

MOODY'S

RATINGS

Rating Action: Moody's Ratings Affirms Vibra's Ba1 rating; stable outlook

28 Oct 2024

New York, October 28, 2024 -- Moody's Ratings (Moody's) has today affirmed Vibra Energia S.A. ("Vibra")'s Ba1 Corporate Family Rating. Outlook remains stable.

RATINGS RATIONALE

Vibra's rating reflects its market position as the largest fuel distributor in Brazil (Government of Brazil, Ba1, positive) in terms of volumes sold, gas station network and distribution logistics assets, and its well-known brand names and adequate credit metrics. The ratings also incorporate an adequate liquidity position, improvements in governance standards and profitability gains.

Constraining the rating is the concentration of revenue in the fuel distribution business and correlated segments in an increasingly competitive fuel distribution market in Brazil. We expect Vibra to continue to diversify revenue sources, including the electric energy market and gas distribution. The diversification will become increasingly more important for the credit quality of the company as the fuel distribution business in Brazil evolves with a greater participation of electric vehicles (100% electric, hybrid, and plug-in hybrid). Presently, given the strong biofuel infrastructure and ethanol participation in the Brazilian fuel matrix we believe the flex-fuel (vehicles that run on gasoline, ethanol or a blend of both) fleet in Brazil will continue to grow in the next decade, even as electric vehicles increase their participation.

We expect gross leverage for Vibra to remain at around 3.0x – 3.5x in the next 12 months as it acquires an additional stake in Comerc Energia S.A. (Comerc) and consolidates its operations and debt. Comerc is an energy company focused in renewable electric energy generation, solar and wind, energy trading and diverse energy services. In 2025 we expect Comerc to contribute with an EBITDA of BRL 1.2 billion with an installed capacity of 2.3 GWh including distributed and centralized generation.

We expect Vibra to maintain high dividend payments, but we do not expect these to restrain liquidity or impede positive-to-neutral free cash flow, given the strong cash

generation capacity of the company.

The stable outlook reflects our expectation that Vibra will maintain its market share and strong competitive position while sustaining a robust EBITDA generation and positive free cash flow generation. Also that gross leverage will remain adequate after the full acquisition and integration of Comerc.

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

A rating upgrade would require the company to maintain good liquidity and credit metrics, such as gross debt/EBITDA expected to remain below 3.0x and retained cash flow/net debt above 25%. It would require a stable cash flow generation aligned with the nature of the fuel distribution business in Brazil, consistent operating track record positive and positive free cash flow generation. As the fuel distribution business in Brazil evolves diversification will increase its importance for credit quality.

Vibra's ratings could be downgraded in case of a deterioration in its operating performance or credit metrics. Also, a deterioration in liquidity could prompt a downgrade. Quantitatively, a rating downgrade would require gross debt/EBITDA remaining above 3.5x and retained cash flow/net debt below 20% for a prolonged period.

Vibra Energia S.A., headquartered in Rio de Janeiro, is the largest fuel distributor in Brazil. In the last twelve months ended June 2024 it generated BRL168.4 billion in revenues (USD33.7 billion). It is a publicly held corporation, with shares listed on B3 S.A. - Brasil, Bolsa, Balcão (Baa3 positive).

The principal methodology used in this rating was Retail and Apparel published in November 2023 and available at <https://ratings.moodys.com/rmc-documents/411013>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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