



Rating Action: Moody's Ratings assigns B2 ratings to Azul and its \$1.21 billion secured notes in connection with its post-bankruptcy exit financing; outlook is stable

28 Jan 2026

New York, January 28, 2026 -- Moody's Ratings (Moody's) has today assigned a B2 corporate family rating (CFR) to Azul S.A. (Azul) in connection with its post-bankruptcy exit financing. At the same time, we assigned a B2 rating to the proposed \$1 billion senior secured notes due in 2031 and to the proposed \$210 million senior secured notes due in 2033 issued by Azul Secured Finance LLP. The outlook for the ratings is stable.

The rating assignment follows the confirmation order of Azul debtor's joint plan of reorganization under the Chapter 11 of the US bankruptcy code issued on 12 December 2025 by the United States Bankruptcy Court of the Southern District of New York, which will allow the company to emerge from bankruptcy in the first quarter of 2026.

The rating of the proposed notes assumes that the final transaction documents will not be materially different from draft legal documentation reviewed by us to date and assume that these agreements are legally valid, binding and enforceable.

RATINGS RATIONALE

Azul's B2 corporate family rating (CFR) reflects the company's unique business position in Brazil (Ba1 stable) as the only carrier on 84% of its routes, which results in lower competition and strong pricing power. The rating also reflects the good fundamentals for passenger traffic in Brazil, as well as more rational competition and capacity in the Brazilian market. This environment has allowed carriers to increase airfares, mitigating the effect of higher jet fuel prices and other inflationary cost pressures. Azul's ability to reduce total debt and costs during the Chapter 11 process and its high cash balance upon bankruptcy exit are also incorporated in the B2 rating.

The B2 rating is constrained by Azul's still strained credit metrics and free cash flow generation, exposure to foreign currency and fuel price volatility, and to the volatility of the airline industry in the context of rising macroeconomic and geopolitical risks. The company's ability to reduce leverage and control cash burn in the next 12 to 18 months will still be key aspects in Azul's rating assessment.

As part of its reorganization plan, Azul has pursued structural changes to its capital structure that will allow it to post a fast recovery in credit metrics through 2026. The company reduced total debt by \$3.6 billion mainly through the conversion of debt into equity, renegotiated lease agreements with lessors and is implementing a cost reduction plan that could save up to BRL907 million in 2026 alone (BRL747 million of which has already been implemented). The company plans a reduction of more than 35% in its future fleet size, slowing new deliveries and retaining older Embraer E1s. At the same time, Azul will simplify its network with a focus on core hubs and high demand leisure destinations, while removing loss-making cities from its routes.

We expect Azul's post-exit credit metrics to improve substantially, with total gross leverage (Moody's adjusted) declining to around 3.0x in 2026-2027 compared to 5.5x as of the last twelve months (LTM) finished in September 2025. The company's interest coverage (measured by FFO + Interest Expense / Interest Expense) is also set to improve from 0.6x in LTM September 2025 to around 1.5x-2.5x in 2026-2027. Upon bankruptcy emergence, Azul's total debt will comprise (i) \$1.2 billion of exit notes, (ii) \$2.2 billion in lease liabilities; and (iii) about \$288 million in other debt instruments. The company will also raise \$750 million through an equity rights offering and \$200 million of new strategic equity investment. The company's debt will be entirely secured, with the new notes being subjected to a collateral package which includes Azul' brand and intellectual property (IP) as well as IP and receivables associated with Azul Fidelidade, Azul Viagens and Azul Cargo as well as a

EUR180 million debt investment in Transportes Aereos Portugueses S.A ("TAP", Ba3 stable). Proceeds from the Exit Notes will be used to refinance Azul's \$1.57 billion DIP, pay expenses and fees related to the restructuring and for general corporate purposes; any proceeds from the monetization of TAP's bond must be used to repay the exit debt. All debt rank pari passu and there is no notching of debt instruments relative to the corporate family rating.

LIQUIDITY

Azul will have, upon bankruptcy emergence, an adequate liquidity with a high cash balance and lower upcoming debt maturity compared to the previous capital structure. The company's pro-forma cash balance of around BRL1.5-2 billion in the end of 2026 will be sufficient to cover short term financial debt maturities of BRL600-700 million. The company's annual debt amortizations (including leases) will amount to around BRL2 billion until 2029, with most of upcoming maturities represented by the new exit financing, due in 2031 and 2033. The company also has alternate liquidity such as factorable receivables that could be used in financeable transactions.

We expect that the company's cash flow from operations will gradually improve to around BRL4 billion – BRL5 billion in 2026-27. We also expect a negative free cash flow generation in 2025-26, but positive free cash flow generation from 2027 onwards, reflecting improved profitability and flexibility in maintenance capex and costs as well as reduced interest expense payments.

ESG CONSIDERATIONS

Azul faces high environmental risk due to carbon transition. This will primarily depend on evolving global decarbonization policies and regulations which may increase operating costs for airlines. Further, the desire to reduce carbon emissions may lead to reduced travel, in particular for business purposes, much of which can effectively be done virtually, as demonstrated during the pandemic. Azul has been renewing its fleet since 2019 with the acquisition of Embraer's E2 Jets, which are cleaner and more fuel-efficient than its predecessor. Azul also faces high industry-wide social risks related to demographic and societal policies moving to reduce carbon emissions.

Azul's governance risks relate to the recent bankruptcy process. Upon bankruptcy emergence, Azul's shares will be primarily held by the backstop parties (63.84%) and previous creditors (19.15%), while United Airlines and American Airlines will hold 8.5% each as part of a new strategic investment. Azul's board of directors will be composed after bankruptcy emergence.

RATING OUTLOOK

The stable outlook reflects our expectations that Azul's credit metrics and liquidity will improve in the next 12-18 months, but that the company still needs to execute on its post-exit business plan to achieve the targeted operational and financial performance.

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

An upgrade of Azul's rating would require longer term visibility over the industry's recovery or strengthened credit metrics that provide cushion to credit quality under various stress scenarios. Quantitatively an upgrade would require adjusted leverage (measured by total debt / EBITDA) below 5x and interest coverage (measured by (FFO + interest expense) / interest expense) above 4x, all on a sustained basis. The maintenance of an adequate liquidity profile would also be required for an upgrade.

The rating could be downgraded if credit metrics' recovery falls behind our expectations, with adjusted leverage remaining above 6.5x and interest coverage below 1x. A deterioration in the company's liquidity profile or additional shocks to demand or profitability that lead to cash burn could also result in a downgrade of the rating.

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 daily departures with around 800 flights, serving 137 domestic destinations with an operating fleet of more than 180 aircraft. The company also flies its aircraft to 8 international destinations, including Fort Lauderdale, Orlando, Madrid, Punta del Este, Montevideo, Lisbon, Porto and Mendoza. Azul is the sole owner of the loyalty program Azul Fidelidade, a strategic revenue-

generating asset that has more than 17 million members. As of the last twelve months ended in September 2025, Azul generated BRL21.6 billion (\$3.8 billion) in net revenue.

The principal methodology used in these ratings was Passenger Airlines published in December 2025 and available at <https://ratings.moodys.com/rmc-documents/455790>. 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.

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>.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>.

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/documents/PBC_1462204.

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.

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on <https://ratings.moodys.com> for additional regulatory disclosures for each credit rating.

Carolina Chimenti
Vice President - Senior Analyst

Marcos Schmidt
Associate Managing Director

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

© 2026 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE LEGAL, COMPLIANCE, INVESTMENT, FINANCIAL OR OTHER PROFESSIONAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR

DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating or assessment is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating or assessment process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating or assessment assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.ir.moodys.com under the heading "Investor Relations — Corporate Governance

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V, I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., Moody's Local PA Clasificadora de Riesgo S.A., Moody's Local CR Clasificadora de Riesgo S.A., Moody's Local ES S.A. de CV Clasificadora de Riesgo, Moody's Local RD Sociedad Clasificadora de Riesgo S.R.L. and Moody's Local GT S.A.(collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore. EU: In the European Union, each of Moody's Deutschland GmbH and Moody's France SAS provide services as an external reviewer in accordance with the applicable requirements of the EU Green Bond Regulation. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.