

Cosan SA (CSAN3.SA): Key takeaways from investor day (Including Rumo)

Research | Equity | By Bruno Amorim, CFA and others

On September 12th, Cosan held its investor day in Sao Paulo. Key takeaways from the event inside the note.

CSAN3.SA (/content/research/companies/8530dae8-6486-11d6-8e5f-e2335b4908c2.html)

12m Price Target: **R\$23.30**

Price: **R\$17.84**

Upside: **30.6%**

CSAN (/content/research/companies/8530dae8-6486-11d6-8e5f-e2335b4908c2.html)

12m Price Target: **\$19.00**

Price: **\$14.35**

Upside: **32.4%**

Neutral

Market cap: R\$32.8bn / \$6.6bn

Enterprise value: R\$111.0bn / \$22.5bn

3m ADTV: R\$131.1mn / \$27.0mn

Brazil

Latin America Energy, Transportation & Infrastructure

M&A Rank: 3

GS Forecast

	12/22	12/23E	12/24E	12/25E
Revenue (R\$ mn)	162,252.0	152,035.0	155,270.2	154,361.6
EBITDA (R\$ mn)	17,387.8	19,813.7	20,423.8	21,574.7
EBIT (R\$ mn)	9,506.7	14,297.0	11,132.1	10,882.7
EPS (R\$)	0.64	(0.76)	1.25	1.51

P/E (X)	30.6	NM	14.3	11.8
EV/EBITDA (X)	6.7	5.6	5.5	5.1
FCF yield (%)	(28.2)	3.0	(2.9)	5.7
Dividend yield (%)	2.2	2.4	0.9	1.9
Net debt/EBITDA (X)	3.0	2.5	2.5	2.3
	6/23	9/23E	12/23E	3/24E
EPS (R\$)	(0.57)	0.24	0.06	(0.50)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 12 Sep 2023 close.

■ **Rumo:**

- The company highlighted that volumes have been negatively impacted by vandalism in the Santos Area in the past months. Management highlighted efforts with the use of technology and partnership with the local police to solve the issue, for instance;
 - Management also noted that grains, sugar and pulp capacity at the Santos Port is expected to increase from 51mn ton/year currently up to 77mn ton/year by 2025 following ongoing investments in infrastructure in the region, which could de-bottleneck their operations;
 - In Mato Grosso, management commented that grain exports (soybean & soybean meal & corn) are expected to increase from 55mn ton/year in 2022 up to 75mn ton/year in 2026 (for an implied CAGR of c.8% in the period);
 - On pricing, management commented that its strategy is based on supply demand dynamics and it believes that there are opportunities for tariff expansion next year given Rumo's current competitiveness vis-a-vis other logistic solutions;
 - Finally, management expects to conclude the devolution process of *Malha Oeste* over the next couple of years;
- For **Compass**, management commented on the potential improvement it believes Commit's (formerly Gaspetro) distribution companies can show when compared to Comgas, highlighting opportunities in client penetration and in efficiency (e.g., reducing Opex/client). Moreover, the company highlighted the creation of a new division currently named "Marketing and Services", which will be focused on the supply side and will embrace Compass' regasification terminal (TRSP).
- On **Raizen**, management focused on Raizen's Marketing & Services (fuel distribution) platform in Brazil. The company commented on the oversupply seen the previous quarter (further details here <https://marquee.gs.com/content/research/en/reports/2023/07/31/c43d5234->

fdf5-4c21-b947-b1d3c0d017c6.html)), noting that the market counted with higher local production from Petrobras coupled with large volumes of imports (which all in all pressured margins). For 2H23, management expects a sequential improvement in profitability.

- On **Moove** (CSAN's lubricants business), management underlined that it sees opportunities to grow through both organic and inorganic avenues. The company also shed light on its operations overseas, highlighting that the integration of Petrochoice (<https://marquee.gs.com/content/research/en/reports/2022/05/23/0d886605-82f0-4f46-b586-9b2292283479.html>)'s operations (now named Moove USA) has been quick. Finally, management underlined that Moove has been running with an EBITDA >BRL 1bn in LTM, with a 57% exposure to strong currency;
- Finally, on **Cosan Corporate**, management highlighted that it does not see a clear need for Cosan to access equity markets as of now, denying rumors on a potential IPO of Compass and Moove and a follow-on at Rumo this year. Furthermore, the company believes all of its businesses trade on compressed multiples and sees CSAN's stock discounted to a fair value (management commented on potential buyback opportunities);

Valuation and key risks

We are **Neutral-rated on Cosan SA** with 12-month prices targets for **CSAN3.SA/CSAN** of **BRL 23.30/USD 19.00** based on a sum-of-the parts methodology, including the market value of Cosan's equity stake in Raizen and in Vale. Key risks to our view include higher/lower-than-expected levels of economic activity, higher local Brent prices, larger-than-expected shifts in production, FX risk, government intervention in gasoline/diesel pricing.

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