MOODY'S
INVESTORS SERVICE

Rating Action: **Moody's upgrades Mills Estruturas e Serviços de Engenharia's ratings to B2/Ba1.br; stable outlook**

15 Jul 2019

Sao Paulo, July 15, 2019 -- Moody's América Latina ("Moody's") upgraded Mills Estruturas e Serviços de Engenharia's ("Mills") corporate family ratings and senior unsecured ratings to B2 (global scale) and Ba1.br (national scale) from B3 (global scale) and B2.br (national scale). The outlook was changed to stable from negative.

Ratings upgraded:

-Corporate Family Rating ("CFR"): to B2 from B3 (global scale); to Ba1.br from B2.br (national scale)

-BRL 109.06 million senior unsecured debentures due 2020: to B2 from B3 (global scale); to Ba1.br from B2.br (national scale)

Outlook changed to stable from negative.

RATINGS RATIONALE

The upgrade of Mills' ratings to B2/Ba1.br reflects the conclusion of the business combination with Solaris Participações, Equipamentos e Serviços S.A. ("Solaris"), as well as the recovery observed in the company's credit metrics over the last year. Accordingly, leverage and interest coverage improved mainly as consequence of better operating performance, continued debt reduction, and the company's ability to maintain an adequate liquidity profile and cash generation even under adverse market conditions.

The business combination with Solaris will increase Mills' size and scale, and improve its business profile and profitability due to higher fixed cost dilution and expected cost synergies. The business combination also better positions Mills to capture the mild recovery of Brazil's economic and industrial activities, even when considering potential integration and execution risks.

Pro forma for the transaction, Mills' revenues will increase to BRL463 million from BRL293 million in the LTM ending March 2019, while we estimate that the company's consolidated EBITDA margin could reach 30-40% from 20-25% after synergies, as Mills will benefit from an additional demand while incurring minimal marginal costs. Mills' operations and margins were hit hard by the downturn in Brazil's homebuilding and heavy construction sectors and, since then, the company has been pursuing a diversification towards the industrial segment. The business combination with Solaris marks an important step in Mills' strategy of diversification away from the construction segment. With the business combination, 81% of Mills' revenue will come from the rental segment and 19% from the construction segment, compared to 47% and 53% in 2014, respectively.

Mills' pro forma leverage measured by adjusted total debt to EBITDA will improve to around 2.5x from 3.3x in the LTM ending March 2019 and will remain at around 1.0-2.0x in the medium term, even though we expect the ratio to increase to 3.0-4.0x in the short term with integration costs. Mills has been reducing its total debt in the past six years with proceeds from idled equipment sales to adjust its capital structure to the lower demand environment and on the successful execution of its strategy in the rental business unit to generate cash. The company paid down more than BRL500 million in total debt since 2014 and has proven its ability to generate cash and maintain an adequate liquidity profile during market downturns.

Going forward, we expect Mills' operating performance to continue to recover gradually along with Brazil's economy, and the company to capture significant cost synergies with Solaris, which will support growth in the company's revenues and cash generation in the medium term. We also expect Mills' liquidity to remain adequate, with a cash position that fully covers short term debt maturities, and the company to pursue liability management initiatives to lengthen its debt amortization schedule.

The ratings are constrained by Mills small size relative to global peers, its concentration of operations in Brazil and in the industrial sector, and by the integration and execution risks associated with the business combination with Solaris. Additional rating constraints are our estimates that conditions in the heavy construction industry will remain weak at least until the end of 2019 and that Brazil's industrial sector will recover only mildly in the short term.

The stable outlook reflects our expectation that Mills' credit metrics will remain near current levels as the company integrates its operations with Solaris, and that the company will remain prudent in managing liquidity to meet its debt obligations in the next 12-18 months.

The ratings could be upgraded if there are clear signs of sustained recovery in the construction industry and in Brazil's industrial sector that support significant revenue growth for Mills, and if Mills is successful in integrating its business with Solaris, while maintaining adequate leverage and a solid liquidity position. Quantitatively, the ratings could be upgraded if Mills' credit metrics remain near current levels, with total adjusted debt to EBITDA below 3.5x (3.3x in LTM ending March 2019), EBITDA to interest expense above 3.0x (2.7x in LTM ending March 2019) and EBITDA margin above 20% (25.5% in the LTM ending March 2019) on a sustained basis.

The ratings could be downgraded if market conditions deteriorate or if Mills faces difficulties in integrating its business with Solaris. Quantitatively the ratings could be downgraded if leverage increases to above 5.5x, interest coverage (EBITDA/interest expense) declines to below 2.0x and EBITDA margin declines to below 15% without prospects for improvement. A deterioration in the company's liquidity profile or cash generation would also trigger a downgrade.

Founded in 1952 and headquartered in Rio de Janeiro, Mills Estruturas e Serviços de Engenharia ("Mills") is the largest aerial work platform rental company in Latin America and the largest provider of infrastructure engineering solutions in Brazil, having reported BRL 293 million (USD 92 million) in net revenues in the last twelve months ended March 2019. Solaris was founded by Sullair Argentina S.A. (B2/A2.ar stable) and has been providing equipment rental solutions for the industrial sector in Brazil for more than 20 years, including the rental of aerial platforms, illumination towers, energy generators and air compressors. Pro forma to the business combination, Mills will be the largest rental company of aerial work platforms in Brazil, with a fleet of more than 9,000 equipment and annual revenues and EBITDA of BRL463 million and BRL107 million, respectively.

The principal methodology used in these ratings was Business and Consumer Service Industry published in October 2016. Please see the Rating Methodologies page on www.moodys.com.br for a copy of this methodology.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in May 2016 entitled "Mapping National Scale Ratings from Global Scale Ratings". While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1174796.

REGULATORY DISCLOSURES

Information sources used to prepare the rating are the following: parties involved in the ratings, public information and confidential and proprietary Moody's information.

Information types used to prepare the rating are the following: financial data, debt documentations, operating data, historical performance data, public information, Moody's information, and regulatory filings.

Sources of Public Information: Moody's considers public information from many third party sources as part of the rating process. These sources may include, but are not limited to, the list available in the link http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1182686.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

Please see the ratings disclosure page on www.moodys.com.br for general disclosure on potential conflicts of interests.

Moody's America Latina Ltda. may have provided Other Permissible Service(s) to the rated entity or its related third parties within the 12 months preceding the credit rating action. Please go to the report "Ancillary or Other Permissible Services Provided to Entities Rated by Moody's America Latina Ltda." in the link http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1181768 for detailed information.

Entities rated by Moody's America Latina Ltda. and the rated entities' related parties may also receive products/services provided by parties related to Moody's America Latina Ltda. engaging in credit ratings activities within the 12 months preceding the credit rating action. Please go to the link http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1181769 for a list of entities receiving products/services from these related entities and the products/services received.

The date of the last Credit Rating Action was 30/05/2019.

Moody's ratings are constantly monitored, unless designated as point-in-time ratings in the initial press release. All Moody's ratings are reviewed at least once during every 12-month period.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.br.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Please see ratings tab on the issuer/entity page on www.moodys.com.br for the last rating action and the rating history. The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com.br for further information.

Please see Moody's Rating Symbols and Definitions on the Ratings Definitions page on www.moodys.com.br for further information on the meaning of each rating category and the definition of default and recovery.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com.br for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com.br for additional regulatory disclosures for each credit rating.

Carolina Chimenti
Asst Vice President - Analyst
Corporate Finance Group
Moody's America Latina Ltda.
Avenida Nacoes Unidas, 12.551
16th Floor, Room 1601
Sao Paulo, SP 04578-903
Brazil
JOURNALISTS: 0 800 891 2518
Client Service: 1 212 553 1653

Marianna Waltz, CFA
MD - Corporate Finance
Corporate Finance Group
JOURNALISTS: 0 800 891 2518
Client Service: 1 212 553 1653

Releasing Office:
Moody's America Latina Ltda.
Avenida Nacoes Unidas, 12.551
16th Floor, Room 1601
Sao Paulo, SP 04578-903
Brazil
JOURNALISTS: 0 800 891 2518
Client Service: 1 212 553 1653

MOODY'S
INVESTORS SERVICE

© 2019 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT

LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for ratings opinions and services rendered by it fees ranging from $1,000 to approximately $2,700,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a

“wholesale client” and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to “retail clients” within the meaning of section 761G of the Corporations Act 2001. MOODY’S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. (“MJKK”) is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody’s Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody’s SF Japan K.K. (“MSFJ”) is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization (“NRSRO”). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.