



Rating Action: Moody's Ratings upgrades Hidrovias do Brasil's ratings to Ba3; stable outlook

05 Aug 2025

New York, August 05, 2025 -- Moody's Ratings (Moody's) has upgraded to Ba3 from B1 Hidrovias do Brasil S.A. (Hidrovias) corporate family rating and the backed senior unsecured ratings of the notes issued by Hidrovias International Finance S.a.r.l. due 2031 and fully and unconditionally guaranteed by Hidrovias and its fully-owned subsidiaries, except for the bauxite operations subsidiaries (guarantor group). The outlook was revised to stable from ratings under review.

RATINGS RATIONALE

This rating action concludes the Review for Upgrade that was initiated on May 20, 2025. The rating incorporates limited support from Ultrapar Participações S.A. (Ultrapar, Ba1 positive) to Hidrovias. Pro forma to the recent liability management executed by Hidrovias, we expect around 40% of the company's capital structure to be guaranteed by Ultrapar. The rating may be upgraded by one or more notches to approach Ultrapar's ratings if formal guarantees come to comprise a larger portion of Hidrovias' capital structure.

The review for upgrade was prompted by Ultrapar's acquisition of control of Hidrovias, in conjunction with the announcement of a proposed issuance of debentures by Hidrovias to be guaranteed by Ultrapar. At the conclusion of the tender, Hidrovias had received valid offers totaling \$178.6 million, representing 64.2% of the outstanding notes, and issued BRL 1.38 billion in debentures. We expect around 40% of Hidrovias' capital structure to be guaranteed by Ultrapar.

The rating assumes Moody's-adjusted gross leverage will reach 4.7x by December 2025 and 4.1x by December 2026, compared to 13.2x for the last twelve months ended March 2025 (or 6.3x excluding non-cash hedge effects). We expect the company's EBITDA to increase to BRL 839 million in 2025 from BRL 202 million in 2024. This reflects a gradual return to normalized operations following severe navigability restrictions in the South and North corridors, which led to a sharp EBITDA decline in 2024 due to a 55% reduction in iron ore volumes in the South Corridor and a 13% drop in grain volumes in the North Corridor.

Hidrovias' Ba3 ratings incorporate Ultrapar's position as controlling shareholder and its evident commitment to the company. The rating also reflects Hidrovias' solid business model, with approximately 80% of revenue derived from long-term take-or-pay agreements with strong off-takers. However, low river levels may still expose the company to revenue volatility when navigability is reduced. The positive outlook for agricultural production and waterborne transportation in Brazil (Ba1 stable) and Paraguay (Baa3 stable), along with the strategic location of Hidrovias' operations, also support the rating.

The ratings are constrained by the company's high gross leverage, limited business diversification, and small size compared to rated peers. Hidrovias is mainly inland operator with a high degree of product and geographic concentration which exposes the company to adverse weather conditions that periodically affect agricultural production and river navigability. Extremely low river drafts have shown to reduce transported volumes and increase costs. The company also has a high degree of client concentration, although the good credit quality and strong contract compliance history of its clients help mitigate related risks.

LIQUIDITY

Hidrovias has an adequate liquidity profile. As of March, the cash balance was BRL 421 million, but pro forma to the recent capital increase and liability management, we expect a higher cash balance of BRL 700 million–800 million. Debt maturing between 2025 and 2027 totals approximately BRL 600 million.

Liquidity risk has decreased substantially following the BRL 1.2 billion capital increase on May 8th. The proceeds were used to eliminate the Advance for Future Capital Increase provided by Ultrapar Logística, help to amortize BRL 400 million in debentures raised in January 2025, and reinforce the company's cash position. Additionally, Hidrovias sold its Coastal Navigation business for BRL 715 million, including BRL 195 million in equity value and BRL 521 million in debt, which will be carved out along with the asset sale.

RATING OUTLOOK

The stable outlook reflects our expectation that Ultrapar will continue to strengthen its influence over and support for Hidrovias. We expect credit metrics to remain adequate, with operations aligned with the terms of existing take-or-pay agreements, and that the company will prudently manage dividend distributions and future investments to preserve its liquidity profile.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade would require a larger portion of Hidrovias' capital structure to be guaranteed by Ultrapar. Ratings could also be upgraded if the company increases diversification, reducing reliance on highly volatile businesses, and sustainably reduces leverage while maintaining a portfolio of long-term take-or-pay contracts that support stable cash flow generation. Quantitatively, an upgrade would require adjusted leverage (Debt/EBITDA) to remain sustainably below 4.0x and interest coverage (adjusted FFO + interest / interest) above 3.5x. A strong liquidity profile would also be necessary.

A downgrade could occur if the perceived support from Ultrapar weakens, or if Hidrovias' operating performance remains weak, resulting in persistently high leverage and deteriorating liquidity. A downgrade could also result from the loss of take-or-pay agreements without compensation, or from further debt-financed expansion into the spot market. Quantitatively, a downgrade could occur if leverage remains above 5.0x and interest coverage falls below 2.0x. A deterioration in liquidity due to large shareholder distributions or more aggressive financial policies would also pressure the rating.

COMPANY PROFILE

Headquartered in São Paulo, Hidrovias do Brasil S.A. is South America's largest independent provider of integrated logistics focused on waterway transportation. Its operations include shipping, transshipment, storage, and port services for dry bulk cargo—such as grains, iron ore, bauxite, fertilizers, and pulp—across the Paraná-Paraguay waterway and Amazon river systems, and port operations in Santos. As of March 2025, the company generated BRL 1.4 billion (approximately USD 226 million) in revenue, with a Moody's-adjusted EBITDA margin of 14.9%, primarily from shipping and logistics services.

The principal methodology used in these ratings was Shipping published in June 2021 and available at <https://ratings.moodys.com/rmc-documents/72792>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

Hidrovias' Ba3 rating is two notches above the scorecard-indicated outcome by our Shipping rating methodology of B2, as of the 12 months that ended March 2025. Hidrovias' rating benefits from the control by Ultrapar, with its explicit guarantee and implicit support. Additionally, in 2024 metrics have been depressed because of weak operating performance caused by severe navigability restrictions and lower transported volumes, which is reflected in last 12 month metrics.

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