

## Research Update:

# Brava Energia S.A. Outlook Revised To Stable From Positive On Slower Leverage Reduction; 'B+' Rating Affirmed

January 27, 2026

## Rating Action Overview

- We expect Brazilian oil and gas company Brava Energia S.A. to deleverage more slowly than we previously expected during 2026 due to a combination of slower production growth, lower Brent oil prices, and a weaker exchange rate compared to our previous forecast.
- Additional wells in Atlanta and Papa-Terra should help boost production, but with full-year impact from 2027 on. Considering that, we forecast debt to EBITDA close to 4.0x in 2026, falling below 2.5x only in 2027.
- The company recently announced the acquisition of a 50% stake in the Tartaruga Verde and Espadarte – Module III, subject to certain conditions. If completed, it would add more asset diversification and increase production in the coming years. Given the associated lease and asset retirement obligations (ARO), we anticipate a relatively neutral impact on our adjusted leverage metrics.
- On Jan. 27, 2026, S&P Global Ratings revised its outlook on the global scale ratings on Brava to stable from positive. At the same time, we affirmed the 'B+' global scale issuer credit rating on Brava and the 'BB-' issue-level ratings on the senior secured notes, with a 2 (85%) recovery rating.
- The stable outlook reflects our view of Brava's still somewhat high leverage in 2026 and that more significant EBITDA growth in 2027 will lead to debt to EBITDA below 2.5x.

## Rating Action Rationale

**The outlook revision primarily reflects another year of weaker production than we initially expected, combined with weaker oil prices and a less favorable exchange rate.** These factors have affected the company's deleveraging trajectory. We initially projected daily production of 95,000 barrels of oil equivalent per day (boe/d) in 2025, and revised this down in September to 85,000 boe/d, with expectations of production reaching 100,000 boe/d in 2026. However, 2025

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results fell short, averaging 81,300 boe/d due to lower-than-anticipated production in Papa-Terra and Atlanta, compounded by an ANP (the federal agency that regulates Brazil's oil sector) audit in Potiguar. We now forecast production of approximately 87,000 boe/d for 2026 and expect production of 100,000 boe/d in 2027.

Consequently, and considering lower oil prices, we now project EBITDA of R\$4.9 billion for 2026, a significant decrease from our September estimate of R\$6.1 billion, leading to higher leverage than we previously expected. Our base-case scenario, considering only organic growth, now assumes debt to EBITDA around 4x for both 2025 and 2026, compared to previous estimates of 3.5x and 3.0x, respectively, delaying the timeline for improved credit metrics.

#### **In our view, the announced acquisition offers long-term benefits but limited near-term**

**leverage improvement.** Brava recently announced the acquisition of a 50% stake in the Tartaruga Verde and Espadarte – Module III assets from Petronas for a total of \$450 million. We expect the acquisition to add approximately 27,500 boe/d to the company's current average of 81,300 boe/d, reinforcing its position in offshore operations and supporting the company's scale-up targets.

The transaction is subject to Petrobras' waiver of its preemption rights, and then to usual regulatory approvals. Management expects the transaction could close in fourth-quarter 2026. We don't currently incorporate the impact of the acquisition into our base-case projections. We estimate the acquired assets would add EBITDA of about \$300 million per year and require approximately \$50 million in annual capital expenditures (capex), but include a relevant amount of leases and ARO that, on close, will be added to adjusted debt. This will prevent S&P Global Ratings-adjusted debt to EBITDA from significantly improving in the next 12 months, and we forecast this ratio to only fall below 2.5x in 2027.

**We think management is focused on portfolio management and reducing leverage.** In our view, the recent acquisition aligns with the company's strategy to optimize its asset portfolio, mitigate asset-specific risks, and reduce leverage in the coming years. We anticipate a significant decrease in capex to approximately \$400 million in 2027, down from the projected \$600 million in 2026, as the company completes investments in new wells at Papa-Terra and Atlanta. We expect these wells to add 11,000 boe/d to production at each field in late 2026 and early 2027.

Brava has also been successfully reducing its cost of debt through the maturity of older obligations. We expect financial debt levels to remain relatively stable in the next 12 months, with deleveraging driven by stronger EBITDA generation in 2027 as production increases and lifting costs decrease.

## **Outlook**

The stable outlook reflects our view that Brava will continue working to increase production levels and cash flows, as it proceeds with drilling campaigns at Papa-Terra and Atlanta and with the revitalization works in onshore fields to sustain relatively stable production. We forecast gross debt to EBITDA still close to 4.0x in 2026 due to lower oil prices compared with 2025 and funds from operations (FFO) to debt around 17%.

### **Downside scenario**

We could lower the ratings in the next 12-18 months if production is significantly lower than what we expect because of further delays in project development or operational problems, or if oil prices stay below our current expectation for a prolonged period. Either of these scenarios could result in lower EBITDA.

We could also downgrade Brava if the company demonstrates a more aggressive acquisition or growth strategy, significantly increasing leverage and reducing free operating cash flow. In these scenarios, we would see gross debt to EBITDA above 4.0x and FFO to debt below 20% in 2027 and on a sustained basis.

### Upside scenario

We could upgrade Brava in the next 12-18 months if the company's leverage consistently improves, with average debt to EBITDA below 2.5x and FFO to debt above 30%. In our view, this would result from production levels above 100,000 boe per day in 2027 and improving margins.

## Company Description

Brava Energia is a Brazilian oil and gas company with a diversified portfolio of producing fields, both onshore and offshore. It operates across the oil and gas industry's segments.

Its current upstream portfolio consists of 12 assets located in the states of Rio Grande do Norte, Ceara, Bahia, Espírito Santo, and Rio de Janeiro. Brava also owns assets in the midstream and downstream segments that are in Rio Grande do Norte.

Brava has solid 2P reserves (proven and probable), at 605 million boe (48% offshore and 52% onshore). Its 1P (proven) reserves are 479 million boe (43% offshore and 57% onshore). Of the total 1P and 2P reserves, 92% is oil.

Average production in 2025 was 81,300 boe/d. Following the successful acquisition of a 50% stake in the Tartaruga Field and Espadarte - Module III in the Campos Basin (operated by Petrobras), the new asset should add 27,500 boe/d.

The company currently operates under the following clusters, including Brava's stake:

- **Onshore:** Potiguar (100%) and Recôncavo (100%)
- **Offshore:** Atlanta (80%), Papa-Terra (62.5%), Parque das Conchas (23% stake, operated by Shell), Peroá (100%), Manati (45% stake, operated by Petrobras), and Pescada (35%)

Brava's shares are traded on the Brazilian stock market, and the company has no controlling shareholder.

## Our Base-Case Scenario

### Assumptions

- Average foreign exchange rate of Brazilian real (R\$) 5.50 per \$1 in 2026 and R\$5.57 per \$1 in 2027.
- Brazil's average interest rate of 13.5% in 2026 and 10.85% in 2027.
- Brent oil price of \$60 per barrel in 2026 and \$65 per barrel in 2027. The company currently has around half of its 2026 production hedged at around \$63.5/barrel.
- Average daily oil production of roughly 73,800 boe in 2026 and 91,600 boe in 2027, and daily gas production of roughly 13,000 boe in 2026 and 2027.
- Fixed discounts on the Brent price of \$2.00-\$12.00, depending on the oil quality of each field.

- Lifting costs of approximately \$19/boe in 2026, decreasing to around \$16/boe in 2027 mainly because of operational improvements and higher production.
- EBITDA margin in the exploration and production segment around 45% in 2026, increasing to around 55% in 2027.
- Downstream revenue around \$1 billion in 2026-2027, considering existing capacity and prices closer to Brent and positive crack spreads (we expect Brava to sell oil derivatives, kerosene, and diesel).
- Midstream and downstream EBITDA margin of 7.0% in 2026-2027.
- We exclude intercompany transactions (Macau, Areia Branca, and Potiguar oil is sold to the refinery) from consolidated revenue and costs relating to the sale of oil and other services.
- Annual capex of approximately \$600 million in 2026, mostly for offshore assets Papa-Terra and Atlanta, lowering to \$400 million in 2027 with the conclusion of offshore drilling campaigns.
- We assume dividend payments of 25% of the previous year's net income.
- Mostly stable gross financial debt in 2026-2027, at around R\$15 billion-R\$16 billion.

## Key metrics

### Brava Energia S.A.--Forecast summary

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. BRL)	2023a	2024a	2025e	2026f	2027f	2028f
Revenue	5,620	8,726	12,135	12,327	15,083	15,488
Gross profit	2,309	3,534	5,830	5,561	8,397	9,239
EBITDA (reported)	1,929	3,772	5,140	4,853	7,647	8,467
Plus/(less): Other	21	(733)	16	16	16	16
EBITDA	1,950	3,039	5,156	4,869	7,663	8,483
Less: Cash interest paid	(614)	(1,086)	(2,101)	(1,885)	(1,660)	(1,483)
Less: Cash taxes paid	(209)	(243)	(288)	(227)	(919)	(1,212)
Plus/(less): Other	255	484	605	452	351	468
Funds from operations (FFO)	1,381	2,193	3,372	3,210	5,435	6,255
Interest expense	664	1,212	2,330	2,072	1,821	1,626
Cash flow from operations (CFO)	395	768	2,368	2,249	4,499	5,339
Capital expenditure (capex)	839	2,975	2,808	3,317	2,279	2,704
Free operating cash flow (FOCF)	(444)	(2,207)	(440)	(1,069)	2,220	2,634
Dividends	--	95	--	409	292	752
Discretionary cash flow (DCF)	(444)	(2,469)	(440)	(1,478)	1,927	1,882
Debt (reported)	9,300	18,966	15,847	15,688	14,826	14,595
Plus: Lease liabilities debt	45	4,516	3,814	3,848	3,882	3,917
Plus: ARO debt adjustment	891	1,071	1,554	1,567	1,581	1,596
Debt: Total Return Swap	(2,444)	(3,222)	(2,751)	(2,775)	(2,800)	(2,825)
Debt: Acquisitions	1,964	2,424	1,414	821	230	209
Debt: Other (Yinson)	--	(1,981)	--	--	--	--

**Brava Energia S.A.--Forecast summary**

Debt	9,755	21,774	19,878	19,150	17,719	17,491
Equity	5,565	10,524	12,176	12,953	15,684	18,736
Cash and short-term investments	1,909	5,651	5,214	2,911	3,385	5,022
<b>Adjusted ratios</b>						
Debt/EBITDA (x)	5.0	7.2	3.9	3.9	2.3	2.1
FFO/debt (%)	14.2	10.1	17.0	16.8	30.7	35.8
EBITDA interest coverage (x)	2.9	2.5	2.2	2.4	4.2	5.2
CFO/debt (%)	4.0	3.5	11.9	11.7	25.4	30.5
FOCF/debt (%)	(4.6)	(10.1)	(2.2)	(5.6)	12.5	15.1
DCF/debt (%)	(4.6)	(11.3)	(2.2)	(7.7)	10.9	10.8
Annual revenue growth (%)	226.3	55.3	39.1	1.6	22.4	2.7
EBITDA margin (%)	34.7	34.8	42.5	39.5	50.8	54.8
Debt/debt and equity (%)	63.7	67.4	62.0	59.7	53.0	48.3

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. R\$--Brazilian real.

## Liquidity

We view the company's liquidity as adequate and expect sources over uses of cash to be about 1.4x over the next 12 months, supported by a relatively high cash position, solid cash generation, and smooth debt maturities. We anticipate continued good access to funding sources and ongoing refinancing of costly debt. Despite a larger liquidity cushion than in recent years, we still see capex for drilling and sustaining operations as a significant factor weighing on cash outflows.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none"> <li>• Cash position of R\$5.4 billion as of Sept. 30, 2025.</li> <li>• Cash FFO of roughly R\$3.2 billion in the next 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term debt of R\$821 million as of Sept. 30, 2025;</li> <li>• Payments for acquisitions amounting to R\$1.1 billion in the next 12 months, including US\$50 million already disbursed for Tartaruga Verde;</li> <li>• Working capital needs of R\$775 million over the next 12 months;</li> <li>• Capex of about R\$3.2 billion in the next 12 months; and</li> <li>• We assume dividends of around R\$430 million in 2026, 25% of 2025's net income.</li> </ul>

## Covenants

Brava is subject to restrictive financial covenants of acceleration on its debentures and incurrence on its syndicated loan and senior notes. After receiving a waiver from creditors in 2025, we expect the company to comply with covenant thresholds going forward.

Covenants are now measured in U.S. dollars, reducing the risk of foreign exchange variation as seen at the end of 2024. The original covenants require:

- Net debt to EBITDA below 3.0x from 2025 onward; and
- Asset coverage above 1.5x, calculated considering net proven reserves over total gross debt.

## Environmental, Social, And Governance

Environmental factors are a negative consideration in our credit rating analysis of Brava because of the downside risks for profitability and product demand amid the transition to renewable energy sources. Still, the company's focus on producing oil fields, with relatively lower production costs than for exploratory players, makes it more resilient to such a transition. Brava has some environmental projects related to renewable energy for its operations and the reduction of gas emissions, but they're in the early stages.

## Issue Ratings--Recovery Analysis

### Key analytical factors

The issue-level rating is one notch above the issuer credit rating, given its collateral package and our expectation of substantial recovery (rounded to 85% given our cap when assigning recovery ratings for entities under Brazilian jurisdiction). The collateral package includes the concession rights on Potiguar, Macau, Areia Branca, Reconcavo, and Rio Ventura, as well as equity interest in 3R Potiguar S.A., 3R RNCE S.A., 3R Bahia S.A., and 3R Offshore.

Our simulated default scenario for Brava assumes a sustained period of low commodity prices and high capex to support the company's growth strategy. This scenario is consistent with the conditions that surrounded previous defaults in this sector, which would create incentives for a debt restructuring even before the notes mature.

We based our valuation of Brava's reserves on a company-provided proven reserves report as of December 2024, using a price deck assumption of about \$50 per barrel for crude oil and a discount rate of 15%. In our view, Brazil is a less creditor-friendly jurisdiction than other countries such as the U.S., where we use a 10% discount rate.

### Simulated default assumptions

- Simulated default year: 2030
- Jurisdiction: Brazil

### Simplified waterfall

- Net enterprise value after 5% administrative costs: \$3.9 billion
- Senior secured debt: \$1.0 billion (senior secured notes and debentures)
- Recovery expectation on the secured notes: 85%
- Senior unsecured debt: \$2.1 billion (debentures and other bank loans)

All debt amounts include six months of prepetition interest.

## Rating Component Scores

**Rating Component Scores**

Component	
Foreign currency issuer credit rating	B+/Stable/--
Local currency issuer credit rating	B+/Stable/--
Business risk	Weak
Country risk	Moderately high risk
Industry risk	Moderately high risk
Competitive position	Weak
Financial risk	Aggressive
Cash flow/leverage	Aggressive
Anchor	b+
<b>Modifiers</b>	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	b+

## Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers](#), Dec. 7, 2016
- [Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments](#), Jan. 20, 2016
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

## Related Research

- [3R Petroleum Oleo e Gas S.A.](#), Jan 23, 2024

- [S&P Global Ratings atribui ratings 'brBBB' à Enauta Participações S.A. e 'brBBB+' às suas debêntures senior secured; perspectiva estável](#), Dec. 15, 2023

## Ratings List

### Ratings List

#### Ratings Affirmed; Outlook Action

	To	From
<b>Brava Energia S.A.</b>		
Issuer Credit Rating	B+/Stable/--	B+/Positive/--
<b>Ratings Affirmed; Recovery Ratings Unchanged</b>		
<b>3R Lux S.a.r.l.</b>		
Senior Secured	BB-	
Recovery Rating	2(85%)	

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