

Ultrapar

Will Ultrapar acquire Rumo?

If confirmed, it would be a bold long-term move, but leverage seems manageable

The news: Ultrapar allegedly buying Rumo shares. This Wednesday (26), [news outlet Brazil Journal reported](#) that Ultrapar has acquired a stake close to 5% in Rumo (RAIL3). The position is allegedly being set up through a total return swap structure. Ultrapar has also made recent inroads in infrastructure and logistics with investments such as Hidrovias do Brasil (HBSA) and VirtuGNL. While this information is yet to be confirmed, we believe Ultrapar is unlikely to stop at a 5% stake. In this report, we conduct a theoretical exercise to assess the various implications for Ultrapar if it were to buy a stake of up to 30% (the same held by Cosan). In our view, leverage would be challenging but manageable. Ultrapar would be doing a long-term bet, as short-term valuation metrics would likely get diluted. Naturally, there are potential upsides from both appreciation and synergy extraction perspectives. Finally, Ultrapar’s interest validates the underlying value in Rumo’s investment case. We expect positive market reaction to the news flow for both Cosan and Rumo shares.

Is Rumo too big? When one compares Ultrapar’s c.BRL24bn market cap to Rumo’s c.BRL31bn, the answer may seem like a straightforward “yes, Rumo is too big for Ultrapar”. However, we believe Ultrapar might actually have the means to acquire a relevant stake in Rumo, potentially even a controlling stake. For the 5% stake mentioned in the news article, the increase in UGPA’s leverage would be a relatively marginal c.+0.2x to 1.9x Net Debt/EBITDA LTM. Should Ultrapar hypothetically buy 30% of Rumo, leverage could peak at 3.0x Net Debt/EBITDA LTM. If Ultrapar were then to consolidate Rumo’s balance sheet, leverage would come back down to 2.6x Net Debt/EBITDA LTM. This is, of course, contingent on the acquisition price per share, but in most scenarios, leverage after Rumo’s consolidation would remain below 3.0x, as shown in Figures 01 and 02.

Dilutive to UGPA’s main valuation metrics. While we view Rumo as an attractive medium- to long-term investment thesis, we believe Ultrapar’s investors may grow cautious about the potential impact on the holding’s short-term valuation metrics. Most valuation discussions on Ultrapar focus on one-year forward P/E multiples and FCFE yields – both of which would be diluted by Rumo’s acquisition, particularly the latter. As a simple sensitivity analysis, Ultrapar’s consolidated P/E could increase by up to c.+30% from 9.5x to 12.5x if Ultrapar were to eventually buy a 30% stake in Rumo. This, of course, also depends on Rumo’s earnings, we provide a sensitivity table on Figure 03. Finally, Ultrapar is also measured for its FCFE yield, which we estimate at 11.4% before any Rumo acquisition. For a 30% stake in Rumo, that yield would decrease to 6.7% assuming no consolidation (Figure 04), or to 2.6% assuming consolidation. The more relevant metric, in our view, is the holding’s FCFE of BRL1.6bn (i.e., the 6.7% FCFE yield) after accounting for c.BRL1.1bn in additional post-tax financial expenses after paying for the acquisition.

Ultrapar	Neutral
Target Price (R\$/sh.)	R\$ 25.00
Current Price (R\$/sh.)	R\$ 22.05
Upside (%)	13%
Market Cap (R\$ million)	23,961
# of shares (million)	1,087
Free Float (%)	67%
ADTV (R\$ million)	158

Regis Cardoso, CFA

Oil, Gas & Petrochemicals
regis.cardoso@xpi.com.br

Pedro Bruno

Transportation
pedro.bruno@xpi.com.br

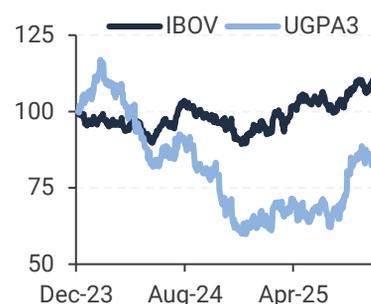
Ruan Argenton

Transportation
ruan.argenton@xpi.com.br

João Ramiro

Transportation
joao.ramiro@xpi.com.br

Performance vs. IBOV



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Synergies and other considerations for UGPA. The discussion around Ultrapar's free cash flow also highlights another challenge for the HoldCo: how to structure such a deal in a way that does not create tax inefficiencies (e.g. debt at the holding level). We also believe that if Ultrapar accumulates a significant share of its total assets in companies where it does not hold a 100% stake, the valuation discussion might naturally migrate to a sum-of-the-parts (SOTP) approach, which may also warrant a potential holding discount. Finally, there is the evident debate on whether Ultrapar would maintain both HBSA and Rumo in its portfolio as two separate entities. In our view, the final verdict on whether such an acquisition is value-accretive depends on Ultrapar's ability to extract potential synergies and operational efficiencies. Ultrapar has, in its favor, its recent successful track record with HBSA.

A word on Rumo's governance. In Ultrapar's most recent results webcast, its management team discussed how the holding prefers to have control (or at least direct influence) over its invested companies. This of course brings into the discussion Cosan (CSAN3), Rumo's current controlling shareholder with a 30% stake. Ultrapar's Chairman, Marcos Lutz, has previously served as CEO for Cosan and knows Rumo's investment case inside-out. Should Ultrapar decide to move ahead with taking a bigger economic stake and influence over Rumo, it will need to take into consideration some specifics of the company's governance: (i) there is a shareholders' agreement between Cosan and the Arduini family; (ii) voting rights are limited at 20% per bylaws; (iii) there is a poison pill (25% premium) established in Rumo's bylaws for investors that reach 15% stake; and (iv) there may be potential tender offer obligations that could be triggered as Rumo is part of the Novo Mercado listing segment of B3.

Good news for Cosan and Rumo. The acquisition is for the moment still in the realm of the possibilities, at least until Ultrapar confirms (or not) the news article and clarifies its own M&A intentions. In any case, the existence of a potentially interested third party for Cosan's stake in Rumo is positive news for Cosan, who's openly considering additional divestments to further reduce leverage at the holding level (albeit at the right price). It is also evidently good news for other Rumo shareholders as it suggests there is a potential buyer of Rumo shares in the market. Not only that, but it also validates our positive view on Rumo's investment case and the positive medium- and long-term perspectives for grain exports freight in Mato Grosso. Ultrapar is a strategic operator with proven track record and valuable know-how to contribute.

Figure 01. Ultrapar's leverage (Net debt/EBITDA LTM) Sensitivity – does not consolidate

Stake at Rumo (%)	Average acquisition price (BRL/RAIL3)				
	15.0	16.5	18.0	19.5	21.0
0%	1.7x	1.7x	1.7x	1.7x	1.7x
10%	2.1x	2.1x	2.2x	2.2x	2.2x
20%	2.4x	2.5x	2.6x	2.7x	2.7x
30%	2.8x	2.9x	3.0x	3.1x	3.2x
40%	3.1x	3.3x	3.4x	3.6x	3.7x

Figure 02. Ultrapar's leverage (Net debt/EBITDA LTM) Sensitivity – consolidates

Stake at Rumo (%)	Average acquisition price (BRL/RAIL3)				
	15.0	16.5	18.0	19.5	21.0
0%	1.8x	1.8x	1.8x	1.8x	1.8x
10%	2.0x	2.0x	2.0x	2.0x	2.1x
20%	2.2x	2.2x	2.2x	2.3x	2.3x
30%	2.4x	2.4x	2.5x	2.5x	2.6x
40%	2.5x	2.6x	2.7x	2.8x	2.8x

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Figure 03. Ultrapar's 2026 P/E Sensitivity

		Rumo 2026 Net Income (BRLbn)				
		1.8	2.0	2.3	2.5	2.8
Stake at Rumo (%)	0%	9.6x	9.6x	9.6x	9.6x	9.6x
	10%	10.5x	10.3x	10.2x	10.1x	10.0x
	20%	11.5x	11.2x	11.0x	10.8x	10.5x
	30%	12.8x	12.3x	11.9x	11.5x	11.1x
	40%	14.4x	13.6x	12.9x	12.2x	11.7x

Figure 04. Ultrapar's 2026 FCFE yield Sensitivity – does not consolidate

		Rumo 2026 FCFE (USDbn)				
		-1.8	-1.4	-1.0	-0.6	-0.2
Stake at Rumo (%)	0%	11.4%	11.4%	11.4%	11.4%	11.4%
	10%	9.9%	9.9%	9.9%	9.9%	9.9%
	20%	8.3%	8.3%	8.3%	8.3%	8.3%
	30%	6.7%	6.7%	6.7%	6.7%	6.7%
	40%	5.1%	5.1%	5.1%	5.1%	5.1%

Figure 05. Ultrapar's 2026 FCFE yield Sensitivity – consolidates

		Rumo 2026 FCFE (USDbn)				
		-1.8	-1.4	-1.0	-0.6	-0.2
Stake at Rumo (%)	0%	11.4%	11.4%	11.4%	11.4%	11.4%
	10%	2.5%	4.1%	5.8%	7.4%	9.0%
	20%	0.9%	2.6%	4.2%	5.8%	7.4%
	30%	-0.7%	1.0%	2.6%	4.2%	5.9%
	40%	-2.3%	-0.6%	1.0%	2.6%	4.3%

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