

## Cosan

## 2Q23: greater transparency and strong execution - Buy

Reiterate Rating: BUY | PO: 31.00 BRL | Price: 18.89 BRL

## Great ALM execution pushing dividends further

Cosan had a strong set of results in 2Q23 with unexpected dividends from Moove and the LandCo business. At the same time, the company demonstrated a solid asset/liability management raising over R\$4.6bn that allowed it to pay dividends of R\$800mm, as expected, and to announce a new buyback program of 10% of its float. Reiterate Buy on strong execution, potential value unlock from subsidiaries, and a unique play to declining interest rates in Brazil. Please refer to [page 4](#) for the full analysis of subsidiaries' results.

## Higher financial burden on faster debt raising

Financials results in the 2Q23 was R\$2.1bn, 17% higher than ours on (i) higher than expected appraisal of the 4131-debt raised to fund the stake acquisition in Vale given the derivatives from fixed to float rates and (ii) R\$4.6bn in debt issuance vs our estimated R\$2bn for the quarter. TRS gains of R\$84mm were lower than our R\$220mm estimate, while MtM of Vale net of derivatives was negative in R\$1.1bn, in-line with our R\$1.2bn estimate.

## Dividends: R\$107mm with anticipations from Moove

Cosan net dividend received in 2Q23 was R\$107mm, 17% lower YoY as Raizen paid no dividend in the period. Moove paid R\$246mm in the quarter and LandCo paid additional R\$172mm, which resulted in R\$230mm for Cosan. The company had the retention of R\$123mm of Cosan Nove (holding of part of its stake in Raizen) as expected. Comgás' R\$414mm dividend haven't been paid by Compass to Cosan yet.

## Corporate expenses controlled at R\$100mm

Cosan had R\$100mm in corporate expenses in 2Q23, in-line with our R\$105mm estimate and virtually flat vs 2Q23 at R\$104mm, G&A expenses were R\$84mm, 8mm higher QoQ, offset by lower judicial contingencies.

Estimates(Dec) (BRL)	2021A	2022A	2023E	2024E	2025E
EPS	3.37	0.65	(0.54)	0.83	0.53
GAAP EPS	3.37	0.65	(0.54)	0.83	0.53
EPS Change (YoY)	632.6%	-80.7%	NM	NM	-36.1%
Consensus EPS (Bloomberg)			0.11	1.40	1.98
DPS	1.29	0.43	0.43	0.43	0.41
ADR EPS (US\$)	2.50	0.50	(0.44)	0.67	0.43
ADR DPS (US\$)	0.96	0.33	0.34	0.34	0.33
<b>Valuation (Dec)</b>					
P/E	5.6x	29.1x	NM	22.8x	35.6x
GAAP P/E	5.6x	29.1x	NM	22.8x	35.6x
Dividend Yield	6.8%	2.3%	2.3%	2.3%	2.2%
EV / EBITDA*	10.0x	23.0x	21.0x	12.8x	15.1x
Free Cash Flow Yield*	2.9%	7.6%	8.9%	12.2%	14.5%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 9.

15 August 2023

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## Stock Data

Price (Common / ADR)	18.89 BRL / 15.27 USD
Price Objective	31.00 BRL / 26.00 USD
Date Established	19-Jun-2023 / 19-Jun-2023
Investment Opinion	C-1-7 / C-1-7
52-Week Range	13.45 BRL - 21.76 BRL
Market Value (mn)	35,401 BRL
Average Daily Value	26.43 BRL
Shares Outstanding (mn)	1,874.1 / 468.5
BofA Ticker / Exchange	CSAIF / SAO
BofA Ticker / Exchange	CSAN / NYS
Bloomberg / Reuters	CSAN3 BZ / CSAN3.SA
ROE (2023E)	-4.5%
Net Dbt to Eqty (Dec-2022A)	98.1%

## Glossary

MtM: Mark to Market  
LandCo: Land division of Cosan  
TRS: Total Return Swap  
ALM: Asset Liability Management  
4131: Special purpose debt  
Cosan Oito: Special purpose holding  
G&A: General and Administrative  
Vols: Volumes

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**Refer to important disclosures on page 10 to 13. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.**

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Timestamp: 15 August 2023 05:36AM EDT

# iQprofile<sup>SM</sup> Cosan

## iQmethod<sup>SM</sup> – Bus Performance\*

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	21.5%	3.4%	5.6%	6.2%	4.1%
Return on Equity	63.1%	6.4%	-4.5%	7.0%	4.4%
Operating Margin	120,817.7%	NA	NA	NA	NA
Free Cash Flow	1,023	2,702	3,146	4,318	5,131

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	0.2x	2.2x	NM	2.8x	5.2x
Asset Replacement Ratio	0.5x	0.2x	0.8x	1.0x	1.0x
Tax Rate	9.4%	134.3%	NM	37.6%	55.0%
Net Debt-to-Equity Ratio	88.1%	98.1%	113.7%	118.7%	119.4%
Interest Cover	7.9x	1.2x	1.0x	2.0x	1.7x

## Income Statement Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Sales	5	0	0	0	0
% Change	482.9%	-100.0%	NA	NA	NA
Gross Profit	6,557	2,986	3,564	5,578	4,827
% Change	380.5%	-54.5%	19.4%	56.5%	-13.5%
EBITDA	6,630	2,873	3,139	5,150	4,381
% Change	773.5%	-56.7%	9.3%	64.1%	-14.9%
Net Interest & Other Income	(847)	(2,319)	(4,733)	(3,480)	(3,189)
<b>Net Income (Adjusted)</b>	<b>6,312</b>	<b>1,214</b>	<b>(1,014)</b>	<b>1,552</b>	<b>996</b>
<b>% Change</b>	<b>632.9%</b>	<b>-80.8%</b>	<b>NM</b>	<b>NM</b>	<b>-35.9%</b>

## Free Cash Flow Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	5,229	(238)	(4,523)	(69)	(607)
Depreciation & Amortization	17	14	14	15	15
Change in Working Capital	0	0	0	0	0
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(4,213)	2,928	7,665	4,386	5,739
Capital Expenditure	(9)	(2)	(10)	(15)	(16)
<b>Free Cash Flow</b>	<b>1,023</b>	<b>2,702</b>	<b>3,146</b>	<b>4,318</b>	<b>5,131</b>
<b>% Change</b>	<b>255.5%</b>	<b>164.0%</b>	<b>16.4%</b>	<b>37.3%</b>	<b>18.8%</b>

## Balance Sheet Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	2,992	2,234	4,122	2,216	1,150
Trade Receivables	NA	NA	NA	NA	NA
Other Current Assets	3,893	24,146	21,601	22,701	23,782
Property, Plant & Equipment	68	59	56	56	57
Other Non-Current Assets	28,101	30,157	30,799	31,954	31,343
<b>Total Assets</b>	<b>35,055</b>	<b>56,596</b>	<b>56,578</b>	<b>56,927</b>	<b>56,332</b>
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	1,459	1,403	1,393	1,393	1,393
Long-Term Debt	15,981	25,088	28,880	28,963	28,309
Other Non-Current Liabilities	2,864	6,818	4,533	4,047	3,886
<b>Total Liabilities</b>	<b>20,305</b>	<b>33,309</b>	<b>34,806</b>	<b>34,403</b>	<b>33,588</b>
<b>Total Equity</b>	<b>14,750</b>	<b>23,287</b>	<b>21,772</b>	<b>22,524</b>	<b>22,744</b>
<b>Total Equity &amp; Liabilities</b>	<b>35,055</b>	<b>56,596</b>	<b>56,578</b>	<b>56,927</b>	<b>56,332</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 9.

## Company Sector

Food-Commodities

## Company Description

Cosan is a conglomerate operating in several different stakes in businesses within the energy and infrastructure segments through: 1) Raizen, a JV with Shell that operates in upstream and downstream of the biofuel supply chain, 2) Compass, a natural gas player, 3) Moove, a lubricant business in BZ and US, 4) Rumo, a rail concessionaire, 5) Vale, a leading iron ore mining company, 6) Radar, a land management business, and 7) Ligga, a potential JV on iron ore

## Investment Rationale

Cosan is a solid long-term holding. In the short term, the company should benefit from strong earnings growth at Raizen as well as from recovery at Comgas and Rumo. Going forward, the development of projects at Compass, Raizen and Rumo and investments through Cosan Investment could unlock value in the stock.

## Stock Data

Average Daily Volume	6,865,360
Shares / ADR	4.00

## Quarterly Earnings Estimates

	2022	2023
Q1	0.28A	-0.56A
Q2	-0.06A	-0.16E
Q3	0A	0.18E
Q4	0.44A	0E

# Cosan 2Q23 Review

## Exhibit 1: Cosan 2Q23 - Review

Cosan generated R\$3.6bn in cash after an impressive R\$4.6bn in debt raising in the quarter

R\$m	2Q23A	2Q23E	A/E	1Q23A	QoQ	2Q22A	YoY
<b>Cosan</b>							
P&L analysis							
Cash adjusted EBITDA before dividends	(101)	(105)	-4%	(104)	-3%	(69)	45%
Dividends received, net	107	542	-80%	152	-30%	129	-17%
<b>Adjusted EBITDA (BofA)</b>	<b>6</b>	<b>437</b>	<b>-99%</b>	<b>48</b>	<b>-87%</b>	<b>59</b>	<b>-90%</b>
MtM Vale	(1,111)	(1,264)	-12%	(397)	180%	-	na!
Total Return Swap	84	220	-62%	(223)	-138%	(381)	-122%
Financial results ex-MtM and TRS	(1,144)	(819)	40%	(1,002)	14%	(874)	31%
Total financial results	(2,171)	(1,863)	17%	(1,622)	34%	(1,255)	73%
<b>Net Income to shareholders</b>	<b>(1,032)</b>	<b>(650)</b>	<b>59%</b>	<b>(1,059)</b>	<b>-3%</b>	<b>(117)</b>	<b>780%</b>
Cashflow							
Cash adjusted EBITDA before dividends	(101)	(105)	-4%	(104)	-3%	(69)	45%
WK change	(25)	-	na	(222)	-89%	(6)	352%
Other	47	32	47%	98	-52%	91	-48%
<b>Operating cashflow</b>	<b>(79)</b>	<b>(73)</b>	<b>8%</b>	<b>(228)</b>	<b>-65%</b>	<b>16</b>	<b>-599%</b>
Dividends received, net	107	542	-80%	657	-84%	129	-17%
Capex	(85)	(3)	2385%	16	-637%	(7)	1183%
<b>Investing cashflow</b>	<b>22</b>	<b>539</b>	<b>-96%</b>	<b>673</b>	<b>-97%</b>	<b>122</b>	<b>-82%</b>
Cash derivatives paid, net	(5)	220	-102%	(542)	-99%	(64)	-92%
Changes in gross debt, net	4,648	2,000	132%	-	na	1,494	211%
Dividends paid	(798)	(800)	0%	-	na	(799)	0%
Interest paid and leasing	(162)	(55)	192%	(559)	-71%	(53)	204%
Other	(37)	-	na	(0)	na	(112)	-67%
<b>Financing cashflow</b>	<b>3,646</b>	<b>1,365</b>	<b>167%</b>	<b>(1,101)</b>	<b>-431%</b>	<b>466</b>	<b>682%</b>
<b>Change in cash</b>	<b>3,588</b>	<b>1,831</b>	<b>96%</b>	<b>(656)</b>	<b>-647%</b>	<b>604</b>	<b>494%</b>
Capital structure (Holding)							
Gross debt	27,081	27,301	-1%	24,497	11%	16,337	66%
Swap	(2,343)	(2,227)	5%	(2,220)	6%	-	na
Cash	(5,439)	(3,683)	48%	(1,309)	315%	(1,482)	267%
Vale's calls	8,557	7,979	7%	7,909	8%	-	na
<b>Net debt (BofA)</b>	<b>27,855</b>	<b>29,370</b>	<b>-5%</b>	<b>28,877</b>	<b>-4%</b>	<b>14,855</b>	<b>88%</b>
Dividends received, net							
Vale	-	-	na	188	na	-	na
Compass	(37)	260	na	37	na	-	na
Raizen	(123)	223	-155%	406	-130%	108	-214%
Moove	172	-	na	-	na	21	724%
Rumo	37	31	18%	-	na	-	na
Other	58	29	101%	26	120%	-	na
<b>Dividends received, net</b>	<b>107</b>	<b>542</b>	<b>-80%</b>	<b>657</b>	<b>-84%</b>	<b>129</b>	<b>-17%</b>

Source: Cosan and BofA Global Research

Note: Results include the P&L and cash flow of Cosan 8 (Vale) except for the MtM of Vale in the net debt figures

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## Subsidiary Analysis

### Raízen: solid execution, but tough backdrop

Raízen reported mixed FY1Q24 (calendar year 2Q23) results. Adj. EBITDA of R\$2.1bn (excluding tax credits of R\$1.48bn) was 13% below ours given lower margins for Sugar & Renewables (S&R), while margins for Mobility were under pressure. However, we expect margins for S&R to improve in the upcoming quarters as cost dilution accelerates. We also see signs of solid execution during the quarter, including: 1) significant improvement in cane yields; 2) favorable sugar hedges; 3) premium ethanol prices; and 4) tax credits monetization of R\$1.1bn. Raízen paid no dividends in FY1Q24. Please refer to our full piece on the company's FY1Q24 analysis

#### Exhibit 2: Raízen FY1Q24 results

Results were below expectations on lower sugar and renewables margins

R\$m	FY1Q24A	FY1Q24E	A/E	FY4Q23A	QoQ	FY1Q23A	YoY
<b>Sugar</b>							
Adj EBITDA	813	932	-12.8%	596	36.5%	566	43.5%
<b>Renewables</b>							
Adj EBITDA	513	713	-28.0%	698	-26.5%	1,147	-55.3%
<b>Sugar &amp; Renewables</b>							
Adj EBITDA	1,326	1,645	-19.4%	1,293	2.5%	1,713	-22.6%
<b>M&amp;S Brazil</b>							
Net Revenues	34,120	46,963	-27.3%	36,593	-6.8%	49,434	-31.0%
Adj. EBITDA - reported	400	441	-9.3%	3,731	-89.3%	1,050	-61.9%
Adj. EBITDA margin per m3 - reported	59.0	65.1	-9.4%	562.1	-89.5%	156.1	-62.2%
Adj EBITDA	400	441	-9.3%	425	-5.8%	1,050	-61.9%
EBITDA margin	1.2%	0.9%	0.2 p.p.	1.2%	0.0 p.p.	2.1%	-1.0 p.p.
EBITDA margin per m3	59.0	65.1	-9.4%	63.2	-6.6%	156.1	-62.2%
<b>M&amp;S Arg. (US\$m)</b>							
Net Revenues	1,215	1,286	-5.5%	1,333	-8.8%	1,330	-8.7%
Adj EBITDA	82	75	8.7%	103	-20.4%	139	-41.0%
EBITDA margin	6.7%	5.9%	0.9 p.p.	7.7%	-1.0 p.p.	10.4%	-3.7 p.p.
EBITDA margin per m3	45.0	41.7	7.8%	54.0	-16.7%	78.9	-43.0%
<b>Consolidated</b>							
Net Revenues	48,822	57,536	-15.1%	54,967	-11.2%	66,258	-26.3%
Adj. EBITDA	3,265	2,458	32.8%	5,913	-44.8%	3,651	-10.6%
Adj. EBITDA margin - reported	6.7%	4.3%	2.4 p.p.	10.8%	-4.1 p.p.	5.5%	1.2 p.p.
Adj. EBITDA ex-tax gains and asset gains	2,131	2,458	13.3%	2,257	-5.6%	3,651	-41.7%
Adj. EBITDA margin	4.4%	4.3%	0.1 p.p.	4.1%	0.3 p.p.	5.5%	-1.1 p.p.
Net Income	523	284	84.3%	2,595	-79.8%	552	-5.2%
EPS	0.05	0.03	84.3%	0.25	-79.8%	0.05	-5.2%

Source: Raízen and BofA Global Research

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## Compass: Lower than expected results on industrial vols

Compass reported weaker than expected 2Q23 driven by a 10% miss in industrial volumes of Comgás. EBITDA of R\$968mm was 7% below ours given a 14% miss in Comgás' results were partially offset by a stronger than expected results from SulGás and GásBrasiliano with and EBITDA of both operations totaling R\$182mm, 77mm ahead of ours. Net income of R\$346mm missed ours by 30% given R\$110mm accrual over tax provisions.

Starting in 2Q23, Comgás is not benefiting anymore from the tax break of state tax subventions in its corporate expense line after the understanding imposed by the Supreme Court in Brazil. As such, its effective tax rate is gradually migrating to 34% and totaled 38% in 2Q23 after the provision of interests on unpaid provisions.

Dividends paid were R\$42mm, vs our R\$394mm estimate given the mismatch between dividends received from Comgás not paid to Compass' shareholders. If Compass were to distribute all of the dividends received from Comgás, total dividends would be R\$457mm, 16% ahead of our estimate.

### Exhibit 3: Compass and Comgás actual vs estimate – 2Q23

Bet income was 30% below ours on tax provision and lower than expected industrial vols of Comgás

R\$m	2Q23A	2Q23E	A/E	1Q23A	QoQ	2Q22A	YoY
<b>Compass</b>							
Comgás							
Residential	86	86	0%	70	23%	85	1%
Commercial	37	37	-1%	34	10%	37	0%
Industrial	833	922	-10%	779	7%	913	-9%
Co-gen	77	89	-14%	78	-1%	88	-13%
Automotive	40	64	-37%	39	4%	64	-37%
Other	0	0	na	0	na	-	na
Total Volume	1,074	1,198	-10%	999	7%	1,186	-9%
Revenues	3,867	4,226	-8%	3,871	0%	4,373	-12%
EBITDA	831	965	-14%	857	-3%	846	-2%
Net Income	276	505	-45%	(813)	-134%	358	-23%
Dividends paid	415	505	-18%	13	3000%	697	-41%
Other distributors							
EBITDA	182	105	74%	145	26%	71	156%
Other Segments							
EBITDA	(45)	(27)	67%	(97)	-53%	(40)	13%
<b>Consolidated</b>							
Revenues	4,585	4,733	-3%	4,535	1%	4,896	-6%
EBITDA	968	1,043	-7%	905	7%	878	10%
Net Income	346	492	-30%	-714	-148%	396	-13%
Dividends paid (Holding)	43	394	-89%	71	-40%	6	584%
EBITDA Margin	21%	22%	-0.9 p.p.	20%	1.2 p.p.	18%	3.2 p.p.
Net Margin	8%	10%	-2.8 p.p.	-16%	23.3 p.p.	8%	-0.5 p.p.

Source: Compass, Comgás, Cosan and BofA Global Research

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On top of the results disclosed, Compass announced a JV with Orizon to develop biomethane from waste as a replacement of natural gas. The company is investing R\$235mm in the project. The plant is expected to start production in 2025. Compass' CEO indicated in an interview the plant should produce 180k m3/day and could peak at 300k m3/day after an additional round of R\$120mm investment.

## Rumo: Weaker-than-expected 2Q; eyes on yields increase

Revenue was up 12% YoY (-8% vs BofAe) - with volume up 9% YoY and average yield +9% YoY (albeit -10% QoQ; -8% vs BofAe) - and EBITDA +21% YoY (-15% vs BofAe). From the R\$250mn EBITDA miss vs our numbers, 43% was explained by lower volume (already reported), 16% by one-off costs (related to 1Q23's security events in Santos Port), and 41% to lower yields (latest related to diesel price drop and worse contracts vs 1Q, in our view). While Rumo has already negotiated take-or-pay contracts for most of its expected 2023 volume, we see a favorable supply/demand for grain logistics, with significant room for price increases in 2024. Rumo's railway fare is lagged vs the road route, with room for up to 90% tariff increases before costs match.

Please refer to full analysis of Rumo's results.

### Exhibit 4: Rumo's 2Q23 earnings summary – (R\$mn)

Rumo's 2Q23 EBITDA came 15% below our estimates on lower volumes and yields

Operating Figures	2Q23	2Q23E	AvsE	2Q22	YoY	2Q23 Consensus	vs market consensus	1Q23	QoQ
<b>Total Transported Volume (million RTK)</b>	<b>20,360</b>	<b>21,306</b>	<b>-4.4%</b>	<b>18,636</b>	<b>9.3%</b>			<b>16,129</b>	<b>26.2%</b>
Malha Norte + Malha Paulista	12,830	13,679	-6.2%	12,785	0.4%			10,584	21.2%
Central network	3,028	3,349	-9.6%	2,267	33.6%			1,982	52.8%
South operations	3,521	3,325	5.9%	2,677	31.5%			2,735	28.7%
Container	980	952	2.9%	907	8.1%			828	18.4%
<b>Average Transportation Yield (R\$/RTK x 1000)</b>	<b>123.6</b>	<b>133.6</b>	<b>-7.5%</b>	<b>113.4</b>	<b>9.0%</b>			<b>137.9</b>	<b>-10.4%</b>
Malha Norte + Malha Paulista	119.3	130.9	-8.8%	108.2	10.3%			133.8	-10.8%
Central network <sup>1</sup>	111.2	128.6	-13.5%	106.2	4.7%			135.1	-17.7%
South operations	150.2	150.4	-0.1%	144.6	3.9%			159.4	-5.8%
Container	125.5	132.0	-4.9%	115.8	8.4%			131.7	-4.7%
Main Financials	2Q23	2Q23E	AvsE	2Q22	YoY	2Q23 Consensus	vs market consensus	1Q23	QoQ
<b>Net Operating Revenues</b>	<b>2,763</b>	<b>3,019</b>	<b>-8.5%</b>	<b>2,465</b>	<b>12.1%</b>	<b>2,873</b>	<b>-3.8%</b>	<b>2,384</b>	<b>15.9%</b>
<b>North Operations</b>	<b>2,086</b>	<b>2,374</b>	<b>-12.1%</b>	<b>1,948</b>	<b>7.1%</b>			<b>1,825</b>	<b>14.3%</b>
Malha Norte + Malha Paulista	1,749	1,930	-9.4%	1,489	17.4%			1,557	12.3%
Central network <sup>1</sup>	337	444	-24.0%	241	39.8%			268	25.8%
Rumo port terminals	0	0	n.m.	217	-100.0%			0	n.m.
<b>South Operations</b>	<b>554</b>	<b>514</b>	<b>7.8%</b>	<b>412</b>	<b>34.5%</b>			<b>449</b>	<b>23.4%</b>
<b>Container</b>	<b>123</b>	<b>131</b>	<b>-5.9%</b>	<b>105</b>	<b>17.1%</b>			<b>109</b>	<b>12.8%</b>
<b>Net revenue ex-port terminals</b>	<b>2,763</b>	<b>3,019</b>	<b>-8.5%</b>	<b>2,248</b>	<b>22.9%</b>			<b>2,384</b>	<b>15.9%</b>
<b>EBITDA</b>	<b>1,448</b>	<b>1,698</b>	<b>-14.7%</b>	<b>1,198</b>	<b>20.9%</b>	<b>1,464</b>	<b>-1.1%</b>	<b>1,181</b>	<b>22.6%</b>
<b>North Operations</b>	<b>1,176</b>	<b>1,495</b>	<b>-21.4%</b>	<b>1,073</b>	<b>9.6%</b>			<b>994</b>	<b>18.3%</b>
Malha Norte + Malha Paulista	966	1,190	-18.8%	884	9.3%			850	13.6%
Central network <sup>1</sup>	209	305	-31.5%	139	n.m.			144	45.2%
Rumo port terminals	0	0	n.m.	50	-100.0%			0	#DIV/0!
<b>South Operations</b>	<b>243</b>	<b>178</b>	<b>36.6%</b>	<b>118</b>	<b>105.8%</b>			<b>174</b>	<b>39.7%</b>
<b>Container</b>	<b>27</b>	<b>25</b>	<b>7.2%</b>	<b>5</b>	<b>2200.0p.p.</b>			<b>10</b>	<b>170.0%</b>
<b>Adjusted EBITDA ex-port terminal</b>	<b>1,448</b>	<b>1,698</b>	<b>-14.7%</b>	<b>1,148</b>	<b>26.1%</b>			<b>1,181</b>	<b>22.6%</b>
<b>EBITDA margin</b>	<b>52.4%</b>	<b>56.3%</b>	<b>-3.8p.p.</b>	<b>48.6%</b>	<b>3.8p.p.</b>	<b>51.0%</b>	<b>1.4p.p.</b>	<b>49.5%</b>	<b>2.9p.p.</b>
<b>North Operations</b>	<b>56.4%</b>	<b>63.0%</b>	<b>-6.6p.p.</b>	<b>55.1%</b>	<b>1.3p.p.</b>			<b>54.5%</b>	<b>1.9p.p.</b>
Malha Norte + Malha Paulista	55.2%	61.7%	-6.4p.p.	59.3%	-4.1p.p.			54.6%	0.6p.p.
Central network <sup>1</sup>	62.0%	68.8%	-6.8p.p.	57.6%	4.4p.p.			53.7%	8.3p.p.
<b>South Operations</b>	<b>43.9%</b>	<b>34.6%</b>	<b>9.3p.p.</b>	<b>28.7%</b>	<b>15.2p.p.</b>			<b>38.8%</b>	<b>5.1p.p.</b>
<b>Container</b>	<b>22.0%</b>	<b>19.3%</b>	<b>2.7p.p.</b>	<b>4.8%</b>	<b>17.2p.p.</b>			<b>9.2%</b>	<b>12.8p.p.</b>
Financial Results	(676)	(634)	6.7%	(592)	14.2%			(608)	11.2%
Income taxes	(66)	(127)	-48.2%	(54)	22.9%			0	n.m.
<b>Net income</b>	<b>168</b>	<b>413</b>	<b>-59.3%</b>	<b>29</b>	<b>473.4%</b>	<b>311</b>	<b>-46.0%</b>	<b>71</b>	<b>136.6%</b>
Net Margin (%)	6.1%	13.7%	-7.6p.p.	1.2%	4.9p.p.	10.8%	-4.8p.p.	3.0%	3.1p.p.
<b>Capex</b>	<b>649</b>	<b>1,057</b>	<b>-38.6%</b>	<b>678</b>	<b>-4.3%</b>			<b>904</b>	<b>-28.2%</b>
Maintenance	340	373	-8.8%	285	19.3%			324	4.9%
Expansion	309	685	-54.9%	393	-21.4%			580	-46.7%

Source: Rumo, Bloomberg, BofA Global Research Estimates. 1 Central Network breakdown estimated by BofA (not yet published)

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## Moove: More of the same is good

Moove delivered strong results in 2Q23. Adjusted EBITDA of R\$302mm was 8% ahead of ours and 10% higher QoQ. Volumes grew 6% QoQ and were 12% ahead of ours, while prices decelerated by 8% QoQ as it faced a 5% stronger average BRL in 2Q23 vs 1Q23. EBITDA margins improved by 1.4p.p. in the quarter.

Dividends of R\$246mm in 2Q23 were surprising as the company run a 50% payout rate in 2022 that led to a full-year payment of R\$249mm in dividends.

### Exhibit 5: Moove 2Q23 review

Moove posted better than expected 2Q23 results

R\$m	2Q23A	2Q23E	A/E	1Q23A	QoQ	2Q22A	YoY
Moove							
Volumes (mm liters)	168	150	12%	159	6%	129	30%
Average selling price (R\$/l)	15	18	-18%	16	-8%	17	-10%
Net Revenues	2,517	2,741	-8%	2,587	-3%	2,140	18%
<b>EBITDA</b>	<b>302</b>	<b>279</b>	<b>8%</b>	<b>276</b>	<b>10%</b>	<b>232</b>	<b>30%</b>
Net Income	107	111	-3%	(170)	-163%	142	-24%
Dividends paid	246	-	na	-	na	-	na
EBITDA margin	12%	10%	1.8 p.p.	11%	1.4 p.p.	11%	1.2 p.p.
Net margin	4%	4%	0.2 p.p.	-7%	10.8 p.p.	7%	-2.4 p.p.

Source: Cosan and BofA Global Research

BofA GLOBAL RESEARCH

## LandCo: Strong execution with solid dividends

Cosan is a shareholder of one of the largest agriculture land management companies in Brazil (LandCo). Its partnership with Nuveen (a TIAA Company) controls over 200k hectares. Cosan has a 30% stake on the business and the division represents 5% of our R\$31/share PO.

The division had an impressive run in 2Q23 with EBITDA of R\$190mm, 60% higher QoQ on greater leasing coming through Janus and Tellus and an one-off R\$82mm appraisal. The portfolio of land, net of a R\$32mm asset sale, was valued at R\$14.2bn, of which Cosan detains R\$4.2bn.

Dividends from the division were R\$172mm in 2Q23, 80% higher than our figures, of which 34% were diverted to Cosan.

### Exhibit 6: LandCo – 2Q23 Review

EBITDA of the land business was R\$190mm, 85% higher than ours with an one-off impact of R\$82mm of land appraisal

R\$m	2Q23A	2Q23E	A/E	1Q23A	QoQ	2Q22A	YoY
LandCo							
Revenues	164	138	18%	138	18%	83	98%
EBITDA	189	103	84%	118	60%	105	81%
<b>Adjusted EBITDA</b>	<b>107</b>	<b>103</b>	<b>4%</b>	<b>97</b>	<b>10%</b>	<b>105</b>	<b>2%</b>
Net Income	177	95	86%	105	68%	104	70%
<b>Dividends paid</b>	<b>172</b>	<b>95</b>	<b>81%</b>	<b>95</b>	<b>81%</b>	<b>42</b>	<b>315%</b>
Adjusted EBITDA margin	66%	75%	-9.0 p.p.	70%	-4.7 p.p.	127%	-61.3 p.p.
Net margin	108%	69%	39.0 p.p.	76%	32.0 p.p.	126%	-17.7 p.p.

Source: Cosan and BofA Global Research

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## Price objective basis & risk

### Cosan (CSAIF / CSAN)

Our PO is R\$31/share (\$26/ADR) is based on a sum-of-the-parts (SOTP) analysis. Our breakdown is 1) Raizen (R\$14/share, 100% DCF with 50% NPV of E2G projects). We assume a moving WACC weighted by EBITDA share of each business every year. Our WACC for Sugar is 11.5% in nominal BRL terms, 10.6% for renewables, 10.6% for Mobility in Brazil, 11.2% for Projects, 31.6% for Mobility in Argentina. 2) Compass (R\$12/share, 100% DCF based on FCFE with 14.4% Ke and 4% terminal growth rate (tgr) for Comgás, Sulgás, GasBraisliano, TRSP and the other distributors valued at EV/RAB of Comgás at a discount of 20% due to lower profitability), 3) Rumo (R\$8/share, 57-year DCF (FCFE), lasts until the last concession (2079), with Ke of 13.3%, in BRL nominal terms), 4) Moove (R\$4/share, 100% DCF, WACC of 11.6% with 4% terminal growth rate), 5) Cosan Inv (R\$2/share, Invested value in acquisitions of land companies and Atlántico), 6) Vale (R\$10/share, blended valuation excluding the additional debt raised to buy 4.9% stake in the company. We use a normalized hist average of 4.5x 2023E EV/EBITDA and our DCF at 12.3% WACC and tgr of 2.6%), and we exclude net debt (R\$16/share) and corp expense (R\$3/shr, 100% DCF of corp expense, WACC of 11.6% with 4% tgr).

Downside risks: 1) lower commodity prices 2) worse execution of Raizen's projects, 3) smaller-than-expected dividend payments from subsidiaries, 4) fiercer competitive environment in fuel distribution business and at Rumo, 5) execution problems at Rumo.

## Analyst Certification

We, Isabella Simonato and Guilherme Palhares, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## Special Disclosures

The locally listed shares of Brazilian issuers may only be purchased by investors outside of Brazil who are eligible foreign investors within the meaning of applicable laws and regulations.

### Latin America - Agribusiness, Food & Beverage Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	3tentos	XTTUF	TTEN3 BZ	Isabella Simonato
	AmBev	ABEV	ABEV US	Isabella Simonato
	AmBev	AVBPF	ABEV3 BZ	Isabella Simonato
	Arca Continental	EMBVF	AC* MM	Fernando Olvera
	Bimbo	GRBMF	BIMBOA MM	Fernando Olvera
	CCU	XLUDF	CCU CI	Fernando Olvera
	CCU - ADR	CCU	CCU US	Fernando Olvera
	Coca-Cola Andina	AKOBF	ANDINAB CI	Fernando Olvera
	Coca-Cola Andina-ADR	AKOB	AKO/B US	Fernando Olvera
	Coca-Cola Femsá	KOF	KOF US	Fernando Olvera
	Coca-Cola Femsá	COCSF	KOFUBL MM	Fernando Olvera
	Cosan	CSAIF	CSAN3 BZ	Isabella Simonato
	Cosan	CSAN	CSAN US	Isabella Simonato
	Cuervo	BCCLF	CUERVO* MM	Fernando Olvera
	Gruma	GPAGF	GRUMAB MM	Fernando Olvera
	Minerva	MRVSF	BEEF3 BZ	Isabella Simonato
	Raizen	XUXIF	RAIZ4 BZ	Isabella Simonato



## Latin America - Agribusiness, Food &amp; Beverage Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>NEUTRAL</b>	BRF	BRFS	BRFS US	Isabella Simonato
	BRF	BRFF	BRFS3 BZ	Isabella Simonato
	JBS	JBSAF	JBSS3 BZ	Isabella Simonato
	Marfrig	MRRTF	MRFG3 BZ	Isabella Simonato
	Sao Martinho	SRTOF	SMT03 BZ	Isabella Simonato
	SQM	SQM	SQM US	Isabella Simonato
<b>UNDERPERFORM</b>	Adecoagro	AGRO	AGRO US	Isabella Simonato
	Camil Alimentos	XSREF	CAML3 BZ	Isabella Simonato
	Jalles Machado	XZNZF	JALL3 BZ	Guilherme Palhares
	M. Dias Branco	XDMIF	MDIA3 BZ	Isabella Simonato
	SLC Agrícola	SLQJF	SLCE3 BZ	Guilherme Palhares

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities  
Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales  
Basic EBIT + Depreciation + Amortization

*iQmethod<sup>SM</sup>* is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

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# Disclosures

## Important Disclosures

### Cosan SA (CSAIF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Cosan (CSAN) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	84	61.76%	Buy	65	77.38%
Hold	28	20.59%	Hold	20	71.43%
Sell	24	17.65%	Sell	15	62.50%

### Equity Investment Rating Distribution: Food Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	33	47.83%	Buy	18	54.55%
Hold	15	21.74%	Hold	11	73.33%
Sell	21	30.43%	Sell	9	42.86%

### Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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