FitchRatings

RATING ACTION COMMENTARY

Fitch Revises Brava's Outlook to Positive; Affirms IDRs

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Fitch Ratings - São Paulo - 27 Jan 2026: Fitch Ratings affirmed Brava Energia's Long-Term Local and Foreign Currency Issuer Default Ratings (IDRs) at 'BB-' and Long-Term National Scale rating at 'AA-(bra)'. The Outlook was revised to Positive from Stable. Fitch also affirmed 3R Lux S.à.r.l.'s USD500 million secured notes due 2031 at 'BB-'.

The Positive Outlook reflects the expectation that Brava's production will increase significantly if the company successfully completes the recently announced acquisition of a 50% interest in the Tartaruga Verde and Espadarte Module III fields (together, Tartaruga Verde) and its short-term offshore drilling activity. Brava announced the acquisition of the Tartaruga Verde assets for USD450 million, subject to downward adjustment regarding the asset's cash flows since July 1, 2025. If successful, the transaction is likely to support scale gains without pressuring credit metrics.

Brava's ratings reflect its limited scale and modest, but improving operating efficiency, and well-diversified asset base across several Brazilian basins and moderate leverage.

KEY RATING DRIVERS

Substantial Production Increase: The Tartaruga Verde acquisition would likely increase Brava's production by 28 kboe/d (+28%, proforma) after completion and make it exceed the upgrade sensitivity threshold of 125 kboe/d in 2027. The greater scale is a key rating driver, as it further dilutes high offshore fixed costs. The acquisition would benefit Brava's asset diversification, which already compares favorably with other independent Latin American (Latam) O&G producers. Tartaruga Verde's proved reserves are not certified but Brava's current reserves (511 million boe) are consistent with a 'BB' rating.

Factoring the acquisition and assuming a successful offshore drilling campaign, Fitch projects Brava's production will reach 94 kboe/d in 2026, on average, and 127 kboe/d in

2027, growing towards 131 kboe/d in 2029. New wells in Atlanta and Papa-Terra, and a medium-term onshore drilling campaign, will be the main organic growth drivers, as well as Papa Terra's greater efficiency. Tertiary recovery techniques may be effective in slowing depletion onshore.

Significant Deleverage: Fitch forecasts EBITDA total and net leverage at 2.8x and 2.2x in 2026, from 2.9x and 1.9x expected for fiscal-year ended 2025, dropping to 1.3x and 1.2x in 2027 even under weaker Brent prices. The reduction in 2027 will be driven by the production ramp-up and capex reduction in Atlanta and Papa Terra, assuming a successful drilling campaign. Despite being debt-funded, the acquisition should accelerate deleveraging, given the asset's strong cash flow generation relative to the transaction value. Brava has been able to reduce leverage by expanding production, advancing receivables, cutting onshore capex and sharing infrastructure assets.

Improving Cost Profile: Higher production and economies of scale should drive lifting costs (LC) down to USD17/boe in 2026 and USD16/boe in 2027, from USD18/boe in 9M25. The Tartaruga Verde acquisition would contribute to Brava's efficiency, assuming LC close to USD15/boe, although efficiency gains would depend on the operator's strategy (Petrobras, BB/Stable). Fitch expects Papa Terra and Atlanta to keep improving on efficiency. Atlanta will be the most efficient asset, with EBITDA close to USD45/boe over 2026-2027, above the estimate of USD30/boe for the entire portfolio, offsetting Papa Terra and Parque das Conchas' lower efficiency.

CFO to Cover Capex: Brava's cash flow from operations (CFO) should exceed capex from 2027 onward, as the former keeps expanding and the latter declines significantly. EBITDA is estimated at BRL5.7 billion in 2026 and BRL8.3 billion in 2027, and more than half should convert into CFO, considering significant tax efficiencies and tax credits. Capex should peak around BRL4.3 billion in 2026, driven by the drilling campaign in Papa Terra and Atlanta, then reducing to BRL2.7 billion in 2027. Capex on Tartaruga Verde is modest and slightly reduces Brava's total capex per boe produced. Fitch expects FCF to turn consistently positive as of 2027, assuming a 25% dividend payout.

Resilience to Price Volatility: In a scenario of sharp price declines, Brava could further reduce capex, especially onshore where chartering is more flexible. Despite the impact on production and LC, CFO would be sufficient to cover the adjusted capex under Brent prices above USD35/boe in 2026-2028. Fitch estimates that Brent prices below USD50/boe could pressure net leverage to levels above 3.0x. Fitch's base case scenario considers Brent prices at USD63 for 2026 and 2027.

PEER ANALYSIS

Brava has lower scale and is more leveraged than North American onshore, oil-weighted producers Matador Resources Company (Matador, BB/Stable) and SM Energy Company, L.P. (SM Energy, BB/Positive Watch). The same applies for Brazilian offshore producer PRIO S.A. (PRIO; BB+/Stable). These factors currently offset the broader diversification of Brava's asset base.

Matador and SM produce around 200 kboe/d and PRIO is expected to reach this level in 2026, with the Peregrino and Wahoo oil fields. This is more than double the current scale of Brava. The latter benefits from a long 1P reserve life, estimated around 14 years over 2026-2027 on average, which is in line with PRIO and above the nine- to 11-year range for the other peers.

For each boe produced, Fitch estimates Brava will generate around USD26 of CFO over 2026-2027, below PRIO and Matador (close to USD28/boe) and above SM Energy (USD23/boe). The company's American peers benefit from lower royalties, producing costs and interest costs compared to Brava, but they sell at significantly lower prices. This reflects the WTI discount over Brent and the higher share of gas in the revenues of these peers, as well as their trading efficiencies.

For 2026 Fitch projects EBITDA net leverage of 2.0x for Brava, 1.4x for PRIO and around 1.3x for the American peers.

FITCH'S KEY RATING-CASE ASSUMPTIONS

-- Average Brent prices from 2026 to 2028 (USD/bbl): 63, 63 and 60;

-- Average daily production from 2026 to 2028 (kboe/d): 94, 127 and 125;

-- Oil sales consider a discount to Brent around USD5/bbl;

-- 100% effective working interest in Papa Terra, with no payment arising from the arbitration;

-- Lifting costs from 2026 to 2028 (USD/boe): 17, 16 and 14;

-- Annual capex averaging BRL3.1 billion from 2026 to 2028;

-- Significant price adjustment on Tartaruga Verde's acquisition value, reflecting Brava's interest on cash flows produced from the effective transaction date to the estimated date of closing;

-- Effective tax rate around 22%;

-- Dividend payout ratio of 25%.

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):

--The business and financial profile factors are assessed (in the format of the 'assessment', followed by relative importance and trend) as follows: Management ('bb-', moderate), Sector Characteristics ('b', lower), Market and Competitive Positioning ('bb-', higher), Diversification and Asset Quality ('bb+', moderate), Company Operational Characteristics ('bb-', moderate), Profitability ('bb+', moderate), Financial Structure ('bbb', moderate), and Financial Flexibility ('bb', moderate).

--The quantitative financial subfactors are assessed based on custom financial period parameters of 20% weight for the forecast year 2025, 40% for the forecast year 2026 and 40% for the forecast year 2027.

--The Governance assessment of 'Good' results in no adjustment to the SCP.

--The Operating Environment assessment of 'bbb' results in no adjustment to the SCP.

--The SCP is 'bb-', after one-notch calibration adjustment to reflect execution risks related to the completion of the Tartaruga Verde acquisition, including final regulatory approvals, and to expectations for organic growth.

RATING SENSITIVITIES

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

-- The Outlook could be revised to Stable if the Tartaruga Verde acquisition is not completed or if Brava's organic growth underperforms Fitch's expectations;

-- Debt/EBITDA and net debt/EBITDA ratios above 3.5x and 2.5x, respectively;

-- Weakening of the liquidity profile;

-- Major operational disruptions at key assets, resulting in a significant reduction in production.

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

-- Debt/EBITDA and net debt/EBITDA ratios below 3.0x and 2.0x, respectively;

--Increasing production to levels consistently above 125 kboe/d while maintaining 1P reserve life of at least seven years.

LIQUIDITY AND DEBT STRUCTURE

Brava has a strong liquidity position and has a track record of access to local banks/capital markets. Fitch expects Brava to fund the Tartaruga Verde acquisition with debt and to access long-term funding in 2026 to maintain its liability management strategy. The anticipation of FPSO receivables and liability management transactions carried over in 2025 resulted in a comfortable debt amortization schedule and reduced the company`s average cost of debt.

As of September 2025, Brava had BRL5.7 billion in readily available cash balance, which was sufficient to cover all debt amortization through 2028, including M&A payables. The BRL14.8 billion debt was mainly composed of debentures (66%, including derivatives), secured notes due 2031 (18%) and M&A payables (11%). More than 90% of Brava's debt is denominated or indexed to USD, at an annual average spread of 8.1%.

ISSUER PROFILE

Brava is an independent, well-diversified oil and gas producer focused on revitalizing mature fields both onshore and offshore in Brazil. It has no controlling shareholder. 3R Lux is a funding vehicle domiciled in Luxembourg and is wholly owned by Brava.

SUMMARY OF FINANCIAL ADJUSTMENTS

Debt balance incorporates M&A payables and derivatives, and is deducted by the outstanding amount of the total return swap pledged as collateral.

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.

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			PRIOR
3R Lux S.a.r.l.				
senior secured	LT	BB-	Affirmed	BB-
Brava Energia S.A.	LT IDR	BB- Rating Outlook Positive	Affirmed	BB- Rating Outlook Stable

	LC LT IDR Affirmed	BB- Rating Outlook Positive	BB- Rating Outlook Stable
	Natl LT Affirmed	AA-(bra) Rating Outlook Positive	AA-(bra) Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

National Scale Rating Criteria (pub. 22 Dec 2020)

Corporate Rating Criteria (pub. 09 Jan 2026) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 09 Jan 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

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

3R Lux S.a.r.l.	EU Endorsed, UK Endorsed
Brava Energia S.A.	EU Endorsed, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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