MOODY'S
RATINGS

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 revenuegenerating 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.

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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.

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