



## **Rating Action: Moody's Ratings downgrades Azul's ratings to Ca on filing for chapter 11; outlook negative**

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02 Jun 2025

New York, June 02, 2025 -- Moody's Ratings (Moody's) has today downgraded Azul S.A. (Azul)'s corporate family rating (CFR) to Ca from Caa2. At the same time, we have downgraded to Ca from Caa3 the rating of the backed senior secured first lien debt due 2028 and the rating of the backed senior secured debts due 2029 and 2030 of Azul Secured Finance LLP (Delaware) and the backed senior unsecured debt ratings of Azul Investments LLP. We have also downgraded to Ca from Caa1 Azul Secured Finance LLP's superpriority notes due 2030 and the exchanged first-lien notes due 2028. The outlook for the issuers remain negative.

Subsequent to today's actions, Azul's CFR, Azul Investments LLP's Senior Unsecured and Azul Secured Finance LLP's Senior Secured ratings will be withdrawn shortly following the filing for Chapter 11. Please refer to Moody's Ratings' Withdrawal of Credit Ratings Policy, available on our website, <https://ratings.moody.com>, for more information.

### RATINGS RATIONALE

The downgrade of Azul's ratings to Ca follows the announcement that the company has filed for voluntary protection under the U.S. Chapter 11 financial reorganization process and our view of some prospect for recovery for existing secured and unsecured creditors.

In order to implement the restructuring with its key stakeholders, Azul expects a commitment of approximately \$1.6 billion in financing throughout the process, elimination of over \$2.0 billion of debt, and contemplate further equity financing of up to \$950 million upon emergence. Azul's restructuring is also underlined by a secured commitment for debtor-in-possession ("DIP") financing of approximately \$1.6 billion from certain of its key financial partners, which will repay certain of the company's existing debt and provide the company with approximately \$670 million of new capital to bolster liquidity during the restructuring process. Upon emergence, Azul expects the DIP financing to be repaid with the proceeds of an equity rights offering of up to \$650 million, backstopped by these financial partners and further supported by a contemplated additional equity investment of up to \$300 million from United Airlines and American Airlines, subject to the satisfaction of certain conditions.

The CFR, secured rating and unsecured rating were equalized at the same level, reflecting the filing and our view that recovery prospects could vary among similar debt classes.

The negative outlook reflects our view of a prolonged recovery period to Azul as part of the reorganization and its limited financial flexibility, which will lead to losses to secured and unsecured creditors.

### COMPANY PROFILE

Headquartered in Barueri near the City of Sao Paulo, Brazil, Azul S.A. is a Brazilian airline founded by David Neeleman in 2008. The company is the largest airline in Brazil by number of cities covered and departures, serving more than 160 destinations with an operating fleet of 168 aircraft and operating more than 900 flights daily. The company also flies its aircraft to select international destinations, including Fort Lauderdale, Orlando, Paris, Punta del Este and Lisbon. Azul is the sole owner of the loyalty program Azul Fidelidade, a strategic revenue-generating

asset that has more than 17 million members. In 2024, Azul generated BRL19.5 billion (\$3.2 billion) in net revenue.

The principal methodology used in these ratings was Passenger Airlines published in August 2024 and available at <https://ratings.moodys.com/rmc-documents/426534>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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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.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at <https://ratings.moodys.com/rmc-documents/435880>.

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