

RATING ACTION COMMENTARY

Fitch Assigns Azul Final 'B-' IDRs; Rates Azul Secured Finance's USD 1.375B Exit Finance Notes

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Fitch Ratings - Rio de Janeiro - 04 Mar 2026: Fitch Ratings has assigned Azul S.A. (Azul) a final 'B-' Foreign and Local Currency Issuer Default Ratings (IDRs) and National Long-Term Rating of 'BBB-(bra)'. The Rating Outlook is Stable. Fitch has also assigned Azul Secured Finance LLP's senior secured USD1.375 billion exit finance notes a final 'B-' rating with a Recovery Rating of 'RR4'. These actions follow the completion of Azul's Chapter 11 process.

The notes are secured by a first lien on Azul's Brand & IP and by receivables and investments in selected subsidiaries. Azul used proceeds from the exit notes, along with other initiatives, to refinance the USD1.57 billion debtor-in-possession (DIP) financing, pay restructuring expenses, and for general corporate purposes.

The 'B-' rating reflects material improvement in Azul's credit metrics, following an approximately 42% haircut on debt and reductions in fleet and lease costs. The rating remains constrained by the industry's high volatility and Azul's limited financial flexibility, including a lack of unencumbered assets, limited liquidity, and the company's post-restructuring debt.

Fitch has withdrawn Azul Secured Finance LLP's previous senior secured long-term ratings and Azul Investments LLP's senior unsecured long-term ratings because those notes have been paid in full.

KEY RATING DRIVERS

Completion of Chapter 11: Azul emerged from Chapter 11 in February 2026, following issuance of the exit notes. The notes are secured by a first lien on Azul Brand & IP and receivables associated with Azul Fidelidade, Azul Viagens and Azul Cargo.

Proceeds of the exit notes, together with an equity rights offering (ERO) of USD650 million, USD100 million of additional investment from certain bondholders and USD100 million from United Airlines, Inc. (BB+/Stable), supported the DIP payment. An additional USD100 million from American Airlines, Inc. (B+/Stable) is still pending regulatory approval.

Significant Deleveraging: Fitch expects Azul's EBITDA total and net leverage to decline to around 3.0x in 2026 and slightly lower in 2027. This represents a significant deleveraging from 6.2x and 6.0x and 6.0x and 5.8x at the end of 2024 and 2025, respectively. It reflects a debt reduction of about 42% by end-2026 versus 2025, leading to lower interest expense. Fitch forecasts Azul's debt at around BRL23 billion at end-2026, with leasing obligations accounting for roughly 60%.

Lower Fleet Burden: Azul has been working toward greater cost efficiency and fleet optimization. As part of the renegotiations, it has rightsized its fleet through discussions with lessors and the return of selected aircraft, materially reducing rent payments. The company is also streamlining its network by focusing on core hubs and high-demand leisure destinations, while exiting loss-making routes. Azul is maintaining a balanced fleet mix by slowing deliveries and retaining cost-efficient E1 aircraft. Under the agreed plan, Azul expects lease payments to decline by about 33% to USD557 million from USD827 million in the pre-filing budget.

Improving Cost Structure: Fitch expects Azul's operating cash flow to improve during 2026 due to solid domestic traffic levels and cost efficiencies. Fitch forecasts Azul's adjusted EBITDAR to reach around BRL6.8 billion in 2026 and BRL7.6 billion in 2027, an increase from BRL5.2 billion in 2024 and BRL6.6 billion estimated for 2025. The more efficient cost base is driving to higher EBITDAR margins, with Fitch's base case ranging around 30%-33% in 2026-2027.

Moderate Growth to Drive FCF: Azul's fleet modernization and growth strategy will be key drivers of FCF. Assuming relatively favorable fuel and FX conditions, capex volumes will be the main determinant of FCF generation. In 2026, as the company executes its exit plan, working capital is also likely to absorb cash flow, alongside higher capex. Fitch estimates capex around BRL2.1 billion in 2026 and BRL2.5 billion in 2027, an increase from an average of BRL1.5 billion in 2024 and 2025. Fitch forecasts FCF generation will remain negative in 2026 (BRL1.6 billion) and 2027 (BRL200 million).

Limited Financial Flexibility: Azul's weak unencumbered asset base and high share of secured debt remain a financial flexibility constraint. Fitch forecasts readily available liquidity of about BRL800 million at end-2026 (around 4% of LTM revenue), which remains

limited and provides little rating headroom. Lower short- to medium-term refinancing risks supported by the post-emergence debt profile and reduced rental payments partially offset this weak liquidity.

Strong Local Market Position: Fitch views Azul's business position as sustainable in the medium term, based on its solid market position in Brazil, with an average market of share of 30% over the past five years. The company has a differentiated regional strategy, focusing on underserved markets and fast-growing regions in Brazil. It has a large footprint with less overlap of routes than its competitors. Azul is the leader in 92% of routes and the only carrier in 84% of its market, with a strong presence in Brazil's busiest airports. Azul's cargo operations are also performing well and have shown strong resilience over the past few quarters.

Above-Average Industry Risks: The airline industry is an inherently high-risk sector given its cyclical, capital-intensive business with various structural challenges and exposure to exogenous shocks. High fixed costs combined with swings in demand and fuel prices typically translate into volatile profitability and cash flows. Foreign-exchange exposure is an additional risk for Latin American airlines, as most costs are U.S. dollar-denominated while a large portion of operating cash flow is generated in local currency.

PEER ANALYSIS

Azul's 'B-' reflects its credit profile immediately after its Chapter 11 emergence, its solid position in the Brazilian airline market, moderate leverage, and still-limited liquidity and financial flexibility. Compared with Latin American peers, LATAM Airlines Group S.A. (LATAM; BB/Positive) is rated higher due to materially stronger liquidity, a larger pool of unencumbered assets, broader route diversification, and a clearer path to sustaining positive free cash flow and lower leverage.

Avianca Group International Limited (Avianca; B+/Stable) is rated above Azul, supported by ongoing deleveraging, improving profitability, and adequate liquidity with manageable refinancing risk following recent liability management actions. Gol Linhas Aereas Inteligentes S.A. (GOL; CCC+/Positive) remains weaker, reflecting high leverage, negative near-term free cash flow, and constrained financial flexibility.

Compared with North American peers, Azul's rating sits well below American Airlines (B+/Stable), United Airlines (BB+/Stable) and Air Canada (BB/Stable), all of which benefit from significant scale, global networks, robust liquidity and deeper access to capital markets,

plus diversified revenue streams and extensive loyalty programs that support stronger credit metrics and shock absorption.

JetBlue Airways Corporation (Jetblue; B-/Negative), while smaller and more exposed to intense U.S. domestic competition, still exhibits liquidity and market-access advantages. Its cash balance and remaining unencumbered assets provide some flexibility to manage near-term demand weakness, but projected FCF is negative in the near term.

FITCH'S KEY RATING-CASE ASSUMPTIONS

- Fitch's base case during 2026 and 2027 includes a marginal increase in ASK of around 2%-3%;
- Load factors around 80%-81%% during 2026-2027;
- Jet fuel ranging around USD2.5-2.7 in 2026- 2027;
- Capex of BRL2.1 billion in 2026 and BRL2.4 billion in 2027;
- No dividends payments during 2025 and 2026.

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 (b+, Moderate), Sector Characteristics (b+, Lower), Market and Competitive Positioning (bb-, Moderate), Diversification and Asset Quality (bb, Moderate), Company Operational Characteristics (bb-, Moderate), Profitability (b-, Moderate), Financial Structure (b-, Higher), and Financial Flexibility (b-, Moderate).
- The quantitative financial subfactors are based on standard CRT financial period parameters: 20% weight for the latest historical year 2024, 40% for the forecast year 2025 and 40% for the forecast year 2026.
- B+ to CC considerations apply in our analysis and result in an adjustment of -1 notch(es).
- The Governance assessment of 'Good' results in no adjustment.

- The Operating Environment assessment of 'bb' results in no adjustment.

- The SCP is 'b-'.

To derive the IDR:

Fitch made no adjustments to the SCP resulting in a Foreign and Local Currency IDR of 'B-'.

RECOVERY ANALYSIS

The recovery analysis assumes that Azul would be considered a going concern in bankruptcy and that the company would be reorganized rather than liquidated. Fitch has assumed a 10% administrative claim.

Azul's going concern EBITDA is BRL2.5 billion, which incorporates the company's EBITDA post-restructuring, adjusted by lease expenses, plus a discount of 20%. The going-concern EBITDA estimate reflects Fitch's view of a sustainable, post reorganization EBITDA level, upon which Fitch bases the valuation of the company. The enterprise value (EV)/EBITDA multiple applied is 5.5x, reflecting Azul's strong market position in Brazil.

Fitch applies a waterfall analysis to the post-default EV based on the relative claims of the debt in the capital structure. The debt waterfall assumptions consider the company's total debt. These assumptions result in a Recovery Rating for the first lien secured debt within the 'RR1' category, but due to the soft cap of Brazil at 'RR4', Azul's senior secured debt is rated 'B-/'RR4'. 100% of Azul's debt falls under first-priority lien class.

RATING SENSITIVITIES

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

--Sustained liquidity weakening, with cash-to-LTM revenue consistently below 6%;

--Gross and net leverage consistently above 4.5 and 4.0, respectively;

--EBITDAR fixed-charge coverage sustained at or below 1.0x;

--Competitive pressure resulting in a material loss of market share or yield deterioration;

--An aggressive growth strategy (including consolidation) funded primarily with debt.

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

--Maintenance of strong liquidity (cash above 10% of LTM revenue) and an extended debt maturity profile with no material medium-term refinancing risks;

--EBITDAR fixed-charge coverage sustained above 1.2x.

--Gross and net leverage consistently below 3.0 and 3.5x, respectively;

--Sustainably neutral FCF;

--Sustained cost discipline, with adjusted EBITDAR margins above 33%;

--Continued ability to refinance high-cost debt on more favorable terms and improve the secured and unsecured mix.

LIQUIDITY AND DEBT STRUCTURE

Fitch expects Azul's pro forma post-emergence liquidity to improve, reflecting a higher cash balance and reduced near-term refinancing risks. Under the plan, Azul received around USD850 million of new equity, comprising a USD650 million backstopped ERO and USD200 million from both United and certain bondholders. An additional USD100 million investment from American Airlines remains subject to regulatory approval and is not incorporated into Fitch's forecasts.

We expect pro forma debt to decline to about USD3.8 billion from USD7.3 billion pre-emergence. Part of the reduction reflects the use of proceeds to prepay certain obligations, in addition to supporting liquidity. Post-emergence debt will mainly consist of USD1.375 billion new exit notes due 2031, USD132 million of drawn secured letters of credit, USD87 million of local debentures, and USD69 million of aircraft debt.

Fitch forecasts readily available liquidity of BRL1.6 billion at end-2026, up from BRL0.6 billion as of Sept. 30, 2025 and BRL1.2 billion at end-2024 (pre-Chapter 11 filing). Despite the improvement, liquidity remains limited and provides modest rating headroom to absorb industry volatility. The pro forma short- to medium-term refinancing risk, together with lower lease payments, partially offsets this constraint.

Azul other liquidity sources include accounts receivable (BRL2.6 billion) and security deposits (BRL4.4 billion) as of Sept. 30, 2025. Fitch's does not include these sources in the

liquidity and net leverage metrics.

Further liquidity improvement will depend on continued access to new credit lines and stronger FCF generation supported by a prudent growth strategy.

ISSUER PROFILE

Azul is one of Brazil's largest airlines, dominating the regional market and serving as the sole carrier on 84% of its routes. For the LTM ending September 2025, 93% of its revenues came from passengers, while 7% came from cargo and other sources.

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 indicate elevated risk for Azul, reflecting the gradually growing costs linked to the decarbonization of the sector. Climate transition risks do not currently have a material influence on the ratings because the potentially disruptive changes due to the transition are unlikely to materialize in the next eight to 10 years.

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 ↕			RECOVERY ↕	PRIOR ↕
AZUL Investments LLP					
senior unsecured	LT	WD	Withdrawn		C
Azul S.A.					
	LT IDR				B- (EXP) Rating Outlook Stable
	B- Rating Outlook Stable				
	New Rating				
	LC LT IDR				B- (EXP) Rating Outlook Stable
	B- Rating Outlook Stable				
	New Rating				
	Natl LT				
	BBB-(bra) Rating Outlook Stable				
	New Rating				
Azul Secured Finance LLP					
senior secured	LT	B-	New Rating	RR4	B-(EXP)
senior secured	LT	WD	Withdrawn		C

Senior Secured
2nd Lien

LT WD Withdrawn

C

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Marcelo Pappiani, CFA

Director

Primary Rating Analyst

+55 11 4504 2603

marcelo.pappiani@fitchratings.com

Fitch Ratings Brasil Ltda.

Alameda Santos, nº 700 – 7º andar Edifício Trianon Corporate - Cerqueira César São Paulo,
SP SP Cep 01.418-100

Debora Jalles

Senior Director

Secondary Rating Analyst

+55 21 4503 2621

debora.jalles@fitchratings.com

Rogelio Gonzalez Gonzalez

Senior Director

Committee Chairperson

+52 81 4161 7034

rogelio.gonzalez@fitchratings.com

MEDIA CONTACTS

Maggie Guimaraes

São Paulo

+55 11 4504 2207

maggie.guimaraes@thefitchgroup.com

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

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

[Corporates Recovery Ratings and Instrument Ratings Criteria \(pub. 02 Aug 2024\) \(including rating assumption sensitivity\)](#)

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

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

[Country-Specific Treatment of Recovery Ratings Criteria \(pub. 20 Feb 2026\)](#)

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 \(09 Jan 2026, 09 Jan 2026\)](#)

ADDITIONAL DISCLOSURES

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