MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms Natura's Ba2 ratings; outlook changed to negative

10 Aug 2026

New York, August 10, 2026 -- Moody's Ratings (Moody's) has today affirmed the Ba2 corporate family rating of Natura Cosmeticos S.A. At the same time, we affirmed the Ba2 backed senior unsecured rating of Natura &Co Luxembourg Holdings S.A.R.L. The outlook on both entities was changed to negative from stable.

The negative outlook reflects our expectation that Natura's recovery will take longer than previously anticipated because of continued execution challenges and a weaker operating environment. We expect profitability, free cash flow generation and credit metrics to remain under pressure through 2026, with a more gradual recovery than previously assumed.

The outlook also reflects reduced visibility into Natura's ability to rebuild financial flexibility ahead of its 2028 maturities. While liquidity remains adequate and near-term refinancing risk is limited, sustained improvement in profitability and cash generation will be important to support future refinancing activities.

Natura's Ba2 ratings continue to reflect its strong market position in Latin America, recognized brands, sizeable direct-selling platform, growing omnichannel capabilities, adequate liquidity and good access to capital markets. The ratings are constrained by weak profitability, negative free cash flow, elevated execution risk and exposure to volatile macroeconomic conditions.

These strengths are balanced against weak current profitability, negative free cash flow, elevated execution risk and exposure to challenging macroeconomic conditions. The ratings also incorporate risks related to the Avon recovery plan, the need to stabilize consultant productivity and the company's financial policy. Future shareholder distributions, including dividends, share repurchases or incentive-plan-related cash uses, will need to remain balanced against deleveraging and liquidity preservation.

RATINGS RATIONALE

Since 2023, Natura has significantly simplified its business profile through the divestitures of Aesop, The Body Shop and Avon International, refocusing operations on Brazil and key Hispanic Latin American markets, mainly Mexico and Argentina. These actions reduced operating complexity and allowed management to focus on markets where the company has stronger brand recognition, distribution capabilities and direct-selling expertise, but they also reduced the group's scale and geographic diversification. Despite this simplification, Natura has not yet demonstrated a consistent recovery in profitability and free cash flow generation. Operational disruptions, transition costs and execution challenges, particularly in Brazil, have delayed the margin and cash flow recovery that supported the stable outlook assigned in September 2025, weakening visibility into the timing and magnitude of the company's recovery.

Execution risk remains elevated. Natura is implementing several operational and commercial initiatives at the same time, including systems stabilization, manufacturing transitions, commercial model adjustments and the Avon relaunch. Preliminary second-quarter 2026 results, with revenue declining approximately 9%-10% year over year, indicate that the cumulative impact of these initiatives has been greater and more persistent than previously anticipated. Although many of these disruptions may prove temporary, they have extended the recovery horizon and increased the risk that profitability, cash generation and credit metrics remain below our prior expectations for longer. The operating environment has also become less supportive, with slower growth in the Brazilian beauty market, weaker macroeconomic conditions, pressure on consumer purchasing power and increased competition in key categories such as fragrances, skincare and makeup.

Weak cash generation is an important driver of the negative outlook. Continued pressure on profitability and recurring execution issues have delayed Natura's ability to consistently generate positive free cash flow. While cash generation should improve as operating performance stabilizes, the pace and sustainability of that improvement remain uncertain and will depend on the company's ability to restore margins, stabilize operations in Brazil, improve Avon performance and maintain disciplined capital allocation. Natura continues to maintain adequate liquidity, a manageable maturity profile and good access to domestic and international capital markets. However, sustained improvement in profitability and cash generation will become increasingly important as the company approaches its 2028 maturities. The negative outlook reflects the risk that, absent a more consistent recovery, Natura could enter this refinancing period with less financial flexibility than previously anticipated.

In July 2026, Advent International disclosed an 8.0% economic interest in Natura and is expected to appoint two members to the company's reconstituted board. We view the investment as credit neutral because it does not involve a change in control or additional capital to the company. Nevertheless, Advent's participation introduces a shareholder with significant experience in retail, consumer products, beauty and direct selling that could support execution and governance as Natura works to improve profitability and cash generation. The rating also assumes that Natura maintains a prudent financial policy and that shareholder distributions, including dividends, share repurchases and other capital allocation initiatives, remain balanced against deleveraging, liquidity preservation and future refinancing needs.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade is unlikely in the near term given the negative outlook.

We could stabilize the outlook if Natura demonstrates a sustained recovery in profitability and cash generation, restoring visibility into its operating trajectory and supporting financial flexibility ahead of its 2028 maturities. Stabilization would also require evidence that recent operational disruptions have been resolved, that free cash flow generation is becoming more consistent, and that the company's evolving governance structure supports a prudent financial policy. This would include clear indications that shareholder distributions, including dividends, share repurchases and other capital allocation initiatives, will remain balanced against deleveraging, liquidity preservation and future refinancing needs.

The ratings could be downgraded if Natura fails to demonstrate a sustained recovery in profitability and cash generation, resulting in reduced financial flexibility ahead of its 2028 maturities. Negative rating pressure could arise if continued execution challenges or weaker market conditions delay the recovery trajectory beyond our current expectations, if Moody's-adjusted RCF / Net Debt remains below 18% on a sustained basis, or if shareholder distributions and other capital allocation decisions weaken the company's ability to preserve liquidity and strengthen its financial profile. Downward pressure could also result from EBITA / interest expense remaining below 2.5x or Moody's-adjusted gross debt / EBITDA remaining above 4.0x without clear prospects for improvement.

The principal methodology used in these ratings was Consumer Packaged Goods published in February 2026 and available at https://ratings.moodys.com/rmc-documents/459825. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

Natura Cosmeticos S.A. is one of the leading beauty and personal care companies in Brazil and Latin America. The company operates principally through the Natura and Avon brands, with a multichannel strategy that includes direct selling, retail, e-commerce and digital platforms. Natura's focus on Brazil and Hispanic Latin America reflects the company's strategic decision to simplify its structure and concentrate on markets where it has stronger brand recognition and operating capabilities. For the 12 months ended March 2026, Natura reported approximately $4.0 billion in revenue and a Moody's-adjusted EBITDA margin of

11.7%.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the EU and UK and is(are) endorsed for use in the EU and UK in accordance with the EU and UK CRA Regulation.

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