

## RATING ACTION COMMENTARY

# Fitch Affirms Natura's 'BB+' IDRs; Outlook Stable

Thu 02 Jul, 2026 - 12:27 PM ET

Fitch Ratings - São Paulo - 02 Jul 2026: Fitch Ratings has affirmed Natura Cosméticos S.A.'s (Natura) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) at 'BB+' and Long-Term National Scale Rating at 'AAA(bra)' with a Stable Outlook. Fitch has also affirmed Natura &Co Luxembourg Holdings S.a.r.l.'s USD450 million and USD270 million unsecured notes due in 2028 and 2029 at 'BB+' and the BRL1.33 billion 13th debenture due in 2029 at 'AAA(bra)'.

Natura's ratings reflect its strong position and brand reputation in the Cosmetics, Fragrances and Toiletries (CF&T) market, its geographic footprint across Latin America, adequate capital structure and good financial flexibility. The rating also incorporates temporarily soft performance with negative free cash flow (FCF) in 2026, due to macroeconomic backdrops, increasing competition and ongoing challenges to turnaround Avon amid weak brand awareness and changing consumer behavior. Fitch expects EBITDAR leverage of 2.6x in 2026 and 2.2x in 2027 as margins and FCF gradually recover.

## KEY RATING DRIVERS

**Delayed Turnaround:** Natura's turnaround is taking longer than expected. The company faces challenges to integrate its brands in Latin America, rebuild Avon's product pipeline and execute the restructuring of its consultant base, while weak macroeconomic conditions in Brazil, Mexico and Argentina continue to weigh on performance. Business simplification, including the Holdco extinguishment and administrative streamlining, should support a leaner structure and improve resilience. Medium term, Hispanic operations should drive profitability, with EBITDA margin moving to 8% in 2028, from 6% currently, while the Brazilian operations should sustain 18-20% range.

**Challenging Market Conditions in Latam:** Fitch revised Latin American retail sector Outlook to 'Deteriorating' in June 2026. Slowing retail sales, persistent inflationary pressure, and weakening consumer purchasing power has pressured volumes and margins of companies in the sector. The ripple effects of the Iran conflict on inflation are likely to keep interest rates higher for longer, moderating household savings and further eroding purchasing power. Fitch also expects the Brazilian CF&T growth to decelerate to mid-single digits in 2026, from 11% average in 2023- 2025.

**Positive FCF in 2027:** Fitch expects Natura's FCF to turn positive from 2027 onwards due to improving profitability, lower working capital requirements, and moderate investments. Consolidated EBITDAR margins should improve to 15.3% in 2027 and 15.8% in 2028, from 13.5% in 2026, following organizational restructuring that reduced 25% of corporate positions, alongside the ramp-up of Hispanic division. Fitch believes Avon's new product pipeline will gain traction, better positioning Natura in the under penetrated mass market. The rating case assumes capex of 2% of net revenues and dividends equivalent to 30% of net profit, leading to an FCF margin of 1.4% in 2027 and 1.9% in 2028.

**Adequate Leverage:** Natura should preserve an adequate capital structure, with EBITDAR leverage of 2.6x in 2026 and below 2.5x in the following years, and EBITDAR net leverage of 1.8x in 2026 and below 1.5x onwards. Positive FCF from 2027 on and a gradual improvement in EBITDAR support the company's capital structure. In 2027, Fitch considered the amortization of approximately BRL200 million-300 million of debt.

**Strong Business Profile:** Natura is one of the largest and most prestige CF&T brands in Latin America. The company operates in eight countries of the region, being Brazil (62% of revenues), Argentina (12%) and Mexico (12%) the largest ones. Its business model is based on direct sales through 2.6 million independent sales representatives (88% of revenues), 1.2 thousand franchised and owned retail stores (5%) and digital sales/others (7%).

## PEER ANALYSIS

Natura's IDR is at the same level of Coty ('BB+', Negative Outlook). Coty's ratings reflect its top three global position in the beauty market, manufacturing and distributing prestige and mass market products. The Negative Outlook incorporates a challenging business environment, with market share loss, weak like-for-like sales trends and an underperformance in the prestige fragrances segment. This should result in above-average gross leverage around 4.3x-4.4x in 2026 compared with 2.6x of Natura. Fitch expects Coty's EBITDA margin to fall to around 15%, from +18% in previous years, still above Natura's FY26 13.5%.

Spectrum Brands is rated a notch below Natura and Coty. The company operates in several segments, including global pet care, home and garden, and home and personal care. The company generates positive FCF and its EBITDA leverage will be below 3x in 2026. Still, its limited scale is an important credit consideration, with EBITDA around USD300 million, compared with Coty's USD0.8-1.0 billion and Natura's USD500-600 million.

Natura also faces strong competition from local player, O Boticário (not rated), which has a solid business profile, supported mainly by its 4.0 thousand bricks-and-mortar franchise in Brazil and moderate leverage. Within the retail/consumer universe, Fitch rates MercadoLibre, Inc.'s (MELI) 'BBB-/Stable. MELI's rating reflects its leadership position in the competitive and underpenetrated e-commerce and digital payments sectors in Latin America, solid credit metrics and robust financial flexibility. It is more diversified than Natura, operating in different product categories through its marketplace, and offers financial services like credit cards and loans.

### **FITCH'S KEY RATING-CASE ASSUMPTIONS**

- Net revenues of Brazilian operations flat in 2026, +4% in 2027 and +4% in 2028;
- Net revenues of Hispanic operations of -9% in 2026, -3% in 2027 and flat in 2028;
- EBITDA margin of Brazilian operations at 18% in 2026, 19.7% in 2027 and 20.1% in 2028;
- EBITDA margin of Hispanic operations at 6% in 2026, 7.4% in 2027 and 7.9% in 2028;
- Consolidated capex equivalent to 2% of net revenues;
- Dividend payment equivalent to 30% of net income in 2026-2028.

### **CORPORATE RATING TOOL INPUTS AND SCORES**

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

Business and financial profile factors (assessment, relative importance): management ('bb', Moderate), sector characteristics ('bb+', Lower), market and competitive positioning ('bbb-', Higher), diversification and asset quality ('bb+', Moderate), company operational characteristics ('bb', Moderate), profitability ('bb', Higher), financial structure ('bbb-', Moderate), and financial flexibility ('bbb-', Moderate).

The quantitative financial subfactors are based on standard CRT financial period parameters: 20% weight for the latest historical year 2025, 40% for the forecast year 2026 and 40% for the forecast year 2027.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'bb' has no impact.

The SCP is 'bb+'.

To derive the Long-Term IDR:

Fitch made no adjustments to the SCP, resulting in an IDR of 'BB+'.

## **RATING SENSITIVITIES**

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

- Reputational damages to the brand and/or relevant contingency materialization;
- Consolidated EBITDAR leverage above 3.5x and EBITDAR net leverage above 3.0x;
- EBITDAR fixed-charge coverage below 4.0x;
- Competitive pressures leading to severe loss in market-share for either Natura and Avon;
- Weakened liquidity and/or financial flexibility;
- A downgrade of Brazil's sovereign rating could negatively affect Natura's IDRs.

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

- Positive FCFs in the rating horizon;
- Consistent EBITDAR margins improvements above 15%, commensurate with CF&T peers;
- Consolidated EBITDAR leverage below 2.0x and EBITDAR net leverage below 1.5x on a consistent basis;
- EBITDAR fixed-charge coverage above 5.5x;

--Maintenance of robust financial flexibility.

## **LIQUIDITY AND DEBT STRUCTURE**

Natura has historically maintained robust financial flexibility with high cash reserves and an extended debt maturity profile. The company has good access to bank funding and both local and international capital markets, through diversified funding sources. Fitch expects Natura to maintain at least BRL2.5 billion of readily available cash and a well-staggered maturity schedule. Positive FCF from 2027 on is also factored in its financial flexibility.

Relevant debt maturities include USD450 million (~BRL2.5 billion) in sustainability-linked bonds due in March 2028 and around BRL3.1 billion due in 2029, including a USD270 million of offshore bond and BRL1.33 billion local bonds. Fitch expects Natura to refinancing its 2028 bonds at least 12 months before maturity to preserve financial flexibility and avoid pressure on its liquidity profile.

## **ISSUER PROFILE**

Natura is one of the largest players in the Latin America's CF&T sector, managing renowned brands Natura and Avon in 14 countries of the region. The company operates through direct sales (88% of revenues), retail (5%) and digital sales/others (7%).

## **SUMMARY OF FINANCIAL ADJUSTMENTS**

--Fitch used balance sheet lease liabilities to calculate adjusted debt;

--Extraordinary items were removed from EBITDAR.

## **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 Sector Forecasts Monitor 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.

## **CLIMATE VULNERABILITY SIGNALS**

The results of our Climate.VS screener did not indicate an elevated risk for Natura.

## ESG CONSIDERATIONS

Natura Cosméticos S.A. has an ESG Relevance Score of '4' for Management Strategy due to its corporate governance practices regarding API's chapter 11 and execution strategy, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

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 TYPE ⇅	RATING ⇅	RATING ACTION ⇅	PRIOR ⇅
Natura Cosméticos S.A.	LT IDR	BB+ Rating Outlook Stable	Affirmed	BB+ Rating Outlook Stable
	LC LT IDR	BB+ Rating Outlook Stable	Affirmed	BB+ Rating Outlook Stable
	Natl LT	AAA(bra) R ating Outlook Stable	Affirmed	AAA(bra) Rati ng Outlook Stable
senior unsecured	Natl LT	AAA(bra)	Affirmed	AAA(bra)

Natura &Co  
Luxembourg Holdings  
S.a r.l.

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senior unsecured	LT	BB+	Affirmed	BB+
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[VIEW ADDITIONAL RATING DETAILS](#)

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## **APPLICABLE CRITERIA**

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

[Corporate Rating Criteria \(pub. 09 Jan 2026\) \(including rating assumption sensitivity\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 09 Jan 2026\)](#)

## **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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Natura &Co Luxembourg Holdings S.a r.l.

EU Endorsed, UK Endorsed

Natura Cosmetics S.A.

EU Endorsed, UK Endorsed

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Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

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