

Fitch Revises Unidas' Outlook to Positive; Affirms IDRs at 'BB-'

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Fitch Ratings - Rio de Janeiro - [publication date will be automatically inserted]

Fitch Ratings has affirmed Unidas Locacoes e Servicos S.A.'s (Unidas) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) at 'BB-'. Fitch has also affirmed Unidas' Long-Term National Scale Rating and its local senior unsecured issuances at 'AA(bra)'. Fitch has revised the Outlook for the corporate ratings to Positive from Stable.

The Positive Outlook reflects faster-than-expected deleveraging, with net leverage projected to remain below 3.5x within the rating horizon, alongside the preservation of Unidas' market position, stronger profitability, and increased revenue visibility driven by a higher contribution from fleet rentals. Fitch's view of declining interest rates over the coming years should further support cash flow and growth. The IDRs also reflect the company's moderate scale within Brazil's competitive car, fleet, and heavy machinery and equipment rental markets, balanced by high revenue predictability in some businesses. Fitch's analysis incorporates a positive track record of support from the controlling shareholder.

Key Rating Drivers

Above Average Business Profile: Unidas' reasonable scale and business profile allow above-average bargaining power with original equipment manufacturers (OEM) and enable the company to capture economies of scale. As of September 2025, Unidas total fleet was around 117,000 vehicles, 56,700 in rent-a-car (RaC), and 60,400 in fleet rental. Fitch projects that the compound annual growth rate (CAGR) for total fleet and net rental revenue will be around 1.4% and 5.3%, respectively, during the 2025-2029 period. For 2025, Fitch forecasts net revenue of BRL7.4 billion, of which rental revenue of BRL3.9 billion, and a total fleet of 114,700 vehicles at YE, reaching BRL8.2 billion (rental revenue of BRL4.1 billion) and 114,400 in 2026.

Solid Operating Margins: EBITDA should grow gradually based on organic growth and adequate margins. Rating scenario considers that balanced demand and supply dynamics, increasing rental rates and marginally improving used car sales market should enable a gradual return on invested capital (ROIC) spread recovery, closer to historic levels in late 2026. The maintenance of higher interest rates for a longer period may postpone spread normalization and is the main threat the industry faces. Fitch forecasts EBITDA of BRL2.6 billion (35% margin) in 2025 and BRL2.7 billion (33% margin) in 2026.

Business Predictability: Unidas' strong and reasonably predictable operating cash generation, based on long-term contracts for fleet rental of light vehicles and heavy machinery and equipment, is positive for the ratings. Fitch expects the share in EBITDA for these segments to increase to 62% from 2025 on, compared to 47% in 2023 and 58% in 2024. The diversification among these segments and the RaC is important to the company's credit profile. Fitch expects Unidas to rightly price the sale of its light vehicles at the end of the contracts, as this is crucial for this rental companies.

Negative FCF: The rating scenario considers that cash flow from operations (CFO) should gradually increase along with the EBITDA, to BRL1.6 billion in 2025 and BRL1.4 billion in 2026. Nevertheless, FCF should remain negative on the range of BRL600 million-800 million due to average annual total capex of BRL5.7 billion from 2026 to 2029, being partially funded the by sales of vehicles, and average dividends distribution of BRL100 million.

Moderate Leverage: Adequate rental rates and a return on invested capital spread in line with historic industry levels, should enable the company to conciliate its mild growth and fleet renew with a moderate financial leverage. Fleet growth should be primarily debt funded in the rating scenario. Consolidated net leverage (IFRS-16 adjusted), measured by net debt/EBITDA, should average 3.4x in 2025-2027, comparing with an average of 4.2x from 2021 to 2024. In the last twelve months ended on September 2025, total debt/EBITDA and net debt/EBITDA were 5.0x and 3.4x, respectively.

Capital Intensive Industry: The capital-intensive nature of the rental industry, which demands sizable and regular investments to grow and renew the fleet, pressures the financial profile of the companies in the sector during strong expansion periods. Therefore, lower funding costs and strong access to credit markets are key competitive advantages. On the other hand, the business model allows the companies to postpone fleet renewal and adjust its size, if needed.

Peer Analysis

Compared to Simpar S.A. (Simpar; Local Currency and Foreign Currency IDRs BB-/long-term National Scale Rating AA(bra)/Stable), Unidas has a smaller scale, less diversified business portfolio. Unidas has higher profitability (EBITDA margins around 10% higher for the period of 2025-2029) and lower net leverage compared to Simpar's - 4.5x, with strong liquidity position.

Compared to Unidas, Localiza Rent a Car S.A. (Localiza; Local Currency and Foreign Currency IDRs BB+/ Long-term National Scale Rating AAA(bra)/Stable) has significant greater scale, stronger negotiating power with suppliers, and an overall more robust business profile. Localiza also has a stronger financial profile, based on lower leverage around 2.5x, lower cost of capital and more proved access to credit markets.

Fitch's Key Rating-Case Assumptions

- Average annual capex of BRL5.4 billion in the 2025-2029 period;
- Total Fleet of 114,700 vehicles at YE 2025, 114,400 vehicles at YE 2026, CAGR of 2.0% from 2026 to 2029;
- Fleet rental rates higher, on average, 4.6% in the 2025-2029 period;
- RaC rental rates higher, on average, 4.1% in the 2024-2029 period;
- Dividends distribution of BRL100 million yearly starting in 2026.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Net debt/EBITDA consistently above 5.0x;
- Deterioration of the company's business position;
- Declining EBITDA and profitability levels;
- Worsening liquidity profile;
- A perception of lower financial flexibility.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Preserve market position with margins at historical level;
- Net debt/EBITDA consistently below 4.0x.

Liquidity and Debt Structure

Unidas' adequate liquidity position and proven access to local funding are key credit considerations, with cash covering its short-term debt by an average over 2.7x during the last four years. The group's expected negative FCF, a result of organic growth and fleet renew, should be financed by a combination of cash and additional debt in the rating scenario.

As of September 2025, Unidas had BRL4.1 billion of cash and equivalents and BRL12.8 billion of total debt, with BRL2.5 billion due up to YE2026, BRL3.0 billion in 2027 and BRL3.9 billion in 2028. The group's consolidated debt is mainly comprised of local capital market debt (67%) and bank loans (32%). Unidas' financial flexibility is also supported by the group's ability to postpone growth capex to adjust to the economic cycle and the groups considerable number of unencumbered assets, with the market value of the fleet over net debt at around 1.3x.

Issuer Profile

Unidas is one of the largest RaC, fleet rental and heavy equipment and machinery rental company in Brazil, also operating in the sale of used vehicles and equipment. Unidas has CEDAR Fundo de Investimento em Participações as its controlling shareholder.

Summary of Financial Adjustments

- The non-cash cost related to the sale of long-lived assets will not impact FFO but will impact FCF;
- All capex, growth and maintenance will be considered at the CFI.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS				
ENTITY	RATING			PRIOR
Unidas Locacoes E Servicos S/A	LT IDR	BB- +	Affirmed	BB- ●
	LC LT IDR	BB- +	Affirmed	BB- ●
	Natl LT	AA(bra) +	Affirmed	AA(bra) ●
	senior unsecured	Natl LT	AA(bra)	AA(bra)

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Applicable Criteria

Corporate Rating Criteria (pub.27-Jun-2025)(includes rating assumption sensitivity)

Metodologia de Ratings em Escala Nacional (pub.22-Dec-2020)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub.27-Jun-2025)

Applicable Models

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 ([1](#))

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

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