest paid	(222)	(594)	(852)	(1,215)	(1,780)	(1,857)	(1,659)	(1,423)
Less: Cash taxes paid	(53)	(98)	(28)	(5)	(140)	(265)	(430)	(633)
Funds from operations (FFO)	790	1,269	1,788	2,096	2,230	2,892	3,727	4,726
EBIT	851	1,939	2,279	2,848	3,521	4,299	4,956	5,742
Interest expense	372	928	1,527	1,761	2,543	2,652	2,370	2,032
Cash flow from operations (CFO)	646	2,593	(770)	2,529	1,600	2,339	3,613	4,569
Capital expenditure (capex)	2,654	7,008	1,484	2,338	2,472	3,235	3,097	3,000
Free operating cash flow (FOCF)	(2,007)	(4,414)	(2,253)	191	(872)	(896)	516	1,569
Dividends	191	--	247	341	290	161	303	494
Share repurchases (reported)	--	1	--	101	--	--	--	--
Discretionary cash flow (DCF)	(2,198)	(4,415)	(2,501)	(250)	(1,162)	(1,057)	213	1,075
Debt (reported)	6,017	7,392	11,536	14,404	15,568	17,968	16,721	16,721
Plus: Lease liabilities debt	71	91	181	89	94	98	102	106
Less: Accessible cash and liquid investments	(3,825)	(1,723)	(2,294)	(2,788)	(2,718)	(3,988)	(2,880)	(3,906)
Plus/(less): Other	370	1,701	1,889	1,149	1,178	786	353	353
Debt	2,634	7,462	11,312	12,854	14,121	14,863	14,296	13,273
Equity	2,640	3,639	4,735	2,442	2,796	3,848	5,519	7,928
Adjusted ratios								
Debt/EBITDA (x)	2.5	3.8	4.2	3.9	3.4	3.0	2.5	2.0
FFO/debt (%)	30.0	17.0	15.8	16.3	15.8	19.5	26.1	35.6
FFO cash interest coverage (x)	4.6	3.1	3.1	2.7	2.3	2.6	3.2	4.3
EBITDA interest coverage (x)	2.9	2.1	1.7	1.9	1.6	1.9	2.5	3.3
CFO/debt (%)	24.5	34.8	(6.8)	19.7	11.3	15.7	25.3	34.4
FOCF/debt (%)	(76.2)	(59.2)	(19.9)	1.5	(6.2)	(6.0)	3.6	11.8
DCF/debt (%)	(83.5)	(59.2)	(22.1)	(1.9)	(8.2)	(7.1)	1.5	8.1
Annual revenue growth (%)	86.6	74.0	23.9	(22.8)	26.2	17.8	18.2	16.6
EBITDA margin (%)	37.7	39.9	43.8	70.6	70.0	71.7	70.4	70.4
Return on capital (%)	21.7	23.7	16.8	18.2	21.9	24.1	25.7	28.0

**Vamos Locacao de Caminhoes, Maquinas e Equipamentos S.A.--
Forecast summary**

EBITDA/cash interest (x)	4.8	3.3	3.1	2.7	2.3	2.7	3.5	4.8
EBIT interest coverage (x)	2.3	2.1	1.5	1.6	1.4	1.6	2.1	2.8

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. R\$--Brazilian real. We add leases, acquisitions payable and credit assignments, and deduct cash position to Vamos' reported debt. 2024 numbers already exclude dealership division, while historical numbers continue to reflect consolidated operations at that time.

Financial Summary

Vamos Locacao de Caminhoes, Maquinas e Equipamentos S.A.--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	R\$	R\$	R\$	R\$	R\$	R\$
Revenues	1,212	1,513	2,823	4,913	6,085	4,699
EBITDA	533	637	1,066	1,962	2,668	3,316
Funds from operations (FFO)	416	471	790	1,269	1,788	2,096
Interest expense	101	153	372	928	1,527	1,761
Cash interest paid	71	113	222	594	852	1,215
Operating cash flow (OCF)	314	486	646	2,593	(770)	2,529
Capital expenditure	593	559	2,654	7,008	1,484	2,338
Free operating cash flow (FOCF)	(279)	(73)	(2,007)	(4,414)	(2,253)	191
Discretionary cash flow (DCF)	(569)	(232)	(2,198)	(4,415)	(2,501)	(250)
Cash and short-term investments	499	779	3,825	1,723	2,294	2,788
Gross available cash	499	779	3,825	1,723	2,294	2,788
Debt	1,763	2,050	2,634	7,462	11,312	12,854
Common equity	491	506	2,640	3,639	4,735	2,442
Adjusted ratios						
EBITDA margin (%)	44.0	42.1	37.7	39.9	43.8	70.6
Return on capital (%)	16.1	15.4	21.7	23.7	16.8	18.2
EBITDA interest coverage (x)	5.3	4.2	2.9	2.1	1.7	1.9
FFO cash interest coverage (x)	6.8	5.2	4.6	3.1	3.1	2.7
Debt/EBITDA (x)	3.3	3.2	2.5	3.8	4.2	3.9
FFO/debt (%)	23.6	23.0	30.0	17.0	15.8	16.3
OCF/debt (%)	17.8	23.7	24.5	34.8	(6.8)	19.7
FOCF/debt (%)	(15.8)	(3.5)	(76.2)	(59.2)	(19.9)	1.5
DCF/debt (%)	(32.3)	(11.3)	(83.5)	(59.2)	(22.1)	(1.9)

Peer Comparison

Vamos Locacao de Caminhoe, Maquinas e Equipamentos S.A.--Peer Comparisons

	Vamos Locacao de Caminhoe, Maquinas e Equipamentos S.A.	Simpar S.A.	Movida Participacoes S.A.
Foreign currency issuer credit rating	BB-/Stable/--	BB-/Stable/--	BB-/Stable/--
Local currency issuer credit rating	BB-/Stable/--	BB-/Stable/--	BB-/Stable/--
Period	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2024-12-31
Mil.	R\$	R\$	R\$
Revenue	4,699	41,063	13,481
EBITDA	3,316	10,504	4,701
Funds from operations (FFO)	2,096	4,868	2,640
Interest	1,761	6,015	2,060
Cash interest paid	1,215	5,348	2,058
Operating cash flow (OCF)	2,529	5,590	2,990
Capital expenditure	2,338	11,096	5,542
Free operating cash flow (FOCF)	191	(5,507)	(2,552)
Discretionary cash flow (DCF)	(250)	(5,763)	(2,552)
Cash and short-term investments	2,788	12,971	4,291
Gross available cash	2,788	12,971	4,291
Debt	12,854	48,083	16,896
Equity	2,442	5,725	2,492
EBITDA margin (%)	70.6	25.6	34.9
Return on capital (%)	18.2	15.5	16.5
EBITDA interest coverage (x)	1.9	1.7	2.3
FFO cash interest coverage (x)	2.7	1.9	2.3
Debt/EBITDA (x)	3.9	4.6	3.6
FFO/debt (%)	16.3	10.1	15.6
OCF/debt (%)	19.7	11.6	17.7
FOCF/debt (%)	1.5	(11.5)	(15.1)
DCF/debt (%)	(1.9)	(12.0)	(15.1)

Environmental, Social, And Governance

Environmental, social, and governance factors are neutral considerations in our credit rating analysis of Vamos. Truck and machinery rental companies contribute to increase greenhouse gas emissions because of combustion engine trucks. But the company is committed to reducing through the implementation of several initiatives, which include waste recycling and truck remodeling, expanding electric assets in its fleet (as of December 2023: 3,386 trucks, up 7% from 2022), and increasing the number of stores using solar power energy. Electric trucks have a small, but emerging, presence in Brazil's overall fleet.

Vamos has a program called “Carbon free”, through which customers can neutralize carbon dioxide emissions with the acquisition of carbon credits. But adherence is still small.

Rating Component Scores

Foreign currency issuer credit rating	BB-/Stable/--
Local currency issuer credit rating	BB-/Stable/--
Business risk	Fair
Country risk	Moderately High
Industry risk	Intermediate
Competitive position	Fair
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bb
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	Negative (-1 notch)
Stand-alone credit profile	bb-

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, 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 | Industrials: Key Credit Factors For The Operating Leasing Industry, Dec. 14, 2016
- 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

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- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

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