Fitch Ratings

23 DEC 2025

Fitch Affirms MRS Logistica's Ratings at 'BB+' and 'AAA(bra)'; Outlook Stable

Fitch Ratings - Rio de Janeiro - 23 Dec 2025: Fitch Ratings has affirmed MRS Logistica S.A.'s (MRS) Long-Term Foreign Currency Issuer Default Rating (IDR) at 'BB+', Long-Term Local Currency IDR at 'BBB-' and Long-Term National Scale Rating at 'AAA(bra)'. Fitch has also affirmed the Long-Term National Scale Rating for MRS's unsecured debentures and promissory notes at 'AAA(bra)'. The Rating Outlook for the corporate ratings is Stable.

The ratings reflect MRS's mature railroad operations, strong and resilient cash generation and margins, conservative capital structure, and adequate liquidity. The company's business model benefits from captive demand for transportation, take-or-pay protection clauses in most contracts, and a well-defined tariff model. MRS's operating environment limits its Local Currency IDR, while Brazil's 'BB+' Country Ceiling constrains its Foreign Currency IDR.

The Stable Outlook incorporates Fitch's expectation that net adjusted debt/EBITDAR will remain below 3.0x and liquidity will stay strong, despite elevated capex and additional concession obligations.

Key Rating Drivers

Solid Business Profile: MRS operates a mature and important railway concession in Brazil, which expires in 2056. MRS is the sole provider of railway transportation for its major clients, who are also primary shareholders, resulting in a strong market position. Its network connects Brazil's central region with key southeast ports.

Limited competition from other transportation modes enhances cash flow predictability. Railway transportation in Brazil has strong demand, low operator competition, high barriers to entry and medium to high profitability. These factors, along with substantial opportunities to improve the country's transportation infrastructure, create a favorable credit environment for Brazilian railway companies.

Captive Clients: MRS's rating is supported by demand from captive customers, enforceable take-or-pay clauses in most contracts, and favorable long-term sector fundamentals. The company's main individual shareholder, Mineracoes Brasileiras Reunidas S.A. (MBR), is controlled by Vale S.A. (Vale; BBB+/Stable). In 2024, MBR and Vale together contributed nearly 45% of MRS's revenue. Both MBR and Vale rely heavily on MRS's iron ore transportation capacity.

Other major shareholders are also heavily reliant on MRS for iron ore transportation including Companhia Siderurgica Nacional (CSN; BB/Negative; 40.7%), Usinas Siderurgicas de Minas Gerais

(Usiminas; BB/Stable; 8.4%) and Gerdau S.A. (BBB/Stable; 3.4%). Captive cargo accounts for about 60% of the volume transported by MRS.

Shareholder Agreement Protects Profitability: MRS's shareholder agreement includes a tariff model that protects the company's profitability and cash flow. In recent years, MRS's operating cash flow has shown resilience against economic downturns, unfavorable exchange rates, and fluctuations in fuel and iron ore prices. The tariff model sets annual freight rates for each captive client based on predefined cargo volumes and a target return-over-equity ratio. It also allows for monthly tariff adjustments in response to significant cost fluctuations, especially for fuel. This model has consistently delivered high EBITDAR margins of 50% to 55% through various economic cycles.

Concession Contract Amendment: Fitch views the recent amendment to the Southeast Rail Network concession operated by MRS as neutral to its credit profile. The added BRL2.8 billion concession fee, payable over 10 years from July 2026, will reduce EBITDA by approximately BRL250 million-BRL350 million annually, partly offset by optimization of certain investments originally contemplated in the contract, supporting the concession's economic and financial balance. The amendment will add about BRL1.6 billion as present value of the lease debt in 2026; however, Fitch expects the capital structure to remain aligned with the current ratings.

Improving Operating Cash Flow: Fitch projects MRS's EBITDAR at BRL4.0 billion and cash flow from operations (CFO) at BRL2.3 billion in 2025, and BRL4.3 billion and BRL2.5 billion, respectively, in 2026. Increases in both captive and non-captive freight orders and tariffs support EBITDAR growth, partially offsetting the additional concession fee that was approved in September 2025. Fitch's base scenario assumes volumes of 211 million tons in 2025 and 218 million tons in 2026. Average tariffs are expected to increase, ranging from BRL36 to BRL38 per ton, during this period.

Negative FCF: MRS' steady operating cash flow will partially fund its sizable investment plan under the concession renewed in 2022 and amended in 2025. Fitch expects negative FCF, averaging negative BRL1.1 billion per year in 2025-2026 and around negative BRL3.0 billion annually in 2027-2028. Annual investments are expected to be around BRL3.0 billion in 2025-2026, rising to roughly BRL5.0 billion in 2027-2028, with CFO covering about 60% of these investments. Fitch's base case assumes a 50% payout of net income in 2026, dropping to 25% from 2027 while capex pressures cash flow.

Lower Leverage Headroom: MRS's net adjusted debt/EBITDAR is expected to remain below 3.0x despite negative FCF and added concession liabilities. Fitch's base case adds BRL1.6 billion of lease debt in 2026, lifting net lease-adjusted debt to BRL9.1 billion from BRL6.2 billion as of Sept. 30, 2025. Net adjusted leverage is projected at 2.1x in 2026, rising to 2.6x-2.8x in 2027-2028. Over the past five years, the net adjusted debt/EBITDAR ratio was around 2.0x, supporting the company's ability to execute its aggressive capex plan. Funds from operations (FFO)-adjusted net leverage is also expected to remain low, at 2.0x-3.0x.

Peer Analysis

MRS's rating is below those of the other mature rail companies in North America, which are generally rated in the high 'BBB' to low 'A' range. MRS's 'BBB-' rating negatively compares with that of Grupo

Ferroviario Mexicano, S.A. de C.V (GFM; BBB+/Stable) in Mexico and Union Pacific Corporation (UPC; A-/Rating Watch Positive) in the U.S. Although the three railroads operate with similar business profiles and competitive positions in their respective markets, GFM and UPC are more mature, more geographically diversified with access to Mexican, U.S. and Canadian markets, and less leveraged.

Compared with other Brazilian railroads, MRS is best positioned given its strong business profile with captive clients (shareholders) rated 'BBB' or below, consistent operating cash flow generation, relatively flat operating margins, low leverage, and sound liquidity. Rumo S.A. (BB+/AAA(bra)/Stable) and VLI S.A. (AAA(bra)/Stable) have presented negative FCF trends from substantial capex plans that need to be financed and higher leverage, which is compatible with their growth momentum.

Fitch’s Key Rating-Case Assumptions

-- Heavy haul volumes increase by 4.5% in 2025 and 4.4% in 2026;

-- General cargo volumes increase by 2.8% in 2025 and 2.3% in 2026;

-- Tariffs increase by 3.9% in 2025 and by inflation from 2026 onward;

-- Capex of BRL16.5 billion for 2025-2028, with BRL6.0 billion in 2025-2026;

-- Payout of 50% of net income in 2026 and 25% from 2027 onward.

RATING SENSITIVITIES

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

-- Deterioration of EBITDAR margins to lower than 40% on a sustainable basis;

-- Net adjusted debt-to-EBITDAR ratios consistently above 3.0x;

-- Severe deterioration in the credit quality of its major clients/shareholders;

-- A deterioration of Brazil's operating environment could lead to a downgrade of the Local Currency IDR;

-- A lower Country Ceiling for Brazil would lead to a downgrade of the Foreign Currency IDR.

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

-- Improvements in cargo diversification and credit quality of its major clients/shareholders, combined with a better operating environment in Brazil, could lead to an upgrade of the Local Currency IDR;

-- A higher Country Ceiling for Brazil (currently at BB+) would lead to an upgrade of the Foreign Currency IDR.

Liquidity and Debt Structure

MRS has a robust liquidity profile that is supported by an adequate cash position and manageable debt amortization schedule. The company also benefits from proven access to banking and capital markets. Fitch expects year-end cash of about BRL4.0 billion, covering short-term debt by more than 2.0x.

As of September 2025, MRS's cash and marketable securities reached BRL4.5 billion, which covered short-term debt of BRL1.6 billion by 2.2x. Lease-adjusted debt was BRL10.7 billion, mainly comprised of BRL7.7 billion in debentures (72%), BRL1.2 billion in rental obligation (11%) and BRL1.1 billion in outstanding debt with Banco Nacional de Desenvolvimento Economico e Social (BNDES; 10%).

Issuer Profile

Brazilian railroad concessionaire MRS operates a mature railnet. It transports heavy haul (60% of total volume) and general cargo (40% of total volume). MRS's capital belongs to Vale and subsidiaries (44%), CSN and subsidiaries (38%), Usiminas (11%) and others.

Summary of Financial Adjustments

-- Net derivatives and lease liability adjusted to debt;

-- Depreciation and amortization removed from costs and allocated as other operating expenses;

-- Interest on rental obligation and amortization of right of use impacts EBITDA.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

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.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
MRS Logistica S.A.	LT IDR	BB+	Affirmed		BB+
	LC LT IDR	BBB-	Affirmed		BBB-
	Natl LT	AAA(bra)	Affirmed		AAA(bra)
• senior unsecured	Natl LT	AAA(bra)	Affirmed		AAA(bra)

RATINGS KEY	OUTLOOK	WATCH
POSITIVE		
NEGATIVE		
EVOLVING		

RATINGS KEY	OUTLOOK	WATCH
STABLE		◘

Applicable Criteria

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

Metodologia de Ratings Corporativos (pub.27 Jun 2025)

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

National Scale Rating Criteria (pub.22 Dec 2020)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

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

Additional Disclosures

Solicitation Status

Endorsement Status

MRS Logistica S.A.	EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

(EU Exit) Regulations 2019 respectively.

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In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the

Endorsement policy