



Rating Action: Moody's Ratings affirms Natura's Ba2 Ratings; outlook changed to stable

16 Sep 2025

New York, September 16, 2025 -- Moody's Ratings (Moody's) has today affirmed the Ba2 backed senior unsecured rating of Natura &Co Luxembourg Holdings S.A.R.L. At the same time we assigned a Ba2 corporate family rating (CFR) to Natura Cosméticos S.A. We have also withdrawn the Ba2 long-term issuer rating of Natura Cosméticos S.A. and the Ba3 corporate family rating (CFR) of Natura &Co Holding S.A., following the completion of the merger of Natura &Co into Natura Cosméticos. The outlook of both Natura Cosméticos S.A. and Natura &Co Luxembourg Holdings S.A.R.L. was changed to stable from negative and the outlook of Natura &Co Holding S.A. prior to the withdrawal was negative.

RATINGS RATIONALE

Natura Cosméticos' Ba2 corporate family rating reflects its leadership in the Latin American beauty and personal care sector, anchored by strong market share in Brazil and a growing presence in Hispanic Latin America through the Natura and Avon brands. Since 2022, the company has undergone a significant strategic transformation, shifting from global expansion to a Latam-focused model by divesting non-core operations such as Aesop and The Body Shop, and moving forward with the divestment of Avon International. On September 15, Natura announced it has signed a binding agreement to sell its Avon CARD operations in Central America and the Dominican Republic to Grupo PDC, and is evaluating strategic alternatives for the remaining Avon International assets, which are currently classified as held for sale. This strategic refocus has simplified the corporate structure, reduced execution risk, and enabled management to concentrate on core markets, strengthening the company's financial and operational standing while preserving its leading position in Brazil.

The stable outlook reflects our expectation that Natura Cosméticos will maintain a strong market position in Latin America, continue generating positive free cash flow, and sustain leverage metrics consistent with the Ba2 rating category. We also expect the company to uphold conservative financial policies, prioritizing liquidity and cash generation over extraordinary dividends.

Natura's simplified structure and strategic refocus are expected to support further improvements in profitability and cash flow. Robust liquidity is underpinned by ongoing liability management and a comfortable debt maturity profile. Following the divestment of Avon International and the exit from The Body Shop and Aesop, Natura is less exposed to operational challenges and turnaround risks that previously pressured its rating and outlook. The company's focus on Latin America, where it has proven expertise in direct selling and digital channels, reduces geographic and operational complexity.

Natura Cosméticos' operating performance has strengthened over the past two years, with the Natura brand achieving solid growth and market share gains in Brazil, driven by higher consultant productivity, a richer product mix, and price increases. The near-completion of the Wave 2 integration of Avon and Natura in Latin America has resulted in margin recovery and operational efficiencies, with Moody's-adjusted recurring EBITDA margin in Latin America rising to 14.7% in Q2 2025 and to 11.5% on a consolidated basis. Consolidated revenue expanded by 46.6% year-over-year, led by the Natura brand in Brazil and Hispanic Latin America, while Avon continued to face revenue declines, reflecting a weaker innovation pipeline and ongoing restructuring.

Despite macroeconomic headwinds and execution risks, the company's disciplined working capital management supported improved profitability and cash generation. For the twelve months ended June 2025, the consolidated group reported net sales of BRL 24.5 billion and achieved Moody's-adjusted EBITDA of BRL 2.8 billion.

Natura maintains a comfortable consolidated amortization schedule, with no major maturities until 2028, and

strong relationships with local and international banks. It's liquidity position, with cash and equivalents totaling BRL 2.9 billion, supports ongoing investments and integration efforts.

The company's financial discipline over recent years is evident in its use of asset sale proceeds to reduce leverage, with Moody's-adjusted leverage declining to 2.8x as of June 2025, from 5.6x at year-end 2022. However, it remains essential that future dividend distributions do not compromise liquidity or leverage, nor result in persistent negative free cash flow. Prudent financial policies are critical to maintaining the current rating and outlook.

We have withdrawn the long-term issuer rating of Natura Cosmeticos S.A. and all ratings of Natura &Co Holding S.A., following the completion of the merger of Natura &Co Holding S.A. into Natura Cosmeticos S.A. approved at the general meetings held on April 25, 2025, and closed on July 30. As a result, Natura Cosmeticos became the group's operational holding company listed on B3's Novo Mercado.

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

We could consider an upgrade if Natura demonstrates sustained improvement in operating performance, further deleveraging, and a track record of positive free cash flow, with Moody's-adjusted gross debt/EBITDA sustained below 3.0x and EBITA/interest expense above 3.5x.

Conversely, the ratings could be downgraded if Natura fails maintain a positive trend after the full consolidation of the Natura and Avon brands in Latam, such that credit metrics or creditworthiness deteriorate, with Moody's-adjusted gross debt/EBITDA remaining above 4.0x and interest coverage (measured by EBITA/interest expense) below 2.5x without prospects for improvement. A deterioration in Natura Cosmeticos' credit quality resulting from larger than expected cash leakages due to Avon International's weak performance or persistent negative cash flow resulting from weak performance of aggressive dividend distributions could also lead to negative rating actions.

The principal methodology used in these ratings was Consumer Packaged Goods published in June 2022 and available at <https://ratings.moody.com/rmc-documents/389866>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

Natura Cosmeticos' scorecard-indicated rating for the twelve months ending June 2025 is Baa1, two notches above the assigned rating of Ba2. However, the forward-looking scorecard outcome aligns with the assigned rating at Ba2, reflecting the incorporation of Natura &Co in the credit metrics.

Natura Cosméticos is a leading cosmetics groups in Latin America, with a leading market position in Brazil and a strategic focus on Latin America. Operating through its two flagship brands, Avon and Natura, the company follows a multichannel approach and is one of the region's largest direct sellers, with approximately 3.2 million active representatives. For the 12 months that ended June 2025, Natura Cosméticos reported \$3.9 billion in revenue and a Moody's-adjusted EBITDA margin of 14.2%. Natura is renowned globally for its ethical practices and deep commitment to sustainability and stands out by developing products based on the biodiversity of Brazilian flora. This unique approach continues to differentiate the company in the beauty industry.

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