

RATING ACTION COMMENTARY**Fitch Affirms Brava Energia's Ratings; Outlook Stable**

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Fitch Ratings - São Paulo - 28 Jul 2025: Fitch Ratings has affirmed Brava Energia S.A.'s (Brava) 'BB-' Long-Term Local and Foreign Currency Issuer Default Ratings (IDRs) and its 'AA-(bra)' Long-Term National Scale Rating. Fitch has also affirmed the 'BB-' rating of 3R Lux S.à.r.l.'s (3R Lux) USD500 million notes due 2031. The Rating Outlook for the corporate ratings is Stable.

Brava's ratings reflect its limited scale and modest, although improving, operating efficiency, along with its well-diversified asset base spread across several basins in Brazil. Fitch expects the company to quickly deleverage in 2025 following the ramp-up in production from the Atlanta oil field, higher efficiency from the Papa Terra field and increasing production with lower capex intensity in onshore fields, as well as conservative dividend distribution. Fitch expects Brava to maintain a strong liquidity position with a lengthened debt maturity profile and generate structurally positive FCF.

KEY RATING DRIVERS

Limited Scale: Fitch projects that Brava's production will reach 90 kboe/d in 2025 and increase to 120 kboe/d by 2029, which remains below the upgrade sensitivity threshold of 125 kboe/d. Tertiary recovery techniques in onshore Potiguar and the offshore drilling campaign will be the main growth drivers, as well as Papa Terra's greater efficiency. Projections consider annual growth of around 8% for onshore and 5% for offshore over the 2025-2029 period. Brava's 1P reserves (511 million boe) are already consistent with a 'BB' rating. 1P reserve life should remain above 10 years over the projection horizon and gas should represent less than 10% of production by 2028, from 21% in 2024.

Significant Deleverage: The ramp-up in offshore production, the reduction of onshore capex and the partial sale of midstream gas assets will accelerate the reduction of Brava's leverage, which was pressured by offshore production volatility and currency devaluation.

EBITDA net leverage should decline to 1.7x in 2025-2026 from 3.6x in March 2025. Debt/1P reserves should decrease to USD5.5/boe in 2025-2026 from USD6.6/boe in March 2025. These ratios incorporate derivatives and M&A payables into debt and exclude cash collateral from it. Net leverage could further decline by 0.2x if Brava fully anticipates receivables of BRL2.4 billion from the asset sale.

Improving Cost Profile: Higher production should drive lifting costs down to USD18/boe in 2025, from USD20/boe in 1Q25, gradually declining toward USD13/boe by 2029. Offshore lifting costs will likely remain above those of onshore assets until 2028, averaging USD18/boe for offshore and USD16/boe for onshore over the 2025-2027 period. Atlanta will be the most efficient asset, with EBITDA close to USD50/boe over the same period, while Papa Terra will remain the least efficient, with EBITDA close to USD25/boe. For the entire portfolio, Fitch projects average USD38/boe in the period, up from USD26/boe in 2024, with half-cycle costs remaining above USD20/boe.

CFO to Cover Capex: Brava's cash flow from operations (CFO) will exceed capex, especially from 2027 onward, when the former increases and the latter declines. EBITDA should increase to around BRL6.7 billion in 2025-2026 and BRL8.4 billion in 2027-2028, from BRL2.9 billion in 2024. 60% of EBITDA should convert into CFO, considering efficiencies on tax payments and tax credits to be monetized. Capex should be around BRL3.4 billion in 2025-2026 and below BRL2.5 billion in 2027-2028, more concentrated in offshore. FCF should turn consistently positive as of 2027, assuming a 25% dividend payout. Higher payout would require net leverage to be below 1.5x as of 2026.

Resilience to Price Volatility: In a scenario of sharp price declines, Brava could further reduce capex, especially onshore where chartering is more flexible. Despite the impact on production and lifting costs, CFO would be sufficient to cover the adjusted capex under Brent prices above USD55/barrel in 2025 and above USD30/barrel in 2026-2028. Currently, Brava does not export to the U.S. so it is not exposed to potential tariff hikes.

PEER ANALYSIS

Brava has lower scale and is more leveraged than North American onshore, oil-weighted producers Matador Resources Company (Matador) and SM Energy Company, L.P. (SM Energy), both rated BB/Stable. The same is true for Brazilian offshore producer PRIO S.A. (PRIO; BB/Rating Watch Positive). These factors currently offset the broader diversification of Brava's asset base.

Matador and SM produce around 200 kboe/d and PRIO is expected to reach this level in 2026, with the Peregrino and Wahoo oil fields. This is more than double the current scale of Brava. The latter benefits from a long 1P reserve life, estimated around 14 years over 2025-2027 on average, which is in line with PRIO and above the nine- to 11-year range for the other peers.

For each boe produced, Fitch estimates Brava will generate around USD26 of CFO over 2025-2027, below PRIO and Matador (close to USD28/boe) and above SM Energy (USD23/boe). The company's American peers benefit from lower royalties, producing costs and interest costs compared to Brava, but they sell at significantly lower prices. This reflects the WTI discount over Brent and the higher share of gas in the revenues of these peers, as well as their trading efficiencies.

Fitch projects EBITDA net leverage of 1.7x for Brava in 2025 and 2026 and around 1.3x for its American peers in the same period. Projection for PRIO is higher in 2025, at 2.9x, pressured by the second Peregrino acquisition, but the ratio should decline to 1.4x in 2026 following the surge in production.

KEY ASSUMPTIONS

- Average Brent prices from 2025 to 2028 (USD/bbl): 70, 65, 65 and 60;
- Average daily production from 2025 to 2028 (kboe/d): 89, 93, 112 and 115;
- Oil sales consider a discount to Brent around USD4/bbl;
- 100% effective working interest in Papa Terra, with no payment arising from the arbitration;
- Lifting costs from 2025 to 2028 (USD/boe): 18, 17, 16 and 14;
- Annual capex averaging BRL3.1 billion in 2025-2027;
- Effective tax rate around 22%;
- Dividend payout ratio of 25%.

RATING SENSITIVITIES

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

- Debt/EBITDA and net debt/EBITDA ratios above 3.5x and 2.5x, respectively;
- Weakening of the liquidity profile;
- Major operational disruptions at key assets, resulting in a significant reduction in production.

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

- Increasing production to more than 125 kboe/d while maintaining 1P reserve life of at least seven years;
- Reducing half-cycle costs to below USD20/boe on a sustained basis.

LIQUIDITY AND DEBT STRUCTURE

Brava maintains sound liquidity and strong access to long-term funding. The company's ninth issuance of debentures, up to BRL3.0 billion, will further strengthen the liquidity profile by extending the debt repayment schedule and reducing the average cost of debt. The issuance will have a five-year term with a two-year grace period.

As of March 2025, Brava had BRL4.7 billion in cash and BRL1.6 billion of short-term debt. Pro forma for the ninth issuance and the expected prepayments, the cash balance is sufficient to cover all principal payments through 2027. The BRL16.7 billion debt was mainly composed of debentures (66% including derivatives), secured notes due 2031 (17%), and M&A payables due to Petrobras (11%). Around 90% of Brava's debt is denominated or indexed to USD, at an annual average spread of 8.6%. If necessary, Fitch expects that the company would be able to advance receivables from Atlanta's floating production, storage and offloading (FPSO) vessel sale of BRL2.4 billion or sell and leaseback Papa Terra's FPSO vessel.

ISSUER PROFILE

Brava is an independent, well-diversified oil and gas producer focused on revitalizing mature fields both onshore and offshore in Brazil. It has no controlling shareholder. 3R Lux is a funding vehicle domiciled in Luxembourg and is wholly owned by Brava.

SUMMARY OF FINANCIAL ADJUSTMENTS

Obligations related to acquisitions were incorporated into the debt.

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 Macro and Sector Forecasts 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>.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
3R Lux S.a.r.l.				
senior secured	LT	BB-	Affirmed	BB-

Brava Energia S.A.	LT IDR	BB- Rating Outlook Stable	BB- Rating Outlook Stable
	Affirmed		
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	LC LT IDR	BB- Rating Outlook Stable	BB- Rating Outlook Stable
	Affirmed		
<hr/>			
	Natl LT	AA-(bra) Rating Outlook Stable	AA-(bra) Rating Outlook Stable
	Affirmed		
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APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Corporate Rating Criteria \(pub. 27 Jun 2025\) \(including rating assumption sensitivity\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 27 Jun 2025\)](#)

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

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EU Endorsed, UK Endorsed

Brava Energia S.A.

EU Endorsed, UK Endorsed

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