

## Research Update:

# Azul S.A. Downgraded To 'D' From 'CCC-' On Chapter 11 Bankruptcy Filing

May 28, 2025

## Rating Action Overview

- Brazil-based airline Azul S.A. has filed for voluntary bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code.
- On May 28, 2025, S&P Global Ratings lowered its global and national scale issuer credit ratings on the company to 'D' from 'CCC-' and 'brCCC-', respectively.
- We also lowered our issue-level ratings on the company's 2026 senior unsecured notes to 'D' from 'CC' and withdrew the '6' recovery rating.

## Rating Action Rationale

**The downgrade follows Azul's announcement that it filed for Chapter 11 protection on May 28, 2025.** This announcement happened after Azul reported considerable cash burn during the first quarter of 2025. Despite sound operational performance, the company still faces a heavy debt burden, while very high lease payments, financial expenses, capital expenditures, and working capital outflows will continue pressuring cash flow. (For more details on our base-case scenario, please refer to "Brazilian Airline Azul S.A. Downgraded To 'CCC-' From 'CCC+' On Elevated Default Risk; Outlook Negative," May 20, 2025.)

**Azul initiated proceedings with creditors' support.** Together with the filing, the company announced that it had already secured financial support from key stakeholders including bondholders, its largest lessor (AerCap), and American Airlines and United Airlines. Azul has already secured debtor-in-possession (DIP) financing for almost \$1.6 billion to repay some debt and improve liquidity by about \$670 million. American Airlines and United Airlines could provide further equity investment upon Azul's emergence. Azul expects to reduce debt by over \$2.0 billion during the bankruptcy process.

## Company Description

Azul is a Brazilian airline founded in 2008 with a total fleet of 184 operating aircraft as of March 2025. The company is the country's largest airline in terms of domestic departures and cities it

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serves, with more than 1,000 daily flights reaching over 150 cities. In addition, the company wholly owns its loyalty program, AzulFidelidade, which had almost 19 million members as of March 2025. In the rolling 12 months as of March 2025, Azul generated revenue of about R\$20.2 billion and EBITDA of R\$5.9 billion.

## Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Ratings List

Ratings list

| Downgraded; Outlook Action            |      |                    |
|---------------------------------------|------|--------------------|
|                                       | To   | From               |
| Azul S.A.                             |      |                    |
| Issuer Credit Rating                  | D/-- | CCC-/Negative/--   |
| Foreign Currency                      | D/-- | CCC-/Negative/--   |
| Brazil National Scale                 | D/-- | brCCC-/Negative/-- |
| Downgraded; Recovery Rating Withdrawn |      |                    |

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Ratings list

|                      | To | From  |
|----------------------|----|-------|
| Azul Investments LLP |    |       |
| Senior Unsecured     | D  | CC    |
| Recovery Rating      | NR | 6(0%) |

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